

FY23 Corporate Governance Statement

The board (**Board**) of Aroa Biosurgery Limited (the **Company**) is responsible for the overall corporate governance of the Company. The Board believes that good corporate governance helps ensure the future success of the Company, adds value to stakeholders and enhances investor confidence.

The ASX Listing Rules require listed companies to prepare a statement disclosing the extent to which they have complied with the recommendations of the ASX Corporate Governance Council (**Recommendations**) during the reporting period. The Recommendations are not prescriptive, such that if a company considers a recommendation to be inappropriate having regard to its own circumstances, it has the flexibility not to follow it. Where a company has not followed all the Recommendations, it must identify which Recommendations have not been followed and provide reasons for not following them.

This Corporate Governance Statement (**Statement**) discloses the extent to which the Company has followed the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. This Statement should be read in conjunction with the material on our website <https://aroa.com/nz/investors/>, including the 2023 Annual Report.

This Statement is current as at 28 June 2023 and has been approved by the Board.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 - Role of the Board and Management

The role of the Board is to approve the strategic direction of the Group, guide and monitor the management of the Company and its businesses and oversee the implementation of appropriate corporate governance practices with respect to the Group's affairs. The Board aims to protect and enhance the interests of its shareholders, while taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

The Company has a formal Board Charter which is available on our website at <https://aroa.com/nz/investors/> that clearly sets out those matters expressly reserved for the Board's determination and those matters delegated to management.

The Board delegates responsibility for the day-to-day management of the Company and its business to the Chief Executive Officer (**CEO**). The CEO is supported by the senior leadership team and delegates authority to appropriate senior leaders for specific activities. The Board maintains ultimate responsibility for strategy, control and risk profile of the Group.

Recommendation 1.2: Appointment of Directors

The Remuneration & Nomination Committee facilitates the selection and appointment of directors. Before the Board appoints a new director or puts forward a candidate for election, the Remuneration & Nomination Committee will ensure that appropriate background checks are undertaken. We provide our shareholders with all material information in our possession that is relevant to their decision on whether or not to elect or re-elect a director through a number of channels, including via the notice of meeting and other information contained in the 2023 Annual Report.

Recommendation 1.3: Appointment Terms

Upon appointment, each director receives a letter of appointment which sets out the formal terms of their appointment. Directors also receive a deed of indemnity, insurance and access.

Each senior leader has a written contract with the Company, setting out the terms of their appointment, including remuneration entitlements and performance requirements.

Recommendation 1.4: Company Secretary

The Board is supported by its joint Company Secretaries, whose role includes supporting the Board on governance matters, assisting the Board with meetings and directors' duties, and acting as an interface between the Board and senior leaders across the Company. The Board and individual directors have access to both Company Secretaries.

Under the Company's governance framework, the Company Secretaries are accountable to the Board, through the Chair, on all matters regarding the proper functioning of the Board. The Board is responsible for the appointment of its Company Secretary.

Details regarding our Company Secretaries is set out in our 2023 Annual Report.

Recommendation 1.5: Diversity Policy

The workforce of the Company comprises individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is valued and respected. To demonstrate the Company's commitment to developing measurable objectives to achieve diversity and inclusion in its workplace, the Company has implemented a Diversity, Equity and Inclusion Policy which can be viewed at <https://aroabio.com/us/investors/>. The Company's policy has meritocracy as a guiding principle and seeks to align the Company's management systems with its commitment to continue to develop a culture that values and achieves diversity in its workforce and on its Board.

The Board and management considers building a diverse and inclusive workforce as paramount to gaining the best insight into the needs of our stakeholders. A diversity of perspectives and backgrounds also strengthens creativity and innovation in teams. Particular focus is paid to achieving a balance of men and women in senior management positions across the Group.

The proportion of women on the Board, in senior leadership positions and women across the entire organisation as at 31 March 2023 was as follows:

- Women on the Board – 14%
- Women on the senior leadership team – 27%
- Women holding supervisor or manager roles – 33%
- Women across the entire organisation – 43%

The Company's primary targets are:

- Seek female Board representation when considering changes to the Board;
- Maintain or improve female representation at the senior manager level year on year.
- Maintain or improve the percentage of women in the Company's total workforce year on year.

Further, the Company is committed to cultivating an inclusive workplace of fairness and equality which fosters the unique skills and talents of a diverse range of people and to encourage diversity in skill set, experience, qualifications and age of our workforce. With a diverse mix of professionals, we will continue to encourage diversity in the hiring of candidates.

Recommendation 1.6: Board Performance Assessment

The Board is committed to formally evaluating its performance, the performance of its committees (if applicable) and individual directors, as well as the governance processes supporting the Board. The Board does this through an annual assessment process.

The review process involves:

- completion of a questionnaire/survey by each director, facilitated by the Company Secretaries;
- the preparation and provision of a report to each director with feedback on the performance of the Board based on the survey results; and

- The Board meeting to discuss any areas and actions for improvement.

An internal Board assessment took place over the May to June 2023 period. An analysis of the data collected indicated that the Board is functioning effectively against the majority of its criteria. It was also noted that there were some opportunities identified to improve Board effectiveness.

Recommendation 1.7: Senior Leadership Performance Assessment

Senior leaders are appointed by the CEO in consultation with the Board as appropriate, and their Key Performance Indicators (**KPIs**) contain specific financial and non-financial objectives.

These KPIs are reviewed annually. The performance of each senior leader against these objectives is evaluated annually.

Performance evaluations were undertaken during the reporting period by the Company in accordance with the process.

PRINCIPLE 2 – BOARD STRUCTURE

Recommendation 2.1: Nomination Committee

The Company's Remuneration & Nomination Committee Charter provides for the creation of a Committee with at least three members, a majority of whom are independent directors, and which must be chaired by an independent director. The Remuneration & Nomination Committee Charter is available on our website at <https://aroa.com/nz/investors/>.

The Remuneration & Nomination Committee consists of three members, Mr Steven Engle, Mr Philip McCaw and Mr John Diddams, two of whom are independent directors. The Committee is chaired by Mr Steven Engle who is an independent director. Each director has relevant experience as shown in their biographies in the Directors' Report included in the 2023 Annual Report (the **Directors' Report**). Following a restructure of the Committee in March 2023, Mr Diddams replaced Mr James McLean as a member of the Committee.

Details of meetings held by the Committee during the year and member attendance are set out in the Directors' Report.

In accordance with the Company's Remuneration & Nomination Committee Charter the primary nomination functions of the Committee are to assist the Board with the following:

- review director competence standards;
- review Board succession plans;
- evaluate the Board's performance;
- make recommendations for the appointment and removal of directors to the Board; and
- make recommendations to the Board on recruitment, retention and termination policies for senior management.

Recommendation 2.2: Board Skills Matrix

Our objective is to have an appropriate mix of expertise and experience on our Board so that it can effectively discharge its corporate governance and oversight responsibilities. It is the Board's view that the current directors possess an appropriate mix of relevant skills, experience and expertise to enable the Board to discharge its responsibilities and deliver the Company's strategic objectives. This mix is subject to review on a regular basis as part of the Board's performance review process. An internal assessment took place over the May to June 2023 period.

The skills and experience represented on the Board and relevant to the Company's business are set out in the matrix below:

Skills and experience

Strategy and Leadership	Capital Markets
Medical Device and Medical Technology Industry	Risk Management
Global Commercialisation in Life Sciences	Corporate Governance
Life Sciences – Research and Development	Executive Management
Healthcare Industry	Stakeholder communication and engagement
Legal, Regulatory and Intellectual Property	Organisational Culture
Financial acumen	Organisation Growth

To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisors.

Full details of each director's relevant skills and experience are set out in the Company's 2023 Annual Report.

Recommendation 2.3: Independent Directors

An independent director is a non-executive director who is not a member of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of judgement.

The Board regularly assesses the independence of each non-executive director in light of the information which each director is required to disclose relating to any material contract or other relationship with the Company in accordance with the director's terms of appointment, the Companies Act 1993 and the Board Charter.

When appointing an independent director or reviewing the independence of its directors, the Board will have regard to the definition of independent director and the factors set out in the Recommendations, in particular the factors relevant to assessing the independence of a director set out in Recommendation 2.3.

The Board's assessment of each current director's independence status is set out below.

Name	Position	Original Appointment Date	Status
Jim McLean	Non-Executive Chair	10 August 2011	Independent
Brian Ward	Managing Director & CEO	21 September 2007	Non-Independent
Steven Engle	Non-Executive Director	1 April 2015	Independent
Phil McCaw	Non-Executive Director	5 March 2008	Non-Independent
John Pinion	Non-Executive Director	1 February 2015	Independent
John Diddams	Non-Executive Director	21 November 2019	Independent
Dr. Catherine Mohr	Non-Executive Director	1 November 2022	Independent

The Board considers that Jim McLean, Steven Engle, John Pinion, John Diddams and Dr. Catherine Mohr are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement and is able to fulfil the role of independent director for the purpose of the Recommendations.

Brian Ward is the Managing Director and CEO and a substantial shareholder in the Company, and as such he is considered by the Board to not be an independent director.

Phil McCaw is a substantial shareholder in the Company and as such is considered by the Board to not be an independent director.

Recommendation 2.4: Majority Independence

As at the date of this Statement, five of our seven directors are deemed independent and therefore the Company has a majority of independent directors.

The current Board composition reflects an appropriate balance of skills, expertise and experience to fulfil its obligations to act in the best interests of the Company and all stakeholders. The Board also considers that there are appropriate safeguards in place including policies and protocols to ensure independent thought and decision making.

It is noted that the composition of the Board will be reassessed in the future in line with changes in the Group's operations and will be adjusted as deemed appropriate. The Board will consider the Recommendations in assessing any future changes in board composition.

Further information regarding our directors, including their experience and qualifications, is set out in our 2023 Annual Report.

Recommendation 2.5: Board Chair

The non-executive Chair, Mr Jim McLean, is considered an independent director. The Chair provides leadership to the Board in relation to all Board matters and is responsible for ensuring that the Board meets its responsibilities under the Board Charter. Mr McLean's role is set out in more detail in the Company's Board Charter.

The roles of Chair and Managing Director are exercised by different individuals, being Mr Jim McLean and Mr Brian Ward respectively.

Recommendation 2.6: Induction, Education and Training

New directors are provided with copies of all relevant documents and policies governing the Company's business, operations and management, at the time of joining the Board. All directors are provided with the opportunity for further professional development and are encouraged to undertake appropriate training and refresher courses to maintain the skills required to discharge their obligations to the Company.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1: Statement of Values

The Company's values are the guiding principles and norms that define what type of organisation it aspires to be and what it requires from its directors. The Company has adopted the following core values:

CORE VALUES

Trusted Partners
Trailblazing
Authentic
Better Together

The Company's senior leadership team is responsible for instilling the values of the Company across the organisation.

Recommendation 3.2: Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct designed to:

- provide a framework for decisions and actions in relation to ethical conduct in employment;
- support the Company's business reputation and corporate image; and
- make directors and employees aware of the consequences if they breach the Code of Conduct.

The Code of Conduct can be found on our website at <https://aroa.com/nz/investors/>. The key aspects of this code are to:

- behave in an ethical manner, with honesty and integrity and in accordance with the Company's Values;
- act in the best interests of the Company and in the reasonable expectations of shareholders; and
- comply with applicable laws, regulations, and the Company policies and procedures.

The Code of Conduct outlines out the Company's expectation on various matters including ethical conduct, professional conduct, compliance, privacy and health and safety.

Recommendation 3.3: Whistleblower Policy

The Whistleblower Policy demonstrates that the Company is committed to the highest standards of conduct and ethical behaviour in all of its business activities. The Company supports a culture of honest and ethical behaviour in ensuring good corporate governance. The policy sets out, amongst other things, instances of suspected misconduct which can be reported to the internal and external parties and summarises the protections offered to whistleblowers.

Any material breach of the Company's policies, including any breach of the Whistleblower Policy, will be notified to the Risk Committee and if appropriate, escalated to the wider Board.

The Whistleblower Policy is available on the Company's website at <https://aroa.com/nz/investors/>.

Recommendation 3.4: Anti-bribery and Corruption Policy

The Anti-Bribery and Corruption Policy demonstrates that the Company is committed to maintaining high standards of integrity and accountability in conducting its business. The policy provides a framework of guidelines and principles to encourage ethical behaviour in the conduct of business.

Any material breach of the Company's policies, including any breach of the Anti-Bribery and Corruption Policy, will be notified to the Audit Committee and if appropriate escalated to the wider Board.

The Anti-Bribery and Corruption Policy is available on the Company's website at <https://aroa.com/nz/investors/>.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Recommendation 4.1: Audit Committee

The Company's Audit Committee Charter provides for the creation of an Audit Committee, with at least three members, a majority of whom are independent directors, and which must be chaired by an independent director who is not the Board Chair. The Audit Committee Charter is available on our website at <https://aroa.com/nz/investors/>.

The Audit Committee consists of three members, Mr John Diddams, Mr Jim McLean and Mr John Pinion each of whom are independent directors. The Committee is chaired by Mr John Diddams. Each director has relevant experience as shown in their biographies in the Directors' Report.

Details of meetings held by the Committee during the year and member attendance are set out in the Directors' Report.

In accordance with the Company's Audit Committee Charter the primary function of the Committee is to assist the Board to carry out the following:

- review and monitor the integrity of the Company's financial reports and statements;
- monitor the performance and independence of the external auditor; and
- review the consolidated accounts of the Company.

Recommendation 4.2: Assurances

The CEO and Chief Financial Officer (**CFO**) provide an annual declaration to the Board prior to the Board's approval of the Company's full year financial results. This process was followed for the FY23 full year financial results, where the CEO and CFO provided a declaration to the Board that, in their opinion:

- the financial records have been properly maintained;
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

On this basis, the Board approved the FY23 full year financial results.

Recommendation 4.3: External Auditor

Our external auditor, BDO Auckland (**BDO**) attends our AGM and a representative is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

BDO's independent auditor's report is contained in our 2023 Annual Report.

Any periodic corporate report the company releases to the market that is not audited or reviewed by an external auditor is reviewed and approved by the Board so that it is satisfied the report in question is materially correct, balanced and provides investors with appropriate information to make an informed investment decision. Following review by the Board, the report is formally approved prior to release.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: Continuous Disclosure Policy

We are committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules and applicable law.

To comply with these obligations, the Board has adopted a Continuous Disclosure Policy, which is available on our website at <https://aroa.com/nz/investors/>. The Continuous Disclosure Policy sets out the key obligations of directors and employees in relation to the Company's continuous disclosure requirements.

The Board has overarching responsibility for compliance with continuous disclosure obligations and Board approval is required for certain key matters (as set out in the Continuous Disclosure Policy) and matters may be referred to the Board for approval by the Chair or the Company Secretary.

The Board is committed to promoting investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market and in compliance with our Securities Dealing Policy (as applicable). In accordance with continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. The Company website includes a link to all information disclosed to the ASX.

Recommendation 5.2: Provide Board with copies of all material market announcements

The Company ensures that the Board receives copies of all material market announcements prior to release to the market and is immediately notified following release to the market.

Recommendation 5.3: Investor Presentations

In accordance with the Recommendation, the Company ensures that all substantive presentations are released to the market.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1: Information and Governance

Information about the Company and its corporate governance policies is available on our website at <https://aroa.com/nz/investors/>.

The Company maintains a separate investor page on its website to provide shareholders with links to annual and interim reports, ASX announcements, presentations and other key information.

Recommendation 6.2: Investor Relations

We endeavour to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions.

Through our shareholder communications, we aim to provide information that will allow existing shareholders, potential shareholders and financial analysts to make informed decisions about the Company's intrinsic value and meet its obligations under the ASX's continuous disclosure regime.

Our investor relations program includes:

- issuing regular written shareholder communications such as quarterly cashflow reporting and an Annual Report to address the Company's strategy and performance;
- sending and receiving shareholder communications electronically;
- maintaining the investor section on our website, through which shareholders can access key information, including (in a real-time manner) all ASX announcements released by the Company;
- promoting two-way interaction with shareholders, by supporting shareholder participation at general meetings, including encouraging shareholders to send their questions to the Company prior to an annual general meeting (**AGM**) and responding to their questions and feedback; and
- ensuring that continuous disclosure obligations are understood and complied with throughout the Group.

Shareholder queries should be referred to the Company Secretary in the first instance.

For more information, please refer to our Shareholder Communication Policy available on our website at <https://aroa.com/nz/investors/>.

Recommendation 6.3: Shareholder Meeting Participation

Shareholders are sent the Company's Annual Report if requested (it is otherwise made available on the Company's website), and documents relating to each general meeting, being the notice of meeting, any explanatory memorandum and a proxy form.

The Board regards each general meeting as an important opportunity to communicate with shareholders and shareholders are invited to attend. Shareholders and other stakeholders will at each meeting be given the opportunity to ask questions about the Company, its strategy and performance by putting questions to the Board, management and if applicable our external auditor.

Recommendation 6.4: All substantive resolutions at a security holder meeting are decided by poll

The Company seeks to ensure that, to the extent practicable, voting at shareholder meetings is conducted by poll.

Recommendation 6.5: Electronic Communication with Shareholders

Shareholders are strongly encouraged to take advantage of the benefits of electronic communications by electing to receive communication from the Company and its share registry electronically.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendation 7.1: Risk Committee

The Company's Risk Committee Charter provides for the creation of a Risk Committee with at least three members, a majority of whom are independent directors, and which must be chaired by an independent director who is not the Board Chair. The Risk Committee Charter is available on our website at <https://aroa.com/nz/investors/>.

The Risk Committee consists of three members; Mr John Pinion, Mr Steven Engle and Dr. Catherine Mohr each of whom are independent directors. The Committee is chaired by Mr Pinion. Each director has relevant experience as shown in their biographies in the Directors' Report. Following a restructure of the Committee in March 2023, Dr. Mohr replaced Mr James McLean as a member of the Committee.

Details of meetings held by the Committee during the year and member attendance are set out in the Directors' Report.

In accordance with the Company's Risk Committee Charter the primary function of the Committee is to assist the Board in overseeing the Company's risk management framework including, without limitation, the financial and operational risk management system, the quality management system and health and safety management system to ensure that the Company has in place mechanisms and internal controls to identify and manage areas of material business risks. As part of its remit, the Risk Committee considers the Company's exposure to emerging risks including cyber security and sustainability risks.

Recommendation 7.2: Review of Risk Management Framework

The Group's risk management framework is reviewed and supported by the Risk Committee, the Board and management team. The Risk Committee and Board are responsible for approving and reviewing the Company's risk management framework. Management are responsible for monitoring that appropriate processes and controls are in place to manage risk effectively and efficiently.

The Risk Committee and Board regularly monitor the Company's risk management framework and conduct a formal review annually, which is confirmed as having been conducted for 2023.

Recommendation 7.3: Internal Audit

The Risk Committee Charter provides that the Committee will monitor the need for an internal audit function.

With the exception of its quality system, the Company did not have an internal audit function during FY23. Taking into account factors including the size, location and complexity of the Company's operations, the Board does not currently consider a broader internal audit function to be necessary. In place of an internal audit function, the Risk Committee, through its annual review of the Company's risk management framework, evaluates and looks for improvements in the effectiveness of the Company's governance, risk management and internal control processes.

Recommendation 7.4: Economic, Environmental and Social Sustainability Risk

The Company is actively assessing its environmental and social sustainability footprint. The Company does not currently consider it is subject to any particular or significant single economic, environmental and social sustainability risk. The Company is subject to a range of general economic risks, including macro-economic risks, government policy (including policy regarding research and development), general business conditions, changes in technology and many other factors.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBILITY

Recommendation 8.1: Remuneration Committee

The Company's Remuneration & Nomination Committee Charter provides for the creation of a committee with at least three members, a majority of whom are independent directors, and which must be chaired by an independent

director. The Remuneration & Nomination Committee Charter is available on our website at <https://aroa.com/nz/investors/>.

The Remuneration & Nomination Committee consists of three members, Mr Steven Engle, Mr Philip McCaw and John Diddams, two of whom are independent directors. The Committee is chaired by Mr Steven Engle who is an independent director. Each director has relevant experience as shown in their biographies in the Directors' Report. Following a restructure of the Committee in March 2023, Mr Diddams replaced Mr James McLean as a member of the Committee.

Details of meetings held by the Committee during the year and member attendance are set out in the Directors' Report.

In accordance with the Company's Remuneration & Nomination Committee Charter the primary remuneration functions of the Committee are assisting the Board with the following:

- review director competence standards;
- review Board succession plans;
- evaluate the Board's performance;
- make recommendations for the appointment and removal of directors; and
- make recommendations to the Board on recruitment, retention and termination policies for senior management.

Recommendation 8.2: Remuneration Policies and Practices

The Remuneration & Nomination Committee (or in its absence, the Board) is responsible for determining and reviewing remuneration policies for directors and senior leaders. If necessary, it obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the Company's objectives.

An overview of the Company's remuneration practices for its directors and senior leaders are disclosed in the Remuneration Report in the 2023 Annual Report. The Remuneration Report highlights the balance between fixed remuneration, short term incentives and long-term incentives, and outlines the relationship between remuneration paid and the Company's performance.

Recommendation 8.3: Equity Based Remuneration Scheme

The Company has a Securities Dealing Policy, as displayed on the Company's website, which provides that participants must not, without the Board's prior approval, enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

PRINCIPLE 9 – ADDITIONAL RECOMMENDATIONS

Recommendation 9.2: Meetings to be held at a reasonable place and time

The Company is established in New Zealand. To ensure shareholders were given the maximum opportunity to attend, the 2022 AGM was initially planned as a hybrid meeting, enabling attendance in-person at the Company's registered office as well as online. Following incidences of COVID-19 amongst staff at the Company's registered office, the Company shifted the AGM to an online-only meeting.

The Company endeavours to ensure that future meetings are held at a reasonable place and time to enable and support shareholder participation.

Recommendation 9.3: External auditor attendance at AGM

BDO, the Company's external auditor attended the Company's 2022 AGM. The Company intends to ensure that its external auditor attends future AGMs.