



## **PACIFIC BIOSCIENCES OF CALIFORNIA, INC.**

### **CORPORATE GOVERNANCE GUIDELINES**

These guidelines have been adopted by the Board of Directors (the “Board”) of Pacific Biosciences of California, Inc. (the “Company”) for the purpose of establishing the corporate governance policies pursuant to which the Board intends to conduct its oversight of the business of the Company in accordance with its fiduciary responsibilities.

#### **1. Role of the Board**

The role of the Board is to oversee the performance of the chief executive officer (“CEO”) and other senior management in the competent and ethical operation of the Company on a day-to-day basis and assures that the long-term interests of stockholders are being served.

#### **2. Selection of Chairman of the Board and CEO**

The Board shall fill the Chairman of the Board and CEO positions based upon the Board’s view of what is in the best interests of the Company. The CEO and Chairman may, but need not be, the same person.

#### **3. Lead Independent Director**

In order to facilitate communication between management and the outside Directors, in the event that the Chairman of the Board is not an independent Director, the Board should elect a Lead Independent Director, who will have the responsibility to schedule and prepare agendas for meetings of outside Directors. The Lead Independent Director will communicate with the CEO/Chairman, disseminate information to the rest of the Board in a timely manner and raise issues with management on behalf of the outside Directors when appropriate.

#### **4. Board Committees**

*Standing Committees:* The Board currently has three standing committees: the Audit, Compensation, and Corporate Governance and Nominating Committees. New committees may be formed as determined by the Board.

*Committee Membership:* All of the members of the standing committees will meet the then-effective criteria for independence established by NASDAQ, and in the case of the Audit Committee as defined by the Sarbanes-Oxley Act of 2002 and the independence definition set forth in Rule 10A-3 of Exchange Act.

*Standing Committee Member Assignments:* The Board appoints the members and chairs of each standing committee upon recommendation by the Corporate Governance and Nominating Committee, annually.

*Standing Committee Charters:* Each standing committee will have its own charter, which will set forth the purpose, membership requirements, authority and responsibilities of the committee.

*Meetings and Agenda:* The chairman of the committee will determine, in consultation with standing committee members and members of management, and in accordance with the standing committee's charter, the frequency and length of standing committee meetings and the standing committee's agenda. Each standing committee will establish, to the extent foreseeable and practical, a schedule of agenda items to be discussed during the year. The schedule for each standing committee will be furnished to the full Board.

## **5. Director Responsibilities**

The fundamental role of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its shareholders. In fulfilling that responsibility, directors reasonably may rely on the honesty and integrity of the Company's senior management and expert legal, accounting, financial and other advisors.

*Annual Meeting Attendance:* All directors are expected to attend the Company's annual meeting of shareholders.

*Scheduling of Board Meetings and Attendance:* The Board will meet at least four times per year. Directors are expected to prepare for, attend and participate in all Board and applicable committee meetings, and to spend the time needed to meet as often as necessary to discharge their obligations properly.

*Agenda:* At the beginning of each year the Board will set, to the extent foreseeable and practicable, a schedule of agenda items to be discussed during the year. Any director may suggest items to be included on the agenda or raise subjects at a Board meeting that are not on the agenda for that meeting. An agenda for each Board meeting, along with information and data that is important to the Board's understanding of the business to be conducted at the Board meeting, should be distributed to directors in advance of the meeting, so that Board meeting time may be focused on questions that the Board has about the materials. Certain matters may be discussed at the meeting without advance distribution of written materials, as appropriate.

## **6. Code of Conduct, Conflicts of Interests, Related Party Transactions and Complaints Process**

The Audit Committee shall periodically review and approve the Company's Code of Business Conduct and Ethics, which is applicable to directors, officers and employees; consider questions of possible conflicts of interest of Board members and corporate officers; review actual and potential conflicts of interest (including corporate opportunities) of Board members and corporate officers; and approve or prohibit any involvement of such persons in matters that may involve a conflict of interest or corporate opportunity. Directors may be asked from time to time to leave a Board meeting when the Board is considering a transaction in which the director (or another organization in which the director is a director or officer) has a financial or other interest.

The Audit Committee shall review and approve any proposed related party transactions in compliance with the Company's policies and the NASDAQ Rules and must report material related party transactions to the full Board, monitor compliance with the Company's financial code of ethics and review and approve the Company's procedures for handling complaints regarding accounting or auditing matters.

## **7. Executive Sessions**

It is the policy of the Board to hold executive sessions without the presence of management, including the CEO, and other non-independent directors at least four times per year. Such sessions will generally be held following regularly scheduled meetings and at such other times as requested by an independent director. The Chairman of the Board or Lead Independent Director shall preside at executive sessions.

In addition, the Audit Committee of the Board is to meet periodically with the Company's outside auditors without management present at such times as it deems appropriate.

## **8. Board Access to Company Employees**

Board members should have full access to members of management, either as a group or individually, and to Company information that they believe is necessary to fulfill their obligations as Board members.

## **9. Board Compensation Review**

The Compensation Committee will conduct an annual review of director compensation and recommend changes to the Board for approval as appropriate. Employee directors do not receive additional compensation for their service as directors.

## **10. Size of the Board**

The size of the Board is established in accordance with the Company's bylaws. The size of the Board may vary based upon the size of the business and the availability of qualified candidates. Board size should facilitate active interaction and participation by all Board members. The Board will review from time to time the appropriateness of its size.

## **11. Composition of Board**

The Board believes that as a matter of policy there should be a majority of independent directors on the Board. Within that policy, the mix of Board members should provide a range of expertise and perspective in areas relevant to the Company's business.

## **12. Board Definition of "Independence" for Directors**

A director shall be considered "independent" for purposes of serving on the Board if he or she meets the criteria for independence established by the NASDAQ Rules. A Director shall be considered "independent" for purposes of serving on a Board committee based on the definition of independence used in that committee's charter, which shall conform to any requirements established for such a committee by the NASDAQ Rules and any applicable SEC Rules.

## **13. Board Membership Criteria and Selection**

The Corporate Governance and Nominating Committee should review on an annual basis, in the context of recommending a slate of directors for stockholder approval, the composition of the Board, including issues of character, judgment, diversity, age, independence, expertise, corporate experience, length of service, and understanding of the Company's business. Selection of new directors requires recommendation of a candidate by the Corporate Governance and Nominating Committee to the full Board, which has responsibility for naming new members in the event of a vacancy or expansion of the Board between annual meetings of stockholders.

## **14. Notifying a Director of Non-Inclusion on a Proposed Slate of Directors**

Any proposal to decrease the size of the Board, or to substitute a new director for an existing director, should be made first by the Corporate Governance and Nominating Committee, then approved by the full Board. After receipt of a recommendation from the Corporate Governance and Nominating Committee, the Chairman of the Board or the Lead Independent Director should notify the director of such recommendation prior to the meeting of the Board at which the slate of nominees is proposed to be approved.

## **15. Assessing Board and Committee Performance**

The Corporate Governance and Nominating Committee should establish an annual process for permitting the Board and each committee to conduct an assessment of its performance and effectiveness during the prior year. Each committee and the full Board will consider and discuss the findings of the assessments.

## **16. Annual Election of Directors**

Directors shall be subject to election at the annual meeting of stockholders in accordance with the terms of service specified in the Company's Certificate of Incorporation. However, the Board may fill vacancies or add new directors at any time as provided in the Company's charter documents.

## **17. Continuing Education**

The Company encourages directors to participate in continuing education programs focused on the Company's business and industry, committee roles and responsibilities, and legal and ethical responsibilities of board members.

## **18. Formal Evaluation and Compensation of the CEO and Other Executive Officers**

The Compensation Committee will, on an annual basis, conduct a formal evaluation of the CEO and the other executive officers, with appropriate input from other Board members. The results of the evaluation should be communicated to the CEO by the Chairman of the Board or the Lead Independent Director and the chairman of the Compensation Committee

## **19. Succession Planning**

The Compensation Committee, in consultation with the full Board, is primarily responsible for CEO succession planning. In addition, it shall monitor management's succession plans for other key executives. Succession planning can be critical in the event the CEO or other key executives should cease to serve for any reason, including resignation or unexpected disability. In addition, the Board believes that establishment of a strong management team is the best way to prepare for an unanticipated executive departure.

## **20. Board Interaction with Third Parties**

The Board believes that management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that Board members would do this with knowledge of management and, in most instances, only at the request of management.

**21. Periodic Review of Guidelines**

The Corporate Governance and Nominating Committee and the Board should review these guidelines no less than annually.

**22. Amendments and Waivers**

The Board may amend, waive, suspend or repeal any of these Guidelines at any time, with or without public notice as it deems necessary or appropriate, in the exercise of the Board's judgment or fiduciary duties.