

ChemoCentryx, Inc.  
Form DEF 14A  
April 08, 2019

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of**  
**the Securities Exchange Act of 1934**  
**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**ChemoCentryx, Inc.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**850 Maude Avenue**

**Mountain View, CA 94043**

**NOTICE OF ANNUAL MEETING OF  
STOCKHOLDERS AND PROXY STATEMENT**

Dear stockholder:

The annual meeting of stockholders of ChemoCentryx, Inc. will be held at the company's headquarters, located at 850 Maude Avenue, Mountain View, CA 94043, on May 23, 2019 at 10:00 a.m., local time, for the following purposes:

1. To elect three directors to serve as Class II directors for a three-year term to expire at the 2022 annual meeting of stockholders;
2. To consider and vote upon the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019;
3. To transact such other business as may be properly brought before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the attached proxy statement, which forms a part of this notice and is incorporated herein by reference. Our board of directors has fixed the close of business on March 29, 2019 as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting or any adjournment or postponement thereof.

Accompanying this notice is a proxy card. Whether or not you expect to attend our annual meeting, please complete, sign and date the enclosed proxy card and return it promptly, or complete and submit your proxy via phone or the internet in accordance with the instructions provided on the enclosed proxy card. If you plan to attend our annual meeting and wish to vote your shares personally, you may do so at any time before the proxy is voted.

All stockholders are cordially invited to attend the meeting.

By Order of the Board of Directors,

Thomas J. Schall, Ph.D.

*President, Chief Executive*

*Officer and Chairman*

Mountain View, California

April 8, 2019

**Your vote is important. Please vote your shares whether or not you plan to attend the meeting.**

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**850 Maude Avenue**

**Mountain View, CA 94043**

**PROXY STATEMENT FOR THE 2019 ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON THURSDAY, MAY 23, 2019**

The board of directors of ChemoCentryx, Inc. is soliciting the enclosed proxy for use at the annual meeting of stockholders to be held at the company's headquarters, located at 850 Maude Avenue, Mountain View, CA 94043, on May 23, 2019 at 10:00 a.m., local time. If you need directions to the location of the annual meeting, please contact us at (650) 210-2900.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on May 23, 2019.**

This proxy statement and our annual report are available electronically at <https://materials.proxyvote.com/16383L>.

**GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

**Why did you send me this proxy statement?**

We sent you this proxy statement and the enclosed proxy card because our board of directors is soliciting your proxy to vote at the 2019 annual meeting of stockholders. This proxy statement summarizes information related to your vote at the annual meeting. All stockholders who find it convenient to do so are cordially invited to attend the annual meeting in person. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

We intend to begin mailing this proxy statement, the attached notice of annual meeting and the enclosed proxy card on or about April 8, 2019 to all stockholders of record entitled to vote at the annual meeting. Only stockholders who owned our common stock on March 29, 2019 are entitled to vote at the annual meeting. On this record date, there were 57,725,915 shares of our common stock outstanding. Common stock is our only class of stock entitled to vote.

**What am I voting on?**

There are two proposals scheduled for a vote:

*Proposal 1: To elect three directors to serve as Class II directors for a three-year term.*

*Proposal 2: To consider and vote upon the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2019.*

**How many votes do I have?**

Each share of our common stock that you own as of March 29, 2019 entitles you to one vote.

## How do I vote by proxy?

With respect to the election of the directors, you may vote For or Against each of the nominees to the board of directors or you may Withhold your vote for any nominee you specify. With respect to the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm, you may vote For or Against or abstain from voting.

### *Stockholders of Record: Shares Registered in Your Name*

If you are a stockholder of record, there are several ways for you to vote your shares. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure that your vote is counted.

**By Mail:** You may vote using your proxy card by completing, signing, dating and returning the proxy card in the self-addressed, postage-paid envelope provided, or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. If you properly complete your proxy card and send it to us in time to vote, your proxy (one of the individuals named on your proxy card) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your shares, as permitted, will be voted as recommended by our board of directors. If any other matter is presented at the annual meeting, your proxy will vote in accordance with his or her best judgment. As of the date of this proxy statement, we knew of no matters that needed to be acted on at the meeting, other than those discussed in this proxy statement.

**Via the Internet:** You may vote at [www.voteproxy.com](http://www.voteproxy.com), 24 hours a day, seven days a week. Have your proxy card available when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. Votes submitted via the Internet must be received by 11:59 p.m., Eastern Time, on May 22, 2019.

**By Telephone:** You may vote using a touch-tone telephone by calling 1-800-690-6903, 24 hours a day, seven days a week. Have your proxy card available when you call and then follow the instructions. Votes submitted by telephone must be received by 11:59 p.m., Eastern Time, on May 22, 2019.

**In Person:** You may still attend the meeting and vote in person even if you have already voted by proxy. To vote in person, come to the annual meeting and we will give you a ballot at the annual meeting. If you are a beneficial shareholder, you may need to request and bring a legal proxy to the meeting to vote.

### *Beneficial Owners: Shares Registered in the Name of a Broker or Bank*

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than directly from us. Simply complete and mail the proxy card to ensure that your vote is counted. You may be eligible to vote your shares electronically over the Internet or by telephone. A large number of banks and brokerage firms offer Internet and telephone voting. If your bank or brokerage firm does not offer Internet or telephone voting information, please complete and return your proxy card in the self-addressed, postage-paid envelope provided. To vote in person at the annual meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

## May I revoke my proxy?

If you give us your proxy, you may revoke it at any time before it is exercised. You may revoke your proxy in any one of the three following ways:

you may send in another signed proxy with a later date,



you may notify our corporate secretary, Susan M. Kanaya, in writing before the annual meeting that you have revoked your proxy, or

you may notify our corporate secretary in writing before the annual meeting and vote in person at the meeting.

**What constitutes a quorum?**

The presence at the annual meeting, in person or by proxy, of holders representing a majority of our outstanding common stock as of March 29, 2019, or approximately 28,862,958 shares, constitutes a quorum at the meeting, permitting us to conduct our business.

**What vote is required to approve each proposal?**

*Proposal 1: Election of Directors.* Each nominee who receives more For votes than Against votes (among votes properly cast in person or by proxy) will be elected. Any incumbent nominee for director who does not receive an affirmative vote of a majority of the votes cast in favor of or against such nominee must promptly tender his or her resignation after the Annual Meeting.

*Proposal 2: Ratification of Independent Registered Public Accounting Firm.* The ratification of the appointment of Ernst & Young LLP must receive For votes from the holders of a majority of the shares of common stock present or represented by proxy and entitled to vote at the annual meeting.

Voting results will be tabulated and certified by Broadridge Financial Solutions, Inc.

**What is the effect of abstentions and broker non-votes?**

Shares of common stock held by persons attending the annual meeting but not voting, and shares represented by proxies that reflect abstentions as to a particular proposal, will be counted as present for purposes of determining the presence of a quorum. Abstentions are treated as shares present in person or by proxy and entitled to vote, so abstaining has the same effect as a negative vote for purposes of determining whether our stockholders have ratified the appointment of Ernst & Young LLP, our independent registered public accounting firm. However, because the election of directors is based on a majority of the votes cast in favor of or against each nominee, abstentions will not be counted in determining the outcome of such proposal.

Shares represented by proxies that reflect a broker non-vote will be counted for purposes of determining whether a quorum exists. A broker non-vote occurs when a nominee holding shares for a beneficial owner has not received instructions from the beneficial owner and does not have discretionary authority to vote the shares for certain non-routine matters. With regard to the election of directors, broker non-votes, if any, will not be counted as votes cast and will have no effect on the result of the vote. However, ratification of the appointment of Ernst & Young LLP is considered a routine matter on which a broker or other nominee has discretionary authority to vote. Accordingly, no broker non-votes will likely result from this proposal.

**Who is paying the costs of soliciting these proxies?**

We will pay all of the costs of soliciting these proxies. Our directors, officers and other employees may solicit proxies in person or by mail, telephone, fax or email. We will pay our directors, officers and other employees no additional compensation for these services. We will ask banks, brokers and other institutions, nominees and fiduciaries to forward these proxy materials to their principals and to obtain authority to execute proxies. We will then reimburse them for their expenses. Our costs for forwarding proxy materials will not be significant.



**How do I obtain an Annual Report on Form 10-K?**

If you would like a copy of our Annual Report on Form 10-K for the year ended December 31, 2018 that we filed with the SEC, we will send you one without charge. Please write to:

ChemoCentryx, Inc.  
850 Maude Avenue  
Mountain View, CA 94043  
Attn: Corporate Secretary

All of our SEC filings are also available free of charge in the [Investors SEC Filings](#) section of our website at [www.chemocentryx.com](http://www.chemocentryx.com).

**How can I find out the results of the voting at the annual meeting?**

Preliminary voting results will be announced at the annual meeting. Final voting results will be published in our current report on Form 8-K to be filed with the SEC within four business days after the annual meeting.

**PROPOSAL 1:****ELECTION OF DIRECTORS**

Our board of directors is divided into three classes, with one class of our directors standing for election each year, generally for a three-year term. Directors for each class are elected at the annual meeting of stockholders held in the year in which the term for their class expires and hold office until their resignation or removal or their successors are duly elected and qualified. In accordance with our certificate of incorporation and bylaws, our board of directors may fill existing vacancies on the board of directors by appointment.

The term of office of our Class II directors, Henry A. McKinnell Jr., Ph.D., Geoffrey M. Parker and James L. Tyree, will expire at the 2019 annual meeting. Accordingly, the nominees for Class II directors for election at the 2019 annual meeting are Henry A. McKinnell Jr., Ph.D., Geoffrey M. Parker and James L. Tyree. If any of Dr. McKinnell, Mr. Parker or Mr. Tyree is elected at the 2019 annual meeting, such individual will be elected to serve for a three-year term that will expire at our 2022 annual meeting of stockholders and until such individual's successor is elected and qualified.

If no contrary indication is made, proxies in the accompanying form are to be voted for Dr. McKinnell, Mr. Parker and Mr. Tyree or in the event that Dr. McKinnell, Mr. Parker or Mr. Tyree is not a candidate or is unable to serve as a director at the time of the election (which is not currently expected), for any nominee who is designated by our board of directors to fill the vacancy.

All of our directors bring to the board of directors significant leadership experience derived from their professional experience and service as executives or board members of other corporations. The process undertaken by the nominating and corporate governance committee in recommending qualified director candidates is described below under Director Nomination Process. Certain individual qualifications and skills of our directors that contribute to the board of directors' effectiveness as a whole are described in the following paragraphs.

**Information Regarding Directors**

The information set forth below as to the directors and nominees for director has been furnished to us by the directors and nominees for directors:

**Nominees for Election to the Board of Directors****Term Expiring at the****2019 Annual Meeting of Stockholders (Class II)**

<b>Name</b>	<b>Age</b>	<b>Present Position with ChemoCentryx, Inc.</b>
Henry A. McKinnell, Jr., Ph.D.	76	Director
Geoffrey M. Parker	54	Director
James L. Tyree	66	Director

*Henry A. McKinnell, Jr., Ph.D.* has served on our board of directors since October 2016. Until his retirement in 2006, Dr. McKinnell was Chairman and Chief Executive Officer of Pfizer Inc., from 2001. After joining Pfizer in 1971 in Tokyo, Dr. McKinnell held positions of increasing responsibility around the world including president Asia, vice president strategic planning, chief financial officer and president and chief operating officer. Dr. McKinnell serves as

Chairman of Moody's Corporation. He also serves as a director of View Ray, Inc. and Federal Street Acquisition Corporation. He is Chairman Emeritus of the Connecticut Science Center and a life trustee of the Japan Society. He has served as a Director of the Trilateral Commission and the Business Council, and Chairman of the Stanford University Graduate School of Business Advisory Council, Chairman Emeritus of

the Business-Higher Education Forum, a Fellow of the New York Academy of Medicine, and a member of the Boards of Trustees of the New York City Public Library, the New York City Police Foundation and the Economic Club of New York. He served as the Chairman of the Accordia Global Health Foundation and also served as a Senior Advisor to Toyota Motor Corporation's International Advisory Board and the Thomas H. Lee Private Equity Partnership. He is the Chairman Emeritus of the Pharmaceutical Research and Manufacturers of America (Pharma), the Food and Drug Law Institute and the Medical Device Manufacturers Association. He has served as a director of more than 12 public companies over twenty years. Dr. McKinnell earned his bachelor's degree in business from the University of British Columbia and his M.B.A. and Ph.D. degrees from Stanford University Graduate School of Business. We believe Dr. McKinnell is qualified to serve on our board of directors because of his international leadership and management experience in the healthcare industry and his service on the board of directors of a range of private and publicly held companies.

*Geoffrey M. Parker* has served on our board of directors since December 2009. Since April 2017, Mr. Parker has served as Chief Financial Officer of Tricida, Inc., a biotechnology company, and previously served as Chief Financial Officer of Anacor Pharmaceuticals, Inc. from September 2010 to May 2015. From 1997 to 2009, Mr. Parker led the West Coast Healthcare Investment Banking practice at Goldman Sachs, where he advised leading companies in the biotechnology, life science tools and medical device industries. Mr. Parker currently serves as a member of the board of directors of Genomic Health and Perrigo. Mr. Parker received his A.B. in Engineering Sciences and Economics from Dartmouth College and his M.B.A. from Stanford University. We believe Mr. Parker is qualified to serve on our board of directors because of his financial sophistication, his experience as the Chief Financial Officer of a public biotechnology company and his management background as an executive in the financial services industry.

*James L. Tyree* has served on our board of directors since June 2012. Since 2014, Mr. Tyree has served as co-founder, chairman and managing partner of Tyree & D'Angelo Partners, a private equity investment firm. Prior to founding Tyree & D'Angelo Partners, Mr. Tyree was Executive Vice President and President of Abbott Biotech Ventures, a subsidiary of Abbott Laboratories focused on investments in early stage biotechnology companies. Prior to that, Mr. Tyree held numerous executive positions at Abbott, including Executive Vice President Global Pharmaceuticals, Senior Vice President Global Nutrition, Corporate Vice President Pharmaceutical and Nutritional Products Group Business Development and Divisional Vice President and General Manager, Japan. Prior to rejoining Abbott in 1997, Mr. Tyree was the President of SUGEN, Inc., and held management positions in Bristol-Myers Squibb, Pfizer and Abbott. Mr. Tyree currently serves as a director of Assertio Therapeutics, Inc. Mr. Tyree earned Bachelor's Degrees in Psychology and Forensic Studies and a Master's Degree in Business Administration from Indiana University. We believe Mr. Tyree is qualified to serve on our board of directors because of his international leadership and management experience in the healthcare industry and his service on the boards of directors of a range of private companies.

### **Members of the Board of Directors Continuing in Office**

#### **Term Expiring at the**

#### **2020 Annual Meeting of Stockholders (Class III)**

<b>Name</b>	<b>Age</b>	<b>Present Position with ChemoCentryx, Inc.</b>
Thomas A. Edwards	60	Director
Rita I. Jain, M.D.	56	Director

*Thomas A. Edwards* has served as a member of our board of directors since July 2015. Until his retirement in March 2014, Mr. Edwards practiced law with Latham & Watkins LLP, an international law firm, since 1983, having become partner in January 1991. His practice focused on general corporate and securities law, including capital financings,

acquisitions, divestitures and spin-offs of companies and partnerships. Mr. Edwards earned his bachelor's degree from Harvard College and his law degree from Harvard Law School. We believe Mr. Edwards

is qualified to serve on our board of directors because of his experience in the healthcare industry, his understanding of our industry and his expertise in advising clients on corporate, securities, finance and technology law matters.

*Rita I. Jain, M.D.* has served as a member of our board of directors since March 2019. Since May 2017, Dr. Jain has served as Senior Vice President and Chief Medical Officer of Akebia Therapeutics, Inc., a biotechnology company. Prior to joining Akebia, Dr. Jain was Vice President of Men's and Women's Health and Metabolic Development at AbbVie, Inc. From 2003 to 2016 she held positions of increasing responsibility, with over 10 years as either a Divisional Vice President or Vice President in Pharmaceutical Development at Abbott Laboratories, and after AbbVie's split from Abbott, at AbbVie. In addition to her work in Men's and Women's Health, and Metabolic Development, Dr. Jain also led activities in Pain, Respiratory, and Cystic Fibrosis Development. Before AbbVie, she held management positions in the Arthritis, Inflammation and Pain Group at Searle (acquired by Pharmacia and subsequently Pfizer). Prior to joining Searle, Dr. Jain was a faculty member at North Shore University Hospital in New York, with an academic appointment as Assistant Professor of Medicine, New York University School of Medicine. Dr. Jain received her B.S. in biology from LIU/C.W. Post and her M.D. from the State University of New York at Stony Brook School of Medicine. Dr. Jain completed her medical training in internal medicine at Staten Island University Hospital followed by a Fellowship in Rheumatology at North Shore University Hospital and a Clinical Research Fellowship at the University of Texas Southwestern Medical Center, Dallas. We believe Dr. Jain is qualified to serve on our board of directors because of her experience in the healthcare industry and management experience from her service as the Chief Medical Officer of a public pharmaceutical company.

#### **Term Expiring at the**

#### **2021 Annual Meeting of Stockholders (Class I)**

<b>Name</b>	<b>Age</b>	<b>Present Position with ChemoCentryx, Inc.</b>
Thomas J. Schall, Ph.D.	59	President, Chief Executive Officer and Chairman
Joseph M. Feczko, M.D.	69	Director

*Thomas J. Schall, Ph.D.* is the founder of our company and has served as our President, Chief Executive Officer and Director since we commenced operations in 1997 and was appointed Chairman of the Board in April 2012. From 1993 to March 1997, Dr. Schall worked at the DNAX Research Institute, a division of Schering-Plough Corporation, a pharmaceutical company. Prior to his work at the DNAX Research Institute, he worked as a scientist with Genentech, Inc., a pharmaceutical company. Dr. Schall participated in some of the earliest discoveries of chemokine system function and activities. Dr. Schall cloned one of the first chemokines to be discovered, and provided some of the earliest data for the existence of the previously unknown family of molecules which later came to be called the chemokines. Dr. Schall's laboratories have been responsible for the discovery or co-discovery of almost one-third of all known chemokine receptors. Dr. Schall received his B.S. in biology from Northern Illinois University and his Ph.D. in cancer biology from Stanford University. We believe Dr. Schall is qualified to serve on our board of directors because of his extensive executive leadership experience, many years of service as one of our directors and our President and Chief Executive Officer and extensive scientific expertise and knowledge of the chemokine system.

*Joseph M. Feczko, M.D.* has served as a member of our board of directors since April 2012. Until his retirement in May 2009, Dr. Feczko was Senior Vice President and Chief Medical Officer of Pfizer Inc. and a member of its Executive Leadership Team with global responsibilities for all aspects of the company's medical, regulatory and safety activities. Dr. Feczko served Pfizer in both New York and the United Kingdom since 1982, where he held positions of increasing responsibility in clinical research and regulatory affairs and safety, culminating in the role of Chief Medical Officer. Dr. Feczko is board-certified in Internal Medicine and Infectious Diseases. He has a B.S. degree from Loyola University Chicago, and an M.D. from the University of Illinois College of Medicine. Dr. Feczko presently serves on the board of directors of Adenium Biotech. We





believe Dr. Feczko is qualified to serve on our board of directors because of his international leadership and management experience from his service as the Chief Medical Officer of a public pharmaceutical company and as a director of several pharmaceutical and biotechnology companies.

### **Board Independence**

Our board of directors has determined that all of our directors are independent directors within the meaning of the applicable Nasdaq Stock Market LLC, or Nasdaq, listing standards, except for Thomas J. Schall, Ph.D., our President, Chief Executive Officer and Chairman. In addition, our board of directors determined that our former director, Roger Lucas, Ph.D., who resigned from our board of directors effective March 5, 2019, was an independent director within the meaning of the applicable Nasdaq listing standards.

### **Board Leadership Structure**

Our board of directors currently has five independent directors and one employee director. Our board of directors is currently chaired by Dr. Schall, who is also our Chief Executive Officer. Our board of directors believes that Dr. Schall's service as both Chairman and Chief Executive Officer is in the best interests of our company and our stockholders. Dr. Schall possesses detailed and in-depth knowledge of the issues, opportunities and challenges we face, and we believe he is the person best positioned to develop agendas that ensure that our board of directors' time and attention is focused on the most critical matters. Our board of directors believes that his combined role enables decisive leadership, ensures clear accountability and enhances our ability to communicate our message and strategy clearly and consistently to stockholders, employees and strategic partners.

In November 2018, our board of directors appointed Mr. Edwards as the lead independent director to help reinforce the independence of the board of directors as a whole. Dr. Lucas previously served as the lead independent director until November 2018. The position of lead independent director has been structured to serve as an effective balance to a combined Chief Executive Officer and Chairman role. As the lead independent director, Mr. Edwards is empowered to, among other duties and responsibilities, review and provide input on the agendas for meetings of the board of directors, chair executive sessions in the absence of the Chairman, serve as a liaison between the Chairman and the independent directors and serve as an independent point of contact for management and others wishing to communicate to the board of directors other than through the Chairman. As reinforcement of the importance of an independent board of directors, the independent directors routinely meet outside the presence of our management, including Dr. Schall. For all of these reasons, the board of directors believes that the lead independent director can help ensure the effective independent functioning of the board of directors in its oversight responsibilities.

### **The Board's Role in Risk Oversight**

Our board of directors has responsibility for the oversight of the company's risk management processes and, either as a whole or through its committees, regularly discusses with management our major risk exposures, their potential impact on our business and the steps we take to manage them. The risk oversight process includes receiving regular reports from board committees and members of senior management to enable our board to understand the company's risk identification, risk management and risk mitigation strategies with respect to areas of potential material risk, including operations, finance, legal, regulatory, strategic and reputational risk.

The audit committee reviews information regarding liquidity and operations and oversees our management of financial risks. Periodically, the audit committee reviews our policies with respect to risk assessment, risk management, loss prevention and regulatory compliance. Oversight by the audit committee includes direct communication with our external auditors, and discussions with management regarding significant risk exposures and the actions management has taken to limit, monitor or control such exposures. The compensation committee is responsible for assessing whether any of our compensation policies or programs has the potential to encourage



excessive risk-taking. The nominating and corporate governance committee manages risks associated with the independence of the board, corporate disclosure practices and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire board of directors is regularly informed through committee reports about such risks. Matters of significant strategic risk are considered by our board of directors as a whole.

### **Board of Directors Meetings**

During the fiscal year 2018, our board of directors met ten times, including telephonic meetings. In that year, each director attended at least 75% of the total number of meetings held by the board of directors and each committee of the board of directors on which such director served.

### **Committees of the Board of Directors**

We have three standing committees: the audit committee, the compensation committee and the nominating and corporate governance committee. Each of these committees has a written charter approved by our board of directors. A copy of each charter can be found under the Investors Corporate Governance section of our website at [www.chemocentryx.com](http://www.chemocentryx.com).

#### *Audit Committee*

The audit committee of our board of directors currently consists of Messrs. Tyree (chairperson and audit committee financial expert) and Edwards and Drs. Feczko and McKinnell. The audit committee met five times during fiscal year 2018, including telephonic meetings. Our board of directors has determined that all members of the audit committee are independent directors, as defined in the Nasdaq qualification standards and by Section 10A of the Exchange Act. In addition, our board of directors has determined that Mr. Tyree qualifies as an audit committee financial expert as that phrase is defined under the regulations promulgated by the SEC. The audit committee is governed by a written charter adopted by our board of directors. Our audit committee is responsible for overseeing our accounting and financial reporting processes and audits of our consolidated financial statements on behalf of our board of directors. The specific powers and responsibilities of our audit committee include:

appointing, assessing the qualifications of, compensating, retaining, and overseeing the work of our independent registered public accounting firm, for the purpose of preparing or issuing an auditor's report or performing other audit, review, and attest services;

reviewing our annual audited consolidated financial statements with management and our independent registered public accounting firm;

reviewing the appointment of, replacement of, and meeting with our internal auditor to discuss significant reports to management;

overseeing and monitoring the integrity of our consolidated financial statements, our compliance with legal and regulatory requirements as they relate to consolidated financial statements or accounting matters, our independent registered public accounting firm's qualifications, independence and the performance of our internal accounting and financial controls;

determining whether to recommend to our board of directors that the audited financial statements be included in our annual report for the fiscal year subject to the audit;

reviewing all related party transactions on an ongoing basis;

preparing the report that SEC rules require be included in our annual proxy statement;

providing our board of directors with the results of its monitoring and recommendations;

providing our board of directors with additional information and materials as it deems necessary to make our board of directors aware of significant financial matters that require the attention of our board of directors; and

evaluating its own performance on an annual basis.

Both our external auditor and internal financial personnel meet privately with the audit committee and have unrestricted access to this committee.

#### *Compensation Committee*

The compensation committee of our board of directors currently consists of Messrs. Tyree (chairman) and Edwards and Drs. Feczko and McKinnell. The compensation committee met three times during fiscal year 2018, including a telephonic meeting. Our board of directors has determined that all members of the compensation committee are independent directors, as defined in the Nasdaq qualification standards. The compensation committee is governed by a written charter approved by our board of directors. The compensation committee's purpose is to assist our board of directors in determining the compensation programs and compensation for our executive officers, including by designing, evaluating and approving our compensation plans, policies and programs. The compensation committee is responsible for, among other things:

reviewing and approving our corporate goals and objectives relating to the compensation of our Chief Executive Officer, evaluating the performance of our Chief Executive Officer in light of those goals and objectives, and determining and approving the compensation of our Chief Executive Officer based on such evaluation;

reviewing and approving the compensation of our officers and certain employees; reviewing and approving general compensation goals and guidelines for employees and the criteria by which bonuses, long-term incentive compensation, stock options, employee pension and welfare benefits plans are determined;

determining our policy with respect to change of control or parachute payments;

managing and reviewing executive officer and director indemnification and insurance matters;

preparing the compensation committee report to be included as part of our annual proxy statement; and

evaluating its own performance on an annual basis.

#### *Nominating and Corporate Governance Committee*

The nominating and corporate governance committee of our board of directors currently consists of Messrs. Edwards (chairman until November 13, 2018), Parker and Tyree and Drs. Feczko and McKinnell. The nominating and corporate governance committee met three times during fiscal year 2018. Our board of directors has determined that all members of the nominating and corporate governance committee are independent directors, as defined in the Nasdaq qualification standards. The nominating and corporate governance committee is governed by a written charter

approved by our board of directors. The nominating and corporate governance committee's purpose is to assist our board of directors by identifying individuals qualified to become members of our board of directors, consistent with criteria set by our board, and to develop our corporate governance principles. The nominating and corporate governance committee is responsible for, among other things:

overseeing our board of directors' annual review of its performance, composition, and organization, and making recommendations on these matters to our board of directors;

reviewing, soliciting and making recommendations to our board of directors and stockholders with respect to candidates for election to our board of directors;

reviewing the performance of each current director and determining whether to recommend the nomination of such director for an additional term; and

evaluating its own performance on an annual basis.

#### **Report of the Audit Committee of the Board of Directors**

The audit committee oversees the company's financial reporting process on behalf of our board of directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the audit committee reviewed and discussed the audited financial statements in the company's annual report with management, including a discussion of any significant changes in the selection or application of accounting principles, the reasonableness of significant judgments, the clarity of disclosures in the financial statements and the effect of any new accounting initiatives.

The audit committee discussed with Ernst & Young LLP, which is responsible for expressing an opinion on the conformity of the company's audited financial statements with generally accepted accounting principles, its judgments as to the quality, not just the acceptability, of the company's accounting principles and such other matters as are required to be discussed with the audit committee under generally accepted auditing standards, and by Auditing Standard No. 1301 (Communications with Audit Committees), as amended, as adopted by the Public Company Accounting Oversight Board (United States). In addition, the audit committee has discussed with Ernst & Young LLP its independence from management and the company, has received from Ernst & Young LLP the written disclosures and the letter required by applicable requirements of the Public Company Oversight Board regarding Ernst & Young LLP's communications with the audit committee concerning independence and has considered the compatibility of non-audit services with the auditors' independence.

The audit committee met with Ernst & Young LLP to discuss the overall scope of its services, the results of its audit and reviews, its evaluation of the company's internal controls and the overall quality of the company's financial reporting. Ernst & Young LLP, as the company's independent registered public accounting firm, also periodically updates the audit committee about new accounting developments and their potential impact on the company's reporting. The audit committee's meetings with Ernst & Young LLP were held with and without management present. The audit committee is not employed by the company, nor does it provide any expert assurance or professional certification regarding the company's financial statements. The audit committee relies, without independent verification, on the accuracy and integrity of the information provided, and representations made, by management and the company's independent registered public accounting firm.

In reliance on the reviews and discussions referred to above along with those held with management, the audit committee has recommended to the company's board of directors that the audited financial statements be included in our annual report for the year ended December 31, 2018. The audit committee and the company's board of directors also have recommended, subject to stockholder approval, the ratification of the appointment of Ernst & Young LLP as the company's independent registered public accounting firm for 2019.

This report of the audit committee is not soliciting material, shall not be deemed filed with the SEC and shall not be incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such acts.





The foregoing report has been furnished by the audit committee.

Respectfully submitted,

The Audit Committee of the Board of Directors

James L. Tyree (chairperson)

Thomas A. Edwards

Joseph M. Feczko, M.D.

Henry A. McKinnell, Jr., Ph.D.

### **Compensation Committee Interlocks and Insider Participation**

The compensation committee of our board of directors currently consists of Messrs. Tyree (chairperson) and Edwards and Drs. Feczko and McKinnell. Dr. Lucas also served as a member of the compensation committee during 2018 and until his resignation from our board of directors in March 2019. None of the members of our compensation committee during fiscal year 2018 has ever been one of our officers or employees. None of our executive officers currently serves, or has served, as a member of the board of directors or compensation committee of any entity that had one or more executive officers serving as a member of our board of directors or compensation committee during fiscal year 2018.

### **Director Nomination Process**

#### *Director Qualifications*

In evaluating director nominees the nominating and corporate governance committee will consider among other things the following factors:

personal and professional integrity, ethics and values;

experience in corporate management, such as serving as an officer or former officer of a publicly held company;

strong finance experience;

experience relevant to our industry;

experience as a board member of another publicly held company;

diversity of expertise and experience in substantive matters pertaining to our business relative to other board members;

diversity of background and perspective, including with respect to age, gender, race, place of residence and specialized experience; and

practical and mature business judgment, including the ability to make independent analytical inquiries. The nominating and corporate governance committee's goal is to assemble a board of directors that brings to the company a variety of perspectives and skills derived from high quality business and professional experience. Moreover, the nominating and corporate governance committee believes that the background and qualifications of the board of directors, considered as a group, should provide a significant mix of experience, knowledge and abilities that will allow the board of directors to fulfill its responsibilities. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law.

Other than the foregoing criteria for director nominees, the nominating and corporate governance committee has not adopted a formal policy with respect to a fixed set of specific minimum qualifications for its candidates

for membership on the board of directors. The nominating and corporate governance committee may consider such other facts, including, without limitation, diversity, as it may deem are in the best interests of the company and its stockholders. The nominating and corporate governance committee does, however, believe it is appropriate for at least one, and, preferably, several, members of our board of directors to meet the criteria for an audit committee financial expert as that phrase is defined under the regulations promulgated by the SEC, and that a majority of the members of our board of directors be independent as required under the Nasdaq qualification standards. The nominating and corporate governance committee also believes it is appropriate for our President and Chief Executive Officer to serve as a member of our board of directors. Our directors' performance and qualification criteria are reviewed annually by the nominating and corporate governance committee.

#### *Identification and Evaluation of Nominees for Directors*

The nominating and corporate governance committee identifies nominees for director by first evaluating the current members of our board of directors willing to continue in service. Current members with qualifications and skills that are consistent with the nominating and corporate governance committee's criteria for board of director service and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of our board of directors with that of obtaining a new perspective or expertise.

If any member of our board of directors does not wish to continue in service or if our board of directors decides not to re-nominate a member for re-election, the nominating and corporate governance committee identifies the desired skills and experience of a new nominee in light of the criteria above. The nominating and corporate governance committee generally polls our board of directors and members of management for their recommendations. The nominating and corporate governance committee may also review the composition and qualification of the boards of directors of our competitors and may seek input from industry experts or analysts. The nominating and corporate governance committee reviews the qualifications, experience and background of the candidates. Final candidates are interviewed by the members of the nominating and corporate governance committee and by certain of our other independent directors and executive management. In making its determinations, the nominating and corporate governance committee evaluates each individual in the context of our board of directors as a whole, with the objective of assembling a group that can best contribute to the success of our company and represent stockholder interests through the exercise of sound judgment. After review and deliberation of all feedback and data, the nominating and corporate governance committee makes its recommendation to our board of directors. To date, the nominating and corporate governance committee has not utilized third-party search firms to identify board of director candidates. The nominating and corporate governance committee may in the future choose to do so in those situations where particular qualifications are required or where existing contacts are not sufficient to identify an appropriate candidate.

The nominating and corporate governance committee evaluates nominees recommended by stockholders in the same manner as it evaluates other nominees. We have not received director candidate recommendations from our stockholders and do not have a formal policy regarding consideration of such recommendations. However, any recommendations received from stockholders will be evaluated in the same manner that potential nominees suggested by board members, management or other parties are evaluated. We do not intend to treat stockholder recommendations in any manner different from other recommendations.

Under our amended and restated bylaws, stockholders wishing to suggest a candidate for director should write to our corporate secretary. In order to give the nominating and corporate governance committee sufficient time to evaluate a recommended candidate and/or include the candidate in our proxy statement for the 2020 annual meeting, the recommendation should be received by our corporate secretary at our principal executive offices in accordance with our procedures detailed in the section below entitled "Stockholder Proposals."



### **Director Attendance at Annual Meetings**

Although our company does not have a formal policy regarding attendance by members of our board of directors at our annual meeting, we encourage all of our directors to attend. No non-employee directors attended our annual meeting in 2018.

### **Communications with our Board of Directors**

Stockholders seeking to communicate with our board of directors should submit their written comments to our corporate secretary, ChemoCentryx, Inc., 850 Maude Avenue, Mountain View, CA 94043. The corporate secretary will forward such communications to each member of our board of directors; provided that, if in the opinion of our corporate secretary it would be inappropriate to send a particular stockholder communication to a specific director, such communication will only be sent to the remaining directors (subject to the remaining directors concurring with such opinion).

### **Corporate Governance**

Our company's Code of Business Conduct and Ethics, Audit Committee Charter, Compensation Committee Charter and Nominating and Corporate Governance Committee Charter are available, free of charge, on our website at [www.chemocentryx.com](http://www.chemocentryx.com). Please note, however, that the information contained on the website is not incorporated by reference in, or considered part of, this proxy statement. We will also provide copies of these documents as well as our company's other corporate governance documents, free of charge, to any stockholder upon written request to ChemoCentryx, Inc., 850 Maude Avenue, Mountain View, CA 94043.

### **Director Compensation**

We compensate non-employee members of the board of directors for their service. Directors who are also employees do not receive cash or equity compensation for service on the board of directors in addition to compensation payable for their service as our employees. The non-employee members of our board of directors are also reimbursed for travel, lodging and other reasonable expenses incurred in attending board of directors or committee meetings.

Under our amended and restated non-employee director compensation policy, we provide cash compensation in the form of an annual retainer of \$50,000 for each non-employee director. We also pay an additional annual retainer of \$25,000 to the non-employee director who serves as our lead independent director, \$20,000 to the chairman of our audit committee, \$10,000 to other non-employee directors who serve on our audit committee, \$15,000 to the chair of our compensation committee, \$10,000 to other non-employee directors who serve on our compensation committee, \$10,000 to the chair of our nominating and corporate governance committee and \$6,000 to other non-employee directors who serve on our nominating and corporate governance committee.

Also, under our non-employee director compensation policy, any non-employee director who is first elected to the board of directors is granted such number of restricted stock units (or, if so elected by a non-employee director, shares of restricted stock) on the date of his or her initial election to the board of directors as is determined by dividing (a) \$175,000 by (b) the fair market value (as defined under our 2012 Equity Incentive Award Plan) per share of our common stock on the date of grant. In addition, on the date of each annual meeting of our stockholders, each non-employee director will be granted (a) such number of restricted stock units (or, if so elected by a non-employee director, shares of restricted stock) on the date of such annual meeting as is determined by dividing (x) \$100,000 by (y) the 60-day trailing average trading price of our common stock preceding the date of grant, plus (b) that number of stock options having a value of \$100,000, calculated on the date of grant in accordance with the Black-Scholes option pricing model (utilizing the same assumptions that the company utilizes in preparation of its financial statements and the 60-day trailing average trading price of our common stock preceding the date of grant).



The initial awards granted to non-employee directors described above vest and become exercisable in three equal annual installments over the three-year period following the date of grant, subject to the director's continuing service on our board of directors on those dates. The annual awards granted to non-employee directors described above vest on the first anniversary of the date of grant, subject to the director's continuing service on our board of directors on such date. In addition, all of such awards will vest upon the occurrence of a change in control (as defined under our 2012 Equity Incentive Award Plan). The awards to our non-employee directors are granted under our 2012 Equity Incentive Award Plan.

#### *Director Compensation Table*

The following table provides information related to the compensation of each of our non-employee directors during the year ended December 31, 2018.

	Fees Earned or			Total
	Paid in Cash	Stock Awards <sup>(1)(2)</sup>	Option Awards <sup>(3)</sup>	
Thomas A. Edwards	\$ 81,484	\$ 108,968	\$ 104,039	\$ 294,491
Joseph M. Feczko, M.D.	74,688	108,968	104,039	287,695
Roger C. Lucas, Ph.D. <sup>(4)</sup>	96,359	108,968	104,039	309,366
Henry A. McKinnell, Jr., Ph.D.	74,688	108,968	104,039	287,695
Geoffrey M. Parker	54,688	108,968	104,039	267,695
James L. Tyree	89,688	108,968	104,039	302,695

- (1) Amounts shown represent the aggregate grant date fair value of the restricted stock units granted in 2018 to our non-employee directors computed in accordance with Financial Accounting Standards Board, or FASB Accounting Standards Codification, or ASC, Topic 718. These amounts do not correspond to the actual value that will be recognized by the non-employee director with respect to such awards. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 11, 2019.
- (2) The aggregate number of outstanding unvested restricted stock or restricted stock units as of December 31, 2018 held by each non-employee director was 8,421, except for Dr. McKinnell, who held 18,857 outstanding shares of unvested restricted stock or restricted stock units. The aggregate number of outstanding options held by our non-employee directors as of December 31, 2018 was:

	Shares Underlying Options Outstanding At December 31, 2018	
	Vested	Unvested
Thomas A. Edwards		13,352
Joseph M. Feczko, M.D.	50,000	13,352
Roger C. Lucas, Ph.D. <sup>(4)</sup>	25,000	13,352
Henry A. McKinnell, Jr., Ph.D.		13,352
Geoffrey M. Parker	75,000	13,352
James L. Tyree	50,000	13,352



- (3) Amounts shown represent the aggregate grant date fair value of the stock options granted in 2018 to our non-employee directors computed in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that will be recognized by the non-employee director with respect to such awards. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 11, 2019.
- (4) Dr. Lucas resigned from the board of directors on March 5, 2019. Effective upon his resignation, the vesting of Dr. Lucas unvested equity awards was accelerated as to the number of such awards that would have vested over the remainder of his term as director had he not resigned.

**Vote Required; Recommendation of the Board of Directors**

If a quorum is present and voting at the annual meeting, each nominee receiving more For votes than Against votes (among votes properly cast in person or by proxy) will be elected. Any incumbent nominee for director who does not receive an affirmative vote of a majority of the votes cast in favor of or against such nominee must promptly tender his or her resignation after the Annual Meeting. Abstentions and broker non-votes will be counted only for purposes of determining a quorum. Broker non-votes will have no effect on this proposal as brokers or other nominees are not entitled to vote on such proposals in the absence of voting instructions from the beneficial owner.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE ELECTION OF HENRY A. MCKINNELL, JR., PH.D., GEOFFREY M. PARKER AND JAMES L. TYREE. PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE SO VOTED UNLESS STOCKHOLDERS SPECIFY OTHERWISE ON THEIR PROXY CARDS.**

**PROPOSAL 2:****RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee has selected Ernst & Young LLP as the company's independent registered public accounting firm for the year ending December 31, 2019 and has further directed that management submit the selection of the independent registered public accounting firm for ratification by the stockholders at the annual meeting. Ernst & Young LLP has audited the company's financial statements since 2000. Representatives of Ernst & Young LLP are expected to be present at the annual meeting, will have an opportunity to make a statement if they so desire and are expected to be available to respond to appropriate questions.

Stockholder ratification of the selection of Ernst & Young LLP as the company's independent registered public accounting firm is not required by Delaware law, the company's amended and restated certificate of incorporation or the company's amended and restated bylaws. However, the audit committee is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the audit committee will reconsider whether to retain that firm. Even if the selection is ratified, the audit committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if the audit committee determines that such a change would be in the best interests of the company and its stockholders.

**Independent Registered Public Accountants Fees**

The following table represents aggregate fees billed to us for services related to the fiscal years ended December 31, 2018 and 2017, by Ernst & Young LLP, our independent registered public accounting firm.

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Audit Fees <sup>(1)</sup>	\$ 998,497	\$ 825,800
Audit-Related Fees <sup>(2)</sup>		145,000
Tax Fees <sup>(3)</sup>	75,000	127,500
All Other Fees <sup>(4)</sup>	1,995	1,890
<b>Total</b>	<b>\$ 1,075,492</b>	<b>\$ 1,100,190</b>

- (1) Audit Fees consist of fees billed for professional services performed by Ernst & Young LLP for the integrated audit of our annual financial statements, including services provided in connection with the annual audit of our internal control over financial reporting and review of our quarterly financial statements, as well as fees incurred for professional services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-Related Fees consist of fees billed by Ernst & Young LLP for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. These fees included accounting consultation services.
- (3) Tax Fees consist of fees billed by Ernst & Young LLP for tax compliance services, including consultation on tax matters and tax advice relating to transactions and other tax planning and advice.
- (4) Represents fees related to accessing Ernst & Young LLP's online research database.

The audit committee has considered whether the provision of non-audit services is compatible with maintaining the independence of Ernst & Young LLP, and has concluded that the provision of such services is compatible with maintaining the independence of our auditors.

**Pre-Approval Policies and Procedures**

Our audit committee has established a policy that all audit and permissible non-audit services provided by our independent registered public accounting firm will be pre-approved by the audit committee, and all such

services were pre-approved in accordance with this policy during the fiscal years ended December 31, 2018 and 2017. These services may include audit services, audit-related services, tax services and other services. The audit committee considers whether the provision of each non-audit service is compatible with maintaining the independence of our auditors. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. Our independent registered public accounting firm and management are required to periodically report to the audit committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date.

**Vote Required; Recommendation of the Board of Directors**

The affirmative vote of a majority of the shares of common stock present or represented by proxy and entitled to vote at the meeting will be required to ratify the selection of Ernst & Young LLP. Abstentions will be counted toward the tabulation of votes cast on this proposal and will have the same effect as negative votes. The approval of Proposal 2 is a routine proposal on which a broker or other nominee has discretionary authority to vote. Accordingly, no broker non-votes will likely result from this proposal.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE TO RATIFY THE SELECTION OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2019. PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE SO VOTED UNLESS STOCKHOLDERS SPECIFY OTHERWISE ON THEIR PROXY CARDS.**

**SECURITY OWNERSHIP OF CERTAIN**

**BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information relating to the beneficial ownership of our common stock as of March 29, 2019, by:

each person, or group of affiliated persons, known by us to beneficially own more than 5% of our outstanding shares of common stock;

each of our directors;

each of our named executive officers; and

all directors and executive officers as a group.

The number of shares beneficially owned by each entity, person, director or executive officer is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has sole or shared voting power or investment power as well as any shares that the individual has the right to acquire within 60 days of March 29, 2019 through the exercise of any stock option, warrants or other rights. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock held by that person.

The percentage of shares beneficially owned is computed on the basis of 57,725,915 shares of our common stock outstanding as of March 29, 2019. Shares of our common stock that a person has the right to acquire within 60 days of March 29, 2019 are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all directors and executive officers as a group. Unless otherwise indicated below, the address for each beneficial owner listed is c/o ChemoCentryx, Inc., 850 Maude Avenue, Mountain View, CA 94043.

**Name and Address of**

<b>Beneficial Owner</b>	<b>Number of Shares Beneficially Owned</b>	<b>Percentage of Shares Beneficially Owned</b>
<b>5% and Greater Stockholders</b>		
Vifor Fresenius Medical Care Renal Pharma Ltd Rechenstrasse 37 St. Gallen Switzerland 9000	10,676,825	18.5%
Bio-Techne Corporation <sup>(1)</sup> 614 McKinley Place, N.E. Minneapolis, MN 55413	4,137,654	7.2%
Entities and individual Affiliated with Biotechnology Value Fund <sup>(2)</sup> 900 North Michigan Avenue, Suite 1100 Chicago, Illinois 60611	4,105,215	7.1%
<b>Named Executive Officers and Directors</b>		
Thomas J. Schall, Ph.D. <sup>(3)</sup>	4,812,352	8.0%
Susan M. Kanaya <sup>(4)</sup>	1,018,357	1.7%
Markus J. Cappel, Ph.D. <sup>(5)</sup>	820,963	1.4%
Rajinder Singh, Ph.D. <sup>(6)</sup>	205,613	*
William J. Fairey, Jr.		*
Thomas A. Edwards <sup>(7)</sup>	175,746	*
Joseph M. Feczko, M.D. <sup>(8)</sup>	162,290	*
Rita I. Jain, M.D.		*
Henry A. McKinnell, Jr., Ph.D. <sup>(9)</sup>	65,991	*
Geoffrey M. Parker <sup>(10)</sup>	259,956	*
James L. Tyree <sup>(11)</sup>	125,622	*
All directors and executive officers as a group (11 persons) <sup>(12)</sup>	7,646,890	12.2%

\* Indicates beneficial ownership of less than 1% of the total outstanding common stock.

(1) Includes warrants to acquire 150,000 shares of our common stock.

(2) Includes: (1) 1,512,463 shares beneficially owned by Biotechnology Value Fund, L.P., or BVF, (2) 1,254,178 shares beneficially owned by Biotechnology Value Fund II, LP, or BVF2, (3) 218,860 shares beneficially owned by Biotechnology Value Trading Fund OS LP, or Trading Fund OS; and (4) 1,119,714 shares held in certain BVF Partners L.P., or Partners, management accounts. Partners, as the general partner of BVF and BVF2, the investment manager of Trading Fund OS and sole member of BVF Partners OS Ltd., or Partners OS, may be deemed to beneficially own the 4,105,215 shares beneficially owned in the aggregate by BVF, BVF2, Trading OS and Partners OS. BVF Inc., as the general partner of Partners, may be deemed to beneficially own the

4,105,215 shares beneficially owned by Partners. Mark N. Lampert, as a director and officer of BVF Inc., may be deemed to beneficially own the 4,105,215 shares beneficially



- owned by BVF Inc. Each of Partners, BVF Inc. and Mr. Lampert disclaims beneficial ownership of the shares beneficially owned by BVF, BVF2, Trading Fund OS and BVFOS. Information regarding these shares is based in part on the Schedule 13G/A filed by the foregoing persons with the SEC on February 14, 2019.
- (3) Includes 2,583,497 shares subject to stock options granted to Dr. Schall that are exercisable within 60 days of March 29, 2019.
  - (4) Includes 942,467 shares subject to stock options granted to Ms. Kanaya that are exercisable within 60 days of March 29, 2019.
  - (5) Includes 785,522 shares subject to stock options granted to Dr. Cappel that are exercisable within 60 days of March 29, 2019.
  - (6) Includes 194,999 shares subject to stock options granted to Dr. Singh that are exercisable within 60 days of March 29, 2019.
  - (7) Includes 8,421 shares of restricted stock or restricted stock units and 13,352 shares subject to stock options granted to Mr. Edwards that vest within 60 days of March 29, 2019.
  - (8) Includes 8,421 shares of restricted stock or restricted stock units and 63,352 shares subject to stock options granted to Dr. Feczko that vest and are exercisable within 60 days of March 29, 2019.
  - (9) Includes 8,421 shares of restricted stock or restricted stock units and 13,352 shares subject to stock options granted to Dr. McKinnell that vest and are exercisable within 60 days of March 29, 2019.
  - (10) Includes 8,421 shares of restricted stock or restricted stock units and 88,352 shares subject to stock options granted to Mr. Parker that vest and are exercisable within 60 days of March 29, 2019.
  - (11) Includes 8,421 shares of restricted stock or restricted stock units and 63,352 shares subject to stock options granted to Mr. Tyree that vest and are exercisable within 60 days of March 29, 2019.
  - (12) Includes an aggregate of 42,105 shares of restricted stock or restricted stock units and 4,748,245 shares subject to stock options that vest and are exercisable by our executive officers and directors within 60 days of March 29, 2019.

## EXECUTIVE COMPENSATION AND OTHER INFORMATION

### Our Executive Officers

The following table sets forth information regarding our executive officers as of March 29, 2019:

Name	Age	Position(s)
Thomas J. Schall, Ph.D.	59	President, Chief Executive Officer and Chairman
Susan M. Kanaya	56	Executive Vice President, Chief Financial and Administrative Officer and Secretary
Markus J. Cappel, Ph.D.	58	Chief Business Officer and Treasurer
Rajinder Singh, Ph.D.	52	Senior Vice President, Research

The biography of Thomas J. Schall, Ph.D. can be found under Proposal 1 Election of Directors.

*Susan M. Kanaya* has served as our Executive Vice President, Chief Financial and Administrative Officer since October 2016 and as Secretary since February 2006. From January 2006 to October 2016, Ms. Kanaya served as our Senior Vice President, Finance, and Chief Financial Officer. Prior to joining us, Ms. Kanaya served as Senior Vice President, Finance, and Chief Financial Officer at Kosan Biosciences Inc., a biotechnology company, from 1999 to 2005. Prior to this, she served in financial management positions at SUGEN, Inc., a biotechnology company, from 1994 to 1999, most recently as Vice President, Finance, and Treasurer. Ms. Kanaya also served as Controller with high technology companies and as a public accountant with KPMG. Ms. Kanaya received her B.S. in business administration from the University of California, Berkeley.

*Markus J. Cappel, Ph.D.* has served as our Chief Business Officer since February 2007, and Treasurer since August 2004. From March 2003 to February 2007, he served as our Senior Vice President of Corporate and Business Development. From October 2001 to March 2003, Dr. Cappel served as our Vice President of Business Development. Prior to joining us, Dr. Cappel served as Vice President of Business Development at Alkermes, Inc., a biotechnology company, from 1998 to 2001. Prior to this, he served as Director of Business Development with Millennium Pharmaceuticals as well as in various business development roles at Cygnus, Inc., a biotechnology company. Dr. Cappel received his B.S. in pharmacy and his Ph.D. in pharmaceuticals from J.W. Goethe University, Frankfurt, Germany, and his M.B.A. from Harvard Business School. Dr. Cappel also completed postdoctoral studies in pharmaceuticals at the University of Michigan.

*Rajinder Singh, Ph.D.* has served as our Senior Vice President of Research since May 2016. From 1998 to 2016, Dr. Singh held various management positions at Rigel Pharmaceuticals, Inc. Most recently and since 2006, Dr. Singh was Vice President, Chemistry at Rigel, where he oversaw the advancement of several drug candidates from discovery to clinical development, which included the filing of numerous Investigational New Drug applications in the areas of immunology and oncology. Prior to joining Rigel, Dr. Singh was a lead chemist at Chiron Corporation from 1994 to 1998. From 1992 to 1994, Dr. Singh was a Postdoctoral Fellow at Eli Lilly & Company. Dr. Singh received his Ph.D. degree in Organic Chemistry from the University of Oxford.

### Compensation Discussion and Analysis

This compensation discussion and analysis provides information about the material elements of our executive compensation program for our named executive officers, consisting of the following persons:

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Thomas J. Schall, Ph.D., our President, Chief Executive Officer and Chairman;

Susan M. Kanaya, our Executive Vice President, Chief Financial and Administrative Officer and Secretary;

Markus J. Cappel, Ph.D., our Chief Business Officer and Treasurer;

Rajinder Singh, Ph.D., our Senior Vice President, Research; and

William J. Fairey, Jr., our former Executive Vice President and Chief Operating Officer

*Objectives of our Executive Compensation Program*

We recognize that the ability to excel depends on the integrity, knowledge, imagination, skill, diversity and teamwork of our employees. To this end, the key objectives of our executive compensation program are:

To attract, engage and retain an executive team who will provide leadership for our future success by providing competitive total pay opportunities.

To establish a direct link between our business results, individual executive performance and total executive compensation.

To align the interests of our executive officers with those of our stockholders.

The primary elements of our executive compensation program are (1) base salary, (2) annual cash incentives, (3) long-term equity incentives, (4) post-termination benefits, and (5) other benefits, such as health insurance and retirement benefits. We believe that each component aligns the interests of our named executive officers with the interests of our stockholders in different ways, whether through focusing on short-term or long-term performance, promoting an ownership mentality toward one's job, or linking individual performance to our performance.

In general, the majority of our named executive officers' total compensation is tied directly to corporate performance, increases in our stock price, or both. Specific elements of our executive compensation program that demonstrate our pay-for-performance philosophy include:

The performance measures in our annual cash incentive program are linked to key corporate objectives.

Corporate achievement determines all of each executive's annual bonus opportunity.

Our long-term equity incentives are primarily granted in the form of stock options, which provide value to our executives only if our stock price increases.

This mix of compensation is intended to ensure that total compensation reflects our overall success or failure and to motivate executive officers to meet appropriate performance measures. In determining each element of compensation for any given year, our board of directors and our compensation committee consider and determine each element individually and then review the resulting total compensation and determine whether it is reasonable and competitive. We do not have a pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation.

We believe that the total compensation received by our named executive officers relating to 2018 was appropriate when viewed in light of our corporate achievements during 2018 and the individual performance of our named executive officers.

***Compensation Determination Process***

The compensation committee of our board of directors develops, reviews and approves each of the elements of our executive compensation program. The compensation committee also regularly assesses the effectiveness and competitiveness of our compensation programs.

In the first quarter of each year, the compensation committee evaluates the performance of each of our named executive officers during the previous year. At this time the compensation committee also reviews our performance relative to the corporate performance objectives set by the board of directors for the year under

review and makes the final bonus payment determinations based on our performance and the compensation committee's evaluation of each named executive officer's performance. The compensation committee also reviews and adjusts, as appropriate, annual base salaries for our named executive officers and grants, as appropriate, additional stock option and/or restricted stock unit awards to our named executive officers and certain other eligible employees for the then-current fiscal year.

During the fourth quarter of each year our compensation committee also reviews our peer group for compensation determination purposes for the following year, and our board of directors reviews the corporate performance objectives for purposes of our performance bonus programs for the following year. Our Chief Executive Officer, with the assistance and support of our Chief Financial and Administrative Officer and our human resources department, aids the compensation committee by providing annual recommendations regarding the compensation of all of our named executive officers, other than himself. The compensation committee also, on occasion, meets with our Chief Executive Officer to obtain recommendations with respect to our compensation programs and practices generally. The compensation committee considers, but is not bound to accept, the Chief Executive Officer's recommendations with respect to named executive officer compensation.

Our Chief Executive Officer attends all of the compensation committee meetings, but the compensation committee also holds executive sessions that are not attended by any members of management or non-independent directors, as needed from time to time. Any deliberations or decisions regarding our Chief Executive Officer's compensation are made without him present.

#### ***Role of Compensation Consultant and Comparable Company Information***

The compensation committee is authorized to retain the services of third-party compensation consultants and other outside advisors from time to time, as the committee sees fit, in connection with compensation matters. Compensation consultants and other advisors retained by the compensation committee will report directly to the compensation committee which has the authority to select, retain and terminate any such consultants or advisors.

For 2018, Compensia, an independent compensation consulting firm, was retained by the compensation committee to assist it in the determination of the key elements of the executive compensation program. Compensia reported to and was accountable to the compensation committee, and did not conduct any other work for us without the authorization of the compensation committee. Compensia provides advice to the compensation committee with respect to competitive practices and the amounts and nature of compensation paid to executive officers in similar organizations. Compensia also advises on, among other things, structuring our various compensation programs and determining the appropriate levels of salary, bonus and equity awards payable to our named executive officers. Compensia did not provide any services to us in 2018 beyond its engagement as an advisor to the compensation committee on executive compensation matters and non-executive equity and director compensation matters with respect to competitive practices and the amounts and nature of compensation paid in similar organizations. After review and consultation with Compensia, the compensation committee has determined that Compensia is independent and there is no conflict of interest resulting from retaining Compensia currently or during the year ended December 31, 2018. In reaching these conclusions, the compensation committee considered the factors set forth in Exchange Act Rule 10C-1 and Nasdaq listing standards.

For 2018, Compensia assisted the compensation committee in providing a peer group of companies to be used in the compensation setting process. For 2018, a peer group of 20 life sciences companies in similar phases of development as us with the following characteristics was selected based on the following parameters and not on the basis of executive compensation levels:

Biotechnology and Pharmaceuticals industry;

Market capitalization between \$115 million to \$1.0 billion;

Headcount between 20 to 185 employees;

Phase III or filed a new drug application; and

Orphan drug, rare disease, kidney disease, auto-immune disorders, and complement-based therapeutics. Our 2018 primary peer group consisted of the following companies:

Achillion Pharmaceuticals	Idera Pharmaceuticals
Advaxis	Immune Design
Agenus	Immunomedics
Akebia Therapeutics	Inovio Pharmaceuticals
Anthera Pharmaceuticals	OncoMed Pharmaceuticals
Ardelyx	Regulus Therapeutics
Bellicum Pharmaceuticals	Rigel Pharmaceuticals
Concert Pharmaceutical	Sorrento Therapeutics
Endocyte	TG Therapeutics
	Xencor

At the time of selection of the peer group for 2018 compensation determination purposes, we were at the 69<sup>th</sup> percentile of the peer group in respect of revenue and the 36<sup>th</sup> percentile of the peer group in respect of market capitalization.

Although we maintain the peer group for executive compensation purposes, the peer group compensation data is limited to publicly available information and therefore does not necessarily provide comparisons for all officers by position as is offered by more comprehensive survey data, which has the advantage of including data on executive positions beyond what is available in public filings. In light of this, during 2018, the compensation committee also reviewed data from The Radford Global Life Sciences Compensation Survey, which consists of bay area life sciences companies with between 50 and 150 employees. With respect to the survey data presented to the compensation committee, the identities of the individual companies included in the survey were not provided to the compensation committee, and the compensation committee did not refer to individual compensation information for such companies. We believe that by utilizing both sets of survey data, our compensation committee is able to review an appropriate set of competitive data for use in making compensation decisions. We believe that by utilizing both publicly available peer group data and the survey data from the published surveys, we are able to develop the best set of competitive data for use in making compensation decisions.

Our compensation committee reviewed the foregoing comparable company data in connection with its determinations of the 2018 base salaries, target bonuses and equity awards for our named executive officers. While our compensation committee refers to the comparable company data in setting the annual compensation of our named executive officers, with the exception of our annual long-term equity awards, it does not generally strive to set our target compensation levels at a specified percentile with respect to the comparable company data. Instead of relying entirely on comparable company data to determine named executive officer compensation, the compensation committee members also rely on their judgment and experience in setting those compensation levels and making those awards. The only exception to this is with respect to annual equity awards to our named executive officers, which our compensation committee strives to set at the 62.5<sup>th</sup> percentile of our peer group for similarly-situated executives.

We strive to achieve an appropriate mix between equity incentive awards and cash payments in order to meet our objectives. Any apportionment goal is not applied rigidly and does not control our compensation decisions, and our compensation committee does not have any formal policies for allocating compensation between long-term and



short-term compensation or cash and non-cash compensation.

The compensation levels of the named executive officers reflect to a significant degree the varying roles and responsibilities of such executives. As a result of the compensation committee's and the board of directors

assessment of our Chief Executive Officer's roles and responsibilities within our company, there are significant compensation differentials between him and our other named executive officers.

### *Executive Compensation Components*

The following describes each component of our executive compensation program, the rationale for each, and how compensation amounts are determined.

#### *Base Salaries*

In general, base salaries for our named executive officers are initially established through arm's length negotiation at the time the executive is hired, taking into account such executive's qualifications, experience and prior salary. Base salaries of our named executive officers are approved and reviewed annually by our compensation committee and adjustments to base salaries are based on the scope of an executive's responsibilities, individual contribution, prior experience and sustained performance. Decisions regarding salary increases may take into account an executive officer's current salary, equity ownership, and the amounts paid to an executive officer's peers inside our company by conducting an internal analysis, which compares the pay of an executive officer to other members of the management team. Base salaries are also reviewed in the case of promotions or other significant changes in responsibility. Base salaries are not automatically increased if the compensation committee believes that other elements of the named executive officer's compensation are more appropriate in light of our stated objectives. This strategy is consistent with our intent of offering compensation that is cost-effective, competitive and contingent on the achievement of performance objectives. The compensation committee also reviews comparable company information prepared by its independent compensation consultant.

Our Chief Executive Officer's base salary is based upon the same policies and criteria used for other named executive officers as described above. Each year the compensation committee reviews the Chief Executive Officer's compensation arrangements and his individual performance for the previous fiscal year, as well as our performance as a whole, and makes recommendations to the full board of directors of adjustments to such compensation, if appropriate.

In March 2018, the compensation committee reviewed the base salaries of our named executive officers. The compensation committee, in consultation with our Chief Executive Officer (with respect to the salaries of our other named executive officers) and its independent compensation consultant, determined that the 2018 base salaries of our named executive officers would be increased by 4.3% for Drs. Schall, Cappel and Ms. Kanaya and 2.2% for Dr. Singh, effective January 1, 2018. Mr. Fairey commenced employment in January 2018, at which time his initial base salary was set by the compensation committee at \$500,000. The base salaries paid to our named executive officers during 2018 are reflected in the Summary Compensation Table below.

#### *Performance Bonuses*

Each named executive officer is eligible for an annual performance bonus based upon the achievement of certain corporate performance goals and objectives approved by our board of directors.

Bonuses are set based on the executive officer's base salary as of the end of the bonus year, and are expected to be paid out in the first quarter of the following year. Dr. Schall and Ms. Kanaya are eligible to receive a target bonus of 50% and 40%, respectively, of their base salary. Drs. Cappel and Singh are each eligible to receive a target bonus of 35% of their base salaries. Mr. Fairey was eligible to receive a target bonus of 40% of his base salary (however, due to his departure in January 2019, he was not eligible to receive a 2018 annual bonus). At the beginning of each year, the board of directors (considering the recommendations of the compensation committee and management) sets corporate goals for the year. These goals and the proportional



emphasis placed on each are set by the board of directors after considering management input and our overall strategic objectives. These goals generally relate to factors such as financial targets, achievement of product development objectives and operational and business development objectives. The board of directors, upon recommendation of the compensation committee, determines the level of achievement of the corporate goals for each year. This achievement level is then applied to each named executive officer's target bonus to determine that year's total bonus award.

All final bonus payments to our named executive officers are determined by our compensation committee. The actual bonuses awarded in any year, if any, may be more or less than the target, depending on the achievement of corporate objectives and may also vary based on other factors at the discretion of the compensation committee.

For 2018, the corporate performance objectives generally fell into the following categories:

Objectives related to continued progress in the area of internally conducted clinical trials and pipeline development (52% weighting)

Drug discovery efforts and pipeline support (28% weighting)

Financial, corporate and business development objectives (20% weighting), including financial performance per the board-approved 2018 budget, filling key positions within the company, commercial objectives, investor relations objectives and business development objectives

With the exception of the financial objectives, quantitative measures were generally not established for the corporate objectives for 2018. These performance objectives and areas of emphasis were used as a guide by the board of directors in subjectively determining overall corporate performance as they represented those areas in which the named executive officers and our employees generally were expected to focus their efforts during the year. The three foregoing areas of emphasis were weighted based on their level of importance to our business plan.

In evaluating management's performance relative to corporate performance for 2018, our board of directors determined to award an overall achievement level of 94% with respect to the corporate performance objectives, as follows:

For corporate performance relative to our internally conducted clinical trial and pipeline development efforts, the following were considered (1) achievements relative to avacopan (CCX168), the company's lead orphan disease program targeting the complement C5a receptor—specifically achieving the stretch goal of completing the target 300 patient enrollment of the avacopan ADVOCATE Phase III pivotal trial in anti-neutrophil cytoplasmic auto-antibody associated vasculitis by mid-2018, response and resolution, to the extent appropriate, of questions from the European Medicines Agency, or EMA, relating to the company's Conditional Marketing Authorization application, or CMA, for avacopan, and launch of a registration supporting trial of avacopan in hidradenitis suppurativa; and (2) achievements in launching two Phase II clinical trials for the company's CCR2 inhibitor, CCX140, in Focal Segmental Glomerulosclerosis and applying for orphan drug designation for the same in Europe. Based on these results, in particular achieving the stretch goal of completing enrollment of the ADVOCATE pivotal trial by mid-2018, the board of directors awarded 112% of credit for our clinical trial and pipeline development efforts.

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The board of directors awarded 71% credit with respect to our drug discovery efforts and pipeline support, noting off-clinical support, including preclinical and pharmaceutical development efforts relative to avacopan, including efforts in support of the company's avacopan CMA application with the EMA, CCX140, including publication on the mechanism of action of CCR2 inhibition, and the immuno-oncology small molecule program.

The board of directors awarded 90% credit with respect to our financial, corporate and business development objectives for 2018, noting our financial performance for 2018 in line with the board-

approved budget, our progress on filling key positions, adding additional analyst coverage and certain business development achievements, including the China territory expansion deal for avacopan and CCX140 with Vifor Pharma, filling key positions in regulatory, commercial, legal and medical affairs, and development of a U.S. commercialization strategic plan.

The bonuses paid to our named executive officers for 2018 are set forth in the Summary Compensation Table below.

#### *Long-Term Equity Incentives*

The goals of our long-term, equity-based incentive awards are to align the interests of our named executive officers and other employees, non-employee directors and consultants with the interests of our stockholders. Because vesting is based on continued employment, our equity-based incentives also encourage the retention of our named executive officers through the vesting period of the awards. In determining the size of the long-term equity incentives to be awarded to our named executive officers, we take into account a number of internal factors, such as the relative job scope, the value of existing long-term incentive awards, individual performance history, prior contributions to us and the size of prior grants. For 2018, our compensation committee reviewed competitive market data prepared by Compensia in connection with its grant of long-term equity incentive awards to our named executive officers. Based upon these factors, the compensation committee determines the size of the long-term equity incentives at levels it considers appropriate to create a meaningful opportunity for reward predicated on the creation of long-term stockholder value. During 2018, we granted stock options and restricted stock units to our named executive officers.

To reward and retain our named executive officers in a manner that best aligns employees' interests with stockholders' interests, we use stock options as one of the primary incentive vehicles for long-term compensation. We believe that stock options are an effective tool for meeting our compensation goal of increasing long-term stockholder value by tying the value of the stock options to our future performance. Because employees are able to profit from stock options only if our stock price increases relative to the stock option's exercise price, we believe stock options provide meaningful incentives to employees to achieve increases in the value of our stock over time. We also grant restricted stock units to our named executive officers as part of our long-term, equity-based incentive program.

We use stock options and restricted stock units to compensate our named executive officers both in the form of initial grants in connection with the commencement of employment and annual refresher grants. Annual grants of equity awards are typically approved by the compensation committee during the first quarter of each year. While we intend that the majority of equity awards to our employees be made pursuant to initial grants or our annual grant program, the compensation committee retains discretion to make equity awards to employees at other times, including in connection with the promotion of an employee, to reward an employee, for retention purposes or for other circumstances recommended by management or the compensation committee.

The exercise price of each stock option grant is the fair market value of our common stock on the grant date, as determined by our board of directors from time to time. Stock option awards generally vest over a four-year period as follows: 25% of the shares underlying the option vest on the first anniversary of the date of the vesting commencement date and the remainder of the shares underlying the option vest in equal monthly installments over the remaining 36 months thereafter. Restricted stock unit awards typically vest over a three-year period with one-third of the award vesting annually on each anniversary of the vesting commencement date. From time to time, our compensation committee may, however, determine that a different vesting schedule is appropriate.

In March 2018, the compensation committee awarded stock options and restricted stock units to our named executive officers. Mr. Fairey received an award of stock options in connection with his commencement of employment in January 2018. The equity awards granted to our named executive officers in 2018 are reflected in the Grants of Plan-Based Awards table below.



The size of the foregoing annual awards to the named executive officers were determined by the compensation committee after consultation with Compensia and review of comparable company information and were intended by the compensation committee to approximate the 62.5<sup>th</sup> percentile for annual long-term equity awards to executives in similar organizations, consistent with the company's pay positioning philosophy described above.

For a description of the accelerated vesting applicable to the equity awards granted to our named executive officers, see *Potential Payments Upon Termination or Change in Control* Employment Agreements with Named Executive Officers below.

We have no program, plan or practice pertaining to the timing of stock option grants to named executive officers coinciding with the release of material non-public information.

#### *Retirement Savings*

All of our full-time employees in the United States, including our named executive officers, are eligible to participate in our 401(k) plan. Pursuant to our 401(k) plan, employees may elect to reduce their current compensation by up to the statutorily prescribed annual limit (which was \$18,500 in 2018), with additional salary deferrals not to exceed \$6,000 available to those employees 50 years of age or older, and to have the amount of this reduction contributed to our 401(k) plan. While we may elect to make matching contributions, no such contributions have been made. The 401(k) plan currently does not offer the ability to invest in our securities.

#### *Health and Welfare Benefits*

Our named executive officers are eligible to participate in all of our employee benefit plans, including our medical, dental, vision, group life and disability insurance plans, in each case on the same basis as other employees. We believe that these health and welfare benefits help ensure that we have a productive and focused workforce through reliable and competitive health and other benefits.

#### *Perquisites*

We do not provide significant perquisites or personal benefits to our named executive officers. We do, however, pay the premiums for term life insurance for our named executive officers.

#### *Post Termination and Change in Control Benefits*

We have entered into employment agreements that provide for certain severance benefits in the event a named executive officer's employment is involuntarily or constructively terminated. Such severance benefits are intended and designed to alleviate the financial impact of an involuntary termination and maintain a stable work environment through cash severance benefits and equity award vesting acceleration. We provide severance benefits because they are essential to help us fulfill our objective of attracting and retaining key managerial talent. While these arrangements form an integral part of the total compensation provided to these individuals and are considered by the compensation committee when determining executive officer compensation, the decision to offer these benefits did not influence the compensation committee's determinations concerning other direct compensation or benefit levels. The compensation committee has determined that such arrangements offer protection that is competitive within our industry and for our company size and are designed to attract highly qualified individuals and maintain their employment with us. In determining the severance benefits payable pursuant to the executive employment agreements, the compensation committee considered what level of severance benefits would be sufficient to retain our current executive team and to recruit talented executives in the future, which determination was based in part on input from management and our board of directors. For a description of these severance arrangements, see *Employment Agreements with Named Executive Officers* below.





### ***Risk Assessment of Compensation Program***

In March 2019, management assessed our compensation program for the purpose of reviewing and considering any risks presented by our compensation policies and practices that are reasonably likely to have a material adverse effect on us. As part of that assessment, management reviewed the primary elements of our compensation program, including base salary, short-term incentive compensation and long-term incentive compensation. Management's risk assessment included a review of the overall design of each primary element of our compensation program, and an analysis of the various design features, controls and approval rights in place with respect to compensation paid to management and other employees that mitigate potential risks to us that could arise from our compensation program. Following the assessment, management determined that our compensation policies and practices did not create risks that were reasonably likely to have a material adverse effect on us and reported the results of the assessment to our compensation committee.

### ***Tax Deductibility of Executive Compensation***

Section 162(m) of the Internal Revenue Code restricts the ability of publicly held companies to take a federal income tax deduction for compensation paid to covered employees to the extent that compensation exceeds \$1.0 million per covered employee in any fiscal year. Prior to the Tax Cuts and Jobs Act of 2017, covered employees generally consisted of a company's chief executive officer and its three most highly compensated executive officers serving at the end of the taxable year (other than its chief financial officer), and compensation that qualified as performance-based under Section 162(m) was exempt from this \$1 million deduction limitation. As part of the Tax Cuts and Jobs Act of 2017, the ability to rely on this exemption was, with certain limited exceptions, eliminated; in addition, the definition of covered employees was expanded to generally include all named executive officers. Although we historically maintained plans that were intended to permit the payment of deductible compensation under Section 162(m) of the Code if the requirements of Section 162(m) were satisfied, subject to the limited transition relief rules in the Tax Cuts and Jobs Act of 2017, we may no longer be able to take a deduction for any compensation in excess of \$1 million that is paid to a covered employee. While we consider the tax deductibility of each element of executive compensation as a factor in our overall compensation program, the compensation committee retains the discretion to approve compensation that may not qualify for the compensation deduction if, in light of all applicable circumstances, it would be in our best interest for such compensation to be paid without regard to whether it may be tax deductible.

### ***Accounting for Stock-Based Compensation***

We follow FASB ASC Topic 718 (formerly known as SFAS No. 123(R)), or ASC Topic 718, for our stock-based compensation awards. ASC Topic 718 requires companies to calculate the grant date fair value of their stock-based awards using a variety of assumptions. This calculation is performed for accounting purposes and reported in the compensation tables below, even though recipients may never realize any value from their awards. ASC Topic 718 also requires companies to recognize the compensation cost of their stock-based awards in their income statements over the period that an employee is required to render service in exchange for the award.

### **Report of the Compensation Committee of the Board of Directors**

The compensation committee of our board of directors has submitted the following report for inclusion in this proxy statement:

The compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis set forth above. Based on such review and discussions, the compensation committee has recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and in the Annual Report on Form 10-K for the year ended December 31, 2018, filed by us with the SEC.



This report of the compensation committee is not soliciting material, shall not be deemed filed with the SEC and shall not be incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such acts.

Respectfully submitted,

The Compensation Committee of the Board of Directors

James L. Tyree (Chairman)

Thomas A. Edwards

Joseph M. Feczko, M.D.

Henry A. McKinnell, Jr., Ph.D.

## Compensation Tables

### Summary Compensation Table

The following table shows information regarding the compensation of our named executive officers during the fiscal years ended December 31, 2018, 2017 and 2016.

Name and Principal Position	Year	Salary	Bonus	Stock Awards <sup>(1)</sup>	Option Awards <sup>(1)</sup>	Non-Equity	All	Total
						Incentive Plan Compensation <sup>(2)</sup>	Other Compensation <sup>(3)</sup>	
Thomas J. Schall, Ph.D. President and Chief Executive Officer	2018	\$ 616,890	\$	\$ 977,400	\$ 1,975,654	\$ 289,959	\$ 2,322	\$ 3,862,225
	2017	591,451		662,000	1,148,000	251,367	2,322	2,655,140
	2016	571,450		357,000	635,940	285,725	1,512	1,851,627
Susan M. Kanaya Executive Vice President, Chief Financial and Administrative Officer and Secretary	2018	475,570		325,800	749,386	178,790	2,322	1,731,868
	2017	455,955		264,800	451,000	186,030	2,322	1,360,107
	2016	420,523		837,200	593,422	176,214	782	2,028,141
Markus J. Cappel, Ph.D. Chief Business Officer	2018	409,390		217,200	476,882	134,685	2,322	1,240,479
	2017	392,508		198,600	369,000	140,125	2,322	1,102,555
	2016	379,235		89,250	137,787	132,732	1,427	740,431
Rajinder Singh, Ph.D. Senior Vice President, Research	2018	380,620		162,900	272,504	83,481	1,242	900,747
	2017	372,600		198,600	328,000	55,424	1,242	955,866
	2016	214,154			223,470	84,000	495	522,119
William J. Fairey, Jr. <sup>(4)</sup> Former Executive Vice President, Chief Operating Officer	2018	416,667			2,215,533		983	2,633,183

- (1) Amounts shown represent the aggregate grant date fair value of the stock or option awards granted during the relevant fiscal year computed in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that will be recognized by the named executive officer with respect to such awards. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 11, 2019.
- (2) Amounts shown represent performance bonuses for the relevant fiscal year, which were each paid in a cash lump sum in the first quarter of the following fiscal year.
- (3) Amounts shown represent term life insurance paid by the company on behalf of the named executive officers.
- (4) Mr. Fairey joined the company as Executive Vice President and Chief Operating Officer on January 3, 2018 and departed effective January 18, 2019.

**Grants of Plan-Based Awards**

The following table sets forth summary information regarding grants of plan-based awards made to our named executive officers during the year ended December 31, 2018.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>		Maximum Stock or Units (#)	All Other Awards: Number of Shares of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(2)</sup>
		Threshold (\$)	Target (\$)				
Thomas J. Schall, Ph.D.	3/5/2018		\$ 308,445				
	3/5/2018				290,000 <sup>(3)</sup>	\$ 10.86	\$ 1,974,900
	3/5/2018			90,000 <sup>(4)</sup>			\$ 977,400
Susan M. Kanaya	3/5/2018		\$ 190,228				
	3/5/2018				110,000 <sup>(3)</sup>	\$ 10.86	\$ 749,100
	3/5/2018			30,000 <sup>(4)</sup>			\$ 325,800
Markus J. Cappel, Ph.D.	3/5/2018		\$ 143,287				
	3/5/2018				70,000 <sup>(3)</sup>	\$ 10.86	\$ 476,700
	3/5/2018			20,000 <sup>(4)</sup>			\$ 217,200
Rajinder Singh, Ph.D.	3/5/2018		\$ 133,217				
	3/5/2018				40,000 <sup>(3)</sup>	\$ 10.86	\$ 272,400
	3/5/2018			15,000 <sup>(4)</sup>			\$ 162,900
William J. Fairey, Jr.	1/3/2018		\$ 200,000		575,000	\$ 6.19	\$ 2,213,750

- (1) These amounts represent the target 2018 performance bonuses under our bonus program, which are described above under Compensation Discussion and Analysis Performance Bonuses. Our bonus program does not contain a threshold or maximum bonus opportunity for our named executive officers.
- (2) Amounts shown represent the aggregate grant date fair value of the restricted stock unit and option awards computed in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that will be recognized by the named executive officer with respect to such awards. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 11, 2019.
- (3) Each of these option awards has a ten-year term and vests over a four-year period as follows: 25% of the shares underlying the option vest on January 1, 2019, and the remainder of the shares underlying the option vest in equal monthly installments over the remaining 36 months thereafter, provided that the executive continues to provide services to the company. For a description of the accelerated vesting applicable to the foregoing equity awards, see Potential Payments Upon Termination or Change in Control Employment Agreements with Named Executive Officers below.
- (4)

Each of these restricted stock unit awards vests over a three-year period with one-third of the award vesting annually on each of January 1, 2019, January 1, 2020, and January 1, 2021, provided that the executive continues to provide services to the company. For a description of the accelerated vesting applicable to the foregoing equity awards, see Potential Payments Upon Termination or Change in Control Employment Agreements with Named Executive Officers below.

**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth specified information concerning unexercised stock options and restricted stock units for each of the named executive officers outstanding as of December 31, 2018.

Name	Grant Date	Option Awards <sup>(1)</sup>			Stock Awards		
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(2)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(3)</sup>
Thomas J. Schall, Ph.D.	07/29/09	216,932		\$ 6.00	07/29/19		
	08/11/10	279,166		\$ 6.30	08/11/20		
	02/27/12	175,000		\$ 10.27	02/27/22		
	07/24/12	485,088		\$ 14.31	07/24/22		
	07/23/13	165,000		\$ 14.28	07/23/23		
	02/19/14	395,000		\$ 7.10	02/19/24		
	02/23/15	411,250	8,750	\$ 8.19	02/23/25		
	03/07/16	218,750	81,250	\$ 3.57	03/07/26	33,334	\$ 363,674
	02/28/17	134,166	145,834	\$ 6.62	02/28/27	66,667	\$ 727,337
	03/05/18		290,000	\$ 10.86	03/05/28	90,000	\$ 981,900
Susan M. Kanaya	08/10/10	71,614		\$ 6.30	08/10/20		
	08/04/11	44,180		\$ 6.90	08/04/21		
	02/27/12	22,090		\$ 10.27	02/27/22		
	07/24/12	121,166		\$ 14.31	07/24/22		
	07/23/13	70,000		\$ 14.28	07/23/23		
	02/19/14	200,000		\$ 7.10	02/19/24		
	02/23/15	200,729	4,271	\$ 8.19	02/23/25		
	03/07/16	131,434	51,459	\$ 3.57	03/07/26	20,000	\$ 218,200
	10/24/16	27,083	22,917	\$ 6.23	10/24/26	33,334	\$ 363,674
	02/28/17	52,708	57,292	\$ 6.62	02/28/27	26,667	\$ 290,937
	03/05/18		110,000	\$ 10.86	03/05/28	30,000	\$ 327,300
Markus J. Cappel, Ph.D.	07/28/09	19,375		\$ 6.00	07/28/19		
	08/10/10	64,323		\$ 6.30	08/10/20		
	08/04/11	48,697		\$ 6.90	08/04/21		
	02/27/12	24,348		\$ 10.27	02/27/22		
	07/24/12	123,156		\$ 14.31	07/24/22		
	07/23/13	70,000		\$ 14.28	07/23/23		
	02/19/14	170,000		\$ 7.10	02/19/24		
	02/23/15	151,770	3,230	\$ 8.19	02/23/25		
	03/07/16	47,395	17,605	\$ 3.57	03/07/26	8,334	\$ 90,924



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	02/28/17	43,125	46,875	\$	6.62	02/28/27	20,000	\$	218,200
	03/05/18		70,000	\$	10.86	03/05/28	20,000	\$	218,200
Rajinder Singh, Ph.D.	05/09/16	116,250	63,750	\$	2.10	05/09/26			
	02/28/17	38,333	41,667	\$	6.62	02/28/27	20,000	\$	218,200
	03/05/18		40,000	\$	10.86	03/05/28	15,000	\$	163,650
William J. Fairey, Jr,	01/03/18		575,000	\$	6.19	01/03/28			

- (1) All options have a ten-year term from the date of grant and vest over a four-year period as follows: 25% of the shares underlying the options vested on the first anniversary of the vesting commencement date and the remainder of the shares underlying the options vest in equal monthly installments over the remaining 36 months thereafter, provided that the executive continues to provide services to the company.
- (2) The restricted stock units granted on March 7, 2016 vest ratably over a three-year period on January 1, 2017, 2018 and 2019. The restricted stock units granted on October 24, 2016 vest ratably over a three-year period on October 20, 2017, 2018 and 2019. The restricted stock units granted on February 28, 2017 vest ratably over a three-year period on January 1, 2018, 2019 and 2020. The restricted stock units granted on March 5, 2018 vest ratably over a three-year period on January 1, 2019, 2020 and 2021.
- (3) The market value was determined using the closing price per share of our common stock on December 31, 2018 of \$10.91.

### ***Options Exercised and Stock Vested***

The following table sets forth the number of shares acquired upon the exercise of stock options and the vesting of restricted stock unit awards for each of our named executive officers during the year ended December 31, 2018.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise <sup>(1)</sup>	Number of Shares Vesting	Value Realized on Vesting <sup>(2)</sup>
Thomas J Schall, Ph.D.	343,068	\$ 2,089,914	66,666	\$ 396,663
Susan M. Kanaya	174,607	\$ 1,160,731	66,666	\$ 578,661
Markus J. Cappel, Ph.D.	158,125	\$ 924,201	18,333	\$ 109,081
Rajinder Singh, Ph.D.			10,000	\$ 59,500
William J. Fairey, Jr.				

- (1) Option awards value realized is determined by multiplying (a) the amount by which the market price of our common stock at the time of exercise exceeded the exercise price by (b) the number of shares of common stock for which the options were exercised.
- (2) Stock awards value realized is determined by multiplying (a) the closing market price of our common stock on the vesting date by (b) the number of shares of common stock that vested on that date.

### ***Potential Payments Upon Termination or Change in Control***

#### *Employment Agreements with Named Executive Officers*

We have entered into employment agreements with each of our named executive officers. Each of the employment agreements has a fixed term, subject to automatic successive one-year renewals unless we provide written notice of our desire to terminate the agreement at least sixty days prior to the expiration of the then-current term. Pursuant to the employment agreements, each executive officer is eligible for a target performance bonus (with the target determined by our board of directors or compensation committee), based upon the achievement of financial and performance objectives established by the compensation committee. Any final bonus payment shall be determined by our board of directors or compensation committee.

The employment agreements provide for certain severance payments to our named executive officers. All cash severance payments are payable in a lump sum. If we terminate an executive officer's employment without cause or if the executive officer resigns for good reason (unless such termination occurs within 12 months following a change in control), we are obligated to pay such executive officer a lump sum severance payment equal to his or her base salary in effect at the time of termination for 18 months. Additionally, each of the named executive officers will receive accelerated vesting and/or exercisability of 100% of his or her outstanding stock awards.

Under each of the employment agreements, if we terminate an executive officer's employment without cause or if the executive officer resigns for good reason, in each case within 12 months following a change in control, we are obligated to pay such executive officer a lump sum severance payment equal to the sum of: (1) 18 months of his or her base salary in effect at the time of termination, (2) one and one-half times the executive officer's target bonus, and (3) 18 months of health benefits continuation at our cost. Furthermore, all of the executive officer's outstanding stock awards will vest upon the date of termination. The foregoing change-in-control severance benefits shall only apply so long as the executive officer is working on a full-time basis.

For purposes of the employment agreements, *cause* means an executive officer (1) has committed an act of fraud, embezzlement or dishonesty in connection with the executive officer's employment, or has intentionally committed some other illegal act that has, or may be reasonably expected to have, a material adverse impact on the company or any successor or parent or subsidiary thereof; (2) has been convicted of, or entered a plea of guilty or no contest to, a felony, or to any crime involving moral turpitude, which causes or may reasonably be expected to cause substantial economic injury to or substantial injury to the reputation of the company or any successor or parent or subsidiary thereof; (3) has made any unauthorized use or disclosure of confidential information or trade secrets of the company or any successor or parent or subsidiary thereof that has, or may reasonably be expected to have, a material adverse impact on any such entity; (4) has materially breached a company policy, materially breached the provisions of the executive officer's employment agreement (if any), or has committed any other intentional misconduct that has, or may be reasonably expected to have, a material adverse impact on the company or any successor or parent or subsidiary thereof; or (5) has intentionally refused or intentionally failed to act in accordance with any lawful and proper direction or order of the board of directors or the appropriate individual to whom the executive officer reports; provided such direction is not materially inconsistent with the executive officer's customary duties and responsibilities.

For purposes of the amended and restated employment agreements, *good reason* means (1) a material diminution in the executive officer's authority, duties or responsibilities, (2) a material diminution in the executive officer's base compensation unless such a reduction is imposed across-the-board to senior management of the company, (3) a material change in the geographic location at which the executive officer must perform services to us, (4) any other action or inaction that constitutes a material breach by the company or any successor or affiliate of its obligations to the executive officer under the employment agreement or (5) a material diminution in the authority, duties or responsibilities of the supervisor to whom the named executive officer is required to report.

For purposes of the amended and restated employment agreements, *change in control* has the same meaning as such term is given under the terms of our 2012 Equity Incentive Award Plan.

#### *Potential Payments Upon Termination or Change in Control Tables*

The following tables summarize the payments and benefits that may become payable to our named executive officers in two scenarios: (1) upon involuntary termination without cause or the executive's resignation for good reason apart from a change in control; or (2) upon involuntary termination without cause or the executive's resignation for good reason within 12 months following a change in control. The table assumes that the termination of employment or change in control, as applicable, occurred on December 31, 2018. The definitions of *cause* and *good reason* are contained in the employment agreement for each of our named executive officers, which are described above under the heading *Employment Agreements with Named Executive Officers*. Mr. Fairey departed effective January 18, 2019, and did not receive any separation benefits under his employment agreement in connection with his departure.

**Involuntary Termination without Cause or Resignation for Good Reason****Apart from a Change in Control**

Name	Cash Severance <sup>(1)</sup>	Intrinsic Value of Unvested	
		Stock Awards <sup>(2)</sup>	Intrinsic Value of Unvested Options <sup>(3)</sup>
Thomas J Schall, Ph.D.	\$ 925,335	\$ 2,072,911	\$ 1,260,303
Susan M. Kanaya	\$ 713,355	\$ 1,200,111	\$ 747,860
Markus J. Cappel, Ph.D.	\$ 614,085	\$ 527,324	\$ 342,600
Rajinder Singh, Ph.D.	\$ 570,930	\$ 381,850	\$ 742,389
William J. Fairey, Jr.	\$ 750,000	\$	\$ 2,714,000

**Involuntary Termination without Cause or Resignation for Good Reason****Within 12 Months Following a Change in Control**

Name	Cash Severance <sup>(4)</sup>	Continuation of Benefits	Intrinsic Value of Unvested	
			Stock Awards <sup>(2)</sup>	Intrinsic Value of Unvested Options <sup>(3)</sup>
Thomas J Schall, Ph.D.	\$ 1,388,003	\$ 17,910	\$ 2,072,911	\$ 1,260,303
Susan M. Kanaya	\$ 998,697	\$ 33,200	\$ 1,200,111	\$ 747,860
Markus J. Cappel, Ph.D.	\$ 829,015	\$ 39,089	\$ 527,324	\$ 342,600
Rajinder Singh, Ph.D.	\$ 770,756	\$ 39,089	\$ 381,850	\$ 742,389
William J. Fairey, Jr.	\$ 1,050,000	\$ 55,916	\$	\$ 2,714,000

- (1) Cash severance represents 18 months of base salary for each named executive officer, payable in cash in a lump sum.
- (2) The intrinsic value of the unvested stock awards is calculated by multiplying (i) \$10.91, which was the closing price per share of our common stock on December 31, 2018, by (ii) the number of shares of our common stock subject to the unvested stock awards eligible for acceleration.
- (3) The intrinsic value of the unvested options is calculated by multiplying (i) \$10.91, which was the closing price per share of our common stock on December 31, 2018, less the respective exercise prices of unvested options eligible for acceleration, by (ii) the number of shares of our common stock subject to the unvested options eligible for acceleration.
- (4) Cash severance represents (i) 18 months of base salary for each named executive officer, payable in cash in a lump sum, plus (ii) one and one-half times the executive officer's target bonus.

**Chief Executive Officer Pay Ratio**

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information regarding the relationship of the annual total compensation of our employees and the annual total compensation of Thomas J. Schall, Ph.D., our Chief Executive Officer (our CEO). The pay ratio included in this information is a reasonable estimate calculated in a manner that is intended to be consistent with Item 402(u) of Regulation S-K.

For fiscal year 2018, our last completed fiscal year:

the median of the annual total compensation of all employees of our company (other than our CEO) was \$199,520; and

the annual total compensation of our CEO, as reported in the Summary Compensation Table included elsewhere in this Proxy Statement, was \$3,862,225.

Based on this information, for fiscal year 2018, the ratio of the median of the total compensation of all employees of the Company to the annual total compensation of our CEO was 1 to 19.

*Determining the Median Employee*

We determined that, as of December 31, 2018, our employee population consisted of approximately 75 individuals, with all of these individuals located in the United States. Our employee workforce consists of full- and part-time employees.

For purposes of measuring the compensation of our employees, we selected base salary for the 12-month period ending December 31, 2018 as the most appropriate measure of compensation, which was consistently applied to all our employees included in the calculation. We did not make any cost-of-living adjustments in identifying the median employee .

With respect to the total annual compensation of the median employee, we identified and calculated the elements of such employee s compensation for fiscal year 2018 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in annual total compensation of \$199,520. With respect to the annual total compensation of our CEO, we used the amount reported in the Total column of our fiscal year 2018 Summary Compensation Table included in this Proxy Statement.

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

The following is a description of transactions since January 1, 2018 to which we have been a party, in which the amount involved exceeds \$120,000, and in which any of our directors, executive officers or holders of more than 5% of our capital stock, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest. We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, from unaffiliated third parties.

### **Director and Executive Officer Compensation**

Please see [Proposal 1 Director Compensation](#) for additional information regarding compensation of our directors. Please see [Executive Compensation and Other Information](#) for additional information regarding compensation of our executive officers.

### **Employment Agreements**

We have entered into employment agreements with our executive officers. For more information regarding these agreements, see [Executive Compensation and Other Information Potential Payments Upon Termination or Change in Control Employment Agreements with Named Executive Officers](#).

### **Indemnification Agreements**

We have entered into indemnification agreements with each of our executive officers and directors.

### **Procedures for Related Party Transactions**

Any request for us to enter into a related party transaction with an officer, director, principal stockholder or any of their immediate family members or affiliates, in which the amount involved exceeds \$120,000 must first be presented to our audit committee for review, consideration and approval. In approving or rejecting any such proposal, our audit committee is to consider the relevant facts and circumstances available and deemed relevant to the audit committee, including, but not limited to, the risks, costs and benefits to us, the extent of the related party's interest in the transaction, the terms of the transaction, the availability of other sources for comparable services or products and the terms available to or from, as the case may be, unrelated third parties or to or from our employees generally. The audit committee will then document its findings and conclusions in written minutes. In the event a transaction relates to a member of our audit committee, that member will not participate in the audit committee's deliberations. Further, when stockholders are entitled to vote on a transaction with a related party, the material facts of the related party's relationship or interest in the transaction will be disclosed to the stockholders, who must approve the transaction in good faith. Our related party policy is in writing and is subject to periodic review.

## **SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Under Section 16(a) of the Exchange Act, directors, executive officers and beneficial owners of 10% or more of our common stock, or reporting persons, are required to report to the SEC on a timely basis the initiation of their status as a reporting person and any changes with respect to their beneficial ownership of our common stock. Based solely on our review of copies of such forms that we have received, or written representations from reporting persons, we believe that during the fiscal year ended December 31, 2018, all executive officers, directors and greater than 10% stockholders complied with all applicable filing requirements.





## STOCKHOLDER PROPOSALS

Proposals of stockholders intended to be presented at our annual meeting of stockholders to be held in 2020 must be received by us no later than December 10, 2019, which is 120 days prior to the first anniversary of the mailing date of this proxy, in order to be included in our proxy statement and form of proxy relating to that meeting, unless the date of the 2020 annual meeting of stockholders is changed by more than 30 days from the anniversary of our 2019 annual meeting, in which case the deadline for such proposals will be a reasonable time before we begin to print and send our proxy materials. These proposals must comply with the requirements as to form and substance established by the SEC for such proposals in order to be included in the proxy statement.

In addition, our amended and restated bylaws establish an advance notice procedure with regard to certain matters, including stockholder proposals not included in our proxy statement, to be brought before an annual meeting of stockholders. In general, notice must be received at our principal executive offices not less than 90 calendar days before nor more than 120 calendar days before the one year anniversary of the date on which we first mailed our proxy statement to stockholders in connection with the previous year's annual meeting of stockholders. Therefore, to be presented at our 2020 annual meeting of stockholders, such a proposal must be received by us no earlier than December 10, 2019 and no later than January 9, 2020. However, if the date of the annual meeting is more than 30 days earlier or more than 60 days later than such anniversary date, notice must be received not later than the close of business on the later of 90 calendar days in advance of such annual meeting or, if later, ten calendar days following the date on which public announcement of the date of the meeting is first made. If the stockholder fails to give notice by these dates, then the persons named as proxies in the proxies solicited by the board of directors for the 2020 annual meeting may exercise discretionary voting power regarding any such proposal. Stockholders are advised to review our amended and restated bylaws which also specify requirements as to the form and content of a stockholder's notice.

## ANNUAL REPORT

Our annual report for the year ended December 31, 2018 will be mailed to stockholders of record on or about April 8, 2019. Our annual report does not constitute, and should not be considered, a part of this proxy solicitation material.

**Any person who was a beneficial owner of our common stock on the record date may request a copy of our Annual Report on Form 10-K for the year ended December 31, 2018, and it will be furnished without charge upon receipt of a written request identifying the person so requesting a report as a stockholder of our company at such date. Requests should be directed to ChemoCentryx, Inc., 850 Maude Avenue, Mountain View, CA 94043, Attention: Corporate Secretary.**

## STOCKHOLDERS SHARING THE SAME ADDRESS

The rules promulgated by the SEC permit companies, brokers, banks or other intermediaries to deliver a single copy of a proxy statement and annual report to households at which two or more stockholders reside. This practice, known as householding, is designed to reduce duplicate mailings and save significant printing and postage costs as well as natural resources. Stockholders sharing an address who have been previously notified by their broker, bank or other intermediary and have consented to householding will receive only one copy of our proxy statement and annual report. If you would like to opt out of this practice for future mailings and receive separate proxy statements and annual reports for each stockholder sharing the same address, please contact your broker, bank or other intermediary. You may also obtain a separate proxy statement or annual report without charge by sending a written request to ChemoCentryx, Inc., 850 Maude Avenue, Mountain View, CA 94043, Attention: Corporate Secretary, or by calling us at 650-210-2900. We will promptly send additional copies of the proxy statement or annual report upon receipt of such request. Stockholders sharing an address that are receiving



multiple copies of the proxy statement or annual report can request delivery of a single copy of the proxy statement or annual report by contacting their broker, bank or other intermediary or sending a written request to ChemoCentryx, Inc. at the address above.

#### **OTHER MATTERS**

We do not know of any business other than that described in this proxy statement that will be presented for consideration or action by the stockholders at the annual meeting. If, however, any other business is properly brought before the meeting, shares represented by proxies will be voted in accordance with the best judgment of the persons named in the proxies or their substitutes. All stockholders are urged to complete, sign and return the accompanying proxy card in the enclosed envelope.

By Order of the Board of Directors

Thomas J. Schall, Ph.D.

*President, Chief Executive*

*Officer and Chairman*

Mountain View, California

April 8, 2019



