

## VANDA PHARMACEUTICALS INC.

### AMENDED AND RESTATED COMPENSATION COMMITTEE CHARTER

(as of December 14, 2017)

The Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Vanda Pharmaceuticals Inc. (the “Company”) shall have the responsibility, authority and duties described in this Charter.

#### **Purpose**

The Committee discharges certain responsibilities of the Board relating to compensation of the Company’s executives compensation policies and programs, including designing the Company’s general compensation philosophy, providing oversight of the implementation of compensation policies, administering the Company’s various equity compensation plans and programs, including the issuance of stock options and other stock-related awards, and making recommendations to the Board regarding its remaining responsibilities relating to executive compensation.

#### **Membership**

The members of the Committee are appointed by the Board, considering the recommendation of its Nominating/Corporate Governance Committee. The members of the Committee may be removed by the Board on its own motion or on the recommendation of its Nominating/Corporate Governance Committee. The Committee shall be composed of at least two (2) members of the Board. Each member of the Committee will meet the following requirements:

- The independence requirements of The Nasdaq Stock Market (“Nasdaq”), except as may otherwise be permitted by Nasdaq;
- Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations adopted by the Internal Revenue Service under such section;
- Rule 16b-3 adopted by the Securities and Exchange Commission (the “SEC”) under Section 16 of the Securities Exchange Act of 1934; and
- Any other requirements imposed by applicable law, regulations or rules.

The Board shall designate one member of the Committee as Chair of the Committee. Previous experience as the chair of a compensation committee of a public company’s Board of Directors shall be preferred, but not required, for all Chairs succeeding the first Chair of the Committee.

## **Meetings**

The Committee shall hold meetings as deemed necessary or desirable by the Chairperson. In addition to such meetings of the Committee as may be required to perform the functions described under “Duties and Powers” below, the Committee shall meet at least twice a year to discuss any matters that the Committee believes should be discussed. The Chairperson, in consultation with the other members of the Committee, will schedule the Committee meetings and establish an agenda for each meeting. The Chairperson will designate a secretary for each meeting, who need not be a member of the Committee. The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of meetings of the Board. In lieu of holding a meeting, the Committee may act by circulating a written consent to each member of the Committee. The written consent constitutes a valid action of the Committee if it has been executed by each Committee member. The written consent will be filed with the minutes of the Board meetings. The Committee may, at its discretion, meet in executive session with or without the presence of management. Notwithstanding the foregoing, the Company’s Chief Executive Officer may not be present during voting or deliberations regarding the Chief Executive Officer’s compensation.

## **Duties and Powers**

The Committee has the responsibility and authority to supervise and review the affairs of the Company as they relate to total compensation. The following shall be the principal recurring functions of the Committee in carrying out its responsibilities:

- Review annually and approve the Company’s compensation strategy.
- Review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the performance of the Chief Executive Officer in light of those goals and objectives and set the level of the Chief Executive Officer’s compensation based on this evaluation.
- In consultation with the CEO, determine the base and incentive compensation of the other individuals who are deemed to be “officers” of the Company under Rule 16a-1(f) of the SEC (the “Executive Officers”), including establishing incentive compensation plans for such individuals, establishing targets and incentive awards under such plans and making any determinations required to be made under such plans.
- Review and approve the base and incentive compensation payable to any “immediate family member” of a Director or Executive Officer of the Company, as such term is described in the Instructions to Item 404 of SEC Regulation S-K.

- Make recommendations to the Board with respect to the adoption or amendment of equity and cash incentive plans, and adopting and approving amendments to such plans (including changes in the number of shares reserved for issuance thereunder).
- Administer the Company's equity plans, granting equity awards and approving modifications of such awards, provided that the Board may delegate to other committees of the Board or, if permitted under applicable law, to Company officers, the concurrent authority to make such awards to individuals other than Executive Officers and Board members on such terms and conditions as the Committee may specify.
- Approve material changes to the Company's 401(k) plan.
- Periodically and as and when appropriate, review and approve the following as they affect the Executive Officers: (a) any employment agreements and severance arrangements; (b) any change in control agreements and severance protection plans and change in control provisions affecting any elements of compensation and benefits; and (c) any special or supplemental compensation and benefits for the Executive Officers and individuals who formerly served as Executive Officers, including supplemental retirement benefits and the perquisites provided to them during and after employment.
- Conduct a review of Executive Officer succession planning, as necessary, reporting its findings and recommendations to the Board, and working with the Board in evaluating potential successors to Executive Officer positions.
- Make recommendations to the Board with respect to the compensation of non-employee members of the Board, including but not limited to the following elements: retainers, meeting and committee fees, committee chair fees, and equity compensation.
- When and as required by SEC rules, reviewing and discussing with management the Compensation Discussion & Analysis ("CD&A") required to be included in the Company's proxy statement and annual report on Form 10-K under applicable SEC rules; determining on the basis of such process whether to recommend to the Board that the CD&A be included in such filings; and furnishing an annual report on executive compensation for publication in the Company's proxy statement.
- Maintain minutes or other records of meetings and activities of the Committee.

- Report the Committee's activities to the Board on a regular basis and make such recommendations with respect to such activities as the Committee or the Board may deem necessary or appropriate.
- Make recommendations to the Board regarding amendments to this Charter.
- Review the Committee's operations and performance on at least an annual basis and make such changes as it deems appropriate.
- Oversee the Company's compliance with SEC rules and regulations and Nasdaq listing standards regarding stockholder approval of certain compensation matters.
- Carrying out any other duties and responsibilities assigned to it by the Board, to the extent permitted by law and the Company's Bylaws.
- The Committee shall monitor the Company's compliance with the requirements under the Sarbanes-Oxley Act of 2002 relating to loans to directors and officers, and with all other applicable laws affecting employee compensation and benefits.

### **Resources and Authority**

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to retain and terminate special counsel and other experts or consultants. The Committee shall have the sole authority to select, retain and terminate counsel, consultants, accountants and other advisers to assist the Committee in carrying out its duties; provided that the Committee may retain and obtain the advice of any such adviser only after taking into consideration factors relevant to adviser independence set forth in Nasdaq Listing Rule 5605(d)(3) and will be directly responsible for the appointment, compensation and termination of the adviser. The Committee also has the exclusive authority to determine its advisers' compensation and the other terms of their retention; provided that the Company will provide appropriate funding for such arrangements.

The Committee may conduct or authorize investigations into, or studies of, matters within the Committee's scope of responsibility, with full access to all books, records, facilities and personnel of the Company.

### **Reports**

The Chairperson will periodically report to the Board on the Committee's deliberations and actions. The minutes of Committee meetings and actions by the unanimous written consent of the Committee members will be made available to all Board members.

## **Compensation**

Members of the Committee will receive such fees, if any, for their service as Committee members as may be determined by the Board. Such fees may include retainers or per-meeting fees and will be paid in such form of consideration as is determined by the Board in accordance with the applicable rules of Nasdaq and the SEC.

## **Operating Procedures**

Formal actions to be taken by the Committee shall be by unanimous written consent or by the affirmative vote of a majority of the persons present (in person or by conference telephone) at a meeting at which a quorum is present. A quorum shall consist of at least a majority of the members of the Committee.

## **Delegation of Authority**

The Committee may, to the extent permitted under applicable law, the rules of Nasdaq and the SEC, and the Company's Certificate of Incorporation and Bylaws, form and delegate authority to subcommittees when appropriate.