

CODE OF ETHICS

Introduction

XOMA Corporation (collectively with its subsidiaries, the “Company”) has a strong commitment to ethical and moral standards and to strictly complying with the laws and regulations that govern the conduct of our business worldwide. We are committed to honesty and integrity and to building trust with our employees, stockholders, collaborators, partners, clinical investigators, regulators and suppliers, as well as the scientific and other communities with which we interact. To emphasize and implement our commitment, we have developed this Code of Ethics (the “Code”). This Code is intended to promote, among other things (1) honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (2) full, fair, accurate, timely and understandable disclosure in the Company’s filings with the U.S. Securities and Exchange Commission and public communications; (3) compliance with applicable laws, rules, regulations, and applicable industry codes; (4) prompt internal reporting of violations of the Code; and (5) accountability for adherence to the Code.

The Code defines global minimal standards for the most common Company practices. The Code is not intended to supersede, but rather to include and summarize, the more specific policies of the Company set forth in the Company’s Policy Manual, which is available on Xchange.

The Code applies to all directors, officers and other employees (collectively, “Employees”) of the Company. While the Code is specifically written for XOMA employees, we expect XOMA agents, consultants and contractors that perform work or services for the Company to follow the Code in connection with their work for us.

We encourage all Employees to ask questions regarding the application of the Code. Employees may direct such questions to their supervisor(s) (in the absence of an actual or potential conflict of interest), to a member of the Legal or Human Resources Departments or in accordance with the Company’s Complaint Submission Policy, which is in the Company’s Policy Manual.

Officers and other supervisors are expected to develop in Employees a sense of commitment to the spirit, as well as the letter, of the Code and all Company policies and procedures. Supervisors are also expected to ensure that all Employees conform to Code standards when working for or on behalf of Company. The compliance environment within each supervisor’s area of responsibility is a significant factor in evaluating the quality of that supervisor’s performance.

While each individual Employee is ultimately responsible for her or his own compliance with the Code, every supervisor will also be responsible for administering the Code as it applies to Employees and operations within that supervisor’s area of supervision. Supervisors should coordinate compliance-related tasks with their own supervisors and members of the Legal and Human Resources Departments. Supervisors may not delegate this responsibility.

If an Employee observes or becomes aware of a situation that the Employee perceives to be a violation of the Code, the Employee has an obligation to report such violation in accordance with the Company's Complaint Submission Policy. If an Employee asking a question about the Code or reporting a violation wishes to remain anonymous, all reasonable steps will be taken to keep the Employee's identity confidential, as is more fully described in the Complaint Submission Policy.

Action by an Employee's Immediate Family Member, which means a member of the Employee's immediate family or household, may also potentially result in ethical issues to the extent that they involve Company's business. As such, in complying with the Code, Employees should consider not only their own conduct, but also that of Immediate Family Members.

The Company strictly prohibits any form of retaliation against individuals who report any violation of the Code in good faith or who cooperate in the investigation of such reports. Failure to comply with the law or the Code of Conduct or other Company policies may result in disciplinary action, up to and including, in the case of Employees, termination of employment. In certain instances, such failure may also result in civil or criminal liability. No supervisor has authority to instruct an Employee to disobey the law or any Company policy. As a result, failure to comply with the law or any Company policy will not be excused on the ground that a supervisor authorized it.

New Employees will receive an introductory briefing on the elements of the Code as part of their orientation. All Employees whose functions or responsibilities involve compliance with the laws, regulations, or standards of conduct that apply to the Company and its operations will receive additional specialized training, including participation in periodic training sessions.

Every Employee will be required periodically to certify that they have read, understand, and are in compliance with and will continue to comply with the Code and other Company policies. Copies of the most current version of the Code will be circulated to all Employees on a periodic basis.

Nothing in the Code alters the at-will employment policy of Company applicable to all Employees.

THE CODE

CONFLICTS OF INTEREST/CORPORATE OPPORTUNITIES

Employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest, and are expected to be familiar with and abide by the provisions regarding conflicts of interest in the Company's Policy Manual. Each Employee, whether regular, temporary, full-time, or part-time, has a duty to further the Company's objectives and to work on behalf of the Company's best interests. Potential conflicts of interest may arise from any situation in which an Employee's influence on a transaction or event involving a third party results in a personal gain to the Employee or a Family Member, by virtue of a gift, gratuity or other special consideration given to the Employee or Family Member by a third party, and may also arise in cases where an Employee or Family Member has a significant ownership interest in an outside firm with which the Company does business. Employees are cautioned to refrain from accepting any such gift, gratuity or special consideration or participating in a relationship which raises even the appearance of a conflict of interest without taking appropriate steps to ensure their compliance with the Company's policies. Employees are encouraged to direct any questions regarding such compliance to a member of the Legal Department or the CFO.

CORPORATE OPPORTUNITIES

Employees owe a duty to the Company to advance the Company's business objectives when the opportunity to do so arises. In connection with this duty, Employees may not:

- take for themselves, directly or indirectly, any business opportunity that would interest or likely interest the Company, or that is discovered through the use of Company property, information, or position, unless the Company has already been offered the opportunity and turned it down;
- use Company assets (including equipment, funds, facilities, know-how, or personnel) or their position with the Company for personal gain; and
- knowingly compete with the Company in acquiring or selling any asset or property (whether tangible or intangible) or otherwise interfere in the Company's business affairs for the Employees' direct or indirect benefit.

INTEGRITY OF RECORDS AND ACCOUNTING

Accuracy and reliability in the preparation of all business records is mandated by law and is of critical importance to the Company's decision-making process and to the proper discharge of the Company's financial, legal and reporting obligations. Applicable laws require the Company to maintain accurate books and records and to devise an adequate system of internal controls. Such laws may impose criminal and civil penalties for violation of these requirements. Any Employee who becomes aware of any such violation must immediately report the violation in accordance with the Complaint Submission Policy.

All business and accounting records, expense accounts, vouchers, bills, payrolls, service records, reports to government agencies and other reports must accurately reflect the facts.

The Company also relies upon its accounting and other business and corporate records in preparing reports for the Securities and Exchange Commission. Securities laws require that these reports provide full, fair, accurate, timely, and understandable disclosure and fairly present its financial condition and results of operations. Employees who collect, provide, or analyze information for or otherwise contribute in any way in preparing or verifying these reports should strive to ensure that the Company's financial disclosure is accurate and transparent and that its reports contain all of the information about the Company that would be important to stockholders and potential investors in assessing the soundness and risks of the Company's business and finances and the quality and integrity of its accounting and disclosures.

All corporate funds and assets must be recorded in accordance with Company procedures. The books and records of the Company must be prepared with care and honesty and must accurately reflect each transaction recorded therein. It is the Company's policy that all transactions will be recorded promptly and documented properly and accurately on the books of the Company. False or misleading statements or entries in such records are unlawful and are not permitted. No undisclosed or unrecorded funds or assets shall be established for any purpose.

CORPORATE COMMUNICATIONS AND DISCLOSURE

As a company that is publicly-traded in the United States, the Company is subject to the disclosure requirements of the U.S. federal and state securities laws. These requirements can affect the content and timing of a variety of disclosures, including periodic and other filings with the U.S. Securities and Exchange Commission, press releases, presentations at investor and other conferences, and electronic communications on the Company's Website and elsewhere. To ensure compliance with these requirements across these various means of disclosure, the Company has established a Disclosure Committee. Any questions or concerns about these requirements, including any potential misstatements in or omissions from disclosure, should be raised with the appropriate person in the Legal Department designated by the Chief Financial Officer, or otherwise in accordance with the Complaint Submission Policy.

The Company strives to be consistent in its communications with others and is required under Regulation FD of the U.S. federal securities laws to ensure that communications involving material information are made widely available and consistently. To achieve this goal, all contact with investors, analysts and members of the media should be handled by the appropriate investor relations representative or other appropriate personnel. Employees should direct any and all inquiries from investors, analysts or members of the media, including requests for information and interviews, to the appropriate investor relations representative. Employees who may be exposed to media contact, for example when attending conferences or making presentations, should be aware that the Company's standard corporate policy is not to comment on rumors or

speculation regarding its activities or trading in its securities. All inquiries from regulatory authorities or government personnel other than representatives of the U.S. Food and Drug Administration (“FDA”) or equivalent foreign authorities should be referred to a member of the Legal Department. Inquiries from the FDA or equivalent foreign authorities should be referred to the Regulatory Affairs Department.

SECURITIES TRADING

All Employees are responsible for reviewing, understanding and complying with the Company’s policies on Insider Trading and Publicly Traded Share Options (the “Securities Policies”). All Employees receive copies of the Securities Policies when they are revised and upon commencement of their employment with the Company. The Securities Policies are available in the Company’s Policy Manual.

LAWS CONCERNING COPYRIGHTS

Federal law prohibits unauthorized duplication or copying of any copyrighted material, including copyrighted computer software, periodicals, and books. Unauthorized duplication of copyrighted materials can result in severe penalties to individuals and the Company, and is prohibited.

ANTITRUST, UNFAIR COMPETITION, AND RESTRAINT OF TRADE

The Company is committed to free and open competition in the marketplace and requires its Employees to adhere strictly to the antitrust laws in the countries in which the Company does business. Antitrust laws apply to a wide range of business activities, and generally prohibit:

- agreements, formal or informal, with competitors that harm competition or customers, including price fixing and allocations of customers, territories, or contracts;
- agreements, formal or informal, that establish or fix the price at which a customer may resell a product; and
- the acquisition or maintenance of a monopoly or attempted monopoly through anti-competitive conduct.

Employees should avoid any conduct or activity, formal or informal, from which even an appearance of improper conduct could be drawn. This obligation applies in business settings, as well as to communications with competitors in casual social settings. In addition, a supplier in one market may be a competitor in another. Conversations that are wholly appropriate in the context of a supplier relationship may be inappropriate when discussions shift to issues relating to areas of competition.

Understanding the requirements of antitrust and unfair competition laws of the various jurisdictions where the Company does business can be difficult, and Employees are urged

to seek assistance from their supervisors or the Legal Department whenever they have a question.

GIFTS AND OTHER BENEFITS

Gifts, hospitality, and other benefits may not be offered, provided, or accepted by any Employee in the course of business without the express permission of a corporate Vice President, the appropriate person in the Legal Department designated by the Chief Financial Officer, or the CEO. Any such benefits must be consistent with customary business practices, and may not be (1) of more than token or nominal monetary value; (2) a cash equivalent; (3) susceptible of being construed as a bribe or kickback; (4) made or received on more than an occasional basis; (5) pose a potential conflict of interest; or (6) in violation of applicable laws, regulations, or industry guidance. This principle applies to transactions everywhere in the world.

GIFTS OR PAYMENTS TO GOVERNMENT OFFICIALS

As a general rule, no payment, offer, or promise to pay money or anything of value may be made or given to any employee or official of any governmental agency. For purposes of this policy, a person is considered a government official or a government employee if he or she receives any part of his/her salary from the government. Particular care should be taken for interactions with government employees who have roles in licensing, approval, pricing, reimbursement, bulk purchases, and formulary listings.

U.S. federal law specifically prohibits making any offer, promise, or gift of any value to an employee, agent, or official of the federal government (including any congressman, senator, a member of a congressman's or senator's staff, or any other Congressional or Senate employee). Federal law also prohibits giving gifts to any union official or employee for the purpose of influencing her or his decisions.

The Company prohibits gifts or making offers or promises of value to any union officer or union employee, or to any federal, state, local or foreign government employee, agent, or official.

If Employees have a question as to whether an activity is restricted or prohibited, they should seek assistance before taking any action, including giving any verbal assurances that might be regulated by international law.

INTERNATIONAL BUSINESS LAWS

All Employees are expected to comply with the applicable laws in all countries to which they travel, in which they operate, and where the Company otherwise does business. This includes laws prohibiting bribery, corruption, or certain conduct of business with specified individuals, companies, or countries. If a Company policy adopts a more restrictive view of an area than the corresponding laws for a relevant nation or region, Employees are obligated to follow the Company policy. In addition, the Company

expects Employees to comply with U.S. laws, rules, and regulations governing the conduct of business by its citizens and corporations outside the U.S.

These U.S. laws, rules and regulations, which extend to all Company activities outside the U.S., include:

- The Foreign Corrupt Practices Act (“FCPA”) anti-bribery provisions make it unlawful to give anything of value, directly or indirectly, to a government employee, political party, or political candidate in order to obtain or retain business or favorable treatment. Corrupt payments made through agents, representatives, consultants, or other third parties also are prohibited. In many countries where the Company may operate, the healthcare professionals with whom the Company interacts are considered covered government employees. All interactions with healthcare professionals, including sponsorships to medical or scientific congresses or symposia, and any other contractual relationship shall comply with this policy.
- U.S. embargoes restrict or, in some cases, prohibit companies, their subsidiaries, and their employees from doing business with certain other identified countries or specific companies or individuals.
- Export controls restrict travel to designated countries or prohibit or restrict the export of goods, services, and technology to designated countries, denied persons, or denied entities from the U.S., or the re-export of U.S.-origin goods from the country of original destination to such designated countries, denied companies, or denied entities.
- Anti-boycott compliance prohibits U.S. companies from taking any action that has the effect of furthering or supporting a restrictive trade practice or boycott that is fostered or imposed by a foreign country against a country friendly to the U.S. or against any U.S. person.

FAIR DEALING

The Company is committed to conducting its business affairs fairly and honestly. Each Employee should strive to deal fairly with the Company’s customers, suppliers, service providers, competitors, and employees. No Employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair dealing practice.

It is the Company’s policy to respect the trade secrets and proprietary information of others. Although information obtained from the public domain is a legitimate source of competitive information, a trade secret obtained through improper means is not. If a competitor’s trade secrets or proprietary information are offered to an Employee in a suspicious manner, or if an Employee has any question about the legitimacy of the use or acquisition of competitive information, he or she should contact a member of the Legal Department.

Employees involved in procurement have a special responsibility to adhere to principles of fair competition in the purchase of products and services by selecting suppliers based

exclusively on normal commercial considerations, such as quality, cost, availability, service, and reputation, and not on the receipt of special favors.

PRIVACY

Many countries have established laws for the appropriate handling of personal data, including any information that can be used to identify, contact, or locate an individual. The Company is committed to protecting the reasonable privacy expectations of those with whom the Company does business, including customers, consumers, and employees.

Personal data must be collected, processed, stored, and transferred with adequate precautions to ensure confidentiality and accessibility only to individuals with legitimate reasons to know or have access to the data. When appropriate or required, individuals will be asked for their consent to the collection, processing, transfer, and storage of their personal data.

REGULATORY COMPLIANCE

Many of the activities of the Company are subject to the U.S. Food, Drug and Cosmetic Act and the regulations of the FDA, as well as the statutory and regulatory equivalents in other jurisdictions around the world. Employees are required to consult with the Regulatory Affairs group and/or the Legal Department on all regulatory-sensitive matters.

In general, FDA and similar regulations govern the Company's interactions with healthcare providers and prohibit marketing or promotion of a pharmaceutical or biological product until both the product and the manufacture thereof have been approved. Certain regulatory filings must also be made before any testing in humans can begin and Employees must protect and ensure the privacy and security of patient information reviewed or collected during such testing. Approved products are subject to regulations governing labeling, promotional programs, product samples, adverse event reporting and product quality complaints. Strict compliance with all applicable regulations is essential to the Company's business.

It is the Company's policy to advertise and promote its products only through programs and materials that have been formally approved by the Company. All such programs and materials are reviewed by appropriate personnel to ensure compliance with applicable country, state, and local laws and regulations. Unauthorized alteration of product labels or literature may result in severe penalties against the responsible individual and the Company. No Employee should modify any portion of any product labeling or literature, without prior authorization. Use of any unapproved promotional materials or advertisements is strictly prohibited.

CONFIDENTIALITY

Many Employees will have access to proprietary and confidential information concerning the Company's business and the business of the Company's collaborators, partners and

suppliers. Such Employees are required to keep such information confidential during their employment as well as thereafter, and not to use, disclose or communicate that confidential information other than in their roles as Employees. All Employees execute a confidentiality agreement upon commencement of employment with the Company, and all Employees are expected to comply with that agreement at all times.

Serious problems could be caused by the unauthorized disclosure of information pertaining to internal matters or developments, or by the unauthorized disclosure of any non-public, privileged or proprietary information. In addition to possibly violating the law, such disclosure could, among other things, competitively disadvantage the Company or breach the confidence of a collaborator or partner of the Company.

The use of the term “confidential information” includes information in whatever form regarding the business, accounts, finances, planning or intellectual property of the Company and existing or prospective collaborators, partners or customers. It also includes such information designated by the Company as confidential or information that an Employee is aware is subject to an obligation of confidentiality. Company trade secrets, processes, formulas, specifications, know-how, records, reports, data, software and documents are confidential and Employees are not permitted to disclose or release them to persons who are not directors, officers, employees or authorized agents or consultants of the Company, remove them or make copies of them, in whole or in part, for other than XOMA business purposes, without prior written approval from their manager.

Except as required in the performance of an Employee’s duties, or if required by law after consulting the Legal Department, Employees should not discuss Company business with anyone who does not work for the Company and never discuss confidential business transactions with anyone, including another Company Employee, who does not have a direct association with the transaction. Furthermore, Employees should refrain from discussing or disclosing confidential information while in any non-private setting.

In addition, Employees owe a continuing obligation of confidentiality after leaving the Company’s employment, including compliance with the Company’s confidentiality agreements. Employees may not disclose the Company’s confidential information to any third party after leaving employment except with the prior written consent of the Company or as required by applicable law.

POLITICAL CONTRIBUTIONS

No Employee shall, directly or indirectly, use or contribute funds or assets of the Company for or to any political party, candidate, or campaign unless such use or contribution is an accepted practice, lawful, and approved by the Chief Financial Officer.

Federal and state laws generally prohibit a company from making contributions, directly or indirectly, in connection with an election. Failure to comply with these laws can result in severe penalties to the individuals involved and to the Company. Employees are not prohibited from making voluntary personal contributions to any candidate, political party, or cause; however, such contributions are not reimbursable by the Company, either directly or indirectly. Employees may not solicit contributions from co-workers during

business hours and may not use Company assets or resources in connection with personal political activities.

POLICY AGAINST DISCRIMINATION

The Company prohibits discrimination against any Employee or prospective Employee on the basis of sex, race, color, age, religion, sexual preference, marital status, pregnancy, national origin, disability, ancestry, political opinion, veteran status, or any other basis prohibited by the laws that govern our operations. All Employees are expected to be familiar with and abide by the provisions regarding discrimination in the Company's Policy Manual. If an Employee feels that he or she has been the victim of any form of discrimination, he or she should immediately report the incident in accordance with the Company's Complaint Submission Policy.

POLICY AGAINST HARASSMENT

The Company prohibits all forms of unlawful harassment. The Company expects all personnel to adhere to a simple standard; namely, that all Employees must be treated with respect. All Employees are expected to understand what constitutes harassment (as described in the Company's Policy Manual) and accordingly avoid behavior or situations which could have even the appearance of or be interpreted as harassment of another person. If an Employee feels that he or she has been the victim of any form of harassment, he or she should immediately report the incident in accordance with the Company's Complaint Submission Policy.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

The Company will conduct its business in a manner designed to protect the health and safety of its Employees, the public and the environment. The Company's policy is to comply with all applicable governmental health, safety and environmental requirements.

Employees are required to be familiar with environmental laws and regulations that relate to their employment responsibilities and to comply with them. Each Employee is responsible for ensuring that all waste products, hazardous materials, and other regulated items are stored, handled, and disposed of in compliance with applicable laws and regulations. Employees are to immediately report any unsafe storage or improper disposal or release of a hazardous or toxic substance to their supervisor or department head and to the environmental compliance officer responsible for the facility.

Any departure or suspected departure from this policy must be reported promptly in accordance with the Company's Complaint Submission Policy.

DRUGS AND ALCOHOL

The Company prohibits the unauthorized use of alcoholic beverages while on Company premises or on Company time, or reporting for work while under the influence of alcohol. Likewise, the Company prohibits the unlawful possession, manufacture, sale, distribution

or use of a controlled substance, or reporting for work while under the influence of such a substance, other than medically prescribed drugs. This policy also requires that the Company abide by applicable laws and regulations relative to the use of alcohol or other controlled substances. The Company reserves the right to test Employees (to the extent permitted by applicable law) if there is reasonable suspicion that the Employee may be under the influence of alcohol or drugs during work hours.

ELECTRONIC COMMUNICATION

Internet access is provided to Company Employees for business use. Such electronic communications include all aspects of voice, video, and data communications, such as voice mail, e-mail, fax, and Internet. Employees should use electronic communications for business purposes and refrain from personal use. Among other things, you should not participate in any online forum where the business of the Company or its customers or suppliers is discussed: this may give rise to a violation of the Company's confidentiality and other policies or subject the Company to legal action for defamation.

Use of these resources, whether in the office or at home, is not private. The Company reserves the right to inspect all electronic communications involving the use of the Company's equipment, software, systems, or other facilities ("Systems"), and Employees should not have an expectation of privacy when using Company Systems.

WAIVERS

Any waiver of this Code for executive officers (including, where required by applicable laws, our principal executive officer, principal financial officer, principal accounting officer or controller (or persons performing similar functions)) or directors may be authorized only by our Board of Directors or, to the extent permitted by the rules of Nasdaq, a committee of the Board and will be disclosed to stockholders as required by applicable laws, rules and regulations.