



SUNOVION PHARMACEUTICALS INC.

CORPORATE POLICY

WORKING TITLE: Procurement Policy		POLICY NO: 3.06	
Supersedes:	Approval: Corporate Policy Review Committee (CPRC)	Date Issued: April 15, 2010 (v1) Amended: December 21, 2012 (v2)	Page: 1 of 5

SECTION 1. PURPOSE:

1.1. Policy Statement: This Procurement Policy ("Policy") provides guidelines to ensure that expenditures of funds by Sunovion Pharmaceuticals Inc. and its US subsidiaries ("Sunovion" or the "Company") follow established corporate procurement practices.

1.2. Purchasing Authority: Sunovion Procurement is responsible for authorizing external goods and services spend commitments and related activities, prior to any financial or legal commitment of funds, except as otherwise described in the Procurement SOP, PRO-001.

- The Procurement Organization, acting on behalf of the business and as sole procurement agent for Sunovion, will lead or co-lead the process of seeking eligible Suppliers, communicating the business requirements and soliciting Supplier proposals with the assistance of the business and functional partners as appropriate.
- Procurement's goal is to create an environment of Supplier alternatives through a competitive bid/qualification process.
- Procurement will lead or co-lead the negotiation of price, non-legal terms and conditions prior to the development of the Purchase Order/Contract.
- Procurement will ensure that the Legal Affairs organization is involved with the drafting of Contracts so that all legal matters are addressed and that the Financial Planning and Analysis/Accounting organization is involved to address financial matters and budgetary approvals.
- Stakeholders must direct all communications related to the Supplier selection process through the Procurement Organization.

Functional areas must advise Sunovion Procurement of any Contracts involving the outsourcing of activities and/or critical or important operational functions as described in the Procurement SOP, PRO-001 and supporting Procurement related SOPs.

1.3. Purpose: To ensure that all goods and services expenditures of company funds follow established best-in-class procurement practices to facilitate consistent, effective and appropriate procurement activities so that Sunovion obtains the best value and maintains compliance with applicable rules, regulations and internal policies. Value includes price, quality, service and amount of legal risk. Procurement's mandate is to:

- Drive procurement best practices and consistency across the business.

- Leverage Sunovion's spend and Supplier base.
- Proactively manage value and total cost of ownership.
- Establish the procedures and practices required to manage price and supply risk.
- Lead and instill a culture that embraces cost and demand management.
- Reduce Sunovion's cost structure.
- Ensure appropriate Supplier selection and Contractual protection.
- Provide appropriate tools and sourcing process expertise.
- Establish a link between payment obligation and deliverables.

SECTION 2. DEFINITIONS:

- 2.1. Please refer to the associated Procurement (Purchasing) Glossary, PRO-005.

SECTION 3. APPLICABILITY AND RESPONSIBILITIES:

- 3.1. This policy applies to all employees of the Company and those who act on its behalf for procurement purposes.
- 3.2. This Policy applies to purchases of goods, equipment, and services.
- 3.3. Exceptions and Waivers: Exceptions are noted in the Procurement SOP, PRO-001.

SECTION 4. GENERAL:

This policy mandates the use of Procurement procedures for company goods and services expenditures and involvement of Procurement in all strategic sourcing activities. These procedures are further defined in the supporting Procurement SOPs.

- 4.1. Roles and responsibilities for Procurement activities are defined in the Procurement SOP, PRO-001 under the Roles and Responsibilities section.
- 4.2. The Expenditure Approval Process is defined in the Procurement SOP, PRO-001 under the general section overview of the expenditure approval process and in the Expenditure Commitment and Invoice Payment Approval Policy. All employees must adhere to the process as defined prior to any commitments to external Suppliers.

4.2.1. Purchase Requisitions

- 4.2.1.1. Standard operating procedures for purchase requisition expenditures and the procedures for processing purchasing requisitions are defined in the Purchase Requisition SOP, PRO-006.
- 4.2.1.2. Purchases of goods and services must follow the Purchase Requisition Process as defined in the Purchase Requisition SOP, PRO-006.
- 4.2.1.3. Purchase order updates must follow the Purchase Order change control process per the Purchase Requisition SOP, PRO-006.

4.2.2. Purchasing Cards

- 4.2.2.1. Standard operating procedures for Purchasing Card expenditures and the procedures for Sunovion's Purchasing Card program are defined in the Purchasing Card SOP.

- 4.2.2.2. Corporate Purchasing Cards are only for designated products and services from Suppliers. Reference the Purchasing Card SOP for a list of Purchasing Card approved expenditures.
- 4.3. **Strategic Sourcing Process:** Standard operating procedures for strategic sourcing activities, best practices, process methodology and the process to engage procurement in sourcing related activities is defined in the Strategic Sourcing SOP, PRO-002.
- 4.4. The Contract Management process is defined in the Procurement SOP, PRO-001 under the general section for Contract management. Contract Management post Contract signature follows the Contract Management SOP, PRO-008 which defines standard operating procedures for Contract management and the processing, approvals, and maintenance of Supplier agreements and outlines the post award Contract administration procedures and details of various Contract types. The Contract Review and Signing Authority Policy No. 3.03 and supporting SOPs, Contract Review SOP 3.03A and Contract Signing Authority SOP 3.03B, ensure that all Contracts are reviewed by Legal Affairs on a timely basis and provide the best and most appropriate protection for the Company.
- 4.5. **Supplier Qualification:** The Supplier qualification process is defined in the Procurement SOP, PRO-001 under the sections for Preferred Suppliers, and Supplier Management. In addition, detailed procedures for Supplier Relationship Management, and Supplier List Management are defined in their respective SOPs. These provide standard operating procedures for the identification and interaction with the company's Approved and Preferred Suppliers and define Supplier relationship management and performance management activities.
- 4.6. **Record Retention**
 - 4.6.1. Procurement will maintain Supplier selection records including RFx documents, Supplier proposals and presentations, evaluation forms, financial screens, etc. in uncontrolled files as appropriate and consistent with Sunovion's Record Retention Policies.
 - 4.6.2. Stakeholders must return all executed Contracts to Legal Affairs.
 - 4.6.3. Legal Affairs will maintain all executed Contracts.
- 4.7. **Compliance**
 - 4.7.1. Employees will be held accountable for adherence to this Policy, associated policies, and supporting Procurement SOPs. Any commitment of funds that does not meet the requirements set forth in this Policy will be considered non-compliant.
 - 4.7.2. Violation of this Policy or procedures may result in employee loss of expenditure privileges, delays in payment to Suppliers, and cancellation of unauthorized Supplier Contracts. Suppliers not approved through the appropriate process for use in Oracle and appropriately qualified may not be paid in a timely manner and/or may be placed on payment hold, conditional use, or disqualified for use.
 - 4.7.3. **Conduct**
 - 4.7.3.1. Reciprocal transacting with Suppliers purely on the basis of them being a customer of Sunovion is prohibited. Reciprocity refers to arrangements between purchasers and Suppliers to deal exclusively with one another.

- 4.7.3.2. Commit to conducting business with Suppliers in a fair and honest manner, with openness and integrity. For further guidance refer to the Sunovion Code of Conduct and Ethics.
- 4.7.3.3. As detailed in the Conflict of Interest Policy, employees, officers and others acting on Sunovion's behalf should be free of any interest that could adversely influence their judgment, objectivity or loyalty to the Company in conducting Sunovion's business activities and assignments. Employees must act in the best interests of Sunovion when engaging in Sunovion business.
- 4.7.3.4. Sunovion requires that employees and others acting on Sunovion's behalf disclose to the company any situation, transaction, activity, relationship or matter that reasonably may give rise to, create the appearance of, a conflict of interest. Any employee acting on Sunovion's behalf who suspects that s/he may have a conflict of interest, or has involvement in a situation that others could reasonably perceive as a conflict of interest, should report that matter to a supervisor, or to a member of the Compliance, Legal Affairs, or Human Resources Departments. It is the responsibility of the employee's line management to determine whether the situation, transaction, activity, relationship, or matter constitutes a conflict of interest and what, if any, measures would be required to manage the conflict appropriately. In the event there is any doubt whatsoever; the matter shall be determined by the Compliance Department in consultation with line management.

Please refer to the Conflict of Interest Policy for further information.
- 4.7.3.5. Employees should ensure compliance with applicable laws and regulations, industry guidance, and the Sunovion Meals, Medically Relevant and Other Items, and Entertainment Policy 3.05 related to Healthcare Professional interactions. Policy 3.05 defines the parameters to which Sunovion employees may provide a meal, medically relevant item, and/or entertainment to a Healthcare Professional.
- 4.7.3.6. No Policy can cover all circumstances or eventualities an employee may meet, and every employee is expected to use good judgment, common sense and generally accepted business principles in applying this Policy. In case of doubt in the application of this Policy, employees should contact Procurement, Legal Affairs and/or Compliance.

SECTION 5. OTHER MATTERS:

5.1 Amendment

Management reserves the right to amend this policy as appropriate at any time without prior notice, pursuant to Sunovion Corporate Policy 1.0, "**Corporate Policy Review Committee**".

5.2 Failure to Comply

EMPLOYEES WHO VIOLATE ANY SUNOVION POLICIES AND PROCEDURES WILL BE SUBJECT TO DISCIPLINARY ACTION, UP TO AND INCLUDING TERMINATION OF EMPLOYMENT.

5.3 Reporting Concerns

Reports concerning wrongful behavior, violations or suspected violations of this or any other policy, the Code of Conduct and Ethics, law or regulation may be submitted on a confidential

basis or may be submitted anonymously through Sunovion's Compliance Hotline as set forth below. Reports of violations or suspected violations of alleged misconduct or wrongful behavior will be maintained as confidential as practicable under the circumstances, and as necessary to conduct a full and fair investigation.

Reporting Hotline Options:

- (a) Toll free telephone number. 866-886-1348
- (b) Via the internet at: www.ethicspoint.com

5.4 Audit

Each department shall perform periodic reviews of the implementation of this Policy, under the oversight and guidance of the Chief Compliance and Ethics Officer.

Procurement will provide non-compliance reports and notify individuals, managers, and the Management as appropriate.

5.5 Governance

Internal Audit has responsibility for independently auditing the effectiveness of the company's regulatory compliance management program by its performance of routine internal audits in which compliance with major laws and regulations are regularly tested, and through targeted regulatory compliance audits as warranted.