

**VANDA PHARMACEUTICALS INC.  
AUDIT COMMITTEE CHARTER**

(as of December 14, 2017)

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Vanda Pharmaceuticals Inc. (the “Company”) has the responsibilities, authority and duties described in this Charter.

**Purpose**

The primary purpose of the Committee is to oversee (1) the quality and integrity of the Company’s financial statements and other financial information provided by the Company to its stockholders; (2) the Company’s retention of its independent accountants, including oversight of the terms of their engagement and their performance, qualifications and independence; (3) the effectiveness of the Company’s internal controls and disclosure controls; and (4) the Company’s compliance with its ethics policies and legal and regulatory requirements. The Committee shall prepare the report of the Committee included in the Company’s annual proxy statement as required by the Securities and Exchange Commission (the “SEC”). In addition, the Committee provides an avenue for communication among the independent accountants, financial management and the Board. The Committee’s responsibility is one of oversight, recognizing that the Company’s management is responsible for preparing the Company’s financial statements and that the independent accountants are responsible for auditing those financial statements. The independent accountants are ultimately accountable to the Committee and the Board for such accountants’ audit of the financial statements of the Company.

**Composition**

The Committee shall be appointed annually by the Board on the recommendation of the Nominating/Corporate Governance Committee and shall be composed of at least three members of the Board, each of whom shall meet the independence and financial literacy requirements of The Nasdaq Global Market, Inc. (“Nasdaq”), the SEC and applicable law. At least one member of the Committee will have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, in accordance with the applicable rules of Nasdaq. At least one member of the Committee will be an “audit committee financial expert” in accordance with the applicable rules of Nasdaq and the SEC. The Board shall designate one member of the Committee as Chair of the Committee. Previous experience as the chair of an audit committee of a public company’s Board of Directors shall be preferred, but not required, for all Chairs of the Committee.

**Meetings**

The Committee will establish its own schedule and will meet at least one (1) time each fiscal quarter. In addition to such meetings of the Committee as may be required to perform the functions described under “Duties and Powers” below, the Committee shall meet at least annually with the Company’s Chief Financial Officer, the independent accountants and, to the extent

applicable, internal auditors (or other persons responsible for monitoring the Company's compliance with internal controls) to discuss any matters that the Committee or any of these persons or firms believe should be discussed. The Committee may, at its discretion, meet in executive session with or without the presence of the independent accountants or corporate officers. The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests. The Committee may also act by circulating a written consent to each member of the Committee. The written consent constitutes a valid action of the Committee if it has been executed by each Committee member. The written consent will be filed with the minutes of the Board meetings.

## **Duties and Powers**

The responsibilities and authority of the Committee shall include:

### Independent Accountants

1. Appoint, approve audit fees for and oversee the Company's independent accountants. Review the performance and audit fee arrangements of the independent accountants at least annually. The Committee shall have the sole authority to approve the hiring and firing of the independent accountants and the independent accountants shall report directly to the Committee.
2. Review and provide prior approval of the engagement of the Company's independent accountants to perform audit and permissible non-audit services. With the consent of the Committee, the Chair of the Committee may represent and act on behalf of the entire Committee for purposes of this review and approval.
3. Ensure that the independent accountants prepare and deliver at least annually a formal written statement delineating all relationships between the independent accountants and the Company consistent with applicable requirements of the Public Company Accounting Oversight Board (the "PCAOB") or other applicable rules, regulations or laws.
4. Review and discuss with the independent accountants any disclosed relationships or services that may impact the objectivity and independence of the independent accountants and recommend that the Board take appropriate action in response to the independent accountants' report to satisfy itself of the independent accountants' independence.
5. Obtain and review at least annually a report by the independent accountants (PCAOB Report) describing: (a) the accounting firm's internal quality-control procedures; (b) any issues material to the Company's audit raised (i) by the most recent internal quality-control review or peer review of the accounting firm or (ii) by any inquiry or investigation by governmental or professional authorities within the preceding 5 years, respecting one or more independent audits carried out by the independent accountants; and (c) any steps taken to deal with any such issues.

6. Obtain from the independent accountants assurance that their audit of the Company's financial statements was conducted in accordance with auditing standards generally accepted in the United States.
7. Confirm that the Company's independent accountants have complied with any applicable rotation requirements for the lead audit partner and any reviewing audit partner with responsibility for the Company's audit.
8. Review the reports prepared by management, and attested to by the Company's independent accountants, assessing the adequacy and effectiveness of the Company's internal controls and procedures, prior to the inclusion of such reports in the Company's periodic filings as required under the rules of the SEC.
9. Pursuant to Section 10A of the Securities Exchange Act of 1934, as amended, obtain and review from the independent accountants a timely report describing: (a) critical accounting policies and practices to be used; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Company, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent accountants; (c) other material written communications between the independent accountants and the management of the Company, such as any management letter or schedule of unadjusted differences; and (d) any illegal acts that have been detected or have otherwise come to the attention of the independent accountants in the course of their audit.
10. Review and approve hiring policies regarding employment of employees or former employees of the Company's independent accountants in accordance with the applicable rules of Nasdaq and the SEC.

#### Financial Statements, Controls and Reports

11. Review and approve, if applicable, a timely analysis from management relating to any significant proposed or contemplated changes to the Company's accounting principles, policies, estimates, internal controls, disclosure controls, procedures, practices and internal auditing plans (including those policies for which management is required to exercise discretion or judgments regarding the implementation thereof).
12. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during the certification process for the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q about any significant deficiencies or material weaknesses in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls, as contemplated by the Company's disclosure policies in effect from time to time.

13. Discuss with the Company's independent accountants their annual audit plan, including the scope of audit activities and all critical accounting policies and practices to be used, and any other matters required to be discussed by applicable requirements of the PCAOB or other applicable rules, regulations or laws.
14. Periodically discuss with the Company's independent accountants, without management being present, (a) their judgments about the quality, appropriateness and acceptability of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting; (b) the completeness and accuracy of the Company's financial statements; and (c) such matters as are required to be discussed with the Committee under generally accepted auditing standards.
15. Review the Company's annual and quarterly consolidated financial statements with management and the independent accountants prior to the first public release of the Company's financial results for such year or quarter and review any "pro forma" or "adjusted" non-GAAP information included in such release. With the consent of the Committee, the Chair of the Committee may represent and act on behalf of the entire Committee for purposes of the review of any quarterly consolidated financial statements.
16. Review the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q in advance of such filings. With the consent of the Committee, the Chair of the Committee may represent and act on behalf of the entire Committee for purposes of the review of any Quarterly Reports on Form 10-Q.
17. Review the Company's accounting treatment of tax related matters, the presentation of tax matters in the footnotes of the financial statement, its compliance with applicable tax laws and regulations and any decisions by management regarding tax planning.
18. Meet periodically with management and/or the independent accountants to:
  - review the annual audit plans of the independent accountants;
  - discuss any significant matters arising from any audit or report or communication relating to the consolidated financial statements, including any material audit problems, disagreements or difficulties and responses by management as required to be discussed by Statement on Auditing Standards No. 114;
  - understand the significant judgments made and alternatives considered in the Company's financial reporting, including the appropriateness of the alternatives ultimately chosen;
  - discuss policies with respect to significant financial risks and exposures, if any, and the steps taken to assess, monitor and manage such risks; and

21. Review with management, the Company's independent accountants and, to the extent applicable, the internal auditors (or other persons responsible for the Company's internal audit function): (a) the results of the annual audit of the Company and the independent accountants' procedures with respect to interim periods, including any significant findings, comments or recommendations of the independent auditors and, to the extent applicable, internal auditors (or other persons responsible for evaluating the Company's compliance with internal controls) together with management's responses thereto; and (b) any significant changes in the Company's accounting principles or the methods of applying the Company's accounting principles.
22. Review with the Company's external counsel any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies.
23. Review the reports prepared by management, and attested to by the Company's independent accountants, assessing the adequacy and effectiveness of the Company's internal controls and procedures, prior to the inclusion of such reports in the Company's periodic filings as required under the rules of the SEC; the Committee will also meet separately with the independent accountants, with and without management present, to discuss the results of their examination.

#### Reporting and Recommendations

24. Direct the Company's independent accountants to review, before filing with the SEC, the Company's interim financial statements included in quarterly reports on Form 10-Q, using professional standards and procedures for conducting such reviews.
25. Determine, based on the reviews and discussions noted above, whether to recommend to the Board that the audited financial statements be included in the Company's Annual Report to Stockholders and on Form 10-K for filing with the SEC.
26. Prepare any report, including any recommendation of the Committee, required by the rules of the SEC to be included in the Company's annual proxy statement.
27. Maintain minutes or other records of meetings and activities of the Committee.
28. Report the Committee's activities to the Company's CEO and the Board on a regular basis, including with respect to any issues that arise regarding the quality or integrity of the Company's financial statements, the effectiveness of the Company's internal controls or disclosure controls, the performance and independence of the Company's independent accountants and any other issue that the Committee believes should be brought to the attention of the Board. Such reports may be made orally or in writing.

## Other Responsibilities

29. Overseeing compliance with the disclosure requirements of the SEC, including disclosure of information regarding auditors' services, audit committee members, member qualifications and services.
30. Establish and maintain procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters and business conduct or ethics violations and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters or business conduct or ethics violations.
31. Review and approve (a) any change in or waiver to the Company's code of ethics for its principal executive and senior financial officers and (b) any disclosure made on Form 8-K regarding such change or waiver.
32. Review and provide prior approval of all transactions or arrangements required to be disclosed pursuant to SEC Regulation S-K, Item 404, between the Company and any of its directors, officers, principal stockholders or any of their respective affiliates, associates or related parties.
33. Review and approve the Company's Travel and Entertainment Policy and practices.
34. Prepare and periodically update an annual calendar and checklist for the Committee's responsibilities and authority.
35. Review the Committee's charter, structure, processes, membership and performance of the foregoing duties on at least an annual basis.
36. Review the Company's compliance with applicable business ethics regulations and its Code of Business Conduct and Ethics, as amended or restated from time to time, and review complaints made pursuant to the Company's Whistleblower Policy in accordance with such policy as amended or restated from time to time.
37. Performing such other duties as may be necessary or desirable to comply with the applicable laws, rules and regulations promulgated under the Sarbanes-Oxley Act, or by the SEC, Nasdaq or any other applicable governmental or regulatory agency, if such duties are customarily assigned to the Committee, or requested by the Board.
38. Take such other actions as the Committee or the Board may deem necessary or appropriate.

## **Resources and Authority**

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to engage independent accountants for special audits, reviews and other procedures and to retain special counsel and other experts or consultants.

## **Education**

The Company is responsible for providing the Committee with educational resources related to accounting principles and procedures, current accounting topics pertinent to the Company and other material as may be requested by the Committee. The Company shall assist the Committee in maintaining appropriate financial literacy.

## **Compensation**

Members of the Committee shall receive such fees, if any, for their service as Committee members as may be determined by the Board. Such fees may include retainers or per meeting fees and shall be paid in such form of consideration as is determined by the Board in accordance with the applicable rules of Nasdaq and the SEC.

Members of the Committee may not receive any compensation from the Company, except the fees that they receive for service as a member of the Board or any committee thereof and reimbursement for reasonable expenses.

## **Operating Procedures**

Formal actions to be taken by the Committee shall be by unanimous written consent or by the affirmative vote of a majority of the persons present (in person or by conference telephone) at a meeting at which a quorum is present. A quorum shall consist of at least a majority of the members of the Committee.

## **Delegation of Authority**

The Committee may, to the extent permitted under applicable law, the Company's Certificate of Incorporation and Bylaws and the applicable rules of Nasdaq and the SEC, delegate to one or more designated members of the Committee the authority to pre-approve audit and permissible non-audit services, provided that such pre-approval decision is presented to the full Committee at a scheduled meeting.

## **Limitations of Committee's Role**

The Committee's responsibilities are principally of an oversight nature. Although the Committee has the responsibilities set forth in this Charter, it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are accurate, complete and stated in accordance with generally accepted accounting principles and other applicable rules and regulations. These are the responsibilities of the Company's management and independent accountants, and the Committee shall rely on their expertise and knowledge in carrying out its oversight responsibilities.