

Corporate Governance Statement

Introduction

The Board of PolyNovo is responsible for the corporate governance of the Group and guides and monitors the business on behalf of its shareholders. The Board has strived to reach a balance between industry best practice and appropriate policies for PolyNovo in terms of its size, stage of development and role in the biotechnology industry.

PolyNovo performed a review of its Board policies and governance practices with reference to the eight Principles of Good Corporate Governance (Principles) and the Recommendations (Recommendations) (4th edition) established by the ASX Corporate Governance Council. The Recommendations are not mandatory and cannot, in themselves, prevent corporate failure or poor corporate decision-making. They are intended to provide a reference point for companies regarding their corporate governance structures and practices.

The Directors have considered each of the core Principles and Recommendations applicable for the year ended 30 June 2022. The Recommendations that were not adopted are discussed in this Corporate Governance Statement.

Principle 1: Lay Solid Foundations for Management and Oversight

Recommendation 1.1

The role of the Board is to represent the interests of shareholders, by providing the Group with good governance and strategic direction. PolyNovo has adopted a Board Charter setting out the matters reserved to it, including its function and responsibilities and those delegated to management.

PolyNovo delegates authority to Senior Management for the day-to-day running of the business in accordance with the agreed delegations. Senior Management reports directly to the Managing Director.

The Board Charter is available at www.polyново.com.au/company in the corporate governance section.

Recommendation 1.2

PolyNovo considers the character, industry or relevant experience, education, and skillset, as well as interests and associations of candidates for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate, prior to their election.

PolyNovo ensures that all material information relevant to a decision to elect or re-elect a Director is disclosed in the notice of meeting provided to shareholders.

Recommendation 1.3

The roles and responsibilities of each non-executive Director is set out in their letter of appointment, which the Director receives and commits to on their appointment. The letter of appointment specifies the time commitment, expectations in relation to committee work or any other special duties attaching to the Director position, reporting lines, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, insurance and indemnity entitlements and details of the Company's key governance policies. A copy of the governance policies can be found on the PolyNovo website.

Each executive Director and Senior Executive has entered into a service contract that sets out the material terms of employment, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements. Contract details of each Executive Director and those Senior Executives who are designated key management personnel are summarised in the Remuneration Report section of the Annual Report.

Recommendation 1.4

The Company Secretary is accountable to the Board for ensuring the Company's corporate governance processes are adequate. The appointment or removal of the Company Secretary is a matter for the Board. Details of the Company Secretary's experience and qualifications are set out in the Directors' Report section of the Annual Report.

Recommendation 1.5

PolyNovo has adopted a Diversity Policy setting out measurable objectives with respect to diversity. The policy is available in the corporate governance section on the Company's website.

As at 30 June 2022 the Group has 152 employees, 96 male and 56 female.

As at the date of this report, the Board of PolyNovo has two female members. PolyNovo is an Equal Opportunity Employer and actively encourages diversity in the workplace.

Recommendation 1.6

The Board is responsible for reviewing its own performance. A review of Board performance is conducted by the Chairman and Directors on an ongoing basis and through an annual self-assessment process. A Board evaluation process was conducted during the previous financial year. All Directors have access to continuing education and are provided with the information they need to discharge their responsibilities effectively. The Company Secretary plays an integral role in supporting the Board by monitoring Board policy and procedures and co-ordinating meeting documentation.

Recommendation 1.7

PolyNovo conducts a formal review of the Senior Executives of the Group on an annual basis. An evaluation process was conducted during the previous financial year. The Charter of the Remuneration Committee includes responsibility for the evaluation of the performance of Senior Management and Executives.

Principle 2: Structure the Board to be Effective and Add Value

Recommendation 2.1

The Board performs the role of the Nominations Committee and does not have a separate nomination committee. The Board conducts a continuous review process to ensure that it addresses Board succession issues 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.

Recommendation 2.2,
Recommendation 2.3
and Recommendation 2.4

As at the date of this report, the Board of PolyNovo comprises seven Directors:

Mr David Williams – Non-executive Chairman (appointed as Non-executive Director on 28 February 2014 and Non-executive Chairman on 13 March 2014)

Dr Robyn Elliott – Non-executive Director (appointed 28 October 2019)

Ms Christine Emmanuel – Non-executive Director (appointed 13 May 2020)

Mr Bruce Rathie – Non-executive Director (appointed 18 February 2010)

Dr David McQuillan – Non-executive Director (appointed 6 August 2012)

Mr Andrew Lumsden – Non-executive Director (appointed 4 June 2021)

Mr Leon Hoare – Non-executive Director (appointed 27 January 2016)

The Directors have a combination of commercial acumen and experience in the biotechnology industry and capital markets. The relevant qualifications and background of each Director are set out in the Directors' Report section of the Annual Report.

The Board has adopted the Council's recommended criteria for assessing Director independence. To be assessed as independent, a Director must fulfil a number of criteria as outlined in the ASX Corporate Governance Principles. As at the date of this report, all Directors are considered independent.

There have been no commercial agreements with other non-executive Directors of PolyNovo, and none of the Directors are a substantial holder of shares in the Company. As such, all non-executive Directors are considered independent as at 30 June 2022.

Recommendation 2.5

The Chairman is considered to be independent. The Chairman is Non-executive at the date of this report.

The roles of the Chairman and Chief Executive Officer are not performed by the same person as at the date of this report.

Recommendation 2.6

The Company Secretary issues induction material to each Director upon appointment.

PolyNovo has an induction process for each newly appointed Director whereby the Director has access to key Company personnel.

The Company provides the Board with access to independent professional advice at the Company's expense unless the Board determines otherwise.

Principle 3: Instil a culture of Acting Ethically and Responsibly

Recommendation 3.1

PolyNovo places high value on a culture of compliance and expects its Directors, Senior Executives and employees not only to obey the law but to behave ethically responsibly and with integrity so as to observe not only the letter but the spirit of the law. This is considered necessary to preserve and protect PolyNovo's reputation and standing in the community and with key stakeholders, such as customers, employees, suppliers, creditors, law makers and regulators. A more detailed description of PolyNovo's values is available at www.polyново.com.au/company.

Recommendation 3.2

PolyNovo distributes its Code of Conduct to all employees, including Senior Executives and Directors. The Code of Conduct documents the practices necessary to maintain confidence in the Company's integrity and these practices are in line with the Council's guidelines on good corporate governance. A copy of the policy is available at www.polyново.com.au/company.

The Code of Conduct requires all employees and Directors to, among other things:

- act in accordance with the Company's values;;
- comply with the law;
- act honestly and with integrity;
- treat fellow staff members with respect and not engage in bullying, harassment or discrimination;
- deal with customers and suppliers fairly;
- not place themselves in situations that result in a conflict of interest;
- use the Company's assets responsibly and in the best interests of the Company; and
- be responsible and accountable for their actions.

PolyNovo has agreed to indemnify its Directors against certain liabilities and to maintain Directors' and Officers' insurance coverage.

Recommendation 3.3

PolyNovo has put in place a whistleblower policy which provides among other things that the Board is informed of any material incidents reported under the policy. A copy of the policy is available at www.polyново.com.au/company.

PolyNovo considers that the best source of information about whether PolyNovo is living up to its values are its employees. They are encouraged by the policy to speak up about any unlawful, unethical or irresponsible behaviour within the organisation.

Recommendation 3.4

PolyNovo has an anti-bribery and corruption policy as part of its code of conduct.

Giving bribes or other improper payments or benefits to public officials is a serious criminal offence and can damage PolyNovo's reputation and standing in the community.

The policy requires that the Board is to be informed of any material incidents of bribery or corruption, as such incidents may be indicative of issues with the culture of the organisation.

Principle 4: Safeguard the Integrity of Corporate Reports

Recommendation 4.1

Listed company's audit committees are recommended to have:

- at least three Directors;
- all members to be Non-executive Directors;
- the majority of members to be independent; and
- the committee to be chaired by a Director who is not the Chair of the Board.

Current membership of PolyNovo's Audit and Risk Committee meets these criteria.

The current members of the Audit and Risk Committee are:

- Mr Andrew Lumsden - Chairman
- Mr Bruce Rathie
- Dr Robyn Elliott

The members of the Audit and Risk Committee are financially literate and have substantial public company experience. Details of the qualifications of Audit and Risk Committee members are included in the Directors' Report section of the Annual Report. The Company's external auditor is invited to attend Audit and Risk Committee

meetings as required. The Audit and Risk Committee met four times during the 2022 financial year. All meetings were attended by all committee members.

There is a formal Charter for the Audit and Risk Committee, which is available at www.polynovo.com.au/company.

Recommendation 4.2

The Chief Executive Officer and Chief Financial Officer have provided a declaration to the Board of their opinion concerning the Company's annual Financial Report as required under section 295A of the Corporations Act 2001. The opinion includes a declaration by the Chief Executive Officer and the Chief Financial Officer that their opinion has been formed on the basis of PolyNovo's system of risk management and internal control.

Recommendation 4.3

The PolyNovo external audit function is performed by EY. Representatives of EY attend the AGM each year and are available to answer shareholder questions regarding the audit. The Board supervises a system of thorough review by the Senior Executive team of any periodic corporate reports published by the Company which are not subject to audit.

Principle 5: Make Timely and Balanced Disclosure

Recommendation 5.1 PolyNovo's Market Disclosure Protocol reflects the recommendations by the Council regarding continuous disclosure. PolyNovo's announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions. PolyNovo's Market Disclosure Policy is available at www.polynovo.com.au/company in the corporate governance section.

The Company provides commentary in relation to its annual Financial Report and provides a full review of operations for the reporting period in its Annual Report as required by the ASX listing rules.

All ASX announcements are available at www.asx.com.au.

Recommendation 5.2

PolyNovo follows a practice of providing the Board with copies of all material ASX announcements promptly after they are made.

Recommendation 5.3

Each new and substantive investor presentation intended to be provided to investors, analysts or other third parties is released to ASX before the presentation is given.

Principle 6: Respect the Rights of Securityholders

Recommendation 6.1

PolyNovo keeps investors informed of its corporate governance, financial performance and future prospects on its website, <https://polynovo.com/about-us/>

Shareholders can access copies of ASX announcements, notices of meetings, annual reports and financial statements and investor presentations on the website.

The Company has encouraged shareholders to elect to receive communications electronically. This serves the best interests of shareholders by facilitating the delivery of shareholder communications by electronic means, thus reducing costs and protecting the environment. Shareholders are encouraged to ask questions or provide feedback to the Company by email, phone or fax as well as at the Company's Annual General Meeting. Contact details of Senior Executives are provided on ASX announcements and newsletters.

Recommendation 6.2

PolyNovo has an investor relations program aimed at encouraging effective two-way communication with investors.

Recommendation 6.3

Shareholders are invited to ask questions at the Company's AGM. Contact details are made available on Company ASX announcements. All senior staff and Directors make themselves available to discuss Company affairs with shareholders.

Shareholders are encouraged to participate in meetings and are given an opportunity to ask questions of the Company and its auditor at the AGM.

The Company provides an electronic broadcast of shareholder and annual results meetings.

Recommendation 6.4

The Company has a policy that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands. Consistent with relevant regulatory requirements voting at meetings of the Company held as virtual (online) meetings will be by way of a poll only.

Recommendation 6.5

PolyNovo provides shareholders with the option to receive communications from the Company and the share registry electronically. PolyNovo communicates regularly with its shareholders using ASX announcements, the Company's website, the Annual Report and the AGM. Access to ASX announcements is available to shareholders by using links available on the Company's website.

Policies and procedures regarding the governance of the Company are available at www.polynovo.com.au/company in the corporate governance section.

Principle 7: Recognise and Manage Risk

Recommendation 7.1

PolyNovo's Audit and Risk Committee oversees the process for identifying and managing material risks in accordance with the Group's Risk Management Policy.

A copy of the charter of the Audit and Risk Committee is available at <https://polynovo.com/about-us/> in the corporate governance section.

Further details regarding the Committee, its membership and the number of meetings held during the financial year are set out in the Directors' Report.

Recommendation 7.2 and

Recommendation 7.3

PolyNovo has a formal Risk Management Policy and a risk register. This approach to risk management involves identifying, assessing and managing the risks that affect the business, while at the same time considering these risks in the context of the Group's values, objectives and strategies.

Risks are analysed and, where possible, reduced but it is not always possible to completely mitigate all the risks faced by a biotechnology company. Identified risks are assigned to functional owners within the business and formally reviewed within the Quality System meetings, held quarterly. The Board of Directors reviews reported risks at Board meetings, and reviews the risk management framework annually. The last review was carried out in August 2022. PolyNovo does not have an internal audit function due to the size of the Company.

Recommendation 7.4

PolyNovo does not have any material exposure to economic, environmental, or social responsibility risks.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1

Listed company's Remuneration Committee recommended to have:

- at least three Directors;
- the majority of members to be independent; and
- the committee to be chaired by an independent Director.

The current members of the Remuneration Committee are:

- Mr David Williams – Chairman
- Mr Leon Hoare
- Ms Christine Emmanuel

Details of the qualifications of Remuneration Committee members are included in the Directors' Report section of the Annual Report. The Remuneration Committee met two times during the 2022 financial year. All meetings were attended by all committee members.

There is a formal Charter for the Remuneration Committee, which is available at www.polynovo.com.au/company

Recommendation 8.2

The Board is responsible for determining, recommending, and reviewing compensation policies and arrangements for the Directors, the Chairman and Senior Executives consistent with ASX Principle 8.

A summary of the remuneration policy for Directors and Senior Executives is set out in the Remuneration Report section of the Annual Report. The Remuneration Report includes details of the remuneration of Directors and those Senior Executives of the Company and the Group who are designated key management personnel.

Recommendation 8.3

To the extent the Company has an equity-based remuneration scheme, the Company has a policy that participants in the scheme are not permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Company believes that the scheme should operate as provided in the scheme and not be blurred by hedging, synthetic or derivative arrangements.