



## Charter of the Human Capital Management & Compensation Committee

### PURPOSE AND POLICY

The purpose of the Human Capital Management & Compensation 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 responsibilities to oversee the Company's culture, talent development, succession planning, compensation policies, plans and programs; to review and determine, as appropriate, the compensation to be paid to the Company's executive officers and directors; and review, discuss with management and approve the Company's disclosures contained under the caption "Compensation Discussion and Analysis" ("**CD&A**") for use in any of the Company's annual reports on Form 10-K, registration statements, proxy statements or information statements and prepare and review the Committee report on executive compensation included in the Company's annual proxy statement in accordance with applicable rules and regulations of the Securities and Exchange Commission (the "**SEC**"), as in effect from time to time. For purposes of this charter, the term "compensation" shall include salary, long-term incentives, bonuses, performance based cash incentive plans, perquisites, equity incentives, severance arrangements, change of control related arrangements, retirement benefits, tax gross up provisions and other related benefits and benefit plans.

The policy of the Committee shall be as follows:

- **Human Capital Management.** The Committee shall seek to ensure the Company's culture, talent development and succession planning align with the Company's strategy, values and mission;
- **Compensation Structure.** The Committee shall seek to maintain an overall compensation structure designed to attract, retain and motivate management and other employees by providing appropriate levels of risk and reward, assessed on a relative basis at all levels within the Company and in proportion to individual contribution and performance; and
- **Long-Term Focus.** The Committee shall seek to establish appropriate incentives for management to further the Company's long-term strategic plan and avoid undue emphasis on short-term market value.

### COMPOSITION

The Committee shall consist of at least two members of the Board. All members of the Committee shall satisfy the independence requirements of The Nasdaq Stock Market ("**Nasdaq**") applicable to compensation committee members, as in effect from time to time, including any exceptions permitted by these requirements. At least two of the members of the Committee shall satisfy the "non-employee director" standard within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended from time to time (the "**Exchange Act**"). 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 deem necessary or appropriate. 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.

The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

## AUTHORITY

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 the responsibilities hereunder, including human resources, legal counsel or other personnel assisting in the preparation of the CD&A for the Company's filings with the SEC. The Committee shall have the authority to obtain, at the expense of the Company, advice and assistance from internal or external legal, accounting or other advisors and consultants. The Committee shall also have sole authority to retain, terminate and oversee any such external legal, accounting or other advisors and consultants, including any compensation consultant, to assist in the evaluation of director, chief executive officer or senior executive compensation (each an "**Advisor**"). The Committee shall have the sole authority to approve any such Advisor's reasonable fees and other retention terms, all at the Company's expense. The Committee shall evaluate whether any Advisor retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K promulgated under the Securities Act of 1933, as amended from time to time.

Other reasonable expenditures for external resources that the Committee deems necessary or appropriate in the performance of its duties are permitted and shall be incurred at the Company's expense. The Committee may form and delegate authority to subcommittees as it deems appropriate. 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 approval of this charter shall be construed as a delegation of authority to the Committee with respect to the responsibilities set forth herein.

## RESPONSIBILITIES

To implement the Committee's purpose and policies, the Committee shall be charged with the following duties and responsibilities, with the understanding, however, that the Committee may supplement and, except as otherwise required by applicable law or the requirements of Nasdaq, deviate from these activities as appropriate under the circumstances:

1. **Human Capital Management.** The Committee shall be responsible for periodically reviewing the Company's strategies, initiatives and programs with respect to its culture; talent recruitment; employee development, retention and engagement; and succession planning.
2. **Overall Compensation Strategy and Policies.** The Committee shall be responsible for reviewing, modifying (as needed) and approving (or, if it deems appropriate, making recommendations to the full Board) the overall compensation strategy and policies for the Company, including:

- reviewing and approving (or making recommendations to the full Board for approval) corporate performance goals and objectives, which shall support and reinforce the Company's long-term strategic goals, relevant to the compensation of the Company's executive officers;
- evaluating and approving (or making recommendations to the full Board for approval) the compensation plans and programs advisable for the Company, as well as the modification or termination of existing plans and programs;
- evaluating (including, if it deems appropriate, with the input of some or all of the other members of the Board) risks associated with and potential consequences of the Company's compensation policies and practices, as applicable to all employees of the Company, and assessing whether risks and consequences arising from the Company's compensation policies and practices for its employees, as may be mitigated by any other compensation policies and practices, are reasonably likely to have a material adverse effect on the Company;
- evaluating and approving (or making recommendations to the full Board for approval) policies with respect to equity compensation arrangements, with the objective of appropriately balancing the perceived value of equity compensation and the dilutive and other costs of that compensation to the Company;
- evaluating and approving (or making recommendations to the full Board for approval) policies for allocating between long-term and currently paid out compensation, between cash and non-cash compensation and the factors used in deciding between the various forms of compensation;
- evaluating and approving (or making recommendations to the full Board for approval) elements of corporate performance for purposes of increasing or decreasing compensation;
- evaluating and approving (or making recommendations to the full Board for approval) policies on the timing and pricing of equity awards for newly hired employees, promotions and annual grants for executives and non-executive employees and directors;
- evaluating and approving (or making recommendations to the full Board for approval) policies with respect to votes by the Company's stockholders to approve executive compensation ("**Say on Pay Votes**") as required by Section 14A of the Exchange Act and the Company's recommendations regarding the frequency of Say on Pay Votes;
- reviewing regional and industry-wide compensation practices and trends to assess the propriety, adequacy and competitiveness of the Company's executive compensation programs among comparable companies in the Company's industry; however, the Committee (and full board, where applicable) shall exercise independent judgment in determining the appropriate levels and types of compensation to be paid;
- establishing and periodically assessing the adequacy of director compensation;
- reviewing and approving (or making recommendations to the full Board for approval) the terms of any employment agreements, severance arrangements, change-of-control protections and any other compensatory arrangements (including, without limitation, any material perquisites and any other forms of compensation) for the Company's executive officers (other than the Chief Executive Officer of the Company), including any payments, compensation or other awards under such agreements and arrangements;

- reviewing and approving (or making recommendations to the full Board for approval) any compensation arrangement for any executive officer involving any subsidiary, special purpose or similar entity;
  - overseeing, in conjunction with the Board, engagement with stockholders and proxy advisory firms on executive compensation matters;
  - monitoring the Company's compliance with the requirements of the Sarbanes-Oxley Act of 2002, as amended, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and other applicable laws, regulations and rules, as related to compensation;<sup>3</sup>
  - overseeing the Company's response to regulatory developments relating to compensation arrangements for directors and executive officers;
  - considering and, if appropriate, establishing stock ownership guidelines designed to encourage executive officers and directors to acquire and hold a meaningful equity interest in the Company; and
  - evaluating the efficacy of the Company's compensation policy and strategy in achieving expected benefits to the Company and otherwise furthering the Committee's policies.
3. **Compensation of Chief Executive Officer.** The Committee shall determine and approve (or make recommendations to the full Board for approval) the compensation and other terms of employment of the Company's Chief Executive Officer and shall evaluate the Chief Executive Officer's performance in light of relevant performance goals and objectives, taking into account, among other things, the policies of the Company and the Chief Executive Officer's performance in:
- fostering a corporate culture that promotes the highest levels of integrity and the highest ethical standards;
  - developing and executing the Company's long-term strategic plan and conducting the business of the Company in a manner appropriate to enhance long-term stockholder value;
  - achieving any other corporate performance goals and objectives deemed relevant to the Chief Executive Officer as established by the Board; and
  - achieving the Chief Executive Officer's individual performance goals and objectives established by the Committee.

In determining the long-term incentive component of the Chief Executive Officer's compensation, the Committee shall take into consideration the Company's performance and relative stockholder return, the value of similar incentive awards given to chief executive officers of comparable companies, the awards given to the Company's Chief Executive Officer in past years, other elements of the Chief Executive Officer's compensation including total compensation, the results of the most recent Say on Pay Vote and such other criteria as the Committee deems advisable. The Company's Chief Executive Officer may not be present during the voting or deliberations regarding his or her compensation.

4. **Compensation of Other Executive Officers.** The Committee shall review and approve (or make recommendations to the full Board for approval) the individual and corporate performance goals and objectives of the Company's other officers (as that term is defined in Section 16 of the Exchange Act and Rule 16a-1 thereunder) that are periodically established. The Committee shall determine the compensation and other terms of employment of each such executive officer, taking into consideration the executive officer's success in achieving his or her individual performance goals and objectives and the corporate performance goals and objectives deemed

relevant to the executive officer as established by the Committee. The Company's Chief Executive Officer may be present during the Committee's deliberations regarding compensation arrangements for such other executive officers. The Chief Executive Officer will report to the Committee his or her determinations with respect to the achievement of goals and objectives and other performance appraisals regarding such other executive officers.

5. **Compensation of Non-Employee Directors.** The Committee shall review and approve the type and amount of compensation to be paid or awarded to non-employee members of the Board, including consulting, retainer, Board meeting, committee and committee chair fees, equity incentives, and any deferred compensation arrangements or similar programs.
6. **Administration of Benefit Plans.** The Committee shall review and approve (or make recommendations to the full Board for approval) any adoption, amendment and termination of the Company's stock option plans, stock appreciation rights plans, pension and profit sharing plans, incentive plans, stock bonus plans, stock purchase plans, bonus plans, deferred compensation plans and similar programs. The Committee shall have full power and authority to administer these plans, establish guidelines, interpret plan documents, select participants, approve grants and awards, and exercise such other power and authority as may be permitted or required under such plans.
7. **Insurance Coverage.** The Committee shall review and establish appropriate insurance coverage for the Company's directors and executive officers.
8. **Compensation Discussion and Analysis.** The Committee shall review and discuss with management the Company's disclosures contained under the caption "Compensation Discussion and Analysis" and the related executive compensation information for use in any of the Company's annual reports on Form 10-K, registration statements, proxy statements, information statements or any amendments thereof and make recommendations to the Board that the CD&A and the related executive compensation information be approved for inclusion in the Company's annual reports on Form 10-K, registration statements, proxy statements, information statements or any amendments thereof.
9. **Committee Report.** The Committee shall prepare and review the Committee report on executive compensation to be included in the Company's annual proxy statement in accordance with applicable SEC rules and regulations.
10. **Independence of Advisors.** Prior to selecting any compensation consultant, legal counsel or other advisor with respect to compensation matters, the Committee shall review, discuss and consider the independence of such compensation consultant, legal counsel or other advisor as required by the SEC rules and regulations promulgated under Section 10C of the Exchange Act, as well as any other factors identified by applicable listing standards.
11. **Annual Evaluation and Charter Review.** The Committee shall review, discuss and assess its own performance at least annually. The Committee shall also periodically review and assess the adequacy of this charter and recommend any proposed changes to the Board for its consideration and approval.
12. **Management Succession.** The Committee shall periodically review, discuss and make recommendations to the Board regarding succession planning for the Company's Chief Executive Officer and other key executive officer positions of the Company.