



KRYSTAL BIOTECH, INC.

CODE OF BUSINESS CONDUCT AND ETHICS

I. Policy Statement

It is the policy of Krystal Biotech, Inc. (the “Company”) to conduct its affairs in accordance with all applicable laws, rules and regulations of the countries in which it does business. This Code of Business Conduct (this “Code”) applies to the Company's employees, officers and directors (collectively, the “Company Personnel”). This Code also applies to certain independent contractors, consultants and advisors who work at the Company’s facilities or on the Company’s behalf, in which case those persons will be notified and provided a copy of this Code. Such persons will be deemed Company Personnel for purposes of this Code.

This Code is designed to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in the reports and documents the Company files with, or submits to, the Securities and Exchange Commission 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 Company Personnel must comply with those standards. The Company promotes ethical behavior and encourages Company Personnel to talk to supervisors, managers, the Company's Corporate Compliance Officer, 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 and Reporting” 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 all Company Personnel. Specific policies and procedures of the Company provide details pertinent to many of the provisions of this Code. Company Personnel are expected to be aware of, and to act in accordance with, both this Code and the Company's other policies and procedures, as may be adopted from time to time, at all times. Where the proper course of action is unclear, do not hesitate to use the resources available whenever it is necessary to seek clarification.

II. Compliance and Reporting

A. Compliance

Any Company Personnel who violate the provisions of this Code will be subject to disciplinary action, up to and including termination or removal from office. Willful disregard of criminal statutes underlying this Code will be dealt with swiftly and may require the Company to refer such violation for criminal prosecution or civil action.

B. Reporting Procedures and Other Inquiries

Questions regarding the policies in this Code may be directed to the Corporate Compliance Officer. The Corporate Compliance Officer shall be the Chief Financial Officer of the Company or such other person as the Board of Directors or Audit Committee may designate from time to time. The Audit Committee shall identify the Corporate Compliance Officer in the event it is a person other than the Chief Financial Officer. Managers and supervisors provide timely advice and guidance to employees on ethics and compliance concerns and are expected to take a leadership role in promoting ethical business conduct. Any Company Personnel having knowledge of, or questions or concerns about, an actual or possible violation of the provisions of this Code has the responsibility to promptly report the matter to his or her immediate supervisor, to a member of management of the Company or to the Company's Corporate Compliance Officer.

In addition, Company Personnel may submit reports of actual or possible violations of the provisions of this Code, and concerns and information regarding this Code, on an anonymous basis as follows:

By website: <http://www.openboard.info/KRYS/>

By email: KRYS@openboard.info

By phone at: 866-301-7665

When submitting a report, Company Personnel are asked to provide as much detailed information as possible. Providing detailed, rather than general, information will greatly assist the Company in effectively investigating complaints. This is particularly important where a person submits a complaint on an anonymous basis, as the Company will be unable to contact the reporting individual with requests for additional information or clarification.

The Company is providing the anonymous reporting procedures so that the Company's employees may disclose genuine concerns without feeling threatened. The Company prohibits retaliation or retribution against any employee who in good faith submits a report under this Code. The Company will keep confidential to the extent permissible under applicable law and consistent with an effective investigation all communications with a reporting individual relating to the individual's report.

All conversations, calls and reports made under this Code in good faith will be taken seriously. However, Company Personnel who file reports or provide evidence that they know to be false or without a reasonable belief in the truth and accuracy of such information will not be protected by this policy and may be subject to corrective action, up to and including immediate termination or removal from office.

III. Approvals and Waivers; Amendments; Interpretation

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 from the Corporate Compliance Officer. Approvals relating to executive officers and directors must be obtained from the Company's Board of Directors. All other approvals may be granted by the Corporate Compliance Officer, or such officer's designee.

Other provisions of this Code require you to act, or refrain from acting, in a particular manner and do not permit exceptions based on obtaining an approval. Waiver of those provisions relating to executive officers and directors may only be granted by the Company's Board of Directors and waivers relating to executive officers and directors must be promptly disclosed to shareholders. All other waivers may be granted by the Corporate 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 shareholders. In some situations it may not be clear whether a provision of the Code is intended to apply to particular conduct. In such situations the Board of Directors and the Nominating and Governance Committee have full power and authority to interpret the Code in a manner that they believe reflects the intent of the Board, and no determination that the Code was not intended to apply to such conduct shall be deemed to be a waiver of the Code's prohibitions.

IV. Conflicts of Interest

A conflict of interest arises when your personal interests interfere with your ability to act in the best interests of the Company. Employees must discharge their responsibilities on the basis of what is in the best interest of the Company independent of personal consideration or relationships. Non-employee directors must discharge their fiduciary duties as directors of the Company.

Employees should disclose any potential conflicts of interest to the Corporate Compliance Officer or such officer's designees, who can advise the employee as to whether or not the Company believes a conflict of interest exists. An employee should also disclose potential conflicts of interest involving the employee's spouse, siblings, parents, in-laws, children and members of the employee's household. Non-employee directors may discuss any concerns with the Chairman of the Board.

V. Business Relationships and Fair Dealing

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 customers, suppliers, competitors and employees and must not take advantage of them through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair-dealing practice.

VI. Fair Competition

Fair competition laws, including U.S. antitrust rules and regulations, limit what the Company can do with another company and what the Company can do on its own. Generally, the laws are designed to prohibit agreements or actions that reduce competition and harm consumers. You may not enter into agreements or discussions with competitors that have the effect of fixing or controlling prices, dividing and allocating markets or territories, or boycotting suppliers or customers. U.S. and foreign antitrust rules and regulations also apply to imports and exports.

VII. 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 a sound working relationship, not to gain personal advantage with customers or suppliers.

A. Loans

Employees may not accept loans from any person or entities having or seeking business with the Company. Designated executives and directors may not receive loans from the Company, nor may the Company arrange for any loan.

B. Bribes and Kickbacks

The use of Company funds, facilities or property for any illegal or unethical purpose is strictly prohibited; provided, that certain facilitating payments discussed in “*Doing Business Internationally*” are permitted.

- You are not permitted to offer, give or cause others to give, any payments or anything of value for the purpose of influencing the recipient’s business judgment or conduct in dealing with the Company other than facilitating payments.
- You may not solicit or accept a kickback or bribe, in any form, for any reason.

VIII. Doing Business Internationally

The Company is committed to the highest business conduct standards wherever it operates. The Company observes these standards worldwide, even at the risk of losing business. While no one can anticipate all the situations that may present challenges to the Company employees doing business in the worldwide marketplace, the following guidelines always apply:

- Observe all laws and regulations, both U.S. and non-U.S., that apply to business abroad.
- Paying bribes to government officials is absolutely prohibited, even if those bribes are common practice, except for facilitating payments. You may not give, promise to give or authorize the giving to a foreign official, a foreign political party, or official thereof or any candidate for foreign political office any money or offer, gift, promise to give or authorize the giving of anything of value to influence any act or decision, to induce such official, party or candidate to do or omit to do any act in violation of the lawful duty of such official, party or candidate, or to induce such official, party or candidate to use his or her influence with a foreign government or agency to affect or influence any act or decision of such foreign government or agency.
- Do not cooperate with illegal boycotts.
- Observe all licensing requirements and the requirements of applicable import and export control laws.

The laws governing the Company's business in foreign countries are extensive and complex, and may be different from those in the United States.

A. Facilitating Payments to Low-Level Non-U.S. Governmental Employees and Officials for Non-Discretionary Action

The Company is committed to complying with the laws of the countries where it operates. In some countries, a very limited category of small payments to facilitate or expedite routine nondiscretionary governmental actions may be permitted as exceptions to antibribery laws, including the U.S. Foreign Corrupt Practices Act ("FCPA"). The requirements pertaining to such payments are complex. Employees engaged in international business activities must obtain prior approval of the Corporate Compliance Officer before making any such payment.

These "facilitating payments" to non-U.S. governmental officials are distinguished from payments made to influence a discretionary decision or to cause violation of, or an act in conflict with, the interests of an individual's employer, which are strictly prohibited.

IX. Political Contributions and Lobbying

No political contributions are to be made using the Company funds or assets to any political party, political campaign, political candidate or public official in the United States or any foreign country, unless the contribution is lawful and expressly authorized. In addition, you

may not make a political contribution on behalf of the Company, or with the appearance that such contribution is being made on behalf of the Company, unless expressly authorized. A “contribution” is any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, services or anything of value in connection with an election or to an organization or group formed to support or defend a referendum or ballot issue.

Employees must obtain approval to hire outside counsel or a public affairs firm to contact government officials regarding legislation, regulatory policy, or rule making. This includes grassroots lobbying contacts.

X. Accuracy of Reports, Records and Accounts

You are responsible for the accuracy of your records, time sheets and reports. Accurate information is essential to the Company’s ability to meet legal and regulatory obligations and to compete effectively. The records and books of account of the Company must meet the highest standards and accurately reflect the true nature of the transactions they record. Destruction of any records, books of account or other documents except in accordance with the Company’s document retention policy is strictly prohibited.

You must not create false or misleading documents or accounting, financial or electronic records for any purpose relating to the Company, and no one may direct an employee to do so. For example, expense reports must accurately document expenses actually incurred in accordance with the Company’s policies. You must not obtain or create “false” invoices or other misleading documentation or invent or use fictitious entities, sales, purchases, services, loans or other financial arrangements for any purpose relating to the Company. Employees are also responsible for accurately reporting time worked.

No undisclosed or unrecorded account or fund may be established for any purpose. No false or misleading entries may be made in the Company’s books or records for any reason. No disbursement of corporate funds or other corporate property may be made without adequate supporting documentation or for any purpose other than as described in the documents. All employees must comply with generally accepted accounting principles and the Company’s internal controls at all times.

XI. Government Investigations

You must promptly notify counsel of any government investigation or inquiries from government agencies concerning the Company. You may not destroy any record, books of account, or other documents relating to the Company except in accordance with the Company’s document retention policy. If you are aware of a government investigation or inquiry you may not destroy any record, books of account, or other documents relating to the Company unless advised by the Corporate Compliance Officer or the officer’s designee, that you may continue to follow the Company’s normal document retention policy.

You must not obstruct the collection of information, data or records relating to the Company. The Company provides information to the government that it is entitled to during an inspection, investigation, or request for information. You must not lie to government

investigators or making misleading statements in any investigation relating to the Company. You must not attempt to cause any employee to fail to provide accurate information to government investigators.

XII. Insider Trading

Employees, officers and directors who have access to the Company's confidential information are not permitted to use for their personal benefit or the benefit of others, or share that information for stock trading purposes or for any other purpose, except when the use is primarily for the purpose of benefiting the Company in the conduct of its business.

Inside information is material information about a publicly traded company that is not known by the public. Information is deemed "material" if it could affect the market price of a security or if a reasonable investor would attach importance to the information in deciding whether to buy, sell or hold a security. Inside information typically relates to financial conditions, such as progress toward achieving revenue and earnings targets or projections of future earnings or losses of the Company. To the extent material and nonpublic, inside information also includes changes in strategy regarding a proposed merger, acquisition or tender offer, new products or services, contract awards and other similar information. Inside information is not limited to information about the Company. It also includes material non-public information about others, including the Company's customers, suppliers, and competitors.

Insider trading is prohibited by law. It occurs when an individual with material, non-public information trades securities or communicates such information to others who trade. The person who trades or "tips" information violates the law if he or she has a duty or relationship of trust and confidence not to use the information.

Trading or helping others trade while aware of inside information has potential serious legal consequences, even if the Insider does not receive any personal financial benefit. Insiders may also have an obligation to take appropriate steps to prevent insider trading by others.

XIII. Confidentiality

One of our most important assets is our confidential information. As Company Personnel, you may learn of information about the Company that is confidential and proprietary. You also may learn of information before that information is released to the general public. Company Personnel 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 business plans, scientific and technical strategies, financial information, information related to the Company's research, clinical trials and results, inventions, works of authorship, trade secrets, processes, conceptions, formulas, patents, patent applications, licenses, suppliers, manufacturers, customers, market data, personnel data, personally identifiable information pertaining to our employees, customers or other individuals (including, for example, names, addresses, telephone numbers and social security numbers), and similar types of information provided to us by our customers, suppliers and partners. This information may be protected by patent, trademark, copyright and trade secret laws.

In addition, because we interact with other companies and organizations, there may be times when you learn confidential information about other companies before that information has been made available to the public. You must treat this information in the same manner as you are required to treat our confidential and proprietary information. There may even be times when you must treat as confidential the fact that we have an interest in, or are involved with, another company.

You are expected to keep confidential and proprietary information confidential unless and until that information is released to the public through approved channels (usually through a press release, an SEC filing or a formal communication from a member of senior management). Every employee, director and officer has a duty to refrain from disclosing to any person confidential or proprietary information about us or any other company learned in the course of employment here, until that information is disclosed to the public through approved channels. This policy requires you to refrain from discussing confidential or proprietary information with outsiders and even with other employees of the Company, unless those fellow employees have a legitimate need to know the information in order to perform their job duties. Unauthorized 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 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 in and around our place of business. 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.

XIV. Protection and Proper Use of Company Assets

All Company Personnel are expected to protect our assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on our profitability. Our property, such as office supplies, computer equipment, and offices, are expected to be used only for legitimate business purposes, although incidental personal use may be permitted. You may not, however, use the Company’s corporate name, any brand name or trademark owned or associated with the Company or any letterhead stationery for any personal purpose.

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 another entity without express written authorization from the entity responsible for operating that resource;

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

If you receive authorization to access 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 Corporate Compliance Officer for prior 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, with or without an employee’s or third party’s knowledge, consent or approval, in accordance with applicable law. Any misuse or suspected misuse of our assets must be immediately reported to your supervisor or the Corporate Compliance Officer.

XV. Media/Public Discussion

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 the Company’s Chief Executive Officer (the “CEO”) or Chief Operating Officer (the “COO”). We have designated our CEO and COO as our official spokesperson for financial matters and scientific, clinical, technical and other related information. Unless a specific exception has been made by the CEO or COO, these designees are the only people who may communicate with the press on behalf of the Company. You also may not provide any information to the media about us off the record, for background, confidentially or secretly.

XVI. Environmental

All Company Personnel must fully comply with all state and federal laws relating to the protection of the environment in the conduct of its business. Company Personnel must use, store and dispose all hazardous materials properly and in accordance with applicable regulations. Company Personnel must report, in accordance with Company policies, all circumstances under which hazardous materials or wastes come in contact with the environment, are improperly handled or disposed of, or where a potential violation of law may exist.

This document is not an employment contract between the Company and its employees, nor does it modify their employment relationship with the Company.

This Code is intended to clarify each employee's, officer's and director's existing obligation for proper conduct. The standards and the supporting policies and procedures may change from time to time in the Company's discretion. Each employee, officer and director is responsible for knowing and complying with the current laws, regulations, standards, policies and procedures that apply to the Company's work. Company Personnel who have questions about whether particular circumstances may involve illegal conduct, or about specific laws that may apply to their activities, should contact the Corporate Compliance Officer. To the extent that provisions of local law are more restrictive than this Code, Company Personnel are to follow the more restrictive provisions. To the extent any provision of this Code is expressly prohibited by the laws of a particular jurisdiction in which the Company does business, the laws of that jurisdiction will prevail within that jurisdiction. The most current version of this document can be found at krystalbio.com.