



# Code of Business Conduct and Ethics

Revised 5/29/2014

## Introduction

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### Policy Statement

H. D. Smith is committed to implementing and maintaining an effective Code of Business Conduct and Ethics which is designed to ensure we conduct our business in accordance with all pertinent laws and regulations, internal policies and procedures while maintaining the highest standards of business ethics. The Code identifies the applicable Standards of Conduct for all associates, the relevant laws, regulations and policies which govern our business and the procedures for identifying, reporting, investigating and preventing violations of those laws, regulations, policies or the Code itself. The Code applies to each member of the Board of Directors, C-Suite Executives, department heads, associates and affiliates of H. D. Smith (hereinafter “covered individuals”).

The Code is a description of individual and business behavior for each covered individual and does not in any way constitute an employment contract. Every H. D. Smith associate is an at-will employee unless there is a written agreement to the contrary.

### Complying with the Code

Each covered individual must recognize that he or she has assumed a number of ethical and professional responsibilities by affiliating with H. D. Smith, including complying with the following two fundamental tenets: (a) adherence to the Code and (b) reporting violations of the Code. The effectiveness of this Code requires the commitment of and support of each covered individual.

- As a covered individual, you are responsible for ensuring that your conduct conforms to the Code and all applicable Federal and State laws and regulations. If at any time you have a question as to whether a procedure or action is inappropriate under the Code, you should ask your immediate supervisor. If you do not feel comfortable discussing the situation with your supervisor, or if you have discussed the matter and remain unclear as to what is appropriate conduct, then you should speak with a member of the Compliance Committee.
- Any covered individual who has a question about what constitutes proper conduct may consult the Committee for guidance. This contact may be made confidentially unless otherwise required by law. The Committee will take the appropriate steps to investigate a complaint and may institute corrective action if required. The Committee is also responsible for answering questions about the Code as well as resolving disputed interpretations. A covered individual should have no hesitation whatsoever in consulting the Committee if he or she believes it is necessary to do so.

### Reporting Violations of the Code

- Each covered individual must follow the Code. This obligation applies to every associate of H. D. Smith, regardless of position. A violation of the Code is a serious matter. Associates may be subject to discipline, up to and including termination, for violations of the Code.
- It is the responsibility of each covered individual to report any known or suspected violation of the Code, any other H. D. Smith policy, or any Federal or State law or regulation. You can satisfy this reporting obligation in several ways. First, you may make a report, anonymously if you choose, by calling the H. D. Smith compliance hotline (855-214-1479) or the H. D. Smith internal Human Resources hotline

(888-467-7979). Your report will be evaluated by the Committee to determine whether an investigation is warranted. Alternatively, you may send a letter to your department head discussing your concerns. Reports may also be submitted anonymously through the world-wide-web at [www.reportlineweb.com/hdsmith](http://www.reportlineweb.com/hdsmith). Written reports will be treated with the same degree of confidentiality as oral reports, and they may be anonymous if you prefer. Individuals should be assured that retaliation for filing a report of a suspected violation in good faith is absolutely prohibited, even if the report is not found to be accurate or it is determined that no violation of the Code or applicable laws occurred.

### **Certification of Understanding of the Code**

As a condition of employment, you will be asked to certify that you (a) have received and read a copy of the Code, (b) and will comply with the Code. These certifications will be retained in your personnel file. Provisions requiring review of and adherence to the Code will be included in contracts that H. D. Smith executes with vendors.

## **Definitions**

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### **Compliance Committee**

The Compliance Committee (Committee) is a cross disciplinary committee comprised of the President and Chief Operating Officer, Chief Information Officer, Chief Financial Officer, Senior Vice President Drug Divisions, Senior Vice President Supply Chain Management, Senior Vice President Category Management, Director Corporate Compliance and Security, Director Internal Audit, and Contracts Legal Counsel. The Committee Chair is Executive Vice President Human Resources. The Human Resources Legal Counsel will serve as legal advisor to the Committee.

### **Compliance Officer**

The Compliance Committee shall designate a Compliance Officer to compile complaints and/or other relevant information concerning the Code to be brought before the Committee.

### **Confidential Information**

Confidential Information means any information that:

- (i.) concerns H. D. Smith's present or planned business;
- (ii.) comes into a covered individual's possession or about which a covered individual has gained knowledge by reason of his or her employment or association with H. D. Smith;
- (iii.) could assist a business in the same industry as H. D. Smith in the conduct of its business; and
- (iv.) has not been disclosed publicly by authorized representatives of H. D. Smith.

### **Medical or Health Professional**

Medical or Health Professional means any of the following:

- (a.) a person licensed by state law to prescribe drugs for human patients;
- (b.) a medical student or;
- (c.) a member of a drug formulary committee.

# PART I.

## H. D. Smith Employee Standards of Conduct .....

### A. Employment at or Affiliation with H. D. Smith

H. D. Smith will take reasonable steps to avoid employing or contracting with any individual or entity who (a) has been convicted of a criminal offense related to health care, or (b) is debarred, excluded or is otherwise ineligible for participation in Federal or State health care programs. H. D. Smith will make every reasonable and lawful effort to obtain this information when it screens employment or independent contractor applications. For each new associate, H. D. Smith will require:

- (1.) A reference check;
- (2.) A review of (a) the List of Excluded Individuals maintained by the Office of the Inspector General of the Department of Health and Human Services (“OIG”) (<https://exclusions.oig.hhs.gov/>) and (b) the List of Persons Excluded from Federal Procurement and Non-Procurement Programs maintained by the General Services Administration (“GSA”) (<https://www.epls.gov/epls/search.do?multiName=true>). The performance of these background investigations shall be documented and maintained in the appropriate personnel or contract files. Exclusion list reviews will be repeated periodically and as needed for individuals and entities with responsibilities for sales and marketing, and records of these periodic reviews also will be maintained in the appropriate personnel or contract files.

### B. Conduct of H. D. Smith’s Business in a Legal and Ethical Manner

H. D. Smith expects that all covered individuals will:

- (1.) Understand applicable laws, rules, Standards of Conduct and policies to the degree needed for them to carry out their responsibilities in accordance with those laws, rules, Standards of Conduct, and policies.
- (2.) Understand applicable laws, rules, Standards of Conduct and policies to the degree needed to identify situations where other individuals may put H. D. Smith at risk of violating those laws, rules, Standards of Conduct, or policies.
- (3.) Promptly contact H. D. Smith’s Compliance Officer whenever there is a question as to whether or not particular conduct violates the law, rules, Standards of Conduct or policies.
- (4.) Attend any H. D. Smith-sponsored compliance training, as it relates to job functions.
- (5.) Report to the Compliance Officer any pending criminal investigations involving health care fraud of which they are a target or any pending proceedings against them that could result in them being excluded or debarred.
- (6.) Not commit or tolerate any conduct that may put H. D. Smith at risk of violating the law, rules, Standards of Conduct or policies.

### C. Conflicts of Interest

Each covered individual must avoid any investment, interest, activity or association that interferes, or might interfere with, their obligation to perform his or her responsibilities in the best interests of H. D. Smith. Covered individuals who wish to conduct H. D. Smith business transactions with vendors or other entities with which they have a familial relation must obtain prior approval from the Compliance Committee.

### D. Protection of Confidential Information

The disclosure of confidential information regarding H. D. Smith’s business or scientific operations, whether intentional or accidental, may adversely affect the financial stability and competitive position of H. D. Smith as well as the job security of associates.

Covered individuals shall not without the written consent of the CEO, COO or CFO, during the term of employment or thereafter, use, directly or indirectly, for the personal benefit of themselves or others, or disclose to others, any confidential information of H. D. Smith or of other entities obtained during the course of employment at H. D. Smith.

Covered individuals shall not seek or accept confidential information of a competitor in an illegal or unethical manner, and if information is offered or given that is reasonably viewed as having been obtained through illegal or unethical means, or even accidentally, the covered individual shall immediately report the matter to the Compliance Committee.

## **E. Gifts and Entertainment**

The intent of this section is to prohibit unethical behavior within H. D. Smith.

All covered individuals shall use their best judgment when accepting or giving gifts, services or entertainment to or from customers, vendors or third party entities. Covered individuals are encouraged to share such gifts, services and/or entertainment with co-workers when possible. If a covered individual knows or should know that the giving or receipt of a gift, service and/or entertainment from a vendor, customer or third party entity is intended to improperly influence a business decision or opportunity, such gifts, services and/or entertainment should be returned or refused. Cash gifts or gifts of excessive value are never appropriate.

The following examples help illustrate the application of this section:

- Having a financial interest in any business transaction with H. D. Smith is unacceptable.
- Owning or having a significant financial interest in or other relationship with an H. D. Smith competitor, customer or supplier is unacceptable, unless approval of such interest by the CEO or COO has been obtained.
- Accepting an all expenses paid trip to Florida or a Rolex watch are examples of excessive gifts that would be unacceptable.
- Sharing a box of chocolates or a fruit basket with co-workers would be acceptable.

## **F. Appropriate Use of Electronic Media**

H. D. Smith provides access to and use of electronic mail, voicemail, the Internet and other electronic media for business purposes. H. D. Smith's electronic media shall not be used for any purposes that violate federal, state or local laws. For additional information regarding employee use of electronic media, please consult the H. D. Smith Policy Manual.

## **G. Dealings with Government Agencies**

Any communication with a government agency must be responsive, accurate, and complete. Any data or other information provided to a government agency must be accurate, complete, and include an explanation of any omission or inability to respond. All government agents will be treated with respect. Any inquiry from a government agent outside the normal course of routine interactions for purposes of compliance with mandatory reporting requirements will be referred to the Chief Financial Officer. In no event will any H. D. Smith associate be prohibited from speaking voluntarily with a government agent engaged in an investigation or an enforcement action, unless advised otherwise.

## **H. Compliance with Employment Laws**

It is the policy of H. D. Smith to provide employment opportunities without regard to race, religion, color, national origin, sex, age, ancestry, citizenship, veteran status, marital status, sexual orientation or disability, or any other reason prohibited by law. Decisions as to hiring, promotion and other aspects of the employment relationship are based solely upon job-related qualifications.

H. D. Smith also prohibits sexual harassment, as well as harassment based on any of the other characteristics listed above, and will take appropriate action as advised by the Human Resources Department to eliminate prohibited harassment and remedy the effects of such harassment.

## **I. Maintenance of the Accuracy and Integrity of Books and Records**

H. D. Smith's books, records and accounts must accurately reflect the nature of the transactions recorded. This includes, but is not limited to, financial transactions, expense reports, activity reports and other documents used in the normal course of business. Further questions regarding this should be directed to the Chief Financial Officer.

## **J. Policies Relating to Document Retention and Destruction**

H. D. Smith will retain those documents, including electronic documents, necessary for compliance with pertinent laws and regulations and that are needed for its daily operations. Documents will be retained long enough to satisfy specific legal requirements and in accordance with the Record Retention Requirements policy.

## **K. Compliance with the Law**

H. D. Smith will operate all aspects of its business in compliance with all applicable Federal, State and local laws and regulations.

### **(1.) Healthcare Fraud and Abuse Laws**

H. D. Smith will comply with all applicable Federal and State healthcare fraud and abuse or "anti-kickback" laws and regulations, including the federal Anti-Kickback Statute (42 U.S.C. §1320a-7b(b)) and the Public Contract Anti-Kickback Act (41 U.S.C. §§ 51-58), as well as with all applicable provisions of the Federal False Claims Act (31U.S.C.§3729 et seq.). The fraud and abuse laws prohibit, among other things, payment or receipt of kickbacks and other forms of improper "remuneration" in return for purchasing, leasing, ordering or recommending the purchase, lease or ordering of any goods, facilities, services or items covered under the benefits of Federal or State health care programs.

Common business practices such as providing discounts, rebates, or services to customers may have potential fraud and abuse law implications if H. D. Smith does not document and structure these practices properly. Inappropriate consulting arrangements or educational or research grants also may have potential fraud and abuse law implications.

The Federal False Claims Act prohibits submission or causing the submission of fraudulent claims to Medicare and other Federal and State programs. Only true and accurate reimbursement information may be provided to customers. The Federal False Claims Act also prohibits the filing of incorrect reports if the result of the filing may be a reduction in H. D. Smith's financial obligations to the government.

### **(2.) Food and Drug Laws**

H. D. Smith will comply with all applicable laws and regulations and all H. D. Smith policies, procedures, rules and practices that govern the research, development, manufacture, and distribution of prescription drugs approved under the Food, Drug and Cosmetic Act.

### **(3.) Anti-Trust Law**

H. D. Smith will comply with all applicable antitrust and competition laws, and related policies, procedures, rules and practices.

### **(4.) Health Insurance Portability and Accountability Act (HIPAA)**

H. D. Smith will comply with HIPAA, and its accompanying regulations and all related policies, procedures, rules, and practices.

## PART II.

# Sales and Marketing Standards of Conduct

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### Basis of Interaction

H. D. Smith is committed to maintaining the highest degree of ethical and legal standards when selling and marketing its products, programs and services to Medical and Health professionals. All sales and marketing activities will be designed and implemented for the benefit of patients, to enhance the practice of medicine and to not interfere with the independent judgment of health care professionals. Our business relationships with Medical and Health professionals are intended to benefit the healthcare community and to enhance the pharmaceutical distribution industry. Interactions should be focused on informing Medical and Health professionals about the various products, programs and services we offer.

### Standards of Conduct

#### 1. Informational Presentations By or on Behalf of a Wholesale Distributor

H. D. Smith recognizes informational presentations and discussions by its associates speaking on behalf of H. D. Smith to provide valuable educational benefits. In connection with such presentations or discussions, occasional meals may be offered so long as they: (a) are reasonable and (b) occur in a venue and manner conducive to informational communication and provide educational value. Inclusion of a Medical and Health professional's spouse or other guests is usually not appropriate. Offering "take-out" meals or meals to be eaten without an H. D. Smith representative being present (such as "dine & dash" programs) is not appropriate.

#### 2. Third-Party Educational or Professional Meetings

H. D. Smith recognizes continuing education (CE) or other third-party scientific or educational conferences or professional meetings can contribute to the improvement of the healthcare community, including patient care and therefore, financial support from H. D. Smith is permissible. Since the giving of any subsidy directly to a Medical and Health professional by H. D. Smith or its associates may be viewed as an inappropriate cash gift, any financial support should be given to the conference's sponsor who, in turn, can use the money to reduce the overall conference registration fee for all attendees. In addition, when companies underwrite healthcare conferences or meetings other than their own, responsibility for and control over the selection of content, faculty, educational methods, materials, and venue belongs to the organizers of the conferences or meetings in accordance with their guidelines.

Financial support should not be offered for the costs of travel, lodging, or other personal expenses of non-faculty Medical and Health professionals attending CE or other third-party scientific or educational conferences or professional meetings, either directly to the individuals attending the conference or indirectly to the conference's sponsor (except as set out in section 6 below). Similarly, funding should not be offered to compensate for the time spent by Medical and Health professionals attending the conference or meeting.

Financial support for meals or receptions may be provided to the CE sponsors who in turn can provide meals or receptions for all attendees. H. D. Smith also may provide meals or receptions directly at such events if it complies with the sponsoring organization's guidelines. In either of the above situations, the meals or receptions should be modest and be conducive to discussion among faculty and attendees, and the amount of time at the meals or receptions should be clearly subordinate to the amount of time spent at the educational activities of the meeting.

Financial support, compensation or reimbursement provided pursuant to this section must be approved by a Corporate Vice-President.

### 3. The Use of Consultants

It is appropriate for consultants who provide services to be offered reasonable compensation for those services and to be offered reimbursement for reasonable travel, lodging, and meal expenses incurred as part of providing those services. Compensation and reimbursement that would be inappropriate in other contexts can be acceptable for bona fide consultants in connection with their consulting arrangements. Token consulting or advisory arrangements should not be used to justify compensating Medical and Health professionals for their time or their travel, lodging, and other out-of-pocket expenses. The following factors support the existence of a bona fide consulting arrangement (not all factors may be relevant to any particular arrangement):

- (a.) A written contract specifying the nature of the services to be provided and the basis for payment of those services;
- (b.) A legitimate need for the services has been clearly identified in advance of requesting the services and entering into arrangements with the prospective consultants
- (c.) The criteria for selecting consultants are directly related to the identified purpose and the persons responsible for selecting the consultants have the expertise necessary to evaluate whether the particular Medical and Health professionals meet those criteria;
- (d.) The number of Medical and Health professionals retained is not greater than the number reasonably necessary to achieve the identified purpose;
- (e.) The retaining company maintains records concerning and make appropriate use of the services provided by consultants;
- (f.) The venue and circumstances of any meeting with consultants are conducive to the consulting services and activities related to the services are the primary focus of the meeting, and any social or entertainment events are clearly subordinate in terms of time and emphasis.

It is not appropriate to pay honoraria or travel or lodging expenses to non-faculty and non-consultant attendees at meetings sponsored or attended by H. D. Smith personnel including attendees who participate in interactive sessions.

Financial support, compensation or reimbursement provided pursuant to this section must be approved by a Corporate Vice-President.

### 4. Speaker Training Meetings

It is appropriate for Medical and Health professionals who participate in programs intended to recruit and train speakers for H. D. Smith sponsored speaker bureaus to be offered reasonable compensation for their time, considering the value of the type of services provided, and to be offered reimbursement for reasonable travel, lodging, and meal expenses, when (1) the participants receive extensive training on H. D. Smith's products, services, programs and on compliance with FDA regulatory requirements for communications about such products, (2) this training will result in the participants providing a valuable service to H. D. Smith, and (3) the participants meet the criteria for consultants (as discussed in part 3. above ).

Financial support, compensation or reimbursement provided pursuant to this section must be approved by a Corporate Vice-President.

### 5. Scholarships and Educational Funds

Financial assistance for scholarships or other educational funds to permit students, residents, fellows, interns and other Medical and Health professionals in training to attend carefully selected educational conferences may be offered so long as the selection of individuals who will receive the funds is made by the academic or training institution. "Carefully selected educational conferences" are generally defined as the major educational, scientific, or policy-making meetings of national, regional, or specialty healthcare associations.

Financial support, compensation or reimbursement provided pursuant to this section must be approved by a Corporate Vice-President.

## 6. Educational and Practice-Related Items

Items primarily for the benefit of patients may be offered to Medical and Health professionals if they are not of substantial value (\$100 or less). For example, an anatomical model for use in an examination room primarily involves a patient benefit, whereas a VCR or CD player does not. Items should not be offered on more than an occasional basis, even if each individual item is appropriate. Providing product samples for patient use in accordance with the Prescription Drug Marketing Act is acceptable.

Items of minimal value may be offered if they are primarily associated with a Medical or Health professional's practice (such as pens, notepads, and similar "reminder" items associated with H. D. Smith products or logos).

Items intended for the personal benefit of Medical and Health professionals should not be offered.

Payments in cash or cash equivalents (such as gift certificates) should not be offered to Medical and Health professionals either directly or indirectly, except as compensation for bona fide services (as described in parts 3 and 4). Cash or equivalent payments of any kind create a potential appearance of impropriety or conflict of interest.

## 7. Independence and Decision Making

No grants, scholarships, subsidies, support, consulting contracts, or educational or practice related items should be provided or offered to a Medical and Health professional in exchange for purchasing H. D. Smith products, programs or services. Nothing should be offered or provided in a manner or on conditions that would interfere with the independence of a Medical and Health professional's prescribing practices.

## 8. Adherence to the Sales and Marketing Standards of Conduct

Each department must ensure that all associates engaging in sales and marketing functions adhere to these aforementioned standards.

# Part III.

## Additional Sales and Marketing Standards of Conduct .....

In addition to complying with the requirements of Part II, H. D. Smith associates in California shall comply with the following additional Standards of Conduct:

### 1. Informational Presentations By or on Behalf of a Wholesale Distributor

Meals offered in connection with informational presentations made by field sales representatives or their immediate managers to Medical or Health professionals should also be limited to in-office or in-hospital settings.

### 2. Prohibition on Entertainment and Recreation

To ensure the appropriate focus on education and informational exchange and to avoid the appearance of impropriety, covered individuals should not provide any entertainment or recreational items, such as tickets to the theater or sporting events, sporting equipment, or leisure or vacation trips, to any Medical and Health professional who is not a salaried employee of H. D. Smith. Such entertainment or recreational benefits should not be offered, regardless of 1) the value of the items; 2) whether H. D. Smith engages the Medical and Health professional as a speaker or consultant, or 3) whether the entertainment or recreation is secondary to any educational purpose.

Modest occasional meals are permitted as long as they are offered in appropriate circumstances and venues.

### **3. The Use of Consultants**

While modest meals or receptions may be appropriate during company-sponsored meetings with Medical and Health professional commercial consultants, H. D. Smith should not provide recreational or entertainment events in conjunction with these meetings. Resorts are not appropriate venues for meetings with consultants.

### **4. Medical or Health Professionals Who are Members of Committees That Set Formularies or Develop Clinical Practice Guidelines**

To avoid even the appearance of impropriety, H. D. Smith will require Medical or Health professionals who are members of committees that set formularies or develop clinical guidelines and also serve as a speaker or commercial consultant for H. D. Smith to disclose to the committee the existence and nature of his or her relationship with H. D. Smith.

### **5. Prohibition of Non-Educational and Practice-Related Items**

Items of minimal value (such as pens, notepads, and similar “reminder” items associated with H. D. Smith products or logos) may not be offered to Medical or Health professionals. Providing these items for Medical and Health professionals’ use that do not advance disease or treatment education may foster misperceptions that company interactions with Medical and Health professionals are not based on informing them about medical and scientific issues.

### **6. Prescriber Data**

H. D. Smith uses non-patient identified prescriber data to facilitate the efficient flow of information to Medical and Health professionals. Such prescriber data, which does not identify individual patients, may serve many purposes, including enabling H. D. Smith to: (a) impart important safety and risk information to prescribers of a particular drug; (b) conduct research; (c) comply with FDA mandated risk management plans that require drug companies to identify and interact with physicians who prescribe certain drugs; (d) track adverse events of marketed prescription drugs; and (e) focus marketing activities on those Medical and Health professionals who would most likely benefit from information about a particular drug.

If H. D. Smith chooses to use non-patient identified prescriber data to facilitate communications with Medical and Health professionals, we will use this data responsibly. For example, we will (a) respect the confidential nature of prescriber data; (b) develop policies regarding the use of the data; (c) educate employees and agents about those policies; (d) maintain an internal contact person to handle inquiries regarding the use of data; and (e) identify appropriate disciplinary actions for misuse of this data.

In addition, H. D. Smith will respect and abide by the wishes of any Medical and Health professional who asks that his or her prescriber data not be made available to H. D. Smith sales representatives. H. D. Smith may demonstrate this respect by following the rules of voluntary programs that facilitate prescribers’ ability to make this choice.

## **Part IV.**

## **Implementation**

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### **The Compliance Committee**

The Compliance Committee is responsible for the implementation, operation, and monitoring of the Code. This cross-disciplinary Committee will advise senior management and enforce the Code. The Committee will compose quarterly reports to the Board of Directors. The Committee’s responsibilities include:

#### **A. Development and Implementation of an Investigative Protocol**

The Committee is responsible for reviewing, assessing and, as appropriate, investigating reports of possible

misconduct from H. D. Smith associates, independent contractors or any one else who contacts the H. D. Smith compliance hotline. A report log will be kept in which the Committee records pertinent data. All reports will be retained in a secure location. If the Committee concludes, based upon the initial review of a report, that the report contains allegations that should be investigated further, the Committee will initiate an investigation or refer such investigation to the Human Resources Department. The Committee is responsible for developing a protocol for the expeditious investigation of any credible report that alleges a violation of the Code or applicable law. If necessary, the Committee may request assistance in completing any of these responsibilities.

Promptly at the conclusion of any investigation, the Compliance Officer or designee will draft a report of findings and recommendations. The report will contain a summary of the initial report, the steps taken to investigate the report, the investigative findings, and the recommendations, if any, for corrective action. This report will be forwarded to the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, or, if any of these individuals are implicated in any wrongdoing, then to the Board of Directors.

## **B. Establishment of Lines of Communication**

The Compliance Officer must foster dialogue between management and associates and ensure that all associates and contractors know who to turn to for a meaningful response to a compliance question and how to report suspected violations of this Code. The Compliance Officer must also ensure that associates and contractors feel free to ask questions or report concerns, knowing that they may do so without fear of retribution.

H. D. Smith operates under an open-door policy and has implemented confidentiality and non-retaliation policies. H. D. Smith has set up an external toll-free number (855-214-1479), a web address ([www.reportlineweb.com/hdsmith](http://www.reportlineweb.com/hdsmith)) and an internal Human Resources hotline (888-467-7979) to handle questions or complaints that an individual wants to raise anonymously.

## **C. Due Diligence Oversight of Employee and Contractor Selection**

H. D. Smith will not employ or contract with any individual or entity that (a) has been convicted of a criminal offense related to health care, or (b) is debarred, excluded, or otherwise ineligible for participation in federal health care programs. The Human Resources Department will ensure that every new hire is screened through the OIG and GSA listings of excluded individuals and that no one appearing on the list is hired. The Human Resources Department will also conduct appropriate additional background checks on all such individuals.

Periodically and as necessary, the Human Resources Department will rerun the names of managers and current staff involved in sales and marketing through the OIG and GSA exclusion listings. Furthermore, all individuals or entities employed by, under contract with or otherwise affiliated with H. D. Smith must notify the Committee immediately if they are charged with a criminal offense related to health care or become subject to a debarment or exclusion proceeding. Failure to provide such notice could result in termination.

## **D. Oversight of Disciplinary Actions**

The Executive Vice President Human Resources will be responsible for ensuring that each covered individual who is found to have violated the Code is disciplined in an appropriate, measured, and consistent fashion. The Board of Directors shall review all significant decisions at its regularly scheduled meetings to ensure that this standard has been met.

All department heads, managers and supervisors should take appropriate action to identify any misconduct committed by associates or others whom they supervise. Department heads, managers and supervisors may be subject to discipline for failure to detect compliance violations that occur to the extent that they are negligent in this duty. If a department head, manager or supervisor, through negligence, facilitates or prolongs misconduct, then an appropriate penalty based on the seriousness of the offense will be imposed.

H. D. Smith acknowledges that different categories of conduct may exist (i.e., simple negligence, gross negligence, or willful misconduct) and this will be taken into consideration when determining the appropriate discipline. Certain

offenses may justify immediate termination of employment:

- (1.) Violation of any federal or state criminal statute;
- (2.) Failure to report conduct by a covered individual that a reasonable person under the circumstances should have known was a violation of law;
- (3.) Failure to report a violation of the Code by any covered individual that a reasonable person under the circumstances should have known violated the Standards of Conduct;
- (4.) Knowingly or willfully obstructing any government investigation or audit.

## **E. Conducting Exit Interviews**

It shall be the responsibility of the Human Resources Department to ensure that an exit interview with each associate terminating his or her employment relationship with H. D. Smith has been conducted. The purpose of this interview shall be to discuss the associate's reasons for leaving H. D. Smith and any other impressions the associate may have regarding H. D. Smith including the level of compliance with the Code.

## **F. Establishment of an Ongoing Program of Compliance Monitoring**

The Code is intended to adapt to changes in the law and to H. D. Smith's operation and experiences. The Code itself will be reviewed regularly to assess how it is working. As part of this process, the Committee will prepare an annual report for the Board of Directors that describes the general compliance efforts that H. D. Smith has undertaken. This report also will describe any changes that are needed in the implementation or operation of the Code to ensure efficiency and effectiveness. The annual report will incorporate substantive learning about risk areas and risk management learned from periodic audits and reviews, complaint-driven investigations, associate and affiliate questions, exit interviews and the like.

If anything in the report identifies areas of possible non-compliance, the Committee will report that fact to the President/COO and the Board of Directors.

## **G. Design and Coordination of Compliance Training**

The Human Resources Department is responsible for the development and coordination of new hire compliance training, annual training and periodic refresher training for covered individuals. Participation in annual compliance training will be mandatory. The Human Resources Department will create or identify appropriate programs for new and existing personnel. The focus of the initial compliance training will be the Code in general as well as the applicable federal and state laws and regulations that apply to H. D. Smith's operations. When an area of perceived compliance risk involves specialized issues not of general concern to the entire associate population, the Human Resources Department may direct certain associates to attend appropriate continuing education courses offered by commercial conference organizers or government agencies. All participants will be required to sign an attendance sheet at each internal training session that is conducted or certify attendance at external training sessions.

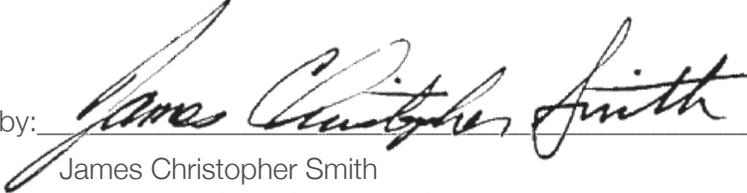
Training may be presented in a variety of ways. In-person meetings, video presentations, web-based training programs, and outside seminars are all acceptable training approaches. For certain situations, the Human Resources Department may also elect to require self-training through the review of documents and the completion of a certification that the materials have been read. Regardless of the medium used for training, the Human Resources Department will be readily available to answer questions and clarify instructions.

The Human Resources Department will regularly review and update its training programs and materials to ensure that they reflect changes to H. D. Smith's operations, its Code, the OIG Compliance Program Guidance for Pharmaceutical Manufacturers, and applicable law. The Human Resources Department may also identify additional areas of training on an as-needed basis.

## **H. Development of Audit Protocols**

The Committee or its designee will institute a plan as needed for periodic audits and reviews of certain facets

of H. D. Smith's operations, including its sales and marketing practices. The nature of these reviews as well as the extent and frequency of our monitoring and auditing activities will vary depending upon perceived regulatory risks, new regulatory requirements, changes in business practices, and other considerations. Some audits and reviews will be conducted using internal resources. Others may involve the retention of outside consultants or attorneys. We expect our routine evaluation of enforcement developments coupled with our periodic assessments of our operations to result in the identification of new and emerging risk areas that will be addressed through enhancements to the Code.

Approved by:   
James Christopher Smith  
President & Chief Operating Officer

Date: May 29, 2014