



**XOMA CORPORATION**  
**AUDIT COMMITTEE CHARTER**

- 1. Designation of Committee.** The Audit Committee (the "Audit Committee" or the "Committee") of the Board of Directors of XOMA Corporation (the "Company") has heretofore been designated by the Board of Directors. The Committee shall continue to function in accordance with the prior determinations of the Board of Directors, the Company's By-Laws and this Charter, as adopted at the meetings of the Board of Directors and the Audit Committee held on March 2, 2017 and March 1, 2017, respectively.
- 2. Policy confirmation.** The operation and function of the Committee is based on the recognition that the independent registered public accountant for the Company is ultimately accountable to the stockholders of the Company, to the Board of Directors, and to the Audit Committee of the Company, and that the Audit Committee and Board of Directors, as the stockholders' representatives, have the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the independent registered public accountant (or to nominate the independent registered public accountant to be proposed for shareholder approval in any proxy statement).
- 3. Independence confirmation.** The Audit Committee is responsible for ensuring that the independent registered public accountant submits on a periodic (but at least annual) basis to the Audit Committee a formal written statement delineating all relationships between the independent registered public accountant and the Company and the number of previous consecutive fiscal years in which each of the audit partners responsible for the audit of the Company have performed audit services for the Company. The Audit Committee is responsible for actively engaging in a dialogue with the independent registered public accountant with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent registered public accountant and for recommending that the Board of Directors take appropriate action to ensure the independence of the independent registered public accountant.
- 4. Membership.** The Audit Committee shall consist of not less than three (3) members of the Board of Directors.

  - (a) The Audit Committee shall be composed entirely of independent members of the Board of Directors, and no person who is an executive officer or employed by the Company (or who has been employed by the Company during the past three years) shall be a member of the Audit Committee. No member of the Audit Committee shall have any relationship to the Company that may interfere with the exercise of his or her independence from management and the Company.

- (b) No person may be named to the Audit Committee or shall serve as a member of the Audit Committee who is related by blood or marriage to any employee of the Company, who has a business relationship with, or accepts any fees from, the Company (other than as Director), or who is an "affiliated person" of the Company or a member of such other body or board such that he or she no longer remains "independent", as such term is defined either by the United States Securities and Exchange Commission (the "SEC") or by the NASDAQ Stock Market (the "NASDAQ") NASDAQ.
- (c) Each member of the Audit Committee shall be financially literate, as such qualification is interpreted by the Board of Directors in its business judgment.
- (d) At least one member of the Audit Committee (i) shall have accounting or related financial management expertise, as such qualification is interpreted by the Board of Directors in its business judgment and (ii) upon effectiveness of the SEC's adoption of a definition of the term "financial expert" (the absence of which on the Committee would require disclosure in the Company's periodic reports filed with the SEC), shall meet such definition.
- (e) In setting the qualifications for the members of the Audit Committee and in electing members to the Audit Committee, the Board of Directors may take into consideration academic background or training in financial analysis or business management, business experience throughout the career of the individual which involved or required financial management analysis and understanding, service as a Director and membership on its Audit Committee and such other factors as the Board of Directors may deem appropriate.
- (f) The composition and membership of the Audit Committee shall otherwise comply with the rules of the SEC and the rules and regulations of the NASDAQ.

**5. Purposes.** The purposes of the Audit Committee are:

- (a) to oversee the accounting and financial reporting policies and practices of the Company, the effectiveness of the Company's internal control over financial reporting and, as appropriate, the internal controls of certain service providers;
- (b) to oversee the quality and objectivity of the financial statements of the Company and the independent audit thereof; and
- (c) to act as a liaison between the Company's independent registered public accountant and the Board of Directors.

In general, the function of the Audit Committee is oversight; it is management's responsibility to maintain appropriate systems for accounting and internal control, and the independent registered public accountant's responsibility to plan and carry out a proper audit.

**6. Duties and powers.** To carry out its purposes, the Audit Committee shall have the following duties and powers:

- (a) to be directly responsible for the selection, appointment, retention, compensation, oversight and termination of independent registered public accountant and, in connection therewith, to evaluate the independence of the independent registered public accountant, including whether the independent registered public accountant provide any consulting services to the Company, and to receive the independent registered public accountant's specific representations as to their independence;

- (b) to meet with the independent registered public accountant of the Company, including private meetings, as necessary (i) to review the arrangements for and scope of the annual audit, quarterly reports, and any special audits; (ii) to discuss any matters of concern relating to the financial statements of the Company, including any adjustments to such statements recommended by the independent registered public accountant, or other results of said audit(s); (iii) to review with the independent registered public accountant the financial personnel, policies, procedures and internal accounting controls of the Company, and management's responses thereto; (iv) to review the form of opinion the independent registered public accountant proposes to render to the Board of Directors and stockholders; (v) to receive the independent registered public accountant reports concerning critical accounting policies, alternative treatments of financial information within GAAP and other material written communications with management; (vi) to discuss with management and the Company's Corporate Compliance function management's process for assessing the effectiveness of internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, including any material weaknesses or significant deficiencies identified and to review management's report on its assessment of the effectiveness of internal control over financial reporting as of the end of each fiscal year and the independent registered public accountants' report on the effectiveness of internal control over financial reporting and (vii) to discuss such other matters that the independent registered public accountant believe merit discussion;
- (c) to discuss with management its process for performing its required quarterly certifications under Section 302 of the Sarbanes-Oxley Act, including the evaluation of the effectiveness of disclosure controls by the Chief Executive Officer and Chief Financial Officer;
- (d) to consider the effect upon the Company of any changes in accounting principles or practices proposed by management or the independent registered public accountant, and to discuss with management and the independent registered public accountant all critical accounting policies as disclosed in the Company's public filings with the SEC;
- (e) to review the fees charged by the independent registered public accountant for audit services, and to pre-approve any permissible non-audit services rendered by the independent registered public accountant requiring such pre-approval. The chairman of the Audit Committee, if any, may represent the entire Committee for purposes of pre-approval of all audit, audit-related and tax services of up to One Hundred Fifty Thousand Dollars (\$150,000) and such pre-approval shall be ratified by the entire Committee at the next Audit Committee meeting;
- (f) to review and pre-approve all related-party transactions;
- (g) to disclose (i) in the Company's proxy statement whether the Audit Committee members are independent, as such qualification is interpreted by the Board of Directors in its business judgment and (ii) in the Company's periodic reports the Committee's approval of any non-audit services;
- (h) to inquire of management and the independent registered public accountant about significant risks or exposures and assess the steps management has taken to minimize such risks to the Company;
- (i) as requested by management, to review reports received from regulators and other legal and regulatory matters that may have a material effect on the financial statements or related Company compliance procedures;

- (j) as requested by the management or as required by the SEC or the NASDAQ, to review and discuss the quarterly financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations, with management and the independent registered public accountants prior to the filing of the Company's Quarterly Report on Form 10-Q (or prior to the press release of results, if possible). Also, the Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent registered public accountants under the standards of the Public Company Accounting Oversight Board (PCAOB) (United States). The chairman of the Audit Committee, if any, may represent the entire committee for purposes of this review;
- (k) to provide a report in the Company's proxy statement disclosing whether the Audit Committee has (i) reviewed and discussed the audited financial statements with management; (ii) discussed the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 16, Communications with Audit Committees, with the independent registered public accountant; (iii) reviewed the written disclosure described in Paragraph 3 of this Charter; and (iv) recommended to the Board of Directors the inclusion of the audited financial statements in the Company's annual report on Form 10-K;
- (l) to review management's disclosures to the Audit Committee pursuant to Rules 13a-14 and 15d-14 under the United States Securities Exchange Act of 1934, as amended;
- (m) to investigate improprieties or suspected improprieties in Company operations, and to establish procedures for the retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters;
- (n) to serve as a compliance contact to which directors, officers, employees and others covered by the Company's Code of Ethics may report any violation thereof related to the Company's financial practices and dealings. The Chairman of the Audit Committee, if any, may represent the entire Committee for this purpose; and
- (o) to report its activities and submit the minutes of all meetings to the Board of Directors on a regular basis and to make such recommendations with respect to the above and other matters as the Audit Committee may deem necessary or appropriate.

**7. Meetings and communications.** The Audit Committee shall meet on a regular basis and is empowered to hold special meetings as circumstances require. In addition, the chairman of the Audit Committee, if any, or other designated member of the Audit Committee shall make suitable provision for ongoing communication between the independent registered public accountant and himself or herself concerning matters arising between such meetings of the Audit Committee, including without limitation, consideration of changes in accounting policies or practices, unusual events which may require independent registered public accountant comment or disclosure, or preparation and publication of interim financial statements by the Company.

**8. Authority.** The Audit Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to retain special counsel and other experts or consultants at the expense of the Company.

**9. Annual Charter review.** The Audit Committee shall review this Charter at least annually and recommend any changes to be made to the Board of Directors.

**10. Written Affirmation.** At any time that there is a change in the composition of the Audit Committee, and otherwise approximately once each year, the Company shall confirm in writing to the NASDAQ regarding:

- (a) any determination that the Board of Directors has made regarding the independence of the Audit Committee pursuant to any provision of this Audit Committee Charter;
- (b) the financial literacy of the Audit Committee members;
- (c) the determination that at least one of the Audit Committee members has accounting or related financial management expertise and/or (if required) is a financial expert, as such terms are or are to be defined in this Audit Committee Charter and the applicable rules of the SEC or the NASDAQ; and
- (d) the annual review and reassessment of the adequacy of this Audit Committee Charter.