

NeoPharm, Inc.

CODE OF CONDUCT GRIEVANCE PROCEDURE

**Introduction**

NeoPharm is committed to the highest standards of openness, probity and accountability.

An important aspect of accountability and transparency is a mechanism to enable directors, officers, consultants and employees of NeoPharm to voice concerns in a responsible and effective manner. It is a fundamental understanding of NeoPharm's Confidentiality Agreement, which must be signed by each director, officer, consultant and employee, that they will not disclose confidential information about NeoPharm's affairs. Nevertheless, when an individual discovers information that he or she believes shows serious misconduct or wrongdoing within the organization, this information should be disclosed internally without fear of reprisal and there should be procedures to enable this to be done independently of line management (although in relatively minor instances the line manager would be the appropriate person to be told). The Sarbanes-Oxley Act of 2002, Sections 806 and 1107, gives legal protection to employees against being dismissed or penalized by their employers as a result of publicly disclosing certain serious concerns. NeoPharm has provided the provisions set out below so as to ensure that covered individuals have an additional avenue in raising legitimate concerns. This policy applies to all contractors, employees, officers, and directors. A copy of the applicable material provisions of the Sarbanes-Oxley Act of 2002 is available from NeoPharm's Human Resources Department.

It should be emphasized that this policy is intended to assist individuals who believe they have discovered misconduct or impropriety. It is not designed to question legitimate financial or business decisions made by NeoPharm nor should it be used to raise matters that are addressed under harassment, discrimination, complaint, disciplinary or other procedures. Because these code of conduct grievance procedures are in place, it is reasonable to expect directors, officers, consultants and employees of NeoPharm to use them rather than air their complaints outside of NeoPharm. Nevertheless, regardless of whether any such complaints are raised internally or externally, any complaining individual who acts in good faith will not be subjected to retribution by NeoPharm for raising the complaint.

**Scope of Policy**

This policy is designed to enable directors, officers, consultants and employees of NeoPharm to raise concerns internally and at a high level and to disclose information that the individual believes shows misconduct or impropriety. This policy is intended to cover concerns, which are in the public interest and may at least initially be investigated separately but might then lead to the implementation of other procedures e.g. disciplinary. These concerns include, but are not limited to:

- Misconduct, impropriety or fraud relating to NeoPharm's financial accounting, internal accounting controls and internal and external auditing procedures;
- Failures to comply with legal obligations;
- Conduct that is against NeoPharm's policies;
- Conduct that falls below established standards or practice;
- Conduct that constitutes a danger to health and safety or the environment;

- Unlawful or criminal activity;
- Improper conduct or unethical behavior; or
- Attempts to conceal any of the foregoing.

### **Safeguards**

#### 1) Protection

This policy is designed to offer protection to directors, officers, consultants and employees of NeoPharm who disclose such concerns provided the disclosure is made:

- In good faith;
- In the reasonable belief of the individual making the disclosure that it tends to show misconduct or impropriety and he or she makes the disclosure to an appropriate person (see below). Please note that in extreme cases, wild or malicious allegations could give rise to legal action by the person against whom such an unsupported claim is lodged.

NeoPharm encourages individuals with serious concerns about any improprieties regarding NeoPharm to come forward and voice those concerns without the fear of discrimination or retaliation.

#### 2) Confidentiality

NeoPharm will treat all such disclosures in a confidential and sensitive manner. The identity of the individual making the allegations may be kept confidential so long as it does not hinder or frustrate any investigation. However, the investigation process may reveal the source of information and the individual making the disclosure may need to provide a statement as part of the evidence required.

#### 3) Anonymous Allegations

This policy encourages individuals to put their names to any disclosures they make. Concerns expressed anonymously are less credible, but they may be considered and investigated at NeoPharm's discretion.

In exercising this discretion, the factors to be taken into account will include:

- The seriousness of the issues raised;
- The credibility of the concern; and
- The likelihood of confirming the allegation from attributable sources.

#### 4) Untrue Allegations

If an individual makes an allegation in good faith, which is not confirmed by subsequent investigation, no action will be taken against that individual. In making an allegation, the individual should exercise due care to ensure the accuracy of the information. If, however, an individual makes malicious or vexatious allegations, and particularly if he or she persists in making them, disciplinary action may be taken against that individual, which may include demotion or dismissal.

## 5) Procedure for Making a Disclosure

Concerns should normally be raised with an immediate supervisor or next highest level of management. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the impropriety.

Concerns are best raised in writing. Individuals are invited to set out the background and history of the concern, giving names, dates and places where possible, and the reasons why there is concern about the situation. If one is not able to put the concern in writing, it can be done by telephone or by meeting the appropriate individual either at the work place or off-site.

The earlier a concern is expressed, the easier it will be to take action.

Upon receipt of a complaint, the individual who receives and takes note of the complaint must, as soon as possible, pass this information on to the appropriate investigating officer as follows:

- Complaints of misconduct will be investigated by the appropriate supervisor unless the complaint is against the supervisor or in any way related to the actions of the supervisor. In such cases, the complaint should be passed on to the Chief Executive Officer for referral.
- In the case of a complaint, which is in any way connected with but not against the supervisor, the Chief Executive Officer will appoint another officer or outside counsel to act as the alternative investigating officer.
- Complaints against the Chief Executive Officer should be passed on to the Chair of the Board of Director's Corporate Governance Committee, who will appoint an appropriate investigating officer.
- Complaints involving questionable accounting, internal accounting controls or auditing matters should be made to the Chair of the Board of Directors Audit Committee either directly or through the NeoPharm Hotline described below.
- The complainant has the right to bypass NeoPharm management and take the complaint directly to the Chair of the Corporate Governance Committee. The Chair of the Corporate Governance Committee has the right to refer the complaint back to management if he or she believes that the management, without conflict of interest, can more appropriately investigate the complaint.

Should none of the above routes be suitable or acceptable to the complainant, then the complainant may call 866-439-6802 or go online at [www.openboard.info/neol/](http://www.openboard.info/neol/) or send an email to [neol@openboard.info](mailto:neol@openboard.info) to leave a confidential and anonymous message for any of the foregoing individuals. The individuals staffing NeoPharm's Hotline can advise the complainant on the implications of the complaint and the possible internal and external avenues of complaint open to them.

If there is evidence of criminal activity, the investigating officer may need to inform the appropriate public agency (e.g. the police). NeoPharm will use reasonable care to ensure that any internal investigation does not hinder a formal government investigation.

## 6) Timelines

Due to the varied nature of these types of complaints, which may involve internal investigators and/or government agencies, it is not possible to set forth precise timelines for such investigations. The investigating officer should ensure that the investigations are undertaken as quickly as possible without affecting the quality and depth of the investigation.

Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required, this will be taken before any investigation is conducted.

The investigating officer should, as soon as practically possible, send a written acknowledgment of the concern to the complainant, if known, and thereafter report back to him or her in writing the outcome of the investigation and the action that will be taken. If the investigation is a prolonged one, the investigating officer should keep the complainant informed, in writing, as to the progress of the investigation and as to when it is likely to be concluded.

All responses to the complainant should be in writing and sent to his or her home address.

## 7) Investigating Procedure

The investigating officer should follow these steps:

- Full details and clarification of the complaint should be obtained.
- The investigating officer should inform the individual(s) against whom the complaint is made as soon as practically possible.
- The investigating officer should consider the involvement of any legal enforcement agencies at this point and consult with the Chief Executive Officer, unless the complaint involves the Chief Executive Officer, in which case the matter should be brought to the attention of the Chair of the Corporate Governance Committee or, if the matter involves financial matters, the Chair of the Audit Committee.
- The allegations should be fully investigated by the investigating officer with the assistance, where appropriate, of other individuals.
- The investigating officer will make a judgment concerning the complaint and validity of the complaint. The judgment will be detailed in a written report containing the findings of the investigations and reasons for the judgment. The report will be passed on to the Chief Executive Officer, Corporate Governance Committee or Audit Committee, as appropriate.
- The Chief Executive Officer, Corporate Governance Committee or Audit Committee, as appropriate, will decide what action to take. If the complaint is shown to be justified, disciplinary or other NeoPharm procedures may be invoked.
- The complainant should be kept informed of the progress of the investigations and, if appropriate, of the final outcome.
- A copy of the outcome may be passed on to the appropriate party(ies), such as NeoPharm's auditors, to enable a review of the procedures.

If the complainant is not satisfied that his or her concern is being properly investigated by the investigating officer, he or she has a right to raise it in confidence with the Chief Executive Officer, or one of the designated persons described above.

If the investigation finds the allegations unsubstantiated and all internal procedures have been exhausted, but the complainant is not satisfied with the outcome of the investigation, NeoPharm recognizes the lawful rights of NeoPharm contractors, employees, ex-employees, officers and directors to make disclosures as permitted or required by law.