

VANDA PHARMACEUTICALS INC.
COMPENSATION COMMITTEE CHARTER

(as of December 9, 2020)

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

Purpose

The primary purpose of the Committee is to assist the Board in discharging certain of its responsibilities relating to the review, determination and execution of the Company’s compensation policies and programs as they relate to the Company’s Chief Executive Officer (the “CEO”), the other individuals who are deemed to be “officers” of the Company under Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended (the “Executive Officers”), and such other personnel as may be determined by the Board. Such responsibilities include, but are not limited to, (1) designing the Company’s general compensation philosophy; (2) providing oversight of the implementation of compensation policies; (3) administering the Company’s various equity compensation plans and programs, including the issuance of stock options and other stock-related awards; and (4) making recommendations to the Board regarding its remaining responsibilities relating to compensation.

Membership

The members of the Committee shall be appointed annually by a majority vote of the entire Board, considering the recommendation of its Nominating/Corporate Governance Committee, shall serve at the discretion of the Board, and may be replaced by the Board at any time or for any reason. The Committee shall be composed of at least two (2) members of the Board, each of whom shall meet (i) the independence requirements of The Nasdaq Stock Market (“Nasdaq”), except as may otherwise be permitted by Nasdaq, and (ii) the non-employee director definition under Rule 16b-3 adopted by the Securities and Exchange Commission (the “SEC”) under Section 16 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Unless a chair is designated by the Board, the members of the Committee may appoint one member of the Committee as its chair (the “Chair”).

Duties and Powers

In addition to performing such other duties as may be requested from time-to-time by the Board, the Committee shall:

1. Review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate the performance of the CEO in light of those goals and objectives and set the level of the CEO’s compensation based on this evaluation.
2. 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.

3. 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.
4. Make recommendations to the Board with respect to the adoption or amendment of equity and cash incentive plans and adopt and approve amendments to such plans (including changes in the number of shares reserved for issuance thereunder).
5. Administer the Company’s equity plans, granting equity awards and approve 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.
6. Approve material changes to the Company’s 401(k) plan.
7. 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.
8. 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.
9. When and as required by SEC rules, review and discuss with management the Compensation Discussion & Analysis (“CD&A”) required to be included in the Company’s proxy statement or annual report on Form 10-K under applicable SEC rules; determine on the basis of such review and discussion whether to recommend to the Board that the CD&A be included in such filings; and furnish an annual report on executive compensation for publication in the Company’s proxy statement.
10. Review and approve the selection of the Company’s peer companies for purposes of evaluating the Company’s compensation competitiveness and establishing appropriate positioning of the levels and mix of compensation elements.
11. Review with management the Company’s major compensation-related risk exposures and the steps management has taken to monitor and control such exposures, and assess whether the Company’s compensation policies and

practices create risks that are reasonably likely to have a material adverse effect on the Company.

12. When applicable, review and recommend to the Board for approval the frequency with which the Company will conduct stockholder advisory “say-on-pay” votes (the “Say-on-Pay Vote”) required by Section 14A of the Exchange Act, and assess the results of the Company’s most recent Say-on-Pay Vote and take such assessment into consideration when establishing the compensation of the Company’s Executive Officers.
13. Periodically review the desirability of introducing stock ownership guidelines for Executive Officers and non-employee directors, and, if deemed desirable, recommend or determine such guidelines and monitor compliance with the same.
14. Maintain minutes or other records of meetings and activities of the Committee.
15. 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.
16. Review at least annually, and make recommendations to the Board regarding amendments to, this Charter.
17. Review at least annually the Committee’s performance against the responsibilities outlined in this Charter and as otherwise established by the Board.
18. Oversee the Company’s compliance with SEC rules and regulations and Nasdaq listing standards regarding stockholder approval of certain compensation matters.
19. Carry out any other duties and responsibilities assigned to it by the Board, to the extent permitted by law and the Company’s Bylaws.
20. 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, as determined by the Committee, including the authority to retain special counsel, consultants, experts or and other advisers to assist the Committee in carrying out its duties. The Committee shall have the sole authority to select, retain and terminate counsel, consultants, experts and other advisers, 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). The Committee also has the exclusive authority to determine its advisers’ compensation and the other terms of their retention. The Company shall ensure that the Committee has adequate funding for such arrangements and to allow the Committee to perform its duties under this Charter.

Meetings

The Committee shall hold meetings as deemed necessary or desirable by the Chair. In addition to such meetings of the Committee as may be required to perform the functions described under “Duties and Powers” above, the Committee shall meet at least twice a year to discuss any matters that the Committee believes should be discussed or otherwise in response to the needs of the Board. The Chair, in consultation with the other members of the Committee, will schedule the Committee meetings and establish an agenda for each meeting. The Chair 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 request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any Committee meeting to provide such pertinent information as the Committee requests. The Committee may, at its discretion, meet in executive session with or without the presence of management. Notwithstanding the foregoing, the Company’s CEO may not be present during voting or deliberations regarding the CEO’s compensation.

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.

Reports

The Chair 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 compensation, if any, for their service as Committee members as may be determined by the Board. Such compensation 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.

Delegation of Authority

The Committee may, to the extent permitted under applicable law, the Company’s Certificate of Incorporation and Bylaws and the applicable rules of Nasdaq and the SEC, form and delegate authority to one or more subcommittees, comprised of one or more Committee

members, which subcommittee(s) shall have the responsibilities and authority delegated to them, including, if so designated, the full responsibility and authority of the Committee with respect to delegated matters. The Committee shall also have the authority to delegate to one or more officers of the Company, any of its responsibilities and authority that do not relate to the amount or form of compensation of Executive Officers, including its responsibilities and authority related to the administration of compensation and incentive plans and benefits programs. The Committee may terminate any such subcommittee and revoke any such delegation at any time.