

VALNEVA

Société Européenne with a Management Board and a Supervisory Board

Share capital: €3,390,317.14

Registered office: 70, rue Saint Jean de Dieu, 69007 Lyon

Lyon Companies Register (RCS) No.: Identification no.: 422 497 560

REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD ON THE PREPARATION AND ORGANIZATION CONDITIONS OF THE SUPERVISORY BOARD AND THE INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE L225-68 SUBSECTION 7 OF THE FRENCH COMMERCIAL CODE

To the shareholders,

In accordance with the provisions of article L. 225-68, subsection 7, I hereby report to you the terms of the report on:

- + the composition of your board;
- + the conditions for the preparation and organization of the work of your Supervisory Board for the fiscal year ended 31 December 2013;
- + special procedures relating to participation of shareholders in the general meeting;
- + the internal control procedures implemented by the company;
- + risk management procedures;
- + the principles and rules established for determining remuneration and benefits granted to officers.

This report was approved by the Supervisory Board on April 18, 2014.

This report was drawn up in the light of market recommendations and in particular guidelines established for small and mid-caps within the framework of the AMF recommendations set forth in the "Internal Control Reference Framework" published on 22 July 2010.



Name	Appointment	Shares owned as of 21 March 2014	Number of equity warrants at 21 March 2014
Frédéric Grimaud Chairman of the Supervisory Board	(Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	235,127	0
Alain Munoz Member of the Supervisory Board	(Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	41,800	3,750
Michel Greco Member of the Supervisory Board	(Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	100	7,500
James Sulat Vice Chairman of the Supervisory Board Member of the Supervisory Board	(Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	13,500	0
Hans Wigzell Member of the Supervisory Board	(Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	0	0
Alexander Von Gabain Member of the Supervisory Board	(Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	» 22,048 ordinary shares » » 22,048 preferred shares	0
Anne-Marie Graffin Member of the Supervisory Board	(Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	0	0

In 2010 the Supervisory Board adopted the corporate governance code for small and mid-caps published in December 2009 by MiddleNext. The Company applies most recommendations of this code and presents in this report those recommendations not adopted and the reasons for this decision according to the "comply or explain" principle.

Furthermore, at its meeting on 21 March 2014, the Supervisory Board reviewed again the "vigilance points" of the MiddleNext code.

This report is based in large part on analysis and information collected by a steering committee under the direction of the Chairman of the Supervisory Board.

Valneva SE (hereinafter "the Company" or "Valneva") is a new European biotech company focusing on vaccines and antibodies, striving to become a leader in its field.



1. COMPOSITION OF THE SUPERVISORY BOARD

1.1 – Your Supervisory Board has seven members, all being individuals.

Frédéric Grimaud - Chairman of the Supervisory Board (age 49): After setting up a company providing services to businesses in the field of motivational management of human resources and quality, he joined the Grimaud family group in 1988, initially taking on commercial responsibilities in France. At the beginning of the 1990s, he headed the group's international development and later become involved in initiating *biotech* projects before assuming general management responsibilities and finally the chairmanship of the Management Board of Grimaud Group in the early 2000s.

Alain Munoz - Supervisory Board member (age 64): A graduate in cardiology and anaesthesia/resuscitation, Alain Munoz is a doctor, former staff doctor and hospital clinic manager. After being Vice-President of international development at Sanofi, he was Senior Vice-Chairman of the pharmaceutical division of the Fournier Group for ten years. Under his management, a number of drugs received international marketing licences (in particular Adenocard®, Cordarone®, Plavix®, Tricor®, and Esclim®). Dr Munoz is a former member of the Scientific Council ("Scientific Advisory Board") of the Drugs Agency (*Agence du Médicament*). He runs his own company focusing on the development of drugs and is an Management Board member of several European biotechnology companies.

Michel Greco - Supervisory Board member (age 70): Michel Greco is a graduate of the Institute of Political Science (*Institut d'Etudes Politiques*) in Paris (1965) and holds an MBA from Western Ontario University / Richard Ivey Business School (Canada, 1968). Deputy Managing Director and Management Board member of Aventis Pasteur for five years, Michel Greco has 35 years' experience in the pharmaceutical and vaccine industry. He is currently member of the Board of Immutep, Texcell, Noraker and Synthelis.

James Sulat – Supervisory Board member (age 63) - Mr Sulat, an American national, holds Master's Degrees in Business Administration and Health Administration from Stanford University. Mr Sulat has been a member of the Intercell AG Supervisory Board since January 2005. Mr Sulat currently serves as Vice-Chair of the Supervisory Board and Chairman of the Company's Audit and Governance Committee. He has also served as a member of the Board of Directors of the biopharmaceutical company Momenta Pharmaceuticals, Inc. since June 2008 and as Chairman of the Board of Momenta since December 2008. Mr Sulat served as Chief Executive Officer and Chief Financial Officer of the biopharmaceutical company Maxygen, Inc. from October 2009 until June 2013, while also serving on the Board of Directors. He also served as Chief Executive Officer, President, Chief Financial Officer and member of the Board of Directors of Memory Pharmaceuticals Corp. Mr Sulat further



served as Chief Financial Officer of R.R. Donnelley & Sons Co., of Chiron Corporation and of Stanford Health Services, Inc.

Hans Wigzell – Supervisory Board member (age 75) - A Swedish national, Professor Wigzell holds Doctorates in medicine and science from Karolinska Institute. Prof. Wigzell has been a member of the Intercell AG Supervisory Board since May 2006. He also sits on the Boards of Directors of Karolinska Development AB, Raysearch AB, SOBI AB and Sarepta Therapeutics. He has been President of the Stockholm School of Entrepreneurship since 2000.

Alexander Von Gabain – Supervisory Board member (age 64) - An Austrian national, Professor Alexander von Gabain holds a Doctorate in molecular biology from the University of Heidelberg, Germany. One of the co-founders of Intercell AG, Professor von Gabain was elected as a member of the Intercell AG Supervisory Board by the General Meeting of Shareholders of 10 June 2011. His term began on 1 July 2011. He currently serves as a scientific and strategy consultant for the Management Board of Intercell AG. He is a Professor of microbiology at the Max Perutz Laboratories of the University of Vienna and a foreign Associate Professor at Karolinska Institute in Stockholm, Sweden. He has acted as scientific consultant for the biotechnology company Zytotec Ltd. in Vienna since 2012 and as a member of the Supervisory Board of Functional Genetics in Gaithersburg since 2009. He also serves as Chairman of the Supervisory Board of INITS Universitäres Gründerservice Wien GmbH, an organisation associated with Viennese universities that aims to provide entrepreneurial support for new companies. Finally, he is a member of the WHO Stop Tuberculosis Committee. He has had a seat on the Governing Board of the European Institute of Innovation and Technology (EIT) since 2008, and has served as Chairman of the Board since September 2011.

Anne-Marie Graffin – Supervisory Board member (age 52) – A French national, Ms Anne-Marie Graffin holds a degree from ESSEC Paris. After beginning her pharmaceutical career in the group Fournier (URGO Soin et Santé) and Johnson & Johnson (RoC SA), Ms Graffin joined Sanofi Pasteur MSD in 1998. She rose from the position of Executive Director to that of Vice-President for Business Management, and finally to European Vice-President President Office with a seat on the Executive Committee until 2010. Today, Ms Graffin is an expert and independent director for industrial pharmaceutical companies and biotechnology firms. Ms Anne-Marie Graffin is a director of the Austrian company Themis Bioscience GmbH and of the company Nanobiotix.

(b) Supervisory Board members elected by employees: none.



*(c) Shareholders' Observers (Censeurs): Maïlys FERRERE, BpiFrance Participations,
Directrice d'investissement*

(d) Co-optations: none

(e) Number of qualifying shares to be held by each Supervisory Board member: none

(f) Number of women members: in compliance with Article L225-37 of the French commercial code (law of 27 January 2011), we hereby report to you on the application of the principle for a balanced representation of women and men on the Board. Our Supervisory Board has one female member. If the proportion of female members in the Supervisory Board remains the same at the June 2014 shareholder meeting, the Company will not be in compliance with the statutory requirement that not less than 20% of Supervisory Board members are female as from the date of that meeting.

(g) Mandate period: Recommendation 10 of the MiddleNext code does not impose provisions with respect to the term. In contrast, it is recommended that the Board ensure that the terms of appointments be adapted, within the limits established by the law to the specific characteristics of the company. The terms of Supervisory Board members are set by the Article of Associations at three years (one year being understood as the period between two consecutive annual general assemblies), in accordance with the law.



1.2 Other appointments held by Supervisory Board members and permanent representatives

Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
<p>Frédéric Grimaud Chairman of the Supervisory Board (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)</p>	<p>Management functions and appointments:</p> <ul style="list-style-type: none"> » Chairman of the Management Board of the Grimaud Group » Chairman of Grimaud Frères Sélection SAS » Chairman of Hypharm SAS » Chairman of Filavie SAS » Chairman of HUBBARD SAS until 31 January 2013 » Permanent representative of Hubbard Holding SAS as CEO of HUBBARD SAS since 1 February 2013 » Chief Executive Officer of HUBBARD HOLDING SAS » Chairman of the Board of Directors of Chengdu Grimaud Breeding Farm Ltd » Chairman of the Board of Directors of Grimaud (Putian) Breeding Farm Co Ltd (China) » Chairman of the Board of Directors of Grimaud (Deyang) Animal Health Co Ltd (China) » Chairman of Hubbard LLC (United States) » Chairman of Novogen » Member of the Steering and Management Committee of La Couvée SAS » Chairman of Grimaud Vietnam Company » Chairman of Choice Genetics SAS » Chairman of the Board of Directors of Pen Ar Lan SA » Chairman of GALOR SAS since 18 November 2013 » Chairman of BLUE GENETICS HOLDING since 31 May 2013 » Chairman of the Board of Directors of Blue Genetics Mexico since 26 July 2013 <p>Other directorships:</p> <ul style="list-style-type: none"> » Grimaud Italia SRL (Italy) » Choice Genetics USA LLC » Chairman of the Council of Choice Genetics Vietnam since 20 January 2013 <p>Supervisory Board:</p> <ul style="list-style-type: none"> » Supervisory Board member of Hubbard Polska Sp Zoo (Poland) » Permanent representative of the Grimaud Group as Supervisory Board member of France Food Alliance SAS » Supervisory Board member - Intercell Austria AG 	<p>Management functions and appointments:</p> <ul style="list-style-type: none"> » Chairman of Grimaud Freres Selection SAS » Chairman of the Board of Directors of La Canarderie de la Ronde SA until 19 June 2006 » Chairman of the Board of Directors of Couvoir du Moulin Brûlé SA until 29 April 2008 » Chairman of the board and CEO of Grimaud Farms of California Inc. (United States) until 31 July 2008 » - Chairman of Canarderie de la Ronde until 25 June 2009 <p>Directorships:</p> <ul style="list-style-type: none"> » Director of Hubbard Co Ltd (Asia) (Thai company voluntary liquidated on 12 February 2010) » Director of Hubbard Holding co Ltd (Thai company voluntary liquidated on 12 February 2010) » Director of Bucolica NV (Holland) until 13 March 2010 » Chairman of the Board of Directors of Grimaud (Malaysia) SDN BHD (voluntary liquidated)

Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
<p>Alain Munoz¹ Member of the Supervisory Board (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)</p>	<p>Supervisory Board:</p> <ul style="list-style-type: none"> » Member of the Supervisory Board of Zealand Pharma (Denmark) » Member of the Supervisory Board of Auris Pharma (Switzerland) » Member of the Supervisory Board of Medesis Pharma SA » Member of the Supervisory Board of Gentecel SA » Supervisory Board member - Intercell Austria AG <p>Director:</p> <ul style="list-style-type: none"> » Director of Hybrigenics SA <p>Other appointments:</p> <ul style="list-style-type: none"> » Manager: SARL Science and Business Management 	<p>Management functions and appointments:</p> <ul style="list-style-type: none"> » Chairman of Amistad Pharma SAS <p>Supervisory Board:</p> <ul style="list-style-type: none"> » Chairman of the Supervisory Board of Novagali Pharma » Member of the Supervisory Board of Erytech SA
<p>Michel Greco¹ Member of the Supervisory Board » (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)</p>	<p>Chairman:</p> <ul style="list-style-type: none"> » Noraker SAS (France) <p>Chairman of the Board:</p> <ul style="list-style-type: none"> » Glycovaxyn (Switzerland) <p>Director:</p> <ul style="list-style-type: none"> » Immutep » Texcell <p>Supervisory Board:</p> <ul style="list-style-type: none"> » - Supervisory Board member - Intercell Austria AG <p>Other appointments:</p> <ul style="list-style-type: none"> » Chairman of Hospital St-Joseph, St-Luc de Lyon » Director of the Fourvière Hospital of Lyon » Deputy Administrator and Director of the Industrial Pharmacy Institute of Lyon (IPIL) » WHO: Chairman of the "Measles Project" group and the "new vaccines STOP TB Working Group" 	<p>Supervisory Board:</p> <ul style="list-style-type: none"> » Chairman of the Supervisory Board - Intercell (Austria) until December 2012 <p>Directorships:</p> <ul style="list-style-type: none"> » Director - Vakzine Project management (VPM) (Germany) until September 2008 » Director of Vaxgen (United States) (2003-2008) » Director of IVI "International Vaccine Institute" (Korea) until 2010 » Director of Argos Therapeutics (United States) until start of 2012 » Director of IAVI (New York) – 2003-2012 » Director or Aeras TB Vaccines Foundation (Washington 2003-2012)
<p>James Sulat¹ Member of the Supervisory Board (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)</p>	<p>Directorships:</p> <ul style="list-style-type: none"> » Chairman of the Board of Directors – Momenta Pharmaceuticals Inc. <p>Supervisory Board:</p> <ul style="list-style-type: none"> » Vice-Chairman Supervisory Board - Intercell Austria AG <p>Management functions and appointments:</p> <ul style="list-style-type: none"> » Chief Executive Officer, Chief Financial Officer and Member of the Board of Directors – Maxygen Inc. 	<p>Supervisory Board:</p> <ul style="list-style-type: none"> » Member of the Supervisory board of Intercell AG (2005 to present) <p>Directorships:</p> <ul style="list-style-type: none"> » Chairman of the Board of Directors – Momenta Pharmaceuticals Inc. (2008 to present) <p>Management functions and appointments:</p> <ul style="list-style-type: none"> » Chief Executive Officer, President, Chief Financial Officer and Member of the Board of Directors – Memory Pharmaceuticals Corp. (2005-2008)

Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
Hans Wigzell¹ Member of the Supervisory Board (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	Directorship: <ul style="list-style-type: none"> » Member of the Board of Directors – Karolinska Development AB » Member of the Board of Directors – Raysearch AB » Member of the Board of Directors – SOBI AB » Member of the Board of Directors – Sarepta Therapeutics Supervisory Board: <ul style="list-style-type: none"> » Member of the Supervisory Board - Intercell Austria AG Other functions and appointments: <ul style="list-style-type: none"> » President – Stockholm School of Entrepreneurship 	Supervisory Board: <ul style="list-style-type: none"> » Member of the Supervisory Board of Intercell AG
Alexander Von Gabain¹ Member of the Supervisory Board (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	Supervisory Board: <ul style="list-style-type: none"> » Member of the Supervisory Board – Functional Genetics » Chairman of the Supervisory Board – INITSUniversitäresGründerservice Wien GmbH » Member of the Governing Board of the European Institute of Innovation and Technology (EIT) » Chairman of the Governing Board of the European Institute of Innovation and Technology (EIT) » Chairman of the Supervisory Board - Intercell Austria AG Other functions and appointments: <ul style="list-style-type: none"> » Professor of microbiology – Max Perutz Laboratories of the University of Vienna » Foreign Associate Professor - Karolinska Institute » Scientific advisor - Zytotec Ltd. » Member of the WHO Stop Tuberculosis Committee 	Supervisory Board: <ul style="list-style-type: none"> » Member of the Supervisory Board – Intercell AG » Member of the Supervisory Board – TVM Capital Other functions and appointments: <ul style="list-style-type: none"> » - Scientific and strategy consultant for the Management Board – Intercell AG
Anne-Marie Graffin Member of the Supervisory Board (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	Directorships: <ul style="list-style-type: none"> » Member of the Board of Directors – Themis Bioscience GmbH Supervisory Board <ul style="list-style-type: none"> » Member of the Supervisory Board – Nanobiotix » Member of the Supervisory Board - Intercell Austria AG Other mandates: <ul style="list-style-type: none"> » Managing Partner of SARL SMAG Consulting 	Directorships: 2008 to 2010: <ul style="list-style-type: none"> » Member of the Board of Directors - Sanofi Pasteur MSD S.A Spain » Member of the Board of Directors - Sanofi Pasteur MSD S.A Portugal » Member of the Board of Directors - Sanofi Pasteur MSD Limited UK » Member of the Board of Directors - Sanofi Pasteur MSD Limited Ireland » Member of the Board of Directors - Sanofi Pasteur MSD S.A Portugal

¹ Independent Member

The AMF report on corporate governance and internal control of 8 December 2009 (§ 1.3.1) draws attention to the issue of multiple appointments. The different members of the

Supervisory Board comply with the rules governing the holding of multiple appointments provided for in articles L225-21 and L233-16 of the French commercial code. Indeed, the members of the Supervisory Board do not simultaneously hold more than five appointments as Director or member of the Supervisory Board of companies, the head office of which is located in France, being understood that are not taken into account the directorships or supervisory board membership of companies which are controlled, within the meaning of Article L. 233-16, by the Company of which concerned member of the Supervisory Board is a director, and that directorships of companies whose shares are not quoted on a regulated stock market within the meaning of Article L. 233-16, and that are held by a single company, count as one directorship, subject to the number of such directorships held not exceeding five.

1.3 Independence of members of the Supervisory Board

1.3.1 Criteria for independence of the Supervisory Board members

We apply the criteria for the definition of independent Supervisory Board members as set forth in the MiddleNext code (recommendation No. 8):

"Four criteria have been retained to determine the independence of members of the board defined as the absence of any material financial, contractual or family relationship that could compromise their free exercise of judgment and notably, board members shall not:

- + be a current employee or corporate officer of the company or a company of its group or have been so within the past three years;
- + be a significant customer, supplier or banker of the company or its group, or for which the company or its group represents a significant part of its business;
- + be a main shareholder of the company;
- + be related by close family ties to an executive officer or a main shareholder;
- + have been an auditor of the corporation within the previous three years."

1.3.2 Number of Supervisory Board members qualified as independent

According to the criteria for independence defined above, the Company considers that Messrs. Greco, Munoz, Sulat, Von Gabain and Wigzell meet all these criteria and are consequently independent members. Accordingly, in compliance with the recommendation of the MiddleNext code, the Board includes at least two independent members (recommendation no. 8).



1.3.3 Conflicts of interest involving the Management Board, Supervisory Board and general management bodies

With the exception of Frédéric Grimaud who is second cousin of Franck Grimaud, Management Board member of the Company, there is no family relationship between any other Supervisory Board members of the Company;

It should be noted that until the merger in May 2013, Valneva (ex-Vivalis) was a subsidiary of Groupe Grimaud, in which Frédéric Grimaud is the CEO, and as such, Valneva has received benefits from its sister companies or its parent company until 31 December 2013. Indeed, under the terms of a “*Convention d'animation de groupe et d'autres prestations de services*”, Groupe Grimaud had the role to manage Vivalis/Valneva, member of the group, and to ensure its consistency and profitability. For this, Group Grimaud defined and controlled the policies and strategies in key functions: marketing, production, purchasing, research and development, human resources, finance, information systems, management and administration of companies.

In addition, the Grimaud Group had employees who performed for the Company, including the provision of services in the following areas:

- + Human Resources (including payroll),
- + Accounting, Tax, Treasury, Controlling and Finance, Purchasing,
- + IT, including:
 - » Access to networks group,
 - » Access to data servers,
 - » Access to internet, intranet and extranet,
 - » Use of hosted software, or whose licenses have been acquired, or have been the subject of internal development,
 - » Management of mail boxes.
- + Legal.

Where appropriate, Groupe Grimaud could also use external service providers specialized in the above fields to provide these services to the subsidiary.

In consideration of the items listed above, to the best knowledge of the Company, there is no potential conflict of interest between the duties, in respect of the Company, of the members of the Management Board and the Supervisory Board and their private interests and / or other duties.



To the best knowledge of the Company, there are no agreements or any agreement with certain major shareholders, customers, suppliers or others, pursuant to which a member of the Management Board or the Supervisory Board of the Company has been appointed in that capacity.

However, some restrictions were accepted in 2013 by the Management Board members of the Company, for the sale of their stake in the Company. Please, refer to Section 15.2 of the Annual Management Board Report 2013 of the Company, concerning the Shareholders ' agreement signed on July 5, 2013, between *Groupe Grimaud La Corbière, Bpifrance Participations*, M. Franck Grimaud, M. Majid Mehtali, M. Thomas Lingelbach and M. Reinhard Kandra.

1.3.4 Other persons present at Supervisory Board meetings

Management Board members are invited to attend every Supervisory Board meeting. Thomas Lingelbach, Chairman of the Management Board, Franck Grimaud, Managing Director, and Reinhard Kandra, CFO, have been present at all Supervisory Board meetings held since the merger with Intercell AG.

Also attending these meetings are Frédéric Jacotot, General Counsel and Secretary, and Maïlys FERRERE, as Observer.

The joint auditors are also invited to those Supervisory Board meetings that examine the half-year and annual financial statements.

2. CONDITIONS OF PREPARATION AND ORGANISATION OF THE WORK OF THE SUPERVISORY BOARD FOR THE FISCAL YEAR ENDED 31 DECEMBER 2013

2.1 - ROLE AND WORK OF THE SUPERVISORY BOARD OF VALNEVA

2.1.1 Role of the Board

The Supervisory Board shall exercise permanent control of the management of the Company carried out by the Management Board.

It shall appoint the members of the Management Board and set their remuneration. It shall designate the Chairman of the Management Board and possibly the chief executive officers. It may also pronounce their dismissal under the conditions provided by law and by the Articles of Association of the Company.

It shall convene the General Meeting of shareholders, in the absence of convening by the Management Board.



It shall carry out the verifications and inspections which it considers appropriate at any time of the year and may order the forwarding of documents which it considers necessary for carrying out its mission.

By a majority of present or represented members, pursuant to current legal and regulatory provisions, the Supervisory Board shall authorise the following agreements and operations, prior to their conclusion:

- (i) any assignment of property in kind;
- (ii) any total or partial assignment of investments;
- (iii) any establishment of sureties, as well as securities, endorsements and guarantees;
and
- (iv) any agreement referred to in article 22 of these Articles of association and subject, according to article L. 229-7 of the Commercial Code, to the rules set forth in articles L. 225-89 through L. 225-90 of the Commercial Code, which relates to the Supervisory Board's approval of regulated agreements, to the exception of agreements related to standard transactions concluded under ordinary conditions.

With a majority representing more than half of its members in office (i.e. for the first Supervisory Board, by a majority of 4 out of the 7 members in office), the Supervisory Board authorizes, prior to their conclusion, the following agreements and transactions:


- (i) approval of the annual budget;
- (ii) approval of the business plan;
- (iii) appointment and revocation of the members of the Management Board (*Directoire*) and executive officers, decision on their remuneration and leaving terms;
- (iv) submission of draft resolutions to the shareholders' meeting relating to any distribution (including distribution of dividends or reserves) to the shareholders;
- (v) approval of material changes in accounting policies;
- (vi) submission of draft resolutions to the extraordinary shareholders' meeting and exercise of delegations of authority or delegations of powers granted by the shareholders' meeting and relating to the issue of shares or securities granting access, immediately and/or in the future, to the share capital of the Company;
- (vii) share capital reductions and share buy-back programs;
- (viii) submission of draft resolutions to the shareholders' meeting relating to any amendment of the articles of association;
- (ix) acquisition and disposal of business branches, equity interests or assets for an amount exceeding EUR 1 million as well as any lease management (*location-*

- gérance*) of all or part of the *fonds de commerce*, except for the transactions previously submitted and approved as part of the annual budget or business plan;
- (x) assignments of rights relating to, and the licensing of antibodies, vaccines or related products for an amount exceeding EUR 1.5 million;
 - (xi) implementation of any capital expenditure for an amount exceeding EUR 1 million not previously submitted and approved as part of the annual budget;
 - (xii) implementation of any expense for recruiting a team for a total annual gross compensation (including social charges and withholding taxes) of EUR 1.5 million in the first year, and not previously submitted and approved as part of the annual budget;
 - (xiii) any implementation, refinancing or amendment to the terms of any borrowings (including any bonds) for an amount exceeding EUR 1 million, and not previously submitted and approved as part of the annual budget;
 - (xiv) allocation of options entitling their holders to subscribe to newly issued shares (*options de souscription d'actions*) or to acquire existing shares (*options d'acquisition d'actions*), allocation of free shares or other plans in favour of the Management Board members and key employees (*i.e* employees with an annual gross compensation in excess of EUR 100,000) ;any merger, spin-off , contribution, winding-up, liquidation or other reorganisation;
 - (xv) any merger, demerger, asset contribution, dissolution, liquidation or other restructurings;
 - (xvi) any settlement or compromise relating to any litigation of an amount exceeding EUR 500,000, provided that any settlement or compromise relating to a litigation of an amount exceeding EUR 250,000 will be reviewed by the audit committee of the Supervisory Board;
 - (xvii) any material change in the business; and
 - (xviii) any agreement or undertaking to do any of the foregoing.

At the annual Ordinary General Meeting, the Supervisory Board shall present its observations on the report by the Management Board, as well as on the annual financial statements to the Annual Ordinary General Meeting of shareholders.

The Supervisory Board may grant all of the special mandates or specific missions to one or several of its members, for one or several given objects.

The Supervisory Board may also appoint, from among its members, one or several specialised committees, the composition and attributions of which it shall set and which shall carry out their activities at its liability, without the said attributions having the object of delegating to the committees the powers exclusively attributed to the Supervisory Board by



the law or these Articles of Association, or the effect of reducing limiting the powers of the Supervisory Board.

2.1.2 Holding of the board meetings and attendance rate

Vivalis / Valneva Supervisory Board met 14 times in the 2013 fiscal year. The average attendance rate of the Supervisory Board such as composed prior to the merger was of 90% (over 5 meetings). The average attendance rate of the Supervisory Board such as newly composed pursuant to the merger was of 92,06% (over 9 meetings). The Supervisory Board members adhere in this respect to recommendation No. 7 of the MiddleNext code relating to Board conduct of business rules and notably meeting attendance.

A record of attendance is signed by all Supervisory Board members present.

However, it has to be noted that all members of the Supervisory Board, in its composition as of before and further to the merger with the company Intercell AG, could not necessarily be present at the mixed general meetings of shareholders held on March 7, 2013 and 28 June 2013; therefore, the Company did not comply in this respect with part of recommendation no. 7 of the MiddleNext code relating to Board conduct of business and notably meeting attendance.

Draft minutes are proposed for each meeting of the Supervisory board, that note all decisions of items on the agenda that are amended during the meeting as necessary. The minutes are submitted to every Supervisory Board member before the next Supervisory Board meeting, and are then approved and signed during such next Supervisory Board meeting.

2.1.3 Notification of meetings to Supervisory Board members and statutory auditors

Valneva establishes a provisional schedule for Supervisory Board meetings in year n for year n +1.

Furthermore, Valneva sends the Supervisory Board meeting notice approximately 8 days before it is to be held, by email to the Supervisory Board members, and by registered letter with acknowledgment of receipt for the joint auditors.

In advance of the Supervisory Board meeting, all documents, technical files and information necessary for the performance of their duties is provided to the seven members. The Management Board may inform Supervisory Board members of major events and provide all additional information outside meetings. The Company in consequence applies Recommendation 11 of the MiddleNext code.



Furthermore, Supervisory Board members are reminded of the confidential nature of items provided to them, including both the documents themselves as well as the accompanying e-mails or correspondence (MiddleNext Code Recommendation no. 7).

2.1.4 Purpose of meetings

For the period ended, the Supervisory Board, as composed under Vivalis, then for Valneva, reviewed and/or rendered decisions concerning the following subjects, classified by theme:

- + Guarantee for Novartis International AG;
- + Review of the statutory accounts for the period ended 31 December 2012, the Management Board report and the Management Board special reports;
- + Review of the consolidated financial statements for the fiscal year ended 31 December 2012, and of the Management Board report related to these statements;
- + Drafting of the Supervisory Board's report to the Annual General Assembly;
- + Agenda and resolutions of the Annual General Assembly;
- + Agreements of article L.225-86 of the Commercial Code;
- + Review and agreement on the report of the Chairman of the Supervisory Board on the conditions for the organisation and preparation of the work of the Supervisory Board and internal control procedures implemented by the Company;
- + Study of the policy with respect to equal treatment in the workplace and wages;
- + Management Board report;
- + Reviews of quarterly reports for 4 meetings out of 14;
- + Validation of achievement of objectives as a condition for variable compensation of Management Board members for fiscal year 2012;
- + Compensation of the Chairman of the Management Board and the Management Board members for the year 2013;
- + Remuneration of Majid MEHTALI and Céline BREDA with respect to their employment agreement;
- + Remuneration of the Chairman and Vice Chairman of the Supervisory Board;
- + Appointment of the Management Board members from the registration of the company as *Société Européenne* in the Trade and Companies Register of Lyon;
- + Compensation of the Chairman of the Management Board and the Management Board members from the merger;
- + Appointment of the Vice Chairman of the Supervisory Board from the registration of the company as *Société Européenne* in the Trade and Companies Register of Lyon;
- + Renewal of joint auditors' mandates and appointment of joint auditors;
- + Guarantee to be granted to the company Biotech Growth N.V;



- + Review of the agenda et draft resolutions of the Combined Shareholder meeting 2013;
- + Powers to be granted to Michel Gréco, in order to appoint him President of the Combined Shareholder meeting 2013; confirmation of such power;
- + Information on the company's activities and status of the merger;
- + Review and modification of the internal rules of the Supervisory Board, change on the Committees' name.
- + Review and approval of the internal rules of the Management Board;
- + Appointment of Committees members
- + Amounts to be paid to the former members of the Supervisory Board of Intercell AG for the period between October 1, 2012 and May 27, 2013;
- + Information on the new health insurance coverage for the corporate officers of Valneva SE;
- + Approval on the Management agreement to be signed with Franck Grimaud, Managing Director;
- + Approval on the Management agreement to be signed with Majid Mehtali, Member of the Management Board;
- + Information on the share capital increase, and other financing (planning, main conditions, approval on the declaration of the working capital to be included in the prospectus filed within the AMF;
- + Preparation of the next Supervisory Board meeting to be held on July 2 and 3, 2013 in Lyon;
- + Confirmation of the share capital increase launch and signature of the guarantee agreement with Crédit Agricole Corporate, Investment Bank and Société Générale;
- + Review and approval of the minutes;
- + Authorization for the asset transfer agreement to be signed with the fully-owned subsidiary of BE Vaccine PTE Limited;
- + Agreement on the sale of the building A, 6 Rue Alain Bombard, 44821 Saint-Herblain, France;
- + Allocation of attendance fees;
- + Termination of the Group management Agreement with Grimaud Group;
- + Review of interim financial statements for the period ended 30 June 2013 and the report on operations of the Management Board;
- + Authorization of an intra-group loan agreement;
- + Strategic Projects update;
- + Closure of Vivalis Toyama Japan K.K., subsidiary of Valneva;



- + Approval of the Code of Conduct;
- + Authorization for the modification of the Management Board organization;
- + Appointment of Ms. Anne-Marie GRAFFIN as member of the Nomination and Compensation Committee;
- + Approval concerning the issuance of stock-options by the Management Board;
- + Approval for the payment of the variable target-based compensation of Majid MEHTALI set for the year 2013, as a result of his capacity as Management Board member;
- + JEV update;
- + IC43-202 Steering Committee appointment;
- + Additional provisions concerning the Management Board members that will benefit from the stock-option plan authorized by the Combined shareholders meeting dated June 28, 2013, and approved by the Supervisory Board dated August 29, 2013;
- + Approval of an intercompany loan agreement between Valneva SE and Valneva Austria GmbH;
- + Adjustments on the number of option that the Management Board is willing to grant for the new stock-option plan "Valneva 2013";
- + Review and approval of a loan transaction between Biopharma Secured Investments III Sub, S.À R.L. ("Biopharma") on the one hand, and the Company, its Austrian subsidiary "Valneva Austria GmbH" ("Valneva Austria") and its indirect subsidiary "Valneva Scotland Ltd" ("Valneva Scotland") on the other hand; this transaction to include, among other things, a loan of USD 30,000,000 (as the principal amount) from Biopharma to Valneva Austria, a personal guarantee from the Company for the benefit of Biopharma, and a pledge of all Valneva Austria shares owned by the Company, as securities for all amounts owed to Biopharma under this loan;
- + Guarantee to be given by the Company for the lease taken out by its subsidiary "Valneva Austria GmbH";
- + Change in the loan transaction approved by the Supervisory Board on December 6, 2013 (lender replacement);
- + Expiration of share purchase warrants;
- + Reports and proposals from Committees;
- + 2014 Budget;
- + Corporate and Strategic Development.



2.1.5 Internal Rules of the Supervisory Board

In compliance with recommendation no. 6 of the MiddleNext Code, the Valneva Supervisory Board has Internal Rules, which can be consulted on the Valneva website: www.valneva.com. A hardcopy can also be requested from the following address: VALNEVA, 6, rue Alain Bombard, 44821 SAINT-HERBLAIN CEDEX, FRANCE, or at the following e-mail address: investors@valneva.com.

This charter sets forth the missions and objectives of the Supervisory Board and its committees, as well as its operating procedures.

2.1.6 Evaluation of the work of the Supervisory Board

In compliance with Recommendation 15 of the MiddleNext Code, the Supervisory Board conducted an evaluation of its work on March 21, 2014, by responding to the self-evaluation questions associated with the checkpoints stated in the Middenext Code.

2.2 COMMITTEES

In compliance with Recommendation no. 12 of the MiddleNext Code, the Company creates committees in light of its own situation.

2.2.1 Nomination and compensation Committee

Composition

The nomination and compensation Committee is composed of 4 Members, as follows:

- + Alain MUNOZ, Chairman of the Committee
- + Michel GRECO
- + Alexander VON GABAIN
- + Anne-Marie GRAFFIN

The Committee meets as often as the interests of the Company require, and at least two (2) times per year.

Mission

The Committee issues proposals to the Board on all aspects of managers' appointment and remuneration.

It draws up succession plans for corporate officers and Members of the Supervisory Board so as to be able to propose replacements to the Supervisory Board when a seat falls vacant.

As part of its mission, the Committee shall have the following specific responsibilities:

- a) With respect to appointments, the Committee shall:



- + issue recommendations on the appropriateness of appointments, revocation, dismissal and renewal of appointment of the Members and Chairman of the supervisory Board, of members and Chairman of the Committees and of members and Chairman of the Management Board, and to issue recommendations on the candidates considered, in terms of expertise, availability, appropriateness and complementarity with other Members and Management Board members;
- + be in a position at any time to formulate proposals on potential successors to the Chairman of the Management Board or to the Chairman of the Supervisory Board; and
- + issue recommendations, upon Management Board request, on the acceptance of and resignation by the Company from any office as member of the board of directors or any equivalent body of another company and on the appointment and dismissal of permanent representatives of the Company on such board of directors or equivalent bodies;

b) In the area of remuneration, the Committee shall:

- + examine and make proposals with respect to the various components of corporate officers' (including Management Board members) remuneration, the allocation of incentive bonuses and all the provisions relating to retirement benefits and any other kind of benefit;
- + ensure the consistency of these rules with the annual assessment of the corporate officer's performance and with the Company's strategy, and verify that these rules are applied properly;
- + make recommendations to the Supervisory Board relating to the overall amount of Members' attendance fees to be proposed to the general meeting of shareholders and on the allocation of these attendance fees between Members of the Supervisory Board;
- + examine the Management Board's policy and projects with respect to rights issues reserved to employees; and
- + assist the Board in the drafting of sections of the annual report that fall within its scope.

2.2.2 Audit and governance Committee

Composition

The Audit and Governance Committee is composed of 3 Members, as follows:



- + James SULAT, Chairman of the Committee
- + Michel GRECO
- + Hans WIGZELL

The Committee meets as often as the interests of the Company require, and at least two times per year.

Mission

The Committee shall deal with questions of accounting and audit and prepare the adoption of the financial statements and monitor the implementation of proper risk management processes. In addition, the Committee shall monitor the independence of the statutory auditors, especially with respect to the additional services provided to the Company (audit-related and non-audit-related services). The Committee shall review the reports issued by the statutory auditors, the Management Board and the Supervisory Board.

The Committee shall also provide advice on and monitor the implementation of the corporate governance and corporate compliance policies of the Company.

As part of its purpose, the Committee shall have the following specific responsibilities:

- + review, audit and monitor the implementation of and issue recommendations on the following items:
 - » scope of consolidation , accounting methods and audit procedures ;
 - » quarterly, half-yearly and annual financial statements, and in particular provisions, material risks and off-balance sheet commitments;
 - » accounting positions relating to material transactions;
 - » proposed adoptions of material changes to accounting methods;
 - » Company's financial position;
 - » review by the statutory auditors of the half year and annual statutory accounts and consolidated financial statements; and
 - » procedures for preparing information provided to shareholders and to the market and Company press releases relating to accounting and financial information;
- + oversight of the statutory auditors and monitoring of the independence of the statutory auditors:
 - » steering of the selection procedure applicable to the statutory auditors;
 - » submission of recommendations to the Board on the Management Board 's proposals to the general meeting of shareholders with respect to appointing, replacing and reappointing the statutory auditors;

- » assessment of the amount of fees paid to the statutory auditors and recommendation thereon to the Management Board; and
- » monitoring that the statutory auditors comply with the rules governing their independence;
- + oversight of internal audit procedures and monitoring the efficiency of internal and risk management procedures:
 - » submission of recommendations on the mission and organization of the Company's internal audit department and its action plan;
 - » review of the main conclusions made by the internal audit department within its work, followed by a report to the Board; and
 - » review of the contribution of the internal audit department within the evaluation of the risk management process and of the internal control.

The Committee meets prior to any Supervisory Board meeting called to deliberate on the review or approval of the financial statements, the financial management report, presentation of budgets for the coming year, or the review of risks and internal control procedures.

The Committee's review of the financial statements shall be accompanied by a presentation by the statutory auditors highlighting the key points not only of the results but also of the accounting choices made, and a presentation by the finance department of the Company's risk exposure and significant off-balance sheet commitments.

2.2.3 Strategy Committee

A strategy Committee has been provided within the Internal Rules of the Supervisory Board. However, this Committee is not yet effective.

The main provisions relating to this Committee in the Internal Rules of the Supervisory Board are hereinafter detailed:

Composition and operation

The strategy Committee shall be composed of at least three Members or their permanent representatives appointed by the Supervisory Board.

The Committee shall meet as often as the interests of the Company require, and at least two times per year.

Quorum and majority

Decisions of the Committee shall be valid if taken by a simple majority of votes cast at the meeting with no casting vote for the Chairman in the event of a tie. Such decisions shall be validly adopted only if at least half of the members are present or represented or are deemed to be present.



Mission

The Committee shall:

- + review and issue recommendations to the Supervisory Board on projects for the strategic plans and annual budgets of the Company drawn up by the Management Board. In this respect, the Committee may interview the Management Board members on the assumptions applied in drawing up the said plans;
- + review and issue recommendations to the Supervisory Board on the creation of any business division or subsidiary, on investments in any business division or on the acquisition of any equity interest in a country in which the Company does not operate;
- + review and issue recommendations to the Supervisory Board on all proposed mergers, spin-offs or asset transfers in connection with the Company; and
- + review and issue recommendations to the Supervisory Board on any transaction entailing a significant alteration in the scope of the business activities of the Company and its subsidiaries.

3. SPECIAL PROCEDURES FOR THE PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS

Procedures concerning the participation of shareholders in general meetings are described in article 27 of the Articles of Association of the company that can be consulted (in French) at Valneva' website: www.valneva.com. A hardcopy can also be requested from the following address: VALNEVA, 6, rue Alain Bombard, 44821 SAINT-HERBLAIN CEDEX, FRANCE, or at the following e-mail address: investors@valneva.com.

4. INTERNAL CONTROL PROCEDURES RELATING TO OPERATING AND FUNCTIONAL PROCESSES

4.1 Purpose of internal control procedures and inherent limitations

The purpose of internal control is to ensure:

- + compliance with laws and regulations;
- + the application of instructions and priorities set by the Management Board;
- + the effective functioning of internal control procedures of the Company; notably contributing to safeguarding its assets;
- + the reliability of financial information.



The objective of the internal control system is to prevent and manage risks inherent in the company's operations and the risks of errors or fraud, particularly in the accounting and finance areas. As in all systems of control, it cannot provide an absolute guarantee of eliminating these risks.

4.2 General organisation and implementation of internal control procedures

4.2.1 –Participants in internal control processes

Given the size of the Company, Valneva does not currently have a dedicated internal control department. In contrast, a number of parties are responsible for and intervene in the area of internal control, including first and foremost, the Management Board, the Supervisory Board and its two committees. In addition, the Executive Committee, the Financial department, the Legal department, and the quality assurance team also play a major role.

The Management Board

The Management Board defines the objectives of the Company as well as the resources to be deployed to attain these objectives. To this purpose, the Management Board ensures compliance with these objectives.

The Management Board must ensure that acts of management or the conduct of operations as well as the behaviour of personnel adhere to the framework defined by the priorities set for the Company's activities by the corporate bodies, the laws and applicable regulations and by the values, standards and internal rules of the Company.

The Supervisory Board

The role of the Supervisory Board in the area of internal control is presented in the first part of this report. This board is assisted in this mission by two committees.

The Executive Committee

The EC currently includes seven members:

- + Thomas Lingelbach, CEO
- + Franck Grimaud, CBO
- + Reinhard Kandra, CFO
- + Frédéric Jacotot, General Counsel
- + Kerstin Westritschnig, Clinical and Medical Affairs
- + Nick Maishman, Manufacturing
- + Frédéric Legros, Business Development

The Executive Committee is chaired by the CEO.



The Executive Committee meets once a month to review the performance of the company, notably from a commercial and management perspective. The EC confirms that the objectives set by the Management Board and approved by the Supervisory Board are respected. It also considers all operating and organisational issues placed on the agenda by each of its members.

At the end of each meeting, a report is drafted and given to all participants with a list of action points.

The Finance department

The Chief Finance Officer ensures the conformity with accounting and financial regulations. He also provides the Management Board with cost accounting and financial information serving as tools for the budget management of the company.

The Legal department

The General Counsel is responsible for safeguarding the Company's legal interests and ensuring compliance with applicable laws and regulations.

Quality assurance

Valneva manufactures marketed vaccines pre-clinical and clinical batches of vaccines and proteins. Valneva also manufactures master cell or virus banks. For this purpose, Valneva must comply with regulations developed by several governmental authorities and is subject to inspection by regulatory authorities.

To ensure compliance with the regulatory requirements, Valneva has a quality assurance department and quality assurance systems. In compliance with Good Manufacturing Practice (GMP), internal and external audits are conducted to ensure compliance with GMP and implementation of the relevant procedures.

4.2.2 Internal control procedures

4.2.2.1 Analysis of risks

Valneva conducted an in-depth analysis of its risks. Risks incurred by Valneva are described in detail in Section 3 of the Annual Management Board Report 2013 of the Company. These include:

- + Risks relating to the Company's business
- + Financial risks
- + Legal risks
- + Market risks



4.2.2.2 Internal control procedures implemented other than those relating to the production of accounting and financial information

Procedures are established to ensure that the main risks are managed internally in accordance with the objectives defined by the Company's Management Board.

In respect of business-related risks, meetings of each department head and the Chief Executive Officer are organised.

With respect to scientific matters, the Company also retains the services of consultants on certain specific topics to validate its choices.

Concerning intellectual property risks, the Company has an intellectual property manager that ensures permanent oversight by conducting notably reviews of the status of intellectual property with the assistance of a specialised firm. For every new activity launched, studies are conducted. Studies are also conducted regularly for the older technologies. The Company can in this way determine if there is a need to acquire a new licence.

As an additional measure, the Company has taken out insurance policies covering the main insurable risks for amounts that it deems to be compatible with the nature of its business. For example, risks related to product liability are covered up to twenty million euros.

The Company thus safeguards its property and intangible assets. The Company has in addition established systems for the double storage of data and its cells at different sites.

For market and financial risks, the Company monitors its cash position on a monthly basis.

In the light of current volatility in financial markets, the Company applies a conservative and prudent strategy of financial management. The Company's assets are allocated among several French, UK and Austrian banking institutions with several different vehicles in each (open-end investment funds, mutual funds, fixed-term accounts, etc.).

With respect to UCITS funds, the company favours use of money market funds. Valneva excludes use of SICAV open-ended investment funds and mutual funds that seek to boost their performance by investing in risk assets.

For risks related to accounting and financial information, details on procedures adopted are presented in the following section.

4.2.3 Internal control procedures relating to the preparation of accounting and financial information

4.2.3.1 - Internal control objectives relating to accounting and financial information

Internal control procedures relating to the processing of accounting and financial information are destined to ensure:



- + Reliability of the Company's financial statements established in accordance with French GAAP;
- + Reliability of the Company's consolidated financial statements established in accordance with IFRS;
- + Effective management of risks of errors, fraud, inaccuracies or omissions of material information in the financial statements concerning the financial position and the assets and liabilities of the Company.

4.2.3.2 - Participants

These include the Management Board, the financial department, under the oversight of the Supervisory Board and the Audit Committee.

The accounting and financial organisation is based on the principle of the separation of functions and the knowledge of the responsibilities of each function.

The separation of functions is effective as the finance department is split into accounting and controlling function, whereas the purchasing department is a separate department.

Concerning the knowledge of the responsibilities of each, an organisation chart exists with a description of each function. In addition, a number of procedures exist, particularly in the area of purchasing.

4.2.3.3 - Forward-looking management tools

The medium-term business plan is an internal document drafted by the Management Board. Its purpose is to define the objectives of the Company over a period of a few years with a breakdown of specific objectives for each activity. It is updated on a regular basis in the light of decisions concerning strategic priorities and market developments.

The budget is established according to IFRS after the Management Board has defined the strategic priorities. Every year, the controlling function meets with all department managers and project heads. The controlling function then gives the different options to the Management Board. The Management Board, according to the priorities developed in the business plan, makes choices concerning operating expenses, capital expenditure and human resources. This budget is presented to the Executive Committee. The budget is then submitted to the Supervisory Board for approval.

The Supervisory Board is informed of the Company's cash position monthly, and is given a detailed presentation of the profit and loss statement and cash position in comparison to the budget in quarterly meetings.

All these documents are for internal use only and are not available to the public.



4.2.3.4 – Intermediate balances

Every month the financial department produces an IFRS statement of intermediate balances that applies the general principles for annual closings with the exception of corporate income tax and the calculation of the research tax credit and calculation of deferred revenues. These intermediate balances are also restated in a cost accounting format by project to serve as a tool for monitoring business performances.

A schedule for producing monthly balances is drafted by Valneva's financial department and the accounting departments of the Group including a breakdown of tasks, the party responsible for each task and deadlines for completion. The deadlines for the remittance of documents according to this schedule are validated by all parties.

Intermediate balances are established by combining information from financial and cost accounting data. For cost accounting data, the accounting department has different software applications to record the amount of time worked by each employee, and a software application for managing purchases of consumables by project.

Intermediate monthly financial reports are provided to each manager and department head for his or her area of responsibility and to the Executive Committee, the Management Board and the Supervisory Board, thus providing a tool to monitor actual results in relation to budget.

All these documents are for internal use only and are not available to the public.

In the light of its size, Valneva is not subject to obligations relating to the prevention of corporate difficulties. In consequence, it does not make financial documents and reports designed for this purpose.

4.2.3.5 - Preparation of financial statements

(a) Participants

The preparation and processing of the separate annual and consolidated financial statements and the interim consolidated financial statements is assured by the Head of Corporate Accounting and Tax of Valneva and the accounting departments of the various Valneva group entities.

For tax matters, the team also uses the service of tax lawyers that have two primary missions as:

- + consultants on questions relating to tax, tax techniques or the interpretation of regulations;



- + controllers of year-end tax statements prepared by the accounting department (statement 2065 and related schedules).

(b) Information collection and processing

Information is collected in the same way as for intermediate balances.

For the annual consolidated and unconsolidated financial statements, a work program for tasks is drafted by the Valneva's financial department providing a detailed breakdown of tasks, the party responsible for each task and deadlines for completion. The deadlines for the remittance of documents according to this schedule are validated by all parties.

The financial department also drafts a document listing all points that need to be verified to identify risks and avoid any risk of fraud or errors.

Furthermore, accounting options relating to key points (for example the treatment of development expenditure and the amortisation of capitalised development expenditure, the evaluation of inventory, the interpretation of complex material contracts) are discussed in meetings organised prior to the closing of annual and interim financial statements. This is also the case for changes in accounting principles that would have a material impact on the presentation of financial statements. Participants include the Chief Financial Officer, the Chief Business Officer, the Chief Executive Officer of Valneva, Valneva's Head of Corporate Accounting and Tax.

A meeting is subsequently organised for the purpose of taking into account the observations of the joint auditors. This meeting is attended by the Chief Financial Officer, the Chief Business Officer, the Chief Executive Officer of Valneva Management Board, Valneva's Head of Corporate Accounting and Tax, Group accountant and the Chief accountant of Valneva SE. The joint auditors are also present at the meeting.

Additional meetings may be organised as needed to ensure that accounting and financial information contained in the different statutory documents (Management Board reports, Management Board meeting minutes, Supervisory Board reports, Supervisory Board meeting minutes, agendas and draft resolutions of shareholders' meetings) remain coherent with the accounting.

The consolidated financial statements of Valneva Group and the separate financial statements are audited by the joint auditors, Deloitte et Associés, represented by Mr. Gros and PwC, represented by Mr. Charron.

The half year interim financial statements are subject to a limited review by the joint auditors, whereas the quarterly interim financial statements are not reviewed by the joint auditors.



(c) Accounting and financial information systems

The accounts for the fiscal year 2013 are maintained on an AS400 mainframe using an accounting application and Microsoft Dynamics AX ("AX"). Since the beginning of 2014, all entities of the Valneva group have switched to the Microsoft Dynamics AX system, as the ERP system of the Valneva group, in the context of post-merger integration activities.

The "GAEL" accounting application interfaces with two other applications used by companies of the Grimaud Group for cash management and payroll. "AX" interfaces with the payroll. Valneva performs regular reconciliations between these different applications.

Fixed assets and depreciation and amortization are also processed by GAEL. In addition, Valneva benefits from a software application developed by the Grimaud Group to meet requirements under new accounting standards entering into force on 1 January 2005 and monitoring fixed assets and the calculation of depreciation and amortisation expenses. Valneva carries out a reconciliation of these two applications at least once a quarter.

Fixed assets and depreciation and amortization of the Ex-Intercell Business is processed directly in AX. From the beginning of 2014, all entities of the Valneva group have been using the AX system.

Given the limited volume processed by Valneva, supplier and customer invoices were, until end of 2013, recorded in the accounts without using specialised software applications designed for these purposes. Since the beginning of 2014, supplier invoices are recorded through the ERP system "AX".

At year-end, GAEL accounting data for the Valneva SE entity is then transferred to the « *Etats Comptables et Fiscaux* » software application of SAGE in order to:

- + establish separate annual financial statements under French GAAP on the basis of the official format;
- + establish the 2065 tax declaration and the related schedules;
- + electronically transmit the tax statement.

With respect to the consolidated financial statements, accounting data from AS400 is imported into AX and consolidated in AX.

Regularly, computer data is backed up and stored on magnetic tapes that are themselves stored for safekeeping in a safe.

As for source data (contracts, minutes, etc.), an original and a copy exist for each document. A copy of each of these documents is maintained at one of the Valneva sites (generally, at



the site concerned by such document), while copies are shared through the internal network of the Company (with restricted access).

(d) Identification and analysis of risk affecting accounting and financial information

When the financial statements are prepared, the financial department follows a document listing all tasks, operations and controls that need to be verified to identify risks and avoid any risk of fraud or errors.

In addition, Valneva has documented the key processes by identifying the key controls.

(e) Oversight

The Company carries out normal oversight for example on account closings such as conducting inventories, or performing bank reconciliations.

The Company has a matrix for authorizing purchases and invoices and has documented the key processes by identifying the key controls.

(f) Other accounting and financial information destined for shareholders

In connection with special corporate actions (the issue of stock options, the exercise of the corresponding rights, capital increases, etc.), it may be necessary to provide shareholders with accounting and financial information. This information is, according to its nature and the specific obligations that apply to the operation in question, prepared in coordination with Valneva's Management and the General Counsel to be incorporated in statutory documents.

These operations are frequently subject to a report of the joint auditors and/or and equity auditor.

4.2.3.6 Financial and accounting communication

The finance and legal departments have established a schedule for the publication of mandatory disclosures.

The Registration Document is drafted jointly by the finance and legal departments and reviewed by the Company's auditors.

5. LIMITATIONS IMPOSED ON THE POWERS OF THE MANAGING DIRECTOR BY THE BOARD

Obligations on disclosures relating to limitations imposed by the Supervisory Board on the powers of the Managing Director concern only French public limited companies (*sociétés anonymes*) governed by a Board of Directors. Valneva is a *Société Européenne* with a dual system of governance composed of a Management Board and Supervisory Board, and therefore, is not concerned.



6. PRINCIPLES AND RULES TO DETERMINE REMUNERATION

The Company applies Recommendation 2 of the MiddleNext Code on the definition and transparency of compensation of directors and officers. The Company presents below the principles governing its compensation policy.

6.1 Combination of employment contracts with position of corporate officer

MiddleNext Code recommendation 1 provides that the suitability of holding an employment while serving as a corporate officer shall be determined by the Board and in light of regulations.

For companies with a Management Board and a Supervisory Board, this recommendation applies to the Chairman of the Management Board.

The Chairman of the Company's Management Board does not have any employment contract with Valneva SE; however, he has such a contract with Valneva SE's subsidiary "Valneva Austria GmbH". This contract complies with Austrian laws and was entered into prior to the Vivalis/Intercell merger and the appointment of Mr. Lingelbach as Chairman of the Company's Management Board.

6.2 Fixed remuneration

Management Board members receive fixed remuneration as well as fringe benefits.

For information, the fixed remuneration is based on an assessment of the market, the individual performances of the officer and his or her responsibilities (Middlenext Code, recommendation no. 2).

Concerning the fringe benefits, one member of the Management Board has unemployment insurance whose cost is incurred by the Company. The Company provides also payment for a revocable (combined) death and endowment insurance, whose cost is at the charge of the Company.

Detailed information on fixed remuneration and fringe benefits of the Management Board members for fiscal year 2013 is provided in Section 17 of the Annual Management Board Report 2013.

6.3 Variable remuneration

Board members will receive variable remuneration, with the variable part representing a percentage of the fixed remuneration.

The variable portion is paid only after the Supervisory Board has determined that objectives have been met. These objectives are set by the Board based on recommendations made by the Nomination and Compensation Committee.



The Supervisory Board is authorised to grant variable remuneration only on the basis of defined rules.

The objectives are defined for each officer according to the objectives of the Company. A coefficient is associated with each objective.

Generally, a progress review on the achievement of objectives is undertaken in the middle of each year by the Nomination and Compensation Committee.

Detailed information on variable remuneration of the Management Board members for fiscal year 2013 is provided in Section 17 of the Annual Management Board Report 2013 of the Company.

6.4 Stock option and/or bonus share plans

Concerning stock option and bonus share plans, for the purpose of providing incentives and developing loyalty of each member of its team, the Company has always been willing to make its employees benefit from stock-options or free shares, through implementation of several plans (see Section 12 of the Annual Management Board Report 2013 of the Company). The Company consequently applies MiddleNext code recommendation 5 on stock-options and free shares grant conditions. The number granted to each employee depends notably on his or her classification.

One allocation of free shares and another of stock-options have been made during 2013. Corporate officers have been concerned by the new stock-options plan set by the Company on October 2, 2013.

As for the case of corporate officers, grants of free shares or options have been linked to achievement of major objectives of the Company. However, certain stock options or bonus shares may be granted to corporate officers without reference to performance criteria. In this respect, the Company does not apply the MiddleNext code recommendation 5 on the exercise and vesting conditions for bonus shares and stock options. In contrast, the Company links the vesting of grants or the exercise of stock options to criteria of attendance (except in case of divestitures) given that the primary objective of the Company is to provide incentives for the retention of its officers and/or key management that may also be employees. The Company in this way ensures that it provides an attractive level of compensation in line with that generally applied in the pharmaceutical industry. However, as the Company cannot provide the same level of remuneration as that of the pharmaceutical industry, the grant of stock options and/or bonus shares provides a means for offsetting this difference.



It is furthermore provided that a percentage of bonus shares of shares issued from stock-options plans be held by the Corporate officers in registered form until the officers no longer exercise their functions.

Most of the plans for stock options and bonus shares are not concerned with discount. Indeed, only the latest stock-options plan set up in 2013 applied, on the exercise price of the options, a discount exceeding 5% with respect to the average closing share price of Valneva shares on the twenty stock exchange trading days on Euronext Paris preceding the date the options were granted.

More detailed information on stock-options/free shares grants to company officers is available in the special reports of the Management Board made in accordance with articles L.225-177 to L.225-186 of the French Commercial Code, and L.225-197-1 to L.225-197-3 of the French Commercial Code, as well as in Section 17 of the Annual Management Board Report 2013 of the Company.

6.5 Severance benefits

MiddleNext Code recommendation 3 provides provisions with regard to the allocation of Severance Benefits to corporate officers of a company.

The Company has set severance benefits conditions concerning Franck Grimaud, through its "Management Agreement" concluded with the Company, as well as concerning Thomas Lingelbach and Reinhard Kandra, who are under an "Employment and Management Agreement" with the subsidiary Valneva Austria GmbH.

Please, refer to Section 15.10 of the Annual Management Board Report 2013 of the Company for further details on the severance benefits clauses set for the Management Board members of the Company.

In consideration of the foregoing, it appears that certain aspects of the severance benefits allocated to the corporate officers of the Company do not comply with MiddleNext Code recommendation 3.

6.6 supplementary retirement schemes

The Company has no supplementary retirement scheme. In consequence, MiddleNext Code 4 is not applicable to the Company.

6.7 Attendance fees

Further to the merger with Intercell AG, on June 28 2013, the shareholders' general meeting voted to allocate attendance fees of €240,000 from June 1, 2013 until May 31, 2014. These attendance fees were granted by the Supervisory Board to the members of the Supervisory Board. In contrast to the guidelines of MiddleNext Code recommendation 14, this allocation



is not linked to meeting attendance. In effect, the Company has not experienced any difficulties in respect of attendance (cf. §2.2.2 of this report), as its members remain present and available to fulfil the duties of their appointment.

7. In compliance with Article L225-100-3 of the French commercial code, we inform you that information concerning the structure of the capital and items with a potential impact on public offerings is provided in Section 15 of the Annual Management Board Report 2013 of the Company.

April 18, 2014

Frédéric GRIMAUD

Chairman of the Supervisory Board

