



Vanda Pharmaceuticals Inc. Annual Declaration of Compliance Pursuant to California Health and Safety Code

Pursuant to the State of California Health and Safety Codes sections 119400 – 119402, Vanda Pharmaceuticals Inc. (“Vanda” or the “Company”) has established a Comprehensive Compliance Program (“CCP”). Vanda’s CCP is based on applicable federal and state laws and regulations and the Compliance Program Guidance for Pharmaceutical Manufacturers published by the U.S. Department of Health and Human Services Office of Inspector General in April 2003. Vanda’s CCP also includes policies that are consistent with the Pharmaceutical Research and Manufacturers of America Code on Interactions with Healthcare Professionals (the “PhRMA Code”), as well as other relevant laws and guidelines. The CCP, which is outlined below, is intended to prevent, detect, and correct violations of law and company policies and to encourage a culture of compliance that guides our interactions with healthcare providers, patients and other customers. Vanda regularly assesses and enhances its CCP to meet its evolving compliance needs and obligations.

Overview of Vanda’s Compliance Program

A. Written Standards Including Policies and Procedures

Vanda’s Code of Ethics and Business Conduct (the “Code of Business Conduct”) outlines the Company’s fundamental guiding principles and values for action within the organization. Vanda has also adopted policies and procedures, including policies that are consistent with the PhRMA Code, for its operations and promotional activities. All such policies and procedures require adherence to applicable laws and regulations and are updated as necessary.

B. Leadership and Structure

Compliance Officer

Vanda has appointed a Compliance Officer who is responsible for the operation and oversight of the Company’s Compliance Program. The Compliance Officer’s responsibilities include, among other things, developing policies and procedures, training employees on the Compliance Program, addressing allegations of non-compliance, and implementing appropriate remedial measures where applicable. As appropriate, the Compliance Officer reports compliance-related issues directly to the Chief Executive Officer and/or the Board of Directors.

Compliance Committee

Vanda has a Compliance Committee that includes the Vanda senior management team. The Compliance Committee meets regularly to advise and assist the Compliance Officer in the administration of the Compliance Program.



C. Education and Training

Vanda's directors, officers, and employees are expected to comply with the Compliance Program, the Code of Business Conduct, and all written policies and procedures. A central aspect of the Company's Compliance Program is educating and training employees on their legal and ethical obligations under applicable laws, regulations and Company policies. All new employees must complete initial compliance training as part of new hire orientation as well as additional annual refresher compliance training, including as new developments in applicable laws, regulations, or policies and procedures arise.

D. Effective Lines of Communication

Employees are responsible for ensuring that Vanda's policies and procedures are met. This obligation requires that employees (1) seek compliance guidance when unclear about an ethical situation or specific conduct, and (2) report possible violations of laws, regulations, or Company policies. Vanda's policies provide for confidential reporting of allegations of misconduct and protections against retaliation for such reporting. Employees should contact their supervisor, the Compliance Officer, Senior Management, or Human Resources regarding questions about the Compliance Program or to report potential violations. Employees may also report potential violations anonymously. The Company has set up a compliance hotline number that can be used for these anonymous reports.

E. Auditing and Monitoring

Vanda's Compliance Program includes efforts to audit, monitor, and evaluate compliance with the Company's compliance policies and procedures. The nature, extent, and frequency of compliance monitoring and auditing varies according to a variety of factors, including an ongoing evaluation of Vanda's risk assessment, new legal or regulatory requirements, changes in business practices, and other considerations.

F. Enforcement and Disciplinary Standards

Adherence to the Company's Code of Business Conduct and policies and procedures is a condition of employment at Vanda. The Company investigates potential violations of law or Company policy and, where appropriate, implements corrective measures to prevent, detect and deter future violations. Any violation of these requirements by directors, officers, or employees is subject to disciplinary action up to and including termination.

G. Investigations and Corrective and Preventative Action

A Compliance Program designed in accordance with the OIG Guidance is intended to increase the likelihood of preventing and detecting unlawful and unethical behavior. Even an effective Compliance Program, however, may not



prevent all violations. As such, Vanda investigates potential violations of law or Company policy and, where appropriate, implements corrective measures to prevent, detect and deter future violations.

H. Declaration

Vanda hereby declares, to the best of its knowledge, and based on its good faith understanding of the statutory requirements, that it is in compliance with this CCP and the statutory requirements set forth in California Health and Safety Code sections 119400-119402. Vanda has tailored its CCP to meet the needs of the organizational structure of the Company and continuously assesses and refines its CCP, demonstrating its commitment to fulfill the statutory requirements of the State of California.

Vanda recognizes that even an effective CCP cannot completely eliminate improper conduct by individual employees and thus does not claim that its CCP eliminates all employee conduct that would be considered improper.

For purposes of complying with the California Health and Safety Code Sections 119400 to 119402, and as part of Vanda's CCP, the Company has an annual dollar limit of \$1,500 for spending on promotional materials, educational items, incidental meals, and other items or activities that it may provide to a healthcare professional in California, as defined in the statute. This annual aggregate limit is intended to establish an upper spending limit on items covered under the California statute and does not represent a goal. The limit may be revised at any time based on a variety of factors. Consistent with California law, this annual spending limit does not include the value of: (1) drug samples given to physician and healthcare professional intended for free distribution to patients; (2) financial support of independent education including continuing medical education; (3) financial support for health education scholarships; and (4) payments made for legitimate professional services provided by a healthcare professional so long as the amount paid is based on the fair market value of the services provided.

Copy or copies of this Annual Written Declaration of Compliance and CCP may be obtained by calling the toll-free telephone number 1-844-398-2632 or sending an e-mail to compliance@vandapharma.com. Vanda's corporate governance documents, including this Annual Written Declaration of Compliance and CCP, may be found [here](#).

This declaration is made on August 8, 2019.