RedHill Biopharma Ltd.

Standards of Business Conduct and Ethics

Introduction

The Standards of Business Conduct and Ethics (hereinafter "the Code") of RedHill Biopharma Ltd. (hereinafter "the Company" or "RedHill") are a fundamental expression of the Company's commitment to a culture of integrity, ethics and compliance with the law and business conduct and ethics. The Company values its reputation for integrity and, accordingly, all aspects of its business activity shall be conducted honestly and ethically. The Company intends that its business practices are compatible with the highest legal, economic and social priorities of the United States, Canada, Israel and any other countries where RedHill does business. Associates ("Associates" include Board of Directors, employees, including all executive officers, and consultants who are team members) will not be permitted by RedHill to achieve results at the cost of violation of laws, rules or regulations or through unscrupulous or unethical business dealings. This culture of compliance is evident from the commitments of RedHill's Chairman of the Board of Directors and CEO, Board of Directors, executive management and each of RedHill's Associates.

RedHill requires that its Associates maintain the highest ethical standards while engaging in any business activity inside or outside the Company that might affect its reputation, legal or financial status. It is essential, therefore, that all Associates understand and faithfully adhere to the Code.

Additionally, key advisors and service providers ("Service Providers") will be informed in general or on an as needed basis about the Code and their cooperation will be required.

Responsibility for Compliance

All Associates are obligated to adhere to this Code in the performance of their responsibilities. When faced with a situation that requires an evaluation of what is, and what is not a proper business conduct, an Associate must begin by applying the following criteria:

- Is the course of conduct legal?
- Is the course of conduct in accordance with the guidelines set forth in this Code and with Company's policies and procedures?
- Would such Associate or the Company be compromised or embarrassed if the situation were known by co-workers or the public?
- Does the intended course of conduct have the appearance of impropriety?

If an Associate is unable to answer "yes" to the first two questions and "no" to the second two questions, with certainty, he must seek advice through the channels described under the section entitled "Associate Responsibilities".
Coverage, Process, Training and Accountability

RedHill intends to provide regular and effective compliance education and training for all Associates. To assure that all Associates have access to and are informed of the Code, RedHill's Chief Accounting Officer (hereinafter "the CAO") will maintain the Code for distribution. Individuals who are receiving the Code for the first time will have an opportunity to read and then discuss with the CAO. Individuals receiving the Code will be asked to sign a Letter of Agreement that, as one of the conditions of employment, service and/or engagement with the Company, they will undertake to comply with the standards outlined in the Code.

All Letters of Agreement will be retained by the CAO. Should a violation of the Code occur, appropriate disciplinary action will be taken by the Company up to and including termination of employment or other relationship with the Company. Each situation will be evaluated on a case-by-case basis by the Chairman of the Audit Committee, who is the entity in the Company in charge of the implementation of Code together with the CEO and other appropriate executive managers. The Audit Committee will disclose such action to the Company’s internal auditor and the legal counsel. Illegal actions will be reported to the appropriate authorities.

The Code Includes:
1. Compliance with Laws, Rules and Regulations
2. Business Practices
3. Conflicts of Interest
4. Employment Policies and Environment
5. Reporting Procedures
6. Waivers

1. Compliance with Laws, Rules and Regulations

Laws, Rules and Regulations

RedHill requires compliance with applicable laws, rules and regulations wherever it conducts its business worldwide. The Company's values and compliance objectives are in line with, among others, specific laws and regulations in the healthcare industry, and specific laws and regulations concerning the Company, being a publicly traded company in the U.S.

Associate Responsibilities

RedHill's Associates are expected to comply with the Code as specified in the "Responsibility for Compliance" paragraph above.

It is the responsibility of all RedHill's Associates to promptly report suspected violations of any law, rule and regulation to Company's management or by using the "Compliance Procedure" (the Procedure for Reporting Illegal or Unethical Conduct, adopted by RedHill's Board of Directors on July 15, 2012, to be distributed along with
this Code as Annex A). When using the Compliance Procedure, one can choose to remain anonymous. No retaliatory action will be taken against any individual who reports a conduct which he honestly believes may violate the Code. It would never be appropriate, and would be inconsistent with the Code, to intentionally make a false report. If any RedHill Associate has any questions regarding compliance with any laws, rules or regulations, it is imperative that he consult with the Company’s CAO or any of the Company's executive management.

**Service Providers**

RedHill expects its Service Providers to comply with the Code. Violation of the Code by a Service Provider may result, among other things, in termination of the relationship with the Company.

**2. Business Practices**

**Bribery**

RedHill prohibits bribery by its Associates and Service Providers in the conduct of its business. The use of Company funds or assets for gifts, gratuities or other favors to suppliers, customers or government officials is strictly prohibited, except to the extent such gifts, gratuities or other favors are of nominal value. No bribes, kickbacks or payments shall be made to or for the benefit of government employees, customers, physicians/health care providers or other persons for the purpose of influencing, obtaining or retaining business. This policy extends not only to direct payment, but also forbids indirect payments made through third parties. If any RedHill Associate has any questions or doubt regarding compliance with this policy, it is imperative that he consult the Company CAO, or any of the Company's executive management.

RedHill Associates must not accept, or permit members of their immediate family to accept, any gifts, gratuities or other favors from any customer, supplier Service Provider, competitor or other person doing or seeking to do business with RedHill that would be considered greater than nominal value. Gifts that are received which are greater than nominal value should be returned immediately and reported. If immediate return is not practical, the gift should be given to RedHill for charitable disposition or other disposition as the Company believes appropriate.

**Antitrust, Competition and Pricing**

Antitrust and competition laws worldwide exist to ensure fairness in business practices.

RedHill's policy is to compete fairly and comply with all such laws designed to regulate aspects of business, including competition and pricing. In order to avoid creating even the appearance of improper arrangements, RedHill prohibits: discussions or other contacts with competitors regarding establishing pricing levels or ‘fixing’, pricing stabilization; discussions or other contacts with suppliers and customers that illegally restrict trade or exclude competitors from the marketplace;
agreements or arrangements with competitors regarding territories or markets in which competitive products are sold, allocating markets or customers; agreements with others to boycott customers or suppliers. Whenever there is a doubt regarding interactions as above mentioned, Associate must immediately report to the Company’s CAO or through the Compliance Procedure and the issue will be brought to the attention of the Company’s legal counsel.

**Business Intelligence and Marketing Integrity**

RedHill Associates should never use unethical means such as misrepresentation, deception, spying, or bribery to gather competitive intelligence about competitors. Associates should accept business information about other companies only when it is believed the receipt and use of such this information are ethical and legal and do not violate any confidentiality obligations. RedHill also prohibits: false or misleading advertising or any other form of misrepresentation made in connection with sales; illegal comments about competitors’ products; bribery of competitors or customer employees.

**Privacy**

RedHill is committed to maintaining confidentiality of all medical information and personal data entrusted to the Company under confidentiality or that required being confidential by law. Associates must comply with relevant laws and regulations and carefully guard the confidentiality of all medical information and personal data in RedHill's possession.

**Recordkeeping**

Accurate, complete Company records and accounts must be maintained to ensure legal and ethical business practices.

RedHill’s books, records and accounts (whether computerized, paper, or other) must fully and accurately reflect the Company's business affairs. If an Associate believes any books or records of the Company may have been falsified, altered, or destroyed (outside the accepted procedures or authorization channels), or that there exist any unrecorded funds or assets, the Associate shall report the matter to Company’s CAO directly or through the Compliance Procedure.

**Proper Accounting**

RedHill Associates must honestly and accurately report all Company business affairs. All Company books, records and accounts shall be maintained in accordance with all applicable laws, regulations and standards and accurately reflects the true nature of the business affairs they record. The financial statements of RedHill shall conform to generally accepted accounting principles and the Company's accounting policies. No undisclosed or unrecorded account or fund shall be established for any purpose. No false or misleading entries shall be made in the Company's books or records for any reason, and no disbursement of corporate funds or other corporate property other
than *de-minims* expenses shall be made without adequate supporting documentation.

**Dealings with External Auditors; Reporting**

No RedHill Associate shall knowingly, directly or indirectly, make or cause to be made a materially false or misleading statement to an accountant in connection with any audit, review or examination of RedHill's financial statements or the preparation or filing of any document or report with the Securities and Exchange Commission (SEC). Associates with responsibility regarding filings and submissions made to the SEC or other public communications shall take such actions as are necessary to ensure the full, fair, accurate, timely and understandable disclosure in such filings and submissions and other public communications.

No Associate of RedHill shall knowingly, directly or indirectly, take any action to coerce, manipulate, mislead, or fraudulently influence any independent public or certified public accountant engaged in the performance of an audit or review of the Company's financial statements.

**Patents, Trademarks, Logos, Copyrights and Intellectual Property**

Protection of RedHill's intellectual property including its patents, trade secrets, copyrights, trademarks, logos, scientific and technical knowledge, know-how, and the experience developed in the course of the Company's activities is essential to maintaining a competitive advantage. RedHill Associates are expected to protect, maintain, and defend the Company's rights in all commercially significant intellectual property and to use those rights in the correct and responsible manner.

In addition, Associates must respect the valid intellectual property rights of others. Unauthorized use of the intellectual property rights of others may expose the Company, and the violating Associate, to civil lawsuits and damages, and is therefore prohibited.

**Environmental Protection**

RedHill is committed to doing business in an environmentally responsible manner. Additionally, the Company is committed to improving its own environmental performance and maintaining a safe work environment. Associates, as well as third parties that contract their services to RedHill, are responsible for making sure that business is conducted in compliance with all applicable laws and in a manner that is protective of the environment.

**Clinical and Regulatory Affairs**

RedHill, its Associates and Service Providers must conduct business in compliance with all applicable laws, rules and regulations, as well as in compliance with clinical and regulatory policies, including but not limited to the FDA, Good Clinical Practices (GCP), Good Laboratory Practices (GLP), and Good Manufacturing Practices (GMP).
Corporate Political Activity

RedHill’s Associates are prohibited from soliciting contributions for political parties, political committees, or candidates for public office during work hours or on Company property.

Government, Analyst and Media Inquiries

RedHill must be made aware of any inquiries from the government, the financial/analyst community, or the news media so that it can respond in a timely manner and in line with its internal policy. If a representative of a governmental agency, financial/analyst community or the news media seeking an interview or making a request for information contacts an Associate, the Associate should immediately be referred to the CEO or Deputy CEO Finance and Operation.

3. Conflicts of Interest

Insider Trading

Associates are prohibited from engaging in securities transactions directly or indirectly involving RedHill or companies doing business with RedHill on the basis of material information not available to the general public and which, if known to outsiders, might affect their investment decisions. The dissemination of such inside information to others who might make use of the information to trade in securities is also prohibited. At the time of hire, all Associates will be asked to sign an acknowledgment of their understanding of, and compliance with, RedHill's Insider Information Policy.

Financial Interest in Other Businesses

RedHill respects the rights of its Associates to manage their personal investments. However, Associates should avoid potential conflicts of interest between their personal financial interests and the business interests of the Company.

Examples of such conflicts of interest may include, but are not limited to, having substantial undisclosed financial investments in business partners, suppliers, customers, or competitors of the Company; having personal financial interest in a transaction in which the Company is interested in participating; or accepting undisclosed payments or compensation from a supplier, customer, or competitor of the Company. This policy would not apply to an investment in securities in a publicly held corporation constituting less than 1% of the outstanding shares of such corporation, which should only be reported to the Company if the investor's judgment in transactions involving the Company might be affected by reason of the size of the investment in relation to the Associate's assets, the amount of business done with the Company and other factors. The existence of a personal financial interest that an Associate believes may be in violation of this policy must be immediately brought to the attention of the CAO or through the Compliance Procedure.
Outside Employment

RedHill encourages Associates to further their professional development and to promote the image of the Company by participating in such activities as teaching, lecturing and speaking engagements. It is expected that any outside activities will be conducted so they do not detract from an individual's ability to perform their assigned responsibilities at RedHill and to the extent required under the engagement between the Company and the Associate, a prior written approval from the Company must be obtained.

4. Employment Policies and Environment

Equal Employment Opportunity

It is RedHill's policy to provide equal employment opportunities, and to treat all applicants and Associates in all interactions with the Company equally, without regard to personal characteristics such as race, color, religion, gender, age, national origin, pregnancy, disability, veteran status, or any other legally protected status.

Productive Work Environment

RedHill makes every effort to provide a working environment that is free from sexual harassment or harassment on the basis of race, color, religion, gender, age, national origin, disability, veteran status or other legally protected status. The Company strictly prohibits any such harassment.

Safety and Health

RedHill is committed to providing a safe and healthful working environment. The Company's policy is aimed at minimizing the exposure of its Associates, customers, and other visitors to its facilities to health or safety risks. To accomplish this objective, all Associates are expected to work diligently to maintain safe and healthful working conditions and to adhere to proper operating practices and procedures designed to prevent injuries and illnesses.

Additionally, while RedHill respects individual privacy, it recognizes that substance abuse poses serious health and safety hazards in the workplace. The Company is dedicated to maintaining a substance abuse-free environment and expects all its Associates to abide by this Company's policy.

Confidential Information

RedHill expects that its operations, activities and business affairs, and those of its clients, are and will be kept confidential to the greatest possible extent. If Associates acquire confidential or proprietary information about RedHill, its products, or its clients, such information is to be handled in strict confidence and not to be discussed with persons outside the Company. Associates are also responsible for the internal security of such information. Associates will be asked to sign a statement of confidentiality at the time of hire. Associates found to be violating these policies are
subject to disciplinary action, up to and including termination, and may also be subject
to civil and/or criminal penalties for violations of, among other things, applicable
securities laws. Upon departure from the Company, any such confidential information
including data, plans, files or procedures will be promptly returned to the Company by
the Associate.

Computers and the Internet

Associates are expected to use approved mechanisms, tools and procedures for any
activity or communication that goes through hardware and network belonging to the
Company or for confidential material related to the company.

The Company may be required by law or other applicable regulations to review the
emails or computer files of its employees. Employees are expected to maintain the
highest standards of professionalism in all written communications.

5. Reporting Procedures

RedHill has established a Compliance Procedure, attached hereto as Annex A, to allow
any Associate to openly, confidentially, or anonymously report any suspected violation
of any law, regulation or the Code.

6. Waivers

Any waiver of this Code for directors or executive officers must be approved by the
board of directors and must be disclosed to shareholders.

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