

Corporate Governance Statement

As Chairman of SkinBioTherapeutics I have overall responsibility for corporate governance and in promoting high standards throughout the Company. As well as leading and chairing the Board my responsibilities are to ensure;

- Committees are properly structured and operate with appropriate terms of reference;
- The performance of individual directors, the Board and its committees are reviewed on a regular basis;
- The Company has a coherent strategy and sets objectives against this;
- There is effective communication between the Company and its shareholders.

All the Directors of SkinBioTherapeutics believe strongly in the importance of good corporate governance for the creation of shareholder value over the medium to long-term and to engender trust and support amongst the Company's wider stakeholders.

In March 2018, changes to the AIM rules required the formal adoption by all AIM companies of a recognised corporate governance code by 28 September 2018. On its admission to AIM in April 2017 the Directors undertook to take account of the requirements of the QCA guidelines to the extent they consider it appropriate having regard to the Company's size, board structure, stage of development and resources.

In light of the new requirements under AIM rule 26, the Board have decided to formally adopt and adhere to the QCA code (revised in April 2018).

The QCA code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. The Directors have considered how they apply each principle to the extent the Board judges these to be appropriate in the circumstances and below we provide an explanation of the approach taken in relation to each. The Board considers that it does not depart from any of the principles of the QCA code. There were no key governance related matters that occurred during the year.

Martin Hunt, Chairman. September 2018.

Corporate Governance Report

Principle	Application												
<p>Establish a strategy and business model which promotes long-term value for shareholders</p>	<p>SkinBioTherapeutics seeks to harness the microbiome for human health and has a particular focus on skin. The Company’s proprietary technology is targeted at a number of health indications and the Company is initially focussed on a cosmetic application as a route to initial value creation. The Company’s programme of research and development is intended to build long-term shareholder value through a reliance on proven, rigorous science and the Company utilises its public listing as a means to source capital to support its R&D programme.</p> <p>The Company has an ongoing research agreement with the University of Manchester to identify and develop technologies. In doing so the Company intends to avoid a reliance on a single technology and ensure that it has an ongoing pipeline of technologies, all related to the human microbiome, at different stages of development. The Company will seek to licence technologies to large corporates once human proof of principle has been established and intends to generate licence revenue through this route. It operates as a virtual organisation with a small but experienced management team and a low operating cost base. Further information on the Company’s strategy and business is set out in the annual accounts.</p>												
<p>Seek to understand and meet shareholder needs and expectations</p>	<p>The Board is committed to communicating openly with shareholders to ensure that its strategy and performance are clearly understood. Between the Chairman and the executive directors an open and regular dialogue is maintained with the Company’s major shareholders which comprise;</p> <table border="1" data-bbox="475 1473 1224 1760"> <thead> <tr> <th data-bbox="475 1473 922 1554">Shareholder</th> <th data-bbox="930 1473 1224 1554">Holding (20 September 2018)</th> </tr> </thead> <tbody> <tr> <td data-bbox="475 1563 922 1599">OptiBiotix Health Plc</td> <td data-bbox="930 1563 1224 1599">41.9%</td> </tr> <tr> <td data-bbox="475 1608 922 1644">Seneca Parners Limited</td> <td data-bbox="930 1608 1224 1644">14.6%</td> </tr> <tr> <td data-bbox="475 1653 922 1688">The University of Manchester</td> <td data-bbox="930 1653 1224 1688">6.7%</td> </tr> <tr> <td data-bbox="475 1697 922 1733">Prof. Cath O’Neill</td> <td data-bbox="930 1697 1224 1733">4.4%</td> </tr> <tr> <td data-bbox="475 1742 922 1778">Prof. Andrew McBain</td> <td data-bbox="930 1742 1224 1778">3.5%</td> </tr> </tbody> </table> <p>Both the University of Manchester and Andrew McBain sold shares in the Company in the period June 2018 – August 2018. The sales of these shares were actioned in conjunction with the Company’s brokers to maintain an orderly market.</p> <p>More generally the Board communicates with shareholders</p>	Shareholder	Holding (20 September 2018)	OptiBiotix Health Plc	41.9%	Seneca Parners Limited	14.6%	The University of Manchester	6.7%	Prof. Cath O’Neill	4.4%	Prof. Andrew McBain	3.5%
Shareholder	Holding (20 September 2018)												
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	<p>through the Annual Report and the Interim Statement, trading and other announcement made on RNS and at the Annual General Meeting where the board encourages investors to participate. The Company also maintains a website, www.skinbiotix.com, which contains information on the Company's business and corporate information. Following the announcement of the Company's half year and full year results the Chief Executive & CFO, make presentations to institutional shareholders, private client brokers and investment analysts. Existing and prospective shareholders are able to separately contact the Chairman and Chief Executive via email as detailed on the Company's website. Periodic meetings are held with existing and prospective institutional and other investors and the Company presents at private investment events during the course of the year. The Company's brokers also produce periodic research notes on the Company.</p>
<p>Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>As a small company engaged in the early stages of technology development the Company has a limited but important number of stakeholders. Robust science is at the core of the Company's strategy and the Company has a number of key stakeholders, including its employees, involved in the different stages from research, through manufacture, formulation and testing. The Company assesses each of the companies it works with to ensure the requisite standards and values are in place. Ultimately the Company's technology will be used by consumers and ensuring the appropriate development, manufacture and marketing of products will be key to the long-term success of the Company. Throughout the various stages from initial technology identification to eventual product sales the Company is engaged in a continual process of feedback and improvement with its stakeholders, including eventual end users. The Company's strategy is not to market its own products and therefore the eventual licencees will be important stakeholders in the interface with consumers and the longer term success of the Company.</p>
<p>Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>Ultimate responsibility for the process by which risk in the business is managed rests with the Board. The Company's internal risk identification and management process is as follows:</p> <ul style="list-style-type: none"> • The Executive Team prepares and reviews on a periodic basis the risk register for the Company. The risk register details specific risks to the Company, the quantification of those risks in terms of probability and impact, mitigating actions required to manage these risks and the control mechanisms that are in place to monitor the risks • The risk register assigns responsibility for each risk and the mitigation plan to one or more members of the Executive Team • The risk register is circulated to the Board in advance of each board meeting and specific risk items may be discussed at board

	<p>meetings or otherwise as appropriate</p> <ul style="list-style-type: none"> • The risk register is reported to the Audit Committee at least biannually.
<p>Maintain the board as a well-functioning, balanced team led by the chair</p>	<p>The Board’s primary role is to enhance shareholders’ long-term interests by:</p> <ul style="list-style-type: none"> • Determining the Company’s overall strategy and direction • Establishing and maintaining controls, audit processes and risk management policies to ensure they counter identified risks and that the Company operates efficiently • Ensuring effective corporate governance • Approving budgets and reviewing performance relative to those budgets • Approving financial statements • Approving material agreements and non-recurring projects, and • Approving senior and Board appointments. <p>Martin Hunt and Dr Cathy Prescott, both non-executive directors, are considered to be independent of the management and are free to exercise independence of judgement. Stephen O’Hara, by virtue of his position as Chief Executive of OptiBiotix Health Plc, the Company’s largest shareholder is not considered to be independent.</p> <p>The non-executive directors are required to commit sufficient time as is necessary, approximately two days per month, to fulfil their obligations. Routine commitments include preparation for and attendance at board and committee meetings. In addition the non-executive directors engage in adhoc dialogues with members or the executive team, shareholders and other stakeholders as required.</p> <p>All directors are subject to reappointment by shareholders at the first Annual General Meeting following their appointment and thereafter by rotation.</p> <p>Table 1 below details the attendance record of each director at board and committee meetings during the course of the year.</p>
<p>Ensure that between them the directors have the necessary</p>	<p>As at 30th June 2018 the board comprised an independent non-executive chairman, two executive directors and two non-executive directors – one of which is independent. Two directors are female</p>

<p>up-to-date experience, skills and capabilities</p>	<p>and three are male.</p> <p>Martin Hunt, Independent Non-Executive Chairman <i>Appointed as a director & Chairman in October 2016; Chair of the Remuneration Committee and member of the audit and insider committees.</i></p> <p>Martin has had a long executive career in the medtech and life science sectors including sales and general management roles with large corporations in Europe and the US. He was previously CEO of biomaterials company Tissue Science Laboratories plc taking it from start-up through an AIM listing and eventual sale to Covidien. More recently he has held a number of non-executive roles with both private and public companies. Martin is well versed in the early and growth stages of companies in the life science sector as well as bringing experience of corporate governance and shareholder communications.</p> <p>Martin is the Programme Director of the NIHR translational funding programme Invention for Innovation (i4i) and a member of the NIHR strategy board. Martin is currently Non-Executive Chairman of Videregen Limited and a Non-Executive Director of Biotec Pharmacon and MDY Healthcare Limited.</p> <p>Time commitment of at least two days per month.</p> <p>Professor Cath O’Neill, CEO <i>Appointed as a director in March 2016 and CEO in March 2017.</i></p> <p>Cath is an accomplished scientist and Professor of Translational Dermatology at the School of Biological Services, University of Manchester. Cath has previously founded a specialist dermatology university spinout and as a subject matter expert has advised a number of global corporations. Cath is experienced in taking technology from the bench and through the stages to manufacture a product. Through her interactions with global companies Cath is familiar with both the scientific and commercial demands to take a technology to market.</p> <p>Cath’s services are provided under a secondment agreement with the University of Manchester whereby she spends 75% of her time fulfilling the duties of the Company.</p> <p>Doug Quinn, CFO <i>Appointed as director and CFO in December 2016 and Company Secretary in January 2017; Member of the audit and insider committees.</i></p> <p>Doug has been involved in early stage companies through a combination of investor, executive and non-executive director and CFO roles for over 18 years. He was CFO of Arthro Kinetics Limited, an early stage tissue engineering company and part of the team that floated the company on AIM in 2006. A chartered management</p>
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accountant, with a number of years of experience in the life science sector, he brings financial expertise gained through executive roles and corporate finance transactions.

Time commitment of between 2-3 days per week.

Doug is a director and part-time CFO with the life science company Videregen Limited.

Stephen O'Hara, Non-Executive Director

Appointed as a director in March 2015; Member of the Remuneration Committee.

Stephen is CEO of OptiBiotix Health Plc, an AIM listed company he founded in 2012 to exploit the opportunities emerging in the field of the microbiome. He has spent over 30 years working in microbiology and healthcare and has managed the growth of OptiBiotix from a start-up to an AIM listed company with a market capitalisation of £80m. Stephen brings sector and technology expertise as well as considerable experience as CEO of a public company encompassing corporate governance, fundraising and shareholder management.

Time commitment of two days per month.

Dr. Catherine Prescott, Independent Non-Executive Director

Appointed as a director in March 2017; Chair of the Audit Committee.

Cathy has over two decades of experience in research and management in the biotech, pharmaceutical and venture capital sectors. Cathy is a visiting professor at Kings College London, teaching on the MSc programme 'Cellular Therapies from bench to market'. Cathy brings a broad range of scientific and strategic sector expertise and experience.

She is non-executive director of Videregen Limited and the International Medical Education Trust.

Time commitment of two days per month.

The Board has not, at this stage in its development, established a nominations committee. The Board as a whole continues to review its structure in order to provide what it considers to be an appropriate balance of executive and non-executive experience and skills. The Board believes that its blend of relevant experience, skills, personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. The Board is additionally cognisant that as the Company seeks to commercialise its technology, this may require additions to the executive team and wider Board.

Directors attend seminars and other trade events to ensure that their knowledge remains current.

	<p>On the formation of the board the directors considered the composition of the audit committee. Doug Quinn is an executive director and CFO but a member of the committee due to his experience in this area. Both independent directors have direct access to the auditors with the exclusion of Doug and vice versa and he is excused from any discussions where there is a potential conflict of interest. In September 2017 the audit committee met with the Company's accountants, Jeffrey's Henry, for a briefing session on the role and contribution of the audit committee. The Company Secretary also prepared a briefing note on the role and responsibilities of the audit committee which was reviewed and discussed.</p> <p>From time to time the Board may require third party advice on various matters pertaining to its business, for example in relation to the competitive landscape. Appropriate relationships to source such advice have been established.</p>
<p>Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>The current Board was established as part of the Company's preparation for admission to AIM in April 2017, bringing together the requisite skills and experience to target the Company's objectives, with a focus on the initial growth stage. Whilst Board effectiveness has been subject to informal discussions amongst the Directors the Board has yet to formally review its performance but will do so through the course of the current financial year. This will be an internal review managed by the Chairman. The review is expected to be repeated on an annual basis.</p> <p>It is anticipated that the process will involve each director completing a questionnaire as to the effectiveness of the board and a self-assessment of their own contributions. These will be returned to the Chairman and will form the basis of individual discussions with each of the directors and a subsequent discussion with the Board as a whole.</p> <p>The Board's approach to succession planning is based upon identifying the medium to long term objectives of the Company and matching these against the competence of directors and senior managers. The Board will seek to identify potential gaps and recruit to fill these allowing a sufficient lead time.</p>
<p>Promote a corporate culture that is based on ethical values and</p>	<p>The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value. The Board considers this particularly relevant to</p>

<p>behaviours</p>	<p>the Company in light of the partners with which it works, for example the University of Manchester, and recognising the intended end use of its technology in products to be marketed to and purchased by consumers. The Company operates virtually and aside from its board has only one full-time employee. The Executive team engenders open and positive interactions with a key focus on; scientific rigour, innovation, creative solutions and collective responsibility. As the Company expands its human capability it will look to formalise its culture through an agreed set of values and standards.</p> <p>The Company’s policies set out its zero tolerance approach towards any form of modern slavery, discrimination or unethical behaviour relating to bribery, corruption or business conduct.</p>
<p>Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>Alongside setting the vision and strategy for the Company the Board is responsible to ensure that the business is managed for the long-term benefit of all shareholders whilst having regard for internal and external stakeholders, including employees, customers and suppliers.</p> <p>The Board defines a series of matters reserved for its decision and has approved terms of reference for its audit, remuneration and insiders committees to which certain responsibilities are delegated. The chair of each committee reports to the Board on the activities of that committee.</p> <p>The Audit Committee is responsible for;</p> <ul style="list-style-type: none"> • Reviewing the annual financial statements and interim reports prior to approval • Reviewing and considering reports on internal financial controls, including reports from the auditors • Considering the appointment of and reviewing the relationship with the auditors, including reviewing and monitoring of independence and objectivity • Reviewing the consistency of accounting policies • Considering any proposed related party transaction. <p>The Audit Committee can call for information from the executive team and consults with the external auditors directly when appropriate or when they are required to do so.</p> <p>The Remuneration Committee reviews and determines on behalf of the Board the pay, benefits and other terms of service of the executive directors of the Company. In addition, the committee oversees the creation and implementation of all employee share</p>

plans.

The Insider Committee is responsible for;

- Monitoring and ensuring compliance with the Company's MAR dealing policy
- Reviewing the classification of employees, directors and key consultants as regards clearance requirements
- Reviewing and approving or rejecting as appropriate all requests for dealings in shares in the Company.

Matters reserved for the Board are;

- Determining the Company's overall strategy and direction;
- Establishing and maintaining controls, audit processes and risk management policies to ensure they counter identified risks and that the Company operates efficiently
- Ensuring effective corporate governance
- Approving budgets and reviewing performance relative to those budgets
- Approving financial statements
- Approving material agreements and non-recurring projects, and
- Approving senior and Board appointments.

The Chairman has overall responsibility for corporate governance and in promoting high standards throughout the Company. As well as leading and chairing the Board, the Chairman's responsibilities are to ensure;

- Committees are properly structured and operate with appropriate terms of reference
- The performance of individual directors, the Board and its committees are reviewed on a regular basis
- The Company has a coherent strategy and sets objectives against this
- There is effective communication between the Company and its shareholders.

The CEO provides coherent leadership and management of the Company, leads the development of objectives, strategies and performance standards as agreed by the Board, ensures that the assets of the Company are maintained and safeguarded, leads on investor relations activities to ensure communications and the Company's standing with shareholders and financial institutions is maintained.

The Non-Executive Directors contribute independent thinking and judgement through the application of their external experience and

	<p>knowledge, scrutinise the performance of management, provide constructive challenge to the executive directors and ensure that the Company is operating within the governance and risk framework approved by the Board.</p> <p>The Company Secretary is responsible for providing clear and timely information flow to the Board and its committees and supports the Board on matters of corporate governance and risk. This role is currently filled by the Company's CFO. The Board acknowledges the QCA guidelines on this matter and consider the joint roles appropriate for the Company's size. The Company Secretary has direct access to the Chairman on matters of corporate governance.</p>
<p>Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>In addition to the investor relations activities described above the following committee reports are provided;</p> <p>The Audit Committee, which comprises Dr Cathy Prescott (Chair), Martin Hunt and Doug Quinn, met twice during the course of the year. The Committee met with the external auditors prior to the approval of the annual accounts. Consideration was given to the auditors' pre and post audit reports and these provided opportunities to review the accounting policies, internal controls and the financial information contained within both the annual and interim reports. The Committee engaged the external auditors for a review of the interim statement prior to its release.</p> <p>The Remuneration Committee is comprised of Martin Hunt (Chair) and Stephen O'Hara and met once during the course of the year.</p> <p>Remuneration packages for the executive directors comprise a basic salary and performance related bonus. There is a compulsory government pension contribution scheme in place for all directors and employees. In addition, executive directors and senior employees participate in a share option long term incentive plan.</p> <p>The structure of the remuneration packages was established ahead of the Company's IPO in April 2017 and agreed as remaining appropriate. In setting remuneration, the committee took into consideration the compensation packages of comparable AIM listed companies. No new share option awards were made. The committee extended the vesting period of options granted to a consultant to the Company in April 2017.</p> <p>The Insiders Committee, comprised of Doug Quinn (Chair) and Martin Hunt, met three times during the course of the year to review the Company's insider lists and review and approve requests</p>

	<p>for dealing in shares in the Company.</p> <p>For information regarding the voting of shareholders at general meetings of the Company please see the Shareholder Information section of the website.</p>

Table 1

	PLC board meetings		Committee meetings					
	Eligible to attend	Attended	Audit		Remuneration		Insider	
Eligible to attend			Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
M Hunt	9	9	2	2	1	1	3	3
S O'Hara	9	8	-	-	1	1	-	-
C O'Neill	9	9	-	-	-	-	-	-
C Prescott	9	9	2	2	-	-	-	-
D Quinn	9	9	2	2	-	-	3	3