



## **SciClone Pharmaceuticals, Inc. Corporate Governance Guidelines**

### **ROLE OF DIRECTORS**

The Board of Directors, which is elected by the stockholders, is the ultimate decision-making body of the Company except with respect to those matters reserved to the stockholders. It selects the senior management team, which is charged with the conduct of the Company's business. Having selected the senior management team, the Board acts as an advisor and counselor to senior management and ultimately monitors its performance.

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

The Company faces a number of risks, including general economic risks, operational risks, financial risks, competitive risks and reputational risks. Management is responsible for the day-to-day management of those risks, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. While the full Board is charged with ultimate oversight responsibility for risk management, committees of the Board have responsibilities with respect to various aspects of risk oversight. In particular, the Audit Committee plays a significant role in monitoring and assessing the Company's financial and operational risks. The Audit Committee reviews and discusses with management areas of financial risk exposure and steps management has taken to monitor and control such exposure. The Audit Committee is also responsible for establishing and oversight of the Company's code of ethics and reviewing and approving transactions between the Company and any related parties. The Compensation Committee monitors and assesses risks associated with the Company's compensation policies, and oversees the development of incentives that encourage a level of risk-taking consistent with the Company's overall strategy. The Corporate Governance Committee has oversight responsibility for corporate governance risks, including risks associated with director independence and for oversight of scientific and clinical risks.

The Board believes that management of the Company should speak for the Company. Although individual directors may occasionally meet or otherwise communicate with stockholders, customers and others with whom the Company deals regarding Company matters, absent unusual circumstances or as contemplated by the charters of the Board's various committees, such communications should be undertaken only with the knowledge of management and, in most instances, at the request of management. All communications regarding the Company made to individual directors should be directed to the Chairman of the Board or management of the Company for response on behalf of the Board or the Company.

Board members are expected to prepare for, attend and participate in all Board and applicable Committee meetings.

### **BOARD COMPOSITION: DIRECTOR QUALIFICATION STANDARDS**

The Corporate Governance Committee will review with the Board the requisite skills and characteristics for new Board members. This assessment will include members' qualifications as independent directors, as well as consideration of perceived needs of the Board, candidates' background, skills, business experience and expected contributions.

## **BOARD COMPOSITION: DIRECTOR INDEPENDENCE**

The Board believes that there should be a substantial majority of independent outside directors, and in no event will the Board consist of less than a majority of independent directors. A director will not be considered independent if he or she:

- a. has been employed by the Company (or by any parent or subsidiary of the Company) within the past three years;
- b. has accepted or has a family member who has accepted payments from the Company (or any parent or subsidiary of the Company) in excess of \$120,000 during any period of twelve consecutive months during the past three fiscal years, other than for:
  - i. compensation for board or board committee service;
  - ii. compensation paid to a family member who is a non-executive employee of the Company or a parent or subsidiary of the Company; or
  - iii. benefits under a tax-qualified retirement plan or nondiscretionary compensation;
- c. has a family member who was employed as an executive officer during the past three years by the Company or any parent or subsidiary of the Company;
- d. is, or has a family member who is, an executive officer, partner or controlling stockholder of any organization to which the Company made, or from which the Company received, payment for property or services in the current or any of the past three fiscal years exceeding 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is greater, other than:
  - i. payments arising solely from investments in the Company's securities; or
  - ii. payments under non-discretionary charitable contribution matching funds;
- e. is, or has a family member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company served on the Compensation Committee of that other entity;
- f. is, or has a family member who is a current partner of the Company's outside auditor or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during the past three years; or
- g. has any other relationship which in the Board's judgment might interfere with the exercise of his or her independent judgment in carrying out his or her responsibilities as a director.

Members of the Audit Committee must meet additional independence requirements as follows:

- a. a member may not have received any compensation from the Company other than for Board or Board committee services; and
- b. a member may not be an affiliate of the Company other than as a director of the Company; and
- c. a member may not have participated in the preparation of the financial statements of the Company or any current subsidiary at any time during the past three years.

In addition, in affirmatively determining the independence of any director who will serve on the Compensation Committee the Board, the Board must consider all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to:

- a. the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director; and
- b. whether such director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

For purposes hereof, "family members" shall mean a director's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in a director's home.

## **BOARD COMPOSITION: LIMITS ON DIRECTOR OUTSIDE ACTIVITIES**

It is the responsibility of each director to ensure that other commitments do not conflict or materially interfere with the director's responsibilities to the Company. Each director shall report to the Chairman of the Board in advance of accepting an invitation to serve on the other company's board, and should advise the Chairman of

the Board before taking on any other new position or engaging in any transaction which could be a conflict of interest.

### **BOARD COMPOSITION: CHANGE IN DIRECTOR RESPONSIBILITIES**

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. The Board does not believe that directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, via the Corporate Governance Committee, to review the continued appropriateness of Board membership under these circumstances.

Directors should offer their resignation in the event of any significant change in their personal circumstances, including a change in their principal job responsibilities. The Corporate Governance Committee may determine that the director should continue based on the director's continuing expected contributions, business experience, availability, skills and background.

### **BOARD COMPOSITION: SIZE OF BOARD**

The Board, in consultation with the Corporate Governance Committee, will periodically review the appropriate size of the Board, and the composition of the Board as to skills and experience of the Board members.

### **BOARD COMPOSITION: REQUIREMENTS TO COMPLY WITH BYLAWS**

In order to comply with the Company's bylaws regarding majority voting, all candidates for Board membership, whether nominated by the Board or by stockholders, must submit an advance resignation in the event the candidate does not receive a majority of votes cast at any election of directors.

### **BOARD COMPOSITION: SEPARATION OF CHAIRMAN AND CEO**

The Corporation's Bylaws provide that the directors shall annually elect a Chairman from among the directors. The Board believes that the offices of Chairman and CEO should generally be vested in two different people, and the Chairman should generally be a non-employee, independent director elected from among the non-employee directors. The Board recognizes, however, that the needs of the Company and the individuals available to fill these roles may dictate different solutions at different times, and the Board believes that retaining flexibility in these decisions is in the best interest of the Corporation. In the event that the offices of the Chairman and the CEO are vested in the same person, the Board will appoint a non-employee, independent director to serve as Lead Director, whose duties will include assisting the Board in ensuring compliance with the Corporation's corporate governance guidelines, serving as the presiding director for executive sessions of the independent directors and acting as liaison to the Chairman from the independent directors.

### **BOARD COMPOSITION: RETIREMENT AGE**

The Board does not believe that a fixed retirement age for directors is appropriate.

### **BOARD COMPOSITION: TERM LIMITS**

The Board does not believe it should establish term limits.

### **DIRECTOR NOMINATION PROCESS**

The Corporate Governance Committee will review annually the results of the evaluation of the Board and its committees, and the perceived needs of the Board for various skills, business experience, expected contributions and background in determining the director candidates to be nominated at the annual meeting. The Corporate Governance Committee will evaluate candidates for directors proposed by directors, stockholders or management in light of the Committee's views of the current perceived needs of the Board for certain skills, business experience and background, as well as the Committee's assessment of the candidate's

qualification as an independent director, background, skills, business experience, and expected contributions. If the Corporate Governance Committee believes that the Board requires additional candidates for nomination, the Corporate Governance Committee may engage, as appropriate, a third party search firm to assist in identifying qualified candidates. All directors and nominees will submit a completed or, if previously submitted, an updated form of directors' and officers' questionnaire as part of the nominating process. The process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Corporate Governance Committee. The Corporate Governance Committee will consider stockholder nominations for directors in accordance with the Company's bylaws and otherwise consistent with these procedures.

## **COMMUNICATIONS BY STOCKHOLDERS WITH DIRECTORS**

Stockholders may communicate with any and all company directors by transmitting correspondence by mail addressed as follows:

Chairman of the Board  
or Board of Directors  
or [individual director]  
c/o Corporate Secretary  
950 Tower Lane  
Suite 900  
Foster City, CA 94404

The Corporate Secretary shall maintain a log of such communications and transmit as soon as practicable such communications to the identified director addressee(s), unless there are safety or security concerns that mitigate against further transmission of the communication, as determined by the Corporate Secretary. The Board of Directors or individual directors so addressed shall be advised of any communication not sent for safety or security reasons as soon as practicable. The Corporate Secretary shall relay all communications to directors absent safety or security issues.

The Company will make every effort to schedule its annual meeting of stockholders at a time and date to maximize attendance by directors taking into account the directors' schedules. It is desirable that directors attend the company's annual meeting of stockholders.

## **EXECUTIVE SESSIONS OF INDEPENDENT DIRECTORS**

The independent directors of the Board will meet in executive session at least two times each year either before or after a regularly scheduled Board meeting and at any other reasonable time requested by any independent director. Executive sessions will be chaired by the Chairman of the Board, so long as the chair is an independent director, and otherwise by the Lead Director appointed by the Board, and such chairman will report the results to the CEO on relevant matters, or invite the CEO to join the executive session for further discussion, as appropriate.

## **ACCESS TO MANAGEMENT**

Directors shall have access to the Company's personnel. Directors shall use their judgment to ensure that any contact with Company personnel is not disruptive to the Company's operations.

The Board encourages the Company's management to invite members of the Company's management to Board meetings in order to provide additional insight into matters discussed during the meeting and to expose to the Board key managers with future potential in the Company.

## **RETENTION OF ADVISORS/CONSULTANTS**

The Board and each committee of the Board shall have the authority to retain outside financial, legal or other advisors as they deem appropriate, without consulting with or obtaining approval from any officer of the

Company, and the Company shall provide funding for any such advisors selected by the Board or any committee.

## **EVALUATION OF BOARD PERFORMANCE**

The Board and each committee will perform an annual evaluation of itself. Each committee shall report to the Board upon its completion of its self-evaluation. The Board may conduct its own evaluation of committee performance.

## **DIRECTOR COMPENSATION**

On an annual basis, the Compensation Committee shall review the compensation for non-employee directors. The Compensation Committee shall be responsible for recommending to the full Board changes in the compensation for nonemployee directors, and shall be guided by the following goals:

- Directors should be fairly compensated for the work and skills required in discharge of their duties; and
- Compensation should align the directors' interests with the long-term interests of stockholders.

While the Board has not established the level of share ownership for individual directors, the Board believes that directors should be stockholders.

## **DIRECTOR EDUCATION AND ORIENTATION**

Management and the Corporate Governance Committee shall arrange an orientation program for new directors. Incumbent directors shall also be invited to attend the orientation program. All directors will comply with any continuing education requirements developed by the NASDAQ.

## **COMMITTEES**

The Board will at all times have an Audit Committee, a Compensation Committee, and a Corporate Governance Committee. All members of these committees will be independent directors under the criteria established by the Exchange Act and the rules of the SEC and NASDAQ. The Board may from time to time establish additional committees as necessary or appropriate.

Each committee will have its own charter. The charters will set forth the purposes of the committees as well as qualifications for committee membership.

The Chairman of each committee will determine the frequency and length of committee meetings and will develop the committee's agenda for each meeting in conformity with the committee's charter.

It is the sense of the Board that consideration should be given to rotating committee members periodically, when desirable, but the Board does not feel that such a rotation should be mandated as a policy since there may be reasons to maintain an individual director's committee membership for a longer period.

## **CEO EVALUATION**

The performance of the CEO will be reviewed by the Board at least annually. Such review will follow recommendations from the Compensation Committee with respect to long and short-term compensation goals and performance of the CEO.

## **MANAGEMENT SUCCESSION**

The Board shall plan for the succession of the CEO. The Corporate Governance Committee shall conduct a periodic review of the Company's succession planning, including selection and succession in the event of an emergency or the resignation or retirement of the CEO. The Committee shall report its findings to the Board.