

Comprehensive Compliance Program

Vanda Pharmaceuticals (“Vanda” or “the Company”) is committed to conducting its business practices in accordance with the highest ethical standards. As such, Vanda has adopted a Comprehensive Compliance Program (the “Compliance Program”) that conforms to the U.S. Department of Health and Human Services Office of Inspector General’s “Compliance Program Guidance for Pharmaceutical Manufacturers” (the “OIG Guidance”).”

Vanda dedicated significant time and resources to establish and maintain a compliance program consistent with the OIG Guidance. Consistent with the OIG Guidance, we have tailored our Compliance Program to fit the unique environment of Vanda. We regularly review and enhance our Compliance Program to meet our evolving compliance needs.

Overview of Vanda’s Compliance Program

1. Written Standards

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 for its operations and promotional activities.

2. Leadership and Structure

Compliance Officer

Vanda has appointed a Chief Compliance Officer (“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 organized a Compliance Committee that consists of the Vanda senior management team. The Compliance Committee meets regularly to advise and assist the Compliance Officer in the administration of the Compliance Program.

3. 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, and additional compliance training as new developments in applicable laws, regulations, or policies and procedures arise.

4. Internal 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.

5. 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 new regulatory requirements, changes in business practices, and other considerations.

6. 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.

7. Responding to Potential Violations

A Compliance Program designed in accordance with the OIG Guidance is intended to increase the likelihood of preventing, or at least 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.

November 5, 2014