

# ARRAY BIOPHARMA INC.

## GUIDELINES ON CORPORATE GOVERNANCE

May 3, 2018

The following Guidelines on Corporate Governance have been adopted by the Board of Directors (the “**Board**”) of Array BioPharma Inc. (the “**Company**”) as a guide for the exercise of the Board’s responsibilities. The Board has established a Corporate Governance Committee of the Board to implement and evaluate these Guidelines and to carry out other functions described below. The Corporate Governance Committee will review these Guidelines periodically and will submit any recommended revisions to the Board for consideration and approval. These Guidelines are in addition to, and are not intended to change or interpret any Federal or state law or regulation, including the Delaware General Corporation Law, or the Company’s Certificate of Incorporation or Bylaws.

### I. PRIMARY FUNCTION OF THE BOARD

The primary function of the Board is to help maximize long term value for the stockholders of the Company by 1) hiring, supervising and evaluating the Chief Executive Officer; 2) providing strategic guidance to the Chief Executive Officer and the Company’s management and, with their assistance, setting the strategic direction for the Company; and 3) reviewing the major actions of the Company and management.

### II. MANAGEMENT REVIEW AND RESPONSIBILITY

#### *1. Evaluation of Chief Executive Officer.*

The Chief Executive Officer is responsible to the Board for the overall management and functioning of the Company. The Compensation Committee will evaluate the Chief Executive Officer following the end of each fiscal year of the Company against the performance goals established for such year and on other qualitative and quantitative criteria, including the following:

- success in running the business with the management team, and the performance of the business (including measurements such as increase in share value, earnings, revenue growth and the achievement of other performance objectives);
- development and implementation of initiatives to provide long-term economic benefit to the Company;
- accomplishment of strategic objectives; and
- development of management.

The Chairman of the Board (“**Chairman**”), or the Lead Independent Director if the Chief Executive Officer is the Chairman, will communicate the evaluation to the Chief Executive Officer.

2. *Compensation of Chief Executive Officer.*

The Compensation Committee shall be responsible for recommending to the independent Directors the cash and equity compensation of the Chief Executive Officer. The Compensation Committee will meet annually to develop appropriate performance goals for the Chief Executive Officer, and other members of senior management, for the next year for purposes of determining bonus compensation. The Chief Executive Officer may be requested to participate in meetings of the Compensation Committee held to discuss performance goals for the other members of senior management. The independent Directors meeting in executive session shall consider the recommendation of the Compensation Committee and approve the cash and equity compensation of the Chief Executive Officer and the performance goals of senior management.

3. *Succession Planning.*

The Chief Executive Officer will prepare an annual report to the Board on planning for potential successors to the Chief Executive Officer and other executive officers. There should also be available, on a continuing basis, the Chief Executive Officer's recommendation as to a successor in the event of an unexpected disability.

4. *Board Interaction with Institutional Investors and Other Stakeholders.*

The Board believes that it is senior management's responsibility to speak for the Company. Individual Directors may, from time to time, meet or otherwise communicate with outside constituencies that are involved with the Company. In those instances, however, it is expected that Directors will do so only with the knowledge of, and in coordination with, senior management.

### **III. BOARD COMPOSITION AND LEADERSHIP**

1. *Size of the Board.*

The Board will from time to time fix by resolution the number of Directors between three and 15 pursuant to the Company's Bylaws.

2. *Director Independence.*

A majority of the members of the Board must be independent Directors as defined by the rules of The Nasdaq Stock Market ("**Nasdaq**") and applicable law.

The Corporate Governance Committee will review periodically the Company's independence and the eligibility standards of each committee of the Board (each, a "**Committee**") and recommend any changes to the Board.

3. *Board Leadership.*

The Board shall select a Chairman. The Chief Executive Officer will always be a member of the Board and may, in the discretion of the Board, also serve as the Chairman of the Board.

If the Chief Executive Officer serves as Chairman, the Board will select one of the independent Directors to act as a Lead Independent Director to coordinate the other independent Directors and to chair the executive sessions of independent Directors.

4. *Director Resignation Policy.*

As provided in the Company's Bylaws, candidates for Directors in uncontested elections are elected by a majority vote. An incumbent Director who fails to receive a majority vote in an uncontested election in accordance with the Bylaws shall, within five days following the certification of the election results, tender his or her written resignation to the Chairman of the Board for consideration by the Corporate Governance Committee.

The Corporate Governance Committee shall consider such resignation and, within 60 days following the date of the stockholders' meeting at which the election of directors occurred, shall make a recommendation to the Board concerning the acceptance or rejection of such resignation. In determining its recommendation to the Board, the Corporate Governance Committee shall consider all factors deemed relevant by the members of the Corporate Governance Committee including, without limitation:

- the stated reason or reasons why stockholders voted against such Director's re-election;
- the qualifications of the Director (including, for example, whether the Director serves on the audit committee of the Board as an "audit committee financial expert" and whether there are one or more other Directors qualified, eligible and available to serve on the audit committee in such capacity); and
- whether the Director's resignation from the Board would be in the best interests of the Company and its stockholders.

The Corporate Governance Committee also shall consider a range of possible alternatives concerning the Director's tendered resignation as the members of the Corporate Governance Committee deem appropriate, including, without limitation, acceptance of the resignation, rejection of the resignation or rejection of the resignation coupled with a commitment to seek to address and cure the underlying reasons reasonably believed by the Corporate Governance Committee to have substantially resulted in such Director failing to receive the required number of votes for re-election.

The Board shall take formal action on the Corporate Governance Committee's recommendation no later than 90 days following the date of the stockholders' meeting at which the election of directors occurred. In considering the Corporate Governance Committee's recommendation, the Board shall consider the information, factors and alternatives considered by the Corporate Governance Committee and such additional information, factors and alternatives as the Board deems relevant.

Following the Board's decision on the Corporate Governance Committee's recommendation, the Company, within four business days after such decision is made, shall publicly disclose, in a Form 8-K filed with the Securities and Exchange Commission, the

Board's decision, together with an explanation of the process by which the decision was made and, if applicable, the Board's reason or reasons for rejecting the tendered resignation.

No Director who, in accordance with this Policy, is required to tender his or her resignation, shall participate in the Corporate Governance Committee's deliberations or recommendation, or in the Board's deliberations or determination, with respect to accepting or rejecting his or her resignation as a Director. If a majority of the members of the Corporate Governance Committee fail to receive the required number of votes for re-election, then the independent Directors then serving on the Board who were elected at the stockholders' meeting at which the election occurred, and the independent Directors, if any, who were not standing for election at such stockholders' meeting, will appoint an ad hoc Board committee from amongst themselves (the "Ad Hoc Committee"), consisting of such number of Directors as they may determine to be appropriate, solely for the purpose of considering and making a recommendation to the Board with respect to the tendered resignations. The Ad Hoc Committee shall serve in place of the Corporate Governance Committee and perform the Corporate Governance Committee's duties for purposes of this Policy. Notwithstanding the foregoing, if an Ad Hoc Committee would have been created but fewer than three Directors would be eligible to serve on it, the entire Board (other than the individual Director whose resignation is being considered) shall make the determination to accept or reject the tendered resignation without any recommendation from the Corporate Governance Committee and without the creation of an Ad Hoc Committee.

This Policy, as it may from time to time be amended, will be briefly summarized or included in the Company's proxy statement for each meeting of stockholders (annual or special) at which Directors are to be elected.

#### **IV. SELECTION OF BOARD MEMBERS**

##### *1. Selection of Directors.*

The Corporate Governance Committee, with input from the Chief Executive Officer and the Chairman (or the Lead Independent Director, as applicable), is primarily responsible for identifying, screening and evaluating new candidates for Board membership. The Corporate Governance Committee will also evaluate annually the performance and contribution of current Directors who will stand for reelection at the next annual meeting of stockholders. The Chair of the Corporate Governance Committee will present the Committee's recommendations for nominees to the full Board for approval. Upon approval by the Board, the Chairman (or Lead Independent Director, as applicable), the Chief Executive Officer and the Chair of the Corporate Governance Committee will formally invite each candidate to join the Board, and the Board will nominate (or appoint the candidate to fill a Board vacancy, if applicable), and recommend to the stockholders, the candidates for election to the Board in the proxy statement and at the next annual meeting of stockholders.

## 2. *Board Membership Criteria.*<sup>1</sup>

The Corporate Governance Committee is responsible for assessing the appropriate mix of skills and characteristics required of Board members and of the Board as a whole, and will periodically review and update the criteria as necessary. The Board believes that Directors should be selected so that the Board is a diverse body, with diversity reflecting gender, ethnic background and professional experience. Each Director and Director candidate will be required to undergo at least one comprehensive background check prior to recommendation for nomination for election or reelection as a Director.

Candidates nominated for election or reelection to the Board of Directors should possess the following qualifications:

- Personal characteristics:
  - highest personal and professional ethics, integrity and values;
  - an inquiring and independent mind, with a respect for the views of others;
  - ability to work well with others;
  - practical wisdom and mature judgment.
- Broad, policy-making level training and experience in business, government, academia or science to understand business problems and evaluate and formulate solutions.
- Expertise that is useful to the Company and complementary to the background and experience of other Board members.
- Willingness to devote the time necessary to carrying out the duties and responsibilities of Board membership and to be an active, objective and constructive participant at meetings of the Board and its Committees.
- Commitment to serve on the Board over a period of several years to develop knowledge about the Company's principal operations.
- Willingness to represent the best interests of all stockholders and objectively appraise management performance.

## 3. *Director Tenure.*

The Board does not endorse arbitrary term limits on Director's service, nor does it believe in automatic re-nomination. The Board self-assessment process is an important determinant for continuing service. The Board's goal is to maintain a mix of tenures so that the Board has a balance of fresh perspectives and continuity of experience.

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<sup>1</sup> Note to Array: The corresponding section in the "Nominating Directors to the Board of Directors" posted on the corporate website should reflect any changes to this section.

## V. OPERATION OF THE BOARD; MEETINGS

### 1. *Frequency of Board Meetings; Director Attendance.*

The Board will have a minimum of four regularly scheduled meetings per year (once per quarter). Special meetings and other regularly scheduled meetings may be called as necessary by the Chairman, the Lead Independent Director or the Chief Executive Officer or as otherwise provided in the Company's Bylaws. Directors are expected to attend all meetings of the Board and all Committees of which they are a member.

### 2. *Selection of Agenda Items for Board Meetings.*

The Chairman and the Chief Executive Officer (in consultation with the Lead Independent Director, if applicable) will establish the agenda for each Board meeting. Directors are free to suggest additional matters to Board meeting agenda and to raise subjects that are not on the agenda for that particular meeting.

At least once a year, the Board will review of the Company's strategic objectives for the forthcoming year and the Company's business and financial performance for the prior year, including a review of the achievement of strategic objectives.

### 3. *Meeting Materials Distributed in Advance.*

In advance of each Board meeting, a proposed agenda will be distributed to each Director. In addition, management will strive to provide information and data in advance of the meeting important to the members' understanding of the matters to be considered. Directors will also routinely receive other information such as quarterly financial statements, earnings reports, press releases, and analyst reports, designed to keep them informed of the material aspects of the Company's business, performance and prospects.

### 4. *Regular Attendance of Non-Directors at Board Meetings.*

The Board believes the regular attendance at Board meetings of executive officers of the Company who are not Directors, including the Chief Financial Officer, executive vice presidents and managing directors of business units, is appropriate except where there is a specific reason for all or any of them to be excluded. The Chairman and the Chief Executive Officer may invite other managers to be in regular attendance at Board meetings and may include other officers and employees and the Company's outside counsel and auditors from time to time as appropriate.

### 5. *Executive Sessions.*

The Directors shall meet before or after each regularly scheduled Board meeting in executive sessions of independent Directors only, without the presence of the Chief Executive Officer and other Company personnel. Executive sessions shall be chaired by the Chairman or the Lead Independent Director, as applicable.

6. *Board Access to Senior Management and Advisors.*

Directors will have open access to the Company's management during reasonable business hours and to the Company's outside counsel and auditors. Committees may retain independent advisors, including separate counsel, as they deem necessary or advisable in carrying out their duties and responsibilities.

**VI. COMMITTEES OF THE BOARD**

1. *Standing Committees.*

The Board as a whole will consider all major decisions, but may delegate to standing Board Committees a substantial portion of the analysis and work of the Board necessary for the Board to make fully informed decisions. A Director is expected to participate actively in the meetings of each Committee to which he or she is appointed. The membership of each Committee shall be chosen by the Board upon the recommendation of the Corporate Governance Committee.

The Board has established the following standing Committees: Audit, Compensation, Corporate Governance, and Clinical Development. The scope of each Committee's duties is set forth in the charter for each Committee or in the resolutions of the Board establishing each Committee. The charter of each Committee will be annually reviewed by that Committee itself, which will recommend any changes to the Board.

2. *Assignment and Rotation of Committee Members.*

The Corporate Governance Committee will annually recommend to the Board the membership of the various Committees and their Chairs, and the Board will approve all Committee assignments. In making its recommendations to the Board, the Corporate Governance Committee will consider the need for continuity, subject matter expertise, applicable Securities and Exchange Commission (the "SEC") and other legal, regulatory or listing standard requirements, tenure and the desires of individual Board members.

3. *Frequency and Length of Committee Meetings.*

Each Committee will meet as frequently and for such length of time as may be required to carry out its assigned duties and responsibilities. The Chair of a Committee may call a special meeting of the Committee at any time.

4. *Committee Agendas; Reports to the Board.*

Management, in consultation with the Chairman or the Lead Independent Director, as applicable, will work with the Chair of each Committee to prepare draft agenda and related background information for each Committee meeting. Each Committee member is free to suggest items for inclusion on the agenda and to raise at any Committee meeting subjects not on the agenda for that meeting. Each Committee Chair will provide a report to the Board and will furnish a copy of each Committee's minutes to the Board.

## VII. DIRECTOR RESPONSIBILITIES

### 1. *Director Orientation.*

The Corporate Governance Committee is responsible for developing and implementing an orientation program for new Directors that includes comprehensive information about the Company's business and operations, general information about the Board and its Committees, including a summary of Director compensation and benefits, and a review of Director duties and responsibilities.

### 2. *Change in Employment or Position.*

Employee Directors will resign from the Board when their employment with the Company ends unless the Board approves continued service. Independent Directors will offer their resignation upon a material change of position, including retirement from the principal current employment, upon which their original nomination was based. The Board does not believe, however, that a Director in this circumstance should necessarily be required to leave the Board. Rather, the Board believes the Corporate Governance Committee should have the opportunity to assess each situation and make a recommendation to the Board as to whether it should accept the resignation.

### 3. *Conflicts of Interest.*

If an actual or potential conflict of interest develops because of a change in the business operations of the Company or a subsidiary, or in a Director's circumstances (for example, significant and ongoing competition between the Company and a business with which the Director is affiliated), the Director should report the matter as set forth in the Code of Conduct and recuse himself or herself from discussion or voting on the matter. A significant conflict must be resolved or the Director should resign.

The Audit Committee shall review and approve all related party transactions involving the Company under the Company's related party transactions policy or that may otherwise be reportable by the Company under the applicable rules of the SEC.<sup>2</sup> If a Director has a personal interest in a matter before the Board, the Director must disclose the interest to the full Board and the matter must be submitted to the Audit Committee for review and approval. If a majority of the Audit Committee has a personal interest in a matter, the matter must be submitted to the stockholders for approval.

It is the responsibility of each Director to advise the Corporate Secretary and the Chairman of any affiliation with public or privately held commercial enterprises that may create a potential conflict of interest, potential embarrassment to the Company or possible inconsistency with Company policies or values.

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<sup>2</sup> Note to Array: Edits conform to comments in the Audit Committee Charter.



4. *Limitations on Other Directorships.*

Each Director is expected to be available for a significant time commitment. Directors should ensure that their involvement on other boards of directors does not interfere with their ability to carry out their responsibilities as a member of the Board and any Board Committees on which they serve. A Director shall notify the Chair of the Corporate Governance Committee before accepting an invitation to serve on another public company board.

5. *Code of Conduct.*

The [Corporate Governance]<sup>3</sup> Committee shall oversee and annually review a Code of Conduct addressing honest and ethical conduct, including handling conflicts of interest of officers and Directors, full, fair, accurate, timely and understandable disclosure in periodic reports, and compliance with applicable laws, rules and regulations. The Code of Conduct shall be made publicly available. Any waivers of the Code of Conduct for Directors or officers must be granted by a majority of the independent Directors and such waivers must be disclosed publicly to the extent required by applicable SEC or Nasdaq requirements.

## **VIII. DIRECTOR COMPENSATION**

Director compensation, including compensation for Committee membership and chairmanship, shall be determined by the Board upon recommendation of the Compensation Committee. The Compensation Committee shall periodically review the Company's Director compensation practices in relation to other companies of comparable size and the Company's competitors. In order to further align the economic interests of Directors and stockholders, the Board believes that a meaningful portion of a Director's compensation should be in the form of equity awards, and [the Board has adopted stock ownership guidelines for non-employee Directors].<sup>4</sup>

## **IX. DIRECTOR CONTINUING EDUCATION**

Each director is expected to participate in continuing education programs in order to maintain an appropriate level of relevant expertise. The Company will pay all reasonable out-of-pocket expenses relating to director continuing education.

## **X. EVALUATION OF BOARD AND COMMITTEES**

1. *Board Review and Assessment.*

At least annually, the Corporate Governance Committee will assess the effectiveness and contribution of the Board and its Committees as a whole and suggest areas for improvement. The Committee's report may be discussed with the full Board at the same time as it makes

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<sup>3</sup> Note to Array: Consider moving this responsibility from the Corporate Governance Committee to the Audit Committee to be consistent with the peers.

<sup>4</sup> Note to Array: Added bracketed language is based on page 48 of the proxy statement.

recommendations of nominees to the Board for inclusion in the proxy statement for the next annual stockholders meeting.

2. *Committee Self-Assessment.*

At least annually, each Committee will perform a self-assessment of its performance and report the results to the Board.

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