

# **ANADYS PHARMACEUTICALS, INC. CODE OF BUSINESS CONDUCT AND ETHICS**

Adopted by the Board of Directors on April 23, 2004

Anadys Pharmaceuticals Inc. (the “Company”) has developed a set of core values by which the organization operates; these are our guiding principles: at a minimum the Company will conduct its affairs in accordance with all applicable laws, rules and regulations of the jurisdictions in which it does business. This code of Business Conduct and Ethics (“Code”) applies to the Company’s employees, officers, and board members. This code is the Company’s “code of ethics” and is designed to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
- Full, fair, accurate, timely and understandable disclosure in the reports and documents the Company files with the SEC and in other public communications made by the Company;
- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting to the appropriate person of violations of this Code; and
- Accountability for adherence to this Code.

The Company has established standards for behavior that affect the Company, and employees, officers and board members must comply with those standards. The Company promotes ethical behavior and encourages employees to talk to supervisors, managers, the Compliance Officer, the Ethics Officer (defined in Section 12 below), or other appropriate personnel when in doubt about the best course of action in a particular situation. Anyone aware of a situation that he or she believes may violate or lead to a violation of this Code should follow the guidelines under “Compliance Standards and Procedures” at Section 12, below.

This Code covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide you. Specific Company policies and procedures provide details pertinent to many of the provisions of this Code. The following additional policies of the Company supplement or amplify this Code in certain areas and should be read in conjunction with this Code: The Employee Guidelines and related employee policies and procedures, Scientific Misconduct Policy, Insider Trading Policy, Corporate Disclosure Policy, Policy for Reporting Complaints regarding Accounting and Auditing Matters, as well as the employee confidentiality agreement that every employee of the Company signs when they join the Company.

Action by members of your immediate family, significant others or other persons who live in your household also may potentially result in ethical issues to the extent that they involve Company business. For example, acceptance of inappropriate gifts by a family member from one of our suppliers could create a conflict of interest and result in a Code violation attributable to you. Consequently, in complying with this Code, you

should consider not only your own conduct, but also that of your immediate family members, significant others and other persons who live in your household.

The integrity and reputation of the Company depends on the honesty, fairness and integrity brought to the job by each person associated with the Company. It is the responsibility of each employee to apply common sense, together with his or her own highest personal ethical standards, in making business decisions where there is no stated guideline in this Code.

## **1. HONEST AND ETHICAL CONDUCT**

It is the policy of the Company to promote high standards of integrity by conducting our affairs in an honest and ethical manner. The integrity and reputation of the Company depends on the honesty, fairness and integrity brought to the job by each person associated with us. Unyielding personal integrity is the foundation of corporate integrity.

## **2. LEGAL COMPLIANCE**

Obeying the law, both in letter and in spirit, is the foundation of this Code. Our success depends upon each employee's operating according to our core values, which at a minimum is within legal guidelines and cooperating with local, national and international authorities. It is therefore essential that you understand the legal and regulatory requirements applicable to your business unit and area of responsibility. While we do not expect you to memorize every detail of these laws, rules and regulations, we want you to be able to determine when to seek advice from others. If you have a question in the area of legal compliance, it is important that you not hesitate to seek answers from your supervisor or the Compliance Officer, whose contact information is set forth in Section 12 below.

Disregard of the law will not be tolerated. Violation of domestic or foreign laws, rules and regulations may subject an individual, as well as the Company, to civil and/or criminal penalties. You should be aware that conduct and records, including emails, are subject to internal and external audits, and to discovery by third parties in the event of a government investigation or civil litigation. It is in everyone's best interests to know and comply with our legal and ethical obligations for the common good.

### ***a. Misuse of Company Computer Equipment***

You may not, while acting on behalf of the Company or while using our computing or communications equipment or facilities, either:

- access the internal computer system (also known as "hacking") or other resource of the Company or another entity without express written authorization from the Company or the entity responsible for operating that resource, as applicable; or

- commit any unlawful or illegal act, including harassment, libel, fraud, sending of unsolicited bulk email (also known as “spam”) in violation of applicable law, trafficking in contraband of any kind, or espionage.

If you receive authorization to access the Company’s or another entity’s internal computer system or other resource, you must make a permanent record of that authorization so that it may be retrieved for future reference, and you may not exceed the scope of that authorization.

Unsolicited bulk email is regulated by law in a number of jurisdictions. If you intend to send unsolicited bulk email to persons outside of the Company, either while acting on our behalf or using our computing or communications equipment or facilities, you should contact your supervisor or the Compliance Officer for approval.

All data residing on or transmitted through our computing and communications facilities, including email and word processing documents, is the property of the Company and subject to inspection, retention and review by the Company in accordance with applicable law.

***b. Environmental Compliance***

Federal law imposes criminal liability on any person or company that contaminates the environment with any hazardous substance that could cause injury to the community or environment, and is strictly against our core values. Violation of environmental laws can be a criminal offense and can involve monetary fines and imprisonment. Mutual respect is a core value at the Company; at a minimum we expect employees to comply with all applicable environmental laws.

It is our policy to conduct our business in an environmentally responsible way that minimizes environmental impacts. We are committed to minimizing and, if possible, eliminating the use of any substance or material that may cause environmental damage, reducing hazardous waste generation and disposing of all waste through safe and responsible methods, minimizing environmental risks by employing safe technologies and operating procedures, and being prepared to respond appropriately to accidents and emergencies.

***c. Research and Development Compliance***

The research and development of pharmaceutical products is subject to a number of legal and regulatory requirements, including standards related to ethical research procedures and scientific misconduct. We expect employees to comply with all such requirements and standards including, as applicable, those set forth in our Scientific Misconduct Policy. All research and development employees are expected to abide by the practices set forth in the Scientific Misconduct Policy in addition to the policies outlined in this code.

*d. Antitrust*

Antitrust laws are designed to protect the competitive process. These laws generally prohibit:

- agreements, formal or informal, with competitors that harm competition or customers, including price fixing and allocations of customers, territories or contracts;
- agreements, formal or informal, that establish or fix the price at which a customer may resell a product; and
- the acquisition or maintenance of a monopoly or attempted monopoly through anti-competitive conduct.

Certain kinds of information, such as research and development results, plans or strategies, should not be exchanged with competitors, regardless of how innocent or casual the exchange may be and regardless of the setting, whether business or social.

Understanding the requirements of antitrust and unfair competition laws can be difficult, and you are urged to seek assistance from your supervisor or the Compliance Officer whenever you have a question relating to these laws.

**3. INSIDER TRADING**

Employees who have access to confidential (or “inside”) information are not permitted to use or share that information for stock trading purposes or for any other purpose except to conduct the Company's business. All non-public information about the Company or about companies with which we do business is considered confidential information. To use material non-public information in connection with buying or selling securities, including “tipping” others who might make an investment decision on the basis of this information, is not only unethical and against the Company's core values, it is illegal. Employees must exercise the utmost care when handling material non-public information. We have adopted a separate Insider Trading and Window Period Policy to which you are bound as a condition of your employment. You should consult the Insider Trading and Window Period Policy for more specific information on the definition of “material non-public information” and on buying and selling our securities or securities of companies with which we do business.

**4. CONFLICTS OF INTEREST**

Conflicts of interest can arise in virtually every area of our operations as a Company. Commitment to the common good is one of our core values; at a minimum you must avoid personal interests that conflict with interests of the Company, or that might influence or even appear to influence your judgment or actions in performing your duties.

Thus, you should not have any business, financial or other relationship with collaborators, service providers, or competitors that might impair or even appear to impair the independence of the Company. The word “appear” is very important. Even where there is no actual conflict of interest, the appearance of such a conflict is damaging because it can undermine trust among employees and cost us the respect of collaborators, service providers, or competitors and others in our industry.

If you have any questions about a potential conflict or if you become aware of an actual or potential conflict, you should discuss the matter with your supervisor, the Compliance Officer or the Audit Committee, as appropriate. Supervisors may not authorize conflict of interest matters without first seeking the approval of the Compliance Officer or Ethics Officer and filing with the Compliance Officer a written description of the authorized activity. If the supervisor is involved in the potential or actual conflict, you should discuss the matter directly with the Compliance Officer or Ethics Officer.

***a. Examples of Potential Conflicts***

The following are examples of situations that may, depending on the facts and circumstances, involve conflicts of interests and are strictly against our core values:

- Employment by (including consulting for) or service on the board of a competitor, collaborator or supplier or other service provider while concurrently employed by the Company. Activity that enhances or supports the position of a competitor to the detriment of the Company is prohibited, including employment by or service on the board of a competitor. Employment by or service on the board of a supplier or other service provider is generally discouraged and you must seek written authorization in advance if you plan to take such action. NOTE: Serving on a government review committee is an allowed activity on the condition that you inform you supervisor.
- Owning, directly or indirectly, a significant financial interest in any entity that does business, seeks to do business or competes with us. In addition to the factors described above, persons evaluating ownership for conflicts of interest will consider the size and nature of the investment; the nature of the relationship between the other entity and the Company; the employee’s access to confidential information and the employee’s ability to influence the Company’s decisions. If you would like to acquire a financial interest of that kind, you must seek approval in advance.
- Soliciting or accepting gifts, favors, loans or preferential treatment from any person or entity that does business or seeks to do business with us. See Section 7 below for further discussion of the issues involved in this type of conflict.
- Soliciting contributions to any charity or for any political candidate from any person or entity that does business or seeks to do business with us.

- Taking personal advantage of corporate opportunities. You may not take personal advantage of opportunities that are presented to you or discovered by you as a result of your position with the company or through your use of corporate property or information, unless authorized by your supervisor, the Compliance Officer or the Corporate Governance and Nominating Committee. Even opportunities that are acquired privately by you may be questionable if they are related to our existing or proposed lines of business. Participation in an investment or outside business opportunity that is related to our existing or proposed lines of business must be pre-approved by the Compliance Officer and if appropriate, the Corporate Governance and Nominating Committee. You may not use your position with us or corporate property or information for improper personal gain, nor can you compete with us in any way.
- Moonlighting (working a second job) under circumstances that could conflict with the Company's interests or affect your performance at the Company without permission.
- Conducting our business transactions with your spouse, in-laws, children, person(s) who share your household or a business in which you have a significant financial interest. Material related-party transactions approved by the Audit Committee and involving any executive officer or director will be publicly disclosed as required by applicable laws and regulations.

***b. Loans***

Loans to, or guarantees of obligations of, employees or their family members by the Company could constitute an improper personal benefit to the recipients of these loans or guarantees, depending on the facts and circumstances. Some loans are expressly prohibited by law and applicable law requires that our Board of Directors approve all loans and guarantees to employees. As a result, all loans and guarantees by the Company must be approved in advance by either the Governance and Nominating Committee or the Audit Committee.

**5. BUSINESS RELATIONSHIPS**

The Company seeks to outperform its competition fairly and honestly. The Company seeks competitive advantages through superior performance, not unethical or illegal business practices. Each employee must endeavor to deal fairly with the Company's service providers, competitors and employees and must not take advantage of them through manipulations, concealment, abuse or privileged information, misrepresentation of material facts, or any unfair-dealing practice.

*a. Contracts and Commitments*

You may not enter into any agreement binding the Company without authorization. The Company has instituted contract and signature approval policies which identify those individuals who have the authority to approve and sign certain contracts binding the Company and its subsidiaries. If you have any questions regarding this matter please see the Compliance Officer.

Employees involved in proposals, bid preparations or contract negotiations should strive to ensure that all statements, communications, and representations are truthful and accurate.

**6. INTERNATIONAL BUSINESS PRACTICES**

Our employees are expected to comply with the applicable laws in all countries to which they travel, in which they operate and where we otherwise do business, including laws prohibiting bribery, corruption or the conduct of business with specified individuals, companies or countries. The fact that in some countries certain laws are not enforced or that violation of those laws is not subject to public criticism will not be accepted as an excuse for noncompliance. In addition, we expect employees to comply with U.S. laws, rules and regulations governing the conduct of business by its citizens and corporations outside the U.S.

These U.S. laws, rules and regulations, which extend to all our activities outside the U.S., include:

- The Foreign Corrupt Practices Act, which prohibits directly or indirectly giving anything of value to a government official to obtain or retain business or favorable treatment, and requires the maintenance of accurate books of account, with all company transactions being properly recorded;
- U.S. Embargoes, which restrict or, in some cases, prohibit companies, their subsidiaries and their employees from doing business with certain other countries, identified on a list that changes periodically, or specific companies or individuals;
- Export Controls, which restrict travel to designated countries or prohibit or restrict the export of goods, services and technology to designated countries, denied persons or denied entities from the U.S., or the re-export of U.S. origin goods from the country of original destination to such designated countries, denied companies or denied entities; and
- Antiboycott Compliance, which prohibits U.S. companies from taking any action that has the effect of furthering or supporting a restrictive trade practice or boycott that is fostered or imposed by a foreign country against a country friendly to the U.S. or against any U.S. person.

If you have a question as to whether an activity is restricted or prohibited, seek assistance before taking any action, including before giving any verbal assurances that might be regulated by international laws.

## **7. GIFTS, GRATUITIES, ENTERTAINMENT, AND OTHER CONSIDERATIONS**

Use of Company funds or other Company property for illegal, unethical or otherwise improper purposes is prohibited. The purpose of business entertainment and gifts in a commercial setting is to create goodwill and sound working relationships, not to gain personal advantage with customers or suppliers. Unless express permission is received from a supervisor, the Compliance Officer or the Corporate Governance and Nominating Committee, entertainment, gifts and meals cannot be offered, provided or accepted by any employee unless consistent with customary business practices and not (a) excessive in value, (b) in cash, (c) susceptible of being construed as a bribe or kickback or (d) in violation of any laws.

### ***a. Gifts***

**International:** Under some statutes, such as the U.S. Foreign Corrupt Practices Act (further described in Section 6 above), giving anything of value to a government official to obtain or retain business or favorable treatment is a criminal act subject to prosecution and conviction.

**Domestic:** With respect to government employees, no gifts, meals, entertainment or benefits whatsoever may be provided to such employees.

Discuss with your supervisor or the Compliance Officer any proposed entertainment or gifts that you are considering offering, providing or accepting if you are uncertain about their appropriateness.

### ***b. Meals, Entertainment, and Travel***

Employees may provide (or accept) meals and entertainment as long as it is associated with an occasion at which business is discussed and is provided as a normal part of business. The value of the activity must be reasonable and permissible under the Company's expense account procedures. Each employee should express care to ensure that such activities are necessary and that their value and frequency are not excessive under all the applicable circumstances.

## **8. CONFIDENTIAL INFORMATION**

One of our most important assets is our confidential information. Employees who have received or have access to confidential information should take care to keep this

information confidential. Confidential information includes non-public information that might be of use to competitors or harmful to the Company or its customers if disclosed, such as, (a) trade secrets, inventions, ideas, processes, formulas, source and object codes, scientific or other data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques, (b) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; and information regarding the skills and compensation of other employees of the Company and (c) similar information received from third parties such as our collaborators, suppliers service providers, corporate partners and potential corporate partners. This information may be protected by patent, trademark, copyright and trade secret laws.

Except when disclosure is authorized or legally mandated, you must not share our or our suppliers, service providers, collaborators, corporate partners' or potential corporate partners' confidential information with third parties or others within the Company who have no legitimate business purpose for receiving that information. Doing so would constitute a violation of the employee confidentiality agreement that you signed upon joining us. Improper use or distribution of this information could also be illegal and result in civil liability and/or criminal penalties.

You should also take care not to inadvertently disclose confidential information. Materials that contain confidential information, such as presentations, memos, notebooks, computer disks and laptop computers should be stored securely. Unauthorized posting or discussion of any information concerning our business, information or prospects on the Internet is prohibited. You may not discuss our business, information or prospects in any "chat room," regardless of whether you use your own name or a pseudonym. Be cautious when discussing sensitive information in public places like elevators, airports, restaurants and "quasi-public" areas within the Company, such as shared space in our facilities. All Company emails, voicemails and other communications are presumed confidential and should not be forwarded or otherwise disseminated outside of the Company, except where required for legitimate business purposes.

In addition to the above responsibilities, if you are handling information protected by any privacy policy published by us, then you must handle that information in accordance with the applicable policy.

***a. Media/Public Discussions***

It is our policy to disclose material information concerning the Company to the public only through specific limited channels to avoid inappropriate publicity and to ensure that all those with an interest in the Company will have equal access to information. All inquiries or calls from the press and financial analysts should be referred to our Chief Executive Officer or our Senior Vice President, Corporate Development and Finance. We have designated Kleanthis Xanthopoulos and Mike Kamdar as our official spokesperson for financial matters. We have designated Mike Kamdar as our official spokespersons for marketing, technical and other related information. Unless a specific exception has been made by the Chief Executive Officer,

these designees are the only people who may communicate with the press on behalf of the Company. For additional information regarding public disclosure of information concerning the Company, you should carefully review our Corporate Disclosure Policy and Publications Policy.

## **9. CONSIDERATION TO ALL EMPLOYEES**

Mutual respect is one of our core values and hence you have a fundamental responsibility to show respect and consideration for all your fellow employees. This means that fellow employees should be at all times treated fairly and with dignity.

### ***a. Equal Employment Opportunity***

The Company is an Equal Opportunity Employer as a matter of law, ethics, and good business practice. No employee is to discriminate against another employee or prospective employee, or make disparaging comments or criticisms on the basis of race, color, creed, sex, sexual orientation, national origin, age, handicap, disability, or veteran's status.

Any harassment, including sexual harassment, will absolutely not be tolerated. These principles apply to all aspects of the employment relationship, including application and initial employment, promotion and transfer, selection for service, retirement, seniority and employee benefit plan policies. Any of the above mentioned actions are strictly against our core values and will not be tolerated.

### ***b. Safety of the Workplace***

You have an obligation to perform our work in a safe manner so that you do not cause harm to yourself or to others. Similarly, you must see that work conducted under your supervision is performed safely.

### ***c. Drugs and Narcotic Substances***

Any use or possession of illegal drugs and narcotic substances by Company employees is strictly prohibited. Drug abuse threatens the welfare of other employees and is detrimental to the work environment and work ethic. Federal laws prohibit the use or possession of illegal drugs and narcotics. Under no circumstances may such drugs or substances be brought onto the premises of the Company. Of course, employees must never work impaired by illegal drugs or alcohol.

## **10. ACCURACY OF REPORTS, RECORDS AND ACCOUNTS**

### ***a. Financial Reporting and Accounting***

The integrity of our records and public disclosure depends upon the validity, accuracy and completeness of the information supporting the entries to our books of

account. Therefore, our corporate and business records should be completed accurately and honestly. The making of false or misleading entries, whether they relate to financial results or test results, is against our core values and is strictly prohibited. Our records serve as a basis for managing our business and are important in meeting our obligations to stockholders, collaborators, service providers, suppliers, creditors, employees and others with whom we do business. As a result, it is important that our books, records and accounts accurately and fairly reflect, in reasonable detail, our assets, liabilities, revenues, costs and expenses, as well as all transactions and changes in assets and liabilities. We require that:

- no entry be made in our books and records that intentionally hides or disguises the nature of any transaction or of any of our liabilities, or misclassifies any transactions as to accounts or accounting periods;
- transactions be supported by appropriate documentation;
- the terms of commercial transactions be reflected accurately in the documentation for those transactions and all such documentation be reflected accurately in our books and records;
- employees comply with our system of internal controls; and
- no cash or other assets be maintained for any purpose in any unrecorded or “off-the-books” fund.

Our accounting records are also relied upon to produce reports for our board of directors, management, stockholders and creditors, as well as for governmental agencies. In particular, we rely upon our accounting and other business and corporate records in preparing the periodic and current reports that we file with the Securities and Exchange Commission (the “*SEC*”). These reports must provide full, fair, accurate, timely and understandable disclosure and fairly present our financial condition and results of operations. Employees who collect, provide or analyze information for or otherwise contribute in any way in preparing or verifying these reports should strive to ensure that our financial disclosure is accurate and transparent and that our reports contain all of the information about the Company that would be important to enable stockholders and potential investors to assess the soundness and risks of our business and finances and the quality and integrity of our accounting and disclosures. In addition:

- no employee may take or authorize any action that would intentionally cause our financial records or financial disclosure to fail to comply with generally accepted accounting principles, the rules and regulations of the SEC or other applicable laws, rules and regulations;
- all employees must cooperate fully with our accounting department, as well as our independent public accountants and both internal and outside legal counsel, respond to their questions with candor and provide them with complete and accurate information to help ensure that our books and

records, as well as our reports filed with the SEC, are accurate and complete; and

- no employee should knowingly make (or cause or encourage any other person to make) any false or misleading statement in any of our reports filed with the SEC or knowingly omit (or cause or encourage any other person to omit) any information necessary to make the disclosure in any of our reports accurate in all material respects.

Any employee who becomes aware of any departure from these standards has a responsibility to report his or her knowledge promptly to a supervisor, the Compliance Officer, the Audit Committee or one of the other compliance resources described in Section 12 below.

***b. Selective Disclosure***

The federal securities laws prohibit the selective disclosure of financial and other corporate information. It is the policy of the Company to disclose important corporate events by means of a press release or a filing with the SEC, and to refrain from selectively disclosing nonpublic information to securities analyst or members of the media. Section 8 above describes our policies related to media/public discussions.

***c. Reporting of Expenses***

All expense items associated with travel or local business matters, including airfare, hotel expenses, taxi/limousine services, car rental, business meals and entertainment, must be accurately and fully documented on the expense report (whether or not they are paid directly) with applicable receipts attached. The documentation should include identification of the collaborator or prospective collaborator involved, if applicable, and a brief description of the business matter that required the expense.

## **11. APPROVALS AND WAIVERS**

Certain provisions of this Code require you to act, or refrain from acting, unless prior approval is received from the appropriate person. Employees requesting approval pursuant to this Code should request such approval (in writing) to the Compliance Officer, or such officer's designee. Approvals relating to executive officers and board members must be obtained from the Company's Board of Directors or a committee thereof. Any waiver of this Code for executive officers or board members may only be granted by the Company's Board of Directors, or a committee thereof, and will be disclosed to stockholders as required by applicable laws, rules and regulations. All other waivers may be granted by the Compliance Officer, or such officer's designee. Changes in this Code may only be made by the Board of Directors and must be promptly disclosed to stockholders.

## 12. COMPLIANCE STANDARDS AND PROCEDURES

### *a. Compliance Resources*

To facilitate compliance with this Code, we have implemented a program of Code awareness, training and review. We have established the positions of Compliance Officer and Ethics Officer to oversee this program. The Compliance Officer is a person to whom you can address any questions or concerns. The Compliance Officer is Elizabeth E. Reed, the Company's Senior Director, Legal Affairs. She can be reached at extension 3600. The Ethics Officer is Mary Yaroshevsky-Glanville, the Company's Senior Director, Human Capital. She can be reached at extension 3600.

Compliance Officer: Elizabeth Reed - Senior Director, Legal Affairs

Ethics Officer: Mary Yaroshevsky-Glanville, Senior  
Director, Human Capital

In addition to fielding questions or concerns with respect to potential violations of this Code, the Compliance Officer is responsible for:

- investigating possible violations of this Code;
- updating this Code as needed and alerting employees to any updates, with appropriate approval of the Governance and Nominating Committee of the Board of Directors, to reflect changes in the law, Company operations and in recognized best practices, and to reflect Company experience; and
- otherwise promoting an atmosphere of responsible and ethical conduct.

In addition to fielding questions or concerns with respect to potential violations of this Code, the Ethics Officer is responsible for:

- training new employees in Code policies;
- conducting annual training sessions to refresh employees' familiarity with this Code;
- distributing copies of this Code annually via email to each employee with a reminder that each employee is responsible for reading, understanding and complying with this Code.
- otherwise promoting an atmosphere of responsible and ethical conduct.

Your most immediate resource for any matter related to this Code is your supervisor. He or she may have the information you need, or may be able to refer the question to another appropriate source. There may, however, be times when you prefer not to go to your supervisor. In these instances, you should feel free to discuss your concern with the Compliance Officer or Ethics Officer. If you are uncomfortable

speaking with the Compliance Officer or Ethics Officer because she works in your department or is one of your supervisors, please contact the Chief Executive Officer. If your concern relates to questionable accounting or auditing matters, you may report that violation directly to members of the Audit Committee by calling our hotline at (800) XXX-XXXX.

***b. Clarifying Questions and Concerns; Reporting Possible Violations***

If you encounter a situation or are considering a course of action and its appropriateness is unclear, discuss the matter promptly with your supervisor or the Compliance Officer or Ethics Officer; even the appearance of impropriety can be very damaging and should be avoided.

***c. Obligation to Report Possible Violations***

If you are aware of a suspected or actual violation of Code standards by others, you have a responsibility to report it. You are expected to promptly provide a compliance resource with a specific description of the violation that you believe has occurred, including any information you have about the persons involved and the time of the violation.

***d. No Reprisals***

Whether you choose to speak with your supervisor, the Compliance Officer or Ethics Officer, you should do so without fear of any form of retaliation. The Ethics Officer will take prompt disciplinary action against any employee who retaliates against you, up to and including termination of employment.

***e. Confidentiality***

Supervisors must promptly report any complaints or observations of Code violations to the Compliance Officer. The Compliance Officer will investigate all reported possible Code violations promptly and with the highest degree of confidentiality that is possible under the specific circumstances. Your cooperation in the investigation will be expected. As needed, the Compliance Officer will consult with outside legal counsel, the Human Capital department and/or the Audit Committee or Governance and Nominating Committee of the Board of Directors.

With respect to any complaints or observations of Code violations that may involve accounting, internal accounting controls and auditing concerns, the Compliance Officer shall promptly inform the Audit Committee, and the Audit Committee or such other persons as the Audit Committee determines to be appropriate under the circumstances shall be responsible for supervising and overseeing the inquiry and any investigation that is undertaken.

***f. Discipline***

If any investigation indicates that a violation of this Code has probably occurred, we will take such action as we believe to be appropriate under the circumstances. If we determine that an employee is responsible for a Code violation, he or she will be subject to disciplinary action up to, and including, termination of employment and, in appropriate cases, civil action or referral for criminal prosecution. Appropriate action may also be taken to deter any future Code violations. Such disciplinary actions may also be taken (1) when an employee fails to report or withholds relevant information concerning a violation of such standards, laws or regulation, or (2) when there has been inadequate supervision or lack of diligence by a supervisor or manager in connection with a violation of such standards, laws, or regulations.

### **13. PROTECTION AND PROPER USE OF COMPANY ASSETS**

You are expected to protect our assets and ensure their efficient use. This is our company! Theft, carelessness and waste have a direct impact on our financial position. Our property, such as office supplies, computer equipment, buildings and materials related to research and development, are expected to be used only for legitimate business purposes, although incidental personal use may be permitted. Employees should be mindful of the fact that we retain the right to access, review, monitor and disclose any information transmitted, received or stored using our electronic equipment, with or without an employee's or third party's knowledge, consent or approval. Any misuse or suspected misuse of our assets must be immediately reported to your supervisor or the Compliance Officer.

This Code is intended to clarify your existing obligation for proper conduct. The standards and the supporting policies and procedures may change from time to time in the Company's discretion. You are responsible for knowing and complying with the current laws, regulations, standards, policies and procedures that apply to the Company's work.

It is the policy of the Company to promote high standards of integrity by conducting our affairs in an honest and ethical manner. The integrity and reputation of the Company depends on the honesty, fairness and integrity brought to the job by each person associated with us. Unyielding personal integrity is the foundation of corporate integrity and our guiding principles.

**ACKNOWLEDGMENT**

I ACKNOWLEDGE THAT I HAVE RECEIVED AND READ A COPY OF Anadys Pharmaceuticals’ Code of Business Conduct and Ethics (the “Code”). I understand that I am responsible for knowing and complying with the policies set forth in the Code during my employment with the Company.

I also acknowledge my responsibility to report any violation of this Code (or any of Anadys Pharmaceuticals’ other policies and practices) to my supervisor or to a member of the Compliance Team.

I further understand that the policies contained in the Code are not intended to create any contractual rights or obligations, express or implied, and does not modify the at-will relationship between the employee and the Company. I also understand that, consistent with applicable law, the Company has the right to amend, interpret, modify or withdraw any of the provisions of the Code at any time in its sole discretion, with or without notice.

Employee Name:

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(Please Print)

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Signature

Date

Title: \_\_\_\_\_ Department: \_\_\_\_\_

*Please return this completed form to Chris Burger within one week from the date of your receipt of these documents. Thank You!*