

TANOX, INC.
Corporate Governance Guidelines
Adopted as of February 13, 2004

Role and Responsibilities of the Board of Directors

The Board of Directors, which is elected by the stockholders, is the ultimate decision-making body of the Company except with respect to those matters reserved to the stockholders. It selects the CEO and approves recommendations made by the CEO with respect to the executive officers of the Company, which directs employees in the day-to-day conduct of the Company's business, and acts as an advisor and counselor to senior management and ultimately monitors its performance. The long-term interests of our stockholders guide the Board of Directors in its decision-making process.

The Board's responsibilities include, but are not limited to, the following:

- Select, evaluate and determine compensation for the CEO and other senior managers;
- Plan for the succession of the position of Chief Executive Officer, including management development; and a short-term succession plan outlining a temporary delegation of authority to certain officers of the Company in case one or more of the Company's senior officers should unexpectedly become unable to perform their duties;
- Review, approve and oversee long range plans and fundamental business and financial strategies, as well as major corporate transactions;
- Assess significant risks that require management's attention and provide advice on how to address them;
- Establish and review internal processes that are designed to ensure that Tanox's business is conducted in accordance with high ethical standards and that information publicly disseminated by Tanox is truthful, accurate and not misleading.
- Through the Nominating and Governance Committee, nominate director candidates for election by the stockholders;
- Review and approve annual budget, capital and operating plans
- Review and approve significant corporate transactions, such as acquisitions and divestitures
- Oversee, through the Audit Committee, the Company's financial reporting and internal controls

It is the policy of the Company that the positions of Chairman of the Board and Chief Executive Officer not be held by the same person.

Board members shall have free and complete access to the Company's senior management and other employees and may, if agreed by the Board, provide direct supervision and guidance to such persons with respect to Company matters. Board members shall use judgment to ensure that their contact is not distracting to the business operation of the Company. In addition, Board members may retain and consult with independent professional advisors to assist in their duties to the Company and its stockholders.

Composition, Nomination and Compensation of Board of Directors

It is the policy of the Company that the Board consist of a majority of "independent" Directors as defined by the Nasdaq Stock Market, Inc. The Nominating and Governance Committee ("Governance Committee") reviews the independence of Board members annually and makes recommendations to the Board in this regard.

The Governance Committee considers and makes recommendations to the Board concerning the appropriate size and needs of the Board, subject to a maximum number of nine directors. The Governance Committee also considers and recommends candidates for election on an annual basis. The Governance Committee considers candidates to fill new positions created by expansion and vacancies that occur by resignation, by retirement or for any other reason.

Director Qualification Standards

Candidates are selected for their character, judgment, diversity of experience, acumen, willingness to devote adequate time and effort to Board responsibilities and their ability to act on behalf of stockholders. Scientific and industry expertise and familiarity with national and international issues affecting the Company's industry and business, as well as business in general, are among the relevant criteria. In connection with each director nomination recommendation, the Governance Committee shall consider the issue of continuing director tenure and take steps as may be appropriate to ensure that the Board maintains an openness to new ideas and a willingness to critically re-examine the status quo. An individual director's re-nomination is dependent upon periodic performance evaluations, as well as a suitability review, each to be conducted by the Governance Committee in connection with each director nomination recommendation. Final approval of a candidate is determined by the full Board. Stockholder candidates that satisfy the Director Qualification Standards will be considered by the Governance Committee if received in a timely fashion, provided that the final selection of director nominees is within the sole discretion of the Board of Directors. Stockholders wishing to recommend director candidates for consideration may provide the names and biographical details of candidates, outlining their business and professional experience to the Governance Committee. The time for acceptance of such director candidates for consideration for the next year will be published in the Company's annual proxy statement. Candidates recommended by stockholders that satisfy the Director Qualification Standards will be considered by the Governance Committee, provided that final selection of director nominees is within the sole discretion of the Board of Directors.

Ordinarily, Directors should not serve on more than four other boards of public companies in addition to the Tanox Board. Directors will not be nominated or re-nominated after they reach the age of 70. Furthermore, when a Director's principal occupation or business

association changes substantially during his or her tenure as a Director, that Director shall tender his or her resignation for consideration by the Governance Committee. The Governance Committee will recommend to the Board the action, if any, to be taken with respect to the resignation. The Board, and each Director, is required to conduct a peer review of the other directors and the Board at least annually, as prescribed by the Governance Committee.

The Compensation Committee, working with an outside consultant, annually reviews the compensation of Directors. This review may consider board compensation at comparable public companies, service on Board committees, including as committee chairs, and other relevant factors. A director who is also an officer of the Company will not receive additional compensation for such service as a director. Any suggested changes to director compensation shall be proposed to the full Board for consideration and approval. Directors' fees and equity grants (including any additional amounts paid to members of committees of the Board) are the only compensation a non-employee member of the Board may receive from the Company.

The CEO is responsible for establishing effective communications with the Company's stakeholder groups, i.e., stockholders, company associates, corporate partners, communities, suppliers, creditors, governments and customers. It is the policy of the Company that management speaks for the Company. This policy does not preclude outside Directors from meeting with stockholders, but it is suggested that any such meetings be held with management present and such meetings should otherwise be in compliance with Regulation FD.

Functioning of the Board

The Board has four regularly scheduled meetings per year. In addition, special meetings may be called periodically as determined by the needs of the business. All Tanox directors are expected to diligently prepare for Board and committee meetings, attend meetings of the Board and of all the committees on which they serve, and actively participate in such meetings, drawing upon their knowledge, background and expertise, as appropriate, in addressing agenda items.

The Chairman of the Board, with input from the Chief Executive Officer, sets the agenda for Board meetings with the understanding that certain items pertinent to the advisory and monitoring functions of the Board may be brought to it periodically by the CEO for review and/or decision. For example, the Company's long range plan and strategy and annual corporate budget is reviewed and approved by 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.

Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings to allow the Directors to prepare for discussion of the items at the meeting.

At the invitation of the Board, members of senior management recommended by the CEO attend Board meetings or portions thereof for the purpose of participating in discussions. Generally, presentations of matters to be considered by the Board are made by the manager responsible for that area of the Company's operations.

Executive sessions or meetings of outside Directors without management present are held regularly to review and discuss relevant subjects, including the report of the outside auditors, the criteria upon which the performance of the CEO and other senior managers is based, the performance of the CEO against such criteria, the compensation of the CEO and other senior managers.

It is the policy of the Company that the chairs of the Audit, Compensation and Governance Committees of the Board each preside as the chair at meetings or executive sessions of the outside Directors at which the principal items to be considered are within the scope of the authority of his or her committee.

Each new Director goes through an orientation process that includes one-on-one meetings with the CEO and key members of management, as well as written materials, to familiarize the director with, among other things, the Company's business; strategic plans; significant financial, accounting disclosure and risk management issues; compliance programs; conflicts policies; Code of Business Conduct; Corporate Governance Guidelines; and independent auditors. The Governance Committee shall regularly inform the Board about relevant educational opportunities that directors may wish to participate in both generally and to comply with any applicable laws and regulations, including those of the NASDAQ.

Functioning of Board Committees

Tanox has three Board committees – an Audit Committee, a Compensation Committee and a Governance and Nominating Committee – each of which consists entirely of independent directors. Membership and chairmanship of these committees are confirmed each year by the full Board, subject to the recommendation of the Governance Committee. In most cases, Committee chairmen will hold those positions for three-year terms. The responsibilities of each committee are determined by the Board and set forth in the committee charters, which, to the extent required under Nasdaq listing rules, are published on Tanox's website or otherwise disclosed to stockholders.

Among the responsibilities of the Compensation Committee is setting annual and long-term performance goals for the CEO and for evaluating his or her performance against such goals. The Committee will meet annually with the CEO to receive his or her recommendations concerning such goals and then submits those goals for consideration by the outside Directors at a meeting or executive session of that group. On an annual basis, the Committee meets with the CEO to evaluate his or her performance. The Compensation Committee also is responsible, with input from the CEO, for setting annual and long-term performance goals and compensation for the direct reports to the CEO. These decisions are approved or ratified by action of the outside Directors of the Board at a meeting or executive session of that group.

Tanox Policies on Business Ethics and Conduct

All our employees, including our Chief Executive Officer, Vice President of Finance and Principal Accounting Officer, are required to abide by our Code of Business Conduct to insure that our business is conducted in a consistently legal and ethical manner. This Code forms the foundation of a comprehensive process that includes compliance with all corporate policies and

procedures, an open relationship among colleagues that contributes to good business conduct, and an abiding belief in the integrity of our employees. Our policies and procedures cover all areas of professional conduct, including employment policies, conflicts of interest, intellectual property and the protection of confidential information, as well as strict adherence to all laws and regulations applicable to the conduct of our business. A copy of the Code of Business Conduct can be found on the Company's website.

Employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Business Conduct, including complaints regarding accounting, internal accounting controls or auditing matters. These reports may be made anonymously, if the employee so chooses, either in writing or by telephone, to the Corporate Compliance Officer or any member of the Audit Committee. Any member of the Audit Committee receiving such a report shall raise this with the committee who shall determine an appropriate course of action.)

Periodic Review

These guidelines will be reviewed by the Governance Committee from time to time, who shall make recommendations to the Board with respect to any updates or modifications to the guidelines. (Usually the Governance Committee takes primary responsibility here – although that may not be what Tanox wants to do).