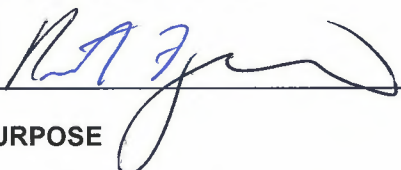




**SUNOVION PHARMACEUTICALS INC.
STANDARD OPERATING PROCEDURE (SOP)**

TITLE: SOP for Employee Gifts and Reward Programs		SOP NO: HR-001	
	Approval Signature: 	Date Issued: April 16, 2013	Page: 1 of 2
		Amended:	

SECTION 1. PURPOSE

As a general rule, gifts and other remuneration (regardless of the form) provided to employees as part of a sales contest, incentive or recognition program are considered taxable income to the employee. While there are some limited exceptions to this rule, in most cases, steps must be taken by Human Resources and Finance to ensure that the tax implications of employee gifts and other Reward Programs are addressed.

The purpose of this SOP is to establish a governance protocol at Sunovion Pharmaceuticals Inc. (the "Company") for employee Gifts and Reward Programs to achieve the following objectives:

1. Provide a clear review and approval protocol for new Employee Reward Programs or material changes to existing Reward Programs.
2. Outline the proper method for purchasing appropriate employee Gifts.
3. Ensure that the Employee Gifts and Reward Programs are equitable and consistent with applicable federal and state laws and regulations.
4. Align all employee recognition with business objectives and Company values.
5. Optimize the Company's existing Reward Program menu (e.g. Short & Long Term rewards, Sales Incentives, PCE, Contests, etc.).
6. Ensure that all tax implications are planned, tracked and accounted for.
7. Ensure that Reward Programs are aligned to desired outcomes
8. Promoting sound fiscal management

SECTION 2. DEFINITIONS

2.1 Reward Programs – Formal Company-sponsored contests, incentives and recognition programs (ongoing or one-time) designed to provide any form of remuneration (e.g. cash, gifts, travel, etc.) to employees based upon predefined criteria, budget and timeframe, with the goal of acknowledging the contributions or achievements of an individual or group of Company employees.

2.2 Gifts – Any item of value provided to an employee as a one-time award or token of appreciation, including personal items as well as gift cards and gift certificates, which are separate and apart from an employee's formal salary and benefits, and which are not part of an ongoing formal Reward Program as defined in this SOP. Items of little intrinsic value which are intended solely for presentation, such as plaques, certificates, and trophies are not considered Gifts.

SECTION 3. APPLICABILITY AND RESPONSIBILITIES

This Guidance Document applies to all U.S. Based Company employees as well as any third-parties acting on behalf of the Company.

SECTION 4. SPECIFIC GUIDELINES

The Company has an existing menu of Reward Programs in place such as the Values Matters Program which is the preferred method of acknowledging the contributions of employees. However, on occasion, when the need is identified for employee gifts or Reward Programs beyond what the Company already has in place or for a material modification to an existing Reward Program, the following guidelines must be followed.

4.1 Reward Program Requirements

Proposals for new employee Reward Programs or material changes to existing Reward Programs must include the following:

- A Business rational;
- A Best practice or benchmarking review, if feasible;
- Program funding source and return on investment (ROI) projections, if feasible;
- Perspective on alignment between the proposed program and the Company's existing reward program menu, as well as the need for the program given the existing reward program menu;
- An Implementation plan including fiscal management plan; and
- The Review frequency to determine achievement of desired outcomes

4.2 Key Stakeholders and Approval Requirements for Reward Programs

1. Proposals for new employee Reward Programs or changes to existing programs, where the change results in additional payments (or transfer of value) over \$5000, must first be reviewed and approved, by a Rewards and Recognition Committee to be chaired by Human Resources (HR) and then presented to the Company's Executive Leadership Team (ELT).
2. Program sponsors are required to review the proposals with the Committee no less than 45 days prior to the planned implementation date.
3. The Committee will include representatives from Finance, HR, Legal and Compliance. In addition, if the proposed program requires implementation support, representatives from the appropriate areas (e.g. Commercial Operations, Corporate Travel Services) will be included in the review process as ad-hoc Committee members.
4. Committee members must review the proposed Program and seek endorsement with their individual ELT member or function Vice-President, in advance of the full ELT review.
5. All Employee Reward Programs are subject to annual review as part of the Company's annual budget and operational planning cycle.
6. Any formal Reward Program that includes the field sales organization and includes sales/prescriptions in the criteria, must be incorporated into the Company's Incentive Compensation Plan (ICP).
7. The executive leadership (ELT) reserves the right to amend or terminate Employee Reward Programs at any time, with or without prior notice, as permitted by law.

4.3 Requirements for Employee Gifts

Employee Gifts with a value of greater than \$25 must be purchased through the Company's Purchase Order (PO) process utilizing the PO "Gift" category and may not be expensed through an individual expense report. POs for any employee gifts greater than \$75 (person) must be approved in advance by Human Resources or Compliance.

As a general rule, employee gifts must be business related. Personal and holiday gifts may not be paid for with Company funds. Examples of business related gifts include, but are not limited to:

- Gifts that recognize milestone company events such as a product launch, sales goal or a Company meeting.
- Gifts that recognize the performance or contribution of an individual or group of employees, although consideration should first be given to the utilization of existing Company reward programs such as Values Matters.

Gifts of flowers for employee life events (birth, death or illness in the family) may be purchased through an online form found on the Source at:

<http://source.sunovion.com/HumanResources/FormsGuidesLinks/Pages/Flower-Requests.aspx>