

# REATA PHARMACEUTICALS, INC.

## CORPORATE GOVERNANCE GUIDELINES

**As Approved and Adopted by the Board of Directors  
October 15, 2015**

The following Corporate Governance Guidelines have been approved by the Board of Directors (the “Board”) of Reata Pharmaceuticals, Inc. (the “Company”) to emphasize its strong commitment to good corporate governance practices. Along with the Company’s Amended and Restated Certificate of Incorporation, the Company’s Amended and Restated Bylaws, and the charters of the Board’s Committees, these Guidelines are designed to provide the framework for the governance of the Company and to assist the Board in the performance of its duties and the exercise of its responsibilities.

These Guidelines, as well as the Committee charters, the Company’s Amended and Restated Bylaws and its Code of Ethics and Business Conduct, are all published on the Company’s corporate website and are available in print to any stockholder who requests them.

**1. Role of Board and Management.** The business and affairs of the Company are conducted and managed by its employees, officers and chief executive officer (CEO) under the direction and oversight of the Board. The Board is elected by and accountable to the stockholders to oversee management, to monitor strategic direction, and to assure that the long-term interests of the stockholders are being served. In carrying out its responsibilities, the Board will exercise sound, informed and independent business judgment. Both the Board and management recognize that the long-term interests of stockholders are advanced by responsibly addressing and adhering to good corporate governance principles.

**2. Functions of Board.** The Board schedules a minimum of four meetings a year, held quarterly, at which it reviews and discusses presentations by management on the performance of the Company, progress towards its goals, its strategic plans and prospects, as well as immediate issues confronting the Company. The Board also holds additional meetings or informational sessions each year, called periodically by the Chairman of the Board, as required to update the Board on important operational and other material events and as otherwise needed. Except in extenuating circumstances, Directors are expected to attend all scheduled meetings of the Board and of committees on which they serve.

As a part of its oversight responsibilities, the Board, directly or acting through its committees, monitors (among other things):

- a. the Company’s mission, fundamental financial, business and product research, development and commercialization strategies, objectives and key policies, as developed by management;
- b. the performance of the Company;
- c. significant investments, divestitures and other transactions that are not in the ordinary course of the Company’s business;

- d. the selection, evaluation, development and compensation of the CEO and other members of senior management and succession planning for such officers;
- e. the Company's compliance with legal and regulatory requirements and ethical standards;
- f. the Company's financial reporting and disclosure processes and internal controls; and
- g. the assessment of major risks relating to the Company and measures taken to manage such risks.

In addition to its general oversight of management, the Board, directly or acting through its committees, also performs a number of specific decision-making functions, including those described in the Committee charters and elsewhere in these Guidelines.

### **3. Director Matters.**

*Qualifications and Responsibilities.* Directors should possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of the stockholders. They also should be intelligent, inquisitive and objective in thought and have practical wisdom and mature judgment and a willingness to gain an understanding of the Company, its competitive position in its industry, and its business strategy.

Among other things, the Board expects each Director to:

- a. understand, within a reasonable period following election to the Board, the Company's business;
- b. review the materials provided in advance of meetings and any other materials provided to the Board from time to time, and take the time and effort to be fully informed on the materials and issues presented;
- c. strive for a collegial atmosphere showing mutual respect for all Directors and opinions;
- d. actively, objectively and constructively participate in meetings and the strategic decision-making processes;
- e. share his or her perspective, background, experience, knowledge and insights as they relate to the matters before the Board and its Committees;
- f. make decisions based on his or her opinion of merit and the best long-term interests of the Company; and
- g. be available when requested to advise the CEO and management on specific issues not requiring the attention of the full Board, but where an individual Director's insights might be helpful to the CEO or management.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively and should be committed to serving on the Board for an extended period of time.

*Diversity.* The Company endeavors to have a Board representing diverse experience at policy-making levels with a complimentary mix of skills and professional experience in areas relevant to the Company's activities. The Nominating and Corporate Governance Committee will also consider such factors as diversity, including differences in viewpoints, background, education, gender, race or ethnicity, age, and other individual qualifications and attributes. The Company is committed to considering candidates for the Board regardless of gender, race, ethnicity and national origin. Any search firm retained to assist the Nominating and Corporate Governance Committee in seeking candidates for the Board will affirmatively be instructed to seek to present women and minority candidates.

*Limitation on Other Board Service.* The Company values the experience Directors bring from other boards on which they might serve, but recognizes that those boards may also present demands on a Director's time and availability. As a general policy, the Board believes that Directors should limit their service to not more than three boards of publicly traded companies in addition to that of the Company, but exceptions to this policy may be made in situations in which the Board deems that an exception would be appropriate.

If a member of the Company's Audit Committee seeks to serve on the Audit Committee of another public company and that service will result in more than two simultaneous public company audit committee memberships in addition to that of the Company, the Director should seek and obtain a determination from the Company's Board, in advance of accepting such service, that such service will not impair the ability of that Director to serve effectively on the Company's Audit Committee.

The Board will consider and decide on service by the CEO on other boards based upon the Nominating and Corporate Governance Committee's recommendation. As a general rule, the Board will discourage the CEO from serving on more than one board in addition to the Board of the Company and the boards of its subsidiaries.

A Director seeking to serve on the board of directors or advisory board of another for-profit entity (whether public or private) should notify the Lead Director in advance of accepting that service and should defer final acceptance of such a position until approved by the Nominating and Corporate Governance Committee, which shall consider whether such service presents any independence, conflicts or other legal or business issues for the Company.

*Tenure Limitations.* The Board does not believe that it is appropriate to impose arbitrary term limits on Directors' service or a mandatory retirement age. Directors who have served on the Board for an extended period of time provide valuable insight based on their experience with and understanding of the Company's mission, strategies and objectives. At the same time, the Board does not believe that Directors should expect to be renominated. The Board self-evaluation process and renomination process should serve as an effective means for determining the appropriateness of the continuation of service by individual Directors.

Unless the Board affirmatively determines otherwise, any member of management who is a Director is expected to retire from the Board at the same time he or she ceases employment with the Company for any reason.

If a non-employee Director's principal position, status or employment should substantially change, the Director shall inform the Lead Director so that the Nominating and Corporate Governance Committee may review the appropriateness of the Director's continued service on the Board or on any Committee. The Nominating and Corporate Governance Committee will submit its findings to the Board. If the Board decides to request such Director's resignation from the Board or any Committee after determining that continued service by the Director in such capacity or capacities would no longer be appropriate, then such Director should submit the requested resignation.

**4. Independence of Directors.** While the Board recognizes that Directors who do not meet applicable independence standards also make valuable contributions to the Board and to the Company by reason of their experience and wisdom, it is the Board's goal that at least two-thirds of the Directors will be independent under applicable law and regulations, NASDAQ Stock Market ("Nasdaq") guidelines, and any additional guidelines adopted by the Board.

The Board will make affirmative determinations of the independence of each Director. Independence determinations shall be made using the standards and processes approved and adopted from time to time by the Board. Such determinations, as well as the standards and processes applied in making them, will be disclosed to stockholders in accordance with applicable requirements.

**5. Lead Director.** If and when the offices of Chairman of the Board and CEO are combined, the Board shall have a Lead Director designated by the Nominating and Corporate Governance Committee to provide, in conjunction with the Chairman and CEO, leadership and guidance to the Board. The Lead Director shall preside at all meetings of the Board at which the Chairman is not present, unless the other Directors determine otherwise. The Lead Director will coordinate the nature, quality, quantity and timeliness of, and have the authority to approve, information sent to the Board in advance of meetings, and will also have the authority to approve the agendas for meetings. The Lead Director also is expected to make himself available for consultation with major stockholders from time to time. The Lead Director will serve as chair of the Nominating and Corporate Governance Committee and have the other responsibilities described in these Guidelines and as designated from time to time by the Board. Although the Lead Director will serve as a liaison between the Chairman and the independent directors, all of the independent directors have complete and open access to the Chairman and all members of management.

**6. Size of Board and Selection Process.** The Board as a whole determines the number of Directors in accordance with the Company's Amended and Restated Bylaws. Approximately one-third of the Directors, in accordance with their classification, are elected each year by the stockholders at the annual meeting of stockholders. The Board, which should consider the recommendation of the Company's Nominating and Corporate Governance Committee, is responsible for nominating a slate of individuals for election to the Board by the stockholders

and for filling vacancies on the Board that may occur between annual meetings of the stockholders.

It is the responsibility of the Company's Nominating and Corporate Governance Committee to identify and evaluate from time to time qualified candidates for service on the Board. Stockholders may propose nominees for consideration by the Nominating and Corporate Governance Committee in accordance with procedures developed by that Committee and disclosed each year in the Company's proxy statement for its annual meeting of stockholders.

**7. Board Committees.** The Board currently has three standing Committees: Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. The Board may, from time to time, expand the number of standing committees or form ad hoc committees. Each of the Audit, Compensation, and Nominating and Corporate Governance Committees will have a written charter that complies with all applicable requirements and sets forth the Committee's principal responsibilities.

The size, membership and chairs of each Committee will be determined by the Board, which should consider the recommendation of the Company's Nominating and Corporate Governance Committee, and will comply with Nasdaq and legal requirements and any requirements set forth in the Committee charter; provided that the Board may delegate to a Committee the selection of its chair; and provided, further, that the Lead Director (if any) will serve as a member of the Nominating and Corporate Governance Committee and as chair of that Committee.

In recommending members to the Committees, the Nominating and Corporate Governance Committee shall consider, among other factors:

- a. whether an individual has sufficient time to commit to services to the Committee;
- b. whether an individual has specific experience with or knowledge of the matters over which the Committee is charged with oversight; and
- c. whether an individual brings skills and abilities that would aid the Committee in the execution of its duties and responsibilities.

**8. Independence of Committee Members.** Subject to Nasdaq phase-in rules, each of the Audit, Compensation and Nominating and Corporate Governance Committees will be composed entirely of independent Directors. In addition, members of each Committee must also satisfy any additional Nasdaq or other applicable independence requirements.

**9. Meetings of Non-Employee Directors.** To ensure free and open discussion and communication among the non-employee Directors, these Directors shall endeavor to meet in executive session at least four times per year, but in any event at least twice a year, with no members of management present. The Lead Director has the authority to call executive sessions of the non-employee Directors.

**10. Self-Evaluation.** The Board, directly or acting through the Nominating and Corporate Governance Committee, shall conduct an annual self-evaluation to assess its effectiveness. The self-evaluation is conducted on the basis of criteria developed by the Nominating and Corporate

Governance Committee. Each of the Board's committees shall also conduct an annual self-evaluation. Additionally, the ability of individual Directors to contribute to the Board shall be assessed in connection with the renomination process.

**11. Setting Board Agenda.** The Chairman of the Board, in consultation with the CEO (if not the Chairman), the Lead Director (if any) and the Secretary, establishes the agenda and meeting schedules for each Board meeting, taking into account suggestions of other Directors. Directors are encouraged to suggest the inclusion of agenda items or revisions to meeting materials. Each Director is free to raise at any Board meetings items that are not on the agenda for that meeting.

**12. Code of Ethics and Business Conduct.** The Board has adopted a Code of Ethics and Business Conduct. Each Director shall act at all times in accordance with the requirements of the Code. Waivers of the Code may not be made for any non-employee Director.

**13. Reporting of Concerns to Non-Employee Directors or the Audit Committee.** Anyone who has a concern about the Company's conduct, or about the Company's accounting, internal accounting controls or auditing matters, may communicate that concern directly to any Director, the Board, the Lead Director or the Audit Committee. Such communications may be confidential or anonymous and may be e-mailed, submitted in writing, or reported by phone to the address and telephone number that is published on the Company's website. All such concerns will be forwarded to the appropriate Director or Directors for review and will be simultaneously reviewed and addressed by the Company's Chief Legal Officer. The status of all outstanding concerns will be reported to the Board on a quarterly basis. The Board or the Audit Committee may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Company will not take any adverse action, and will not tolerate any retaliation, against any person for asking questions or making good faith reports of possible violations of law, Company policy or the Code of Ethics and Business Conduct.

**14. Compensation of Board.** The Compensation Committee shall have the responsibility for recommending to the Board compensation and benefits for non-employee Directors. In discharging this duty, the Committee shall be guided by three goals: alignment of the long-term interests of stockholders with the Directors' interests and compensation; fairly paying Directors for work required in a company of the Company's size and scope; and making the structure of the compensation simple, transparent and easy for stockholders to understand. The Compensation Committee shall periodically review non-employee Director compensation and benefits. Employee Directors shall not receive additional compensation for service on the Board.

**15. Succession Plan.** The Nominating and Corporate Governance Committee shall approve and maintain a succession plan for the CEO and shall consult with the CEO from time to time about succession planning for other senior executives. To assist the Nominating and Corporate Governance Committee, the CEO will provide this Committee with an assessment of senior officers and of their potential to succeed him or her. The Nominating and Corporate Governance Committee will also review assessments of persons considered potential successors to the CEO. The Nominating and Corporate Governance Committee will regularly report to the Board on its succession planning activities and will work with the Board to nominate and evaluate potential successors to the CEO.

**16. Annual Compensation Review of Senior Management.** The Compensation Committee will undertake a formal evaluation of the CEO annually. The evaluation should be based on objective criteria including the performance of the Company's businesses and the accomplishment of long-term and strategic objectives. The Chairman of the Compensation Committee shall be responsible for reviewing the evaluation with the CEO. The Compensation Committee will consider the CEO's performance as a factor in setting the CEO's salary, bonus and other incentive and equity compensation. Before finalizing compensation for the CEO, the members of the Compensation Committee shall review the Committee's intentions with the other independent directors and receive their input. The Compensation Committee shall also annually approve the compensation structure for the Company's officers and shall consider the performance of the Company's executive officers as a factor in approving their salary, bonus and other incentive and equity compensation.

**17. Access to Management.** Directors have complete and open access to management. In addition, the Company's executive officers will attend Board and Committee meetings when requested. The Board encourages its executive officers to bring other officers and managers into Board or Committee meetings or other scheduled events from time to time to provide additional insight into matters being considered or to expose the Board to individuals with high potential for significant leadership roles in the Company. Additionally, Directors may from time to time meet individually with members of management, with or without executive officers or the CEO present.

**18. Access to Independent Advisors.** The Board and its committees shall have the right at any time to retain independent outside financial, legal or other advisors and to cause the Company to pay the fees and expenses of such outside advisors.

**19. Director Orientation.** The Chief Legal Officer and the Corporate Secretary shall be responsible for providing an orientation for new Directors and for periodically providing materials or briefing sessions for all Directors on subjects that would assist them in discharging their duties. Each new Director shall, within six months of election to the Board, spend time at corporate headquarters for personal briefing by the executive officers and CEO on the Company's strategic plans, its financial statements and its key policies and practices. New Directors should also receive a comprehensive package of orientation materials.

**20. Continuing Education.** Directors are encouraged to take advantage of continuing education opportunities that will enhance their ability to fulfill their responsibilities. To facilitate this participation, the Company will endeavor to make the Directors aware of Director education programs and will pay the expenses of any Director attending approved Director education programs. In addition, management will keep the Directors informed about the Company and its activities and the industry conditions affecting pharmaceutical companies generally.

**21. Stock Ownership.** The Board believes that it is important to align the interests of Directors with those of the stockholders and for Directors to hold equity ownership positions in the Company that are meaningful in their individual circumstances. The Nominating and Corporate Governance Committee shall periodically recommend to the Board minimum share ownership requirements for Directors. Additionally, the Board believes that a meaningful portion

of Directors' compensation should be made available to them in forms of compensation that correlate with the market value of the Company's equity.

**22. Evaluation of Guidelines.** The Nominating and Corporate Governance Committee will review these Guidelines from time to time as developments or circumstances make review of particular Guidelines appropriate. The Guidelines will be reviewed in their entirety by the Nominating and Corporate Governance Committee not less frequently than every three years. The Committee will report to the Board for its consideration and adoption any recommendations for additions or amendments to the Guidelines, as well as the process and results of the full review of the Guidelines conducted every three years.

**23. Confidentiality.** The proceedings and deliberations of the Board and its committees shall be confidential. Each Director shall maintain the confidentiality of information received in connection with his or her service as a Director.

**24. Related Person Transactions.** The Nominating and Corporate Governance Committee shall periodically review all transactions that would require disclosure under Item 404(a) of SEC Regulation S-K (each, a "Related Person Transaction") and approve, ratify or disapprove any such transaction. In the event that the Nominating Corporate Governance Committee considers ratification of a Related Person Transaction and determines not to so ratify, management shall make all reasonable efforts to cancel or annul such transaction. All authorized or ratified Related Person Transactions shall be disclosed in the Company's applicable filings as required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules.

In determining whether or not to approve or ratify a Related Person Transaction, the Nominating and Corporate Governance Committee shall consider all of the relevant facts and circumstances available to the Committee, including (if applicable) but not limited to: (i) whether there is an appropriate business justification for the transaction; (ii) the benefits that accrue to the Company as a result of the transaction; (iii) the terms available to unrelated third parties entering into similar transactions; (iv) the effect of the transaction on a director's independence (in the event the Related Person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer); (v) the availability of other sources for comparable products or services; (vi) whether it is a single transaction or a series of ongoing, related transactions; and (vii) whether entering into the transaction would be consistent with the Company's Code of Ethics and Business Conduct and the Related Persons Transaction Policy.

**25. Limitations.** These Guidelines are a statement of policy and are not intended to change or interpret any federal or state law or regulation, including the Delaware General Corporation Law, or the Amended and Restated Certificate of Incorporation or Amended and Restated Bylaws of the Company.