



SUNOVION PHARMACEUTICALS INC.
CORPORATE POLICY

WORKING TITLE: Military Leave Policy		POLICY NO: 2.08	
Supersedes: Policy 5-57 Issued: 11/22/04	Approval Signature: Corporate Policy Review Committee (CPRC)	Date Amended: May 15, 2012	Page: 1 of 5

SECTION 1. PURPOSE:

The purpose of this policy is to provide guidance to eligible employees in need of a military leave due to an obligation to provide military services.

SECTION 2. DEFINITIONS:

- 2.1 The purpose of the Military Leave Policy is to provide protection for employees that are obligated to provide "service in the military services" as defined below. This would include: active duty, necessary service, related training, National Guard Duty and other service obligations. Leaves for these purposes are cumulatively counted and are not to exceed (in most situations) a period of five years.
- 2.2 Eight categories of service duty are exempt from the five-year limit under the Uniformed Services Employment and Re-employment Rights Act (USERRA).
- 2.3 Service in the Military refers to United States Army, Navy, Marine Corps, Air Force, Coast Guard, Army National Guard, Air National Guard, Commissioned Corps of the Public Health Service, Reserves of the United States Army, Navy, Marine Corps, Air Force, Coast Guard and other Categories determined by the President of the United States in time of war or emergency.
- 2.4 Service in the United States uniformed services refers to the performance of duty on a voluntary or involuntary (drafted) basis, including active duty, active duty for training, initial active duty for training, inactive duty training, full time US National Guard duty. Time that an employee is absent from work to determine their fitness for any of the above referenced types of duty would be covered. In addition, time away for funeral honors duty performed by members of the US National Guard or US Reserves is covered.

SECTION 3. APPLICABILITY AND RESPONSIBILITIES:

- 3.1 This policy applies to all Sunovion employees in the U.S. and Puerto Rico.

3.1.1 Required Documentation to Begin a Military Leave of Absence

- 3.3.1.1 Presentation of the employee's official orders to the Human Resources Department and the employee's immediate supervisor is necessary and should be provided in a timely fashion.
- 3.3.1.2 Advance notice must be provided to Human Resources by the employee whenever possible. If it is not possible for the employee to give notice, an office of the branch of the military may provide notice in lieu of the employee. Notice would not be required by Sunovion if military necessity prevents giving notice, or the giving of notice is not possible.

SECTION 4. GENERAL:

4.0 Eligibility

- 4.1 Regular Full-Time, Regular Part-Time, and Part-Time employees on payroll are eligible from date of hire.
- 4.1 Contractors, temporary workers and consultants are not eligible for a military leave.

4.1 Benefits

- 4.1.1 Temporary Absences Due to Required Training or Service:
 - 4.1.1.1 Sunovion will cover employee's salary for up to 90 days less the amount paid by the Armed Forces of the United States.
- 4.1.2 Presentation of Official Military Payment documentation is required. Employees are required to notify their immediate supervisor and Human Resources.
- 4.1.2 After the 90-day period, requests for additional supplemental earnings would require approval from Vice President of Human Resources with input from the appropriate Vice President functional head's decision.
- 4.1.3 Active Military Service:
 - 4.1.3.1 During the 90 days of active duty, Sunovion will supplement the employee's salary less the amount paid by the Armed Forces.
 - 4.1.3.2 After the 90-day period, requests for additional supplemental earnings would require approval by Vice President of Human Resources with input from the appropriate Vice President functional head's decision.
 - 4.1.3.3 Sales incentives will be paid based on individual results and performance. If company incentives are paid during the leave, individual awards, if granted, would be prorated.

4.3 General Benefit Administration

- 4.3.1 **Vacation Accrual:** While on an approved military leave, employees continue to accrue vacation time at their current accrual rate up to a maximum balance of 184 hours. Because accrued vacation time cannot be forfeited, the vacation time can be banked for the employee upon the conclusion of the military obligation. If the employee elects not to return to work the accrued vacation time would be paid out in a lump sum. Employees that accrue vacation time while on military leave are not required to use the time within a designated timeframe nor will this accrued time be subject to Sunovion's vacation forfeiture policy. However once the maximum accrual balance of 184 hours has been reached, accruals will cease until vacation time is taken and the balance drops below 184 hours. All vacation requests need to be approved by the employee's supervisor. Vacation accruals during a military leave of absence will fall under the guidelines of the general vacation policy.
- 4.3.2 **Medical/Dental Insurance Continuation:** Cost sharing of medical and dental insurance (via payroll deduction) between Sunovion and the employee will continue for as long as the employee is eligible for supplemental pay. Once the employee is no longer eligible for supplemental pay, the employee would become eligible for the continuation of medical and dental benefits under COBRA.
- 4.3.3 **COBRA:** In order for the employee to continue medical and/or dental insurance premiums beyond the supplemental pay period, the employee will need to elect COBRA continuation coverage. Employees will be offered COBRA continuation coverage and if COBRA coverage is elected, the employee will be responsible to pay the full 102% monthly COBRA premium (100% of premium plus 2% administration fee).
- 4.3.4 **Life Insurance:** Military Leave of Absence: If You enter active military service and are granted a military leave of absence in writing, your coverage (including Dependent Life coverage) may be continued for up to 12 week(s). If the leave ends prior to the agreed upon date, this continuation will cease immediately.
- 4.3.5 **Sunovion 401K Plan:** While the employee is receiving supplemental pay, contributions from the employee and Sunovion to the 401(k) plan will continue through payroll deduction. Once the employee's paid time is exhausted, contributions would cease until the employee returned to work. As per USERRA, vesting will continue for the duration of the approved Military Leave.
- 4.3.6 **401K Make-Up Provision:** Re-employed employees are entitled to make up their employee contributions for their period of military service. In addition, re-employed employees are entitled to receive employer contributions or benefits that are based on the employee contributions (i.e. company matching contributions). Make up contributions must be made within a time period of three times the period of active military service, not to exceed five years. *For example, if an employee's military leave were 3 months, the employee would have 9 months to make up contributions.* The employer has the same time period of time to make up the matching contribution. Note: *There is no obligation for the employer to make up earnings on contributions.* The calculation for the make up contributions would be based on the salary the employee would have been paid, if the employee was actively working or the average compensation the employee received in the 12-month period immediately preceding the military service.
- 4.3.7 **401K Loans** - If an employee has a Loan against their 401(k), loan payments would continue during the supplemental pay period of the military leave. Loan payments may be suspended during the unpaid portion of a qualified military leave of absence. Upon re-employment, the loan payments would resume as usual, however the repayment schedule can be extended for a period equivalent to the period of active military service.

Note: The loan repayments must include the interest accrued during the active military service.

4.3.8 **Extensions:** Applicable as required by official Military orders, up to five (5) years.

4.4 Reinstatement rights under the Uniformed Services Employment and Re-employment Act of 1994 (USERRA)

4.4.1 It is Sunovion's intention to honor employee reinstatement law under USERRA. If the employee is a member of the Armed Forces, including the Reserves and National Guard, and if the employee has met the qualifications for reinstatement under USERRA (example: Honorable Discharge status is required), then Sunovion will provide re-employment to the same or approximate position so long as the employee is qualified or can become qualified after "reasonable efforts". However, based on changes in business needs (example: Reduction in Force), re-employment is not guaranteed.

4.4.2 Generally, USERRA protects employees who return to their jobs following cumulative periods of uniformed services of no longer than five years. However, certain types of uniformed services are exempted from the five-year limitation, including service during a war or national emergency. Required training for reservists and members of the National Guard (including two week annual training sessions and monthly weekend training sessions) are exempt from the five year limitation.

4.4.3 Under USERRA, employees who serve in the military for a period of more than six months may not be discharged without cause for one year following the date of re-employment. Employees who serve in the military for a period of between 1 and 6 months may not be discharged for 6 months following the date of re-employment. Employees who serve for 30 days or less are given no protection from discharge without cause.

4.4.4 Notice obligations and reporting back to work:

4.4.4.1 Military Leaves extending from 1 day to 31 days: The employee must report to Sunovion for work upon the first calendar workday following completion of service and the expiration of eight hours for safe travel home, unless this is impossible or unreasonable due to circumstances beyond the employee's control. Employees absent for Fitness for Service examinations are subject to these guidelines regardless of the length of absence.

4.4.4.2 Military Leaves extending from 31 days to 180 days: Application for re-employment must be submitted within 14 days after completion of service (if the 14th day is a non-business day, the deadline is extended to the next business day) unless this is impossible or unreasonable due to circumstances beyond the employee's control.

4.4.4.3 Military Leaves extending 181 days and beyond: Application for re-employment must be submitted within 90 days after completion of service (if a non business day, the next business day following the 90 day period) unless this is impossible or unreasonable due to circumstances beyond the employee's control.

4.4.4.4 Unexcused Delay: Application deadlines may be extended up to two years for persons who are hospitalized or convalescing because of a disability incurred or aggravated during military service. Re-employment rights are not automatically forfeited if the person fails to report to work or apply for re-employment within the required time limits but the person will then be subject to the Company's rules governing unexcused absences.

4.4.4.5 Unavailable Documentation: If an employee does not provide satisfactory documentation because it is not readily available or does not exist, the employee will be reemployed under good faith that the documentation will be produced. If the documentation becomes available and shows that one or more of the re-employment requirements were not met, employment can be terminated.

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 (as needed)

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

5.5 Cross-References to other Corporate Policies (as needed)