

**REATA PHARMACEUTICALS INC.**

**COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

**CHARTER**

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

**I. Purpose**

The Board of Directors (the “Board”) of Reata Pharmaceuticals, Inc. (the “Company”) has established the Compensation Committee (the “Committee”) of the Board. The purpose of the Committee is to assist the Board with its responsibilities to:

1. determine the individual elements of the Chief Executive Officer’s (“CEO’s”) total compensation and approve specific corporate goals and objectives relative to CEO compensation;
2. determine the compensation of the Company’s other executive officers;
3. prepare annually the report that the Securities and Exchange Commission (the “SEC”) rules require be included in the proxy statement relating to the Company’s annual meeting of stockholders;
4. oversee management’s compliance with the compensation reporting requirements of the SEC, the NASDAQ Stock Market (“Nasdaq”), and any other regulatory bodies, including review and discuss with management, when it is required, the Compensation Discussion and Analysis (“CD&A”) to be included in the Company’s proxy statement for its annual meeting of stockholders or Annual Report on Form 10-K and determine whether to recommend to the Board that the CD&A be included in the proxy statement or Annual Report on Form 10-K;
5. administer or oversee the administration of the Company’s employee and executive benefit plans;
6. formulate and monitor the Company’s overall employee compensation and benefits philosophy and strategy; and
7. conduct an annual review of the CEO’s performance and discuss the CEO’s review of the executive officers.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter and will perform such other functions as the Board may assign from time to time.

## **II. Composition**

The Committee shall be comprised of two or more directors, all of whom are members of the Board. Except as otherwise permitted under the listing standards of Nasdaq, each member shall be “independent” as defined from time to time by the listing standards of the Nasdaq, applicable SEC rules, and any other applicable independence requirements. Accordingly, the Board shall determine annually whether each member is free from any relationship with the Company that is material to that director’s ability to be independent from management in connection with the duties of a compensation committee member.

The members of the Committee will be appointed by the Board, based on the recommendation of the Nominating and Corporate Governance Committee, and will serve at the pleasure of the Board. Any vacancy on the Committee will be filled by, and any member of the Committee may be removed as such by, an affirmative vote of the majority of the Board.

Unless the Board designates a chairperson of the Committee, the members of the Committee may designate a chairperson and change that designation by an affirmative vote of the majority of the full Committee membership. The chairperson shall be responsible for leadership of the Committee, including presiding over the meetings of the Committee and reporting to the Board. The Board may remove or replace the chairperson of the Committee at any time by an affirmative vote of the majority of the Board.

The Committee members may assist themselves in being knowledgeable in compensation, benefit and related issues, including through the use of consultants and review of pertinent data dealing with corporate director and officer compensation.

At least two members of the Committee shall meet the definition of:

- A “non-employee director” within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934; and
- An “outside director” within the meaning Section 162(m) of the Internal Revenue Code of 1986, as amended.

Any member of the Committee who does not satisfy the “outside director” requirements of Section 162(m) shall not vote on the establishment and certification of performance goals for incentive compensation or the grant of any equity-based compensation that is intended to be “performance based” within the meaning of Section 162(m).

Notwithstanding the foregoing membership requirements, no action of the Committee will be invalid by reason of any such requirement not being met at the time the action is taken.

## **III. Meetings**

The Committee will meet at the call of its chairperson or of two or more members of the Committee, in each case on at least twenty-four (24) hours personal, written, telegraphic, cable, wireless, or electronic notice to each member. The Committee customarily conducts four

meetings each year or such higher or lower number of meetings, including executive sessions, as the Committee may determine is appropriate (but no less than one annually).

Meetings may, at the discretion of the Committee, include other directors, members of the Company's management, independent consultants or advisors, or such other persons as the Committee or its chairperson may determine. Those in attendance who are not members of the Committee may observe, but may not participate in, any discussion or deliberation unless invited to do so by the Committee, and in any event are not entitled to vote at the meeting. The Committee may also exclude from its meetings any person it deems appropriate, other than members of the Committee.

An officer as may from time to time be designated by the Committee shall act as management liaison to the Committee and shall work with the Committee chairperson to prepare an agenda for regularly scheduled meetings. The Committee chairperson will make the final decision regarding the agenda for regularly scheduled meetings and shall develop the agenda for special meetings based on the information supplied by the persons requesting the special meeting.

The agenda and all materials to be reviewed at the meetings should be received by the Committee members as far in advance of the meeting day as practicable.

The Committee shall make regular reports to the Board about its activities and decisions, which may be made through the chairperson.

Each year the Committee shall review the need for changes in this Charter and recommend any proposed changes to the Board for approval.

Each year the Committee shall review and evaluate its own performance and shall discuss such evaluation with the Board.

Except as expressly provided in this Charter, the Amended and Restated Certificate of Incorporation, the Amended and Restated Bylaws of the Company, or the Corporate Governance Guidelines of the Company, the Committee may determine additional rules and procedures to govern it or any of its subcommittees, including designation of a chairperson *pro tempore* in the absence of the chairperson and designation of a secretary of the Committee or any meeting thereof.

#### **IV. Authority, Delegation and Responsibilities**

The Committee is delegated all authority of the Board as may be required or advisable to fulfill the purposes of the Committee. The Committee may form and delegate some or all of its authority to subcommittees and to officers when it deems appropriate. Specifically, the Committee has sole authority to determine all elements of the compensation of the CEO and the other executive officers of the Company. The Committee may delegate to the CEO or another executive officer the authority to determine the elements of compensation of non-executive officers and other employees or consultants, including the power to grant all types of awards to such non-executive officers, employees or consultants under the Company's employee benefit plans, subject to the terms of those plans. The Committee may additionally delegate the authority

to determine equity compensation to the extent set forth in an equity incentive plan approved by the Board. The Committee shall have sole authority to approve the fees and other retention terms of any professional advisors retained by the Committee, as further discussed below.

The Committee shall have the authority to retain professional advisors, including special legal counsel or compensation consultants, to advise the Committee, which may be the same as or different from the Company's primary legal counsel or compensation consultants as the Committee deems necessary or advisable in connection with the exercise of its powers and responsibilities as set forth in this Charter, all on such terms as the Committee deems necessary and advisable. The Committee may require any officer or employee of the Company or any of its subsidiaries or the Company's outside legal counsel and any outside consultants or advisors to the Company to attend a meeting of the Committee or to meet with any member of, or advisor or consultant to, the Committee.

The Company shall provide for appropriate funding, as determined by the Committee, for payment of (a) compensation and reimbursement of expenses to any special legal counsel, compensation consultants, or other advisors employed by the Committee, and (b) ordinary administrative expenses of the Committee that are necessary and appropriate in carrying out its duties.

Without limiting the generality of the foregoing statements, the Committee shall have authority, including budgetary and fiscal authority, and is entrusted with the responsibility to perform the following actions:

1. Executive Compensation; Incentive and Equity Compensation

- Periodically review the Company's compensation philosophy and how the pay programs align with that philosophy, especially in relation to the Company's business goals and strategies, determine whether any change is needed or desired, and, if so, modify and revise the Company's compensation philosophy or compensation programs, plans or awards accordingly.
- Annually review market data to assess the Company's competitive position for each component of executive compensation (especially base salary, annual incentives, long-term incentives and benefits) by reviewing appropriate peer companies' market data compiled by third party consultants.
- Approve, subject where appropriate to submission to stockholders, all equity-related plans (including specific provisions), including those in which the Company's executive officers and any others subject to the reporting and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934 are participants, and perform such acts and duties as are necessary to administer such plans pursuant to their terms and conditions and in conformance with any further restrictions placed thereon by the Board, including the following:

- Approving equity incentive guidelines and the general size of overall grants, including the number of shares of stock or amount of cash to be covered by awards;
  - Approving specific grants to Company executive officers and any others subject to the reporting and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934;
  - Amending or interpreting the plans and any instrument or agreement relating to an award made under the plans;
  - Designating categories of employees eligible to participate in the plans and the type or types of awards for which such employees are eligible;
  - Determining whether, to what extent, and under what circumstances awards may be vested, settled, exercised, canceled, or forfeited;
  - Imposing limitations, restrictions, and conditions upon any award, consistent with the terms of the plans, as well as the modification of such terms, as the Committee deems appropriate; and
  - Establishing, maintaining, revising, and rescinding rules and regulations relating to the plans.
- Review annually and determine the individual elements of the total compensation and benefits paid to each of the Company's executive officers other than the CEO (whose compensation shall be determined as described below) after (i) determining such compensation and benefits to be appropriate for the size of the Company and the scope and performance of the executive officers' duties and responsibilities, (ii) considering the recommendation made by the CEO for the compensation of such executive officers, and (iii) discussing the CEO's review, if any, of each such executive officer.
  - Evaluate compensation policies and practices for all employees to ensure they do not pose risks that are reasonably likely to have a material adverse effect on the Company.
  - Prepare and recommend to the Board any clawback policy deemed advisable by the Committee, including any clawback policy required under applicable listing standards of the Nasdaq or SEC rules.

## 2. CEO Performance and Compensation Evaluation

- Annually review the CEO's performance in meeting corporate goals and objectives and determine the CEO's individual elements of total

compensation and benefits, taking into consideration market data compiled by third-party consultants, the performance of the CEO, and such other criteria as the Committee deems appropriate.

- Review and approve annually specific corporate goals and objectives relative to CEO compensation for the next year and discuss with the other independent directors.
- Review with the other independent directors the year-end evaluation of the CEO in meeting the goals and objectives previously set for that year.
- Prior to finalizing compensation for the CEO, review the Committee's intentions with the other independent directors and receive their input.
- Ensure the CEO is not present during voting or deliberations on his or her compensation.

3. Director and Committee Compensation

- Periodically review and recommend to the full Board total compensation for each non-employee director for services as a member of the Board and its committees and determine the terms and awards of any equity compensation for members of the Board.

4. Advisors

- The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel, and other advisor retained by the Committee. Prior to selecting any such compensation consultant, legal counsel, or other advisor, the Committee shall consider independence from management and other factors as may be required under applicable listing standards of the Nasdaq, SEC rules, and such other factors as it deems relevant.
- The Committee may, in its sole discretion, retain, amend the engagement with and terminate any compensation consultant to be used to assist in the evaluation of director, CEO, or officer compensation. The Committee shall have sole authority to approve the consultant's fees and other retention terms and shall have authority to cause the Company to pay the fees and expenses of such consultants.
- The Committee also may, in its sole discretion, obtain advice and assistance from internal or independent legal, accounting, or other advisors and shall have authority to approve the fees and expenses of such independent legal, accounting, or other advisors and to cause the Company to pay the fees and expenses of such advisors.

5. Proxy Statement Matters

- If a CD&A is required to be included in the Company’s proxy statement for its annual meeting of stockholders or Annual Report on Form 10-K, provide the discussion and analysis to be included in, and oversee the drafting of, the CD&A; and review and discuss the CD&A with management, and, based on such review and discussion, recommend to the Board that the CD&A be included in the proxy statement or Annual Report on Form 10-K.
- Annually issue the Committee report required to be included in the Company’s proxy statement for its annual meeting of stockholders.
- If and when applicable, review and recommend to the Board how frequently the Company should permit stockholders to have an advisory vote on executive compensation (“say-on-pay”), taking into account any previous results of stockholder advisory votes on the frequency of say-on-pay resolutions at the Company.
- Following each stockholder meeting at which say-on-pay resolutions are proposed for a stockholder advisory vote, review the results of the advisory vote and consider whether to make any changes to the Company’s executive compensation policies and practices.
- Ensure that stockholders are given the opportunity to vote on equity-compensation plans to the extent required by applicable law and the listing standards of the Nasdaq.
- Oversee management’s engagement with stockholders, proxy advisory firms and others on executive compensation matters.

## **V. Website Posting**

The Company will make this Charter available on or through the Company’s website. In addition, the Company will disclose in its proxy statement for its annual meeting of stockholders or in its Annual Report on Form 10-K, as appropriate, that a copy of this Charter is available on the Company’s website and will provide the website address.

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*Although the Committee members have the duties and responsibilities set forth in this Charter, nothing in this Charter is intended to create, or should be construed as creating, any responsibility or liability of the Committee members, except to the extent otherwise provided under federal or state law. In addition, nothing in this Charter is intended to preclude or impair the protection provided in Section 141(e) of the Delaware General Corporation Law for good faith reliance by Committee members on reports or other information provided by others.*