

## INCYTE CORPORATION CORPORATE GOVERNANCE GUIDELINES

### A. The Roles of the Board of Directors and Management

1. *The Board of Directors* — The business of Incyte Corporation (the “Company”) is conducted under the oversight of the Board of Directors (the “Board”). The Board selects the Chief Executive Officer (the “CEO”) and delegates to the CEO the authority and responsibility to manage the Company’s day to day operations. The Board serves as elected representatives of the stockholders and oversees management’s performance on behalf of the stockholders.
2. *Management* — The CEO and senior management are responsible for running the Company’s business operations.

### B. Board Composition and Leadership

1. *Leadership* — The Board appoints the chairman of the Board (the “Chairman”), has the authority to decide whether the positions of Chairman and CEO should be held by the same person, and determines what it considers to be the best arrangement for the Company and its stockholders in light of all relevant and changing circumstances. If the individual appointed as Chairman is not an independent director, the independent directors will appoint a Lead Independent Director. The Lead Independent Director’s duties would include presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors; serving as liaison between the Chairman and the independent directors; approving information sent to the Board; approving meeting agendas for the Board; approving meeting schedules to assure that there is sufficient time for discussion of all agenda items; having the authority to call meetings of the independent directors; and being available for consultation with stockholders (when appropriate).
2. *Size of the Board* — The Board’s policy is that the number of directors should not exceed a number that can function effectively. The Nominating and Corporate Governance Committee considers and makes recommendations to the Board concerning the appropriate size of the Board.
3. *Board Independence* — A majority of the Board shall consist of directors who are “Independent Directors” under the rules of The Nasdaq Stock Market (“NASDAQ”).

4. *Board Membership Criteria* — The Board’s objective is that its membership be composed of experienced and dedicated individuals with diversity of backgrounds, perspectives and skills. The Nominating and Corporate Governance Committee is responsible for identifying, evaluating, recruiting and recommending qualified candidates to the Board for nomination or election. In identifying candidates for membership on the Board, this Committee takes into account all factors it considers appropriate, which include character, judgment, diversity of experience and characteristics (including, without limitation, areas of expertise and characteristics of personal diversity), business acumen, the ability of the candidate to devote sufficient time and attention to the affairs of the Company, and the extent to which a particular candidate would fill a present need on the Board. Candidates for membership on the Board will be reviewed in the context of the existing membership of the Board (including the qualities and skills of the existing directors), the operating requirements of the Company, and the long-term interests of stockholders.

A director’s qualifications in light of these criteria are considered at least each time the director is re-nominated for Board membership.

5. *Directors Who Experience Change in Present Job Responsibilities or Other Relevant Circumstances* — When a director’s principal occupation or business affiliation changes substantially during his or her tenure as a director, other than as a result of normal retirement, then the director should offer to resign from the Board so that the Nominating and Corporate Governance Committee can evaluate the appropriateness of the director’s continued service and recommend to the Board acceptance or rejection of the resignation offer.
6. *Election of Directors* — Under Section 10 of Article I of the Company’s Bylaws, a nominee to be elected in an “uncontested election” (as defined in such Section) must receive a “majority of the votes cast” (as defined in such Section) to be elected as a director. The Company’s policy is that a nominee in an uncontested election who does not receive a majority of the votes cast should tender a resignation for consideration by the Board. The Nominating and Corporate Governance Committee shall recommend to the Board for nomination or election, and the Board shall nominate or elect, only candidates who have tendered irrevocable resignations that would be effective upon (i) the failure of the candidate to receive a majority of the votes cast at the next annual meeting at which he or she faces election and (ii) Board acceptance of such resignation.

The Nominating and Corporate Governance Committee will act on an expedited basis to determine whether the director’s tendered resignation should be accepted and to make a recommendation to the Board. The Board shall promptly consider that recommendation and make the final

determination whether to accept the tendered resignation. The Nominating and Corporate Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept such resignation, including, as they deem appropriate, reasons why the Board believes stockholders withheld votes from such director, the total number of shares voting and the number of broker non-votes, the director's tenure, the director's qualifications, the director's past and expected future contributions to the Company, and the overall composition of the Board, including whether accepting the resignation would cause the Company to fail to meet any applicable requirements of NASDAQ or the federal securities laws or rules thereunder.

The Board will act on the Nominating and Corporate Governance Committee's recommendation within 90 days from the date of the certification of election results. The Board will promptly disclose its decision and the reasons therefor in a Form 8-K furnished to the Securities and Exchange Commission.

The Board expects the incumbent director whose resignation is under consideration to abstain from participating in any decision regarding such resignation. If such incumbent director is a member of the Nominating and Corporate Governance Committee and does not agree to abstain from participating in the Committee's deliberations and decision regarding such resignation, then the Committee shall act through a sub-committee consisting of one or more members who received a majority of votes cast in the election. If such incumbent director does not agree to abstain from participating in the Board's deliberations and decision regarding such resignation, then the Board shall act through a special committee consisting entirely of directors who received a majority of votes cast in the election.

If a director's resignation is accepted by the Board, then the Board, in its sole discretion, may fill the resulting vacancy pursuant to the provisions of Section 2 of Article II of the Company's Bylaws or may decrease the size of the Board pursuant to the provisions of Section 1 of Article II of the Company's Bylaws.

7. *Service on Other For-Profit Boards* — Independent directors are encouraged to evaluate carefully the time required to serve on other boards, taking into account board attendance, preparation, participation and effectiveness on these boards. Independent directors who are not CEOs of public companies should advise the chair of the Nominating and Corporate Governance Committee before accepting an invitation to serve on more than three other public company boards and directors who are CEOs of public companies should advise the chair of the Nominating and Corporate Governance Committee before accepting an invitation to serve

on more than one other public company board to permit the Nominating and Corporate Governance Committee to confirm that the director will continue have the time required for preparation, participation and attendance at Board and Board committee meetings. Directors should also advise the chair of the Nominating and Corporate Governance Committee before accepting an invitation to serve on a board of any entity in the event they believe any regulatory issues or potential conflicts may be raised by the director accepting such an invitation.

8. *Retirement Age, Term Limits* — The Board does not believe it should establish mandatory retirement ages and term limits for directors.
9. *Board Compensation Review* — The Compensation Committee will periodically review the compensation of non-employee directors and is responsible for recommending to the Board changes in compensation for non-employee directors. Directors who are employees of the Company shall receive no additional remuneration for serving on the Board.
10. *Board's Interaction With Stakeholders* — It is important that the Company speak to employees and other stakeholders with a single voice, and that management serve as the primary spokesperson. The CEO is responsible for establishing effective communications with the Company's stakeholders, including stockholders, customers, employees, communities, suppliers, creditors, governments, and corporate partners. This policy does not preclude independent directors from meeting with stakeholders, but management, where appropriate, should be present at such meetings.
11. *Director Orientation and Continuing Education* — The Company shall provide directors with an orientation and education program to familiarize them with the Company's business operations and plans, industry trends and corporate governance practices, as well as ongoing education on issues facing the Company and on subjects that would assist the directors in discharging their duties.

## **C. Board Operations**

1. *Selection of Agenda Items for Board Meetings* — The Chairman, in consultation with the CEO, sets the agenda for each Board meeting. At least once each year, the Board focuses on the Company's strategic plan and on the following year's capital and operating budgets. Members of the Board are encouraged to suggest the inclusion of items on any Board or committee agenda.
2. *Board and Committee Materials Distributed in Advance* — Board members should receive materials related to agenda items sufficiently in advance of Board and Board committee meetings so that the directors

may prepare to discuss the items at the meeting, although the Board recognizes that this will not always be consistent with the timing of transactions and the operations of the business and that in certain cases it may not be possible.

3. *Expectations for Directors' Responsibilities* — Directors should make every effort to attend and participate in all meetings of the Board and of committees on which they serve and to spend the time needed and prepare for and meet as frequently as necessary to discharge their responsibilities. The Company has adopted a Code of Conduct and Ethics for the Board (the "Code"). Directors should be familiar with the Code's provisions and should consult with the Company's counsel on any issues arising from the Code.
4. *Board Presentations and Access to Employees* — Members of senior management may be invited to attend part or all of a Board meeting in order to participate in discussions. Generally, the executive responsible for the area of the Company's operations that the Board is to consider makes the presentation. Board members have complete access to all other members of management and Company employees.
5. *Board Access to Independent Advisors* — The Board and its committees may seek advice from outside advisors as appropriate.
6. *Executive Sessions of Independent Directors* — Independent directors regularly meet outside the presence of non-independent directors. Independent director discussions may include such topics as the independent directors determine. The independent directors generally do not take formal action at these sessions but make recommendations for consideration by the full Board. In addition, director meetings are held with the CEO, but not other members of management, for a general discussion of relevant subject matters.

#### **D. Board Committees**

1. *Committees* — The current committees are the Audit and Finance, Compensation, Non-Management Equity Award, Nominating and Corporate Governance, and Science and Technology Committees. Other committees may be established from time to time as appropriate.
2. *Assignment and Term of Service of Committee Members* — The Board is responsible for the appointment of committee members and chairs, based on recommendations of the Nominating and Corporate Governance Committee. Every year, after its first meeting following the Annual Meeting of Stockholders, the Board shall elect the members of each committee.

3. *Agenda, Length, Frequency and Reports of Committee Meetings* — The chair of each committee approves the agenda, length of and attendance at each committee meeting and determines the frequency of meetings. The committee chairs report a summary of their meetings to the Board at the next regularly scheduled Board meeting following such committee meetings.
4. *Membership* — Except as permitted by the NASDAQ rules, each of the Nominating and Corporate Governance Committee, the Audit and Finance Committee and the Compensation Committee shall be composed of directors who are “Independent Directors” under NASDAQ rules. Audit and Finance Committee members must satisfy the additional eligibility requirements of the federal securities laws or rules thereunder and Compensation Committee members must satisfy the additional eligibility requirements imposed by NASDAQ rules. A director may serve on more than one committee for which he or she qualifies.
5. *Responsibilities* — The Nominating and Corporate Governance Committee periodically reviews the responsibilities of each committee, and the Board, upon the recommendation of the Nominating and Corporate Governance Committee, has adopted written charters for each of the Audit and Finance, Compensation, and Nominating and Corporate Governance Committees, which satisfy NASDAQ rules and set forth the full authority and responsibilities of those committees.

#### **E. Board and Management Evaluation**

1. *Formal Evaluation of the CEO and other Officers* — The Compensation Committee shall review and recommend for approval by the Board corporate goals and objectives relevant to the compensation of the Company’s CEO and other executive officers of the Company. The Compensation Committee shall also evaluate the CEO’s and the other executive officers’ performance in light of such goals and objectives at least annually and communicate the results to the CEO and the Board. Based on such evaluation, the Compensation Committee shall establish and approve annually for the CEO and the other executive officers, the compensation levels for those persons, as set forth in the Compensation Committee Charter. The CEO may not be present during discussion of his compensation, but may be present during discussion of, but may not vote on, compensation of the other executive officers.
2. *Board Self-Assessment* — The Nominating and Corporate Governance Committee shall review on a periodic basis the functioning and effectiveness of the Board and its committees. That Committee oversees the self-evaluation of the Board and its committees performed by the individual members of the Board and, to the extent the Committee deems

appropriate, recommends changes to increase the effectiveness of the Board and its committees.

3. *Succession Planning* — The Board, with the assistance of the Nominating and Corporate Governance Committee, plans the succession to the position of CEO and certain other senior management positions. To assist the Board and the Nominating and Corporate Governance Committee, the CEO annually assesses senior managers and their succession potential. The CEO also provides the Board and the Nominating and Corporate Governance Committee with an assessment of persons considered potential successors to certain senior management positions.
4. *Management Development* — The CEO annually should report to the Board on the Company's program for management development.

**F. Periodic Review of Guidelines**

These Corporate Governance Guidelines will be subject to periodic review and update by the Nominating and Corporate Governance Committee and the Board.