

## **ARCH THERAPEUTICS, INC.**

### **CODE OF BUSINESS CONDUCT AND ETHICS**

This Code of Business Conduct and Ethics (the “**Code**”) sets forth legal and ethical standards of conduct for all directors, officers and employees (the “**Covered Persons**,” each, a “**Covered Person**”) of Arch Therapeutics, Inc. (the “**Company**”). This Code is intended to deter wrongdoing and to promote the conduct of all Company business in accordance with high standards of integrity and in compliance with all applicable laws and regulations. This Code applies to the Company and all of its subsidiaries and other business entities controlled by the Company worldwide. We expect every Covered Person to read and understand this Code and its application to the performance of his or her business responsibilities. References in this Code to employees are intended to cover officers and, as applicable, directors.

This Code cannot possibly describe every practice or principle related to honest and ethical conduct. This Code addresses conduct that is particularly important to proper dealings with the people and entities with whom we interact, but reflects only a part of our commitment. From time to time we may adopt additional policies and procedures with which Covered Persons are expected to comply, if applicable to them. However, it is the responsibility of each Covered Person 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.

If you have any questions regarding this Code or its application to you in any situation, you should contact your supervisor, the Chief Executive Officer (“**CEO**”) or the Chief Financial Officer (“**CFO**”).

#### **Compliance with Laws, Rules, and Regulations**

The Company requires that all Covered Persons comply with all laws, rules, and regulations applicable to the Company wherever it does business. You are expected to use good judgment and common sense in seeking to comply with all applicable laws, rules, and regulations, and to ask for advice when you are uncertain about them.

If you become aware of the violation of any law, rule, or regulation by the Company, whether by a Covered Person or any third party doing business on behalf of the Company, it is your responsibility to promptly report the matter to your supervisor or to the CFO. While it is the Company’s desire to address matters internally, nothing in this Code should discourage you from reporting any illegal activity, including any violation of the securities laws, antitrust laws, environmental laws, or any other federal, state, or foreign law, rule, or regulation, to the appropriate regulatory authority. No Covered Person shall discharge, demote, suspend, threaten, harass, or in any other manner discriminate or retaliate against an employee because he or she reports any such violation. If it is determined that a false report was made with the knowledge that it was false, disciplinary action may be taken against such individual(s). This Code should not be construed to prohibit you from testifying, participating, or otherwise assisting in any state or federal administrative, judicial, or legislative proceeding or investigation.

## Conflicts of Interest

We respect the rights of each Covered Person to manage their personal affairs and investments and do not wish to impinge on their personal lives. At the same each Covered Person must act in the best interests of the Company. You must refrain from engaging in any activity or having a personal interest that presents a conflict of interest (“**Conflict of Interest**”). A Conflict of Interest occurs when the private interest of a Covered Person interferes in any way, or appears to interfere with the interests of the Company as a whole. A Conflict of Interest can arise whenever you, as an officer, director, or employee, take action or have an interest that prevents you from performing your Company duties and responsibilities honestly, objectively, and effectively.

Conflicts of Interest also arise when an employee or a member of his or her Immediate Family (as defined below) receives improper personal benefits as a result of his or her position with the Company. We expect Covered Persons to be free from influences that conflict with the best interests of the Company or might deprive the Company of their undivided loyalty in business dealings. Even the appearance of a Conflict of Interest where none actually exists can be damaging and should be avoided. Whether or not a Conflict of Interest exists or will exist can be unclear. Conflicts of Interest are prohibited unless specifically authorized as described below.

If you have any questions about a potential conflict or if you become aware of an actual or potential conflict, and you are not an officer or director of the Company, you must discuss the matter with your supervisor or the CEO. Supervisors may not authorize Conflict of Interest matters or make determinations as to whether a problematic Conflict of Interest exists without first seeking the approval of the CEO and providing the CEO with a written description of the activity. If the supervisor is involved in the potential or actual conflict, you should discuss the matter directly with the CEO. Officers and directors must seek any authorizations and determinations from the Board of Directors of the Company (the “**Board**”). Conflicts of interests may not always be obvious and clear-cut. This Code does not attempt to describe all possible conflicts of interest which could develop and, as such, those suspecting a conflict of interest should bring it to the attention of a supervisor, manager, or other appropriate personnel. Some of the more common conflicts are set out below.

Employees and Officers. Employees must not, without the prior approval of the Company’s CEO, and officers must not, without the prior approval of the Board:

- perform services as a consultant, employee, officer, director, advisor, or in any other capacity, or permit any Close Relative to perform services as an officer or director, for a Significant Customer, Significant Supplier, or competitor of the Company, other than at the request of the Company;
- have, or permit any Close Relative to have, a financial interest in a Significant Supplier or Significant Customer of the Company, other than an investment representing less than one percent (1%) of the outstanding shares of a publicly-held company or less than five percent (5%) of the outstanding shares of a privately-held company;
- have, or permit any Close Relative to have, a financial interest in a competitor of the Company, other than an investment representing less than one percent (1%) of the

outstanding shares of a publicly-held company;

- supervise, review, or influence the job evaluation or compensation of a member of his or her immediate family; or
- engage in any other activity or have any other interest that the Board of Directors of the Company determines to constitute a conflict of interest.

Directors. Directors must not:

- perform services as a consultant, employee, officer, director, advisor, or in any other capacity, or permit any Close Relative to perform services as an officer or director, for a competitor of the Company;
- have, or permit any Close Relative to have, a financial interest in a competitor of the Company, other than an investment representing less than one percent (1%) of the outstanding shares of a publicly-held company;
- use his or her position with the Company to influence any decision of the Company relating to a contract or transaction with a Significant Supplier or Significant Customer of the Company if the director or a Close Relative of the director:
  - performs services as a consultant, employee, officer, director, advisor, or in any other capacity for such Significant Supplier or Significant Customer;
  - has a financial interest in such Significant Supplier or Significant Customer, other than an investment representing less than one percent (1%) of the outstanding shares of a publicly-held company.
- supervise, review, or influence the job evaluation or compensation of a member of his or her immediate family; or
- engage in any other activity or have any other interest that the Board of Directors of the Company determines to constitute a conflict of interest.

A “**Close Relative**” means a spouse, dependent child, or any other person living in the same home with the employee, officer, or director. “**Immediate Family**” means a Close Relative and a parent, sibling, child, mother- or father-in-law, son- or daughter-in-law, or brother- or sister-in-law. A “**Significant Customer**” is a customer that has made during the Company’s last full fiscal year, or proposes to make during the Company’s current fiscal year, payments to the Company for property or services in excess of one percent (1%) of (i) the Company’s consolidated gross revenues for its last full fiscal year or (ii) the customer’s consolidated gross revenues for its last full fiscal year. A “**Significant Supplier**” is a supplier to which the Company has made during the Company’s last full fiscal year, or proposes to make during the Company’s current fiscal year, payments for property or services in excess of one percent (1%) of (A) the Company’s consolidated gross revenues for its last full fiscal year or (B) the suppliers’ consolidated gross revenues for its last full fiscal year.

It is your responsibility to disclose any transaction or relationship that reasonably could be expected to give rise to a conflict of interest to the CEO or, if you are an officer or director, to the Board, who shall be responsible for determining whether such transaction or relationship constitutes a Conflict of Interest.

### **Insider Trading**

Covered Persons who have material non-public information about the Company or other companies, including our suppliers and customers, as a result of their relationship with the Company are prohibited by law and Company policy from trading in securities of the Company or such other companies, as well as from communicating such information to others who might trade on the basis of that information. To help ensure that you do not engage in prohibited insider trading and avoid even the appearance of an improper transaction, the Company has adopted an Insider Trading Policy, a copy of which may be obtained from the CFO.

We have adopted a separate Insider Trading Policy with which you will be expected to comply as a condition of your involvement with the Company. You should consult our Insider Trading Policy for more specific information.

If you are uncertain about the constraints on your purchase or sale of any Company securities or the securities of any other company that you are familiar with by virtue of your relationship with the Company, you should consult with the CEO before making any such purchase or sale.

### **Confidentiality**

Each Covered Person has a duty to maintain the confidentiality of confidential information entrusted to them by the Company or other companies, including our suppliers and customers, except when disclosure is authorized by a supervisor or legally mandated. Unauthorized disclosure of any confidential information is prohibited. Additionally, employees should take appropriate precautions to ensure that confidential or sensitive business information, whether it is proprietary to the Company or another company, is not communicated within the Company except to employees who have a need to know such information to perform their responsibilities for the Company.

Third parties may ask you for information concerning the Company. Subject to the exceptions noted in the preceding paragraph, Covered Persons (other than the Company's authorized spokespersons) must not discuss Company matters with, or disseminate internal Company information to, anyone outside the Company, except as required in the performance of their Company duties and after an appropriate confidentiality agreement is in place. This prohibition applies particularly to inquiries concerning the Company from the media, market professionals (such as securities analysts, institutional investors, investment advisers, brokers and dealers), and security holders. All responses to inquiries on behalf of the Company must be made only by the Company's authorized spokespersons. If you receive any inquiries of this nature, you must decline to comment and refer the inquirer to your supervisor or one of the Company's authorized spokespersons.

You also must abide by any lawful obligations that you have to your former employer. These obligations may include restrictions on the use and disclosure of confidential information,

restrictions on the solicitation of former colleagues to work at the Company and non-competition obligations.

### **Research Development; Regulatory Compliance**

The research and development of our products is subject to a number of legal and regulatory requirements, including standards related to ethical research procedures and proper scientific conduct. We expect all Covered Persons to comply with all such requirements.

### **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. Violation of environmental laws can involve monetary fines and imprisonment. We expect all employees and officers to comply with all applicable environmental laws.

### **Honest and Ethical Conduct and Fair Dealing**

Covered Persons should endeavor to deal honestly, ethically, and fairly with the Company's suppliers, customers, competitors, and employees. Statements regarding the Company's products and services must not be untrue, misleading, deceptive, or fraudulent. You must not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

### **Protection and Proper Use of Corporate Assets**

Covered Persons should seek to protect the Company's assets. Theft, carelessness, and waste have a direct impact on the Company's financial performance. Covered Persons must use the Company's assets and services solely for legitimate business purposes of the Company and not for any personal benefit or the personal benefit of anyone else.

Covered Persons must advance the Company's legitimate interests when the opportunity to do so arises. You must not take for yourself personal opportunities that are discovered through your position with the Company or the use of property or information of the Company.

### **Corporate Opportunities**

You may not take personal advantage of opportunities for the Company that are presented to you or discovered by you as a result of your position with us or through your use of corporate property or information, unless authorized by the CEO, in the case of employees, or the Board, in the case of a director or officer. 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 directly related to our lines of business must be pre-approved. You may not use your position with the Company or our corporate property or information for improper personal gain, nor should you compete with us in any way.

### **Gifts and Gratuities**

The use of Company funds or assets for gifts, gratuities, or other favors to employees or government officials is prohibited, except to the extent such gifts are in compliance with applicable law, insignificant in amount, and not given in consideration or expectation of any action by the recipient.

Covered Persons must not accept, or permit any member of his or her Immediate Family to accept, any gifts, gratuities, or other favors from any customer, supplier, or other person doing or seeking to do business with the Company, other than items of insignificant value. The exchange, as a normal business courtesy, of meals or entertainment (such as tickets to a game or the theatre or a round of golf) is a common and acceptable practice as long as it is not extravagant. Any gifts that are extravagant should be returned immediately and reported to your supervisor. If immediate return is not practical, they should be given to the Company for charitable disposition or such other disposition as the Company, in its sole discretion, believes appropriate.

Common sense and moderation should prevail in business entertainment engaged in on behalf of the Company. Covered Persons should provide, or accept, business entertainment to or from anyone doing business with the Company only if the entertainment is infrequent, modest and intended to serve legitimate business goals.

Bribes and kickbacks are criminal acts, strictly prohibited by law. You must not offer, give, solicit or receive any form of bribe or kickback anywhere in the world. This principle applies to our transactions everywhere, even where the practice is widely considered “a way of doing business.” Under some statutes, such as the U.S. Foreign Corrupt Practices Act, 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. Discuss with your supervisor or the CEO any proposed entertainment or gifts if you are uncertain about their appropriateness.

### **Accuracy of Books and Records and Public Reports**

Covered Persons must honestly and accurately report all business transactions. You are responsible for the accuracy of your records and reports. Accurate and honest information is essential to the Company’s ability to meet legal and regulatory obligations. The making of false or misleading entries is strictly prohibited.

All Company books, records, and accounts shall be maintained in accordance with all applicable regulations and standards and accurately reflect the true nature of the transactions they record. The financial statements of the Company shall conform to generally accepted accounting rules and the Company’s accounts will 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.. 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 shall be made without adequate supporting documentation.

It is the policy of the Company to provide full, fair, accurate, timely and understandable disclosure in reports and documents filed with, or submitted to, the Securities and Exchange Commission (the “SEC”) and in other public communications. Employees and officers who are

responsible for accounting matters and/or contribute to or prepare the Company's financial statements, periodic reports filed with SEC or other public disclosure documents or communications should ensure that our books, records and accounts are accurately maintained, be familiar with our disclosure controls and procedures and internal controls and take all necessary steps to ensure that all reports filed with or submitted to the SEC and all other public disclosure regarding our business provide full, fair, accurate, timely and understandable disclosure and fairly present our financial condition and results of operations. All Covered Persons are expected to cooperate fully with our independent auditors and persons performing an internal audit function.

### **Concerns Regarding Accounting or Auditing Matters (Whistleblower Program)**

Employees with concerns regarding questionable accounting or auditing matters or complaints regarding accounting, internal accounting controls, or auditing matters may confidentially, and anonymously if they wish, submit such concerns or complaints (i) in writing to the Company's CEO, CFO or the Chairperson of the Board at Arch Therapeutics, Inc., 235 Walnut St., Suite 6, Framingham, Massachusetts 01702, (ii) via e-mail to either [tnorchi@archtherapeutics.com](mailto:tnorchi@archtherapeutics.com) or [rdavis@archtherapeutics.com](mailto:rdavis@archtherapeutics.com) or (iii) by calling the CEO or CFO via the telephone number (617) 431-2313. See "Reporting and Compliance Procedures" below. All such concerns and complaints will be forwarded promptly by the Company's CEO or CFO, as the case may be, to the Chairman of the Board. In any event, a record of all complaints and concerns received will be provided to the Board each fiscal quarter. Any such concerns or complaints may also be communicated, confidentially, and, if you desire, anonymously, directly to any member of the Board.

The Board will evaluate the merits of any concerns or complaints received by it and authorize such follow-up actions, if any, as it deems necessary or appropriate to address the substance of the concern or complaint.

The Company will not discipline, discriminate against, or retaliate against any employee who reports a complaint or concern, unless it is determined that the report was made with knowledge that it was false.

### **Dealings with Independent Auditors**

No Covered Person shall, directly or indirectly, make or cause to be made a materially false or misleading statement to an accountant in connection with (or omit to state, or cause another person to omit to state, any material fact necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading to, an accountant in connection with) any audit, review, or examination of the Company's financial statements or the preparation or filing of any document or report with the SEC. No Covered Person shall, 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.

### **Waivers of this Code of Business Conduct and Ethics**

While some of the policies contained in this Code must be strictly adhered to without exception,

certain other policies may be subject to exceptions in some cases. Any employee who believes that an exception to any of these policies is appropriate in his or her case should first contact his or her immediate supervisor. If the supervisor agrees that an exception is appropriate, the written approval of the CEO or CFO must be obtained. The CFO shall be responsible for maintaining a record of all requests for exceptions to any of these policies and the disposition of such requests.

Any officer or director who seeks an exception to any of these policies should contact the Chairman of the Board. Any waiver of this Code for officers or directors or any change to this Code that applies to officers or directors may be made only by the Board and will be disclosed as required by law or stock market regulation.

### **Reporting and Compliance Procedures**

Every Covered Person has the responsibility to ask questions, seek guidance, report suspected violations, and express concerns regarding compliance with this Code. Any Covered Person who knows or believes that any other Covered Person of the Company has engaged or is engaging in Company-related conduct that violates applicable law or this Code should report such information to his or her supervisor or to the CFO, as described below. You may report such conduct openly or anonymously without fear of retaliation. The Company will not discipline, discriminate against, or retaliate against any employee who reports such conduct (unless it is determined that the report was made with knowledge that it was false), or who cooperates in any investigation or inquiry regarding such conduct. Any supervisor who receives a report of a violation of this Code must immediately inform the CFO.

You may report violations of this Code, on a confidential or anonymous basis, by contacting the Company's CFO by fax ((617) 431-2307), mail (Arch Therapeutics, Inc., 235 Walnut St., Suite 6, Framingham, Massachusetts 01702), or e-mail ([rdavis@archtherapeutics.com](mailto:rdavis@archtherapeutics.com)). In addition, the Company has established a telephone number (617) 431-2313 (where you can leave a recorded message about any violation or suspected violation of this Code). While we prefer that you identify yourself when reporting violations so that we may follow up with you, as necessary, for additional information, you may leave messages anonymously if you wish.

If the CFO receives information regarding an alleged violation of this Code, he or she shall, as appropriate, (a) evaluate such information, (b) if the alleged violation involves an executive officer or a director, inform the CEO and Board of the alleged violation, (c) determine whether it is necessary to conduct an informal inquiry or a formal investigation and, if so, initiate such inquiry or investigation, and (d) report the results of any such inquiry or investigation, together with a recommendation as to disposition of the matter, to the CEO for action, or if the alleged violation involves an executive officer or a director, report the results of any such inquiry or investigation to the Board or a committee thereof. Covered Persons are expected to cooperate fully with any inquiry or investigation by the Company regarding an alleged violation of this Code. Failure to cooperate with any such inquiry or investigation may result in disciplinary action, up to and including discharge.

The Company shall determine whether violations of this Code have occurred and, if so, shall determine the disciplinary measures to be taken against any employee who has violated this Code. In the event that the alleged violation involves an executive officer or a director, the CEO

and the Board, respectively, shall determine whether a violation of this Code has occurred and, if so, shall determine the disciplinary measures to be taken against such executive officer or director.

Failure to comply with the standards outlined in this Code will result in disciplinary action including, but not limited to, reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, discharge, and/or restitution. Certain violations of this Code may require the Company to refer the matter to the appropriate governmental or regulatory authorities for investigation or prosecution. Moreover, any supervisor who directs or approves of any conduct in violation of this Code, or who has knowledge of such conduct and does not immediately report it, also will be subject to disciplinary action, up to and including discharge.