

# LOXO ONCOLOGY, INC.

## CORPORATE GOVERNANCE GUIDELINES

As adopted on July 18, 2014

The following Corporate Governance Guidelines have been adopted by the Board of Directors (the “*Board*”) of Loxo Oncology, Inc. (the “*Company*”), pursuant to the recommendations of the Nominating and Corporate Governance Committee of the Board (the “*Committee*”) to promote the effective functioning of the Board and its committees, to promote the interests of stockholders, and to ensure a common set of expectations as to how the Board, its various committees, individual directors and management should perform their functions. The Board intends that these guidelines serve as a flexible framework within which the Board may conduct its business, not as a set of binding legal obligations. These Corporate Governance Guidelines are not intended to change or interpret any Federal or state law or regulation, including the General Corporation Law of the State of Delaware, or the Certificate of Incorporation or Bylaws of the Company. These Corporate Governance Guidelines are subject to modification from time to time by the Board pursuant to recommendations of the Committee.

### I. Role of the Board

The business and affairs of the Company shall be managed by or under the direction of the Board. The Board acts as the management team’s advisor and is expected to monitor the performance of the Company (in relation to its financial objectives, major goals, strategies and competitors). The Board also elects corporate officers, acts as the management team’s advisor and monitors its performance. The Board regularly reviews the Company’s long-term strategic business plans with the officers and other pertinent issues affecting the business of the Company. The Board assesses risks facing the Company and management’s approach to addressing such risks. The Board is also responsible for oversight of the Company’s program to prevent and detect violations of law, regulation or Company policies and procedures. The Board reviews and, if appropriate, approves significant transactions and develops standards to be utilized by management in determining the types of transactions that should be submitted to the Board for review and approval or notification.

### II. Independence of the Board

The Board shall be comprised of a majority of directors who, in the business judgment of the Board, qualify as independent directors (“*Independent Directors*”) under the applicable rules, regulations and listing standards of The NASDAQ Stock Market (“*NASDAQ*”), including Rule 5605(a)(2) of the NASDAQ Listing Rules, as such rules, regulations and listing standards may be amended from time to time, and these Corporate Governance Guidelines. No director shall qualify as independent unless the Board affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company). The Board may adopt and disclose categorical standards to assist it in determining director independence.

### **III. Size of the Board**

The Board shall have such number of directors as are set by resolution of the Board, subject to the requirements of the Company's Certificate of Incorporation and Bylaws. The Board shall periodically review the size of the Board, which may be increased or decreased if determined to be appropriate by the Board.

### **IV. Board Meetings**

There are at least four regularly scheduled meetings of the Board each year. At least one regularly scheduled meeting of the Board shall be held quarterly, plus special meetings as required by the needs of the Company. The Chief Executive Officer and/or the Chairperson of the Board shall propose an agenda for each meeting. Management will provide materials in a reasonable period of time in advance of a meeting and the members of the Board are expected to familiarize themselves with them.

A director is expected to spend the time and effort necessary to properly discharge such director's responsibilities. Accordingly, a director is expected to regularly attend meetings of the Board and committees on which such director sits, and to review prior to meetings material distributed in advance for such meetings. A director who is unable to attend a meeting (which it is understood will occur on occasion) is expected to notify the Secretary of the Company, who will then notify the Chairperson of the Board or the chair of the appropriate committee in advance of such meeting.

### **V. Selection of the Chairman of the Board**

The Board does not require the separation of the offices of the Chairperson of the Board and the Chief Executive Officer. The Board shall be free to choose its Chairperson in any way that it considers in the best interests of the Company. The Committee will periodically consider the Board's leadership structure and make such recommendations to the Board with respect thereto as the Committee deems appropriate.

The Chairperson shall preside at all meetings of the stockholders and of the Board as a whole (and, provided the Chairperson is an Independent Director, over executive sessions of the independent directors), and shall perform such other duties, and exercise such powers, as from time to time shall be prescribed in the Company's Bylaws or requested by the Board. In addition, the Independent Directors may, if deemed advisable, select and elect a Lead Independent Director, who shall (1) preside over all meetings of the Board at which the Chairperson is not present, including, if applicable, executive sessions of independent directors, (2) serve as a liaison between the Chairperson and the Independent Directors, (3) be available, under appropriate circumstances, for consultation and direct communication with stockholders and (4) perform such other functions and responsibilities as requested by the Board from time to time.

## **VI. Selection of Directors**

The Board is classified into three classes, with the members of each class up for election once every three years. The Board shall be responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The Committee is responsible for identifying, evaluating and recommending candidates to the Board for Board membership. The Committee may use outside consultants to assist in identifying candidates. When formulating its Board membership recommendations, the Committee shall also consider advice and recommendations from stockholders, management, and others as it deems appropriate.

## **VII. Board Membership Criteria**

Nominees for director shall be selected on the basis of, among other things, independence, integrity, diversity, skills, financial and other expertise, breadth of experience, knowledge about the Company's business or industry and willingness and ability to devote adequate time and effort to Board responsibilities in the context of the existing composition, other areas that are expected to contribute to the Board's overall effectiveness and needs of the Board and its committees. In evaluating potential candidates for the Board, the Committee considers these factors in the light of the specific needs of the Board at that time.

The Committee shall be responsible for developing and recommending to the Board for determination: (i) any specific minimum qualifications that the Committee believes must be met by a Committee-recommended nominee for a position on the Board, (ii) any specific qualities or skills that the Committee believes are necessary for one or more of the Board members to possess and (iii) the desired qualifications, expertise and characteristics of Board members, with the goal of developing an experienced and highly qualified Board.

## **VIII. Other Public Company Directorships**

The Committee, in making its recommendations, shall consider the number of other public company boards and other boards (or comparable governing bodies) on which a prospective nominee is a member, as well as his or her other professional responsibilities. Directors are also expected to limit the number of other boards, including non-profits, on which they serve in order to devote adequate time and effort to their Board responsibilities. No director should serve on more than six public company boards, including the Board. Additionally, the Committee shall advise the Board as to whether any member of the Audit Committee shall be permitted to sit upon the audit committees of more than two other public companies, taking into account the Company's needs at such time and the qualifications and demands upon the time of such person. The Board shall thereupon determine whether such service impairs such member's ability to effectively serve on the Audit Committee.

## **IX. Conflicts of Interest**

The Board expects its directors to act ethically at all times and acknowledge their adherence to the policies comprising the Company's Code of Business Conduct and Ethics for

Directors. If a conflict of interest arises for a director, that person will promptly inform the chair of the Committee, who, together with the Chairperson, will determine if the matter should be resolved by the Committee or if it needs to be brought to the attention of the full Board. If it is determined that a conflict of interest would materially impact a director's ability to fulfill his or her duties as director and the conflict cannot be adequately addressed in another manner, this will be communicated back to the director who will, if requested, resign from the Board.

#### **X. Retirement Age**

The Board does not believe that a fixed retirement age for directors is necessary.

#### **XI. Director Tenure**

There are no limits on the number of three-year terms that may be served by a director. However, in connection with evaluating recommendations for nomination for re-election, the Committee shall consider director tenure.

#### **XII. Number and Composition of Board Committees**

The Board currently has the following standing committees: Audit Committee, Compensation Committee and Nomination and Corporate Governance Committee. The purpose and responsibilities for each of these committees shall be outlined in committee charters adopted by the Board. Each of these committees shall be composed entirely of Independent Directors satisfying applicable legal, regulatory and stock exchange requirements necessary for an assignment to any such committee.

After consultation with the Committee, the Board may, from time to time, form a new committee, re-allocate responsibilities of one committee to another committee or disband a current committee depending on circumstances. In addition, the Board may determine to form ad hoc committees from time to time, and determine the composition and areas of competence of such committees. All other standing committees formed by the Board shall be chaired by Independent Directors, except where the Board, pursuant to the recommendation of the Committee, determines otherwise.

#### **XIII. Executive Sessions of Independent Directors**

The Independent Directors of the Company shall meet in executive session without management on a regularly scheduled basis, but no less than two times a year, during regularly scheduled Board meetings. The Chairperson (or, if the Chairperson is not an Independent Director or otherwise not in attendance, an Independent Director) shall preside at such executive sessions. Any Independent Director can request that an additional executive session be scheduled.

#### **XIV. Director Compensation**

Non-employee directors are eligible to receive compensation consisting of cash and/or

equity for service on the Board or its committees. Employee directors are not paid additional compensation for their services as directors. The Compensation Committee reviews form and amount of cash-based and/or equity-based compensation to be paid or awarded to non-employee directors for service on the Board or its committees and approves such compensation, or provides a recommendation to the Board, for determination and approval by the Board, based upon, among other things, the Compensation Committee's consideration of the responsibilities and time commitment of Company directors and information regarding the compensation paid at peer companies. The Compensation Committee will periodically review the level and form of, and, if it deems appropriate, approve or recommend to the Board for approval, changes in, director compensation.

#### **XV. Director and Senior Executive Stock Ownership**

The Compensation Committee will periodically assess the appropriateness of stock ownership guidelines for directors and senior executives, including whether and to what extent directors and senior executives should be restricted from selling stock acquired through equity compensation.

#### **XVI. Board Access to Officers and Employees**

The Board has full and free access to officers and employees of the Company. Any meetings or contacts that the Board or an individual director wishes to initiate may be arranged through the Company's Chief Executive Officer or Secretary or directly by the Board or such director. The Board will use its judgment to ensure that any such contact is not disruptive to the business operations of the Company and may, to the extent not inappropriate, copy the Chief Executive Officer on any written communications between any directors and an officer or employee of the Company.

#### **XVII. Attendance at Annual Meeting of Stockholders**

Directors are invited and encouraged to attend the Company's annual stockholder meeting.

#### **XVIII. Director Orientation and Continuing Education**

The Company shall provide for an orientation process for new directors that includes background material, meetings with senior management and visits to Company facilities. The Board encourages all directors to stay abreast of developing trends for directors from the variety of sources available. Directors may be expected, based on the recommendations of the Committee, to participate in continuing educational programs in order to maintain the necessary level of expertise to perform their responsibilities as directors.

#### **XIX. Evaluation of Board Performance**

The Board and each of its committees conduct a self-evaluation annually. Committees assess their performance relative to their charter and best practices. The Committee will oversee

an annual self-assessment of each individual director's performance, the Board's performance and the operation and composition of each committee of the Board.

The Committee will utilize the results of this self-evaluation process to determine if the Board and its committees are functioning effectively and in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board and making recommendations to the Board with respect to assignments of Board members to various committees. The full Board will discuss the evaluation to determine what action, if any, would improve Board and committee performance and whether any changes to these Corporate Governance Guidelines would be appropriate.

## **XX. Chief Executive Officer and Executive Officer Performance Review**

The Compensation Committee shall conduct an evaluation (which shall include the review and approval of corporate goals and objectives) annually in connection with the determination of the base salary, incentive compensation and equity-based grants of all executive officers (including the Chief Executive Officer). For officers other than the Chief Executive Officer, such evaluation shall be done in consultation with the Chief Executive Officer. To conduct this review, the Compensation Committee gathers and consolidates input from all directors and presents the results of the review to the Board and to the Chief Executive Officer. The Compensation Committee also uses such assessment in determining Chief Executive Officer's compensation.

## **XXI. Succession Planning**

The Board, working with the Compensation Committee, is responsible for Chief Executive Officer succession planning, and only the Board may appoint a Chief Executive Officer. The Board may also monitor management's succession plans for other key executives and leadership development programs. The Chief Executive Officer shall propose to the Board an emergency succession plan to provide for one or more individuals to fulfill the Chief Executive Officer's responsibilities on an interim basis in the event that the Chief Executive Officer is incapacitated or otherwise unable to perform his or her duties as Chief Executive Officer, which the Board will review and approve.

The Board shall be responsible for identifying potential candidates for, and selecting, the Company's Chief Executive Officer. In identifying potential candidates for, and selecting, the Company's Chief Executive Officer, the Board shall consider, among other things, a candidate's experience, understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, integrity, and reputation in the business community.

## **XXII. Directors Who Change Their Present Job Responsibility**

The Board does not believe directors who retire or change their principal occupation or business association should necessarily leave the Board. However, promptly following any such event, the director will notify the Chairperson or the Lead Independent Director of such circumstances. The Board or Committee will consider the circumstances, and may in certain

cases request the director to submit his or her resignation. Notwithstanding the foregoing, when the Chief Executive Officer retires or resigns from that position, he or she should offer his or her resignation from the Board and all committees thereof.

### **XXIII. Authority to Retain Advisors**

The Board and each of its committees have the authority, at the Company's expense, to retain and terminate independent advisors as the Board and any such committee deems necessary.

### **XXIV. Amendments**

The Board may amend these Corporate Governance Guidelines, or grant waivers in exceptional circumstances, provided that any such modification or waiver may not be a violation of any applicable law, rule or regulation and further provided that any such modification or waiver is appropriately disclosed.

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