



SUNOVION PHARMACEUTICALS INC.
CORPORATE POLICY

WORKING TITLE: Conflict of Interests Policy		POLICY NO: 1.06	
Supersedes:	Approval Signature: Corporate Policy Review Committee (CPRC)	Date Issued: September 30, 2008 (v1) Amended: October 30, 2012 (v2)	Page: 1 of 7

SECTION 1. PURPOSE

It is the policy of Sunovion Pharmaceuticals Inc. and its subsidiaries ("Sunovion" or the "Company"), that Employees, and others acting on Sunovion's behalf 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.

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, or create the appearance of, a Conflict of Interest. Any Employee who suspects that s/he may have a Conflict of Interest, or who has involvement in a situation that others could reasonably perceive as a conflict of interest should report the 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, the matter shall be determined by the Compliance Department in consultation with line management.

SECTION 2. DEFINITIONS

2.1 **Business Partner** means any person or entity with which the Company has a business relationship, such as a joint venture or licensure relationship.

2.2 **Conflict of Interest** means one's personal interests or activities interfere, or reasonably give the appearance of interference, with their duty to or the interests of Sunovion.

2.3 **Customer** means any person or entity to whom Sunovion sells its products.

2.4 **Employee** means any person employed by the Company on a full-time, part-time, temporary or contract basis. Consultants and vendors are not employees for purposes of this Policy.

2.5 **Entertainment** includes, but is not limited to, social invitations, concerts, shows, sporting events, or golf, boating, hunting or fishing trips. Tickets to a social or entertainment event where the Vendor, Customer or Business Partner will not act as the host should be treated as a Gift rather than entertainment.

2.6 **Gift** means any article, thing or item of value.

2.7 **Meals** means food and/or beverages.

2.8 **Professional Services** means the specific technical or business functions performed by Employees as part of their job responsibilities at Sunovion.

2.9 **Vendor** means any person or entity contracting for services or goods with the Company, including but not limited to consultants, contractors, interns or other vendors.

SECTION 3. APPLICABILITY AND RESPONSIBILITIES

This Policy applies to all Employees and others acting on behalf of Sunovion.

SECTION 4. SPECIFIC GUIDELINES

Employees have an obligation to always do what is in the best interest of Sunovion. When an Employee is in a situation where competing loyalties could cause the Employee to pursue a personal benefit for the Employee or friends and family of the Employee at the expense of Sunovion, a potential Conflict of Interest exists. All Employees should avoid circumstances that present even the appearance of such a conflict.

There are many situations, transactions, activities, relationships or matters that present a potential Conflict of Interest. In situations of uncertainty, employees should err on the side of caution and seek guidance from a supervisor, or a member of the Compliance, Legal Affairs or Human Resources Departments.

4.1 Other Employment and Outside Activities

4.1.1 Sunovion recognizes that employees may take part in other compensated activities ("Other Employment"), or take part in legitimate financial, business, civic, charitable, or other activities ("Outside Activities"). Sunovion also recognizes, however, that Other Employment and Outside Activities present the possibility of a Conflict of Interest. In order to prevent either an actual Conflict of Interest or the appearance of a Conflict, any Employee engaging in Other Employment or Outside Activities must satisfy the following requirements:

4.1.1.1 Any potential Conflict of Interest raised by Other Employment or Outside Activities must be disclosed promptly to the Employee's manager.

4.1.1.2 All Other Employment must be disclosed in writing to the Employee's manager and the Sunovion Human Resources Business Partner ("Human Resources") before the Employee can engage in the Other Employment.

4.1.1.3 Other Employment or Outside Activities shall not take place during Employee's normally scheduled working hours

4.1.1.4 Sunovion work requirements will have precedence over any Other Employment or Outside Activities.

4.1.1.5 Notwithstanding the nature of any Other Employment or Outside Activities, Employee must be able to safely and effectively maintain his/her work performance standard at the Company. For example, Employee should not demonstrate signs of undue fatigue, stress, reduced attention span, or missed deadlines resulting from any Other Employment or Outside Activities.

4.1.1.6 Other Employment and Outside Activities must be performed in accordance with the "Invention, Non-Disclosure and Personal Conduct Agreement" by which Employees acknowledge that, as a condition of their employment, they are not and will not be bound by the terms of any agreement with former employers or other parties that causes an actual or potential Conflict of Interest to arise in connection with their duties and obligations to Sunovion, or which requires the employee to refrain from competing, directly or indirectly with the business of former employers or other parties.

4.1.1.7 Under no circumstances shall an Employee perform services as a consultant, employee, officer, director, advisor or in any other capacity for a competitor of Sunovion other than services performed at the request of Sunovion.

4.1.1.8 Employees must promptly disclose to their manager and Human Resources any Professional Services they provide to any non-Sunovion person or entity.

4.1.3 Under no circumstances will Sunovion pay worker's compensation benefits for injuries or sickness arising from any employment or activities other than those for Sunovion.

4.1.4 **Service on Volunteer Boards.** All officers of the Company (Vice-Presidents and above) must obtain approval prior to accepting any position on a board of directors, advisory board, panel or consultant for any Volunteer Board, as hereinafter defined. Except for officers of the Company, Sunovion does not require approval and consent for appointments to boards of charitable, civic, or community organizations ("Volunteer Boards") so long as such service does not constitute a Conflict of Interest. Any such service on a Volunteer Board or similar organization shall be performed in the Employee's individual capacity and the Employee is responsible for making certain that their activities on such Board are not reflected as actions of or supported by the Company.

4.2 **Financial Interests**

4.2.1 No Employee shall have a financial interest in a competitor of Sunovion unless such financial interest is in a publicly-held company and the Employee's financial interest represents less than one percent (1%) of the competitor's outstanding shares.

4.2.2 No Employee shall use his or her position with Sunovion to influence a transaction with a supplier or customer in which such person has any personal interest, other than a financial interest in a publicly-held company representing less than one percent (1%) of the outstanding shares.

4.3 **Workplace Relationships**

4.3.1 *In General:* While Sunovion does not have an interest in interfering with the private lives of its employees, certain relationships (whether romantic or familial) within the workplace can create an actual Conflict of Interest or the appearance of a Conflict of Interest. When an employee and a supervisor or manager in his or her reporting line are dating, married or otherwise involved in a romantic relationship, workplace problems may result. Such problems may include intrusion of personal matters into the workplace, the perception of favoritism by other employees, and potential complications in the event that

the relationship ends. Similarly, workplace issues may arise when an employee is related to a supervisor or manager in the reporting line of the employee, or when two relatives are employed in the same department.

Managing Conflicts of Interest that arise under this section 4.3.1 may include formal oversight of personnel decisions, reassignment, managerial responsibility changes or other personnel decisions.

4.3.2 *Workplace Relationships:* No Employee with the authority or ability to influence decisions to hire, transfer, promote or otherwise substantially affect employment determinations of another Employee or candidate for employment shall be involved in such determinations, where the Employees, or the Employee and candidate, are dating or are involved in a romantic relationship. Furthermore, any Employee in a managerial or supervisory position should not date or become romantically involved with any other Employee reporting to them, or whom they directly or indirectly supervise.

4.3.3 *Family, Household, or Close Personal Relationships:* No Employee with the authority or ability to influence decisions to hire, transfer, promote or otherwise substantially affect employment determinations of another Employee or candidate for employment shall be involved in such determinations where the Employees, or the Employee and candidate, are closely related (e.g., parent, child, sibling, or cousin) by blood, marriage or domestic partnership, persons living within the same household, or close personal friends.

Furthermore, any Employee in a managerial or supervisory position should not directly or indirectly supervise any person with whom he/she is closely related (as described above) with whom he/she resides in the same household, are domestic partners, or with whom he/she is a close personal friend.

4.3.4 *Existing Relationships:* In the case a relationship as described in subsections 4.3.2 or 4.3.3 should already exist and which has not already been approved by the Company, or which occurs as a result of business restructuring, Sunovion requires that the Employee(s) involved disclose the relationship to Human Resources. Depending upon such factors as the reporting structure between the Employees, the Employees' periods of service in their respective positions and other factors, Sunovion will make decisions regarding the Employees' positions, geographic work locations and/or take necessary actions to prohibit any existing or perceived Conflicts of Interest.

4.3.5 *Departmental Relationships:* Workplace or Family, Household, or Close Personal Relationships involving managerial or supervisory roles between Employees in the same department or sales region, but whom are not in the same reporting line, must be disclosed to departmental senior management and Human Resources. Sunovion reserves the right to monitor such relationships on a case-by-case basis to ensure that such relationships do not unduly intrude on workplace concerns.

4.3.6 *Relationships with Vendors:* No Employee, officer, or anyone acting on Sunovion's behalf, may use his/her position with Sunovion to select any Vendor to the Company that may directly or indirectly benefit that person. In the case where an Employee may benefit either directly or indirectly from a Company relationship with a Vendor, the Employee must disclose the nature of the relationship to departmental senior management to ensure that any selection process is managed in the best interests of the Company.

4.3.6.1 A direct benefit to an Employee may be anything of value such as an ownership interest in the Vendor, a reward from the Vendor, a finder's fee, etc.

An indirect benefit may be anything of value to an Employee's family.

4.3.7 An Employee may not utilize a Vendor that is owned (in part or whole) by another employee or that otherwise financially benefits another employee without disclosing this fact to departmental senior management.

4.4 **Gifts, Entertainment and Meals from Vendors, Customers and Business Partners**

4.4.1 **General Prohibition.** Employees of Sunovion shall not solicit, directly or indirectly, any gift, entertainment or meal from a current or potential Vendor, Customer or Business Partner. Further, no Employee may accept gifts, entertainment or meals provided or paid for by a current or potential Vendor, Customer or Business Partner that could either unduly influence such Employee's decisions made on behalf of the Company, or create the appearance of doing so.

4.4.2 Notwithstanding the above, and subject to the restrictions in this Section 4.4, Employees may accept unsolicited, appropriate business Gifts, Entertainment and Meals from Vendors, Customers and Business Partners, provided such Gifts, Entertainment and/or Meals are modest and appropriately scaled in view of all the circumstances. Moreover, such Gifts, Entertainment and/or Meals should only be accepted on an occasional basis and only under the guidelines set forth below:

4.4.2.1 **Gifts and Entertainment Valued at Under \$75.** Employees may accept a gift or entertainment with an estimated retail value of \$75 or less. If an Employee is uncertain as to the value of the gift(s), he/she should contact the Compliance Department for guidance.

4.4.2.2 **Gifts and Entertainment Valued at More than \$75.** Employees may not accept a gift or any entertainment with an estimated retail value of more than \$75.

4.4.3 **Meals.** Employees may accept Meals provided and paid for by a Vendor, Customer or Business Partner on an occasional basis. Such meals should not involve excessive expense, per guest, in view of all relevant circumstances. Employees should reciprocate by occasionally offering such meals to the Vendor, Customer or Business Partner at Sunovion's expense

4.4.4 **Meals, Gifts or Entertainment with Healthcare Professionals.** Meals, Gifts or Entertainment with Healthcare Professionals are covered by Sunovion's Code of Conduct and Ethics and the Guidelines on Interactions with Healthcare Professionals.

4.4.5 **Gifts to Vendors.** Employees are not permitted to provide Gifts to Vendors. Any exceptions must be approved in advance, in writing, by the Compliance Department.

4.4.6 **Frequency, Expense and Reporting.** If an Employee frequently accepts Meals, Gifts and Entertainment from a Vendor, Customer or Business Partner, it could create the appearance of a Conflict of Interests. For this reason, Employees should accept such Meals, Gifts or Entertainment only on an occasional basis, regardless of value and regardless of how many Vendors, Customers or Business Partners an Employee interacts with. If a Vendor, Customer or Business Partner offers Meals, Gifts or Entertainment with excessive frequency or expense, the Employee should report the matter to his/her supervisor and, where appropriate, to the Compliance Department.

4.4.7 **Transportation and Lodging.** Employees should not accept direct or indirect payment for transportation or lodging expenses by a Vendor, Customer or Business Partner unless contracted for by Sunovion. Similarly, any transportation or lodging expenses to and from any business meeting or

Entertainment event involving a Vendor, Customer or Business Partner should be submitted as a business expense to Sunovion by the Employee. Any exception must be approved in advance by the Employee's supervisor and reported on a Gift/Entertainment Approval Form.

4.4.8 Disclosure of Personal, Non-Business Relationship with a Vendor, Customer or Business

4.4.8.1 Partner. If an Employee, Employee's family member, household member, domestic partner or close personal friend has a close personal relationship or friendship with an owner or employee of an existing or potential Vendor, Customer or Business Partner, the Employee must disclose the nature of the relationship to his/her supervisor before becoming involved in any business decision involving the Vendor, Customer or Business Partner.

4.4.8.2 Prohibited Gifts and Entertainment. Gifts and Entertainment of the types described below are inappropriate. No Employee may accept such Gifts and entertainment from a Vendor, Customer or Business Partner under any circumstances regardless of value:

- i. A Gift or loan of cash, cash equivalents or securities
- ii. A Gift or Entertainment of an unlawful, lewd or offensive nature
- iii. A Gift of personal, non-business use of lodging for free or at a discount/reduced rate, such as use of a condominium, time-share, etc.
- iv. A Gift of personal services for free or at a discount/reduced rate not offered to other Sunovion employees or the general public
- v. A Gift or loan of personal property, such as a car or boat
- vi. A Gift or Entertainment based on the quantity or volume of merchandise or services purchased or acquired by the Company
- vii. A Gift or Entertainment offered in return for a specific decision or outcome, or offered with the expectation that it will unduly influence any decision an Employee might make on behalf of the Company

4.4.9 Duty to Report Offer of Prohibited Gifts. Any Employee receiving an offer of a prohibited Gift or Entertainment as described in section 4.4.8 must report the offer to his/her supervisor, even though the Employee rejected the offer in question.

4.5 Improper Personal Benefits, Favor, Advantage or Gain. No Employee may obtain any personal benefit, favor, advantage or gain based on his/her position with Sunovion. In any dealings with a Vendor, Customer, or other entity, either in the United States or abroad, an Employee must always act in the best interests of the Company and not engage in self-dealing or otherwise use his/her position with Sunovion to advance his or her own personal interests. Moreover, in any dealings with a Vendor, Customer, Business Partner or other entity, whether in the United States or elsewhere, Employees are prohibited from requesting or accepting any offer of payment, gift, gratuity of significant value, or other favor for the purpose, or result of which could be, to influence the bona fide business relationship between Sunovion and the Vendor, Customer, Business Partner or entity in question.

SECTION 5. ENFORCEMENT, EXCEPTIONS AND AMENDMENTS

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

Sunovion Internal Audit shall perform periodic reviews of the implementation of this Policy, under the oversight and guidance of the Chief Compliance and Ethics Officer.

SECTION 6. CROSS-REFERENCED DOCUMENTS

- Sunovion's Code of Conduct and Ethics
- Guidelines for Interactions with Healthcare Professionals
- Anti-Corruption Policy
- Conflict of Interest FAQs