



AVID BIOSERVICES, INC.
CORPORATE GOVERNANCE GUIDELINES
(Adopted July 11, 2018)

INTRODUCTION

The Board of Directors (the “Board”) of Avid Bioservices, Inc. (the “Company”) has adopted these corporate governance guidelines (“Corporate Governance Guidelines”), which describe the principles and practices that the Board will follow in carrying out its responsibilities. These Corporate Governance Guidelines will be reviewed by the Corporate Governance Committee of the Board (the “Corporate Governance Committee”) from time to time to ensure that they effectively promote the best interests of both the Company and the Company’s stockholders and that they comply with all applicable laws, regulations and stock exchange requirements.

A. Director Responsibilities

The Board directs and oversees the management of the business and affairs of the Company in a manner consistent with the best interests of the Company and its stockholders. In this oversight role, the Board serves as the ultimate decision-making body of the Company, except for those matters reserved to or shared with the stockholders. The Board selects and oversees the members of senior management, who are charged by the Board with conducting the business of the Company.

B. Board Composition, Structure and Policies

1. Independence of Directors. The Company defines an “independent” director in accordance with Listing Rule 5605(a)(2) of The Nasdaq Stock Market (“Nasdaq”). The Board shall make an affirmative determination at least annually as to the independence of each director. The Nasdaq independence definition includes a series of objective tests, such as that the director is not, nor has been during the past three years, an employee of the Company and has not engaged in various types of business dealings with the Company. Because it is not possible to anticipate or explicitly provide for all potential conflicts of interest that may affect independence, the Board is also responsible for determining affirmatively, as to each independent director, that no material relationships exist which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the Board will broadly consider all relevant facts and circumstances, including information provided by the directors and the Company with regard to each director’s business and personal activities as they may relate to the Company and the Company’s management. As the concern is independence from management, the Board does not view ownership of even a significant amount of stock, by itself, as a bar to an independence finding.

2. Selection of Chairman of the Board and Chief Executive Officer. The Board shall select its chairman (“Chairman”) and the Company’s Chief Executive Officer (“CEO”) in a manner it considers to be in the best interests of both the Company and the Company’s stockholders. Therefore, the Board does not have a policy on whether the role of Chair and CEO should be separate or combined and, if it is to be separate, whether the Chair should be selected from the independent directors. When the positions of Chairman and CEO are held by the same person, the independent directors shall designate a Lead Independent Director.
3. Director Qualification Standards. The Corporate Governance Committee is responsible for reviewing the qualifications of potential director candidates and recommending to the Board candidates to be nominated for election to the Board. It is expected that the Corporate Governance Committee will consider (a) minimum individual qualifications, including strength of character, mature judgment, familiarity with the Company’s business and industry, independence of thought and an ability to work collegially and (b) all other factors it considers appropriate, which may include age, gender and ethnic and racial background, existing commitments to other businesses, potential conflicts of interest with other pursuits, legal considerations such as antitrust issues, corporate governance background, various and relevant career experience, relevant technical skills, relevant business or government acumen, financial and accounting background, executive compensation background and the size, composition and combined expertise of the existing Board. The Corporate Governance Committee may also consider the extent to which a candidate for director would fill a present need on the Board. Stockholders may also nominate directors for election at the Company’s annual stockholders meeting by following the provisions set forth in the Company’s bylaws and the requirements of applicable Delaware or federal law, whose qualifications the Corporate Governance Committee will consider.
4. Board Composition. The Board should monitor the mix of specific experience, qualifications and skills of its directors in order to assure that the Board, as a whole, has the necessary tools to perform its oversight function effectively in light of the Company’s business and structure. The size of the Board shall be as provided in the Company’s bylaws and certificate of incorporation or as approved by the Board. The Corporate Governance Committee is responsible for periodically reviewing and making recommendations to the Board concerning the appropriate composition and size of the Board in order to ensure that the Board has the requisite expertise and that its membership consists of persons with sufficiently diverse and independent backgrounds.
5. Retirement Age for Directors. The normal retirement date for a Director shall be at the first Annual Meeting of Stockholders of the Company following the Director’s 75th birthday, unless the Board, upon the recommendation of the Corporate Governance Committee, has voted, on an annual basis after due consideration of the Director’s particular contributions and expertise, to waive or to continue to waive, the mandatory retirement age of such person as a Director.
6. Term Limits. In accordance with the Company’s Amended and Restated Bylaws, Directors are elected for a term of one-year. The Board has a policy that a Director should not be re-nominated after having completed twelve (12) years of services as a member of the

Board. Additionally, at least every four (4) years the Corporate Governance Committee shall specifically consider a Director's tenure and whether new perspectives are adequately represented on the Board when evaluating the re-nomination of such Director. The Board may, in its discretion, waive the foregoing requirement if it deems any such Director's re-nomination to be in the best interest of the Company and its stockholders.

6. Director Orientation and Continuing Education. Management, working with the Board, will provide an orientation process for new directors and coordinate director continuing education programs. The orientation programs are designed to familiarize new directors with the Company's businesses, strategies and challenges and to assist new directors in developing and maintaining skills necessary or appropriate for the performance of their responsibilities. As appropriate, management shall prepare additional educational sessions for directors on matters relevant to the Company and its business. Directors are also encouraged to participate in educational programs relevant to their responsibilities, including programs conducted by universities and other educational institutions.
7. Succession. The Corporate Governance Committee shall be responsible for developing succession plans for the Board as appropriate in light of relevant facts and circumstances.
8. Directors Who Change 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 should notify the Corporate Governance Committee, so that there is an opportunity for the Board, through the Corporate Governance Committee, to review the continued appropriateness of Board membership under the new circumstances.

C. Board Meetings

1. Frequency and Length of Meetings. The Chairman, in consultation with the members of the Board, shall determine the frequency and length of the Board meetings. Special meetings may be called from time to time as determined by the needs of the business.
2. Selection of Board Agenda Items. The Chairman, with approval from the Lead Director (if one has been elected), shall set the agenda for Board meetings with the understanding that other members of the Board may provide suggestions for agenda items that are aligned with the advisory and monitoring functions of the Board. Agenda items that fall within the scope of responsibilities of a Board committee are reviewed with the chair of that committee. Any member of the Board may request that an item be included on the agenda.
3. Access to Management and Independent Advisors. Board members shall have free access to all members of management and employees of the Company. Generally, any meeting or contact that a director wishes to initiate with an employee should be arranged through the CEO or Secretary of the Company. The Board expects that there will be opportunities for directors to meet with the CEO and other members of senior management in Board and committee meetings and in other formal or informal settings. In addition, Board members may consult with independent legal, financial, accounting and other advisors,

at the Company's expense, as necessary and appropriate and in accordance with the Board committee charters, to assist in their duties to the Company and its stockholders.

4. Executive Sessions. In general, the agenda for every regularly scheduled Board meeting shall include a meeting of the independent directors in executive session. In any event, the independent directors shall meet in executive session at least semi-annually. The independent directors will meet in executive session at other times at the request of any independent director. Absent unusual circumstances, these sessions shall be held in conjunction with regular Board meetings. The Chairman or Lead Independent Director shall chair these meetings.

D. Committees of the Board

The Board shall have at least three committees: the Audit Committee, the Compensation Committee and the Corporate Governance Committee. Each committee shall have a written charter and shall report regularly to the Board summarizing the committee's actions and any significant issues considered by the committee. Each committee of the Board shall be comprised of no fewer than the number of members set forth in the relevant committee charter. In addition, each committee member must satisfy the membership requirements set forth in the relevant committee charter. A director may serve on more than one committee. The Corporate Governance Committee shall be responsible for identifying Board members qualified to fill vacancies on any committee and recommending that the Board appoint the identified member or members to the applicable committee. The Board, taking into account the views of the Chairman and the Corporate Governance Committee, shall designate one member of each committee as chair of such committee. Committee chairs shall be responsible for setting the agendas for their respective committee meetings and otherwise overseeing each committee's compliance with its charter.

E. Expectations of Directors

The business and affairs of the Company shall be managed by or under the direction of the Board in accordance with applicable laws, rules, regulations and listing standards. In performing their duties, the primary responsibility of the directors is to exercise their business judgment in the best interests of both the Company and the Company's stockholders. The Board has developed a number of specific expectations of directors to promote the discharge of this responsibility and the efficient conduct of the Board's business.

1. Commitment and Attendance. All directors are expected to make best efforts to attend all meetings of the Board, meetings of the committees of which they are members and the annual meeting of stockholders. Directors are encouraged to attend Board meetings and meetings of committees of which they are members in person but may also attend such meetings by telephone or video conference.
2. Participation in Meetings. Each director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which such director serves. Management will make appropriate personnel available to answer any question a director may have about any aspect of the Company's business. Directors should also review the materials provided by

management and advisors in advance of the meetings of the Board and its committees and should arrive prepared to discuss the issues presented.

3. Loyalty and Ethics. In their roles as directors, all directors owe a duty of loyalty to the Company. The Company has adopted a Code of Business Conduct and Ethics (the “Code”), and directors are expected to adhere to the Code.

7. Other Directorships and Significant Activities. Carrying out the duties and fulfilling the responsibilities of a Director require a significant commitment of an individual’s time and attention. The Board does not believe, however, that explicit limits on the number of other boards of directors on which the Directors may serve, or on other activities the Directors may pursue, are appropriate. The Board, however, recognizes that excessive time commitments can interfere with an individual’s ability to perform his or her duties effectively. In connection with its assessment of Director candidates for nomination, the Corporate Governance Committee will assess whether the performance of any Director has been or is likely to be adversely impacted by excessive time commitments, including service on other boards of directors. Directors should advise the chair of the Corporate Governance Committee and the CEO before accepting membership on other boards of directors or other significant commitments involving affiliation with other businesses, non-profit entities or governmental units so that the potential for conflicts or other factors compromising the Director’s ability to perform his or her duties may be fully assessed.

8. Confidentiality. The proceedings and deliberations of the Board and its committees are confidential. Each director shall maintain the confidentiality of information received in connection with such director’s service on the Board.

F. Management Succession Planning

The Board will periodically review a succession plan relating to the CEO and the other executive officers of the Company that is developed by management. The Board may also delegate oversight of the succession plan developed by management to one or more of its committees. The succession plan should include, among other things, an assessment of the experience, performance and skills for possible successors to the CEO and the other executive officers of the Company.

G. Evaluation of Board Performance

The Board, acting through the Corporate Governance Committee, should conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively. The Corporate Governance Committee should periodically consider the mix of skills and experience that directors bring to the Board to assess whether the Board has the necessary tools to perform its oversight function effectively. Each committee of the Board should conduct a self-evaluation at least annually and report the results to the Board, acting through the Corporate Governance Committee. Each committee’s evaluation must compare the performance of the committee with the requirements of its written charter.

H. Board Compensation

The Compensation Committee shall have the responsibility for recommending to the Board compensation for non-employee directors. Compensation for non-employee directors should be competitive and should encourage increased ownership of the Company's stock through payment of a portion of director compensation in Company stock, options to purchase Company stock or similar compensation. Compensation components for non-employee directors may include an individual retainer, meeting fees and travel reimbursement. The Compensation Committee shall periodically review the level and form of the Company's director compensation, including how such compensation compares to director compensation of companies of comparable size, industry and complexity.

I. Communications with Interested Parties

The CEO is responsible for establishing effective communications with all interested parties, including stockholders of the Company. It is the policy of the Company that management speaks for the Company. This policy does not preclude outside directors from communicating with stockholders or other interested parties (subject, at all times, to compliance with the requirements of applicable law, including Regulation FD under the Securities Exchange Act of 1934, as amended, or any successor provision thereto) but it is expected that, in most circumstances, any such communications will be coordinated with management.

J. Communications with Non-Management Directors

Any stockholder or interested person may communicate with the Company's non-management directors as a group by sending a communication to the Board of Directors c/o Avid Bioservices, Inc., Attn: Corporate Secretary, Avid Bioservices, Inc., 2642 Michelle Drive, Tustin, California 92780. All communications will be reviewed by the Company's Corporate Secretary. The Corporate Secretary will not forward to the non-management directors any spam, junk mail, mass mailing, product complaint, product inquiry, new product suggestion, job inquiry, survey, or business solicitation or advertisement. Material that is unduly hostile, threatening, illegal, or similarly unsuitable will also be excluded.

The non-management directors who receive such communication will have discretion to determine the handling of such communication, and if appropriate, the response to the person sending the communication and disclosure, which shall be consistent with the Company's policies and procedures and applicable law regarding the disclosure of information.
