

CORPORATE POLICY <i>As adopted by the Board of Directors</i>	Document #/Rev: 001.00 Page: 1 of 6 Effective Date: 1/1/2016
CORPORATE GOVERNANCE GUIDELINES POLICY	

I. INTRODUCTION

The Board of Directors (the “Board”) of NovaBay Pharmaceuticals, Inc. (the “Company”) has developed, and the Board has adopted, these Corporate Governance Guidelines (the “Guidelines”) to assist the Board in the exercise of its responsibilities and to serve best the interests of the Company and its shareholders. These Guidelines are in addition to, and are not intended to change or interpret, any federal or state law or regulations and should be interpreted in the context of applicable laws and the Company’s Articles of Incorporation, Bylaws and other corporate governance documents. The Guidelines are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations. In addition, the Company’s Code of Business Ethics (the “Code”) governs the conduct of the members of the Board in connection with their activities relating to the Company. The Company’s management is responsible for, and the Board is committed to, ensuring that the Company operates in a legal and ethically responsible manner and in conformance with the Code. These Guidelines will be regularly reevaluated by the Board’s Nominating and Corporate Governance Committee, and are subject to refinement or change from time to time as the Board deems appropriate in the light of changing circumstances.

II. THE BOARD

1. Board Composition and Operation

Independence of the Board. The Board will have at least a majority of directors who meet the criteria for independence as required by the NYSE MKT and the Securities and Exchange Commission and any other applicable government or regulatory authorities, each in effect from time to time.

Board Membership Qualifications. The Nominating and Corporate Governance Committee is responsible for reviewing and assessing, on an annual basis, the appropriate skills and characteristics of Board members as well as the composition of the Board as a whole. This assessment will include members’ qualification as independent, as well as consideration of age, skills and experience in the context of the needs of the Board. Nominees for the Board will be selected, or recommended for selection by the Board, by the Nominating and Corporate Governance Committee in accordance with the policies and principles in its charter.

Selection of Board Members. Currently the Board is divided into 3 classes, designated as Class I, Class II and Class III Directors. The Board annually nominates a Class of Directors for election by the Company’s stockholders based on the recommendation of the Nominating and Corporate Governance Committee, and its determination of the suitability of each nominee and the class as a whole. The Board may also fill vacancies in existing or new director positions based on the Nominating and Corporate Governance Committee screening process. The

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qualifications to be considered in the selection of nominees include those set forth in the charter of the Nominating and Corporate Governance Committee and have the objective of forming a Board that provides a variety of perspectives and skills based on business and professional experience.

Board Size. The number of directors is currently fixed at eight. The size of the Board, will be reviewed and modified by the Board periodically to ensure that the Board can efficiently discharge its fiduciary duties and regulatory responsibilities. The number of directors which shall constitute the Board of Directors shall be fixed exclusively by resolutions adopted by a majority of the Board of Directors.

Directors who Change Their Present Job Responsibility. Individual directors whose primary professional position or responsibility changes (other than through internal promotion) from the position or responsibility they held when they were elected to the Board may volunteer to resign from the Board if such changes would materially interfere with such director's service on the Board. The Nominating and Governance Committee will recommend to the Board the action, if any, to be taken with respect to an offer to tender resignation. Directors who are officers of the Company shall also tender their resignation upon retirement or other termination of active employment with the Company.

Term Limits, Director Tenure and Retirement Age. A Board member's maximum tenure shall be three (3) consecutive terms or a total of nine (9) consecutive years with the opportunity to extend by one (1) additional 3-year term upon the recommendation of the Nominating and Corporate Governance Committee and approved by the Board. The tenure of Board members shall begin as of the date he/she joined the Board of the Company or its predecessor NovaCal Pharmaceuticals, Inc. No director may be nominated for election to the Board if he or she would be age 80 or older at the time of his or her first election. However, Directors who reaches the age of 80 during the term for which they were elected, shall finish the 3-year term for which he or she had been elected. A Director Emeritus status can be granted to a retiring Board member upon nomination of the Nominating and Corporate Governance Committee and approved by the majority vote of the remaining Board members.

Director Responsibilities. The basic responsibility of the directors is to exercise their judgment to act in what they reasonably believe to be in the best interests of the Company and its stockholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. The directors shall also be entitled to have the Company purchase reasonable directors' and officers' liability insurance for their benefit, to the benefits of indemnification to the fullest extent permitted by law and the Company's articles of incorporation, regulations and any indemnification agreements, and to exculpation as provided by state law.



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Absent unusual circumstances, directors are expected to attend all Board meetings and all meetings of committees on which they serve. Information that is important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting. It is understood, however, that materials regarding extremely confidential matters may not be delivered to directors in advance.

The directors who qualify as "independent" under the NYSE MKT listing standards shall designate a Lead Independent Director who is responsible for coordinating the activities of the other independent directors, and shall bear such other responsibilities as the independent directors as a whole may designate from time to time.

The Chairman of the Board, in consultation with the Board, shall establish the schedule of Board meetings each year. The Chairman and the Lead Independent Director will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future with the Chief Executive Officer and other executive officers during at least one Board meeting each year.

The Chairman of the Board and Chief Executive Officer is/are responsible for establishing effective communications with the Company's various constituencies (such as stockholders, customers, employees, suppliers, community groups and governmental authorities). The Board believes that management should speak for the Company. It is expected that Board members would meet or otherwise communicate with the Company's constituencies only with the knowledge of management and, absent unusual circumstances or as contemplated by committee charters, only at the request of management.

2. Board Meetings

Frequency of Meetings and Attendance. The Board has 6 regular scheduled meetings each year. Special meetings may be called from time to time as necessary. The Board also may take action from time to time by unanimous written consent. It is understood that each director has a duty to attend, whenever possible, all meetings of the board and of each committee of which he or she is a member. Any director may attend a meeting of a committee of which he or she is not a member at the invitation of the Chair of the Committee.

Agenda. The Chairman of the Board, the Lead Independent Director and the Secretary of the Company set the agenda for each Board meeting and distribute it in advance to the Board. Board members may request that an additional item or items be included on the agenda.

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Advance Distribution of Materials. As a general rule, Board materials related to agenda items shall be distributed in advance of a meeting in order to enable them to review and reflect on key issues, request supplemental information as necessary, and generally prepare for the discussion at the meeting. Sensitive materials may be reserved for distribution at the Board meeting.

Board Presentation. Members of management regularly attend Board meetings or portions thereof for the purpose of making presentations with respect to particular areas of operations and to participate in discussions. The Chairman of the Board designates the guest attendees at any meeting. In addition, board members have full access to other members of management and employees at all times.

Executive Sessions of Non-employee Directors. Each regular board meeting will include an executive session of the non-employee directors with no management director or other member of management present to discuss topics as the independent directors determine. The Lead Independent Director will call and preside at such executive sessions and report any concerns to the Chairman of the Board.

3. Director Access to Officers and Employees

Directors have full access to management and are entitled to expect management to be responsive to requests for information from directors. Except for meetings or contacts with management required pursuant to committee charters, if a director wishes to initiate contact with a member of management, the director may arrange to do so through the CEO. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, to the extent appropriate, copy the CEO on any written communications between a director and an officer or employee of the Company.

Executive officers and other members of management may attend Board meetings by invitation.

4. Director Compensation

Management Directors will not be paid for board membership in addition to their regular employee compensation. Management shall report to the Compensation Committee of the Board from time to time regarding the status of Board compensation in relation to other U.S. corporations of similar size and a peer-industry survey group. Changes in board compensation may be recommended by the compensation committee but will be made only after full discussion and unanimous concurrence of the Board.

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5. Director Orientation and Continuing Education

All new directors must participate in an orientation program, which should be conducted as soon as practicable, but in any event within twelve months of the new directors' appointments. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, and its internal and independent auditors. All other directors are also invited to attend the orientation program. All directors will participate in such continuing education programs as the Nominating and Corporate Governance Committee may specify.

6. Management Succession

The Nominating and Corporate Governance Committee will report, at least once every two years, to the Board on succession planning. The entire Board will work with the Nominating and Corporate Governance Committee to consider and evaluate potential successors to the position of CEO or, if no potential successors are within the Company, to determine alternatives such as conducting an executive search. The CEO should at all times make available his or her recommendations and evaluations of potential successors, if any, along with a review of any development plans recommended for such individuals.

The Nominating and Corporate Governance Committee shall review the policies and principles governing performance reviews of persons holding such positions.

7. Annual Performance Evaluation

In January of each year, each director will be asked to provide an assessment of the effectiveness of the Board and each committee on which he or she serves. The individual assessments will be organized and summarized by a person designated by the Lead Independent Director and the Chair of the Nominating and Corporate Governance Committee for discussion with the full Board and each Committee at the time of the March Board meeting. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

8. Director Succession

The Nominating and Corporate Governance Committee will make an annual report to the Board regarding director succession planning and committee assignments. The Board will review and assess the report and provide guidance and direction to the committee regarding these



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matters for the coming year.

9. Contacting the Board of Directors or any Director

Any investor who wants to communicate with the Board or any individual director may send communications by writing to the Corporate Secretary. All communications will be received and processed by the Corporate Secretary, although the Corporate Secretary will not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

III. BOARD COMMITTEES

Number and Structure. The Board currently has three Committees – Audit, Compensation, and Nominating and Corporate Governance. All of the members of these committees will be independent directors under the criteria established by the NYSE MKT. The Nominating and Corporate Governance Committee reviews the committee structure annually and makes recommendations for changes, if any, to the Board. The Nominating and Corporate Governance Committee, after consultation with the Chairman of the Board, recommends to the Board the members and chairpersons of all other Committees. The Board does not have a fixed policy mandating rotation of committee assignments since special knowledge or experience may suggest that a director serve on a committee for an extended period of time. However, consideration should be given to rotating committee members and committee chairs periodically.

Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, if any, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. Each committee will annually evaluate its performance.

The Chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairman of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda.

The Board and each committee will have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.