

## Corporate Governance Statement 26 August 2021

This Corporate Governance Statement of Allegra Orthopaedics Limited (the 'Company') has been prepared in accordance with the 4th Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations').

The Recommendations are guidelines and not prescriptions. The Council recognises that the range in size and diversity of companies is significant and that smaller companies from the outset may face particular issues in following all the Recommendations. If a company considers that a Recommendation is inappropriate to its particular circumstances, it has the flexibility not to adopt it.

The Board has adopted the best practice Recommendations as outlined by the Council to the extent that is deemed appropriate considering the current size and operations of the company. Therefore, where the Board considers that the cost of implementing a recommendation outweighs any potential benefit, that Recommendation has not been adopted.

This statement has been approved by the company's Board of Directors ('Board') and is current as at 26 August 2021.

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

Corporate Governance policy documents are available on the Company's website at [www.allegraorthopaedics.com/corporate-governance](http://www.allegraorthopaedics.com/corporate-governance).

### Principle 1: Lay solid foundations for management and oversight

***Recommendation 1.1 - A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.***

The Board's primary role is the protection and enhancement of long-term shareholder value. The Board is ultimately accountable for the performance of the Company and provides leadership and sets the strategic objectives of the Company. It appoints all senior executives and assesses their performance on at least an annual basis. It is responsible for overseeing all corporate reporting systems, remuneration frameworks, governance issues, and stakeholder communications. Decisions reserved for the Board relate to those that have a fundamental impact on the Company.

The Board's roles and responsibilities include formulating the Company's strategic direction, approving and monitoring capital expenditure, setting remuneration policies, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management of information systems. The Board is also responsible for approving and monitoring financial, risk and other reporting.

Management is responsible for implementing Board strategy, day-to-day operational aspects, and ensuring that all risks and performance issues are brought to the Board's attention. Management must operate within the risk and authorisation parameters set by the Board. The Company's Board Charter is available at: <http://www.allegraorthopaedics.com/corporate-governance/>

***Recommendation 1.2 - A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive, or putting someone forward to for election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.***

The Company undertakes comprehensive reference checks prior to appointing a director or senior executive or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. An election of directors is held each year. A director that has been appointed during the year must stand for election at the next Annual General Meeting ('AGM'). Directors are appointed for a maximum term of three years. Retiring directors are not automatically re-appointed. The company provides to shareholder in the Notice of AGM relevant information for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The Board's charter, which is available on the Company's website at [www.allegraorthopaedics.com/corporate-governance](http://www.allegraorthopaedics.com/corporate-governance) more fully sets out the specific responsibilities of the Board. Corporate expectations are set out in the directors' letters of appointment.

***Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.***

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The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Executive directors and senior executives are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

***Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.***

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.

***Recommendation 1.5 - A listed entity should (a) have and disclose a diversity policy (b) through its board or a committee of the board to set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and (c) disclose in relation to each reporting period: (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; and (3) either: (A) the respective proportions of men and women on the Board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.***

***If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.***

The Board recognises the value and importance of diversity, including with respect to gender, ethnicity, geographical location, personal attributes and age. The Company has a diversity policy (a copy of which is available on the Company website under 'Corporate Governance') which requires the Board to set measurable objectives for achieving gender diversity and to assess the objectives and the Company's progress towards achieving them on an annual basis. The diversity policy aims to provide a work environment where employees have equal access to career opportunities, training and benefits. It also aims to ensure that employees are treated with fairness and respect, and are not judged by unlawful or irrelevant reference to gender, age, ethnicity, race, cultural background, disability, religion, sexual orientation or caring responsibilities. This commitment enables the Company to attract and retain employees with the best skills and abilities.

At the beginning of the financial year over half of the employees of the Company were women and the only senior executive was a woman. By year's end the proportion of women employees in the Company and in senior executive positions remained at a similar proportion. Accordingly, the Company's objective for the year of maintaining the existing proportion (approximately half women) of gender balance within the organisation and at employee and senior executive level (other than at Board level) has been achieved.

There are currently:

- No female directors (of four) on the Board; and
- One female senior executive (of one); and
- Ten female employees (of fourteen).

There are currently no women on the Board but the process to identify an appropriate candidate for appointment to the Board will provide an opportunity for a suitably qualified woman to be appointed. There is no gender disparity in the level of remuneration paid. The Board considers that its existing policies are appropriate at this stage in the Company's development and that any increase in the proportion of women at all levels of the work force is dependent upon the extent to which vacancies occur in the existing work force and any change in the size of the work force. The gender balance will continue to be monitored with a view to maintaining the existing proportions and reassessing as circumstances warrant. This forms a KPI for the Board, Chief Executive Officer and senior executives.

No entity within the consolidated entity is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 and therefore no Gender Equality Indicators to be disclosed.

***Recommendation 1.6 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose for each reporting period, whether a performance evaluation has been undertaken during or in accordance with that process during or in***

***respect of that period.***

The Board, through the Nomination and Remuneration Committee, has in place an annual review process to facilitate evaluation of the performance of the Board, its committees and directors. The performance criteria used takes into account each director's contribution to setting the direction, strategy and financial objectives of the Company.

No Board / Committee performance evaluation was undertaken during the financial year, an evaluation is planned to be undertaken in the next financial year.

***Recommendation 1.7 - A listed entity should (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and (b) disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.***

The Board, through the Nomination and Remuneration Committee, has established performance criteria for the Chief Executive Officer ('CEO') and has conducted a performance review of the CEO for the reporting period in accordance with its standard practice. The CEO conducts an annual review of performance of senior executives and reports on their performance to the Committee. The results are discussed at a Board meeting with the outcome determining their remuneration.

**Principle 2: Structure the board to add value**

***Recommendation 2.1 - The board of a listed entity should (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.***

The Board fulfils the requirements of the Nomination and Remuneration Committee, the members during the last financial year, were as follows:

Director's name	Executive status	Independence status
Peter Kazacos - chair	Non-Executive Chairman	Independent
Sean Mulhearn	Non-Executive Director	Independent
Anthony Hartnell	Non-Executive Director	Not-independent
Nicholas Hartnell	Non-Executive Director	Not-independent

The Board / Nomination and Remuneration Committee is Chaired by Peter Kazacos, who is an independent director. Two of four current directors are independent (including the Chair) which the Board considers provides sufficient independent presence on the Board and Committee.

The Charter of the committee is available on the Company's website.

The number of committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

***Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.***

In view of its size the Board does not maintain a formal skills matrix that sets out the mix of skills and diversity that the Board aims to achieve in its membership. However, the individual directors and the Board as a whole recognise the importance for the Board to have the skills, knowledge, experience and diversity of background required to effectively steer the Company over time in response to market developments, opportunities and challenges. The Board recognises certain core skills that are required for the Board to ensure effective stewardship of the Company. These include business and strategic expertise, experience with financial markets, industry knowledge, accounting and finance skills, project management experience and personal ethics, attributes and skills. The current Board members represent individuals that have extensive industry experience as well as professionals that bring to the Board their specific skills in order for the Company to achieve its strategic, operational and compliance objectives. Their suitability to the directorship has been determined primarily on the basis of their ability to deliver outcomes in accordance with the Company's short and longer

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term objectives and therefore deliver value to shareholders.

**Recommendation 2.3 - A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.**

Details of the Board of directors, their appointment date, length of service as independence status is as follows:

<b>Director's name</b>	<b>Appointment date</b>	<b>Independence status</b>
Peter Kazacos-chair	9 May 2006	Independent Non-executive
Anthony Hartnell	26 November 2014	Not-independent Non-executive
Sean Mulhearn	17 November 2015	Independent Non-executive
Nicholas Hartnell	7 March 2018	Not-independent Non-executive

**Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.**

Having regard to the response to Recommendation 2.3 above, the majority of the Board is not independent. The Board considers that given the size of the Company and the nature and scale of its operations, the presence of two independent directors (including an independent Chair) provides the Board with sufficient independent presence and oversight.

**Recommendation 2.5 - The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.**

The Board is Chaired by Peter Kazacos, who is an independent director.

The role of the Chair and the CEO are not exercised by the same person, the Company's CEO is Jenny Swain.

**Recommendation 2.6 - A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.**

The Company has, due to the Board's size, an informal induction process. New directors are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors.

Directors receive a formal letter of appointment setting out the key terms and conditions relevant to that appointment. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

**Principle 3: Act ethically and responsibly**

**Recommendation 3.1 - A listed entity should articulate and disclose its values.**

The Company values high standards of professional conduct and ethics in dealing with all of our stakeholders. The Company is committed to complying with all applicable state, national and international laws. These values and standards are set out in the Company's code of conduct.

**Recommendation 3.2 - A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.**

The Board has adopted a Code of Conduct which sets out the Company's obligations and standard of conduct for directors and employees when dealing with each other, competitors, customers and the community. The Code outlines not only practices necessary to maintain confidence in the company's integrity and to take into account its legal obligations and the expectations of its stakeholders but also the responsibility and accountability of individuals for reporting and investigating

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reports of unethical practices. The Code of Conduct is posted on the Company's website. Any material breaches of the Code of Conduct are reported to the Board.

**Recommendation 3.3 – A listed entity should: (a) have and disclose a whistle-blower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.**

The Company's whistle-blower is available on its website. The Board will be informed of any material incidents reported under that policy.

**Recommendation 3.4 – A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy.**

The Company does not currently have a standalone anti-bribery and corruption policy in place as the Company's code of conduct includes the relevant information in relation to anti-bribery and corruption. The Company will consider adopting a standalone policy this financial year.

**Principle 4: Safeguard integrity in corporate reporting**

**Recommendation 4.1 - The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.**

The Board maintains a combined Audit and Risk Committee, the members of which during the last financial year were:-

<b>Director's Name</b>	<b>Executive Status</b>	<b>Independence Status</b>
Anthony Hartnell- Chair	Non-Executive	Not-independent
Peter Kazacos	Non-Executive	Independent
Sean Mulhearn	Non-Executive	Independent

The Audit and Risk Committee has three members and consists only of non-executive directors. The committee is not chaired by an independent director as recommended because the Board considered that the skills, knowledge and experience Anthony Hartnell brings to the committee as chair outweigh the disadvantage of his not being independent.

The majority of the committee members are independent.

Details of the qualifications and experience of the members of the Committee are contained in the 'Information of directors' section of the Directors' report.

The Charter of the Committee is available on the company's website.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

**Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.**

For the financial year ended 30 June 2021, the Company's CEO and CFO (or equivalent) provided the Board with the required declarations.

**Recommendation 4.3 - A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.**

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The Company will include in each of its (to the extent that the information contained in the following is not audited or reviewed by an external auditor) half-year and annual reports or on its website, a description of the process it undertakes to verify the integrity of the information in its reports. Please refer to the Audit and Risk Committee Charter available via the Company's website, <http://www.allegraorthopaedics.com/corporate-governance/>

### **Principle 5: Make timely and balanced disclosure**

***Recommendation 5.1 - A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1,***

The Company maintains a written policy that outlines the responsibilities relating to the directors, officers and employees in complying with the Company's continuous disclosure obligations. Where any such persons are of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately in the first instance. The policy provides the mechanism by which relevant market sensitive information that may have a material effect on the price of the company's securities is released to the ASX in a timely manner.

The Company's Continuous Disclosure Policy is available on its website.

***Recommendation 5.2 – A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.***

The Board receives all material market announcements promptly after they have been made.

***Recommendation 5.3 – A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.***

All substantive investor or analyst presentations will be released on the ASX Markets Announcement Platform ahead of such presentations.

### **Principle 6: Respect the rights of security holders**

***Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.***

The Company maintains information in relation to corporate governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the Company's website.

### ***Recommendations 6.2 and 6.3***

***A listed entity should have an investor relations program that facilitates effective two-way communication with investors (6.2).***

The Company provides investors with comprehensive and timely access to information about itself and its governance on its website.

***A listed entity should disclose how it facilitates participation at meetings of security holders (6.3).***

The Company is committed to promoting effective communications with shareholders by ensuring they and the investment market generally are provided with full and timely disclosure of its activities. The Company provides shareholders with periodic updates on its business. Shareholders are encouraged to communicate by electronic means and to participate at the Annual General Meeting, to ensure a high level of accountability and identification with the company's strategy and goals.

The Company's Shareholder Communication Policy is available on its website.

***Recommendation 6.4 – A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.***

Whenever possible and appropriate, all substantive resolutions at shareholder meetings will be decided by a poll rather than a show of hands.

**Recommendation 6.5 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.**

The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Automic Registry Services at <https://investor.automic.com.au/#/home>

**Principle 7: Recognise and manage risk**

**Recommendations 7.1 & 7.2**

**The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).**

**The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).**

The Board maintains a combined Audit and Risk Committee. The members of the Committee and other relevant information are detailed in Recommendation 4.1 above.

The charter of the Audit and Risk Committee is available on the Company's website.

The Company manages material business risks under a risk management policy which is available on its website. There is an ongoing program to identify, monitor and manage compliance issues and material business risks with a view to enhancing the value of every shareholder's investment and safeguarding the Company's investments. The Board reviews the identification, management and reporting of risk as part of the annual budget process. More frequent reviews are undertaken as conditions or events dictate.

**Recommendation 7.3 - A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.**

The Audit and Risk Committee has the responsibility for ensuring the effectiveness of risk management and internal compliance and control. As part of the review process the committee considers the extent to which the risk process has been successful in retrospect with regard to the identification and mitigation of risks. This is required at all times and the Board actively promotes a culture of quality and integrity.

The Company has developed a set of policies and procedures (set out in the Company's procedures manual) in relation to the Company's compliance and risk programs. The Company does not have an internal audit function due to its size; however the procedures and policies are controlled documents and subject to annual review.

The Board recognises that no cost-effective internal control system will preclude the possibility of errors and irregularities. The Company has insurance, including product liability and professional indemnity insurance, to cover unexpected or unforeseen events and reduce any adverse consequences.

**Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental or social sustainability risks and, if it does, how it manages or intends to manage those risks.**

The Company does not believe it has any material exposure to economic, environmental and social sustainability risks. The Audit and Risk Committee and the Board in conjunction with the CEO are responsible for reviewing whether the Company has any material exposure to any environmental or social risks and, if so, to develop strategies to manage those risks.

**Principle 8: Remunerate fairly and responsibly**

***Recommendation 8.1 - The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.***

The Board acts as the Nomination and Remuneration Committee. The members of the committee together with additional information are detailed in Recommendation 2.1 above.

Details of the qualifications and experience of the members of the committee is detailed in the 'Information of directors' section of the Directors' report.

The committee oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees. The committee's charter sets out the roles and responsibilities, composition and structure of the committee and is available on the company's website.

The number of committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

***Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.***

Directors are remunerated by way of cash fees, superannuation contributions and directors may also be issued options from time to time subject to shareholder approval. The level of remuneration reflects the anticipated time commitments and responsibilities of the position having regard to the financial constraints on the Company. Performance based incentives are not available to directors. Senior executives may be remunerated using combinations of fixed and performance based remuneration. Salaries are set at levels reflecting market rates having regard to the financial constraints on the Company and performance based remuneration is linked to specific performance targets that are aligned to both short and long term objectives. Further details in relation to the Company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

***Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it***

The use of derivatives or other hedging arrangements for unvested securities of the company or vested securities of the company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the company, this will be disclosed.