



Charter of the Audit Committee

PURPOSE AND POLICY

The purpose of the Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Xencor, Inc. (the "**Company**") is to act on behalf of the Board in fulfilling the Board's oversight responsibilities with respect to the Company's corporate accounting and financial reporting processes, the systems of internal control over financial reporting, and audits of financial statements, as well as the quality and integrity of the Company's financial statements and reports and the qualifications, independence and performance of the registered public accounting firm or firms engaged as the Company's independent outside auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services (the "**Auditors**"). The Committee shall also provide oversight assistance in connection with the Company's legal, regulatory and ethical compliance programs as established by management and the Board. The operation of the Committee shall be subject to the Bylaws of the Company as in effect from time to time and Section 141 of the Delaware General Corporation Law.

The policy of the Committee, in discharging these obligations, shall be to maintain and foster an open avenue of communication among the Committee, the Auditors and the Company's financial management personnel.

COMPOSITION

The Committee shall consist of at least three members of the Board. Each of the members of the Committee shall satisfy the independence and financial literacy requirements of The Nasdaq Stock Market ("**Nasdaq**"), the independence requirements of the Securities and Exchange Commission ("**SEC**") applicable to Committee members as in effect from time to time, including the requirements of Rule 10A-3 of the Securities Exchange Act of 1934, as amended from time to time (the "**Exchange Act**"), and all other laws, rules and regulations applicable to Committee members as in effect from time to time. At least one member shall (a) satisfy the applicable Nasdaq financial sophistication requirements as in effect from time to time and (b) be an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K promulgated under the Securities Act of 1933, as amended from time to time ("**Regulation S-K**") (a person who satisfies such definition of audit committee financial expert will also be presumed to have financial sophistication).

Members of the Committee may only receive director and committee member fees as compensation from the Company. The members of the Committee shall be appointed by and serve at the discretion of the Board. Vacancies occurring on the Committee shall be filled by the Board. The Committee's chairperson (the "**Chair**") shall be designated by the Board or, if it does not do so, the Committee members shall elect a Chair by vote of a majority of the full Committee. The Chair (or in his or her absence, a member designated by the Chair) shall preside at all meetings of the Committee.

MEETINGS

The Committee shall hold such regular or special meetings as its members shall deem necessary or appropriate. Minutes of each meeting of the Committee shall be prepared and distributed to each director of the Company and the Secretary of the Company promptly after each meeting and shall be filed with the minutes of the meetings of the Board. The Committee shall report regularly to the Board regarding its actions, and whenever so requested by the Board.

Formal action to be taken by the Committee shall be by unanimous written consent or by the affirmative vote of at least a majority of the members present (in person or by telephone conference call) at a meeting at which a quorum is present. A quorum shall consist of at least a majority of the members of the Committee. Any actions taken by the Committee during any period in which one or more of the members fail for any reason to meet the membership requirements set forth above shall still constitute duly authorized actions of the Committee for all corporate purposes.

AUTHORITY

The Committee shall have the sole authority to appoint, determine compensation for, and at the Company's expense, retain and oversee the Auditors, as set forth in Section 10A-3(b)(2) and Section 10A(m)(2) of the Exchange Act and the rules thereunder, and otherwise to fulfill its responsibilities under this Charter. The Committee shall have authority, in its sole discretion, to retain and determine compensation for, at the expense of the Company, special legal, accounting or other advisors or consultants as it deems necessary or appropriate in the performance of its duties. The Committee shall also have authority to pay, at the expense of the Company, ordinary administrative expenses that, as determined by the Committee, are necessary or appropriate in carrying out its duties. Each member of the Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to discharge his or her responsibilities hereunder. The Committee shall have authority to require that any of the Company's personnel, counsel, accountants (including the Auditors) or investment bankers, or any other consultant or advisor to the Company attend any meeting of the Committee or meet with any member of the Committee or any of its special outside legal, accounting or other advisors or consultants. The approval of this Charter by the Board shall be construed as a delegation of authority to the Committee with respect to the responsibilities set forth herein.

The Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.

RESPONSIBILITIES

The Committee shall oversee the Company's financial reporting process on behalf of the Board, and shall have direct responsibility for the appointment, compensation, retention and oversight of the work of the Auditors and any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (including resolution of disagreements between management and the Auditors or any other public accounting firm regarding financial reporting).

The Auditors and each such other registered public accounting firm shall report directly and be accountable to the Committee. The Committee's functions and procedures should remain flexible to address most effectively changing circumstances. To implement the Committee's purpose and policy, the Committee shall be charged with the following functions and processes with the understanding, however, that the Committee may supplement or (except as otherwise required by applicable laws or rules) deviate from these activities as appropriate under the circumstances:

1. ***Evaluation and Retention of Auditors.*** To evaluate at least annually the performance of the Auditors, including the lead partner, to assess their qualifications (including their internal quality-control procedures and any material issues raised by that firm's most recent internal quality-control review or any investigations by regulatory authorities) and to determine whether to retain or to terminate the engagement of the existing Auditors or to appoint and engage a different independent registered public accounting firm.

2. **Communication Prior to Engagement.** Prior to engagement of any prospective Auditors, to review a written disclosure by the prospective Auditors of all relationships between the prospective Auditors, or their affiliates, and the Company, or persons in financial oversight roles at the Company, that may reasonably be thought to bear on independence, and to discuss with the prospective Auditors the potential effects of such relationships on the independence of the prospective Auditors, consistent with Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence* (“**Rule 3526**”), of the Public Company Accounting Oversight Board (United States) (the “**PCAOB**”).
3. **Establish Preapproval Policies and Procedures.** To establish policies and procedures for the Committee's pre-approval of permitted services by the Auditors or other registered public accounting firms on an on-going basis. The Committee can delegate preapproval authority to one or more Committee members so long as any such preapproval decisions are presented to the full Committee at the next scheduled meeting.
4. **Approval of Audit Engagements.** To determine and approve engagements of the Auditors, prior to commencement of such engagements, to perform all proposed audit, review and attest services, including the scope of and plans for the audit, the adequacy of staffing, the compensation to be paid, at the Company's expense, to the Auditors and the negotiation and execution, on behalf of the Company, of the Auditors' engagement letters, which approval may be pursuant to preapproval policies and procedures established by the Committee.
5. **Approval of Non-Audit Services.** To determine and approve engagements of the Auditors, prior to commencement of such engagements (unless in compliance with exceptions available under applicable laws and rules related to immaterial aggregate amounts of services), to perform any proposed permissible non-audit services, including the scope of the service and the compensation to be paid therefor, at the Company's expense, which approval may be pursuant to preapproval policies and procedures established by the Committee.
6. **Audit Partner Rotation.** To monitor the rotation of the partners of the Auditors on the Company's audit engagement team as required by applicable laws and rules and to consider periodically and, if deemed appropriate adopt a policy regarding, rotation of auditing firms.
7. **Auditor Independence.** At least annually, consistent with Rule 3526, to receive and review written disclosures from the Auditors delineating all relationships between the Auditors, or their affiliates, and the Company, or persons in financial oversight roles at the Company, that may reasonably be thought to bear on independence and a letter from the Auditors affirming their independence, to consider and discuss with the Auditors any potential effects of any such relationships on the independence of the Auditors as well as any compensation or services that could affect the Auditors' objectivity and independence, and to assess and otherwise take appropriate action to oversee the independence of the Auditors.
8. **Former Employees of Auditor.** To consider and, if deemed appropriate, adopt clear policies regarding Committee preapproval of employment by the Company of individuals employed or formerly employed by the Auditors and engaged on the Company's account.
9. **Audited Financial Statement Review.** To review, upon completion of the audit, the financial statements proposed to be included in the Company's Registration Statements and Annual Report on Form 10-K to be filed with the SEC and to recommend whether or not such financial statements should be so included.
10. **Annual Audit Results.** To review with management and the Auditors, the results of the annual audit, including the Auditors' assessment of the quality, not just acceptability, of the Company's accounting principles and practices, the Auditors' views about qualitative aspects of the Company's significant accounting practices, the reasonableness of significant judgments and

estimates (including material changes in estimates), any material audit adjustments proposed by the Auditors and any adjustments proposed but not recorded, the adequacy of the disclosures in the financial statements and any other matters required to be communicated to the Committee by the Auditors under generally accepted auditing standards, including the standards of the PCAOB, as appropriate.

11. **Auditor Communications.** At least annually, to discuss with the Auditors the matters required to be discussed pursuant to existing professional standards, including the PCAOB's Statement on Auditing Standards No. 1301, *Communications with Audit Committees*, as amended (as it may be modified or supplemented).
12. **Quarterly Results.** To review and discuss with management and the Auditors, as appropriate, the results of the Auditors' review of the Company's quarterly financial statements, prior to public disclosure of quarterly financial information, if practicable, or filing with the SEC of the Company's related Quarterly Report on Form 10-Q, and any other matters required to be communicated to the Committee by the Auditors under generally accepted auditing standards, including standards of the PCAOB, as appropriate.
13. **Management's Discussion and Analysis.** To review and discuss with management and the Auditors, as appropriate, the Company's disclosures contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its periodic reports to be filed with the SEC.
14. **Press Releases.** To review and discuss with management and the Auditors, as appropriate, earnings press releases, and press releases containing information relating to material financial developments and earnings guidance provided to analysts and ratings agencies, which discussions may be general discussions with respect to the type of information to be disclosed or the type of presentation to be made. The Chair of the Committee may represent the entire Committee for purposes of such discussions.
15. **Accounting Principles and Policies.** To review with management and the Auditors, as appropriate, significant issues that arise regarding accounting principles and financial statement presentation, including all critical accounting policies and practices to be used in the audit, all alternative accounting policies available under U.S. generally accepted accounting principles ("GAAP") related to material items discussed with management, other material communications between the Auditors and management, the potential impact on the Company's financial statements of off-balance sheet structures and any other significant reporting issues and judgments, significant regulatory, legal and accounting initiatives or developments that may have a material impact on the Company's financial statements, compliance programs and policies if, in the judgment of the Committee, such review is necessary or appropriate.
16. **Risk Assessment and Management.** To review and discuss with management and, as appropriate, the Auditors the Company's guidelines and policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps taken by management to monitor and control these exposures; and to review and discuss with management insurance programs, including director and officer insurance, product liability insurance and general liability insurance (but excluding compensation and benefits-related insurance).
17. **Management Cooperation with Audit.** To evaluate the cooperation received by the Auditors during their audit examination, including a review with the Auditors of any significant difficulties encountered during the audit or any restrictions on the scope of their activities or access to required records, data and information and, whether or not resolved, significant disagreements with management and management's response, if any.

18. **Management Letters.** To review and discuss with the Auditors and, if appropriate, management, any management or internal control letter issued or, to the extent practicable, proposed to be issued by the Auditors and management's response, if any, to such letter, as well as any additional material written communications between the Auditors and management.
19. **National Office Communications.** To review and discuss with the Auditors, as appropriate, communications between the audit team and the Auditors' national office with respect to accounting or auditing issues presented by the engagement.
20. **Disagreements Between Auditors and Management.** To review with management and the Auditors, or any other registered public accounting firm engaged to perform audit, review or attest services, any material conflicts or disagreements between management and the Auditors, or such other accounting firm, whether or not resolved, regarding financial reporting, accounting practices or policies or other matters, that individually or in the aggregate could be significant to the Company's financial statements or the Auditors' report, and attempt to resolve any conflicts or disagreements regarding financial reporting.
21. **Internal Control Over Financial Reporting.** To confer with management and the Auditors, as appropriate, regarding the scope, adequacy and effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures, including significant deficiencies or material weaknesses identified by the Auditors. To review with the management and the Auditors (a) any fraud, whether or not material, that includes management or other employees who have any significant role in the design or operation of the Company's internal control over financial reporting and disclosure controls and procedures, and (b) any significant changes in internal controls, disclosure controls and procedures or other factors that could significantly affect the Company's internal control over financial reporting or disclosure controls and procedures, including any corrective actions in regard to significant deficiencies or material weaknesses.
22. **Separate Sessions.** Periodically, to meet in separate sessions with the Auditors, as appropriate, and management to discuss any matters that the Committee, the Auditors or management believe should be discussed privately with the Committee.
23. **Correspondence with Regulators.** To consider and review with management, the Auditors, outside counsel, as appropriate, and any special counsel, separate accounting firm or other consultants and advisors as the Committee deems appropriate, any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.
24. **Complaint Procedures.** To establish procedures, when and as required by applicable laws and rules, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and to establish such procedures as the Committee may deem appropriate for the receipt, retention and treatment of complaints received by the Company with respect to any other matters that may be directed to the Committee for review and assessment.
25. **Ethical Compliance; Compliance with Legal and Regulatory Requirements.** To review the results of management's efforts to monitor compliance with the Company's programs and policies designed to ensure adherence to applicable laws and rules, as well as to its Code of Business Conduct and Ethics, as amended from time to time, and regarding legal matters and compliance with legal and regulatory requirements that may have a material effect on the Company's business, financial statements or compliance policies, including any material reports or inquiries from regulatory or governmental agencies.

26. **Related-Person Transactions.** To review and provide oversight of related-person transactions (as defined in Item 404 of Regulation S-K) and any other potential conflict of interest situations, in accordance with the Company's Related-Person Transactions Policy, and to keep the Auditors informed of the Company's understanding of any significant relationships and transactions with related persons.
27. **Engagement of Registered Public Accounting Firms.** To determine and approve engagements of any registered public accounting firm (in addition to the Auditors), prior to commencement of such engagements, to perform any other audit, review or attest service, including the compensation to be paid, at the Company's expense, to such firm and the negotiation and execution, on behalf of the Company, of such firm's engagement letter, which approval may be pursuant to preapproval policies and procedures established by the Committee.
28. **Investment Policy.** To review, on a periodic basis, as appropriate, the Company's investment policy and recommend to the Board any changes to the investment policy.
29. **Investigations.** To investigate any matter brought to the attention of the Committee within the scope of its duties if, in the judgment of the Committee, such investigation is necessary or appropriate.
30. **Proxy Report.** To prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.
31. **Annual Charter Review.** To review and assess the adequacy of this charter annually and recommend any proposed changes to the Board for approval.
32. **Report to Board.** To report to the Board with respect to material issues that arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance or independence of the Auditors or such other matters as the Committee deems appropriate from time to time or whenever it shall be called upon to do so.
33. **Annual Committee Evaluation.** To conduct an annual evaluation of the performance of the Committee.
34. **General Authority.** To perform such other functions and to have such powers as may be necessary or appropriate in the efficient and lawful discharge of the foregoing.

It shall be the responsibility of management to prepare the Company's financial statements and periodic reports and the responsibility of the Auditors to audit those financial statements. These functions shall not be the responsibility of the Committee, nor shall it be the Committee's responsibility to ensure that the financial statements or periodic reports are complete and accurate, conform to GAAP or otherwise comply with applicable laws.