

## **Neurocrine Biosciences, Inc. Compensation Committee Charter**

*The Following Charter was adopted by the  
Board of Directors of Neurocrine Biosciences, Inc.  
on April 30, 2004*

### **I. Purpose.**

The purpose of the Compensation Committee (the “*Committee*”) of the Board of Directors (the “**Board**”) of Neurocrine Biosciences, Inc. (the “*Company*”) is to provide assistance to the directors in fulfilling their responsibilities by (1) recommending (in consultation with management or the Board) to the Board for approval and evaluating the compensation plans, policies and programs of the Company, especially those regarding executive compensation, (2) evaluating the performance of the Company’s Officers, (3) determining the compensation of the chief executive officer (which shall be ratified by the Board of Directors) and all other executive officers of the Company and (4) producing an annual report on executive compensation for inclusion in the Company’s proxy materials in accordance with applicable rules and regulations. The Committee shall ensure that compensation programs are designed to encourage high performance, promote accountability and assure that employee interests are aligned with the interests of the Company’s stockholders.

The Committee shall have the authority to undertake the specific duties and responsibilities described below and the authority to undertake such other duties as are assigned by law, the Company’s charter or bylaws or by the Board.

### **II. Structure.**

#### **A. Membership.**

The Committee shall be comprised of at least three directors as determined by the Board, none of whom shall be an employee of the Company and at least two (2) of whom shall (1) qualify as independent under the NASDAQ listing requirements, (2) be a “non-employee director” within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and (3) be an “outside director” under the regulations promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “*Code*”).

The members of the Committee shall be appointed by the Board. Unless a Chairperson of the Committee is designated by the Board, the Committee may designate a Chairperson by a majority vote of the full Committee membership.

#### **B. Rules of Procedure.**

The Committee may determine its own rules of procedure with respect to the call, place, time and frequency of its meetings. In the absence of such rules, the

Committee will meet at the call of its Chairman as appropriate to accomplish the purposes of the Committee, but it is anticipated that the Committee will meet at least twice each calendar year. Notice of meetings of the Committee shall be given as provided in the Bylaws of the Company.

C. Committee Secretary.

The Secretary of the Company will act as Secretary of the Committee and will attend all meetings; keep minutes of the Committee's proceedings; advise members of all meetings called; arrange with the Chairman of the Committee or other convening authority for preparation and distribution of the agenda and supporting material for each meeting; at the direction of the Chairman of the Committee, make the necessary logistical arrangements for each meeting; and carry out other functions as may be assigned from time to time by the Committee. In the event that the Chairman of the Committee believes that it is inappropriate for the Secretary of the Company to attend any meeting(s) or portion(s) thereof, the Chairman shall appoint a member of the Committee to act as Secretary for such meeting(s) or portion(s) thereof.

D. Attendance at Meetings.

When deemed appropriate by the Committee, meetings of the Committee may be attended by the Company's tax and accounting departments and by such other members of the management of the Company as the Committee deems appropriate. The Chairman of the Board, the chief executive officer and the chief financial officer may attend any meeting of the Committee, except for portions of the meetings where his, her or their presence would be inappropriate, as determined by the Chairperson. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

In discharging its responsibilities, the Committee shall have sole authority to, as it deems appropriate, select, retain and/or replace, as needed, compensation and benefits consultants and other outside consultants to provide independent advice to the Committee. In that connection, in the event the Committee retains a consultant, the Committee shall have the sole authority to approve such consultant's fees and other retention terms.

D. Quorum.

A majority of the members of the Committee will constitute a quorum for the transaction of business. The Chairman may appoint one or more Directors (each of whom meets the independence requirements) to serve as alternate members of the Committee to replace any absent member at any meeting of the Committee.

E. Minutes and Reports.

The Committee shall maintain written minutes or other records of its meetings and activities. Minutes of each meeting of the Committee shall be distributed to each member of the Committee and other members of the Board. The Secretary of the Company shall retain the original signed minutes for filing with the corporate records of the Company.

The Chairperson shall report to the Board following meetings of the Committee and as otherwise requested by the Chairman of the Board.

**III. Specified Duties.**

A. Duties.

To fulfill its responsibilities, the Committee shall be responsible for:

- (1) reviewing and, if necessary, revising the compensation philosophy of the Company;
- (2) reviewing and approving corporate goals and objectives relating to the compensation of the Company's executive officers, evaluating the performance of the Company's executive officers (other than the chief executive officer who will be reviewed by the Board of Directors) in light of the Company's goals and objectives;
- (3) reviewing and approving all employment agreements and compensation for all executive officers and guidelines for salaries, merit salary increases, bonus payments, stock option grants and performance stock option grants for all other employees of the Company;
- (4) reviewing and approving all promotions to executive officer and all new hires of executive officers;
- (5) managing and reviewing stock option, employee pension and benefit plans (401(k), employee stock purchase plan, etc.);
- (6) managing and reviewing the grant of perquisite benefits;
- (7) managing and reviewing executive officer and director indemnification and insurance matters;
- (8) preparing and approving the Report of the Compensation Committee to be included as part of the Company's annual proxy statement (the "***Proxy Statement Report***").

The Committee's responsibility for managing and reviewing employee benefit plans includes responsibility for general administration, an annual review of the plan, the setting of performance targets when appropriate, and approval of any and all changes, including termination of compensation plans when appropriate.

The Committee may conduct or authorize, at Company expense, surveys or studies of matters within the Committee's scope of responsibilities, including, but not limited to, compensation practices in equivalent companies to maintain the Company's competitiveness and ability to recruit and retain highly qualified personnel.

All annual plan reviews shall include reviewing the plan's administrative costs, reviewing current plan features relative to any proposed new features, assessing the performance of the plan's internal and external administrators if any duties have been delegated, and formally adopting any plan changes by resolution of the Committee.

The Committee shall, without delegation:

- (1) set and commit to writing any and all performance targets for all executive officers within the first 90 days of the performance period to which such target relates or, if shorter, within the period provided by Section 162(m) in order for such target to be "pre-established" within the meaning of Section 162(m);
- (2) certify that any and all performance targets used for any performance based equity compensation plans have been met before payment of any executive bonus or compensation or exercise of any executive award granted under any such plan(s);
- (3) approve all amendments to all equity-based compensation plans;
- (4) grant any awards under any performance-based equity compensation plans to executive officers or current employees with the potential to become the CEO or an executive officer;
- (5) approve which executive officers are entitled to awards under the Company's stock option plan(s); and
- (6) approve CEO and other executive officer compensation.

In addition, the Committee shall ensure that the stockholders of the Company approve the performance goals used to set the performance targets in any performance based equity compensation plans to the extent required, and in the manner provided, by Section 162(m) and the treasury regulations promulgated thereunder (which generally requires such approval at least every five years or earlier if such criteria are otherwise amended).

B. Delegation of Duties.

In fulfilling its responsibilities, the Committee shall, subject to the following paragraphs, be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee or to specified executive officers of the Company. All proposed delegations must be adopted by a resolution of the Committee and reviewed for compliance with the relevant plan and Delaware corporate law by the Company's legal, tax and accounting departments before they are voted upon at meetings. The resolution shall specify which duties are being delegated, to whom the duties are delegated, and which oversight powers the Committee retains.

The Committee shall not delegate any matters that involve executive compensation or for any matters where it has determined such compensation is intended to comply with Section 162(m) of the Code ("**Section 162(m)**").

**IV. Resolutions and Written Consents**

All proposed resolutions shall be prepared by the legal department in consultation with the tax and accounting departments, discussed and voted upon at the meetings or adopted by unanimous written consent.

All adopted plans of compensation or changes to existing plans, whether for executives, directors or other personnel, shall be detailed and attached to the minutes of the appropriate meeting. This includes any grants of options or loans made outside of any official Company plan.

When planning to establish, modify or certify performance targets under bonus plans for senior executives, grant any and all forms of equity compensation, modify or rescind any option, stock or restricted stock grants, or make, modify or rescind loans to employees or directors, the Committee shall consult the Company's legal, tax and accounting departments before taking action.

**V. Evaluation of Performance of Compensation Committee**

The Committee shall evaluate its own performance on an annual basis, including its compliance with this charter, and provide any written material with respect to such evaluation to the Board, including any recommendations for changes in procedures or policies governing the Committee. The Committee shall conduct such evaluation and review in such manner as it deems appropriate.

The Committee shall review and reassess the Committee's charter at least annually and submit any recommended changes to the Board for its consideration.

**VI. Disclosure of Charter**

This Charter will be made available to any stockholder who otherwise requests a copy. The Company's Annual Report to Stockholders shall state the foregoing.

**VII. Additional Authority.**

The Committee shall have the authority, at its discretion, to call upon the Chairman to provide internal assistance from officers and other employees of the Company and its subsidiaries as may be appropriate to fulfill its duties and responsibilities.