

DR REDDYS LABORATORIES LTD

Form 6-K

August 19, 2014

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13A-16 OR 15D-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended June 30, 2014

Commission File Number 1-15182

DR. REDDY S LABORATORIES LIMITED

(Translation of registrant s name into English)

8-2-337, Road No. 3, Banjara Hills

Hyderabad, Telangana 500 034, India

+91-40-49002900

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b): 82-_____.

Table of Contents

QUARTERLY REPORT

Quarter Ended June 30, 2014

Currency of Presentation and Certain Defined Terms

In this Quarterly Report, references to \$ or dollars or U.S.\$ or U.S. dollars are to the legal currency of the United States and references to Rs. or rupees or Indian rupees are to the legal currency of India. Our unaudited condensed consolidated interim financial statements are presented in Indian rupees and are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (IAS 34). Convenience translation into U.S. dollars with respect to the unaudited condensed consolidated interim financial statements is also presented. References to a particular fiscal year are to our fiscal year ended March 31 of such year. References to ADS are to our American Depositary Shares. All references to IAS are to the International Accounting Standards, to IASB are to the International Accounting Standards Board, to IFRS are to International Financial Reporting Standards, to SIC are to Standing Interpretations Committee and to IFRIC are to the International Financial Reporting Interpretations Committee.

References to U.S. FDA are to the United States Food and Drug Administration, to NDAs are to New Drug Applications, and to ANDAs are to Abbreviated New Drug Applications.

References to U.S. or United States are to the United States of America, its territories and its possessions. References to India are to the Republic of India. All references to we, us, our, DRL, Dr. Reddy s or the Company are to Dr. Reddy s Laboratories Limited and its subsidiaries. Dr. Reddy s is a registered trademark of Dr. Reddy s Laboratories Limited in India. Other trademarks or trade names used in this Quarterly Report are trademarks registered in the name of Dr. Reddy s Laboratories Limited or are pending before the respective trademark registries. Market share data is based on information provided by IMS Health Inc. and its affiliates (IMS Health), a provider of market research to the pharmaceutical industry, unless otherwise stated.

Except as otherwise stated in this report, all translations from Indian rupees to U.S. dollars are at the certified foreign exchange rate of U.S.\$1= Rs.60.06, as published by Federal Reserve Board of Governors on June 30, 2014. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Information contained in our website, www.drreddys.com, is not part of this Quarterly Report and no portion of such information is incorporated herein.

Forward-Looking and Cautionary Statement

IN ADDITION TO HISTORICAL INFORMATION, THIS QUARTERLY REPORT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN THE SECTION ENTITLED "OPERATING AND FINANCIAL REVIEW" AND ELSEWHERE IN THIS REPORT. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS,

WHICH REFLECT OUR ANALYSIS ONLY AS OF THE DATE HEREOF. IN ADDITION, READERS SHOULD CAREFULLY REVIEW THE INFORMATION IN OUR PERIODIC REPORTS AND OTHER DOCUMENTS FILED WITH AND/OR FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION (SEC) FROM TIME TO TIME.

Table of Contents

TABLE OF CONTENTS

<u>ITEM 1. FINANCIAL STATEMENTS</u>	4
<u>ITEM 2. OPERATING AND FINANCIAL REVIEW, TREND INFORMATION</u>	33
<u>ITEM 3. LIQUIDITY AND CAPITAL RESOURCES</u>	38
<u>ITEM 4. RECENT DEVELOPMENTS</u>	40
<u>ITEM 5. EXHIBITS</u>	41
<u>SIGNATURES</u>	42
EXHIBIT 99.1: INDEPENDENT AUDITORS REPORT ON REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	

Table of Contents

ITEM 1. FINANCIAL STATEMENTS

DR. REDDY S LABORATORIES LIMITED**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

(in millions, except share and per share data)

Particulars	Note	As of	
		June 30, 2014 <i>Unreviewed convenience translation into U.S.\$ (See Note 2.(d))</i>	June 30, 2014 March 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents	4	U.S.\$ 108	Rs. 6,510
Other investments	5	440	Rs. 25,083
Trade and other receivables		601	Rs. 33,037
Inventories	6	422	Rs. 23,992
Derivative financial instruments	8	6	Rs. 554
Current tax assets		5	Rs. 1,298
Other current assets		180	Rs. 11,332
Total current assets		U.S.\$ 1,762	Rs. 105,811
Non-current assets			
Property, plant and equipment	9	U.S.\$ 755	Rs. 44,424
Goodwill	10	57	Rs. 3,428
Other intangible assets	11	181	Rs. 11,269
Investment in equity accounted investees		14	Rs. 806
Other investments non-current	5	0	Rs. 11
Deferred tax assets		111	Rs. 6,054
Other non-current assets		9	Rs. 495
Total non-current assets		U.S.\$ 1,128	Rs. 67,733
Total assets		U.S.\$ 2,890	Rs. 173,544
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		U.S.\$ 177	Rs. 10,503
Derivative financial instruments	8	5	Rs. 305
Current tax liabilities		23	Rs. 1,192
Short-term borrowings	12	292	Rs. 20,607

Edgar Filing: DR REDDYS LABORATORIES LTD - Form 6-K

Long-term borrowings, current portion	12	85	5,084	3,395
Provisions		48	2,892	2,819
Other current liabilities		252	15,165	15,242
Total current liabilities		U.S.\$ 882	Rs. 52,943	Rs. 54,063
Non-current liabilities				
Long-term loans and borrowings, excluding current portion	12	U.S.\$ 320	Rs.19,204	Rs. 20,740
Provisions non-current		1	59	92
Deferred tax liabilities		48	2,853	2,744
Other non-current liabilities		29	1,755	1,783
Total non-current liabilities		U.S.\$ 397	Rs. 23,871	Rs. 25,359
Total liabilities		U.S.\$ 1,279	Rs. 76,814	Rs. 79,422

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Table of Contents**DR. REDDY S LABORATORIES LIMITED****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION****(in millions, except share and per share data)**

Particulars	Note	As of	
		June 30, 2014 <i>Unreviewed convenience translation into U.S.\$ (See Note 2.(d))</i>	June 30, 2014 March 31, 2014
Equity			
Share capital	15	U.S.\$ 14	Rs. 852
Equity shares held by controlled trust			Rs. 851
Share premium		365	21,553
Share based payment reserve		12	1,008
Retained earnings		1,175	65,051
Other components of equity		44	2,343
Total equity		U.S.\$ 1,611	Rs. 96,730
Total liabilities and equity		U.S.\$ 2,890	Rs. 173,544
			Rs. 170,223

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Table of Contents**DR. REDDY S LABORATORIES LIMITED****UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT****(in millions, except share and per share data)**

Particulars	Note	Three months ended June 30,		
		2014 <i>Unreviewed convenience translation into U.S.\$ (See Note 2.(d))</i>	2014	2013
Revenues		U.S.\$ 586	Rs. 35,175	Rs. 28,449
Cost of revenues		239	14,331	13,430
Gross profit		347	20,844	15,019
Selling, general and administrative expenses		178	10,679	8,794
Research and development expenses		65	3,875	2,430
Other (income)/expense, net	13	(3)	(185)	(376)
Total operating expenses		239	14,369	10,848
Results from operating activities		108	6,475	4,171
Finance income		13	753	307
Finance expense		(5)	(272)	(377)
Finance (expense)/income, net	14	8	481	(70)
Share of profit of equity accounted investees, net of tax		1	53	36
Profit before tax		117	7,009	4,137
Tax expense	18	25	1,505	528
Profit for the period		92	5,504	3,609
Attributable to:				
Equity holders of the Company		92	5,504	3,610
Non-controlling interests				(1)
Profit for the period		U.S.\$ 92	Rs. 5,504	Rs. 3,609
Earnings per share:				
Basic earnings per share of Rs.5/- each		U.S\$ 0.54	Rs. 32.34	Rs. 21.25
Diluted earnings per share of Rs.5/- each		U.S\$ 0.54	Rs. 32.24	Rs. 21.17

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Table of Contents**DR. REDDY S LABORATORIES LIMITED****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

(in millions, except share and per share data)

Particulars	Three months ended June 30,		
	2014	2014	2013
	<i>Unreviewed convenience translation into U.S.\$ (See Note 2.(d))</i>		
Profit for the period	U.S.\$ 92	Rs. 5,504	Rs. 3,609
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss:</i>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in fair value of available for sale financial instruments	U.S.\$ 4	Rs. 220	Rs. 93
Foreign currency translation adjustments	1	57	499
Effective portion of changes in fair value of cash flow hedges, net	(2)	(119)	(2,437)
Tax on items that may be reclassified subsequently to profit or loss	(0)	(30)	400
Total items that may be reclassified subsequently to profit or loss	U.S.\$ 2	Rs. 128	Rs. (1,445)
Other comprehensive income/(loss) for the period, net of tax	U.S.\$ 2	Rs. 128	Rs. (1,445)
Total comprehensive income for the period	U.S.\$ 94	Rs. 5,632	Rs. 2,164
Attributable to:			
Equity holders of the Company	94	5,632	2,163
Non-controlling interests			1
Total comprehensive income for the period	U.S.\$ 94	Rs. 5,632	Rs. 2,164

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Table of Contents**DR. REDDY S LABORATORIES LIMITED****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

(in millions, except share and per share data)

Particulars	Number of shares	Share capital	Share premium	Fair value reserve
Balance as of April 1, 2014	170,108,868	Rs. 851	Rs. 21,553	Rs. 78
Issue of equity shares on exercise of options	226,171	1	364	
Share based payment expense				
Profit for the period				
Sale of equity shares held by controlled trust ⁽¹⁾			196	
Net change in fair value of other investments, net of tax expense of Rs.65				155
Foreign currency translation adjustments, net of tax benefit of Rs.4				
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.31				
Balance as of June 30, 2014	170,335,039	Rs. 852	Rs. 22,113	Rs. 233
Unreviewed convenience translation into U.S.\$ (See Note 2.(d))		U.S.\$ 14	U.S.\$ 368	U.S.\$ 4
Balance as of April 1, 2013	169,836,475	Rs. 849	Rs. 21,214	Rs. 52
Issue of equity shares on exercise of options	232,044	1	290	
Share based payment expense				
Profit for the period				
Transfer to debenture redemption reserve				
Net change in fair value of other investments, net of tax expense of Rs.32				61
Foreign currency translation adjustments, net of tax expense of Rs.15				
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.447				
Acquisition of non-controlling interests				
Balance as of June 30, 2013	170,068,519	Rs. 850	Rs. 21,504	Rs. 113

[Continued on next page]

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Table of Contents**DR. REDDY S LABORATORIES LIMITED****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

(in millions, except share and per share data)

[Continued from above table, first column repeated]

Particulars	Share based payment reserve		Equity shares held by a controlled trust		Foreign currency translation reserve		Hedging reserve	
	Rs.		Rs.		Rs.		Rs.	
Balance as of April 1, 2014	Rs.	1,008	Rs.	(5)	Rs.	4,477	Rs.	(1,960)
Issue of equity shares on exercise of options		(364)						
Share based payment expense		95						
Profit for the period								
Sale of equity shares held by controlled trust ⁽¹⁾				5				
Net change in fair value of other investments, net of tax expense of Rs.65								
Foreign currency translation adjustments, net of tax benefit of Rs.4						61		
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.31								(88)
Balance as of June 30, 2014	Rs.	739	Rs.		Rs.	4,538	Rs.	(2,048)
Unreviewed convenience translation into U.S.\$ (See Note 2.(d))	U.S.\$	12	U.S.\$		U.S.\$	76	U.S.\$	(34)
Balance as of April 1, 2013	Rs.	911	Rs.	(5)	Rs.	3,928	Rs.	(390)
Issue of equity shares on exercise of options		(290)						
Share based payment expense		87						
Profit for the period								
Transfer to debenture redemption reserve								
Net change in fair value of other investments, net of tax expense of Rs.32								
Foreign currency translation adjustments, net of tax expense of Rs.15						482		

Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.447 (1,990)

Acquisition of non-controlling interests

Balance as of June 30, 2013 **Rs. 708 Rs. (5) Rs. 4,410 Rs. (2,380)**

[Continued on next page]

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Table of Contents**DR. REDDY S LABORATORIES LIMITED****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

(in millions, except share and per share data)

[Continued from above table, first column repeated]

Particulars	Retained earnings	Debenture redemption reserve	Non-controlling interests	Actuarial gains / (losses)	Total
Balance as of April 1, 2014	Rs. 65,051	Rs.	Rs.	Rs. (252)	Rs. 90,801
Issue of equity shares on exercise of options					1
Share based payment expense					95
Profit for the period	5,504				5,504
Sale of equity shares held by controlled trust ⁽¹⁾					201
Net change in fair value of other investments, net of tax expense of Rs.65					155
Foreign currency translation adjustments, net of tax benefit of Rs.4					61
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.31					(88)
Balance as of June 30, 2014	Rs. 70,555	Rs.	Rs.	Rs. (252)	Rs. 96,730
Unreviewed convenience translation into U.S.\$ (See Note 2.(d))	U.S.\$ 1,175	U.S.\$	U.S.\$	U.S.\$ (4)	U.S.\$ 1,611
Balance as of April 1, 2013	Rs. 44,815	Rs. 1,711	Rs. 20	Rs. (300)	Rs. 72,805
Issue of equity shares on exercise of options					1
Share based payment expense					87
Profit for the period	3,610		(1)		3,609
Transfer to debenture redemption reserve	(211)	211			
Net change in fair value of other investments, net of tax expense of Rs.32					61
Foreign currency translation adjustments, net of tax expense of			2		484

Rs.15							
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.447							(1,990)
Acquisition of non-controlling interests	(1)		(5)				(6)
Balance as of June 30, 2013	Rs. 48,213	Rs. 1,922	Rs. 16	Rs. (300)	Rs. 75,051		

(1) During the three months ended June 30, 2014, the Company disposed of all of the shares held by its controlled trust for a total consideration of Rs.201. A gain of Rs.196 arising from this transaction is recorded in share premium.

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Table of Contents**DR. REDDY S LABORATORIES LIMITED****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS****(in millions, except share and per share data)**

Particulars	For the three months ended June 30,		
	2014	2014	2013
	<i>Unreviewed convenience translation into U.S.\$ (See Note 2(d))</i>		
Cash flows from/(used in) operating activities:			
Profit for the period	U.S.\$ 92	Rs. 5,504	Rs. 3,609
Adjustments for:			
Income tax expense	25	1,505	528
Profit on sale of investments	(1)	(53)	(4)
Depreciation and amortization	31	1,872	1,613
Inventory write-downs	12	721	409
Allowance/(reversal of allowance) for doubtful trade and other receivables	(0)	(19)	17
Loss/(profit) on sale of property, plant and equipment and other intangible assets, net	1	40	(28)
Allowance for sales returns	8	469	406
Share of profit of equity accounted investees	(1)	(53)	(36)
Exchange (gain)/loss, net	1	35	(931)
Interest expense, net	1	48	(57)
Share based payment expense	2	95	87
<i>Changes in operating assets and liabilities:</i>			
Trade and other receivables	(43)	(2,581)	4,754
Inventories	(34)	(2,034)	(1,247)
Trade and other payables	(2)	(125)	(2,265)
Other assets and other liabilities	(0)	(24)	(1,557)
Cash generated from operations	U.S.\$ 90	Rs. 5,400	Rs. 5,298
Income tax paid	(14)	(842)	(809)
Net cash from operating activities	U.S.\$ 76	Rs. 4,558	Rs. 4,489
Cash flows from/(used in) investing activities:			
Expenditure on property, plant and equipment	U.S.\$ (34)	Rs. (2,044)	Rs. (1,943)
Proceeds from sale of property, plant and equipment	1	67	9
Proceeds from sale of other intangible assets			29
Expenditure on other intangible assets	(3)	(186)	(149)
Proceeds from sale of other investments	128	7,680	815

Purchase of other investments	(147)	(8,830)	(3,803)
Interest received	3	177	47
Net cash used in investing activities	U.S.\$ (52)	Rs. (3,136)	Rs. (4,995)
Cash flows from/(used in) financing activities:			
Proceeds from issuance of equity shares	U.S.\$ 0	Rs. 1	Rs. 1
Proceeds from/(repayment of) short term loans and borrowings, net	(54)	(3,257)	4,053
Proceeds from sale of equity shares held by a controlled trust	3	201	
Repayment of long term loans and borrowings	(0)	(15)	(35)
Cash paid for acquisition of non-controlling interests			(5)
Interest paid	(5)	(289)	(92)
Net cash from/(used in) financing activities	U.S.\$ (56)	Rs. (3,359)	Rs. 3,922
Net increase/(decrease) in cash and cash equivalents	(32)	(1,937)	3,416
Effect of exchange rate changes on cash and cash equivalents	(0)	(4)	549
Cash and cash equivalents at the beginning of the period (See Note 4)	141	8,451	5,054
Cash and cash equivalents at the end of the period (See Note 4)	U.S.\$ 108	Rs. 6,510	Rs. 9,019

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Table of Contents

DR. REDDY S LABORATORIES LIMITED

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in millions, except share and per share data)

1. Reporting Entity

Dr. Reddy s Laboratories Limited (DRL or the parent company), together with its subsidiaries (collectively, the Company), is a leading India-based pharmaceutical company headquartered in Hyderabad, Telangana, India. Through its three businesses Pharmaceutical Services and Active Ingredients, Global Generics and Proprietary Products the Company offers a portfolio of products and services, including Active Pharmaceutical Ingredients (APIs), Custom Pharmaceutical Services (CPS), generics, biosimilars, differentiated formulations and New Chemical Entities (NCEs). The Company s principal research and development facilities are located in Telangana, India, Cambridge, United Kingdom and Leiden, the Netherlands; its principal manufacturing facilities are located in Telangana, India, Andhra Pradesh, India, Himachal Pradesh, India, Cuernavaca-Cuautla, Mexico, Mirfield, United Kingdom, Louisiana, United States, and Tennessee, United States; and its principal markets are in India, Russia, the United States, the United Kingdom and Germany. The Company s shares trade on the Bombay Stock Exchange and the National Stock Exchange in India and also on the New York Stock Exchange in the United States.

2. Basis of preparation of financial statements

a) Statement of compliance

These unaudited condensed consolidated interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board. They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements and related notes included in the Company s Annual Report on Form 20-F for the fiscal year ended March 31, 2014. These unaudited condensed consolidated interim financial statements were authorized for issuance by the Company s Board of Directors on August 19, 2014.

b) Significant accounting policies

The accounting policies applied by the Company in these unaudited condensed consolidated interim financial statements are the same as those applied by the Company in its audited consolidated financial statements as at and for the year ended March 31, 2014 contained in the Company s Annual Report on Form 20-F.

c) Functional and presentation currency

These unaudited condensed consolidated interim financial statements are presented in Indian rupees, which is the functional currency of the parent company. All financial information presented in Indian rupees has been rounded to the nearest million.

In respect of all non-Indian subsidiaries that operate as marketing arms of the parent company in their respective countries/regions, the functional currency has been determined to be the functional currency of the parent company (i.e., the Indian rupee). The operations of these entities are largely restricted to importing of finished goods from the parent company in India, sales of these products in the foreign country and remittance of the sale proceeds to the parent company. The cash flows realized from sales of goods are readily available for remittance to the parent

company and cash is remitted to the parent company on a regular basis. The costs incurred by these entities are primarily the cost of goods imported from the parent company. The financing of these subsidiaries is done directly or indirectly by the parent company. In respect of subsidiaries whose operations are self-contained and integrated within their respective countries/regions, the functional currency has been determined to be the local currency of those countries/regions.

Table of Contents

DR. REDDY S LABORATORIES LIMITED

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in millions, except share and per share data)

2. Basis of preparation of financial statements (continued)

d) Convenience translation (unreviewed)

The unaudited condensed consolidated interim financial statements have been prepared in Indian rupees. Solely for the convenience of the reader, the unaudited condensed consolidated interim financial statements as of and for the three months ended June 30, 2014 have been translated into U.S. dollars at the certified foreign exchange rate of U.S.\$1 = Rs.60.06, as published by the Federal Reserve Board of Governors on June 30, 2014. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Such convenience translation is unreviewed.

e) Use of estimates and judgments

The preparation of unaudited condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing these unaudited condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended March 31, 2014.

f) Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company

IFRS 9- Financial instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial instruments*. With this issuance, IFRS 9 is complete in all respects. IFRS 9 significantly differs from IAS 39, *Financial Instruments: Recognition and Measurement*, and includes a logical model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early application permitted. The Company is in the process of evaluating the impact of the new standard on its consolidated financial statements.

Amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets

In May 2014, the IASB issued limited-scope amendments to IAS 16, *Property, plant and equipment* and IAS 38, *Intangible assets*, to clarify the use of a revenue-based depreciation or amortization method. With respect to property,

plant and equipment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. With respect to intangible assets, the amended standard incorporates a rebuttable presumption that an amortization method based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. The amendments are effective for annual periods beginning on or after January 1, 2016 with early application permitted. The Company believes that these amendments will not have any material impact on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers . The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The new revenue recognition standard is applicable for annual periods beginning on or after January 1, 2017. The Company is in the process of evaluating the impact of the new standard on its consolidated financial statements.

Table of Contents

DR. REDDY S LABORATORIES LIMITED

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in millions, except share and per share data)

3. Segment reporting

The Chief Operating Decision Maker (CODM) evaluates the Company s performance and allocates resources based on an analysis of various performance indicators by operating segments. The CODM reviews revenue and gross profit as the performance indicator for all of the operating segments, and does not review the total assets and liabilities of an operating segment.

The Company s reportable operating segments are as follows:

Global Generics;

Pharmaceutical Services and Active Ingredients (PSAI); and

Proprietary Products.

Global Generics. This segment consists of finished pharmaceutical products ready for consumption by the patient, marketed under a brand name (branded formulations) or as generic finished dosages with therapeutic equivalence to branded formulations (generics). This segment includes the operations of the Company s biologics business.

Pharmaceutical Services and Active Ingredients. This segment includes active pharmaceutical ingredients and intermediaries, also known as active pharmaceutical products or bulk drugs, which are the principal ingredients for finished pharmaceutical products. Active pharmaceutical ingredients and intermediaries become finished pharmaceutical products when the dosages are fixed in a form ready for human consumption such as a tablet, capsule or liquid using additional inactive ingredients. This segment also includes contract research services and the manufacture and sale of active pharmaceutical ingredients and steroids in accordance with the specific customer requirements.

Proprietary Products. This segment includes the discovery and development of new chemical entities and differentiated formulations for subsequent commercialization. The Company s differentiated formulations portfolio consists of new, synergistic combinations and technologies that improve safety and/or efficacy by modifying pharmacokinetics of existing medicines. This segment also includes the Company s specialty pharmaceuticals business, which conducts sales and marketing operations for in-licensed and co-developed dermatology products.

Others. This segment includes the operations of the Company s wholly owned subsidiary, Aurigene Discovery Technologies Limited, a discovery stage biotechnology company developing novel and best-in-class therapies to treat oncology and inflammation and which works with established pharmaceutical and biotechnology companies in early-stage collaborations, bringing drug candidates from hit generation through IND filing.

The measurement of each segment's revenues, expenses and assets is consistent with the accounting policies that are used in preparation of the Company's consolidated financial statements.

Information about segments:

Segments	For the three months ended June 30, 2014				
	Global Generics	PSAI	Proprietary Products	Others	Total
Segment revenues ⁽¹⁾	Rs. 29,003	Rs. 5,538	Rs. 306	Rs. 328	Rs. 35,175
Gross profit	Rs. 19,281	Rs. 1,234	Rs. 244	Rs. 85	Rs. 20,844
Selling, general and administrative expenses					10,679
Research and development expenses					3,875
Other (income)/expense, net					(185)
Results from operating activities					Rs. 6,475
Finance (expense)/income, net					481
Share of profit of equity accounted investees, net of tax					53
Profit before tax					Rs. 7,009
Tax expense					1,505
Profit for the period					Rs. 5,504

⁽¹⁾ Segment revenue for the three months ended June 30, 2014 does not include inter-segment revenues from PSAI to Global Generics, which is accounted for at a cost of Rs.1,808.

Table of Contents**DR. REDDY S LABORATORIES LIMITED****NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(in millions, except share and per share data)

3. Segment reporting (continued)**Information about segments:**

Segments	For the three months ended June 30, 2013				Total
	Global Generics	PSAI	Proprietary Products	Others	
Segment revenues ⁽¹⁾	Rs. 21,903	Rs. 5,868	Rs. 319	Rs. 359	Rs. 28,449
Gross profit	Rs. 13,482	Rs. 1,113	Rs. 282	Rs. 142	Rs. 15,019
Selling, general and administrative expenses					8,794
Research and development expenses					2,430
Other (income)/expense, net					(376)
Results from operating activities					Rs. 4,171
Finance (expense)/income, net					(70)
Share of profit of equity accounted investees, net of tax					36
Profit before tax					Rs. 4,137
Tax expense					528
Profit for the period					Rs. 3,609

(1) Segment revenue for the three months ended June 30, 2013 does not include inter-segment revenues from PSAI to Global Generics, which is accounted for at a cost of Rs.1,015.

Analysis of revenue by geography:

The following table shows the distribution of the Company's revenues by geography, based on the location of the customers:

	For the three months ended June 30,	
	2014	2013
Geography		
North America (the United States and Canada)	Rs. 17,438	Rs. 12,366
Russia and other countries of the former Soviet Union	4,861	4,489
India	4,774	4,284
Europe	4,347	3,857
Others	3,755	3,453
	Rs. 35,175	Rs. 28,449

Analysis of revenue by geography within Global Generics segment:

The following table shows the distribution of revenues of the Company's Global Generics segment by geography, based on the location of the customer:

	For the three months ended June 30,	
	2014	2013
Geography		
North America (the United States and Canada)	Rs. 16,468	Rs. 10,871
Russia and other countries of the former Soviet Union	4,861	4,489
India	3,999	3,493
Europe	1,459	1,573
Others	2,216	1,477
	Rs. 29,003	Rs. 21,903

Table of Contents**DR. REDDY S LABORATORIES LIMITED****NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****(in millions, except share and per share data)****3. Segment reporting (continued)****Analysis of revenue by geography within PSAI segment:**

The following table shows the distribution of revenues of the Company's PSAI segment by geography, based on the location of the customer:

Geography	For the three months ended June 30,	
	2014	2013
North America (the United States and Canada)	Rs. 548	Rs. 1,093
India	775	791
Europe	2,681	2,093
Others	1,534	1,891
	Rs. 5,538	Rs. 5,868

Analysis of revenues by key products in the Company's Global Generics segment:

The following table shows the distribution of the Company's revenues by key products within the Company's Global Generics segment:

	For the three months ended June 30,	
	2014	2013
Omeprazole	Rs. 2,797	Rs. 2,720
Decitabine	1,913	
Nimesulide	1,566	1,318
Azacitidine	1,541	
Metoprolol	1,065	484
Fexofenadine	975	394
Divalproex sodium	934	273
Ibuprofen	915	366
Zolendronic acid	796	998
Acetaminophen	632	561

Others	15,869	14,789
Total	Rs. 29,003	Rs. 21,903

Analysis of revenues by key products in the Company's PSAI segment:

The following table shows the distribution of the Company's revenues by key products within the Company's PSAI segment:

	For the three months ended June 30,	
	2014	2013
Capecitabine	Rs. 1,168	Rs. 88
Naproxen	479	774
Atorvastatin	321	230
Ciprofloxacin	280	295
Clopidogrel	237	432
Montelukast	186	124
Levetiracetum	170	298
Ranitidine	170	152
Gemcitabine	153	143
Escitalopram oxalate	128	227
Others	2,246	3,105
Total	Rs. 5,538	Rs. 5,868

Table of Contents**DR. REDDY S LABORATORIES LIMITED****NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****(in millions, except share and per share data)****4. Cash and cash equivalents**

Cash and cash equivalents consist of the following:

	June 30, 2014	As of March 31, 2014
Cash balances	Rs. 4	Rs. 3
Balances with banks	3,098	4,580
Term deposits with banks (original maturities up to 3 months)	3,408	3,868
Cash and cash equivalents in the statement of financial position	6,510	8,451
Bank overdrafts used for cash management purposes		
Cash and cash equivalents in the statement of cash flow	Rs. 6,510	Rs. 8,451

Cash and cash equivalents included restricted cash of Rs.289 and Rs.318, respectively, as of June 30, 2014 and March 31, 2014, which consisted of:

Rs.53 as of June 30, 2014 and Rs.83 as of March 31, 2014, representing amounts in the Company's unclaimed dividend and debenture interest accounts;

Rs.118 as of June 30, 2014 and Rs.115 as of March 31, 2014, representing amounts deposited as security for a bond executed for an environmental liability relating to the Company's site in Mirfield, United Kingdom;

Rs.97 as of June 30, 2014 and Rs.96 as of March 31, 2014, representing amounts deposited in an escrow account pursuant to a research and collaboration arrangement entered with Um Pharmauji Sdn. Bhd., Malaysia; and

Rs.21 as of June 30, 2014 and Rs.24 as of March 31, 2014, representing other restricted cash amounts.

5. Other investments

Other investments consist of investments in units of mutual funds, equity securities and term deposits (i.e., certificates of deposit having an original maturity period exceeding 3 months) with banks. The details of such investments as of June 30, 2014 are as follows:

	Cost	Gain recognized directly in equity	Fair value
Investment in units of mutual funds	Rs. 10,935	Rs. 297	Rs. 11,232
Investment in equity securities	3	29	32
Term deposits with banks	15,187		15,187
	Rs. 26,125	Rs. 326	Rs. 26,451
Less: Current portion			
Investment in units of mutual funds	Rs. 10,935	Rs. 297	Rs. 11,232
Investment in equity securities	3	29	32
Term deposits with banks	15,176		15,176
	Rs. 26,114	Rs. 326	Rs. 26,440
Non-current portion			
Term deposits with banks	Rs. 11	Rs.	Rs. 11
	Rs. 11	Rs.	Rs. 11

As of March 31, 2014, all of such investments were current, the details of which are as follows:

	Cost	Gain recognized directly in equity	Fair value
Investment in units of mutual funds	Rs. 10,676	Rs. 86	Rs. 10,762
Investment in equity securities	3	20	23
Term deposits with banks	14,298		14,298
	Rs. 24,977	Rs. 106	Rs. 25,083

Table of Contents**DR. REDDY S LABORATORIES LIMITED****NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****(in millions, except share and per share data)****6. Inventories**

Inventories consist of the following:

	As of	
	June 30, 2014	March 31, 2014
Raw materials	Rs. 6,652	Rs. 6,127
Packing materials, stores and spares	1,734	1,626
Work-in-progress	6,739	6,619
Finished goods	10,194	9,620
	Rs. 25,319	Rs. 23,992

The above table includes inventories amounting to Rs.618 and Rs.612 which are carried at fair value, less cost to sell, as at June 30, 2014 and March 31, 2014, respectively.

During the three months ended June 30, 2014, the Company recorded inventory write-downs of Rs.721 (as compared to Rs.409 for the three months ended June 30, 2013). These adjustments were included in cost of revenues.

Cost of revenues for the three months ended June 30, 2014 include raw materials, consumables and changes in finished goods and work in progress recognized in the income statements amounting to Rs.7,843 (as compared to Rs.7,500 for the three months ended June 30, 2013). Cost of revenues for the three months ended June 30, 2014 include other expenditures recognized in the income statements amounting to Rs.6,488 (as compared to Rs.5,930 for the three months ended June 30, 2013).

7. Hedges of foreign currency risks

The Company is exposed to exchange rate risk which arises from its foreign exchange revenues and expenses, primarily in U.S. dollars, U.K. pounds sterling, Russian roubles and Euros, and foreign currency debt in U.S. dollars, U.K. pounds sterling, Russian roubles and Euros.

The Company uses forward contracts, future contracts, swaps and option contracts (collectively, derivative contracts) to mitigate its risk of changes in foreign currency exchange rates. The Company also uses non-derivative financial instruments as part of its foreign currency exposure risk mitigation strategy.

Hedges of highly probable forecasted transactions

The Company classifies its derivative contracts that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded in the Company's hedging reserve as a component of equity and re-classified to the income statement as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such cash flow hedges is recorded in the income statement as finance costs immediately.

The Company also designates certain non-derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for the hedge of foreign currency risk associated with highly probable forecasted transactions. Accordingly, the Company applies cash flow hedge accounting to such relationships. Re-measurement gain/loss on such non-derivative financial liabilities is recorded in the Company's hedging reserve as a component of equity and re-classified to the income statement as revenue in the period corresponding to the occurrence of the forecasted transactions.

In respect of the aforesaid hedges of highly probable forecasted transactions, the Company has recorded, as a component of equity, a net loss of Rs.119 and Rs.2,437 for the three months ended June 30, 2014 and 2013, respectively. The Company also recorded, as part of revenue, a net gain of Rs.61 and Rs.151 during the three months ended June 30, 2014 and 2013, respectively.

The net carrying amount of the Company's hedging reserve as a component of equity before adjusting for tax impact was a loss of Rs.2,022 and Rs.1,903 as of June 30, 2014 and March 31, 2014, respectively.

Hedges of recognized assets and liabilities

Changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognized in the income statement. The changes in fair value of these derivative contracts, as well as the foreign exchange gains and losses relating to the monetary items, are recognized as part of net finance costs.

Table of Contents**DR. REDDY S LABORATORIES LIMITED****NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****(in millions, except share and per share data)****7. Hedges of foreign currency risks (continued)**

In respect of all of its foreign exchange derivative contracts, the Company has recorded, as part of finance costs, a net gain of Rs.502 and a net loss of Rs.1,850 for the three months ended June 30, 2014 and 2013, respectively.

8. Financial instruments*Non-derivative financial instruments*

Non-derivative financial instruments consists of investments in mutual funds, equity and debt securities, trade receivables, certain other assets, cash and cash equivalents, loans and borrowings, trade payables and certain other liabilities.

Derivative financial instruments

The Company is exposed to exchange rate risk, which arises from its foreign exchange revenues and expenses, primarily in U.S. dollars, British pounds sterling, Russian roubles and Euros, and foreign currency debt in U.S. dollars, U.K. pounds sterling, Russian roubles and Euros. The Company uses forward exchange contracts, futures contracts, swaps and option contracts (collectively, derivative contracts) to mitigate its risk of changes in foreign currency exchange rates.

Consistent with its risk management policy, the Company uses interest rate swaps (including cross currency interest rate swaps) to mitigate the risk of changes in interest rates. The Company does not use them for trading or speculative purposes.

Financial instruments by category

The carrying value and fair value of financial instruments by each category as at June 30, 2014 were as follows:

	Note	Loans and receivables	Available for sale	Other financial liabilities	Derivative financial instruments	Total carrying value	Total fair value
Assets:							
Cash and cash equivalents	4	Rs. 6,510	Rs.	Rs.	Rs.	Rs. 6,510	Rs. 6,510
Other investments	5	15,187	11,264			26,451	26,451

Trade and other receivables	36,110				36,110	36,110
Derivative financial asset				336	336	336
Other assets ⁽¹⁾	1,891				1,891	1,891
Total	Rs. 59,698	Rs. 11,264	Rs.	Rs. 336	Rs. 71,298	Rs. 71,298

Liabilities:

Trade and other payables		Rs.	Rs.	Rs. 10,640	Rs.	Rs. 10,640	Rs. 10,640
Derivative financial liability					276	276	276
Long-term loans and borrowings	12			24,351		24,351	24,351
Short-term loans and borrowings	12			17,530		17,530	17,530
Other liabilities and provisions ⁽²⁾				16,016		16,016	16,016
Total		Rs.	Rs.	Rs. 68,537	Rs. 276	Rs. 68,813	Rs. 68,813

The carrying value and fair value of financial instruments by each category as at March 31, 2014 were as follows:

	Note	Loans and receivables	Available for sale	Other financial liabilities	Derivative financial instruments	Total carrying value	Total fair value
Assets:							
Cash and cash equivalents	4	Rs. 8,451	Rs.	Rs.	Rs.	Rs. 8,451	Rs. 8,451
Other investments	5	14,298	10,785			25,083	25,083
Trade and other receivables		33,037				33,037	33,037
Derivative financial asset					554	554	554
Other assets ⁽¹⁾		1,853				1,853	1,853
Total		Rs. 57,639	Rs. 10,785	Rs.	Rs. 554	Rs. 68,978	Rs. 68,978

Liabilities:

Trade and other payables		Rs.	Rs.	Rs. 10,503	Rs.	Rs. 10,503	Rs. 10,503
Derivative financial liability					305	305	305
Long-term loans and borrowings	12			24,213		24,213	24,213
Short-term loans and borrowings	12			20,607		20,607	20,607
				16,463		16,463	16,463

Other liabilities and provisions⁽²⁾

Total	Rs.	Rs.	Rs. 71,786	Rs. 305	Rs. 72,091	Rs. 72,091
--------------	------------	------------	-------------------	----------------	-------------------	-------------------

- (1) Other assets that are not financial assets such as receivables from statutory authorities, export benefit receivable, prepaid expenses, advances paid and other receivable aggregating to Rs.9,752 and Rs.11,273 as of June 30, 2014 and March 31, 2014, respectively, are not included.
- (2) Other liabilities that are not financial liabilities such as statutory dues payable, deferred revenue, advances from customers and other accruals aggregating to Rs.5,211 and Rs.4,665 as of June 30, 2014 and March 31, 2014, respectively, are not included.

Table of Contents**DR. REDDY S LABORATORIES LIMITED****NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****(in millions, except share and per share data)****8. Financial instruments (continued)****Fair value hierarchy**

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of June 30, 2014:

Particulars	Level 1	Level 2	Level 3	Total
Available for sale - Financial asset - Investments in units of mutual funds	Rs. 11,232	Rs.	Rs.	Rs. 11,232
Available for sale - Financial asset - Investment in equity securities	32			32
Derivative financial instruments - gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts ⁽¹⁾		60		60

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of March 31, 2014:

Particulars	Level 1	Level 2	Level 3	Total
Available for sale - Financial asset - Investments in units of mutual funds	Rs. 10,762	Rs.	Rs.	Rs. 10,762
Available for sale - Financial asset - Investment in equity securities	23			23
		249		249

Derivative financial instruments - gain/(loss)
on outstanding foreign exchange forward,
option and swap contracts and interest rate
swap contracts⁽¹⁾

- (1) The Company enters into derivative financial instruments with various counterparties, principally financial institutions and banks. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward option and swap contracts. The most frequently applied valuation techniques include forward pricing, swap models and Black-Scholes-Merton models (for option valuation), using present value calculations.

The models incorporate various inputs, including foreign exchange spot and forward rates, interest rate curves and forward rate curves. As at June 30, 2014 and March 31, 2014, the changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognized at fair value.

9. Property, plant and equipment

Acquisitions and disposals

During the three months ended June 30, 2014, the Company acquired assets at an aggregate cost of Rs.2,303 (as compared to a cost of Rs.2,126 and Rs.11,022 for the three months ended June 30, 2013 and the year ended March 31, 2014, respectively).

Assets with a net book value of Rs.107 were disposed of during the three months ended June 30, 2014 (as compared to Rs.10 and Rs.235 for the three months ended June 30, 2013 and the year ended March 31, 2014, respectively), resulting in a net loss on disposal of Rs.40 during the three months ended June 30, 2014 (as compared to net loss of Rs.0 and net gain of Rs.24 for the three months ended June 30, 2013 and the year ended March 31, 2014, respectively).

Depreciation expense for the three months ended June 30, 2014 was Rs.1,317 (as compared to Rs.1,117 for the three months ended June 30, 2013).

Table of Contents**DR. REDDY S LABORATORIES LIMITED****NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****(in millions, except share and per share data)****9. Property, plant and equipment (continued)***Capital commitments*

As of June 30, 2014 and March 31, 2014, the Company was committed to spend approximately Rs.3,890 and Rs.2,920, respectively, under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of such purchases.

10. Goodwill

Goodwill arising upon business acquisitions is not amortized but tested for impairment at least annually or more frequently if there is any indication that the cash generating unit to which goodwill is allocated is impaired.

The following table presents the changes in goodwill during the three months ended June 30, 2014 and 2013 and the year ended March 31, 2014:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Year ended March 31, 2014
Opening balance ⁽¹⁾	Rs. 3,428	Rs. 3,193	Rs. 3,193
Effect of translation adjustments	(7)	148	235
Closing balance⁽¹⁾	Rs. 3,421	Rs. 3,341	Rs. 3,428

⁽¹⁾ This does not include goodwill arising upon investment in associates of Rs.181, which is included in the carrying value of the investment in the equity accounted investees.

11. Intangible assets

During the three months ended June 30, 2014, the Company acquired intangible assets at an aggregate cost of Rs.171 (as compared to a cost of Rs.149 for the three months ended June 30, 2013 and Rs.743 for the year ended March 31, 2014).

Amortization expenses for the three months ended June 30, 2014 were Rs.555 (as compared to amortization expenses of Rs.496 for the three months ended June 30, 2013).

12. Loans and borrowings

Short term loans and borrowings

The Company had short term borrowings of Rs.17,530 as of June 30, 2014, as compared to Rs.20,607 as of March 31, 2014. The borrowings primarily consist of packing credit loans drawn by the parent company and other unsecured loans drawn by its subsidiaries in Switzerland and Germany.

Short term borrowings consist of the following:

	June 30, 2014	As of March 31, 2014
Packing credit borrowings	Rs. 12,927	Rs. 17,630
Other foreign currency borrowings	4,603	2,977
	Rs. 17,530	Rs. 20,607

An interest rate profile of short term borrowings from banks is given below:

	June 30, 2014		As at March 31, 2014	
	Currency	Interest Rate	Currency	Interest Rate
Packing credit borrowings	USD	LIBOR + 25 to 60 bps	USD	LIBOR + 25 to 85 bps
	EURO	LIBOR + 20 bps	EURO	LIBOR + 20 bps
	RUB	7.20% to 7.75%	RUB	7.20% to 7.75%
			RUB	Mosprime + 60 bps
			INR	9.50% to 10%
Other foreign currency borrowings	EURO	LIBOR + 90 bps	EURO	LIBOR + 90 bps

Table of Contents**DR. REDDY S LABORATORIES LIMITED****NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****(in millions, except share and per share data)****12. Loans and borrowings (continued)***Long-term borrowings*

Long-term loans and borrowings consist of the following:

	June 30, 2014	As at March 31, 2014
Foreign currency borrowing by the Company's Swiss subsidiary	Rs. 13,175	Rs. 13,103
Foreign currency borrowing by the parent company	9,026	8,987
Foreign currency borrowing by the Company's U.K. subsidiary	1,026	998
Obligations under finance leases	1,061	1,047
	Rs. 24,288	Rs. 24,135
Current portion		
Foreign currency borrowing by the Company's Swiss subsidiary	Rs. 4,964	Rs. 3,295
Obligations under finance leases	120	100
	Rs. 5,084	Rs. 3,395
Non-current portion		
Foreign currency borrowing by the Company's Swiss subsidiary	Rs. 8,211	Rs. 9,808
Foreign currency borrowing by the parent company	9,026	8,987
Foreign currency borrowing by the Company's U.K. subsidiary	1,026	998
Obligations under finance leases	941	947
	Rs. 19,204	Rs. 20,740

In the above table, the term *Swiss subsidiary* refers to Dr. Reddy's Laboratories, SA and the term *U.K. Subsidiary* refers to Dr. Reddy's Laboratories (EU) Limited.

Long-term bank loan of Swiss Subsidiary

During the year ended March 31, 2012, Dr. Reddy's Laboratories, SA (one of the Company's subsidiaries in Switzerland) (the *Swiss Subsidiary*) borrowed the sum of U.S.\$220. The term of the loan is for sixty months starting from September 30, 2011. The Swiss Subsidiary is required to repay the loan in eight equal quarterly installments commencing at the end of the 39th month and continuing until the end of the 60th month from September 30, 2011. The parent company has guaranteed all obligations of the Swiss Subsidiary under the loan agreement.

The loan agreement imposes various financial covenants on both the parent company and the Swiss Subsidiary. As of June 30, 2014, the Company was in compliance with such financial covenants.

As part of this arrangement, the Company incurred an amount of Rs.182 (U.S.\$3.73) in arrangement fees and other administrative charges. The Company accounted for these costs as transaction costs under IAS 39 and they are being amortized over the term of the loan using the effective interest method. The carrying amount of this loan, measured at amortized cost using the effective interest rate method, as on June 30, 2014 and March 31, 2014 was Rs.13,175 and Rs.13,103, respectively.

Long-term bank loan of the parent company

During the year ended March 31, 2014, the Company borrowed the sum of U.S.\$150. The term of the loan is for sixty six months starting from August 12, 2013. The Company is required to repay the loan in five equal quarterly installments commencing at the end of the 54th month and continuing until the end of the 66th month after August 12, 2013.

The loan agreement imposes various financial covenants on the Company. As of June 30, 2014, the Company was in compliance with such financial covenants.

Table of Contents**DR. REDDY S LABORATORIES LIMITED****NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****(in millions, except share and per share data)****12. Loans and borrowings (continued)***Long-term borrowings (continued)*

The interest rate profile of long-term loans and borrowings (other than obligations under finance leases) is given below:

	As at					
		June 30, 2014		March 31, 2014		
	Currency	Interest Rate		Currency	Interest Rate	
Foreign currency borrowings	USD	LIBOR+100 to 179 bps		USD	LIBOR+100 to 179 bps	
	GBP	LIBOR+130 bps		GBP	LIBOR+130 bps	

Undrawn lines of credit from bankers

The Company had undrawn lines of credit of Rs.19,366 and Rs.14,596 as of June 30, 2014 and March 31, 2014, respectively, from its banks for working capital requirements. The Company has the right to draw upon these lines of credit based on its requirements.

Non-derivative financial liabilities designated as cash flow hedges

The Company has designated some of its foreign currency borrowings from banks (non-derivative financial liabilities) as hedging instruments for hedge of foreign currency risk associated with highly probable forecasted transactions and, accordingly, applies cash flow hedge accounting for such relationships. Re-measurement gain/loss on such non-derivative financial liabilities is recorded in the Company's hedging reserve as a component of equity and re-classified to the income statement as revenue in the period corresponding to the occurrence of the forecasted transactions. The carrying value of such non-derivative financial liabilities as of June 30, 2014 and March 31, 2014 was Rs.13,239 and Rs.13,181, respectively.

13. Other (income)/expense, net

	Three months ended June 30,	
	2014	2013
Loss/(profit) on sale of property, plant and equipment and intangibles, net	Rs. 40	Rs. (28)

Sale of spent chemical	(150)	(107)
Miscellaneous income	(75)	(241)
	Rs. (185)	Rs. (376)

14. Finance (expense)/income, net

Finance (expense)/income net consists of the following:

	Three months ended June 30,	
	2014	2013
Interest income	Rs. 224	Rs. 303
Profit on sale of other investments	53	4
Foreign exchange gain/(loss), net	476	(131)
Interest expense	(272)	(246)
	Rs. 481	Rs. (70)

15. Share capital and share premium

During the three months ended June 30, 2014 and 2013, 226,171 and 232,044 equity shares, respectively, were issued as a result of the exercise of vested options granted to employees pursuant to the Dr. Reddy's Employees Stock Option Plan - 2002 and Dr. Reddy's Employee 36,020 Modified Option(4) 2/27/2017 2/24/2017 - - - 40,625 14.07 22,344 Modified Option(4) 2/27/2017 2/24/2017 - - - 23,437 9.41 18,813

Edward R.

Conner, M.D.

Annual Cash 78,400 140,000 259,000 - - -

Curt A.

Herberts, III

Annual Cash 67,306 120,190 222,352 Annual Option 1/26/2017 1/26/2017 75,000 3.50 165,743

- (1) The dollar amounts represent the threshold, target and maximum amounts of each named executive officer's potential annual cash bonus award for the year ended December 31, 2017 pursuant to the 2017 Cash Incentive Program under the Incentive Plan, and in Ms. Yi's case, also reflect pro-rata as she commenced employment with us during 2017. The amount shown as target reflects the target payment level if Sangamo and each individual had achieved 100% of the corporate and individual performance established pursuant to the 2017

Bonus Program. Each of Dr. Conner's, Mr. Herberts' and Ms. Yi's target bonuses were allocated between corporate and individual performance (80% to 20%, respectively), and Dr. Macrae's target bonus was allocated 100% to corporate performance. Sangamo must have attained a corporate performance percentage of 70% or more for any bonuses to become payable.

Table of Contents

The amount shown as maximum reflects the payment level pursuant to the 2017 Cash Incentive Program if Sangamo had achieved a 200% corporate performance percentage and each individual (other than Dr. Macrae) had achieved a 125% individual performance percentage, which were the maximum percentages allowed for the corporate and individual performance percentages, respectively. Actual payouts differed based on the actual performance objectives achieved. The actual cash bonus award earned for the year ended December 31, 2017 pursuant to the 2017 Cash Incentive Program under the Incentive Plan for each named executive officer is set forth in the Summary Compensation Table above. As such, the amounts set forth in these columns do not represent additional compensation earned by the named executive officers for the year ended December 31, 2017. For more information regarding the 2017 Cash Incentive Program under the Incentive Plan see Compensation Discussion and Analysis 2017 Compensation Decisions 2017 Cash Incentive Compensation above. For more information regarding the Incentive Plan, see Employment Agreements and Compensation Arrangements Annual Cash Bonus Awards below.

- (2) Except as provided in footnote (4) below, the reported option was granted under the 2013 Plan and will vest and become exercisable in accordance with the following schedule: 25% of the option shares will vest and become exercisable on the one year anniversary of the option grant date and the remaining option shares will vest and become exercisable in 36 equal monthly installments over the 36- month period measured from the first anniversary of the option grant date, provided the optionee continues to provide services through each applicable vesting date.

- (3) Represents the grant date fair value of such stock option or the incremental fair value resulting from the modification of such stock option, as applicable, in each case as determined in accordance with ASC 718. The assumptions used in the calculation of the grant date fair values of each option grant are included in Note 4 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission on March 1, 2018.

- (4) In connection with Mr. Wolff's retirement effective as of February 28, 2017, each stock option held by Mr. Wolff was modified, effective February 27, 2017, such that the post-termination exercise period of Mr. Wolff's then outstanding stock options was extended so that each stock option will remain exercisable for a period of two years following Mr. Wolff's retirement, or until the end of the term of the stock option, if earlier. There were no other modifications to the terms of these stock options, including no modification of or change to the vesting or exercise prices of these stock options. The stock options reported in the table above and identified as a Modified Option represent the same stock options that were originally granted in prior years at the exercise price on the original grant date, with the shares as shown representing the number shares subject to such options on the modification date, and the amount reported in the Grant Date Fair Value of Stock and Option Awards column with respect to the modified stock options represents the incremental fair value on the modification date associated with those modified stock options. For purposes of these modified options, the Grant Date represents the modification date of these options, which was February 27, 2017. For more information on Mr. Wolff's option modifications, please see Compensation Discussion and Analysis Additional Compensation Information Severance Arrangements above and Employment Contracts and Change in Control Arrangements Senior Vice President Employment Agreements Mr. Wolff below.

Table of Contents

Employment Agreements and Compensation Arrangements

Employment Agreements

Each of our named executive officers has entered into a written employment agreement with our company. For a description of these employment agreements, please see the section of this Proxy Statement under the heading Employment Contracts and Change in Control Arrangements below.

Annual Cash Bonus Awards

In 2012, the Compensation Committee of the Board adopted the Incentive Plan, which is a performance-based cash incentive program for our executive officers. Under the Incentive Plan, which was in effect in 2017, the Compensation Committee has discretion to implement one or more performance periods under the Incentive Plan, each of a duration determined by the Compensation Committee. Within the first 90 days of each performance period, the Compensation Committee establishes the specific performance and individual objectives that must be attained in order for Incentive Plan participants to receive a bonus for that performance period. For each performance and individual objective, the Compensation Committee may set threshold, target and above-target levels of attainment. The Compensation Committee will then establish for each participant dollar levels for the bonus to which he or she may become entitled for that performance period based on the level at which the performance and individual objectives are actually attained.

Performance objectives established under the Incentive Plan are based on one or more of the following criteria: (i) revenue, organic revenue, net sales, or new-product revenue or net sales, (ii) achievement of specified objectives in the discovery and development of our technology or of one or more of our products, (iii) achievement of specified objectives in the commercialization of one or more of our products, (iv) achievement of specified objectives in the manufacturing of one or more of our products, (v) expense targets, (vi) share price, (vii) total shareholder return, (viii) earnings per share, (ix) operating margin, (x) gross margin, (xi) return measures (including, but not limited to, return on assets, capital, equity, or sales), (xii) productivity ratios, (xiii) operating income, (xiv) net operating profit, (xv) net earnings or net income (before or after taxes), (xvi) cash flow (including, but not limited to, operating cash flow, free cash flow and cash flow return on capital), (xvii) earnings before or after interest, taxes, depreciation, amortization and/or stock-based compensation expense, (xviii) economic value added, (xix) market share, (xx) working capital targets, (xxi) achievement of specified objectives relating to corporate partnerships, collaborations, license transactions, distribution arrangements, mergers, acquisitions, dispositions or similar business transactions, and (xxii) employee retention and recruiting and human resources management.

Individual performance objectives established under the Incentive Plan are based on one or more of the following criteria: (i) the participant's contribution toward the achievement of a specific Company performance objective, (ii) the contribution of the business unit or division supervised by the participant toward the achievement of a specific Company performance objective, and (iii) the participant's development of professional skills.

A participant will not become entitled to a bonus under the Incentive Plan for a particular performance period unless the participant remains employed by us through the date bonuses are paid to each participant following completion of that performance period. Following the close of the applicable performance period, the Compensation Committee will determine the actual bonus amount for each participant based on the actual levels at which the actual performance objectives are attained, and bonuses will be paid promptly following the end of the applicable performance period.

Pursuant to the terms of the Incentive Plan, should a change in control transaction be consummated prior to the completion of a performance period that has been implemented under the Incentive Plan, then the performance period

will terminate upon the consummation of that change in control and each participant in the Incentive Plan will receive a bonus in the dollar amount previously set by the Compensation Committee at target level attainment of each performance objective; however such bonus will be pro-rated to reflect each participant's actual period of service from the start date of the performance period through the effective date of

Table of Contents

the change in control. Any pro-rated bonus paid pursuant to the terms of the Incentive Plan will reduce the amount of any severance payable to the participant based on the participant's target bonus pursuant to the terms of any employment agreement.

In the event any payment to which a participant becomes entitled under the Incentive Plan would otherwise constitute a parachute payment under Section 280G of the Code, then that payment will be subject to reduction to the extent necessary to assure that such payment will be limited to the greater of (i) the dollar amount that can be paid to the participant without triggering a parachute payment under Code Section 280G or (ii) the dollar amount of that payment which provides the participant with the greatest after-tax amount after taking into account any excise tax the participant may incur under Code Section 4999 with respect to such payment and any other benefits or payments to which the participant may be entitled in connection with any change in control of the Company or the subsequent termination of the participant's employment.

We adopted a 2017 Cash Incentive Program under the Incentive Plan that provides for annual bonus awards to reward executive officers based on our achievement of specific corporate goals and their achievement of individual performance goals. For more information regarding the 2017 Cash Incentive Program under the Incentive Plan, please see the section of this Proxy Statement under the heading "Compensation Discussion and Analysis 2017 Compensation Decisions 2017 Cash Incentive Compensation" and footnote (1) to the Grants of Plan-Based Awards table above. We amended the Incentive Plan in March 2018.

Stock Awards

Discretionary options that we granted in 2017 under the 2013 Plan vest according to the following schedule: 25% of the option shares will vest and become exercisable on the one year anniversary of the option grant date and the remaining option shares will vest and become exercisable in 36 equal monthly installments over the 36-month period measured from the first anniversary of the option grant date, provided the executive officer continues to provide services through each applicable vesting date. Each option will vest on an accelerated basis in connection with certain terminations and changes, as described under the heading "Employment Contracts and Change in Control Agreements" below. Each option has an expiration date at the end of 10-year period measured from the grant date, unless terminated earlier following the optionee's termination of service. Options granted under the 2013 Plan have an exercise price equal to the fair market value on the date of grant (generally the closing price of our common stock on the grant date on the Nasdaq Global Select Market), and the 2013 Plan permits the exercise price of stock options to be paid by cash, check, other shares of our common stock (with some restrictions), broker assisted same-day sales, and cashless "net exercise" arrangements. Although we did not grant any discretionary RSUs in 2017 under the 2013 Plan, previous grants of discretionary RSUs to executive officers under such plan (including grants in January 2018) vest in three successive equal annual installments over the 3-year period measured from the grant date, provided the executive officer continues to provide services through each applicable vesting date. For a discussion of the effect on outstanding equity awards under the 2013 Plan in connection with certain terminations and changes in control of the Company, including accelerated vesting, see the discussion under the heading "Employment Contracts and Change in Control Arrangements" below.

Other Compensatory Arrangements

401(k) Plan. Our executive officers are eligible to participate in the 401(k) Plan. The 401(k) Plan is intended to qualify as a tax-qualified plan under section 401 of the Code. The 401(k) Plan provides that each participant may contribute a portion of his or her pre-tax compensation, up to a statutory annual limit. The 401(k) Plan also permits us to make discretionary contributions and matching contributions, subject to established limits. In 2017, we made a matching contribution which was subject to an annual limit of \$4,000 per employee.

Table of Contents

Other Benefits. Our executive officers are eligible to participate in all of our benefit plans, such as our medical, dental, vision, short-term disability, long-term disability and group life insurance plans and the Purchase Plan, in each case generally on the same basis as other employees. We also have a section 125 flexible benefits healthcare plan and a flexible benefits childcare plan under which employees can set aside pre-tax funds to pay for qualified healthcare expenses and qualified childcare expenses not reimbursed by insurance. We do not currently offer pension or other retirement benefits in the U.S., but do offer pension or other retirement benefits in certain other countries.

Outstanding Equity Awards at Fiscal Year-End

The following table provides certain summary information concerning outstanding equity awards held by the named executive officers as of December 31, 2017.

Name (a)	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price (\$) (d)	Option Expiration Date (e)	Number of Shares or Units of Stock that Have Not Vested (#) (f) (2)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (3) (g)
Alexander D. Macrae	01/26/2017 06/03/2016		360,000	3.50	01/25/2027	-	-
		262,500	437,500	7.07	06/02/2026	-	-
Kathy Y. Yi	02/28/2017	-	200,000	4.55	02/27/2027	-	-
H. Ward	12/08/2015				03/07/2019		
Wolff (4)		23,437	-	9.41		-	-
	12/11/2014	40,625	-	14.07	03/07/2019	-	-
	12/12/2013	55,416	-	12.12	03/07/2019	-	-
	12/06/2012	90,000	-	5.41	03/07/2019	-	-
	12/08/2010	150,000	-	5.70	03/07/2019	-	-
	12/07/2009	130,000	-	5.35	03/07/2019	-	-
Edward R. Conner, M.D.	11/30/2016	54,166	145,834	3.20	11/29/2026	-	-
Curt A. Herberts III	01/26/2017	-	75,000	3.50	01/25/2027	-	-

12/08/2015						6,250	102,500
12/08/2015	18,750	18,750	9.41	12/07/2025		-	-
07/27/2015	6,041	3,959	8.87	07/26/2025		-	-
12/11/2014	15,000	5,000	14.07	12/10/2024		-	-
12/12/2013	20,000	-	12.12	12/11/2023		-	-
12/06/2012	25,000	-	5.41	12/05/2022		-	-
12/08/2011	12,000	-	2.55	12/07/2021		-	-
09/01/2011	15,000	-	5.12	08/31/2021		-	-
10/18/2010	35,000	-	3.99	10/17/2020		-	-
		-					

- (1) Except as otherwise provided in the footnotes below, each option was subject to the following vesting schedule: 25% of the option shares will vest and become exercisable on the one year anniversary of the option grant date and the remaining option shares will vest and become exercisable in 36 equal monthly installments over the 36- month period measured from the first anniversary of the option grant date, provided the executive officer continues to provide services through each applicable vesting date. Each option will vest on an accelerated basis in connection with certain terminations and changes in control, as described under the heading Employment Contracts and Change in Control Agreements. Each option has an expiration date at the end of 10-year period measured from the grant date, unless terminated earlier following the optionee's termination of service.

Table of Contents

(2) Represents an RSU award subject to vesting in three successive equal annual installments over the 3-year period measured from the grant date, provided the executive officer continues to provide services to the Company through each applicable vesting date. The award will vest on an accelerated basis in connection with certain terminations and changes in control of the Company, as described under the heading Employment Contracts and Change in Control Arrangements.

(3) Based on the \$16.40 closing price of our common stock on December 29, 2017, the last trading day of fiscal 2017.

(4) In connection with his retirement, the post-termination exercise periods of Mr. Wolff's outstanding options were extended, such that each such option shall remain exercisable for a period of two years following Mr. Wolff's termination of employment, or until the end of the term of the stock option, if earlier. Mr. Wolff's options ceased to vest as of March 8, 2017, his last day of employment.

Option Exercises and Stock Vested

The following table sets forth the number of shares of our common stock acquired and the value realized upon the vesting of RSU awards and on each exercise of stock options for each of the named executive officers during the year ended December 31, 2017:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) (1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) (2)
(a)	(b)	(c)	(d)	(e)
Alexander D. Macrae	-	-	-	-
Kathy Y. Yi	-	-	-	-
H. Ward Wolff	462,000	2,012,225	-	-
Edward R. Conner, M.D.	5,000	64,914	-	-
Curt A. Herberts III	63,395	438,330	9,583	158,453

(1) Value realized is determined by multiplying (i) the amount by which the market price of the common stock on the date of exercise exceeded the exercise price by (ii) the number of shares for which the options were exercised.

(2) Value realized is determined by multiplying the number of shares of common stock vested on the date of vesting by the market price of the common stock on such date.

Pension Benefits

We do not sponsor a tax-qualified defined benefit retirement plan or a supplemental executive retirement plan.

Nonqualified Deferred Compensation

We do not sponsor a nonqualified deferred compensation plan.

Risk Assessment of Compensation Policies and Practices

Our compensation programs throughout the organization are designed to maintain an appropriate balance between long-term and near-term incentives by utilizing a combination of compensation components, including base salary, annual cash incentive awards, and long-term equity awards. Although not all employees in the organization may have compensation comprising all three of those components, the compensation programs are generally structured so that any near-term cash incentives are not likely to constitute the predominant element of an employee's total compensation. The Compensation Committee annually reviews our compensation policies and practices to assess whether they encourage employees to take inappropriate risks. After reviewing each of our compensation plans, and the checks and balances built into, and oversight of, each plan, in April 2017, the

Table of Contents

Compensation Committee determined that any risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on us as a whole. In addition, the Compensation Committee believes that the mix and design of the elements of executive compensation do not encourage management to assume excessive risks, and significant compensation decisions, as well as decisions concerning the compensation of our executive officers, include subjective considerations by the compensation committee or the board of directors, which restrain the influence of formulae or objective factors on excessive risk taking. Finally, the mix of short-term compensation (in the form of salary and annual bonus, if any) and long-term compensation (in the form of stock options and RSUs) also prevents undue focus on short-term results and helps align the interests of our executive officers with the interests of our stockholders.

Employment Contracts and Change in Control Arrangements

Chief Executive Officer Employment Agreement

Dr. Macrae

In May 2016 we entered into an employment agreement with Dr. Macrae that took effect June 1, 2016, which sets forth the terms and conditions of his employment as President and Chief Executive Officer. Pursuant to his employment agreement, Dr. Macrae will receive a base salary of \$600,000 per year and an annual cash bonus based upon our company's achievement of specified objectives under our Incentive Plan with a target bonus of 60% of his base salary. Dr. Macrae's base salary and target bonus percentage are subject to annual review by the Compensation Committee and adjustment from time to time by such Committee, and was subject to pro-ration for partial service in 2016.

Dr. Macrae's employment agreement also provided for a \$200,000 sign-on bonus, which was subject to repayment in the event Dr. Macrae's employment was terminated without cause or by him without good reason within one year of his appointment, as well as an initial equity grant of stock options under the 2013 Plan to acquire 700,000 shares of our common stock, which is vesting on the same terms as other discretionary awards under the 2013 Plan. Dr. Macrae is also entitled to be nominated for election to our Board of Directors for so long as his employment agreement is in effect.

Although Dr. Macrae's employment agreement includes certain benefits payable to him in connection with separation from service, such terms were waived by Dr. Macrae in connection with the March 2017 adoption of our Executive Severance Plan (the "Severance Plan") which now governs his severance benefits. The terms of the Severance Plan are described below under "2017 Executive Severance Plan."

Senior Vice President Employment Agreements

Ms. Yi

Effective February 28, 2017, we entered into an employment agreement with Kathy Y. Yi, which sets forth the terms and conditions of her employment as Chief Financial Officer. Pursuant to her employment agreement, Ms. Yi will receive a base salary of \$350,000 per year and an annual cash bonus based upon our company's and her individual achievement of specified objectives under our Incentive Plan with a target cash bonus of 35% of her base salary. Ms. Yi's base salary and target bonus percentage are subject to annual review by the Compensation Committee and adjustment from time to time by such Committee, and were also subject to pro-ration for partial service in 2017.

Ms. Yi's employment agreement also provided for an initial equity grant of stock options under the 2013 Plan to acquire 200,000 shares of our common stock, which is vesting on the same terms as other discretionary awards under the 2013 Plan.

Table of Contents

Although Ms. Yi's employment agreement includes certain severance benefits payable to her in connection with separation from service, such terms were waived by Ms. Yi in connection with the March 2017 adoption of the Severance Plan, which now governs her severance benefits. The terms of the Severance Plan are described below under 2017 Executive Severance Plan.

Mr. Wolff

In November 2007, we entered into an employment agreement with H. Ward Wolff, our former Executive Vice President and Chief Financial Officer, which was amended and restated in December 2008 and December 2011 in order to implement technical changes. Pursuant to the terms of the agreement as amended and restated, Mr. Wolff's annual base salary was set at a minimum of \$375,000, increasing to \$390,000 effective January 1, 2012, or such higher rate as the Board determined from time to time, and he was eligible to receive an annual performance bonus of up to 40% of his base salary each calendar year, based on our company's and his individual achievement of specific performance criteria established by the Board.

If we had terminated Mr. Wolff's employment without cause, or Mr. Wolff terminated his employment for good reason, within 12 months following a change in control and Mr. Wolff executed a general release of all claims in our favor, then Mr. Wolff would have received the following severance benefits: (i) a severance payment equal to his annual base salary in effect on his termination date plus his target bonus for the year in which such termination occurred, (ii) reimbursement of his health care coverage costs under COBRA for up to twelve months, (iii) accelerated vesting of all of his outstanding equity awards and (iv) a one-year period measured from his termination date to exercise any outstanding options for all the option shares, but in no event would any such option have remained exercisable following the expiration of the maximum option term. If we had terminated Mr. Wolff's employment without cause, or Mr. Wolff had terminated his employment for good reason, in the absence of a change in control or more than 12 months after a change in control and Mr. Wolff executed a general release of all claims in our favor, then Mr. Wolff would have received (i) salary continuation payments for a 12 month period following his termination date at his rate of base salary in effect on his termination date and (ii) reimbursement of his health care coverage costs under COBRA for up to 12 months.

Effective as of February 28, 2017, Mr. Wolff retired from his position as our Executive Vice President and Chief Financial Officer. In connection with his retirement, Mr. Wolff entered into an amendment to his employment agreement, pursuant to which Mr. Wolff agreed that he would not be entitled to receive any cash severance in connection with his retirement; however, we agreed to reimburse Mr. Wolff for the 12 months of COBRA expenses, and his outstanding stock options (to the extent vested on his termination date), will remain exercisable for a period of two years following Mr. Wolff's termination of employment, or until the end of the term of the stock option, if earlier. We estimate the value of the COBRA expense payments to be \$30,608 (of which \$25,365 was paid during the year ending December 31, 2017) and have calculated the value of his option modifications to be \$836,136.65, which represents the aggregate incremental fair value associated with the modifications of Mr. Wolff's stock options as calculated in accordance with ASC 718.

Dr. Conner

Effective November 1, 2016, we entered into an employment agreement with Dr. Conner, which sets forth the terms and conditions of his employment as Chief Medical Officer. Pursuant to his employment agreement, Dr. Conner will receive a base salary of \$400,000 per year, and an annual cash bonus based upon our company's and his individual achievement of specified objectives under our Incentive Plan with a target cash bonus of 35% of his base salary. Dr. Conner's base salary and target bonus percentage are subject to annual review by the Compensation Committee and adjustment from time to time by such Committee, and his salary was subject to pro ration for partial service in

2016. Dr. Conner was not eligible for a target cash bonus in 2016.

Dr. Conner's employment agreement also provided for an initial equity grant of stock options under the 2013 Plan to acquire 200,000 shares of our common stock, which is vesting on the same terms as other discretionary awards under the 2013 Plan.

Table of Contents

Although Dr. Conner's employment agreement includes certain severance benefits payable to him in connection with separation from service, such terms were waived by Dr. Conner in connection with the March 2017 adoption of the Severance Plan, which now governs his severance benefits. The terms of the Severance Plan are described below under 2017 Executive Severance Plan.

Mr. Herberts

In August 2010, we entered into an employment agreement with Mr. Herberts setting forth the terms and conditions of his employment as a Director, Corporate Development. In November 2016, Mr. Herberts was promoted to Chief Business Officer. As a Chief Business Officer, Mr. Herberts' base salary was set at \$340,000 per year and Mr. Herberts was eligible for an annual cash bonus based upon our company's and his individual achievement of specified objectives under our Incentive Plan with a target cash bonus of 35% of his base salary. Mr. Herberts' base salary and target bonus percentage are subject to annual review by the Compensation Committee and adjustment from time to time by such Committee.

Mr. Herberts' employment agreement does not provide for any severance benefits. As an executive, Mr. Herberts is an eligible employee under the Severance Plan and may receive benefits under such plan, which is described below.

2017 Executive Severance Plan

In March 2017, the Compensation Committee of the Board adopted the Severance Plan to provide severance benefits to certain of our executive officers and other key employees whose employment terminates under certain prescribed circumstances. These eligible employees include our named executive officers Drs. Macrae and Conner, Ms. Yi and Mr. Herberts.

Under the Severance Plan, which replaced the severance arrangement set forth in Dr. Macrae's employment agreement, Dr. Macrae is eligible to receive the following severance benefits: (a) cash equal to the sum of (i) 18 months of his base salary and (ii) his target bonus for the year of termination, payable over 12 months, reimbursement for his health care coverage costs under COBRA for 12 months, and full acceleration of his outstanding equity awards, and any outstanding options as so accelerated will remain exercisable for a period of 12 months following termination, in the event of an involuntary termination during the 12-month period following a change of control of the Company (the Change in Control Period) or (b) cash equal to 12 months of his base salary, payable over 12 months, and COBRA reimbursement for 12 months, if he has an involuntary termination other than during the Change in Control Period. These cash severance benefits under the Severance Plan are identical to the severance benefits he was eligible to receive under his employment agreement; however, under his employment agreement, only 50% of the shares subject to any outstanding equity award accelerated if the change in control was within two years following the effective date of the employment agreement and 100% of the shares accelerated if the change in control was more than two years after the effective date.

Under the Severance Plan, which replaced the severance arrangements set forth in Dr. Conner's and Ms. Yi's respective employment agreements, Dr. Conner, Ms. Yi and Mr. Herberts are eligible to receive the following severance benefits: (a) cash equal to the sum of (i) 12 months of base salary and (ii) target bonus for the year of termination, payable over 12 months, reimbursement for health care coverage costs under COBRA for 12 months, and accelerated vesting of all outstanding equity awards, and any outstanding options as so accelerated will remain exercisable for a period of 12 months following termination, in the event of an involuntary termination during the Change in Control Period; or (b) cash equal to 9 months of base salary, payable over 9 months, and COBRA reimbursement for 9 months, if there is an involuntary termination other than during the Change in Control Period. These cash severance benefits under the Severance Plan are similar to the severance benefits Dr. Conner and Ms. Yi were eligible to receive

under their respective employment agreements; however, under the employment agreements, only 50% of the shares subject to any outstanding equity award accelerated if the change in control was within two years following the effective date of the employment agreement and 100% of the shares accelerated if the change in control was more than two years

Table of Contents

after the effective date, and (b) the base salary and COBRA reimbursement continuation period was six months under the employment agreements (instead of 12 months in the event of an involuntary termination during the Change in Control Period or 9 months in the event of an involuntary termination other than during the Change in Control Period, under the Severance Plan, as described above).

If any of the severance benefits under the Severance Plan would constitute a parachute payment within the meaning of section 280G of the Code, such payments are subject to reduction to the extent doing so would put the recipient in a better after-tax position after taking into account any excise tax that may be incurred under Code Section 4999 in connection with any change in control of the Company or subsequent termination of employment,

2013 Plan

The Compensation Committee of the Board of Directors, as the administrator of the 2013 Plan, has the authority to provide that any outstanding options held by the Chief Executive Officer or any other executive officer or any other unvested equity award made to such individual under the 2013 Plan will vest on an accelerated basis in connection with certain changes in control of the Company or the subsequent termination of the officer's employment following the change in control event. In addition, all outstanding options and RSUs under the 2013 Plan will immediately vest upon a change in control, to the extent not assumed or continued in effect by the successor entity or replaced with an incentive compensation program that preserves the intrinsic value of the award at that time and provides for the subsequent vesting and concurrent payout of that value in accordance with the pre-existing vesting schedules for those awards.

Incentive Compensation Plan

The Incentive Plan is a performance-based cash incentive program for our executive officers. Pursuant to the terms of the Incentive Plan as in effect in 2017, should a change in control transaction be consummated prior to the completion of a performance period that has been implemented under the Incentive Plan, then the performance period will terminate upon the consummation of that change in control and each participant in the Incentive Plan will receive a bonus in the dollar amount previously set by the Compensation Committee at target level attainment of each performance objective; however such bonus will be pro-rated to reflect each participant's actual period of service from the start date of the performance period through the effective date of the change in control. Any pro-rated bonus paid pursuant to the terms of the Incentive Plan will reduce the amount of any severance payable to the participant based on the participant's target bonus pursuant to the terms of any employment agreement. The 2017 Cash Incentive Program adopted for the 2017 year under the Incentive Plan is summarized in detail under the heading Compensation Discussion and Analysis 2017 Compensation Decisions 2017 Cash Incentive Compensation. We eliminated the provision in the Incentive Plan providing for these payouts when we amended the Incentive Plan in March 2018.

Potential Payments Upon Termination or Change in Control

The charts below quantify the potential payments our named executive officers, other than Mr. Wolff, would receive under various scenarios. The value attributed to the accelerated vesting of equity awards represents the intrinsic value of each stock option or RSU award vesting on an accelerated basis in connection with the identified triggering event, which is assumed to occur on December 31, 2017. The intrinsic value is calculated by multiplying (i) the aggregate number of shares that vest on an accelerated basis by (ii) the amount by which the \$16.40 closing selling price per share of our common stock on December 31, 2017, exceeds the exercise price or other issue price (if any) payable per vested share.

Quantification of Benefits Upon Involuntary Termination in the Absence of a Change in Control

The chart below quantifies the compensation each named executive officer would have received had the officer's employment terminated without cause in the absence of a change in control of the Company but under circumstances entitling the officer to severance benefits under the Severance Plan.

Table of Contents

For information with respect to the compensation and benefits we provided to Mr. Wolff in connection with his retirement, see Senior Vice President Employment Agreements Mr. Wolff above.

Name	Cash Severance (1)	COBRA
Alexander D. Macrae	\$ 612,000	-
Kathy Y. Yi	\$ 262,500	24,762
H. Ward Wolff (2)	\$ -	25,365
Edward R. Conner, M.D.	\$ 300,000	1,953
Curt A. Herberts III	\$ 257,550	24,762

- (1) Cash severance upon termination in the absence of a change in control is payable in a series of successive equal monthly installments over a period ranging from 9 to 12 months.
- (2) Mr. Wolff retired effective February 28, 2017. The Severance Plan did not apply to him and amounts disclosed represent his actual entitlements (see Senior Vice President Employment Agreements Mr. Wolff above for further details).

Benefits Upon Involuntary Termination in Connection With a Change in Control

The chart below quantifies the payments our named executive officers (other than Mr. Wolff who retired during the year) would each have received had their employment terminated without cause or with good reason in connection with a change in control under circumstances entitling them to severance benefits under the Severance Plan.

Name	Cash Severance (1)	Target Bonus (2)	Accelerated Vesting of Equity Awards	COBRA
Alexander D. Macrae	\$ 918,000	\$ 367,200	\$ 8,725,875	\$ -
Kathy Y. Yi	\$ 350,000	\$ 122,500	\$ 2,370,000	\$ 24,762
Edward R. Conner, M.D.	\$ 400,000	\$ 140,000	\$ 1,925,009	\$ 1,953
Curt A. Herberts III	\$ 343,400	\$ 120,190	\$ 1,242,524	\$ 24,762

- (1) Cash severance upon termination in connection with a change in control is payable in a series of successive equal monthly installments over 12 months.

(2) Target bonus represents the amount of severance benefit that an executive is entitled to payable in a series of successive equal monthly installments over 12 months.

Benefits Upon a Change in Control (No Termination)

The chart below quantifies the value of the accelerated equity the named executive officers (other than Mr. Wolff who retired during the year) are entitled to receive under the 2013 Plan upon a change in control of the Company in which their outstanding equity awards are not assumed or otherwise continued in effect, terminated or cancelled in connection therewith.

Name		Accelerated Equity
Alexander D. Macrae	\$	8,725,875
Kathy Y. Yi	\$	2,370,000
Edward R. Conner, M.D.	\$	1,925,009
Curt A. Herberts III	\$	1,242,524

Table of Contents

The chart below quantifies the cash award for the 2017 year the named executive officers are entitled to receive under the Incentive Plan upon a change in control of the Company. This benefit was eliminated by the March 2018 amendment of the Incentive Plan.

Name	Incentive Plan Award	
Alexander D. Macrae	\$	367,200
Kathy Y. Yi	\$	112,292
Edward R. Conner, M.D.	\$	140,000
Curt A. Herberts III	\$	120,190

Benefits upon Death or Disability

Under the 2013 Plan, if a named executive officer's service with us is terminated as a result of death or permanent disability, or a named executive officer dies or becomes permanently disabled during the three months after a termination other than for misconduct, the period of time in which an option may be exercised following termination shall be the earlier of twelve months following the date of such named executive officer's death or the expiration date of the option, whichever is earlier, rather than the standard three-month post-termination exercise period provided for in the 2013 Plan.

Pay Ratio Disclosure

Under SEC rules, we are required to calculate and disclose the annual total compensation of our median employee, as well as the ratio of the annual total compensation of our median employee as compared to the annual total compensation of our President and Chief Executive Officer, Dr. Macrae (our CEO), for our last fiscal year (CEO Pay Ratio). To identify our median employee, we used the following methodology:

To determine our total population of employees, we included all our employees as of November 15, 2017 regardless of their full- or part-time schedule or anticipated employment duration.

To identify our median employee from our employee population, we calculated the aggregate amount of the 2017 base compensation of each of our employees excluding the CEO using a reasonable estimate of the hours worked during 2017 for our hourly employees and actual salary paid for our remaining employees, target 2017 bonus, and the grant date fair value of equity awards granted in fiscal 2017 (using the same methodology we use for estimating the value of the equity awards granted to our named executive officers and reported in our Summary Compensation Table).

In making this determination, we annualized the base compensation, target bonus and other cash incentive compensation of those permanent employees who were employed by us for less than the entire fiscal year. Using this approach, we determined our median employee. Because the median employee we initially identified had anomalous compensation characteristics due to the employee's commencement of employment in 2017, we substituted another employee to serve as our median employee who received substantially similar compensation as the initially identified median employee during 2017 but who had been employed for all of 2017. This individual was directly adjacent to our initially identified median employee, based on the determination method described above. Once the

median employee was identified, we then calculated the annual total compensation of this employee for 2017 in accordance with the requirements of the Summary Compensation Table.

For fiscal 2017, the median of the annual total compensation of our employees (other than our CEO) was \$169,202 and the annual total compensation of our CEO, as reported in the Summary Compensation Table included in this Proxy Statement, was \$1,795,856. Based on this information, the ratio of the annual total compensation of our CEO to the median of the annual total compensation of all our employees was approximately 11 to 1.

Table of Contents

The CEO Pay Ratio above represents our reasonable estimate calculated in a manner consistent with SEC rules and applicable guidance. SEC rules and guidance provide significant flexibility in how companies identify the median employee, and each company may use a different methodology and make different assumptions particular to that company. As a result, and as explained by the SEC when it adopted these rules, in considering the pay ratio disclosure, stockholders should keep in mind that the rule was not designed to facilitate comparisons of pay ratios among different companies, even companies within the same industry, but rather to allow stockholders to better understand and assess each particular company's compensation practices and pay ratio disclosures.

Neither the Compensation Committee nor our management used our CEO Pay Ratio measure in making compensation decisions.

Compensation Committee Report¹

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management, and based on such review and such discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis, as contained herein, be included in this Proxy Statement.

Submitted by the Compensation
Committee of the Board of Directors

Mr. Roger Jeffs
Dr. Steven J. Mento
Ms. H. Stewart Parker

¹ The material in this Compensation Committee Report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Sangamo Therapeutics, Inc. under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Equity Compensation Plan Information

The following table provides information as of December 31, 2017, with respect to the shares of our common stock that may be issued under our existing equity compensation plans. There are no outstanding options that we have assumed in connection with our acquisition of other companies, and there are currently no assumed plans under which we can grant options.

Plan Category	Column (A) Number of Securities to be Issued Upon Exercise of Outstanding Options, Restricted Stock Units	Column (B) Weighted Average Exercise Price of Outstanding Options	Column (C) Number of Securities Remaining Available for Future Issuance Under Equity Compensation
----------------------	------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------

and Other Rights**Plans
(Excluding
Securities
Reflected in
Column A)**

Equity Compensation Plans Approved by Stockholders (1)	8,203,628	(2)(3)	\$	7.63	(4)	3,601,307	(5)(6)
Equity Compensation Plans Not Approved by Stockholders (1)	164,000	(7)		15.00		836,000	(6)(8)
Total	8,367,628		\$	7.77		4,437,307	

- (1) The equity compensation plans approved by stockholders consists of the 2013 Plan and the 2010 Employee Stock Purchase Plan (the Purchase Plan). In November 2017, the Compensation Committee approved the

Table of Contents

amendment and restatement of the 2013 Plan to reserve an additional 1,000,000 shares of our common stock to be used exclusively for grants of awards to individuals who were not previously employees or non-employee directors of the Company (or following a bona fide period of non-employment with the Company), as an inducement material to each such individual's entry into employment with us within the meaning of Rule 5635(c)(4) of the Nasdaq Listing Rules, or Rule 5635(c)(4) (such awards, the Inducement Awards). The 2013 Plan was amended and restated by the Compensation Committee without stockholder approval pursuant to Rule 5635(c)(4). Accordingly, for purposes of this table, information with respect to Inducement Awards and the shares reserved for issuance under the 2013 Plan therefor, are included in the row in the table above with respect to equity compensation plans not approved by stockholders.

- (2) Includes 80,172 shares subject to RSUs that will entitle the holder to one share of common stock for each unit that vests over the holder's period of continued service.
- (3) Excludes purchase rights accruing under the Purchase Plan and shares subject to outstanding options granted under the 2013 Plan as Inducement Awards. Under the Purchase Plan, each eligible employee may purchase up to 2,000 shares of common stock at semi-annual intervals on the last U.S. business day of April and October each year at a purchase price per share equal to 85% of the lower of (i) the closing selling price per share of common stock on the employee's entry date into the two-year offering period in which that semi-annual purchase date occurs or (ii) the closing selling price per share on the semi-annual purchase date.
- (4) The calculation does not take into account the 80,172 shares of common stock subject to outstanding RSUs. Such shares will be issued at the time the RSUs vest, without any cash consideration payable for those shares.
- (5) Consists of shares available for future issuance under the Purchase Plan and the 2013 Plan. As of December 31, 2017, 835,674 shares of common stock were available for issuance under the Purchase Plan, and 3,601,633 shares of common stock were available for issuance under the 2013 Plan (of which 836,000 were available for issuance as Inducement Awards under the 2013 Plan). The shares available for issuance under the 2013 Plan may be issued upon the exercise of stock options or stock appreciation rights granted under the plan, or those shares may be issued as stock bonuses or pursuant to restricted stock awards or RSUs that vest upon the attainment of prescribed performance milestones or the completion of designated service periods.
- (6) As of December 31, 2017, the maximum number of shares of common stock reserved for issuance under the 2013 Plan and the Purchase Plan was 20,397,808 shares and 2,100,000 shares, respectively. The number of shares of common stock reserved for issuance under the 2013 Plan is reduced: (i) on a 1-for-1 basis for each share of common stock subject to a stock option grant or stock appreciation right award, or pursuant to a full-value award made under the plan before June 12, 2013, and (ii) by a fixed ratio of 1.33 shares of common stock for each share of common stock issued pursuant to a full-value award made under the 2013 Plan on or after June 12, 2013. In addition, the 20,397,808 maximum number of shares of common stock reserved for issuance under the 2013 Plan includes the 1,000,000 shares reserved for issuance as Inducement Awards in November 2017.
- (7) Consists of stock options granted as Inducement Awards under the 2013 Plan.

- (8) Consists of shares available for future issuance under the 2013 Plan at December 31, 2017 as Inducement Awards under the 2013 Plan.

Table of Contents

Report of the Audit Committee of the Board of Directors¹

The information contained under the heading "Report of the Audit Committee of the Board of Directors" in this Proxy Statement shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any filing of the Company with the Securities and Exchange Commission, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2017 with the management of the Company.

The Audit Committee has discussed with Ernst & Young LLP, the independent registered public accounting firm that audited our financial statements for the fiscal year ended December 31, 2017, the matters required to be discussed by Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 1301, Communications with Audit Committees, or any successor standard.

The Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the PCAOB regarding Ernst & Young LLP's communications with the Audit Committee concerning independence, and has discussed with Ernst & Young LLP its independence from the Company.

Based on the review of the audited financial statements and the discussions noted above, the Audit Committee recommended to our Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee of the
Board of Directors of Sangamo Therapeutics,
Inc.

Mr. Robert F. Carey
Ms. Saira Ramasastry
Mr. Joseph S. Zakrzewski

¹ The material in this Report of the Audit Committee is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference into any filing of Sangamo Therapeutics, Inc. under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since January 1, 2017, there has not been nor is there currently proposed any transaction or series of similar transactions to which we were or are to be a party in which the amount involved exceeds \$120,000 and in which any director, executive officer, holder of more than 5% of our common stock, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest other than compensation agreements and other arrangements, which are described elsewhere in this Proxy Statement.

In addition to the indemnification provisions contained in our Seventh Amended and Restated Certificate of Incorporation, as amended, we have entered into separate indemnification agreements with each of our directors containing provisions that may require us to, among other things, indemnify them against certain liabilities that may arise by reason of their status or service as directors.

POLICIES AND PROCEDURES

Consistent with the requirement under Nasdaq listing rules, the Audit Committee of the Board of Directors is responsible for reviewing and approving all related party transactions as defined under SEC rules and regulations. While we do not have a formal written policy or procedure for the review, approval or ratification of related party transactions, the Audit Committee must review the material facts of any such transaction and approve that transaction.

To identify related party transactions, each year we submit and require our directors and officers to complete director and officer questionnaires identifying transactions with us in which the director or officer or their family members have a conflict of interest. We review the questionnaire for potential related party transactions. In addition, at meetings of the Audit Committee, management may recommend related party transactions to the committee, including the material terms of the proposed transactions, for its consideration. In making its decision to approve or ratify a related party transaction, the Audit Committee will consider all relevant facts and circumstances available to the committee, including factors such as the aggregate value of the transaction, whether the terms of the related party transaction are no less favorable than terms generally available in an arms length transaction and the benefit of such transaction to us.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The members of the Board of Directors, our executive officers and persons who beneficially own more than 10% of our outstanding common stock are subject to the reporting requirements of Section 16 of the Exchange Act, as amended, which require them to file reports with respect to their beneficial ownership of the common stock and their transactions in such common stock. Based upon (i) the copies of Section 16 reports that we received from such persons for their 2017 year transactions in the common stock and their common stock holdings, and (ii) written representation that no other reports were required, we believe that all reporting requirements under Section 16 for such year were met in a timely manner by our directors, executive officers and greater than 10% beneficial owners.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries to satisfy the delivery requirements for Notices of Internet Availability of Proxy Materials or other Annual Meeting materials with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials or other Annual Meeting materials addressed to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies.

Table of Contents

This year, a number of brokers with account holders who are our stockholders will be householding our proxy materials. A single Notice of Internet Availability of Proxy Materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Notice of Internet Availability of Proxy Materials, please notify your broker or us. Direct your written request to Sangamo Therapeutics, Inc., Heather Turner, Secretary, 501 Canal Boulevard, Richmond, California 94804 or contact McDavid Stilwell at 510-970-6000. Stockholders who currently receive multiple copies of the Notices of Internet Availability of Proxy Materials at their addresses and would like to request householding of their communications should contact their brokers. In addition, we will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the Notice of Internet Availability of Proxy Materials or the full set of proxy materials, as applicable, to a stockholder at a shared address to which a single copy of the documents was delivered.

Our Annual Report on Form 10-K for the year ended December 31, 2017 is available without charge upon written request to: Corporate Secretary, Sangamo Therapeutics, Inc., 501 Canal Boulevard, Richmond, California 94804. Our Annual Report on Form 10-K is not incorporated into this Proxy Statement and is not considered proxy soliciting material.

THE BOARD OF DIRECTORS OF
SANGAMO THERAPEUTICS, INC.

Dated: April 24, 2018

Table of Contents

Appendix A

SANGAMO THERAPEUTICS, INC.

2018 EQUITY INCENTIVE PLAN

ADOPTED BY THE COMPENSATION COMMITTEE OF THE BOARD: APRIL 23, 2018

APPROVED BY THE STOCKHOLDERS: , 2018

1.

Table of Contents

TABLE OF CONTENTS

	Page
1. <u>GENERAL.</u>	A-1
2. <u>SHARES SUBJECT TO THE PLAN.</u>	A-1
3. <u>ELIGIBILITY.</u>	A-2
4. <u>OPTIONS AND STOCK APPRECIATION RIGHTS.</u>	A-2
5. <u>AWARDS OTHER THAN OPTIONS AND STOCK APPRECIATION RIGHTS.</u>	A-5
6. <u>ADJUSTMENTS UPON CHANGES IN COMMON STOCK; OTHER CORPORATE EVENTS.</u>	A-7
7. <u>AUTOMATIC GRANTS TO ELIGIBLE DIRECTORS.</u>	A-8
8. <u>ADMINISTRATION.</u>	A-9
9. <u>TAX WITHHOLDING</u>	A-12
10. <u>MISCELLANEOUS.</u>	A-12
11. <u>COVENANTS OF THE COMPANY.</u>	A-15
12. <u>ADDITIONAL RULES FOR AWARDS SUBJECT TO SECTION 409A.</u>	A-16
13. <u>SEVERABILITY.</u>	A-18
14. <u>TERMINATION OF THE PLAN.</u>	A-19
15. <u>DEFINITIONS.</u>	A-19

Table of Contents

1. GENERAL.

(a) Successor to and Continuation of Predecessor Plan. The Plan is the successor to and continuation of the Predecessor Plan. As of the Effective Date, (i) no additional awards may be granted under the Predecessor Plan; (ii) the Predecessor Plan's Available Reserve will become available for issuance pursuant to Awards granted under this Plan; and (iii) all outstanding awards granted under the Prior Plans will remain subject to the terms of the Prior Plans; *provided, however*, that any Returning Shares from the Prior Plans will become available for issuance pursuant to Awards granted under this Plan. All Awards granted under this Plan will be subject to the terms of this Plan.

(b) Eligible Award Recipients and Plan Purpose. Subject to the terms of the Plan, Employees, Directors and Consultants are eligible to receive Awards. Only Eligible Directors will receive Awards under the Automatic Grant Program. The Company, by means of the Plan, seeks to secure and retain the services of such persons, to provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate and to provide a means by which such persons may be given an opportunity to benefit from increases in value of the Common Stock through the granting of Awards.

(c) Available Awards. The Plan provides for the grant of the following Awards: (i) Incentive Stock Options; (ii) Nonstatutory Stock Options; (iii) SARs; (iv) Restricted Stock Awards; (v) RSU Awards; (vi) Performance Awards; and (vii) Other Awards.

(d) Effective Date. The Plan will come into existence on the Effective Date. No Award may be granted under the Plan prior to the Effective Date.

2. SHARES SUBJECT TO THE PLAN.

(a) Share Reserve.

(i) Subject to the adjustments in Section 6(a), the aggregate number of shares of Common Stock that may be issued pursuant to Awards will not exceed the sum of: (A) 8,800,000 shares, plus (B) the number of Returning Shares if any, as such shares become available from time to time, plus (C) the Predecessor Plan's Available Reserve.

(ii) Subject to Section 2(c) the number of shares of Common Stock available for issuance under the Plan will be reduced by: (A) one share for each share of Common Stock issued pursuant to an Appreciation Award granted under the Plan and (B) 1.33 shares for each share of Common Stock issued pursuant to a Full Value Award granted under the Plan.

(iii) The number of shares of Common Stock available for issuance under the Plan will be increased by: (A) one share for each Returning Share subject to an Appreciation Award and (B) 1.33 shares share for each Returning Share subject to a Full Value Award.

(b) Incentive Stock Option Limit. Notwithstanding anything to the contrary in Section 2(a) and subject to Section 6(a) regarding Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options is 17,600,000 shares.

(c) Shares Not Available For Subsequent Issuance. The following shares of Common Stock will not become available again for issuance under the Plan: (i) any shares that are reacquired or withheld (or not issued) by the Company to satisfy the exercise or purchase price of an Appreciation Award or a Full Value Award (including any shares subject to such award that are not delivered because such award is exercised through a reduction of shares

subject to such award (i.e., net exercised); (ii) any shares that are reacquired or withheld (or not issued) by the Company to satisfy a tax withholding obligation in connection with an Appreciation Award or a Full Value Award; and (iii) any shares repurchased by the Company on the open market with the proceeds of the exercise or purchase price of an Appreciation Award or a Full Value Award.

A-1.

Table of Contents

(d) **Share Reserve Limit.** For clarity, the Share Reserve limit in Section 2(a) is a limit on the number of shares of Common Stock that may be issued pursuant to Awards and does not limit the granting of Awards, except that the Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy its obligations to issue shares pursuant to such Awards. Shares may be issued in connection with a merger or acquisition as permitted by, as applicable, NASDAQ Listing Rule 5635(c), NYSE Listed Company Manual Section 303A.08, AMEX Company Guide Section 711 or other applicable rule, and such issuance will not reduce the number of shares available for issuance under the Plan.

3. ELIGIBILITY.

(a) **Eligibility for Specific Awards.** Incentive Stock Options may be granted only to Employees of the Company or a parent corporation or subsidiary corporation thereof (as such terms are defined in Sections 424(e) and (f) of the Code). Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants; *provided, however*, that Nonstatutory Stock Options and SARs may not be granted to Employees, Directors and Consultants who are providing Continuous Service only to any parent of the Company (as such term is defined in Rule 405) unless the stock underlying such Awards is treated as service recipient stock under Section 409A because the Awards are granted pursuant to a corporate transaction (such as a spin off transaction) or unless such Awards otherwise comply with the distribution requirements of Section 409A.

(b) **Ten Percent Stockholders.** A Ten Percent Stockholder may not be granted an Incentive Stock Option unless (i) the exercise price of such Option is at least 110% of the Fair Market Value on the date of grant of such Option and (ii) the Option is not exercisable after the expiration of five years from the date of grant of such Option.

4. OPTIONS AND STOCK APPRECIATION RIGHTS.

Each Option and SAR will have such terms and conditions as determined by the Board. Each Option will be designated in writing as an Incentive Stock Option or Nonstatutory Stock Option at the time of grant; *provided, however*, that if an Option is not so designated, then such Option will be a Nonstatutory Stock Option, and the shares purchased upon exercise of each type of Option will be separately accounted for. The terms and conditions of separate Options and SARs need not be identical; *provided, however*, that each Option Agreement and SAR Agreement will conform (through incorporation of provisions hereof by reference in the Award Agreement or otherwise) to the substance of each of the following provisions:

(a) **Term.** Subject to Section 3(b) regarding Ten Percent Stockholders, no Option or SAR will be exercisable after the expiration of ten years from the date of grant of such Award or such shorter period specified in the Award Agreement.

(b) **Exercise or Strike Price.** Subject to Section 3(b) regarding Ten Percent Stockholders, the exercise or strike price of each Option or SAR will not be less than 100% of the Fair Market Value on the date of grant of such Award. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise or strike price lower than 100% of the Fair Market Value on the date of grant of such Award if such Award is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Change in Control and in a manner consistent with the provisions of Sections 409A and, if applicable, 424(a) of the Code. Each SAR will be denominated in shares of Common Stock equivalents.

(c) **Exercise Procedure and Payment of Exercise Price for Options.** In order to exercise an Option, the Participant must provide notice of exercise to the Plan Administrator in accordance with the procedures specified in the Option Agreement. The Board has the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to utilize a particular method of payment. The exercise price of

A-2.

Table of Contents

an Option may be paid, to the extent permitted by Applicable Law and as determined by the Board, by one or more of the following methods of payment to the extent set forth in the Option Agreement:

- (i) by cash or check, bank draft or money order payable to the Company;
 - (ii) pursuant to a cashless exercise program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the Common Stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the exercise price to the Company from the sales proceeds;
 - (iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock that are already owned by the Participant free and clear of any liens, claims, encumbrances or security interests, with a Fair Market Value on the date of exercise that does not exceed the exercise price, provided that (A) at the time of exercise the Common Stock is publicly traded, (B) any remaining balance of the exercise price not satisfied by such delivery is paid by the Participant in cash or other permitted form of payment, (C) such delivery would not violate any Applicable Law or agreement restricting the redemption of the Common Stock, (D) any certificated shares are endorsed or accompanied by an executed assignment separate from certificate, and (E) such shares have been held by the Participant for any minimum period necessary to avoid adverse accounting treatment as a result of such delivery;
 - (iv) if the Option is a Nonstatutory Stock Option, by a net exercise arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value on the date of exercise that does not exceed the exercise price, provided that (A) any remaining balance of the exercise price not satisfied by such net exercise is paid by the Participant in cash or other permitted form of payment, and (B) shares of Common Stock will no longer be subject to such Option and will not be exercisable thereafter to the extent that shares issuable upon exercise are reduced to pay the exercise price pursuant to such net exercise; or
 - (v) in any other form of consideration that may be acceptable to the Board and permissible under Applicable Law.
- (d) **Exercise Procedure and Payment of Appreciation Distribution for SARs.** In order to exercise any SAR, the Participant must provide notice of exercise to the Plan Administrator in accordance with the SAR Agreement. The appreciation distribution payable to a Participant upon the exercise of a SAR will not be greater than an amount equal to the excess of (i) the aggregate Fair Market Value on the date of exercise of a number of shares of Common Stock equal to the number of Common Stock equivalents that are vested and being exercised under such SAR, over (ii) the strike price of such SAR. Such appreciation distribution may be paid to the Participant in the form of Common Stock or cash (or any combination of Common Stock and cash) or in any other form of payment, as determined by the Board and specified in the SAR Agreement.
- (e) **Transferability.** Options and SARs may not be transferred to third party financial institutions for value. The Board may impose such additional limitations on the transferability of an Option or SAR. In the absence of any such Determination, the following restrictions on the transferability of Options and SARs will apply, provided that except as explicitly provided herein, neither an Option nor a SAR may be transferred for consideration and *provided, further*, that if an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer:

- (i) **Restrictions on Transfer.** An Option or SAR will not be transferable, except by will or by the laws of descent and distribution, and will be exercisable during the lifetime of the Participant only by the Participant; *provided, however*, that the Board may permit transfer of an Option or SAR in a manner that is not prohibited by

applicable tax and securities laws upon the Participant's request, including to a trust if the Participant is considered to be the sole beneficial owner of such trust (as determined under Section 671 of the

A-3.

Table of Contents

Code and applicable state law) while such Option or SAR is held in such trust, provided that the Participant and the trustee enter into a transfer and other agreements required by the Company.

(ii) Domestic Relations Orders. Notwithstanding the foregoing, subject to the execution of transfer documentation in a format acceptable to the Company, an Option or SAR may be transferred pursuant to a domestic relations order.

(f) Vesting. Subject to Section 10(a) the Board may impose such restrictions on or conditions to the vesting and/or exercisability of an Option or SAR as determined by the Board and which may vary. Except as otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, vesting of Options and SARs will cease upon termination of the Participant's Continuous Service.

(g) Termination of Continuous Service. Subject to Section 4(h), if a Participant's Continuous Service terminates for any reason other than for Cause, the Participant may exercise his or her Option or SAR to the extent vested, but only within the following period of time or, if applicable, such other period of time provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate; *provided, however*, that in no event may such Award be exercised after the expiration of its maximum term (as set forth in Section 4(a)):

(i) three months following the date of such termination if such termination is a termination without Cause (other than any termination due to the Participant's Disability or death);

(ii) 12 months following the date of such termination if such termination is due to the Participant's Disability;

(iii) 18 months following the date of such termination if such termination is due to the Participant's death; or

(iv) 18 months following the date of the Participant's death if such death occurs following the date of such termination but during the period such Award is otherwise exercisable (as provided in (i) or (ii) above).

Following the date of such termination, to the extent the Participant does not exercise such Award within the applicable Post-Termination Exercise Period (or, if earlier, prior to the expiration of the maximum term of such Award), such unexercised portion of the Award will terminate, and the Participant will have no further right, title or interest in terminated Award, the shares of Common Stock subject to the terminated Award, or any consideration in respect of the terminated Award.

(h) Extension of Exercisability. Except as otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if a Participant's Continuous Service terminates for any reason other than for Cause and, at any time during the last thirty days of the applicable Post-Termination Exercise Period: (i) the exercise of the Participant's Option or SAR would be prohibited solely because the issuance of shares of Common Stock upon such exercise would violate Applicable Law, or (ii) the immediate sale of any shares of Common Stock issued upon such exercise would violate the Company's Trading Policy, then the applicable Post-Termination Exercise Period will be extended to the last day of the calendar month that commences following the date the Award would otherwise expire, with an additional extension of the exercise period to the last day of the next calendar month to apply if any of the foregoing restrictions apply at any time during such extended exercise period, generally without limitation as to the maximum permitted number of extensions); *provided, however*, that in no event may such Award be exercised after the expiration of its maximum term (as set forth in Section 4(a)).

Table of Contents

(i) **Termination of Continuous Service for Cause.** Except as explicitly otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if a Participant's Continuous Service is terminated for Cause, the Participant's Options and SARs will terminate and be forfeited immediately upon such termination of Continuous Service, and the Participant will be prohibited from exercising any portion (including any vested portion) of such Awards on and after the date of such termination of Continuous Service and the Participant will have no further right, title or interest in such forfeited Award, the shares of Common Stock subject to the forfeited Award, or any consideration in respect of the forfeited Award.

(j) **Non-Exempt Employees.** No Option or SAR, whether or not vested, granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, will be first exercisable for any shares of Common Stock until at least six months following the date of grant of such Award. Notwithstanding the foregoing, in accordance with the provisions of the Worker Economic Opportunity Act, any vested portion of such Award may be exercised earlier than six months following the date of grant of such Award in the event of (i) such Participant's death or Disability, (ii) a Change in Control in which such Award is not assumed, continued or substituted, or (iii) such Participant's retirement (as such term may be defined in the Award Agreement or another applicable agreement or, in the absence of any such definition, in accordance with the Company's then current employment policies and guidelines). This Section 4(j) is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay.

(k) **Whole Shares.** Options and SARs may be exercised only with respect to whole shares of Common Stock or their equivalents.

(l) **Dividends.** Dividends or dividend equivalents may not be paid or credited to options or SARs.

5. AWARDS OTHER THAN OPTIONS AND STOCK APPRECIATION RIGHTS.

(a) **Restricted Stock Awards and RSU Awards.** Each Restricted Stock Award and RSU Award will have such terms and conditions as determined by the Board. The terms and conditions of separate Restricted Stock Awards and RSU Awards need not be identical; *provided, however*, that each Restricted Stock Award Agreement and RSU Award Agreement will conform (through incorporation of the provisions hereof by reference in the Award Agreement or otherwise) to the substance of each of the following provisions:

(i) **Form of Award.**

(1) To the extent consistent with the Company's Bylaws, at the Board's election, shares of Common Stock subject to a Restricted Stock Award may be (i) held in book entry form subject to the Company's instructions until such shares become vested or any other restrictions lapse, or (ii) evidenced by a certificate, which certificate will be held in such form and manner as determined by the Board. Unless otherwise determined by the Board, a Participant will have voting and other rights as a stockholder of the Company with respect to any shares subject to a Restricted Stock Award.

(2) A RSU Award represents a Participant's right to be issued on a future date the number of shares of Common Stock that is equal to the number of restricted stock units subject to the RSU Award. As a holder of a RSU Award, a Participant is an unsecured creditor of the Company with respect to the Company's unfunded obligation, if any, to issue shares of Common Stock in settlement of such Award and nothing contained in the Plan or any RSU Agreement, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary

relationship between a Participant and the Company or an Affiliate or any other person. A Participant will not have voting or any other rights as a stockholder of the Company with respect to any RSU Award (unless and until shares are actually issued in settlement of a vested RSU Award).

A-5.

Table of Contents

(ii) Consideration.

(1) A Restricted Stock Award may be granted in consideration for (A) cash or check, bank draft or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of consideration (including future services) as the Board may determine and permissible under Applicable Law.

(2) Unless otherwise determined by the Board at the time of grant, a RSU Award will be granted in consideration for the Participant's services to the Company or an Affiliate, such that the Participant will not be required to make any payment to the Company (other than such services) with respect to the grant or vesting of the RSU Award, or the issuance of any shares of Common Stock pursuant to the RSU Award. If, at the time of grant, the Board determines that any consideration must be paid by the Participant (in a form other than the Participant's services to the Company or an Affiliate) upon the issuance of any shares of Common Stock in settlement of the RSU Award, such consideration may be paid in any form of consideration as the Board may determine and permissible under Applicable Law.

(iii) Vesting. Subject to Section 10(a) the Board may impose such restrictions on or conditions to the vesting of a Restricted Stock Award or RSU Award as determined by the Board and which may vary. Except as otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, vesting of Restricted Stock Awards and RSU Awards will cease upon termination of the Participant's Continuous Service.

(iv) Termination of Continuous Service. Except as otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if a Participant's Continuous Service terminates for any reason, (i) the Company may receive through a forfeiture condition or a repurchase right any or all of the shares of Common Stock held by the Participant under his or her Restricted Stock Award that have not vested as of the date of such termination as set forth in the Restricted Stock Award Agreement and (ii) any portion of his or her RSU Award that has not vested will be forfeited upon such termination and the Participant will have no further right, title or interest in the RSU Award, the shares of Common Stock issuable pursuant to the RSU Award, or any consideration in respect of the RSU Award.

(v) Dividends and Dividend Equivalents. Dividends or dividend equivalents may be paid or credited, as applicable, with respect to any shares of Common Stock subject to a Restricted Stock Award or RSU Award, as determined by the Board and specified in the Award Agreement; *provided, however*, that any dividends or dividend equivalents that are credited with respect to any such shares will be subject to all of the terms and conditions applicable to such shares under the terms of the Award Agreement (including, but not limited to, any vesting conditions). Any dividends or dividend equivalents that are credited with respect to any shares or share equivalents will be forfeited on the date such shares or share equivalents are forfeited to or repurchased by the Company due to a failure to vest. Dividends or dividend equivalents may not be paid or credited to Awards except in accordance with this Section.

(vi) Settlement of RSU Awards. A RSU Award may be settled by the issuance of shares of Common Stock or cash (or any combination thereof) or in any other form of payment, as determined by the Board and specified in the RSU Award Agreement. At the time of grant, the Board may determine to impose such restrictions or conditions that delay such delivery to a date following the vesting of the RSU Award.

(b) Performance Awards. With respect to any Performance Award, the length of any Performance Period, the Performance Goals to be achieved during the Performance Period, the other terms and conditions of such Award, and the measure of whether and to what degree such Performance Goals have been attained will be determined by the

Board. In addition, to the extent permitted by Applicable Law and set forth in the applicable Award Agreement, the Board may determine that cash may be used in payment of Performance Awards.

(c) **Other Awards.** Other forms of Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, including the appreciation in value thereof (e.g., options or stock rights with an

A-6.

Table of Contents

exercise price or strike price less than 100% of the Fair Market Value at the time of grant) may be granted either alone or in addition to Awards provided for under Section 4 and the preceding provisions of this Section 5. Subject to the provisions of the Plan, the Board will have sole and complete discretion to determine the persons to whom and the time or times at which such Other Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Awards and all other terms and conditions of such Other Awards.

6. ADJUSTMENTS UPON CHANGES IN COMMON STOCK; OTHER CORPORATE EVENTS.

(a) Capitalization Adjustments. In the event of a Capitalization Adjustment, the Board shall appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 2(a), (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 2(b), (iii) the class(es) and number of securities to be granted pursuant to the Automatic Grant Program, and (iv) the class(es) and number of securities and exercise price, strike price or purchase price of stock subject to outstanding Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. Notwithstanding the provisions of this Section 6(a), no fractional shares or rights for fractional shares of Common Stock shall be created pursuant to this Section 6(a). The Board shall determine an equivalent benefit for any fractional shares or fractional shares that might be created by the adjustments referred to in this Section 6(a).

(b) Dissolution or Liquidation. Except as otherwise provided in the Award Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Awards (other than Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Award is providing Continuous Service, *provided, however*, that the Board may determine to cause some or all Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) Change in Control. The following provisions will apply to Awards in the event of a Change in Control unless otherwise provided in the instrument evidencing the Award or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of the Award.

(i) Awards May Be Assumed. In the event of a Change in Control, any surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) may assume or continue any or all Awards outstanding under the Plan or may substitute similar stock awards for Awards outstanding under the Plan (including but not limited to, awards to acquire the same consideration paid to the stockholders of the Company pursuant to the Change in Control), and any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to Awards may be assigned by the Company to the successor of the Company (or the successor's parent company, if any), in connection with such Change in Control. A surviving corporation or acquiring corporation (or its parent) may choose to assume or continue only a portion of an Award or substitute a similar stock award for only a portion of a Award, or may choose to assume or continue the Awards held by some, but not all Participants. The terms of any assumption, continuation or substitution will be set by the Board.

(ii) Awards Held by Current Eligible Participants. In the event of a Change in Control in which the surviving corporation or acquiring corporation (or its parent company) does not assume or continue such outstanding Awards or substitute similar awards for such outstanding Awards, then with respect to Awards that have not been assumed, continued or substituted and that are held by Participants who are Employees or Directors and whose Continuous Service has not terminated prior to the effective time of the Change in Control

A-7.

Table of Contents

(referred to as the **Current Eligible Participants**), the vesting of such Awards (and, with respect to Options and Stock Appreciation Rights, the time when such Awards may be exercised) will be accelerated in full to a date prior to the effective time of such Change in Control (contingent upon the effectiveness of the Change in Control) as the Board determines (or, if the Board does not determine such a date, to the date that is five (5) days prior to the effective time of the Change in Control), and such Awards will terminate if not exercised (if applicable) at or prior to the effective time of the Change in Control, and any reacquisition or repurchase rights held by the Company with respect to such Awards will lapse (contingent upon the effectiveness of the Change in Control).

(iii) Awards Held by Persons other than Current Eligible Participants. In the event of a Change in Control in which the surviving corporation or acquiring corporation (or its parent company) does not assume or continue such outstanding Awards or substitute similar stock awards for such outstanding Awards, then with respect to Awards that have not been assumed, continued or substituted and that are held by persons other than Current Eligible Participants, such Awards will terminate if not exercised (if applicable) prior to the effective time of the Change in Control; *provided, however*, that any reacquisition or repurchase rights held by the Company with respect to such Awards will not terminate and may continue to be exercised notwithstanding the Change in Control.

(iv) Payment for Awards in Lieu of Exercise. Notwithstanding the foregoing, in the event a Award will terminate if not exercised prior to the effective time of a Change in Control, the Board may provide, in its sole discretion, that the holder of such Award may not exercise such Award but will receive a payment, in such form as may be determined by the Board, equal in value, at the effective time, to the excess, if any, of (A) the value of the property the Participant would have received upon the exercise of the Award (including, at the discretion of the Board, any unvested portion of such Award), over (B) any exercise price payable by such holder in connection with such exercise.

(d) Appointment of Stockholder Representative. As a condition to the receipt of an Award under this Plan, a Participant will be deemed to have agreed that the Award will be subject to the terms of any agreement governing a Change in Control involving the Company, including, without limitation, a provision for the appointment of a stockholder representative that is authorized to act on the Participant's behalf with respect to any escrow, indemnities and any contingent consideration.

(e) No Restriction on Right to Undertake Transactions. The grant of any Award under the Plan and the issuance of shares pursuant to any Award does not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, rights or options to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

7. AUTOMATIC GRANTS TO ELIGIBLE DIRECTORS.

(a) General. The Automatic Grant Program set forth in this Section 7 provides that Eligible Directors shall automatically receive the grant of certain Awards at designated intervals over their period of Continuous Service on the Board. For the avoidance of doubt, Awards granted under this Automatic Grant Program are subject to all the terms and conditions of the Plan. Each Option granted under this Automatic Grant Program shall (i) be a Nonstatutory Stock Option, (ii) have an exercise price equal to one hundred percent (100%) of the Fair Market Value on the date the Option is granted, and (iii) a maximum term of 10 years.

(b) Initial Awards. At the time an Eligible Director is first elected or appointed to serve on the Board such person shall, upon the date of his or her initial election or appointment as an Eligible Director, be

A-8.

Table of Contents

granted an Option to purchase 30,000 shares of Common Stock and a RSU Award in respect of 5,000 shares of Common Stock (each such Option and RSU Award an *Initial Award*). Initial Awards of Options shall vest monthly with respect to 1/36th of the shares over the three year period following the date of grant, subject to the Eligible Director's Continuous Service through the applicable vesting dates, so that the Option will be fully vested on the third anniversary of the date of grant. Initial Awards of RSU Awards shall vest annually with respect to 1/3rd of the shares over the three year period following the date of grant, subject to the Eligible Director's Continuous Service through the applicable vesting dates, so that the RSU Award is fully vested on the third anniversary of the date of grant.

(c) **Annual Awards.** On the date of each Annual Meeting, commencing with the Annual Meeting in 2018, each person who is then an Eligible Director and who has served as an Eligible Director on the Board for a period of at least six months shall be granted an Option to purchase 15,000 shares of Common Stock and a RSU Award in respect of 2,500 shares of Common Stock (each such Option and RSU Award an *Annual Award*). Annual Awards of Options shall vest monthly with respect to 1/12th of the shares over the one (1) year period following the date of grant, subject to the Eligible Director's Continuous Service through the applicable vesting dates, so that the Option will be fully vested on the first anniversary of the date of grant. Annual Awards of RSU Awards shall fully vest on the earlier of (i) the first anniversary of the date of grant or (ii) the day prior to the next annual meeting of stockholders, subject to the Eligible Director's Continuous Service through such date.

(d) **Vesting Upon Change in Control or Hostile Take-Over.** Each Option and RSU Award granted pursuant to this Automatic Grant Program shall automatically fully accelerate vesting immediately prior to the effectiveness of a Change in Control or Hostile Take-Over, subject to the Eligible Director's Continuous Service through the date of the Change in Control or Hostile Take Over, as applicable.

(e) **Vesting Upon Death or Disability.** If the Eligible Director's Continuous Service terminates due to death or Disability, such Eligible Director's Options and RSU Awards granted pursuant to this Automatic Grant Program shall automatically fully vest.

8. ADMINISTRATION.

(a) **Administration by Board.** The Board will administer the Plan unless and until the Board delegates administration of the Plan to a Committee or Committees, as provided in Section 8(d).

(b) **Powers of Board.** Except with respect to the Automatic Grant Program, the Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time (A) which of the persons eligible under the Plan will be granted Awards; (B) when and how each Award will be granted; (C) what type or combination of types of Award will be granted; (D) the provisions of each Award granted (which need not be identical), including the time or times when a person will be permitted to receive cash or Common Stock pursuant to an Award; (E) the number of shares of Common Stock with respect to which an Award will be granted to each such person; and (F) the Fair Market Value applicable to an Award.

(ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement in a manner and to the extent it deems necessary or expedient to make the Plan or Award fully effective.

- (iii)** To settle all controversies regarding the Plan and Awards granted under it.

- (iv)** To accelerate the time at which an Award may first be exercised or the time during which an Award or any part thereof will vest, notwithstanding the provisions in the Award Agreement stating the time at which it may first be exercised or the time during which it will vest, including in connection with a Change in Control or Hostile Take-Over.

A-9.

Table of Contents

- (v) To prohibit the exercise of any Option, SAR or other exercisable Award during a period of up to thirty days prior to the consummation of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares of Common Stock or the share price of the Common Stock including any Change in Control, for reasons of administrative convenience.
- (vi) To suspend or terminate the Plan at any time. Suspension or termination of the Plan will not impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant.
- (vii) To amend the Plan in any respect the Board deems necessary or advisable, provided that stockholder approval will be required to the extent required by Applicable Law. Except as provided above, rights under any Award granted before amendment of the Plan will not be impaired by any amendment of the Plan unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.
- (viii) To submit any amendment to the Plan for stockholder approval.
- (ix) To approve forms of Award Agreements for use under the Plan and to amend the terms of any one or more Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; *provided however*, that except with respect to amendments that disqualify or impair the status of an Incentive Stock Option, a Participant's rights under any Award will not be impaired by any such amendment unless (A) the Company requests the consent of the affected Participant, and (B) such Participant consents in writing. Notwithstanding the foregoing, (1) a Participant's rights will not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights, including, but not limited, to, an amendment that imposes reasonable restrictions on the minimum number of shares subject to an Option that may be exercised, and (2) subject to the limitations of Applicable Law, if any, the Board may amend the terms of any one or more Awards without the affected Participant's consent (A) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (B) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award solely because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (C) to clarify the manner of exemption from, or to bring the Award into compliance with or qualify it for an exemption from, Section 409A; or (D) to comply with other Applicable Laws.
- (x) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Awards.
- (xi) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States.
- (c) **Administration of Automatic Grant Program.** The Board shall have the power, subject to and within the limitations of, the express provisions of the Automatic Grant Program:
- (i) To determine the provisions of each Award to the extent not specified in the Automatic Grant Program.
- (ii) To construe and interpret the Automatic Grant Program and the Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of

A-10.

Table of Contents

this power, may correct any defect, omission or inconsistency in the Automatic Grant Program or in any Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Automatic Grant Program fully effective.

(iii) To amend the terms of the Automatic Grant Program or an Award granted thereunder, except that rights under any such Award granted before amendment of the Automatic Grant Program shall not be impaired by any amendment of the Automatic Grant Program unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Automatic Grant Program.

(d) Delegation to Committee.

(i) **General.** The Board may delegate some or all of the administration of the Plan (except the Automatic Grant Program) to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Committee may, at any time, abolish the subcommittee and/or revest in the Committee any powers delegated to the subcommittee. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revest in the Board some or all of the powers previously delegated. As of the Effective Date the Board has delegated administration of the Plan to the Compensation Committee.

(ii) **Rule 16b-3 Compliance.** The Committee may consist solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. In addition, the Board or the Committee, in its sole discretion, may delegate to a Committee who need not be Non-Employee Directors the authority to grant Awards to eligible persons who are not then subject to Section 16 of the Exchange Act.

(e) **Effect of Board's Decision.** All determinations, interpretations and constructions made by the Board or any Committee in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

(f) **Cancellation and Re-Grant of Awards.** Neither the Board nor any Committee will have the authority to: (i) reduce the exercise price or strike price of any outstanding Options or SARs under the Plan, or (ii) cancel any outstanding Options or SARs that have an exercise price or strike price greater than the current Fair Market Value in exchange for cash or other Awards under the Plan, unless the stockholders of the Company have approved such an action within twelve months prior to such an event.

(g) **Delegation to an Officer.** The Board or any Committee may delegate to one or more Officers the authority to do one or both of the following (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by Applicable Law, other Awards) and, to the extent permitted by Applicable Law, the terms thereof, and (ii) determine the number of shares of Common Stock to be subject to such Awards granted to such Employees; *provided, however*, that the resolutions evidencing such delegation will specify the total number of shares of Common Stock that may be subject to the Awards granted by such Officer and that such Officer may not grant an

Award to himself or herself. Any such Awards will be granted on the form of Award Agreement most recently approved for use by the Board or the Committee, unless otherwise provided in the resolutions approving the delegation authority. Notwithstanding anything to the contrary herein, neither the Board nor any Committee may delegate to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) the authority to determine the Fair Market Value.

A-11.

Table of Contents

9. TAX WITHHOLDING

(a) **Withholding Authorization.** As a condition to acceptance of any Award under the Plan, a Participant authorizes withholding from payroll and any other amounts payable to such Participant, and otherwise agree to make adequate provision for (including), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with the exercise, vesting or settlement of such Award, as applicable. Accordingly, a Participant may not be able to exercise an Award even though the Award is vested, and the Company shall have no obligation to issue shares of Common Stock subject to an Award, unless and until such obligations are satisfied.

(b) **Satisfaction of Withholding Obligation.** To the extent permitted by the terms of an Award Agreement, the Company may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Award; (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; (v) by means of a cashless exercise pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board, or (vi) by such other method as may be set forth in the Award Agreement.

(c) **Withholding Indemnification.** As a condition to accepting an Award under the Plan, in the event that the amount of the Company's withholding obligation in connection with such Award was greater than the amount actually withheld by the Company, each Participant agrees to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

10. MISCELLANEOUS.

(a) **Minimum Vesting Requirements.** No Award may vest (or, if applicable, be exercisable) until at least twelve months following the date of grant of the Award; provided, however, that up to five percent (5%) of the Share Reserve may be subject to Awards that do not meet such vesting (and, if applicable, exercisability) requirements.

(b) **Source of Shares.** The stock issuable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

(c) **Use of Proceeds from Sales of Common Stock.** Proceeds from the sale of shares of Common Stock pursuant to Awards will constitute general funds of the Company.

(d) **Corporate Action Constituting Grant of Awards.** Corporate action constituting a grant by the Company of an Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action approving the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Agreement or related grant documents as a result of a clerical error in the papering of the Award Agreement or related grant documents, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement or related grant documents.

(e) **Stockholder Rights.** No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Award unless and until (i) such Participant has

satisfied all requirements for exercise of the Award pursuant to its terms, if applicable, and (ii) the issuance of the Common Stock subject to such Award is reflected in the records of the Company.

A-12.

Table of Contents

(f) No Employment or Other Service Rights. Nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or affect the right of the Company or an Affiliate to terminate at will and without regard to any future vesting opportunity that a Participant may have with respect to any Award (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be. Further, nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award will constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or service or confer any right or benefit under the Award or the Plan unless such right or benefit has specifically accrued under the terms of the Award Agreement and/or Plan.

(g) Change in Time Commitment. In the event a Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence) after the date of grant of any Award to the Participant, the Board may determine, to the extent permitted by Applicable Law, to (x) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (y) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

(h) Incentive Stock Option \$100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds \$100,000 (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(i) Execution of Additional Documents. As a condition to accepting an Award under the Plan, the Participant agrees to execute any additional documents or instruments necessary or desirable, as determined in the Plan Administrator's sole discretion, to carry out the purposes or intent of the Award, or facilitate compliance with securities and/or other regulatory requirements, in each case at the Plan Administrator's request.

(j) Electronic Delivery and Participation. Any reference herein or in an Award Agreement to a written agreement or document will include any agreement or document delivered electronically, filed publicly at www.sec.gov (or any successor website thereto) or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which the Participant has access). By accepting any Award the Participant consents to receive documents by electronic delivery and to participate in the Plan through any on-line electronic system established and maintained by the Plan Administrator or another third party selected by the Plan Administrator. The form of delivery of any Common Stock (*e.g.*, a stock certificate or electronic entry evidencing such shares) shall be determined by the Company.

(k) Clawback/Recovery. All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities

exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other Applicable Law. In

A-13.

Table of Contents

addition, the Board may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Board determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a Participant's right to voluntarily terminate employment upon a resignation for good reason, or for a constructive termination or any similar term under any plan of or agreement with the Company.

(l) Securities Law Compliance. A Participant will not be issued any shares in respect of an Award unless either (i) the shares are registered under the Securities Act; or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Each Award also must comply with other Applicable Law governing the Award, and a Participant will not receive such shares if the Company determines that such receipt would not be in material compliance with Applicable Law.

(m) Transfer or Assignment of Awards; Issued Shares. Except as expressly provided in the Plan or the form of Award Agreement, Awards granted under the Plan may not be transferred or assigned by the Participant. After the vested shares subject to an Award have been issued, or in the case of Restricted Stock and similar awards, after the issued shares have vested, the holder of such shares is free to assign, hypothecate, donate, encumber or otherwise dispose of any interest in such shares provided that any such actions are in compliance with the provisions herein, the terms of the Trading Policy and Applicable Law.

(n) Effect on Other Employee Benefit Plans. The value of any Award granted under the Plan, as determined upon grant, vesting or settlement, shall not be included as compensation, earnings, salaries, or other similar terms used when calculating any Participant's benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

(o) Deferrals. To the extent permitted by Applicable Law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may also establish programs and procedures for deferral elections to be made by Participants. Deferrals by will be made in accordance with the requirements of Section 409A.

(p) Section 409A. Unless otherwise expressly provided for in an Award Agreement, the Plan and Award Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A, and, to the extent not so exempt, in compliance with the requirements of Section 409A. If the Board determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Agreement. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the shares of Common Stock are publicly traded, and if a Participant holding an Award that constitutes deferred compensation under Section 409A is a specified employee for purposes of Section 409A, no distribution or payment of any amount that is due because of a separation from service (as defined in Section 409A without regard to alternative definitions thereunder) will be issued or paid before the date that is six months and one day following the date of such Participant's separation from service or, if earlier, the date of the Participant's death, unless such distribution or payment can be made in a manner that complies with Section 409A, and any amounts so deferred will be paid in a lump sum on the day after such six month period elapses, with the balance paid thereafter on the original schedule.

(q) Data Privacy. By accepting an Award granted under the Plan, a Participant thereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of such Participant's personal data as described herein by and among, as applicable, the Employer, and the Company and its other

A-14.

Table of Contents

Affiliates and the Plan Administrator for the exclusive purpose of implementing, administering and managing such Participant's participation in the Plan. Each Participant understands that the Company and the Employer may hold certain personal information about such Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to ordinary shares awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan (the **Data**). Each Participant understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that the recipients' country (*e.g.*, the United States) may have different data privacy laws and protections than the Participant's country. Each Participant understands that such Participant may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant's local human resources representative. Each Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom such Participant may elect to deposit any ordinary shares acquired pursuant to an Award. Each Participant understands that Data will be held only as long as is necessary to implement, administer and manage such Participant's participation in the Plan. Each Participant understands that such Participant may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, without cost, by contacting in writing such Participant's local human resources representative. Each Participant understands, however, that refusing or withdrawing such Participant's consent may affect such Participant's ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, each Participant understands that such Participant may contact his or her local human resources representative.

(r) Choice of Law. This Plan and any controversy arising out of or relating to this Plan shall be governed by, and construed in accordance with, the internal laws of the State of California, without regard to conflict of law principles that would result in any application of any law other than the law of the State of California.

11. COVENANTS OF THE COMPANY.

(a) Securities Law Compliance. The Company will seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Awards and to issue and sell shares of Common Stock upon exercise of the Awards; *provided, however*, that this undertaking will not require the Company to register under the Securities Act the Plan, any Award or any Common Stock issued or issuable pursuant to any such Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Awards unless and until such authority is obtained. A Participant is not eligible for the grant of an Award or the subsequent issuance of Common Stock pursuant to the Award if such grant or issuance would be in violation of any Applicable Law.

(b) No Obligation to Notify or Minimize Taxes; No Liability for Taxes. The Company has no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Award. Furthermore, the Company has no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Award to the holder of such Award and will not be liable to any holder of an Award for any adverse tax consequences to such holder in connection with an Award. As a condition to accepting an

Award under the Plan, each Participant (i) agrees to not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from such Award or other Company compensation and (ii) acknowledges that such Participant was

A-15.

Table of Contents

advised to consult with his or her own personal tax, financial and other legal advisors regarding the tax consequences of the Award and has either done so or knowingly and voluntarily declined to do so. Additionally, each Participant acknowledges any Option or SAR granted under the Plan is exempt from Section 409A only if the exercise or strike price is at least equal to the fair market value of the Common Stock on the date of grant as determined by the Internal Revenue Service and there is no other impermissible deferral of compensation associated with the Award. Additionally, as a condition to accepting an Option or SAR granted under the Plan, each Participant agrees not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates in the event that the Internal Revenue Service asserts that such exercise price or strike price is less than the fair market value of the Common Stock on the date of grant as subsequently determined by the Internal Revenue Service.

12. ADDITIONAL RULES FOR AWARDS SUBJECT TO SECTION 409A.

(a) Application. Unless the provisions of this Section 12 of the Plan are expressly superseded by the provisions in the form of Award Agreement, the provisions of this Section 12 shall apply and shall supersede anything to the contrary set forth in the Award Agreement for a Non-Exempt Award.

(b) Non-Exempt Awards Subject to Non-Exempt Severance Arrangements. To the extent a Non-Exempt Award is subject to Section 409A due to application of a Non-Exempt Severance Arrangement, the following provisions of Section 12(b) apply.

(i) If the Non-Exempt Award vests in the ordinary course during the Participant's Continuous Service in accordance with the vesting schedule set forth in the Award Agreement, and does not accelerate vesting under the terms of a Non-Exempt Severance Arrangement, in no event will the shares be issued in respect of such Non-Exempt Award any later than the later of: (i) December 31st of the calendar year that includes the applicable vesting date, or (ii) the 60th day that follows the applicable vesting date.

(ii) If vesting of the Non-Exempt Award accelerates under the terms of a Non-Exempt Severance Arrangement in connection with the Participant's Separation from Service, and such vesting acceleration provisions were in effect as of the date of grant of the Non-Exempt Award and, therefore, are part of the terms of such Non-Exempt Award as of the date of grant, then the shares will be earlier issued in settlement of such Non-Exempt Award upon the Participant's Separation from Service in accordance with the terms of the Non-Exempt Severance Arrangement, but in no event later than the 60th day that follows the date of the Participant's Separation from Service. However, if at the time the shares would otherwise be issued the Participant is subject to the distribution limitations contained in Section 409A applicable to specified employees, as defined in Section 409A(a)(2)(B)(i) of the Code, such shares shall not be issued before the date that is six months following the date of such Participant's Separation from Service, or, if earlier, the date of the Participant's death that occurs within such six month period.

(iii) If vesting of a Non-Exempt Award accelerates under the terms of a Non-Exempt Severance Arrangement in connection with a Participant's Separation from Service, and such vesting acceleration provisions were not in effect as of the date of grant of the Non-Exempt Award and, therefore, are not a part of the terms of such Non-Exempt Award on the date of grant, then such acceleration of vesting of the Non-Exempt Award shall not accelerate the issuance date of the shares, but the shares shall instead be issued on the same schedule as set forth in the Grant Notice as if they had vested in the ordinary course during the Participant's Continuous Service, notwithstanding the vesting acceleration of the Non-Exempt Award. Such issuance schedule is intended to satisfy the requirements of payment on a specified date or pursuant to a fixed schedule, as provided under Treasury Regulations Section 1.409A-3(a)(4).

(c) Treatment of Non-Exempt Awards Upon a Change in Control for Employees and Consultants. The provisions of this Section 12(c) shall apply and shall supersede anything to the contrary set forth in the Plan with respect to the permitted treatment of any Non-Exempt Award in connection with a Change in Control if the Participant was either an Employee or Consultant upon the applicable date of grant of the Non-Exempt Award.

A-16.

Table of Contents

(i) Vested Non-Exempt Awards: The following provisions shall apply to any Vested Non-Exempt Award in connection with a Change in Control:

(1) If the Change in Control is also a Section 409A Change in Control then the Acquiring Entity may not assume, continue or substitute the Vested Non-Exempt Award. Upon the Section 409A Change of Control the settlement of the Vested Non-Exempt Award will automatically be accelerated and the shares will be immediately issued in respect of the Vested Non-Exempt Award. Alternatively, the Company may instead provide that the Participant will receive a cash settlement equal to the Fair Market Value of the shares that would otherwise be issued to the Participant upon the Section 409A Change of Control.

(2) If the Change in Control is not also a Section 409A Change of Control, then the Acquiring Entity must either assume, continue or substitute each Vested Non-Exempt Award. The shares to be issued in respect of the Vested Non-Exempt Award shall be issued to the Participant by the Acquiring Entity on the same schedule that the shares would have been issued to the Participant if the Change in Control had not occurred. In the Acquiring Entity's discretion, in lieu of an issuance of shares, the Acquiring Entity may instead substitute a cash payment on each applicable issuance date, equal to the Fair Market Value of the shares that would otherwise be issued to the Participant on such issuance dates, with the determination of the Fair Market Value of the shares made on the date of the Change in Control.

(ii) Unvested Non-Exempt Awards. The following provisions shall apply to any Unvested Non-Exempt Award unless otherwise determined by the Board pursuant to Section 12(e).

(1) In the event of a Change in Control, the Acquiring Entity shall assume, continue or substitute any Unvested Non-Exempt Award. Unless otherwise determined by the Board, any Unvested Non-Exempt Award will remain subject to the same vesting and forfeiture restrictions that were applicable to the Award prior to the Change in Control. The shares to be issued in respect of any Unvested Non-Exempt Award shall be issued to the Participant by the Acquiring Entity on the same schedule that the shares would have been issued to the Participant if the Change in Control had not occurred. In the Acquiring Entity's discretion, in lieu of an issuance of shares, the Acquiring Entity may instead substitute a cash payment on each applicable issuance date, equal to the Fair Market Value of the shares that would otherwise be issued to the Participant on such issuance dates, with the determination of Fair Market Value of the shares made on the date of the Change in Control.

(2) If the Acquiring Entity will not assume, substitute or continue any Unvested Non-Exempt Award in connection with a Change in Control, then such Award shall automatically terminate and be forfeited upon the Change in Control with no consideration payable to any Participant in respect of such forfeited Unvested Non-Exempt Award. Notwithstanding the foregoing, to the extent permitted and in compliance with the requirements of Section 409A, the Board may in its discretion determine to elect to accelerate the vesting and settlement of the Unvested Non-Exempt Award upon the Change in Control, or instead substitute a cash payment equal to the Fair Market Value of such shares that would otherwise be issued to the Participant, as further provided in Section 12(e)(ii) below. In the absence of such discretionary election by the Board, any Unvested Non-Exempt Award shall be forfeited without payment of any consideration to the affected Participants if the Acquiring Entity will not assume, substitute or continue the Unvested Non-Exempt Awards in connection with the Change in Control.

(3) The foregoing treatment shall apply with respect to all Unvested Non-Exempt Awards upon any Change in Control, and regardless of whether or not such Change in Control is also a Section 409A Change of Control.

(d) Treatment of Non-Exempt Awards Upon a Change in Control for Non-Employee Directors. The following provisions of this Section 12(d) shall apply and shall supersede anything to the contrary that may be set forth in the

Plan with respect to the permitted treatment of a Non-Exempt Director Award in connection with a Change in Control.

A-17.

Table of Contents

(i) If the Change in Control is also a Section 409A Change of Control then the Acquiring Entity may not assume, continue or substitute the Non-Exempt Director Award. Upon the Section 409A Change of Control the vesting and settlement of any Non-Exempt Director Award will automatically be accelerated and the shares will be immediately issued to the Participant in respect of the Non-Exempt Director Award. Alternatively, the Company may provide that the Participant will instead receive a cash settlement equal to the Fair Market Value of the shares that would otherwise be issued to the Participant upon the Section 409A Change of Control pursuant to the preceding provision.

(ii) If the Change in Control is not also a Section 409A Change of Control, then the Acquiring Entity must either assume, continue or substitute the Non-Exempt Director Award. Unless otherwise determined by the Board, the Non-Exempt Director Award will remain subject to the same vesting and forfeiture restrictions that were applicable to the Award prior to the Change in Control. The shares to be issued in respect of the Non-Exempt Director Award shall be issued to the Participant by the Acquiring Entity on the same schedule that the shares would have been issued to the Participant if the Change in Control had not occurred. In the Acquiring Entity's discretion, in lieu of an issuance of shares, the Acquiring Entity may instead substitute a cash payment on each applicable issuance date, equal to the Fair Market Value of the shares that would otherwise be issued to the Participant on such issuance dates, with the determination of Fair Market Value made on the date of the Change in Control.

(e) If the RSU Award is a Non-Exempt Award, then the provisions in this Section 12(e) shall apply and supersede anything to the contrary that may be set forth in the Plan or the Award Agreement with respect to the permitted treatment of such Non-Exempt Award:

(i) Any exercise by the Board of discretion to accelerate the vesting of a Non-Exempt Award shall not result in any acceleration of the scheduled issuance dates for the shares in respect of the Non-Exempt Award unless earlier issuance of the shares upon the applicable vesting dates would be in compliance with the requirements of Section 409A.

(ii) The Company explicitly reserves the right to earlier settle any Non-Exempt Award to the extent permitted and in compliance with the requirements of Section 409A, including pursuant to any of the exemptions available in Treasury Regulations Section 1.409A-3(j)(4)(ix).

(iii) To the extent the terms of any Non-Exempt Award provide that it will be settled upon a Change in Control or Change in Control, to the extent it is required for compliance with the requirements of Section 409A, the Change in Control or Change in Control event triggering settlement must also constitute a Section 409A Change of Control. To the extent the terms of a Non-Exempt Award provides that it will be settled upon a termination of employment or termination of Continuous Service, to the extent it is required for compliance with the requirements of Section 409A, the termination event triggering settlement must also constitute a Separation From Service. However, if at the time the shares would otherwise be issued to a Participant in connection with a separation from service such Participant is subject to the distribution limitations contained in Section 409A applicable to specified employees, as defined in Section 409A(a)(2)(B)(i) of the Code, such shares shall not be issued before the date that is six months following the date of the Participant's Separation From Service, or, if earlier, the date of the Participant's death that occurs within such six month period.

(iv) The provisions in Section 12(e) for delivery of the shares in respect of the settlement of a RSU Award that is a Non-Exempt Award are intended to comply with the requirements of Section 409A so that the delivery of the shares to the Participant in respect of such Non-Exempt Award will not trigger the additional tax imposed under Section 409A, and any ambiguities herein will be so interpreted.

Table of Contents

13. SEVERABILITY.

If all or any part of the Plan or any Award Agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of the Plan or such Award Agreement not declared to be unlawful or invalid. Any Section of the Plan or any Award Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

14. TERMINATION OF THE PLAN.

The Board may suspend or terminate the Plan at any time. No Incentive Stock Options may be granted after the tenth anniversary of the earlier of: (i) the Adoption Date, or (ii) the Effective Date. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

15. DEFINITIONS.

As used in the Plan, the following definitions apply to the capitalized terms indicated below:

- (a) **Acquiring Entity** means the surviving or acquiring corporation (or its parent company) in connection with a Change in Control.
- (b) **Adoption Date** means the date the Plan is first approved by the Compensation Committee of the Board.
- (c) **Affiliate** means, at the time of determination, any parent or subsidiary of the Company as such terms are defined in Rule 405 promulgated under the Securities Act. The Board may Determine the time or times at which parent or subsidiary status is determined within the foregoing definition.
- (d) **Applicable Law** means shall mean any applicable securities, federal, state, foreign, material local or municipal or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, listing rule, regulation, judicial decision, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body (or under the authority of the NASDAQ Stock Market or the Financial Industry Regulatory Authority).
- (e) **Appreciation Award** means (i) a stock option or stock appreciation right granted under any of the Prior Plans or (ii) an Option or SAR granted under the Plan, in each case with respect to which the exercise or strike price is at least 100% of the Fair Market Value of the Common Stock subject to the option or stock appreciation right as applicable, on the date of grant.
- (f) **Automatic Grant Program** means the grant program in effect for Eligible Directors under Section 7 of the Plan.
- (g) **Award** means any right to receive Common Stock granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, a RSU Award, a SAR, a Performance Award or any Other Award.
- (h) **Award Agreement** means a written agreement between the Company and a Participant evidencing the terms and conditions of an Award. The Award Agreement generally consists of the Grant Notice and General Terms and

Conditions.

(i) **Board** means the Board of Directors of the Company. Any decision or determination made by the Board shall be a decision or determination that is made in the sole discretion of the Board (or its designee), and such decision or determination shall be final and binding on all Participants.

A-19.

Table of Contents

(j) **Capitalization Adjustment** means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Award after the Effective Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(k) **Cause** has the meaning ascribed to such term in any written agreement between the Participant and the Company defining such term and, in the absence of such agreement, such term means, with respect to a Participant, the occurrence of any of the following events that has a material negative impact on the business or reputation of the Company: (i) such Participant's attempted commission of, or participation in, a fraud or act of dishonesty against the Company; (ii) such Participant's intentional, material violation of any contract or agreement between the Participant and the Company or of any statutory duty owed to the Company; (iii) such Participant's unauthorized use or disclosure of the Company's confidential information or trade secrets; or (iv) such Participant's gross misconduct. The determination that a termination of the Participant's Continuous Service is either for Cause or without Cause will be made by the Board with respect to Participants who are executive officers of the Company and by the Company's Chief Executive Officer with respect to Participants who are not executive officers of the Company. Any determination by the Company that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Company or such Participant for any other purpose.

(l) **Change in Control** or **Change of Control** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events constituting a change in ownership or Control of the Company; provided, however, to the extent necessary to avoid adverse personal income tax consequences to the Participant in connection with an Award, such transaction also constitutes a Section 409A Change of Control:

(i) a merger, consolidation or other reorganization approved by the Company's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company's outstanding voting securities immediately prior to such transaction,

(ii) a stockholder-approved sale, transfer or other disposition of all or substantially all of the Company's assets in complete liquidation or dissolution of the Company, or

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a group within the meaning of Rule 13d-5(b)(1) of the Exchange Act (other than the Company or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Company) becomes directly or indirectly the beneficial owner (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of the Company's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Company or the acquisition of outstanding securities held by one or more of the Company's existing stockholders.

Notwithstanding the foregoing or any other provision of this Plan, (A) the term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the

A-20.

Table of Contents

domicile of the Company, and (B) the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant shall supersede the foregoing definition with respect to Awards subject to such agreement; *provided, however*, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition shall apply.

(m) **Code** means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(n) **Committee** means the Compensation Committee and any other committee of Directors to whom authority has been delegated by the Board or Compensation Committee in accordance with Section 8(d).

(o) **Common Stock** means the common stock of the Company.

(p) **Company** means Sangamo Therapeutics, Inc., a Delaware corporation.

(q) **Compensation Committee** means the Compensation Committee of the Board.

(r) **Consultant** means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a Consultant for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form S-8 Registration Statement under the Securities Act is available to register either the offer or the sale of the Company's securities to such person.

(s) **Continuous Service** means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Director or Consultant or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's service with the Company or an Affiliate, will not terminate a Participant's Continuous Service; *provided, however*, that if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board, such Participant's Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or to a Director will not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. Notwithstanding the foregoing, a leave of absence will be treated as Continuous Service for purposes of vesting in an Award only to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law. In addition, to the extent required for exemption from or compliance with Section 409A, the determination of whether there has been a termination of Continuous Service will be made, and such term will be construed, in a manner that is consistent with the definition of "separation from service" as defined under Treasury Regulation Section 1.409A-1(h) (without regard to any alternative definition thereunder).

(t) **Director** means a member of the Board.

(u) **Disability** means, with respect to a Participant, such Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, as provided in Section 22(e)(3) of the Code, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

A-21.

Table of Contents

- (v) ***Effective Date*** means the date of the annual meeting of stockholders of the Company held in 2018 provided this Plan is approved by the Company's stockholders at such meeting.
- (w) ***Eligible Director*** means a Director who is not an Employee.
- (x) ***Employee*** means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an Employee for purposes of the Plan.
- (y) ***Employer*** means the Company or the Affiliate of the Company that employs the Participant.
- (z) ***Entity*** means a corporation, partnership, limited liability company or other entity.
- (aa) ***Exchange Act*** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.
- (bb) ***Exchange Act Person*** means any natural person, Entity or group (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that Exchange Act Person will not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or group (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities.
- (cc) ***Fair Market Value*** means, as of any date, the value of the Common Stock (as determined on a per share or aggregate basis, as applicable) determined as follows:
- (i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value will be the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.
- (ii) If there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value will be the closing selling price on the last preceding date for which such quotation exists.
- (iii) In the absence of such markets for the Common Stock, or if otherwise determined by the Board, the Fair Market Value will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.
- (dd) ***Full Value Award*** means an Award granted under the Plan or an award granted under the Prior Plans that is not an Appreciation Award.
- (ee) ***General Terms and Conditions*** means the written summary of the general terms and conditions applicable to an Award and which is provided to a Participant along with the Grant Notice.
- (ff) ***Governmental Body*** means any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government;

(c) governmental or regulatory body, or quasi-governmental body of any nature (including any

A-22.

Table of Contents

governmental division, department, administrative agency or bureau, commission, authority, instrumentality, official, ministry, fund, foundation, center, organization, unit, body or Entity and any court or other tribunal, and for the avoidance of doubt, any Tax authority) or other body exercising similar powers or authority; or (d) self-regulatory organization (including the NASDAQ Stock Market and the Financial Industry Regulatory Authority).

(gg) Grant Notice means the written notice provided to a Participant that he or she has been granted an Award under the Plan and which includes the name of the Participant, the type of Award, the date of grant of the Award, number of shares of Common Stock subject to the Award (if any), the vesting schedule for the Award (if any) and other key terms applicable to the Award.

(hh) Hostile Take-Over means a change in ownership or control of the Company effected through either of the following transactions:

(i) a change in the composition of the Board over a period of thirty-six (36) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination, or

(ii) a Hostile Tender-Offer.

(ii) Hostile Tender-Offer means the acquisition, directly or indirectly, by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders which the Board does not recommend such stockholders to accept.

(jj) Incentive Stock Option means an option granted pursuant to Section 4 of the Plan that is intended to be, and qualifies as, an incentive stock option within the meaning of Section 422 of the Code.

(kk) Non-Employee Director means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act (*Regulation S-K*)), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a non-employee director for purposes of Rule 16b-3.

(ll) Non-Exempt Award means any Award that is subject to, and not exempt from, Section 409A, including as the result of (i) a deferral of the issuance of the shares subject to the Award which is elected by the Participant or imposed by the Company, (ii) the terms of any Non-Exempt Severance Agreement.

(mm) Non-Exempt Director Award means a Non-Exempt Award granted to a Participant who was a Director but not an Employee on the applicable grant date.

(nn) *Non-Exempt Severance Arrangement* means a severance arrangement or other agreement between the Participant and the Company that provides for acceleration of vesting of an Award and issuance of the shares in respect of such Award upon the Participant's termination of employment or separation from service (as such term is defined in Section 409A(a)(2)(A)(i) of the Code (and without regard to any alternative definition

A-23.

Table of Contents

thereunder) (*Separation from Service*) and such severance benefit does not satisfy the requirements for an exemption from application of Section 409A provided under Treasury Regulations Section 1.409A-1(b)(4), 1.409A-1(b)(9) or otherwise.

(oo) *Nonstatutory Stock Option* means any option granted pursuant to Section 4 of the Plan that does not qualify as an Incentive Stock Option.

(pp) *Officer* means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(qq) *Option* means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(rr) *Option Agreement* means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an Option grant and which includes the Option Grant Notice and the Option Terms and Conditions. Each Option Agreement will be subject to the terms and conditions of the Plan.

(ss) *Optionholder* means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(tt) *Other Award* means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 5(c).

(uu) *Other Award Agreement* means a written agreement between the Company and a holder of an Other Award evidencing the terms and conditions of an Other Award grant. Each Other Award Agreement will be subject to the terms and conditions of the Plan.

(vv) *Own, Owned, Owner, Ownership* means that a person or Entity will be deemed to Own, to have Own, to be the Owner of, or to have acquired Ownership of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(ww) *Participant* means an Employee, Director or Consultant to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.

(xx) *Performance Criteria* means the one or more criteria that the Board will select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that will be used to establish such Performance Goals may be based on any one of, or combination of, the following as determined by the Board: (i) earnings (including earnings per share and net earnings); (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization; (iv) earnings before interest, taxes, depreciation, amortization and legal settlements; (v) earnings before interest, taxes, depreciation, amortization, legal settlements and other income (expense); (vi) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense) and stock-based compensation; (vii) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense), stock-based compensation and changes in deferred revenue; (viii) total stockholder return; (ix) return on equity or average stockholder's equity; (x) return on assets, investment, or capital employed; (xi) stock price; (xii) profit (including gross profit) and/or margin (including gross margin); (xiii) income (before or after taxes); (xiv) operating income; (xv) operating income after taxes; (xvi) pre-tax profit; (xvii) operating cash flow; (xviii) sales or revenue targets; (xix) increases in revenue or product revenue; (xx) expenses and cost

reduction goals; (xxi) improvement in or attainment of working capital levels; (xxii) economic value added (or an equivalent metric); (xxiii) market share; (xxiv) cash flow; (xxv) cash flow per share; (xxvi) share price performance; (xxvii) debt reduction; (xxviii) implementation or completion of projects or processes; (xxix) employee retention; (xxx) stockholders

A-24.

Table of Contents

equity; (xxxix) capital expenditures; (xxxii) debt levels; (xxxiii) operating profit or net operating profit; (xxxiv) workforce diversity; (xxxv) growth of net income or operating income; (xxxvi) billings; (xxxvii) bookings; (xxxviii) and other measures of performance selected by the Board.

(yy) Performance Goals means, for a Performance Period, the one or more goals established by the Board for the Performance Period based upon the Performance Criteria. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise by the Board (i) in the Award Agreement at the time the Award is granted or (ii) in such other document setting forth the Performance Goals at the time the Performance Goals are established, the Board will appropriately make adjustments in the method of calculating the attainment of Performance Goals for a Performance Period as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of items that are unusual in nature or occur infrequently as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by the Company achieved performance objectives at targeted levels during the balance of a Performance Period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of common stock of the Company by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under the Company's bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; and (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles. In addition, the Board retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for such Performance Period. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Award Agreement.

(zz) Performance Period means the period of time selected by the Board over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to vesting or exercise of an Award. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Board.

(aaa) Performance Award means an Award that may vest or may be exercised contingent upon the attainment during a Performance Period of certain Performance Goals and which is granted under the terms and conditions of Section 5(b).

(bbb) Plan means this Sangamo Therapeutics, Inc. 2018 Equity Incentive Plan.

(ccc) Plan Administrator means the person, persons, and/or third-party administrator designated by the Company to administer the day to day operations of the Plan and the Company's other equity incentive programs.

(ddd) Post-Termination Exercise Period means the period following termination of a Participant's Continuous Service within which an Option or SAR is exercisable, as specified in Section 4(g).

(eee) Predecessor Plan means the Amended and Restated 2013 Stock Incentive Plan

(fff) Prior Plans means the Predecessor Plan and the 2004 Stock Incentive Plan (together).

A-25.

Table of Contents

- (ggg) ***Predecessor Plan s Available Reserve*** means the number of shares available for the grant of new awards under the Predecessor Plan as of immediately prior to the Effective Date.
- (hhh) ***Prospectus*** means the document containing the Plan information specified in Section 10(a) of the Securities Act.
- (iii) ***Restricted Stock Award*** means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 5(a).
- (jjj) ***Restricted Stock Award Agreement*** means a written agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award grant. Each Restricted Stock Award Agreement will be subject to the terms and conditions of the Plan.
- (kkk) ***RSU Award*** means an Award of restricted stock units representing the right to receive an issuance of shares of Common Stock which is granted pursuant to the terms and conditions of Section 5(a).
- (lll) ***RSU Award Agreement*** means a written agreement between the Company and a holder of a RSU Award evidencing the terms and conditions of a RSU Award grant. Each RSU Award Agreement will be subject to the terms and conditions of the Plan.
- (mmm) ***Returning Shares*** means shares subject to outstanding stock awards granted under the Plan or the Prior Plans and that following the Effective Date: (A) are not issued because such stock award or any portion thereof expires or otherwise terminates without all of the shares covered by such stock award having been issued; (B) are not issued because such stock award or any portion thereof is settled in cash; or (C) are forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required for the vesting of such shares.
- (nnn) ***Rule 16b-3*** means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.
- (ooo) ***Rule 405*** means Rule 405 promulgated under the Securities Act.
- (ppp) ***Section 409A*** means Section 409A of the Code and the regulations and other guidance thereunder.
- (qqq) ***Section 409A Change of Control*** means a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company s assets, as provided in Section 409A(a)(2)(A)(v) of the Code and Treasury Regulations Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder).
- (rrr) ***Securities Act*** means the Securities Act of 1933, as amended.
- (sss) ***Share Reserve*** means the number of shares available for issuance under the Plan as set forth in Section 2(a), subject to adjustment pursuant to Section 6(a) in connection with Capitalization Adjustments.
- (ttt) ***Stock Appreciation Right*** or ***SAR*** means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 4.
- (uuu) ***SAR Agreement*** means a written agreement between the Company and a holder of a SAR evidencing the terms and conditions of a SAR grant. Each SAR Agreement will be subject to the terms and conditions of the Plan.

A-26.

Table of Contents

(vvv) **Subsidiary** means, with respect to the Company, (i) any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than 50%.

(www) **Ten Percent Stockholder** means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate.

(xxx) **Trading Policy** means the Company's policy permitting certain individuals to sell Company shares only during certain window periods and/or otherwise restricts the ability of certain individuals to transfer or encumber Company shares, as in effect from time to time.

(yyy) **Unvested Non-Exempt Award** means the portion of any Non-Exempt Award that had not vested in accordance with its terms upon or prior to the date of any Change in Control.

(zzz) **Vested Non-Exempt Award** means the portion of any Non-Exempt Award that had vested in accordance with its terms upon or prior to the date of a Change in Control.

A-27.

Table of Contents

Appendix B

SANGAMO THERAPEUTICS, INC.

2010 EMPLOYEE STOCK PURCHASE PLAN

(As Amended)

I. PURPOSE OF THE PLAN

This Employee Stock Purchase Plan is intended to promote the interests of Sangamo Therapeutics, Inc., a Delaware corporation, by providing eligible employees with the opportunity to acquire a proprietary interest in the Corporation through participation in an employee stock purchase plan designed to qualify under Section 423 of the Code.

The Plan shall serve as the successor to the Corporation's 2000 Employee Stock Purchase Plan, and no additional offering periods shall commence under that Predecessor Plan after November 1, 2009. The Predecessor Plan shall terminate upon the completion of the purchase date under each offering period in effect under the Predecessor Plan on April 30, 2010.

Capitalized terms herein shall have the meanings assigned to such terms in the attached Appendix.

II. ADMINISTRATION OF THE PLAN

The Plan Administrator shall have full authority to interpret and construe any provision of the Plan and to adopt such rules and regulations for administering the Plan as it may deem necessary in order to comply with the requirements of Code Section 423. Decisions of the Plan Administrator shall be final and binding on all parties having an interest in the Plan.

III. STOCK SUBJECT TO PLAN

A. The stock purchasable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares of Common Stock purchased on the open market. The number of shares of Common Stock reserved for issuance over the term of the Plan from the Effective Date shall be limited to Four Million Six Hundred Thousand (4,600,000) shares.

B. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, then equitable adjustments shall be made by the Plan Administrator to (i) the maximum number and class of securities issuable under the Plan, (ii) the maximum number and class of securities purchasable per Participant during any offering period and on any one Purchase Date during that offering period, (iii) the maximum number and class of securities purchasable in total by all Participants under the Plan on any one Purchase Date and (iv) the number and class of securities and the price per share in effect under each outstanding purchase right. The adjustments shall be made in such manner as the Plan Administrator deems appropriate, and such

adjustments shall be final, binding and conclusive.

B-1

Table of Contents

IV. OFFERING PERIODS

- A. Shares of Common Stock shall be offered for purchase under the Plan through a series of successive offering periods until such time as (i) the maximum number of shares of Common Stock available for issuance under the Plan shall have been purchased or (ii) the Plan shall have been sooner terminated.
- B. Unless otherwise specified by the Plan Administrator prior to the start of the applicable offering period:
- (i) each offering period shall have a duration of twenty-four (24) months, and
 - (ii) offering periods shall commence on the first business day of May and the first business day of November each year.
- C. The terms and conditions of each offering period may vary, and two or more offerings periods may run concurrently under the Plan, each with its own terms and conditions. In addition, special offering periods may be established with respect to entities that are acquired by the Corporation (or any subsidiary of the Corporation) or under such other circumstances as the Plan Administrator deems appropriate. In no event, however, shall the terms and conditions of any offering period contravene the express limitations and restrictions of the Plan, and the participants in each separate offering period shall have equal rights and privileges under that offering in accordance with the requirements of Section 423(b)(5) of the Code and the applicable Treasury Regulations thereunder.
- D. Unless otherwise specified by the Plan Administrator prior to the start of the applicable offering period, each offering period shall be comprised of four successive Purchase Intervals. Purchase Intervals shall run from the first business day in May to the last business day in October each year and from the first business day in November each year to the last business day in April in the following year.
- E. The initial offering period under the Plan shall commence on May 3, 2010, shall have a duration of twenty-four (24) months, and shall have four successive six-month Purchase Intervals. The Purchase Intervals in such initial offering period shall run from the first business day in May each year to the last business day in October in that year and from the first business day in November each year to the last business day in April in the following year.
- F. Should the Fair Market Value per share of Common Stock on any Purchase Date within an offering period be less than the Fair Market Value per share of Common Stock on the start date of that offering period, then the individuals participating in that offering period shall, immediately after the purchase of shares of Common Stock on their behalf on such Purchase Date, have their participation contribution election transferred from that offering period and automatically enrolled, if necessary, in the offering period commencing on the next business day following such Purchase Date, provided and only if the Fair Market Value per share of Common Stock on the start date of that new offering period is lower than the Fair Market Value per share of Common Stock on the start date of the offering period in which they were currently enrolled.

V. ELIGIBILITY

- A. Each individual who is an Eligible Employee on the start date of an offering period under the Plan may enter that offering period only on such start date.
- B. The date an individual enters an offering period shall be designated his or her Entry Date for purposes of that offering period.

B-2.

Table of Contents

C. Each corporation that becomes a Corporate Affiliate after May 3, 2010 shall automatically become a Participating Corporation effective as of the start date of the first offering date coincident with or next following the date on which it becomes such an affiliate, unless the Plan Administrator determines otherwise prior to the start date of that offering period.

D. To participate in the Plan for a particular offering period, the Eligible Employee must complete the enrollment forms prescribed by the Plan Administrator (including a stock purchase agreement and a payroll deduction authorization or other authorized form of contribution allowable for that offering period) and file such forms with the Plan Administrator (or its designee) on or before his or her scheduled Entry Date.

VI. PAYROLL DEDUCTIONS

A. For each offering period, the Plan Administrator may allow contributions to the Plan to be effected in the form of periodic payroll deductions or one or more other forms specified by the Plan Administrator prior to the start date of the applicable offering period. However, all contributions, whether in the form of payroll deductions or other mode, shall be made solely on the basis of the Participant's Cash Earnings or Base Salary (as determined by the Plan Administrator prior to the start date of the applicable offering period and to be in effect for all Participants in the offering period) for the offering period up to a maximum of fifteen percent (15%) for all offerings in which the Participant is enrolled or such lower percentage as set by the Plan Administrator prior to the start date of any applicable offering period. Unless the Plan Administrator determines otherwise prior to the start of the applicable offering period:

- (i) Participant contributions for each offering period shall be solely in the form of payroll deductions, and
- (ii) the payroll deductions that each Participant may authorize for purposes of acquiring shares of Common Stock during any offering period may be in any multiple of one percent (1%) of the Base Salary paid to that Participant during each Purchase Interval within any offering period, up to a maximum of fifteen percent (15%), unless the Plan Administrator establishes a different maximum percentage prior to the start date of the applicable offering period.

B. The rate of payroll deduction or other permitted form of contribution so authorized shall continue in effect throughout the offering period, except to the extent such rate is changed in accordance with the following guidelines:

- (i) The Participant may, at any time during the offering period, reduce the rate of his or her payroll deduction or other permitted form of contribution to become effective as soon as administratively possible after filing the appropriate form with the Plan Administrator. The Participant may not, however, effect more than one (1) such reduction per Purchase Interval.
- (ii) The Participant may, at any time during the offering period, increase the rate of his or her payroll deduction or other permitted form of contribution (up to the maximum percentage limit for that offering period) to become effective as soon as administratively possible after filing the appropriate form with the Plan Administrator. The Participant may not, however, effect more than one (1) such increase per Purchase Interval.
- (iii) The Participant may at any time reduce his or her rate of payroll deduction under the ESPP or other form of permitted contribution to 0%. Such reduction shall become effective as soon as administratively practicable following the filing of the appropriate form with the Plan Administrator. The Participant's existing payroll deductions or other permitted contribution for the Purchase Interval in which such reduction occurs shall be applied to the purchase of shares of Common Stock on the next scheduled Purchase Date.

B-3.

Table of Contents

C. Payroll deductions shall begin on the first pay day administratively feasible following the Participant's Entry Date into the offering period and shall (unless sooner terminated by the Participant) continue through the pay day ending with or immediately prior to the last day of that offering period. To the extent the Plan Administrator authorizes other forms of contributions for an offering period, those permitted contributions shall be collected in the manner specified by the Plan Administrator for that offering period. The payroll deductions or other permitted forms of contribution so collected shall be credited to the Participant's book account under the Plan, but no interest shall be paid on the balance from time to time outstanding in such account, unless otherwise required by the terms of that offering period. Unless the Plan Administrator determines otherwise prior to the start of the applicable offering period, the amounts collected from the Participant shall not be required to be held in any segregated account or trust fund and may be commingled with the general assets of the Corporation and used for any corporate purpose.

D. Payroll deductions or other permitted form of contribution shall automatically cease upon the termination of the Participant's purchase right in accordance with the provisions of the Plan.

E. The Participant's acquisition of Common Stock under the Plan on any Purchase Date shall neither limit nor require the Participant's acquisition of Common Stock on any subsequent Purchase Date, whether within the same or a different offering period.

VII. PURCHASE RIGHTS

A. **Grant of Purchase Right.** A Participant shall be granted a separate purchase right for each offering period in which he or she participates. The purchase right shall be granted on the Participant's Entry Date into the offering period. Unless the Plan Administrator determines otherwise prior to the start date of the applicable offering period and subject to the limitations of Article VIII below, each purchase right granted for an offering period shall provide the Participant with the right to purchase up to 2,000 shares of Common Stock in the aggregate on each Purchase Date applicable to all offering periods in which the Participant is enrolled for a maximum of 8,000 shares of Common Stock purchasable in any single offering period. The Participant shall execute a stock purchase agreement embodying such terms and such other provisions (not inconsistent with the Plan) as the Plan Administrator may deem advisable.

Under no circumstances shall purchase rights be granted under the Plan to any Eligible Employee if such individual would, immediately after the grant, own (within the meaning of Code Section 424(d)) or hold outstanding options or other rights to purchase, stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Corporation or any Corporate Affiliate.

B. **Exercise of the Purchase Right.** Each purchase right shall be automatically exercised in installments on each successive Purchase Date within the offering period, and shares of Common Stock shall accordingly be purchased on behalf of each Participant (other than Participants whose payroll deductions or other contributions have previously been refunded pursuant to the Termination of Purchase Right provisions below) on each such Purchase Date. The purchase shall be effected by applying the Participant's payroll deductions or other form of contribution for the Purchase Interval ending on such Purchase Date to the purchase of whole shares of Common Stock at the purchase price in effect for the Participant for that Purchase Date.

C. **Purchase Price.** The purchase price per share at which Common Stock will be purchased on the Participant's behalf on each Purchase Date within the offering period will be established by the Plan Administrator prior to the start of that offering period, but in no event shall such purchase price be less than eighty-five percent (85%) of the *lower* of (i) the Fair Market Value per share of Common Stock on the Participant's Entry Date into that offering period or (ii) the Fair Market Value per share of Common Stock on that Purchase Date.

B-4.

Table of Contents

D. **Number of Purchasable Shares.** The number of shares of Common Stock purchasable by a Participant on each Purchase Date during the offering period shall be the number of whole shares obtained by dividing the amount collected from the Participant through payroll deductions or other permitted form of contribution during the Purchase Interval ending with that Purchase Date by the purchase price in effect for the Participant for that Purchase Date. However, the maximum number of shares of Common Stock purchasable per Participant on any one Purchase Date under all offerings in which the Participant is enrolled shall not exceed Two Thousand (2,000) shares, subject to periodic adjustments in the event of certain changes in the Corporation's capitalization. In addition, the maximum number of shares of Common Stock purchasable in total by all Participants on any one Purchase Date shall not exceed Two Hundred Thousand (200,000) shares, subject to periodic adjustments in the event of certain changes in the Corporation's capitalization. However, the Plan Administrator shall have the discretionary authority, exercisable prior to the start of any offering period under the Plan, to increase or decrease the limitations to be in effect for the number of shares purchasable per Participant (and the corresponding maximum number of shares purchasable per Participant for that offering period) and in total by all Participants on each Purchase Date within that offering period.

E. **Excess Payroll Deductions/Contributions.** Any payroll deductions or other form of contribution not applied to the purchase of shares of Common Stock on any Purchase Date because they are not sufficient to purchase a whole share of Common Stock shall be held for the purchase of Common Stock on the next Purchase Date. However, any payroll deductions or other permitted form of contribution not applied to the purchase of Common Stock by reason of the limitation on the maximum number of shares purchasable per Participant or in the aggregate on the Purchase Date shall be promptly refunded.

F. **Suspension of Payroll Deductions/Contributions.** In the event that a Participant is, by reason of the accrual limitations in Article VIII, precluded from purchasing additional shares of Common Stock on one or more Purchase Dates during the offering period in which he or she is enrolled, then no further payroll deductions or other form of contribution permitted for that offering period shall be collected from such Participant with respect to those Purchase Dates. The suspension of such deductions or contributions shall not terminate the Participant's purchase right for the offering period in which he or she is enrolled, and payroll deductions or other form of contribution shall automatically resume on behalf of such Participant once he or she is again able to purchase shares during that offering period in compliance with the accrual limitations of Article VIII.

G. **Termination of Purchase Right.** The following provisions shall govern the termination of outstanding purchase rights:

(i) A Participant may withdraw from the offering period in which he or she is enrolled by filing the appropriate form with the Plan Administrator (or its designate) at any time prior to the next scheduled Purchase Date in that offering period, and no further payroll deductions or other permitted form of contribution shall be collected from the Participant with respect to the offering period. Any payroll deductions or other permitted contributions collected during the Purchase Interval in which such withdrawal occurs shall, at the Participant's election, be immediately refunded or held for the purchase of shares on the next Purchase Date. If no such election is made at the time of such withdrawal, then the payroll deductions or other permitted form of contribution collected with respect to the Purchase Interval in which such withdrawal occurs shall be refunded as soon as possible.

(ii) The Participant's withdrawal from the offering period shall be irrevocable, and the Participant may not subsequently rejoin that offering period. In order to resume participation in any subsequent offering period, such individual must re-enroll in the Plan (by making a timely filing of the prescribed enrollment forms) on or before his or her scheduled Entry Date into that offering period.

(iii) Should the Participant cease to remain an Eligible Employee for any reason (including death, disability or change in status) while his or her purchase right remains outstanding, then that

B-5.

Table of Contents

purchase right shall immediately terminate, and all of the Participant's payroll deductions or other permitted contributions for the Purchase Interval in which the purchase right so terminates shall be immediately refunded. However, should the Participant cease to remain in active service by reason of an approved unpaid leave of absence, then the Participant shall have the right, exercisable up until the last business day of the Purchase Interval in which such leave commences, to (a) withdraw all the payroll deductions or other permitted contributions collected to date on his or her behalf for that Purchase Interval or (b) have such funds held for the purchase of shares on his or her behalf on the next scheduled Purchase Date. In no event, however, shall any further payroll deductions or other permitted form of contribution be collected on the Participant's behalf during such leave. Upon the Participant's return to active service (x) within three (3) months following the commencement of such leave or (y) prior to the expiration of any longer period for which such Participant is provided with reemployment rights by statute or contract, his or her payroll deductions or other permitted form of contribution under the Plan shall automatically resume at the rate in effect at the time the leave began, unless the Participant withdraws from the Plan prior to his or her return. An individual who returns to active employment following a leave of absence which exceeds in duration the applicable (x) or (y) time period will be treated as a new Employee for purposes of subsequent participation in the Plan and must accordingly re-enroll in the Plan (by making a timely filing of the prescribed enrollment forms) on or before his or her scheduled Entry Date into the offering period.

H. **Change in Control.** Each outstanding purchase right shall automatically be exercised, immediately prior to the effective date of any Change in Control, by applying the payroll deductions or other permitted contributions of each Participant for the Purchase Interval in which such Change in Control occurs to the purchase of whole shares of Common Stock at the purchase price per share in effect for that Purchase Interval pursuant to the Purchase Price provisions of Paragraph B of this Article VII. However, the applicable limitation on the number of shares of Common Stock purchasable per Participant shall continue to apply to any such purchase, but not the limitation applicable to the maximum number of shares of Common Stock purchasable in total by all Participants.

The Corporation shall use reasonable efforts to provide at least ten (10)-days prior written notice of the occurrence of any Change in Control, and Participants shall, following the receipt of such notice, have the right to terminate their outstanding purchase rights prior to the effective date of the Change in Control.

I. **Proration of Purchase Rights.** Should the total number of shares of Common Stock to be purchased pursuant to outstanding purchase rights on any particular date exceed the number of shares then available for issuance under the Plan, the Plan Administrator shall make a pro-rata allocation of the available shares on a uniform and nondiscriminatory basis, and the payroll deductions or other permitted form of contribution of each Participant, to the extent in excess of the aggregate purchase price payable for the Common Stock pro-rated to such individual, shall be refunded.

J. **ESPP Broker Account.** The shares purchased on behalf of each Participant shall be deposited directly into a brokerage account which the Corporation shall establish for the Participant at a Corporation-designated brokerage firm. The account will be known as the ESPP Broker Account. Except as otherwise provided below, the deposited shares may not be transferred (either electronically or in certificate form) from the ESPP Broker Account until the *later* of the following two periods: (i) the end of the two (2)-year period measured from the Participant's Entry Date into the offering period in which the shares were purchased and (ii) the end of the one (1)-year measured from the actual purchase date of those shares. Such limitation shall apply both to transfers to different accounts with the same ESPP broker and to transfers to other brokerage firms. Any shares held for the required holding period may be transferred (either electronically or in certificate form) to other accounts or to other brokerage firms.

The foregoing procedures shall not in any way limit when the Participant may sell his or her shares. Those procedures are designed solely to assure that any sale of shares prior to the satisfaction of the required holding period

is made through the ESPP Broker Account. In addition, the Participant may request a

B-6.

Table of Contents

stock certificate or share transfer from his or her ESPP Broker Account prior to the satisfaction of the required holding period should the Participant wish to make a gift of any shares held in that account. However, shares may not be transferred (either electronically or in certificate form) from the ESPP Broker Account for use as collateral for a loan, unless those shares have been held for the required holding period.

The foregoing procedures shall apply to all shares purchased by the Participant under the Plan, whether or not the Participant continues in Employee status.

K. **Assignability.** The purchase right shall be exercisable only by the Participant and shall not be assignable or transferable by the Participant.

L. **Stockholder Rights.** A Participant shall have no stockholder rights with respect to the shares subject to his or her outstanding purchase right until the shares are purchased on the Participant's behalf in accordance with the provisions of the Plan and the Participant has become a holder of record of the purchased shares.

VIII. ACCRUAL LIMITATIONS

A. No Participant shall be entitled to accrue rights to acquire Common Stock pursuant to any purchase right outstanding under the Plan if and to the extent such accrual, when aggregated with (i) rights to purchase Common Stock accrued under any other purchase right granted under the Plan and (ii) similar rights accrued under other employee stock purchase plans (within the meaning of Code Section 423) of the Corporation or any Corporate Affiliate, would otherwise permit such Participant to purchase more than Twenty-Five Thousand Dollars (\$25,000.00) worth of stock of the Corporation or any Corporate Affiliate (determined on the basis of the Fair Market Value per share on the date or dates such rights are granted) for each calendar year such rights are at any time outstanding.

B. For purposes of applying such accrual limitations to the purchase rights granted under the Plan, the following provisions shall be in effect:

(i) The right to acquire Common Stock under each outstanding purchase right shall accrue in a series of installments on each successive Purchase Date during the offering period on which such right remains outstanding.

(ii) No right to acquire Common Stock under any outstanding purchase right shall accrue to the extent the Participant has already accrued in the same calendar year the right to acquire Common Stock under one or more other purchase rights at a rate equal to Twenty-Five Thousand Dollars (\$25,000.00) worth of Common Stock (determined on the basis of the Fair Market Value per share on the date or dates of grant) for each calendar year such rights were at any time outstanding.

C. If by reason of such accrual limitations, any purchase right of a Participant does not accrue for a particular Purchase Interval, then the payroll deductions or other permitted form of contribution which the Participant made during that Purchase Interval with respect to such purchase right shall be promptly refunded.

D. In the event there is any conflict between the provisions of this Article VIII and one or more provisions of the Plan or any instrument issued thereunder, the provisions of this Article VIII shall be controlling.

IX. EFFECTIVE DATE AND TERM OF THE PLAN

A. The Plan shall become effective for the offering period commencing on the Effective Date; provided, however, that (i) the purchase rights for that initial offering period shall be subject to the

B-7.

Table of Contents

provisions of Paragraph E of Article IV and (ii) no purchase rights granted under the Plan shall be exercised, and no shares of Common Stock shall be issued hereunder, until the Corporation shall have complied with all applicable requirements of the 1933 Act (including the registration of the shares of Common Stock issuable under the Plan on a Form S-8 registration statement filed with the Securities and Exchange Commission), all applicable listing requirements of any Stock Exchange (or the Nasdaq Stock Market, if applicable) on which the Common Stock is listed for trading and all other applicable requirements established by law or regulation.

B. The Plan shall serve as the successor to the Predecessor Plan, and no further offering periods under the Predecessor Plan shall commence after November 1, 2009.

C. Unless sooner terminated by the Board, the Plan shall terminate upon the earliest of (i) the last business day in April 2020, (ii) the date on which all shares available for issuance under the Plan shall have been sold pursuant to purchase rights exercised under the Plan or (iii) the date on which all purchase rights are exercised in connection with a Change in Control. No further purchase rights shall be granted or exercised, and no further payroll deductions or other forms of contribution shall be collected, under the Plan following such termination.

X. AMENDMENT OF THE PLAN

A. The Board may alter or amend the Plan at any time to become effective as of the start date of the next offering period thereafter under the Plan. In addition, the Board may suspend or terminate the Plan at any time to become effective immediately following the close of any Purchase Interval.

B. In no event may the Board effect any of the following amendments or revisions to the Plan without the approval of the Corporation's stockholders: (i) increase the number of shares of Common Stock issuable under the Plan, except for permissible adjustments in the event of certain changes in the Corporation's capitalization or (ii) modify the eligibility requirements for participation in the Plan.

XI. GENERAL PROVISIONS

A. All costs and expenses incurred in the administration of the Plan shall be paid by the Corporation; however, each Plan Participant shall bear all costs and expenses incurred by such individual in the sale or other disposition of any shares purchased under the Plan.

B. Nothing in the Plan shall confer upon the Participant any right to continue in the employ of the Corporation or any Corporate Affiliate for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Corporate Affiliate employing such person) or of the Participant, which rights are hereby expressly reserved by each, to terminate such person's employment at any time for any reason, with or without cause.

C. The provisions of the Plan shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

Table of Contents

Schedule A

Corporations Participating in

the Sangamo Therapeutics, Inc. 2010

Employee Stock Purchase Plan

Sangamo Therapeutics, Inc.

B-9

Table of Contents

APPENDIX

The following definitions shall be in effect under the Plan:

- A. **2018 Annual Meeting** means the date of the annual meeting of stockholders of the Corporation held in 2018.
- B. **Base Salary** shall mean the regular base salary paid to a Participant by one or more Participating Companies during such individual's period of participation in one or more offering periods under the Plan. Base Salary shall be calculated before deduction of (i) any income or employment tax withholdings or (ii) any contributions made by the Participant to any Code Section 401(k) salary deferral plan or any Code Section 125 cafeteria benefit program now or hereafter established by the Corporation or any Corporate Affiliate. However, Base Salary shall *not* include (i) any overtime payments, bonuses, commissions, profit-sharing distributions or other incentive-type payments received during the Participant's period of participation or (ii) any contributions made by the Corporation or any Corporate Affiliate on the Participant's behalf to any employee benefit or welfare plan now or hereafter established (other than Code Section 401(k) or Code Section 125 contributions deducted from his or her Base Salary).
- C. **Board** shall mean the Corporation's Board of Directors.
- D. **Cash Earnings** shall mean (i) the regular base salary paid to a Participant by one or more Participating Companies during such individual's period of participation in one or more offering periods under the Plan and (ii) any overtime payments, bonuses, commissions, profit-sharing distributions and other incentive-type payments received during such period. Cash Earnings shall be calculated before deduction of (A) any income or employment tax withholdings or (B) any contributions made by the Participant to any Code Section 401(k) salary deferral plan or Code Section 125 cafeteria benefit program now or hereafter established by the Corporation or any Corporate Affiliate. Cash Earnings shall not include any contributions made on the Participant's behalf by the Corporation or any Corporate Affiliate to any employee benefit or welfare plan now or hereafter established (other than Code Section 401(k) or Code Section 125 contributions deducted from such Cash Earnings).
- E. **Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:
- (i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction,
 - (ii) a stockholder-approved sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation, or
 - (iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a group within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Corporation) becomes directly or indirectly the beneficial

Table of Contents

owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of the Corporation's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's existing stockholders.

F. **Code** shall mean the Internal Revenue Code of 1986, as amended.

G. **Common Stock** shall mean the Corporation's common stock.

H. **Corporate Affiliate** shall mean any parent or subsidiary corporation of the Corporation (as determined in accordance with Code Section 424), whether now existing or subsequently established.

I. **Corporation** shall mean Sangamo Therapeutics, Inc., a Delaware corporation, and any corporate successor to all or substantially all of the assets or voting stock of Sangamo Therapeutics, Inc., which shall assume the Plan.

J. **Effective Date** shall be May 3, 2010. Any Corporate Affiliate that becomes a Participating Corporation after such Effective Date shall designate a subsequent Effective Date with respect to its employee-Participants.

K. **Eligible Employee** shall mean any person who is employed by a Participating Corporation on a basis under which he or she is regularly expected to render more than twenty (20) hours of service per week for more than five (5) months per calendar year for earnings that are considered wages under Code Section 3401 (a); provided, however, that the Plan Administrator may, prior to the start of the applicable offering period, waive one or both of the twenty (20) hour and five (5) month service requirements.

L. **Entry Date** shall mean the date an Eligible Employee first commences participation in the offering period in effect under the Plan. The earliest Entry Date under the Plan shall be the Effective Time.

M. **Fair Market Value** per share of Common Stock on any relevant date shall be the closing price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on date in question on the Stock Exchange serving as the primary market for the Common Stock, as such price is reported by the National Association of Securities Dealers (if primarily traded on the Nasdaq Select or Global Select Market) or as officially quoted in the composite tape of transactions on any other Stock Exchange on which the Common Stock is then primarily traded. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

N. **1933 Act** shall mean the Securities Act of 1933, as amended.

O. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

P. **Participant** shall mean any Eligible Employee of a Participating Corporation who is actively participating in the Plan.

Q. **Participating Corporation** shall mean the Corporation and such Corporate Affiliate or Affiliates as may be authorized from time to time by the Board to extend the benefits of the Plan to their Eligible Employees. The Participating Corporations in the Plan are listed in attached Schedule A.

A-2.

Table of Contents

- R. **Plan** shall mean the Sangamo Biosciences, Inc. 2010 Employee Stock Purchase Plan, as set forth in this document.
- S. **Plan Administrator** shall mean the committee of two (2) or more Board members appointed by the Board to administer the Plan.
- T. **Predecessor Plan** shall mean the Corporation's 2000 Employee Stock Purchase Plan.
- U. **Purchase Date** shall mean the last business day of each Purchase Interval.
- V. **Purchase Interval** shall mean each successive six (6)-month period within the offering period at the end of which there shall be purchased shares of Common Stock on behalf of each Participant; provided, however, that the Plan Administrator may, prior to the start of the applicable offering period, designate a different duration for the Purchase Intervals within that offering period.
- W. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

A-3.

Table of Contents

Table of Contents