

ANADYS PHARMACEUTICALS, INC. CORPORATE GOVERNANCE GUIDELINES

The following Corporate Governance Guidelines (the "Guidelines") were adopted by the Board of Directors (the "Board") of Anadys Pharmaceuticals, Inc. ("the "Company") to assist the Board in the exercise of its responsibilities and to serve the interests of the Company and its stockholders. These Guidelines, together with the Company's amended and restated Certificate of Incorporation, the Company's bylaws and the charters of each Board committee, are intended to serve as a flexible framework for the governance of the Company.

The Board has established a Corporate Governance and Nominating Committee (the "Committee") to implement and evaluate these Guidelines and to carry out other functions described below. These Guidelines will be subject to periodic review and update by the Committee and the Board. These Guidelines are available on the Company's website at www.anadyspharma.com.

BOARD COMPOSITION

Board Size

The Board believes that the number of directors should not exceed a number that can function efficiently as a body. The Board currently has eight members who are divided into three classes of directors. The Committee considers and makes recommendations to the Board concerning the appropriate size and needs of the Board. The Committee considers board member candidates for election or reelection to the Board as well as candidates to fill new positions created by expansion or vacancies that occur due to resignation, retirement or for any other reason.

Director Tenure

The members of each class of directors are elected for a three-year term and the Board does not believe it should establish mandatory term limits for its directors. While term limits could help to ensure that there are fresh ideas and viewpoints available to the Board, they present the disadvantage of losing directors who have been able to develop increasing insight into the Company and its operations over a period of time, therefore providing a valuable contribution to the Board.

As an alternative to mandatory term limits, the Board believes that it can continue to evolve and adopt new ideas and viewpoints through the director selection process described below in these Guidelines.

Director Independence

It is the policy of the Company that the Board consist of a majority of independent directors as defined by the standards of the Nasdaq Stock Market and applicable law.

The Committee will review annually all independent director and expertise standards, in the case of the Audit Committee, with which the Company must adhere to ensure compliance with these standards.

Roles of the Chairman and the Chief Executive Officer

The Board does not have a formal policy on whether the role of Chairman of the Board (the “Chairman”) and the Company’s Chief Executive Officer (the “CEO”) should be combined or separated. The Board selects its Chairman and the Company’s CEO, who is also a member of the Board, in the manner that it considers to be in the best interests of the Company and its stockholders. Currently, the roles of the Chairman and CEO are separated.

Selection of Director Candidates

Candidates nominated for election or reelection by the Committee should possess the following qualifications:

- Applicable expertise and demonstrated excellence in his or her field;
- Ability to maximize the usefulness of such expertise that is complementary to the business of the Company and the background and experience of the other Board members; and
- Willingness to devote the time necessary to carry out the duties and attend to the affairs of the Company.

Prior to election, the Committee will evaluate the existence of any relationship that would interfere with the exercise of the candidate's independent judgment and the candidate's demonstrated character and judgment. Candidates for directorship will be further reviewed in the context of the existing board membership, the operating requirements of the Company and the long-term interests of its stockholders.

After the Committee selects a candidate for election to the board, the Committee presents its recommendation to the Board for approval. Upon approval by the Board, the invitation to join the Board is extended to the candidate by the Chairman. The Committee periodically reviews with the Board the selection criteria of directors.

Limitation on Other Directorships

Each director is expected to be available for a significant and reasonable time commitment to serve upon the Company’s Board. Further, directors should ensure that their involvement on other boards does not interfere with their ability to perform their duties and carry out responsibilities of the Board and any committees on which they may serve. To this end, directors should not serve on more than a total of four (4) boards of public companies, including Anadys’ Board. Directors should notify the chairperson of the Committee and the Chairman prior to accepting an invitation to serve on a public company board to allow the Committee to evaluate the relationship for a potential

conflict of interest and to confirm that the Director continues to have time available to perform his or her duties in his or her capacity as a Board member to the Company.

Change in Principal Occupation

When a director's principal occupation or business association changes substantially during his or her tenure as a director, that director will tender his or her resignation for consideration by the Committee. The Committee will recommend to the Board the action, if any, to be taken with respect to his resignation.

BOARD FUNCTION

Frequency of Board Meetings/Director Attendance

A minimum of four (4) regular meetings of the Board are currently held each year, with further special meetings to be called (or action to be taken by written consent) as deemed necessary by the Chairman or the CEO.

All directors should make all reasonable efforts to prepare for and attend meetings of the Board and meetings of the committees of which they are members.

Agendas and Materials for Board Meetings

The CEO, in consultation with the Chairman, reviews and sets the agenda for each Board meeting. Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings to allow the directors to prepare for discussion of items at the meeting. Any member of the Board may request that an item be included on the agenda.

Independent Director Sessions

The independent directors of the Board meet periodically, but no less than two times per year, in independent executive sessions. Independent director session discussions may include such topics as the independent directors determine. In addition, director meetings are held with the CEO, but not other members of management, for a general discussion of relevant subject matters.

Director Access to Senior Management and Independent Advisors

Directors have access to the Company's management during reasonable business hours and to the Company's advisors and auditors. Directors shall have access to such advisors and such other independent advisors that the Board considers necessary to discharge its responsibilities. The committees also have the authority to retain their own independent advisors, at the Company's expense, whenever they feel it would be necessary, as set forth in their applicable charters.

Communication with Stockholders

The Board believes that management speaks for the Company. Per the Company's Corporate Disclosure Policy, certain representatives of management are designated as Company Spokespersons. The designated Spokespersons may delegate other officers of the Company to respond to inquiries regarding specific areas of interest.

Director Compensation

The Board previously adopted a compensation program for non-employee directors. This program provides for an annual stipend, payment for meeting attendance and equity in the form of non-qualified stock options granted at the time of each director's appointment and annual refresher grants thereafter. Directors who are also employees of the Company do not receive any additional compensation for Board and/or committee service. This compensation program will be reviewed periodically by the Compensation Committee.

Director Orientation/Continuing Education

The Board shall implement a process to provide new directors with an orientation program to familiarize such directors with the Company's business, including a review of the Company's expectations of its directors in terms of time and effort, a review of the directors' fiduciary duties and meetings with members of management.

The Board also encourages directors to attend continuing education programs.

Board Self-Evaluation

Following the end of each fiscal year, the Committee will oversee an annual assessment by the Board of the Board's performance during such fiscal year. The Committee will be responsible for establishing the evaluation criteria and implementing the process, as well as considering the adoption of new corporate governance principles that may merit consideration by the Board.

The Committee will utilize the results of such evaluation in assessing the board membership and any prospective candidates for election or reelection to the Board.

COMMITTEE FUNCTION

Committees

The Board currently has three (3) committees, the Audit Committee, Compensation Committee and the Corporate Governance and Nominating Committee, each composed of entirely independent directors as determined by the rules and regulations of the Securities and Exchange Commission and the Nasdaq Stock Market. The Board, upon recommendation of the Corporate Governance and Nominating Committee, designates the members and chairpersons of each committee. Each committee will perform its duties

as assigned by the Board in compliance with the Company's bylaws and the committee's applicable charter.

From time to time, the Board may establish a new committee, establish an ad-hoc committee for a specific time period and purpose or disband a current committee depending upon internal circumstances or external requirements.

Committee Meetings

Each committee conducts at least the minimum number of meetings annually provided for in its charter, with additional meetings to be called (or action to be taken by unanimous written consent) when deemed necessary or desirable by the committee or its chairperson. The agenda, materials and minutes for each committee meeting are available to all directors. Each committee member has access to employees during reasonable business hours and other resources to enable such committee members to carry out their responsibilities.