



**Corporate Governance Guidelines and
Code of Director Conduct and Ethics
(Adopted March 5, 2003; Amended March 11, 2004)**

1. Composition of the Board; Board Operation

Role of Directors. The business and affairs of the Company shall be managed by or under the direction of the Board. A director is expected to spend the time and effort necessary to properly discharge such director's responsibilities. Accordingly, a director is expected to attend the meetings of the Board and committees on which such director sits, and to review prior to such meetings material distributed in advance. A director who is unable to attend a scheduled meeting is expected to notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting.

The Board's Goals. The Board's goals are to build long-term value for the Company's stockholders and to ensure the vitality of the Company for its employees and the other individuals and organizations who depend on the Company. To achieve these goals, the Board shall monitor both the performance of the Company (in relation to its goals, strategy and competitors) and the performance of the Chief Executive Officer, and offer him or her constructive advice and feedback.

Board Membership Criteria. Board membership criteria shall be provided by the Corporate Governance and Nominating Committee (or, the "Committee"). The criteria should take into consideration applicable laws and regulations (including those of Nasdaq), diversity, age, skills, experience, integrity, ability to make independent analytical inquiries, understanding of the Company's business and business environment, willingness to devote adequate time and effort to Board responsibilities and other relevant factors.

Recruitment/Invitation to Join Board. The Committee shall be responsible for the recruitment of new Board members. An invitation to join the Board shall be extended by the Chairman of the Board on behalf of the entire Board.

Nominating Procedure. The Committee will review candidates for director in the context of the current composition, skills and expertise of the Board; the operating requirements of the Company and the interests of stockholders. In the case of new director candidates, the Committee will determine whether the nominee must be independent for Nasdaq purposes, which determination is based upon applicable Nasdaq listing standards and applicable SEC rules and



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regulations. The Committee will then use its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Committee will conduct any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the functions and needs of the Board. The Committee will meet to discuss and consider such candidates' qualifications. All members of the Committee, the Chief Executive Officer and the Chairman will then interview candidates that the Committee believes have the requisite background, before recommending a nominee to the Board, which will vote to elect the nominee(s).

Stockholder Nominating Procedure. The Committee will consider director candidates recommended by stockholders. Stockholders who wish to recommend individuals for consideration by the Committee to become nominees for election to the Board may do so by delivering a written recommendation by certified mail only, c/o the Chairman or Secretary, at the following address: InterMune, Inc., 3280 Bayshore Boulevard, Brisbane, California 94005 no sooner than 120 and no later than 90 days prior to the anniversary date of the mailing of the Company's proxy statement for the last Annual Meeting of Stockholders. Submissions must include the full name of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and a representation that the nominating stockholder is a beneficial or record owner of the Company's stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected.

Size of the Board. The Board believes that it should generally have no fewer than 7 and no more than 9 directors. This range permits diversity of experience without hindering effective discussion or diminishing individual accountability. The size of the Board could, however, be increased or decreased if determined to be appropriate by the Board. For example, it may be desirable to increase the size of the Board in order to accommodate the availability of an outstanding candidate for director.



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Chairman of the Board. The Board shall be free to choose its Chairman of the Board in any way that it deems best for the Company at any given point in time. The Board believes that designating a Chairman of the Board who is independent (i.e., non-management) serves the best interests of the Company and its stockholders.

Independence of Directors. The Board believes that there should be a substantial majority of independent directors, and in no event will the Board consist of less than a majority of independent directors. The definition of "independent director" adopted by the Board is as set forth in Rule 4200(a)15 of the *Marketplace Rules* of the Nasdaq Stock Market, as may be amended by the Nasdaq Stock Market periodically. The independent directors shall have the authority to hire their own advisors (e.g., legal counsel, financial auditors, etc.).

Director Tenure/Term Limits. In connection with each director nomination recommendation, the Corporate Governance and Nominating Committee shall consider the issue of continuing director tenure and take steps as may be appropriate to ensure that the Board maintains an openness to new ideas and a willingness to critically re-examine the status quo. An individual director's renomination is dependent upon such director's performance evaluation, as well as a suitability review, each to be conducted by the Corporate Governance and Nominating Committee in connection with each director nomination recommendation. It is the general policy of the Board that non-management directors on the Board shall serve for a maximum of 12 years; however, the Board may determine to waive this policy in individual cases.

Mandatory Retirement Age. The mandatory retirement age for a director shall be 70 years old, unless otherwise requested by the Board.

Board Compensation. A director who is also an officer of the Company shall not receive additional compensation for such service as a director. The Company believes that compensation for non-employee directors should be competitive and should encourage increased ownership of the Company's stock through the payment of a portion of director compensation in Company stock, options to purchase Company stock or similar compensation. The Corporate Governance and Nominating Committee shall periodically review the level and form of the Company's director compensation, including how such compensation relates to director compensation for companies of comparable size, industry and complexity. Such review shall also include a review of both direct and indirect



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forms of compensation to the Company's directors, including any charitable contributions by the Company to organizations in which a director is affiliated and consulting or other similar arrangements between the Company and a director. Any suggested changes to director compensation shall be proposed to the full Board for consideration and approval. Directors' fees (including any additional amounts paid to members of committees of the Board) are the only compensation a member of the Board may receive from the Company.

Board Agenda. The Chairman of the Board shall set the agenda for Board meetings with the understanding that certain items necessary for appropriate Board oversight, such as annual budgets and long range plans, must appear periodically on the agenda. Board members, either independently or through the Chairman, may suggest that particular items be placed on the agenda.

Frequency of Meetings. The Board has four regularly scheduled meetings per year. In addition, special meetings may be called periodically as determined by the needs of the business. It is the responsibility of the directors to attend meetings.

Director-Called Meetings. Pursuant to the Company's Bylaws, any two directors may request a special meeting of the Board. The two directors shall inform the Chairman of the Board, who shall timely arrange for and notify the members of the special meeting.

Corporate Strategy. Periodically, usually in February of each year, the Board shall devote an extended meeting to a review of the Company's long-term strategic and business plans.

Former Chief Executive Officer. When the Chief Executive Officer resigns or retires, he or she will resign from the Board by submitting his or her Board resignation to the Secretary at that time, unless otherwise requested by the Board.

2. Committees

Number and Structure. The Board has four standing committees: Audit, Compensation, Compliance and Corporate Governance and Nominating. The Audit, Compensation and Corporate Governance and Nominating Committees shall consist solely of independent directors, and the Compliance Committee shall have a majority of independent directors.



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Membership on Committees. The Corporate Governance and Nominating Committee shall recommend to the Board the memberships of committees of the Board of Directors. The Board shall determine the memberships of committees and the Chairman.

Frequency and Length of Committee Meetings. The chairman of each committee, in consultation with committee members, will determine the frequency and length of committee meetings.

Committee Agenda. The chairman of each committee, in consultation with appropriate members of management, will develop the committee's agenda. Each Board member may recommend agenda items for any committee meeting.

3. Executive Sessions of Independent Directors

At a minimum, the independent directors shall meet in executive session after or before each regular Board meeting to consider such matters as they may deem appropriate.

4. Succession Planning

The Board shall plan for the succession to the position of Chief Executive Officer.

5. Board Access to Management

General. Board members shall have complete access to the Company's executive officers. Board members shall use judgment to ensure that their contact is not distracting to the business operation of the Company.

Attendance of Non-Directors at Board Meetings. The Board encourages the Chief Executive Officer to bring members of management into Board meetings to:

- (a) provide management insight into items being discussed by the Board which involve the manager;
- (b) make presentations to the Board on matters which involve the manager; and
- (c) bring managers with high potential into contact with the Board.



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Should the Chief Executive Officer desire to add additional members of management as attendees on a regular basis, this should be suggested to the Board for its concurrence.

6. Board Materials Distributed in Advance

Presentation materials relevant to each meeting shall be distributed in writing to the Board in advance of each meeting, unless doing so would compromise the confidentiality of the information. Materials should be delivered at least three days in advance of each meeting. In the event of a pressing need for the Board to meet on short notice, it is understood that written materials may not be available in advance of the meeting. Management shall make every effort to provide presentation materials that are brief and to the point, yet communicate the essential information.

7. Evaluation/Annual Self-Assessment

The Corporate Governance and Nominating Committee shall sponsor an annual self-assessment of the Board's performance, the results of which shall be discussed with the full Board. The assessment should include a review of any areas in which the Board or management believes the Board can make a better contribution to the governance of the Company. The purpose of the review shall be to improve the performance of the Board as a unit. The Corporate Governance and Nominating Committee shall utilize the results of the Board evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board.

8. Board Communications with Outside Parties and Stockholders

The Board believes that the Company's management speaks for InterMune. Accordingly, each director shall refer all inquiries from institutional investors, analysts, the press or customers to the Chief Executive Officer or his designee. However, individual Board members may periodically communicate with various constituencies that are involved with the Company, such as the press, investors and customers. Such communications shall be generally made with the prior concurrence of the Chief Executive Officer.

Stockholders may send written communications to the Board or any of the directors, by certified mail only, c/o Chairman or Secretary, InterMune, Inc., 3280



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Bayshore Boulevard, Brisbane, California 94005. All such written communications will be compiled by the Chairman or Secretary of the Company and submitted to the full Board, or the individual directors, as the case may be, within a reasonably timely period.

9. Board Orientation and Continuing Education

The Company shall provide new directors with director orientation materials to familiarize such director with, among other things, the Company's business; strategic plans; significant financial, accounting disclosure and risk management issues; compliance programs; conflicts policies; Code of Business Conduct and Ethics; Corporate Governance Guidelines; and independent auditors. The Company shall make available the opportunity for each director to participate in continuing educational programs in order to maintain the necessary level of expertise to perform his or her responsibilities as a director and to comply with all applicable laws and regulations, including those of NASDAQ.

10. Selection of the Chief Executive Officer

The Board shall be responsible for identifying potential candidates for, and selecting, the Company's Chief Executive Officer. In identifying potential candidates for and selecting the Company's Chief Executive Officer, the Board shall consider, among other things: a candidate's experience, understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, integrity, and reputation in the business community.

11. Code of Director Conduct and Ethics

Integrity/Compliance with Laws. Directors shall practice the highest ethical standards and standards of honesty, integrity and truthfulness, and comply with all applicable laws, rules and regulations in conducting InterMune's business.

Conflicts of Interest. InterMune's policy on director conflicts of interest is straightforward – undisclosed conflicts of interest are prohibited. If a director believes that he or she may have a conflict of interest, it is his or her duty to inform the other directors or the Chairman of the Board. In addition, each director will annually submit a list of any possible conflicts of interest he or she might have to the Corporate Governance and Nominating Committee. (A conflict of interest form will be sent to each director with the annual D&O questionnaire.)



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The directors will ensure the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

Public Disclosure and Communication. Directors must be committed to full, fair, accurate, timely and understandable disclosure in reports and documents the Company files with, or submits to, the Securities and Exchange Commission (SEC) and in other public communications made on the Company's behalf.

Reporting and Accountability. Directors should promptly report any violation of this Code of Director Conduct and Ethics to the Chairman of the Governance and Nominating Committee. The Governance and Nominating Committee shall ensure compliance and director accountability for adherence to the Code of Director Conduct and Ethics. The Governance and Nominating Committee shall also supervise an enforcement mechanism that ensures prompt and consistent enforcement of the Code of Director Conduct and Ethics, protection for persons reporting questionable behavior, and a fair process by which to determine violations.

Waivers. Any waivers of the requirements of this Code of Director Conduct and Ethics must be unanimously approved by the Board on a case-by-case basis, and each such waiver shall be promptly disclosed as required by law or regulation, along with the reasons for the waiver.

12. Periodic Review

The Corporate Governance and Nominating Committee is responsible for periodically reviewing these Corporate Governance Guidelines, as well as considering other guidelines that may merit consideration by the Board.