

Salix Pharmaceuticals, Inc. Comprehensive Compliance Program

Salix Pharmaceuticals, Inc. (“Salix”) has established a Comprehensive Compliance Program that is in accordance with state and federal regulations as well as the “Compliance Program Guidance for Pharmaceutical Manufacturers” developed by the United States Department of Health and Human Services Office of Inspector General (“OIG Guidance”). The Comprehensive Compliance Program also incorporates policies that comply with the Pharmaceutical Research and Manufacturers of America “Code on Interactions with Health Care Professionals” (“PhRMA Code”).

Salix is committed to ensuring compliance with its company policies and with applicable laws and regulations. The Comprehensive Compliance Program represents Salix’s commitment to the highest standards of corporate conduct. The OIG Guidance acknowledges that the implementation of a compliance program, such as the Comprehensive Compliance Program, cannot ensure that improper employee conduct will never occur. Nonetheless, Salix expects and requires its employees to abide by Salix’s Code of Conduct and the other policies described below.

Salix will assess its Comprehensive Compliance Program at least annually.

Salix has incorporated the following guidelines in accordance with the OIG Guidance:

- Written Policies and Procedures
- A Compliance Officer and Compliance Committee
- Effective Training and Education
- Effective Lines of Communication
- Internal Monitoring and Auditing
- Enforcement through Discipline Pursuant to Published Guidelines; and
- Responding Promptly to Detected Problems and Undertaking Corrective Action

Written Policies and Procedures

- Code of Conduct - available on our website under Corporate Governance.
- Standard Operating Procedures (SOPs) and Working Practices that outline day-to-day operations
- Policies and procedures that address areas of potential risk identified by the OIG such as certain sales and marketing practices, the distribution of drug samples and the reporting of pricing and rebate information to state and federal governments.
- Specific written policies and procedures that address Salix’s interaction with medical and other health care professionals as described in the PhRMA Code.

A Compliance Officer and Compliance Committee

- Salix’s Chief Compliance Officer is Mark D. Reeth, General Counsel and Vice President, Corporate Compliance

- Mr. Reeth reports directly to the Chief Executive Officer of the Company
- Compliance Committee consists of the members of the Nominating and Corporate Governance Committee of the Board of Directors

Effective Training and Education

- The Compliance Department is responsible for developing and implementing effective compliance education and training programs for all affected employees and, when appropriate, contractors of Salix.
- Where appropriate for the employee/contractor's job responsibilities, such programs include training on the applicable federal and state laws addressing sales and marketing practices and/or prohibiting kickbacks and false claims.

Effective Lines of Communication

- Salix encourages employees to communicate openly with management about all types of workplace issues. Employees may report suspect conduct or seek guidance without fear of retaliation.
- Salix has established an outside confidential telephone line/internet reporting tool for those employees and contractors who wish to voice their concerns anonymously.

Internal Auditing and Monitoring

- Salix periodically audits its business practices and procedures to ensure compliance with its company policies the applicable laws and regulations.
- Salix also uses its internal audit findings to identify potential problem areas and to evaluate the effectiveness of its Comprehensive Compliance Program.

Enforcement through Discipline Pursuant to Published Guidelines

- Failure to adhere to Salix's compliance standards may result in disciplinary action, up to and including termination of employment.
- Salix will consistently apply its disciplinary standards when taking disciplinary action.

Responding Promptly to Detected Problem and Undertaking Corrective Action

- Salix responds promptly to potential violations of law or company policy by investigating each potential violation.
- Salix will also evaluate and take reasonable steps to respond appropriately to the violation and prevent similar violations, including, for example, considering whether to modify one or more aspects of its Comprehensive Compliance Program.