

COCHLEAR ANNUAL REPORT

2015 Hearing Performance



Hear now. And always



Cochlear®

Life is wireless. And so is hearing.

In F15, Cochlear released many products including True Wireless for Nucleus® 6, one of the most exciting developments in the cochlear implant industry. With True Wireless, sound can be streamed directly to recipients' sound processors, without the wires or neck-worn components required by other systems.

For some recipients, True Wireless means easier conversations in noisy restaurants or on the phone. For others, it means more enjoyment simply watching television with family.

For Holly Taylor, it means music.

Holly loves music. She has it playing nearly all day, often using True Wireless to stream it straight from her phone. For Holly, it's music as it should be – effortless, wireless and fun.

*Life has its own
and I'm*



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soundtrack,
not missing
any of it!

Holly Taylor
Recipient since 1987



Holly

One implant – six sound processor upgrades

1987



One of the first children in the world to receive a Nucleus cochlear implant

1988



Started mainstream school, which she attended for 13 years

2000



Graduated from high school in top 2% of students in the state

2006



Graduated from university with First Class Honours in Law



Now
○

Working as a lawyer and living life to the full.

Holly Taylor
Recipient since 1987

I want to get out with friends and family, and enjoy what's around me. I don't need wires for that!



2015 Performance Overview

Sales revenue up 15%

\$941.9m

New products launched in F15

- Nucleus Profile with Slim Straight electrode
- Baha® 5 Sound Processor
- Aqua+ in Europe
- SmartSound® iQ for Nucleus 6 and Hybrid™ Hearing in the US
- True Wireless for Nucleus 6

Net profit up 56%

\$145.8m
net profit after tax

Net cash up 102%

\$160.3m
net cash from operating
and investing activities

Key Highlights

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|--------|--------------------|--------|--------------------|--------|--------|--------|--------|--------|--------|
| Cochlear implant system sales (units) | 26,838 | 25,997 | 26,674 | 23,087 | 24,661 | 21,023 | 18,553 | 18,228 | 15,947 | 12,901 |
| Total revenue (\$million) | 925.6 | 804.9 | 752.7 | 779.0 | 809.6 | 734.8 | 694.7 | 601.7 | 559.4 | 452.3 |
| R&D expenses (\$million) | 128.0 | 127.6 | 124.7 | 119.3 | 108.9 | 94.9 | 96.7 | 80.0 | 65.9 | 56.7 |
| Net profit after tax (NPAT) (\$million) | 145.8 | 93.7 | 132.6 | 56.8 | 180.1 | 155.2 | 130.5 | 115.2 | 100.1 | 80.0 |
| EBITDA (\$million) | 236.7 | 176.5 ² | 201.9 | 239.4 ¹ | 270.1 | 243.6 | 205.5 | 193.3 | 170.9 | 130.2 |
| EBIT (\$million) | 206.4 | 149.6 ² | 178.9 | 215.3 ¹ | 242.7 | 220.5 | 183.3 | 167.3 | 150.2 | 111.5 |
| NPAT (\$million) | 145.8 | 109.5 ² | 132.6 | 158.1 ¹ | 180.1 | 155.2 | 130.5 | 115.2 | 100.1 | 80.0 |
| Basic EPS (cents) | 256.1 | 164.6 | 233.0 | 100.0 | 318.2 | 275.7 | 233.7 | 208.1 | 182.9 | 146.8 |
| Dividends per share (cents) | 190.0 | 254.0 | 252.0 | 245.0 | 225.0 | 200.0 | 175.0 | 150.0 | 125.0 | 100.0 |
| Closing share price as at 30 June (\$) | 80.15 | 61.70 | 61.71 | 65.84 | 72.00 | 74.32 | 57.70 | 43.65 | 61.00 | 54.63 |
| Market capitalisation as at 30 June (\$million) | 4,565 | 3,513 | 3,512 | 3,744 | 4,081 | 4,198 | 3,230 | 2,423 | 3,341 | 2,985 |
| Number of permanent employees | 2,632 | 2,536 | 2,531 | 2,390 | 2,319 | 2,006 | 1,888 | 1,789 | 1,655 | 1,100 |

1. Excludes product recall costs of \$138.8 million before tax and \$101.3 million after tax.

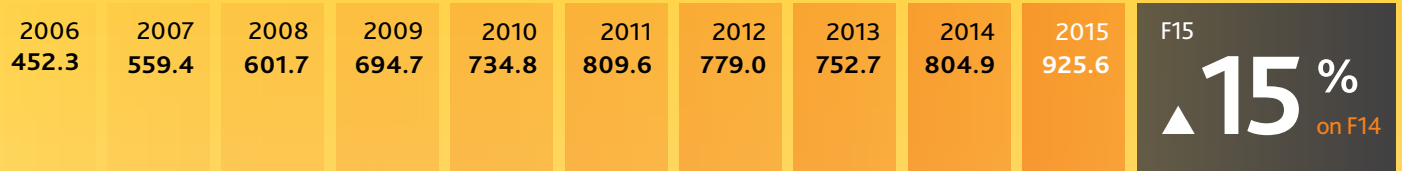
2. Excludes patent dispute provision of \$22.5 million before tax and \$15.8 million after tax.

The following non-International Financial Reporting Standards (IFRS) financial measures are included in this report:

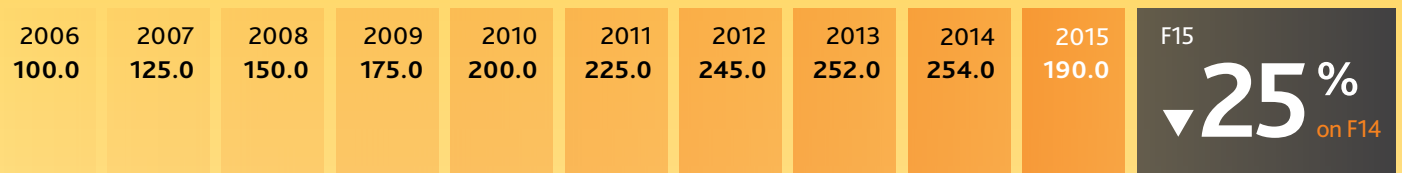
- excluding patent dispute provision;
- excluding product recall costs; and
- constant currency.

Refer to page 109 for a discussion of these items.

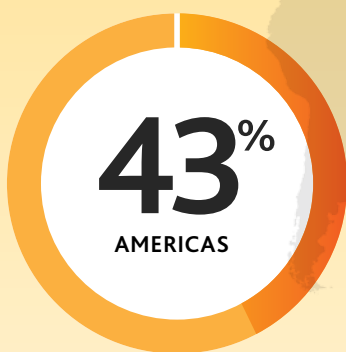
10 year total revenue performance (\$million)



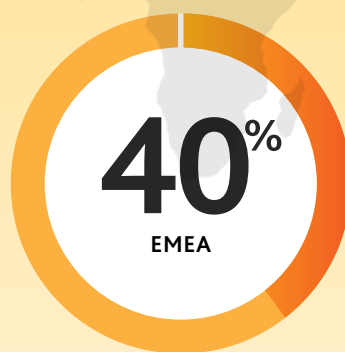
10 year dividends per share performance (cents)



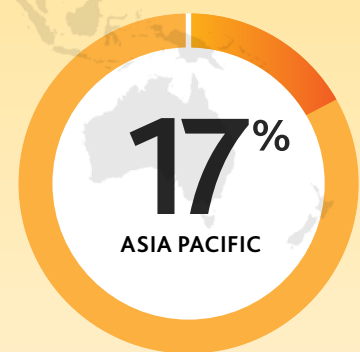
Regional Split of Sales Revenue



- F15 sales revenue up 26% on F14 (up 15% in constant currency)
- F15 EBIT up 37% on F14



- F15 sales revenue up 5% on F14 (up 6% in constant currency)
- F15 EBIT up 3% on F14



- F15 sales revenue up 14% on F14 (up 9% in constant currency)
- F15 EBIT up 9% on F14

Chairman's 2015 Report

The year to 30 June 2015 was one of steady progress and in my view sets the Company in a strong position moving forward. This is consistent with the general comments made in February with the half year results.

I am extremely pleased we now have a full set of products in all significant markets, with a pipeline of new solutions on the way.

Chris Roberts has played a very important role for many years but, in my view, none more important than F15. During the year, we have seen the introduction of a range of new implants and products, the creation of strong momentum across the business, and the successful implementation of the CEO renewal process advised to the market in May 2015. His commitment and effort is acknowledged and greatly appreciated.

As announced on 26 May 2015, Chris Smith becomes CEO/President on 1 September 2015. He has accepted responsibility for our F16 performance and has been working closely with the executive team from the beginning of the new financial year.

I note that Chris Roberts had responsibility for delivering the F15 result, and for preparing the Company to fulfil our strategic plan and our long-term financial objectives. He has achieved a lot and leaves a positive legacy to the new CEO/President.

I will say more about this later.

The Board

Consistent with my comments last year, we have implemented a board renewal process.

Paul Bell retired in October 2014 after nine years; we thank him again for his years of support and effort, and in particular his wise counsel. We wish him well in his retirement.

In December we announced the appointment two new directors, Alison Deans and Glen Boreham, AM. Both bring valuable skills, and related experience, in a range of digital, software and innovation technologies that will be relevant and valuable in the future. They have international experience and have blended into the board structure very well in a short time.

As a significant proportion of our activities are overseas we normally hold one Board meeting each year in one of our global regions. This year we travelled to South America and gained a much better understanding of the region generally and the issues facing emerging markets in particular.

In addition, I made a number of trips to the US and Europe to stay in touch with these areas of operation, to meet their senior executive teams, and as part of the process of preparing for executive succession.

Last year, I raised the issue of non-executive director remuneration that has remained unchanged for several years now.

A market review identified that we are out of step, on the low side, with both director fees and committee fees. We decided to bring the committee fees into better alignment for F16 and to deal with director fees next year.

At the 2015 AGM, I propose to ask for an increase in the non-executive director fee cap from \$2.0 million to \$2.5 million. The current limit is sufficient for the next two years of expected change but does not give flexibility to easily add new directors, if that is deemed appropriate by the Board, for succession planning. I personally believe the Board is now at the right size, but I also

think periods of overlap and knowledge transfer are valuable options to consider.

I believe the Board has functioned well over the last few years, and especially over the last year. I have carried out a series of review discussions and there are two way interactions. As a group there is consensus that we are satisfied and positive about our roles and performance.

At the same time I propose that in the coming year, we will involve an external consultant for an independent board review and evaluation; that process is already underway.

Succession

One of the most important roles for any board is the appointment of a new CEO.

We have discussed this matter every six months for some time now. In May, we announced the appointment of Chris Smith as incoming CEO/President effective 1 September 2015.

Chris Smith has been with the Company for over 10 years and is President, Cochlear Americas Region. He has a deep understanding of our business, our customers and our hearing healthcare professionals. Chris Smith will bring new ideas that complement our present orientations, particularly around customer and service. This is consistent with our existing strategic plans.

This succession process involved many stages. It included external consultants to help the Board carefully understand and evaluate the skills and characteristics for the role, and to help us evaluate internal and external candidate considerations.

It was our strong desire to have an internal candidate, and we are pleased with the process and the final outcome.

Chris Roberts was actively involved in these discussions as a Board member; he has acted in a very professional way and been supportive of the complex arrangements for stepping down and renewal.

The Board acknowledges Chris Roberts' incredible contribution to the Company over a period of more than 11 years; we recognise and appreciate his significant contribution to our business success over that time, the resulting substantial growth in share price, and his efforts to strengthen our standing in the healthcare community. We also acknowledge his personal commitment to every person who has a hearing need that we can help. We wish him every success in his new future.

Remuneration

Remuneration oversight of the CEO/President, the key management personnel, and the staff generally, is an important aspect of the Board's responsibilities. The role is carried out by the Human Resources Committee now chaired by Glen Boreham, AM. The Remuneration Report sets out our approach to remuneration, and provides the F15 details.

We are well aware that remuneration practices are continually evolving. We intend to take a close look at all aspects of remuneration but in particular short-term incentives. We will consider our approach relative to best market practice, noting we are a global company, to ensure our processes keep us competitive, ensure we can attract the best people, and effectively contribute to aligning performance and effort to our key business objectives.

Employees

We all recognise Cochlear has a diverse global workforce focused on our business and on transforming the lives of people with hearing loss. We employ some 2,800 people from over 75 nationalities, and we operate in 20 different countries. Their knowledge, expertise and passion are key to our future and their focus on delivering excellence for our customers are an important part of our success and our market leadership position.

The Board thanks all our employees for their outstanding efforts.

Dividend

Consistent with our results the Board has declared a final dividend of \$1.00 per share, franked to 100%. This brings the full year dividend to \$1.90 which is consistent with our broad payout guidance of approximately 70% of net profit after tax (NPAT).

The Future

Cochlear operates in a complex global environment with growing competitive pressure. In F15, we made steady progress and now have a strong product portfolio across most geographies.

We are focused on improving our global marketing messages, to drive improved sales performance in all aspects of the business, including cochlear implant and bone conduction/acoustic sales, upgrade sales and services generally.

Clearly the emerging wireless message is important over the next three years. We are pleased with the progress in the Baha business, and with our new products becoming iPhone compatible. This capability is important for the cochlear implant business and we are focused on our new products incorporating these features to the full extent possible as soon as is practical. This involves many considerations including a strong and ongoing relationship with GN ReSound. We are committed to this relationship that should be positive for us both and our customers.

Given our longer term objectives we will continue to invest to grow the market, we expended targeted funds in F15, and will repeat that into F16 and beyond, to support total market growth.

We are committed to continuing to spend in the area of design and development; we see this as another long-term commitment to support our future. Over the coming years we will increase our focus on how we spend those funds and make continued effort to ensure there is sound commercial returns from the total business as a result. This should reinforce our position as market leader, and that is our clear goal.

Finally, we are not inclined to the provision of earnings guidance but we are well aware of the wide range of differing views expressed by the analyst community. In consideration of the current CEO succession process, the wide variance in external analyst opinions, and the volatile currency environment, we have decided to give guidance for F16.

The incoming CEO has committed to the F16 guidance and will make his first public appearance as CEO/President at the Annual General Meeting in October 2015. He will be available after that for normal meetings with analysts and shareholders, as has been past practice.

The guidance for F16 is for continued steady progress with a NPAT range of \$165 million to \$175 million at FX rates of USD/AUD of approximately 75 cents.



Rick Holliday-Smith Chairman



CEO/President's Letter to Shareholders

F15 was a year of sales momentum driven by the ongoing roll-out of new products supported by market growth activities. Sales momentum started in F14 with the launch of important new products across all product categories. More regulatory approvals were received in F15, continuing the global product roll-out.

Full year sales revenue increased 15% to \$941.9 million. In constant currency terms (i.e. restating F14 at F15 foreign exchange rates), sales revenue was up 10%. Full year cochlear implant unit sales were up 3% to 26,838. Cochlear implant unit growth was stronger in developed countries, for example Western Europe up 7% and North America up 15%. This was offset by weaker cochlear implant unit tender sales in developing countries. Full year bone conduction/acoustic implant sales of \$115.1 million were up 15% (up 9% in constant currency).

Net profit after tax of \$145.8 million increased 56% from F14 (increased 33% excluding the patent dispute provision cost in F14).

Net cash generated from operating and investing activities was \$160.3 million in F15, up from \$79.5 million in F14.

Net debt fell by \$40.8 million (23%) to be \$140.5 million at 30 June 2015. This was after the payment of \$123.8 million in dividends during F15.

New products

In the Nucleus cochlear implant (CI) category, we released SmartSound iQ pre-processing technology for Nucleus 6 in the United States, where it has been received very positively. The Aqua+ water accessory was released in Europe, opening up a whole new world of water related activities for CI recipients. This product had previously been released in the US. Nucleus 6 True Wireless was introduced, delivering true wireless freedom to recipients to explore high quality digital audio streaming without the need for wires and bulky components. Towards the end of F15, the Nucleus 6 System was made available to a limited number of Nucleus 22 recipients. These are our earliest recipients. This product will be more generally available in F16, demonstrating our ongoing commitment to giving earlier implant recipients access to the latest technologies.

The Cochlear Nucleus Profile implant with the Contour Advance® electrode continued its global roll-out and was joined by the Cochlear Nucleus Profile implant with Slim Straight electrode. We also started clinical investigations of the Cochlear Nucleus Profile implant with Slim Modiolar electrode, the thinnest perimodiolar electrode array ever developed.

In the Baha bone conduction implant category, we released the Baha 5 Sound Processor, the smallest bone conduction sound processor on the market and the industry's first Made for iPhone sound processor. This was supported by the introduction of the Baha 5 Smart App for iPhone, providing users with easy control of the Baha 5 Sound Processor and a way to personalise their hearing experience. The choice provided by both Baha Attract and Baha Connect system has proved successful.

In the acoustic implant space, the Carina® and Codacs™ implants continued providing excellent clinical outcomes.

Market growth activities

In F15, Cochlear continued building on market growth initiatives. Expanding implant criteria, for example the hybrid indication, has been particularly important in the US. Much progress has been made on new digital based tools for new clinical models, improving efficiency for clinicians, empowering patients and engaging referring professionals. Other activities include social media, awareness and education websites, our own company website, dedicated online portals servicing recipients and our professional partners and our easy to use online store.

Total shareholder return

At the heart of Cochlear is the promise of 'Hear now. And always' – which encompasses our commitment to connect people with hearing loss to a world of sound, and our lifelong partnership with them. It means that our day-to-day business requires balancing short and long-term considerations.

Total shareholder return (TSR) is a key management metric and three year TSR is one of the performance measures for management's long-term incentive program (specifically TSR relative to the S&P/ASX 100). Three year TSR to 30 June 2015 was 42%, which placed Cochlear 56th out of the S&P/ASX 100 companies.

Thank you

This is my last letter to you, Cochlear shareholders. Thank you for your support over more than 11 years and your ongoing dedication to Cochlear helping people hear.

I would also like to thank Cochlear's management team and Board of Directors for their support and commitment to our mission. They are wonderful people.

It has been a special privilege to interact with so many talented healthcare professionals globally. Thank you for your inspiration.

I hand over to Chris Smith as part of a well-planned succession, something that is critical to our success and sustainability. Also, it is that long-term sustainability that is so important to you, Cochlear shareholders, and to our recipients.



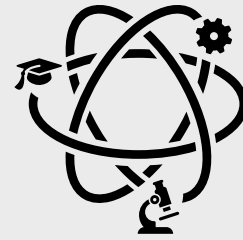
Dr Chris Roberts CEO/President



Environment, Social and Governance (ESG)



Supporting environment awareness activities



Engaging with universities and research groups

Cochlear's approach to ESG is central to the Company's commitment to excellence. Everything we do to deliver quality, innovative products and services reflects the importance we place on ESG.

In this section of the Annual Report, we highlight some of the activities and initiatives Cochlear is involved in, especially in regard to the environment and social issues.

Strict legal compliance and high performance on environmental, privacy and safety issues are also integral to our culture. For more information on our Governance reporting, see our Corporate Governance Statement 2015 on page 18.

We know that our products and performance are reflective of the quality of our people. We seek the best people and support them to be successful in their work. We are proud of our environmental and governance record as well as our social contribution.

At Cochlear, we follow a global Code of Business Conduct, which helps us best serve our recipients and ensure we can deliver a lifetime of great hearing.

Environmental awareness

Cochlear is committed to improving the lives of its recipients, driving technologic innovation within the medical device industry, and in doing so, promoting best practice business principles.

Property footprint

Cochlear seeks to ensure that all of our offices reflect responsible environmental practice. As we open new offices, we make sure they use environmentally sustainable materials and operate to good construction practice.

Cochlear Limited global headquarters

The Company's global headquarters in Sydney, which also houses our Asia Pacific regional headquarters, was awarded a 4 Star Green Star rating by the Green Building Council of Australia, confirming good practice in environmentally sustainable design/construction of the building.

The building achieved a rating equivalent to a 5 star NABERS rating¹ (carbon emissions associated with electricity and gas consumption are 270% better than those for an "average performance" building). This high rating was achieved through a high efficiency façade design, energy efficient lighting and an innovative air conditioning system.

Water efficient fittings and fixtures have been used throughout the building. The building reuses rainwater that is collected from the roof and is stored in underground reuse tanks. The tanks have a capacity of 350 cubic metres. The water is filtered and then used to supply all the toilets and the cooling towers within the building and used to irrigate the landscape outside.

The waste recycling systems in place at the Sydney headquarters include:

- commingle recycle waste collection in all breakout and kitchen areas, collecting approximately 20 tonnes a year;
- paper recycling collection at workstations and utility areas;
- cardboard compactus;
- battery recycle collection, collecting approximately 225 kilograms of waste a year;
- e-waste recycle collection, collecting approximately 600 kilograms of waste a year;
- fluorescent tube recycling, collecting approximately 280 kilograms of waste a year; and
- 240 litre capacity security paper destruction bins, collecting approximately 180 bins a year.

To maximise office recycling, for instance with batteries, toner cartridges and used IT equipment, instructions are provided to employees as well as clear stations for materials to be collected.

To encourage cycling to work and reduce the use of cars, Cochlear provides 160 bicycle parking spaces as well as showers and lockers.

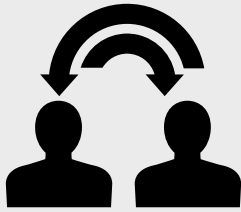
Cochlear's Procurement Policy states the principle of sustainable procurement, which requires the consideration of economic, social and environmental impacts when acquiring goods or services. Strategies, where appropriate, are adopted to avoid unnecessary consumption. Sustainably procured goods and services must:

- be fit for purpose and meet the end users' needs; and
- maximise economic benefits and represent value for money through the consideration of whole of life costs and quality.

Consideration where appropriate is given to energy usage, emissions, water usage, resource use, waste generation, recyclability, toxicity, biodiversity, land use, social responsibility, economic viability, innovation and health and safety.

1. NABERS (National Australian Built Environment Rating System) is a national rating scheme managed by the NSW Government in Australia.

Environment, Social and Governance (ESG)



Encouraging participation
in national debate



Increasing global
awareness of hearing loss

Cochlear Bone Anchored Solutions headquarters

Extensive efforts are made in Cochlear Bone Anchored Solutions' headquarters in Mölnlycke, Sweden, to reduce electricity use and waste.

Cochlear Bone Anchored Solutions works with Sweden's leading competence company in recycling and environmental, Ragn-Sells, to ensure best environmental practice. This involves a commitment to continuously improve waste separation and make sure that whenever possible waste products are reused, recycled or used for energy recovery before being disposed of.

Waste sorting includes for:

- combustibles;
- office and confidential paper;
- corrugated paper;
- metallic packaging;
- shrink and stretch film;
- glass;
- sharps;
- electronics;
- small batteries;
- light bulbs;
- wood;
- mixed waste (metal, wood);
- dangerous goods (chemicals); and
- toners.

A focus is also placed on our supply chain so that all transport is conducted in an environmentally safe and efficient manner.

Cochlear Americas headquarters

Cochlear's regional headquarters in Denver, US, runs an extensive ongoing program to boost environmental sustainability and ensure compliance with the requirements of local authorities. Some of these activities include:

- installation of sink fixture aerators in the rest rooms that reduce water consumption by 30%*;
- single source recycling in all kitchens, break rooms and printer stations to keep an estimated 15 tonnes of waste out of landfill*;
- use of a cardboard compactor for all used boxes, which produces approximately 2 to 3 tonnes per month*; recycling of all fluorescent bulbs (per United States Environmental Protection Agency mandate), totalling approximately half a tonne per year*; and
- recycling all used or out of date batteries and e-waste, totalling approximately 2 tonnes per year*.

* Estimates only.

The office has locker rooms with shower facilities to allow individuals to cycle to work or exercise during off hours.

Cochlear Europe, Middle East and Africa (EMEA) headquarters

Two key initiatives have been undertaken to promote environmental sustainability in our EMEA headquarters in Basel, Switzerland. These include:

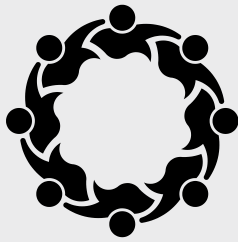
- a new agreement with an energy provider to use power from renewable energy sources; and
- office-wide education programs to reduce workspace and IT energy usage.

Manufacturing

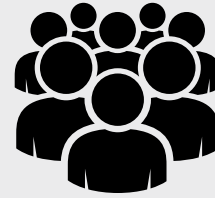
As a manufacturer of medical devices, Cochlear actively manages all inputs and outputs to promote environmental best practice.

Cochlear holds environmental licences governing generation and control of waste and pollution in Australia. Cochlear retains or recycles nearly all of its waste product material from manufacturing in Australia.

Cochlear employs the 'lean' philosophy in its manufacturing process, which is a systematic method for the elimination of waste. This enables Cochlear to reduce overproduction, reprocessing and defects, and increase recycling and paperless operation documentation. Redesigned packaging and flexible printing have also reduced packaging waste.



Supporting employee participation in community fundraising and activities



Educating visitors to headquarters with facility tours

Social support

Supporting the tertiary education sector

Being a knowledge based organisation, Cochlear strongly supports and engages with the tertiary education sector.

Adjacent to Cochlear's global headquarters at Macquarie University is the Australian Hearing Hub building. The Hub brings together over 2,000 people, across a range of disciplines, dedicated to promoting hearing health.

The Cochlear Clinical Skills Institute, a world-class surgical training centre in the Australian Hearing Hub, was recently opened and Cochlear's Australian and New Zealand sales office has moved there to be close to key customers.

Cochlear engages with Macquarie University across a range of other activities, including staff lecturing at the University and the provision of internship opportunities for students.

Cochlear has research agreements and arrangements with over 100 external research partners around the world. Cochlear's support is focused on increasing the understanding and treatment of hearing loss.

Cochlear is a core member of the HEARing Cooperative Research Centre based in Australia, which combines academic, business and government interests to further understanding and development of technologies for diagnosis and remediation of hearing loss. Since 2007, 38 students have engaged in postgraduate doctoral studies in hearing related topics under this scheme.

Supporting the community

The Cochlear Foundation was established in 2007 to promote community leadership and the awareness of, and research into, treatments for hearing loss. Support has been provided for many projects including STELR (Science and Technology Education Leveraging Relevance), an initiative to advance Science, Technology, Engineering and Mathematics (STEM) education. An initiative of the Australian Academy of Technological Sciences and Engineering, STELR shows students that STEM subjects are relevant to their lives, encourages participation in them at school and provides career profiles for those studying the subjects.

In F15, the Cochlear Foundation also supported other Australian educational awareness activities as well as charity events and clinical research associated with the treatment of hearing loss.

Cochlear supports its employees' participation in community fundraising and corporate sporting activities through sponsoring or supporting its employees in a number of activities. In Europe, community activities were supported in several countries in F15 through team involvement and financial help.

In the United States, Cochlear continues its support of several non-profit hearing loss organisations including the Hearing Loss Association of America, AG Bell, Ear Community, Songs for Sound and the American Cochlear Implant Alliance. During the year, scholarships were awarded to eight gifted students in the US who have overcome hearing loss and achieved academic and personal success. Cochlear has awarded more than US\$504,000 in scholarships to 72 college students in the US since 2002.

Supporting employees

Cochlear supports its global team by providing a safe and healthy work environment. This includes numerous workplace health and safety activities as well as support for healthy living and access to a range of health services.

More information can be found in the Our People section of this Annual Report.

Industry and advocacy

Many of Cochlear's professional staff are involved in helping relevant research and community programs in their regions, partnering with academic, industry and health professionals to assist Cochlear recipients and the institutions that support them. This is particularly relevant in developing countries. Employees who are engaged in eligible community service activities are granted time off to perform their required duties.

Cochlear encourages executives to participate in forums and bodies that advance Australia's competitiveness and the promotion of innovation and technology. Cochlear CEO/President, Chris Roberts, is a member of the Business Council of Australia; New South Wales Innovation and Productivity Council; the University of Technology Sydney Vice-Chancellor's Industry Advisory Board; the University of New South Wales (UNSW) Faculty of Medicine Advisory Council; Monash Industry Council of Advisers (MICA); and Board of Governors of the Centenary Institute of Cancer Medicine and Cell Biology.

Outside Australia, Cochlear's representation in the medical device industry includes membership of the Japan Association of Medical Devices.

No contributions to political parties were made in F15.



Introducing Cochlear Global Hearing Ambassador



Offering tiered products in developing markets

Hearing loss awareness

Hearing loss is a global public health issue and Cochlear is engaged in raising awareness of it and the relevant treatments available to address it.

In Australia and New Zealand, Cochlear sponsored the Power of Speech public speaking competition for deaf children to challenge the common perceptions of what a deaf child can achieve. Cochlear has also set up and works closely with the Cochlear Awareness Network of volunteers who connect candidates in the community and offer support.

In March, Cochlear supported 'Disable the Hearing Disability: Our Future', a workshop in Auckland, New Zealand, for adult recipients and hearing health professionals to share insights and discuss hearing loss treatment and access to implantable hearing technologies.

Every August in Australia is Hearing Awareness Week, which Cochlear supports to drive awareness of hearing loss, especially amongst senior citizens.

In F15, retired Australian cricketer, Brett Lee, became the first Cochlear Global Hearing Ambassador to help increase international public awareness of hearing loss and the solution of a cochlear implant. Cochlear also supported the Australian feature film, *unIndian*, which stars Brett Lee alongside international actress Tannishtha Chatterjee. Some scenes of *unIndian* were filmed at Cochlear's global headquarters in Sydney, featuring Cochlear implant recipients.

Cochlear makes an effort to educate visitors to its headquarters by giving tours of the facility and providing information about the significant medical, social and economic impacts of hearing loss. Plans are underway for a new hi-tech, interactive tour to enhance this experience.

In February, Cochlear Americas held its bi-annual Celebration event in Florida for its Nucleus and Baha implant recipients. The two day event, attended by over 1,000 recipients, included various social and educational activities to bring the Cochlear recipient community together and share information and advice to improve their hearing experience.

Cochlear Americas teamed up with the Hearing Loss Association of America in May (Better Speech and Hearing Month) to urge television viewers across several US states to get their hearing checked and to promote Cochlear products. The team also had a booth at a health fair at Scott Air Force Base, Illinois, to encourage people to protect their ears and highlight the need for regular hearing tests.

On International Ear Care Day in March, comprehensive education activities also took place in Benelux, Poland, Ukraine, Russia and Lebanon. During the year, Cochlear in the Middle East hosted 10 successful patient and awareness events for candidates and recipients.

Access to healthcare

Cochlear sells its products in over 100 countries. Cochlear provides, particularly in emerging markets, support to professionals in the healthcare area. We facilitate partnering of surgeons and supporting education of local professionals. Part of enabling access to our products in developing markets is our ability to provide tiered products to suit the needs and financial ability of customers.

Governance

Cochlear's key corporate governance principles and practices are outlined in the Corporate Governance Statement 2015 included within this Annual Report.

Our People

Cochlear has a highly dedicated, passionate team of approximately 2,800 people across 20 countries, all focused on delivering the very best hearing outcomes for our recipients.

Being a global medical technology company, Cochlear has a team made up of a diverse range of disciplines, nationalities and working styles. Our people strategies focus on engaging everyone to help us to deliver better technologies for our recipients and future growth for the Company.

Talent strategy

Cochlear places great emphasis on attracting and retaining the best people. Our work is interesting and challenging and there are numerous opportunities for development within a growing business. Most important though is a common, shared passion for helping people around the world with hearing loss. We have a high level of engagement built on our shared goals to improve the experience we provide our recipients.

We continued to be an employer of choice in F15, attracting over 13,500 applications for just approximately 250 permanent positions globally. The Company maintains high staff retention levels with global voluntary turnover at 8.0% and for Cochlear in Australia at 6.3% in F15.

In F15, the Company continued to focus on developing the capabilities of our workforce by promoting from within and providing employees with opportunities to build their careers. Over the year, internal candidates filled 25% of positions available and 13% of our workforce made applications for internal roles. The number of employees moving across departments to broaden their experience also increased in F15.

Cochlear continued to develop a strong talent pipeline to support future growth, employing 20 engineering summer students as well as five exceptional engineering graduates. Cochlear also hired employees into new and specialised skill areas to support key global customer experience projects.

Cochlear retains a highly skilled and flexible workforce in our manufacturing department by enabling continuous improvement and regular employee consultation. Our Employee Consultative Committee provides valuable monthly representation from across Cochlear's manufacturing operations.

Ongoing learning

In F15, Cochlear continued to build and enhance both individual and organisational capabilities by investing in effective and engaging employee development programs. New programs and resources were offered to empower employees to progress their own career development. This includes a focus on building the skills of People Managers to better support their teams through short, targeted skill-building sessions that can be easily applied in their work.

Cochlear continued to build leadership capability amongst its global executive team with 28 Cochlear executives completing the Leading Innovative Change program delivered by University of California, Berkeley and the Leading Strategic Growth program delivered by the Columbia Business School. Cochlear Academy, the Company's learning management system continues to provide employees with

access to an expanding range of learning programs through different media, including over 3,500 online video based courses. Cochlear's Manufacturing Academy supported the delivery of training and skill-building processes in our manufacturing environment.

Diversity

Cochlear continues to encourage diversity across the business in order to support our leadership and innovation strategies. Employees at the Company's Australian offices represent 75 different nationalities with approximately 80% of our workforce being born outside Australia.

Forty nine percent of our global workforce and 39% of our managers globally (29% in Australia) are women. In our professional workforce (including Principals, Senior Professionals and Professionals), 49% are women. Of the new permanent employees recruited globally in F15, 49% were women.

Cochlear promoted diversity in its workforce during F15 through numerous initiatives including support for Women in Leadership programs aimed at developing the pipeline of female leaders at Cochlear and talent planning. We consider gender and STEM talent needs in all human resources process design and monitor outcomes to continuously improve our employee value proposition. The Company also minimises any potential sources of bias in areas like selection, promotion and performance management.

Health and safety

Employee health and safety are a priority for Cochlear. During F15, new safety performance measures and reporting capabilities were implemented in our Australian operations to strengthen the monitoring of safety prevention activities and injury management. We are currently implementing a new enterprise risk management technology solution that will provide a platform for improved monitoring globally.

Cochlear continued to focus on improving capabilities in key risk areas (e.g. chemical management and ergonomic risk management). Early intervention during injury management has helped drive down the total compensation costs for workplace falls over the past three years.

A variety of health and wellbeing initiatives were offered to employees during F15 including provision of flu vaccinations, access to an employee assist program, discounted gym membership, mental health awareness campaigns and support for stopping smoking.

In F15, Cochlear supported various employee sports and wellness activities including running and sports instruction, fun runs, cycling events, football and tennis tournaments, step challenges and sports psychology sessions.

Innovation for Life

Cochlear innovates and brings to market a range of products and services that deliver a lifetime of hearing. Over the past five years, the Company has invested more than \$600 million in global R&D activities. In F15, Cochlear's total R&D investment was \$128 million, which was 13.8% of total revenue.



reddot award

Baha 5 Red Dot Award



Aqua+ Good Design Award

The Company employs more than 300 specialists in its design and development department from a range of technical disciplines. These teams are based in Australia, Belgium, Sweden and the United States. Cochlear also works with over 100 external research partners based in 20 countries.

Cochlear's technology teams around the world continue to develop solutions to drive better hearing performance outcomes, improved lifestyle solutions and expanded indications for candidates for and recipients of Cochlear's products. Research spans scientific research, new technology developments and new product developments. This includes work on Cochlear's sound processing algorithms, electrode technology, totally invisible hearing implants, wireless connectivity, biology research and the continued expansion of Cochlear's portfolio of implantable hearing devices.

Cochlear also continues to expand its offering of clinical care tools that support professionals with a growing set of options to manage their customers, including cloud based connection technologies.

Highlights during F15 included:

- market introduction of Cochlear Nucleus 6 True Wireless products;
- FDA approval for the advanced Nucleus 6 SmartSound iQ pre-processing technology;
- roll-out of Cochlear Nucleus Profile implant with Contour Advance® electrode, including regulatory approval and roll-out in the US;
- market introduction of the Cochlear Nucleus Profile implant with Slim Straight electrode in Europe, Australia and other countries – FDA approval received in June 2015 for release July 2015;
- regulatory approval and market introduction of Cochlear Nucleus Aqua+ in Europe, the second generation behind-the-ear fully reusable waterproof accessory, with further roll-out in the US following approval in F14;
- start of clinical investigation of Cochlear Nucleus Profile implant with Slim Modiolar electrode, the thinnest perimodiolar electrode array with 60% less volume compared to the Contour Advance electrode;
- continued expanded treatment indication for the US market to those with "ski-slope" hearing loss using Hybrid Hearing introduced in F14;
- market introduction of Baha 5 Sound Processor, the smallest Baha sound processor on the market and the first Made for iPhone sound processor in the implantable space;

- market introduction of Baha 5 Smart App for iPhone, providing users with easy control of the Baha 5 Sound Processor and ability to personalise their hearing experience;
- market introduction of Baha Fitting Software 5.0. Built on a totally new platform, the Baha Fitting Software 5.0 is designed to make bone conduction fittings easier and faster than ever before;
- market introduction of new Baha Attract Sound Processor magnets and colour covers designed for maximum discretion; and
- continued market roll-out of Codacs™ and Carina® acoustic implants in Europe and Latin America.

Manufacturing and supply chain operations

Cochlear sells into more than 100 countries, making its supply chain truly global. Components are sourced across Europe, Asia and the Americas. Manufacturing operations are primarily located in Australia and Sweden, with smaller sites in Belgium and the US. Suppliers and the manufacturing sites are aligned to enable the Company to deliver products of the highest quality and reliability. The structure and execution of the supply chain play an important part in our productivity drive as well as for the introduction of new products. Over 900 people are currently employed in Cochlear's manufacturing facilities around the world. The Company's manufacturing strategy is to make sure that capacity production methods deliver the highest quality products to meet demand whilst at the same time improving operational efficiency. To achieve this, Cochlear adopts continuous improvement programs, which incorporate lean manufacturing principles and ongoing investment in new manufacturing technologies. These programs are designed to deliver the capacity, flexibility and productivity to meet our customer requirements.

Non-military use

Other than where our products are used by military personnel, Cochlear produces or contributes to no products or services designed or used for military purposes.

Quality management system

Cochlear has implemented a quality management system to ensure the quality of its products and services. This system is regularly assessed by external regulators. Certificates include (but are not limited to): ISO 13485, ISO 9001, Medical Device Directive and Active Implantable Medical Device Directive.

Device approvals

Medical devices must be approved by relevant regulatory authorities. At present, Cochlear (or an affiliate or distributor/representative) has the necessary licences and approvals to enable the marketing of each product in the jurisdictions in which the product is marketed. Ongoing approvals are regularly being sought for new products in a variety of jurisdictions.

Intellectual property

The creation and protection of our intellectual property remain a key strategic imperative for the business. Cochlear currently holds over 1,100 patents and patent applications globally, and filed many new patent applications in F15.

Board of Directors

1. Mr Rick Holliday-Smith

Age 65. BA (Hons), FAICD, CA
Appointed 1 March 2005.
Ten years' service.

Director of Servcorp Limited since 1999. Director of ASX Limited since 2006 and Chairman since March 2012. Former Chairman of Snowy Hydro Limited (not publicly listed) 2006 – 2012 and SFE Corporation Limited since 1999 until it merged with ASX Limited in 2006. Former director of St George Bank Limited (2007 – 2008), Exco Resources NL (1999 – 2006), DCA Group Limited (2004 – 2006) and MIA Group Limited (2000 – 2004). Former President of NationsBank-CRT, Chicago and Managing Director of Hong Kong Bank Limited, London.

Chairman of the Board of Directors and Nomination Committee. Member of the Audit Committee and Human Resources Committee.

2. Dr Chris G Roberts

CEO/President

Age 61. BE (Hons), MBA, PhD, Hon DSc (Macq), Hon DSc (UNSW), FAICD, FTSE, FIEAust
Appointed 1 February 2004.
Eleven years' service.

Chief Executive Officer/ President of Cochlear Limited. Director of ResMed Inc. Dr Roberts has worked in the medical device industry for more than 39 years in a number of senior management positions.

Member of the Medical Science Committee and Technology and Innovation Committee.

3. Mrs Yasmin Allen

Age 51. BCom, FAICD

Appointed 2 August 2010.
Five years' service.

Director of Insurance Australia Group Limited (IAG) since 2004 and member of IAG Audit Committee, People and Remuneration Committee and Risk Committee. Director of

Santos Limited and member of the Santos Environment, Safety and Sustainability Committee and member of the Santos Audit Committee. Director of ASX Limited and member of ASX Audit Committee and member of ASX Clearing and Settlement Board.

National director of the Australian Institute of Company Directors since 2010 and director of National Portrait Gallery since 2013. Member of the George Institute for Global Health Board. Former member of The Salvation Army Advisory Board. Former Chair of Macquarie Specialised Asset Management. Former Vice President of Deutsche Bank AG, Director of ANZ Investment Bank and Associate Director, HSBC London.

Chairman of the Audit Committee. Member of the Human Resources Committee and Nomination Committee.

4. Mr Glen Boreham, AM

Age 50. BEc, FAICD

Appointed 1 January 2015.
Less than one year's service.

Director of Southern Cross Austereo since 2014 and Data#3 Limited since 2011. Chairman of Advance since 2012 and the Industry Advisory Board for the University of Technology, Sydney, since 2010. Former (and inaugural) Chairman of Screen Australia (2008 – 2014). Former Managing Director of IBM Australia and New Zealand (2006 – 2010).

Chairman of the Human Resources Committee. Member of the Nomination Committee.

5. Prof Edward Byrne, AC

Age 63. DSc, MD, MBA, FRCP, FRACP, FTSE

Appointed 1 July 2002.
Thirteen years' service.

President and Principal of King's College London since 1 September 2014. Former Deputy Chairman of Group

of Eight Vice Chancellors, Australia, and Chairman of Global Foundation. Former director of Bupa Group Board, London and Bupa Australia Pty Limited. Former Vice Chancellor of Monash University (June 2009 – August 2014).

Former executive Dean of the Faculty of Biomedical Sciences, Vice Provost and Head of the Medical School at University College London. Former Dean of Faculty of Medicine, Nursing and Health Sciences at Monash University, Melbourne (2003 – 2006).

Chairman of the Medical Science Committee. Member of the Nomination Committee and Technology and Innovation Committee.

6. Ms Alison Deans

Age 47. BA, MBA, GAICD

Appointed 1 January 2015.
Less than one year's service.

Director of Westpac Banking Corporation since 2014, IAG since 2013 and kikki.K Holdings Pty Limited. Former Chief Executive Officer of the technology based investment company Netus Pty Limited (2006 – 2013), Hoyts Cinemas (2003 – 2004), eCorp Limited (2000 – 2003) and eBay Australia and New Zealand (1999 – 2000).

Member of the Nomination Committee and Technology and Innovation Committee.

7. Mr Andrew Denver

Age 66. BSc (Hons), MBA, FAICD

Appointed 1 February 2007.
Eight years' service.

Chairman of Universal Biosensor Pty Limited since 2005 (director since 2002) and SpeeDx Pty Limited since 2009. Director of Vaxxas Pty Limited since 2012. Former director of Principals Cornerstone Management Pty Limited. Former Managing Director of Memtec Limited and President Asia for Pall Corporation.

Chairman of the Technology and Innovation Committee. Member of the Audit Committee, Medical Science Committee and Nomination Committee.

8. Mr Donal P O'Dwyer

Age 62. BE Civil, MBA

Appointed 1 August 2005.
Ten years' service.

Chairman of Atcor Medical since 2004 and a director of Mesoblast Limited since 2004 and Fisher & Paykel Healthcare Limited since 2012. Former director of Sunshine Heart Inc (2004 – 2013). Former Worldwide President of Cordis Cardiology (Johnson & Johnson medical device business unit) between 2000 and 2004.

Member of the Audit Committee, Medical Science Committee, Nomination Committee and Technology and Innovation Committee.

9. Mr Paul R Bell

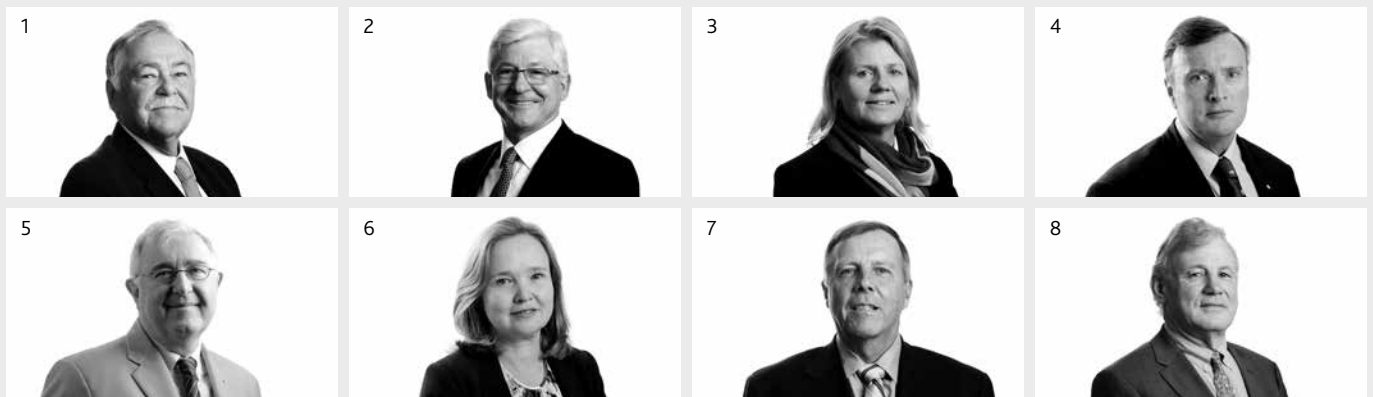
Age 69. BA, MBA (Hons)

Appointed 1 August 2005.
Nine years' service.
Retired from this position with effect from 17 October 2014.

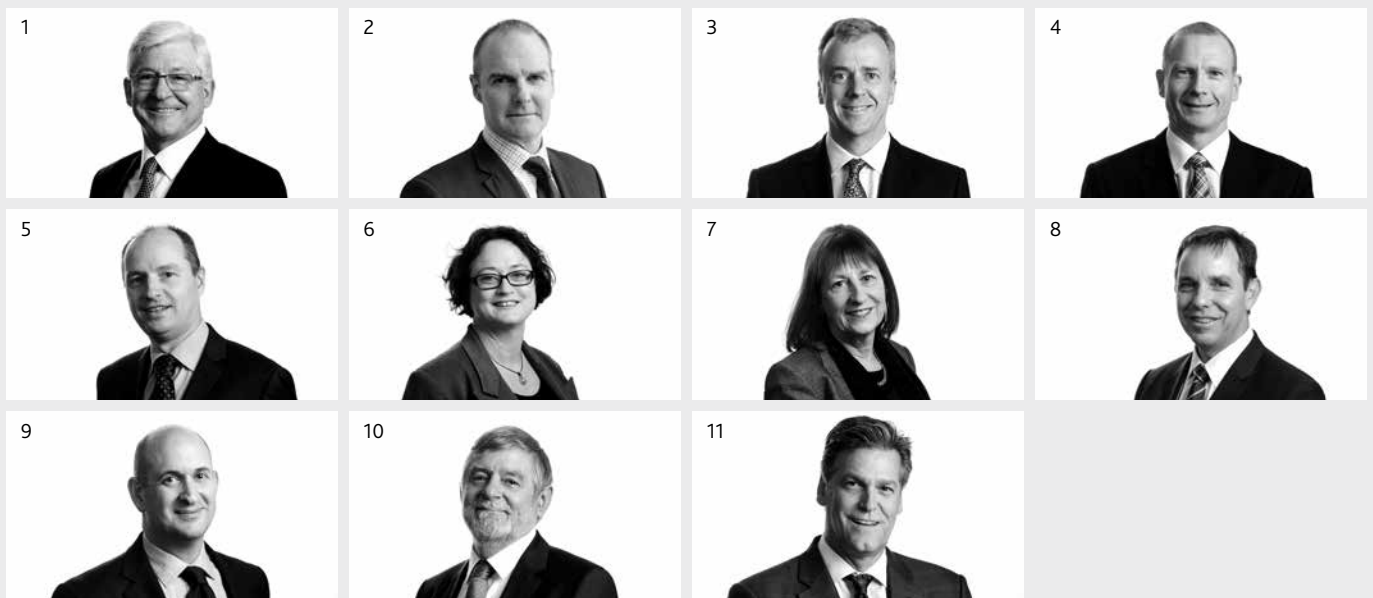
Director of Westmead Millennium Institute for Medical Research. Former director of Biota Holdings Limited (2006 – 2013) and Bio-Link Partners Limited (2005 – 2009). Extensive executive career spanning over 30 years with the international pharmaceutical company, Merck & Co Inc (Managing Director – Australia, 1988 – 1997; President of the Asia Pacific Human Health Division, 1997 – 2002).

Former Chairman of the Human Resources Committee. Former member of the Nomination Committee.

Board of Directors



Senior Executive Team



1. Dr Chris Roberts

CEO/President

See "Board of Directors" on page 15.

2. Greg Bodkin

Senior Vice President, Manufacturing and Logistics

BE (Hons), MComm

Greg is responsible for the development and execution of the strategic direction for the Cochlear supply chain.

He leads the global supply chain team, which is responsible for the manufacture of all Cochlear products, with the introduction of new products from R&D into commercial production and the strategic sourcing of direct and

indirect goods and services that support Cochlear's operations.

Greg joined Cochlear in 2007 with 20 years' prior experience in supply chain and operations management positions across industrial equipment manufacturing and financial services industries in Australia.

3. Richard Brook

President, European, Middle East and African Regions

BSc Management, MBA

Richard is responsible for the development and execution of the strategic direction for all our operations in Europe, Middle East, Africa (EMEA) and Latin America. This includes sales in over 60 countries.

Operations in EMEA and Latin America include sales, marketing, distribution, service, finance, clinical, regulatory and administration across these complex and diverse regions.

Before joining Cochlear in 2003, Richard held senior roles in Guidant Corporation and Alaris Medical Systems. He has over 20 years' experience in the medical device industry.

4. Dig Howitt

President, Asia Pacific Region

BE (Hons), MBA

Dig is responsible for the development and execution of the strategic direction for all our operations in Australia, Asia and the South Pacific.

This high potential region has complex regulatory sales and marketing drivers which require coordination of sales, marketing, third party distribution, regulatory and clinical infrastructure development activities. Dig joined Cochlear in 2000 as Engineering Manager in R&D. In 2002, he was promoted to Senior Vice President, Manufacturing and Logistics. In 2014, Dig was appointed President, Asia Pacific Region.

Prior to joining Cochlear, Dig had gained general management experience at Boral and Sunstate Cement, as well as being a consultant for Boston Consulting Group.

Senior Executive Team — continued

5. Jan Janssen

*Senior Vice President,
Design and Development,
Clinical and Regulatory*

MScEE

Jan leads a team of over 300 highly qualified engineers and scientists who implement the R&D strategy. This includes responsibility for identifying and developing cutting-edge technologies and commercial products.

Jan joined Cochlear in 2000 as head of the Cochlear Technology Centre based in Belgium, having previously worked with Philips Electronics where he was involved in R&D in the fields of high technology electronics and cochlear implants. Jan was promoted to Senior Vice President, Design and Development in 2005. Since August 2013, Jan has also had responsibility for Clinical and Regulatory.

6. Amanda Lampe

*Senior Vice President,
Global Marketing and
Corporate Affairs*

BPE, GAICD

Amanda has responsibility for brand, product marketing and communications, customer experience, marketing technology and corporate and public affairs.

Before joining Cochlear in 2014, Amanda was Group Executive for Corporate Affairs and Government Relations

for ASX Limited. She has previously worked at the most senior advisory levels for the Australian and New South Wales Governments.

7. Anne-Marie Leslie

*Senior Vice President,
Human Resources*

BA (Hons), EMHRL

Anne-Marie is responsible for global human resources management. Her focus is on building people strategies to develop organisation capabilities that support the business.

She has both broad and deep experience in this area working in local, regional and global human resources management roles, with Bristol-Myers Squibb and Kodak in the US and Asia. Her background includes expertise in quality management at Kodak where she led efforts to win the Australian Quality Prize. She has also worked as a Business Excellence Awards Evaluator in Australia and the US.

8. Neville Mitchell

*Chief Financial Officer and
Company Secretary*

BComm, CA (SA), CA

Neville is responsible for accounting, corporate finance, treasury and audit, together with investor relations, company secretarial and the corporate legal functions at Cochlear.

He joined the Company in 1990 and has been Chief Financial Officer since listing in 1995. He is a Director of Osprey Medical Inc., President of the Group of 100 and a member of the Board of Taxation.

9. David Morris

Chief Strategy Officer

BBus, BAppSc

David is responsible for the development and execution of the global business strategy. David was appointed as Chief Strategy Officer in 2011, having served as President, Cochlear Bone Anchored Solutions since 2005. He joined the Company in 2002 as Senior Vice President, Business Development.

Prior to joining Cochlear, he worked with Accenture in strategy and operational consulting, and has extensive international and Australian experience in the healthcare, consumer products, utilities and financial services industries.

10. Prof Jim Patrick, AO

*Senior Vice President,
Chief Scientist*

DEng, MSc, FTSE, FIEAust, CPE

Jim is responsible for a global portfolio of research projects that feed into the commercial development stream. One of the original researchers involved with the cochlear implant program in Melbourne

from 1975, Jim has worked in a number of senior managerial positions at Cochlear since its inception in 1981. Jim is an Associate Professor at the Department of Otolaryngology at The University of Melbourne and Adjunct Professor at La Trobe University and Macquarie University.

11. Chris Smith

*President,
Americas Region*

BSc

Chris is responsible for the development and execution of the strategic direction for our operations in North America. Operations include sales, marketing, distribution, service, finance, regulatory and administration. Chris is also responsible for Cochlear Bone Anchored Solutions and Global Support Operations.

He joined Cochlear in 2004, after more than 25 years' experience in the medical device industry specifically and healthcare in general in the US including Warburg Pincus, and as Group President for Cyrus Group (ENT and Surgical divisions).

12. Mark Salmon

*Former President,
Asia Pacific Region*

MBA (Executive)

Mark retired from his position with effect on 29 September 2014.

Corporate Governance Statement 2015

Cochlear Limited (Cochlear or the Company) is committed to ensuring that its policies and practices reflect good corporate governance and that there is compliance with all corporate governance requirements applicable to Australian listed companies. This Corporate Governance Statement is current as at 10 August 2015. This Corporate Governance Statement was approved by the Board of directors of Cochlear (Board) on 10 August 2015.

In this Corporate Governance Statement, Cochlear sets out the key governance principles and practices of Cochlear and reports against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition), March 2014 (Guidelines). A checklist of the recommendations made in the Guidelines is set out at the end of this statement. References to recommendations in the Guidelines are made throughout this statement in order to indicate how Cochlear follows the recommendations. All policies and terms of reference referred to in this statement are published on the Company's website, www.cochlear.com, in the Corporate Governance section, unless stated otherwise. The Corporate Governance section is located in the Investor Centre area of the Company's website (Rec 6.1). The Investor Centre is found under the Investors tab on the website home page. Cochlear's corporate governance policies and procedures are reviewed on a regular basis and are updated where appropriate.

Principle 1: Lay solid foundations for management and oversight

There is a clear distinction between the role and responsibilities of the Board and the role and responsibilities of the Company's Chief Executive Officer (CEO)/President and his senior executive team (Rec 1.1). The balance of responsibilities between the Board and the executives is reviewed on a regular basis so as to ensure that the division of functions remains appropriate to the needs of the Company.

The Board is responsible to Cochlear's shareholders and other stakeholders for the Company's overall business performance. The Board's prime objectives are to improve shareholder returns and to achieve disciplined and sustainable growth. The Board operates under a Board Charter that details its functions and the matters specifically reserved to it for decision (Rec 1.1). The Board Charter is published in the Corporate Governance section of the Cochlear website. The Board is responsible for setting Cochlear's strategic objectives and for monitoring management's performance and implementation of the strategy. The Board also provides input into management's development of corporate strategy and performance objectives. The Board appoints and removes the CEO/President, oversees succession plans and approves the accounts, budgets, Risk Management Policy (including internal control and compliance), Code of Business Conduct and major capital management and expenditure decisions.

The CEO/President is responsible for the implementation of Cochlear's strategic objectives and operating within the risk appetite set by the Board and for all other aspects of the day-to-day running of Cochlear (Rec 1.1). The CEO/President is assisted by the senior executive team. The CEO/President is accountable to the Board for all authority delegated to the senior executive team. Notwithstanding these delegations by the Board, the CEO/President is expected to consult the Chairman on matters that are sensitive, extraordinary or of a strategic nature and to bring all material matters to the Board's attention. The senior executive team briefs the Board regularly so as to keep the Board up to date and to assist the directors with monitoring the results of operations. Each month,

directors receive operating reports prepared by senior management, covering each region and function. Directors also visit and inspect operations in Australia and overseas from time to time.

The Board may seek independent professional advice at the expense of Cochlear whenever the Board judges such advice to be necessary for its members to discharge their responsibilities as directors. Individual directors may also seek independent professional advice at the expense of Cochlear where the Chairman agrees (in advance) that separate representation is appropriate. All professional advisors must be suitably qualified and experienced and must be acceptable to Cochlear. No individual directors exercised this right during the year.

The policy for appointment of directors and the selection process are outlined in the Nomination Committee Terms of Reference, which are published in the Corporate Governance section of the Cochlear website. The selection process may include obtaining advice from an external consultant to assist in identifying suitable candidates who meet the required specifications. Before appointing a person as a director, Cochlear performs checks as to the person's character, experience and education (Rec 1.2). These checks may be carried out by Cochlear or by an external consultant. The Chairman separately carries out reference checks for candidates and makes appropriate enquiries in the business community (Rec 1.2).

As a part of the appointment process, prospective directors are asked to disclose existing and proposed directorships as well as any other commitments they have and to confirm that they have sufficient time to fulfil their duties as a director. These commitments are assessed by the Nomination Committee to determine whether it also considers the prospective director has adequate time to perform their duties.

The Nomination Committee regularly reviews the time required from non-executive directors. The Nomination Committee assesses the commitments of the Chairman and all other non-executive directors on an ongoing basis so as to ensure that adequate time is available to discharge Board duties. The current members of the Board are all considered to have sufficient time available to them in order to discharge their responsibilities to Cochlear. The Board's practice and expectation are that non-executive directors consult with the Chairman prior to accepting any significant new appointment.

The Company's Constitution requires that one third of the directors retire from office at the AGM each year and that no director serve longer than three years without re-election. The CEO/President is excluded from these requirements. Directors appointed by the Board during a year are required to resign at the AGM next following their appointment. Retiring directors are eligible for re-election. Mr Glen Boreham, AM, Prof Edward Byrne, AC and Ms Alison Deans will retire at the 2015 AGM and will stand for re-election at that meeting.

Cochlear provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director (Rec 1.2). This information includes biographical details, details of other material directorships and information with regard to the Board's assessment of the director's independence. The information is typically provided in the relevant notice of meeting.

Cochlear has a detailed written agreement with each director and senior executive setting out the terms of their appointment or employment (as applicable) including details of their role, responsibilities, remuneration and their disclosure/compliance obligations (Rec 1.3).

The Company Secretary advises the Board on governance matters and is accountable directly to the Board, through the Chairman of the Board, on all matters to do with the proper functioning of the Board (Rec 1.4). The Company Secretary is also Secretary of the Audit Committee, the Nomination Committee and the Technology and Innovation Committee. The Board appoints and removes the Company Secretary. Each director is able to contact the Company Secretary directly and to meet in person with the Company Secretary.

Diversity

As a global business, Cochlear is committed to providing an inclusive workplace that attracts the best employees to support the Company's growth business. The Company needs people with a diverse range of skills, expertise and diversity in terms of gender, age and ethnicity. To this end, the focus of the Company's workforce demographics objectives is to continuously build organisational capabilities to achieve Cochlear's business vision and mission.

Cochlear's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender or cultural background. As a business founded on technology leadership, the Company places a particular focus on attracting and retaining staff with science, technology, engineering and mathematical skills to drive long-term value creation in the business.

To ensure the Company meets its ongoing commitment to diversity, Cochlear has established a Diversity Policy (Rec 1.5). The Diversity Policy can be viewed in the Corporate Governance section of

the Cochlear website (Rec 1.5). The Diversity Policy sets out the following Workforce Objectives:

- grow the diversity of our workforce to reflect our business needs and the global community we serve;
- continue to implement programs that prepare women to take on senior roles within the business both in operational and specialist support areas;
- continue to implement programs to attract a diverse workforce; and
- invest in initiatives to enable our People Managers to provide an inclusive working environment to retain staff.

These Workforce Objectives are supported through annual initiatives which are approved and monitored by the Board's Human Resources Committee. These annual initiatives include initiatives with measurable objectives for achieving gender diversity (Rec 1.5). The outcomes of all annual initiatives are assessed as part of the annual workforce demographics review by the Human Resources Committee (Rec 1.5). A summary of the F15 annual initiatives to implement Cochlear's Workforce Objectives, together with the progress achieved for each initiative, is set out below in Table 1 (Rec 1.5).

Table 1: F15 Annual Initiatives and Progress

| Workforce Objectives | Annual Initiative and Progress |
|---|--|
| Grow the diversity of our workforce to reflect our business needs and the global community we serve | <p>Science, Technology, Engineering and Mathematics (STEM)</p> <p>As a technology company, Cochlear needs to attract and maintain key skills for innovation in STEM areas. 63% of senior employees at Cochlear (Band 1 and their direct reports in Australia) have a STEM qualification and need this in order to perform their role.</p> <p>Increase the representation of women in the workforce</p> <p>49% of Cochlear's total permanent full-time workforce is female. 32% of Senior Executive roles (Bands 1–3) are filled by females.</p> <p>In F15:</p> <ul style="list-style-type: none"> • females made up 27% of all recorded job applications (note: around 4% of candidates opt not to disclose their gender); • 17% of permanent new hires at Band 2 level were female; • 43% of permanent new hires at Band 3 level were female; • 50% of permanent new hires at Band 4 level were female; and • 55% of permanent new hires at Band 5 level were female. <p>Overall, of 294 permanent and fixed term staff recruited (globally) in F15, 48.5% were female, a slight decrease on the prior year in which 50% were female.</p> <p>Global diversity</p> <p>As a global business, Cochlear's workforce is ethnically diverse with staff from 75 nationalities working in the Company's domestic offices. The top 4 most highly represented nationalities in the Cochlear workforce are: Australia: 24.2%, China: 12.2%, Philippines: 9.0% and Vietnam: 8.8%.</p> <p>In the past year, Cochlear has recruited from around the globe. The Company also recruits people with hearing impairment to ensure that customers' needs are understood.</p> <p>This diversity enriches Cochlear's business and helps the Company create an inclusive culture that attracts and retains the best talent. Cochlear's global annualised voluntary turnover is 8.0% and is 6.3% in Australia. These rates are very competitive for a medical device business.</p> |

Corporate Governance Statement 2015

Table 1: F15 Annual Initiatives and Progress — continued

| Workforce Objectives | Annual Initiative and Progress |
|--|--|
| Grow the diversity of our workforce to reflect our business needs and the global community we serve | <p>Human resource process design</p> <p>Cochlear considers diversity (particularly gender and STEM talent needs) in all human resource process design and measures and monitors outcomes to continuously improve delivery of value to employees and minimise any potential sources of bias in attraction, selection, promotion, development, performance management and remuneration. Monitoring Cochlear's processes helps to ensure equity and in F15, for example, the performance rating distribution by gender was virtually indistinguishable between males and females. In F15, Cochlear joined the Diversity Council Australia to ensure we can leverage best practice across Australia in supporting a diverse workplace.</p> |
| Continue to implement programs that prepare women to take on senior roles within the business both in operational and specialist support areas | <p>Human capital planning for executive roles</p> <p>Cochlear's talent planning ensures it has female staff being developed across the strategic capabilities we need to execute our strategy and they are part of the talent pools so that they are prepared for key roles for the Company's business.</p> <p>Development programs</p> <p>Cochlear maintains a range of Leadership development programs and has been recognised by the Australian HR Awards for its Learning and Development Strategy. Cochlear has also been recognised by the Corporate Executive Board as best practice for its efforts to support the development of female leaders with the "Leadership Presence" program for high performers. In F15, 7 females participated in the program.</p> <p>Department leadership initiative and Women in Leadership network</p> <p>Support and sponsorship for development of women for senior roles are provided through department manager support for key external events and programs for individuals and internally through the Women in Leadership network. In F15, there were 9 events held (compared to 5 in F14) and approximately 55 participants attended each event.</p> |
| Continue to implement programs to attract a diverse workforce | <p>Promotion of science and engineering careers</p> <p>During F15, Cochlear promoted science and engineering careers in a variety of functions and activities but most notably by becoming the sponsor of the Cochlear Engineering Autumn School with Engineers Australia Sydney Division and hosting a group of visiting students from the National Youth Science Forum. Cochlear also supports Science 50:50 and actively participated in the Women in Science Symposium. Cochlear promoted careers programs at universities in Queensland, New South Wales and Victoria.</p> <p>Building of Cochlear's graduate pipeline</p> <p>Cochlear has continuously invested in graduate recruitment to build engineering leaders of the future. Since 2006, Cochlear has operated a formal graduate development program to ensure the Company attracts the top talent from Australian universities, so as to build a pipeline of people for product development, manufacturing and quality roles within the business. Students complete an internship during their penultimate year of study. Students who complete the Summer Internship Program become eligible to apply for a place on the Graduate Engineering Program. During F15, the Summer Internship Program attracted over 400 applicants. Out of these applicants, 7 females and 13 males were accepted into the internship program which ran from December 2014 to February 2015. The F15 Graduate Engineering Program started in February 2015 and attracted 11 applicants for 5 places. One of these places was filled by a female applicant. Cochlear looks forward to welcoming 5 female and 5 male engineers to the graduate program commencing in February 2016.</p> <p>External promotion of science and engineering employment opportunities</p> <p>During F15, Cochlear contributed to the community by actively promoting opportunities for science and engineering employment by:</p> <ul style="list-style-type: none"> • sponsoring the Cochlear Autumn School of Engineering with Engineers Australia Sydney Division; • promoting the Cochlear Engineering Summer Student Program at all universities in Australia; • producing a range of videos that show what makes working for Cochlear special and why people should study science and engineering; • joining First10, the leading provider of careers information to 98% of school careers advisors across Australia; and • being included in the inaugural publication of The Australian Top 100 Graduate Employers. |
| Invest in initiatives to enable our People Managers to provide an inclusive working environment to retain staff | <p>Leadership development</p> <p>Cochlear continues to deploy learning tools and interventions that support its leaders in building a culture that supports diversity and inclusion. Over the past year, females represented 40% of participants in Cochlear's People Manager Leadership Development programs. The Company has also engaged in a major learning initiative for Cochlear's Senior Leaders focused on innovation and strategy, with 32 Senior Leaders participating in the program of which 14 were female.</p> <p>Cochlear currently has 56 people in the Manager of Managers pathway, and 245 in the People Manager learning pathway to ensure ongoing self-directed learning to support world-class leadership for a competitive and changing world.</p> |

Cochlear is a "relevant employer" under the *Workplace Gender Equality Act 2012* ("WGEA"). Cochlear's most recent Gender Equality Indicators (as defined in and published under the WGEA) are set out

below in Table 2 (Rec 1.5). It should be noted that this data covers Australian based staff only and does not represent Cochlear's global workforce.

Table 2: Cochlear's Gender Equality Indicators

| Workforce Gender Profile | Cochlear Limited - 31 March 2015 (Source: Cochlear WGEA submission) | | | | | | | | | | | |
|-----------------------------------|---|------------|-----------------------|-----------|-------------------|------------|-------------------|----------|------------|------------|------------|------------|
| | Permanent Full-Time | | % Permanent Part-Time | | % Contract/Casual | | % Total Employees | | | | | |
| | Female | Male | Female | Female | Male | Female | Female | Male | Female | Female | Male | Female |
| CEO/President | 0 | 1 | 0% | 0 | 0 | 0% | 0 | 0 | 0% | 0 | 1 | 0% |
| Other key management personnel | 0 | 3 | 0% | 0 | 0 | 0% | 0 | 0 | 0% | 0 | 3 | 0% |
| Other executives/general managers | 2 | 3 | 40% | 0 | 0 | 0% | 0 | 0 | 0% | 2 | 3 | 40% |
| Senior managers | 6 | 24 | 20% | 1 | 1 | 50% | 0 | 0 | 0% | 7 | 25 | 22% |
| Other managers | 45 | 108 | 29% | 4 | 2 | 67% | 0 | 0 | 0% | 49 | 110 | 31% |
| Sales | 7 | 2 | 78% | 2 | 1 | 67% | 0 | 0 | 0% | 9 | 3 | 75% |
| Professionals | 163 | 277 | 37% | 33 | 9 | 79% | 8 | 4 | 67% | 204 | 290 | 41% |
| Technicians and trade | 4 | 43 | 9% | 0 | 1 | 0% | 0 | 0 | 0% | 4 | 44 | 8% |
| Clerical and administrative | 32 | 6 | 84% | 11 | 0 | 100% | 6 | 3 | 67% | 49 | 9 | 84% |
| Machinery operators and drivers | 346 | 239 | 59% | 2 | 0 | 100% | 1 | 0 | 100% | 349 | 239 | 59% |
| Total Australia | 605 | 706 | 46% | 53 | 14 | 79% | 15 | 7 | 68% | 673 | 727 | 48% |

The performance of the Board, committees, individual directors and senior executives is evaluated in accordance with the Performance Evaluation Process Overview (Recs 1.6 and 1.7). The Performance Evaluation Process Overview is published in the Corporate Governance section of the Cochlear website (Recs 1.6 and 1.7).

The Nomination Committee is responsible for the review of the Board's performance. The procedure involves the discussion of the objectives of the Board at the start of the relevant period and then assessing the outcomes at the end of the period. The Chairman assesses the performance of individual directors in accordance with a process agreed with the members of the Nomination Committee. The Chairman undertakes individual interviews and questionnaires and subsequently holds evaluations with each individual director as to their performance. The performance of the Board and individual directors is evaluated at least every two years, with the most recent reviews being undertaken during the reporting period in July 2014 (Rec 1.6). The key findings of these reviews were then discussed at the Nomination Committee meeting held in July 2014. Each committee of the Board annually reviews its performance and makes recommendations to the Board for improving the effectiveness of the committee.

All employees, including the senior executive team, participate in biannual performance reviews, where achievement of key goals is discussed and assessed and future goals are agreed upon. A performance evaluation for all members of the senior executive team took place during the reporting period and was carried out in accordance with the process disclosed in this statement and the Performance Evaluation Process Overview (Rec 1.7). The Chairman of the Board facilitates the performance evaluation of the CEO/President with ultimate oversight by the Board.

Principle 2: Structure the board to add value

Composition of the Board

The Board comprises seven non-executive directors (including the Chairman) and one executive director, the CEO/President. The full Board meets for at least eight scheduled meetings each year. Other meetings are called as and when necessary. A summary of meeting attendance (including committee meeting attendance) for F15 is set out in the Directors' Report at page 33 (Recs 2.1, 4.1, 7.1 and 8.1). At each Board meeting, the non-executive directors meet for a period without management or any executive directors present (Rec 2.4). Throughout the year, the Board has regular scheduled discussions on the various aspects of the Company's strategy.

Board committees

The Board has established five permanent committees to assist in the execution of its responsibilities. Each committee reports to the Board. Each committee has terms of reference under which authority is delegated to it from the Board. The terms of reference for each committee can be viewed in the Corporate Governance section of the Cochlear website.

Committee meeting agendas, papers and minutes are made available to all members of the Board. The Chair of each committee is free to use whatever resources they consider necessary to discharge the committee's responsibilities. The number of committee meetings held during the year and the attendance at these meetings by committee members are set out in the Directors' Report at page 33 (Recs 2.1, 4.1, 7.1 and 8.1). With the exception of the Medical Science Committee and the Technology and Innovation Committee, all committees are comprised entirely of independent non-executive directors. Executive director Dr Chris Roberts is a member of the Medical Science Committee and the Technology and Innovation Committee.

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Details in relation to each committee including as to composition and role are set out below:

Audit Committee (Rec 4.1)

The Audit Committee meets at least four times a year. The Audit Committee consists entirely of independent non-executive directors (Recs 4.1 and 7.1). Mrs Yasmin Allen chairs the committee with the other members being Mr Andrew Denver, the Chairman of the Board Mr Rick Holliday-Smith and Mr Donal O'Dwyer (Recs 4.1 and 7.1). Mrs Yasmin Allen is an independent director and is not the chair of the Board (Recs 4.1 and 7.1). The Board considers that the Audit Committee is of a sufficient size and independence and possesses sufficient technical expertise to discharge its mandate effectively. An assessment of the technical expertise of the committee's members occurs on an annual basis. The external and internal auditors, the CEO/President and the Chief Financial Officer (CFO) and other executives are invited to the meetings at the discretion of the committee. At each Audit Committee meeting they attend, the external auditor reports on the outcome of their audit and other work. The Audit Committee meets with the external auditor in the absence of members of management at every meeting that the external auditor attends. The Audit Committee members' relevant qualifications and experience are set out in their respective biographies on page 15 (Recs 4.1 and 7.1). The Audit Committee Terms of Reference set out the committee's role and responsibilities, composition, structure and membership requirements. The Audit Committee Terms of Reference can be viewed in the Corporate Governance section of the Cochlear website (Recs 4.1 and 7.1).

The principal role of the Audit Committee is to advise and assist the Board in relation to the reporting of financial information and management of risk. In particular, the Audit Committee assists the Board in ensuring that the Company maintains appropriate accounting and reporting practices, maintains an independent external audit process and maintains effective risk management and internal control systems.

Cochlear's processes relating to financial reporting are outlined below at Principle 4: Safeguard integrity in corporate reporting. Cochlear's processes relating to risk management and internal control are outlined below at Principle 7: Recognise and manage risk.

Human Resources Committee (Rec 8.1)

The Human Resources Committee meets at least three times a year. Mr Glen Boreham, AM chairs the committee with the other members being Mrs Yasmin Allen and the Chairman of the Board Mr Rick Holliday-Smith (Rec 8.1). Mr Glen Boreham, AM is an independent director (Rec 8.1). All members of the Human Resources Committee are independent non-executive directors (Rec 8.1). As the need arises, the CEO/President, CFO, Senior Vice President, Human Resources and other executives are invited to meetings at the discretion of the committee.

The Human Resources Committee Terms of Reference set out the committee's role and responsibilities, composition, structure and membership requirements. The Human Resources Committee Terms of Reference can be viewed in the Corporate Governance section of the Cochlear website (Rec 8.1).

The Human Resources Committee's responsibilities include making recommendations to the Board in relation to the amounts and composition of remuneration for the CEO/President and other members of the senior executive team. This includes long-term performance requirements and incentives. Remuneration levels are set at competitive levels to attract and retain qualified and experienced staff. Independent advice is taken on the appropriateness of remuneration packages. The Human Resources Committee considers and, if thought fit, approves any agreement for independent advice before it is entered into. This includes any remuneration consultancy contract (within the meaning of the *Corporations Act 2001* (Corporations Act)). To the extent that any remuneration recommendation (for the purpose of the Corporations Act) is made by a remuneration consultant, an appropriate disclosure is made in the Remuneration Report as required by the Corporations Act.

The Human Resources Committee's role also includes responsibility for making recommendations to the Board in relation to remuneration for the Chairman and other non-executive directors. The committee approves the Cochlear remuneration, recruitment, retention, incentive and termination policies and practices as well as superannuation arrangements. In addition, the Human Resources Committee makes recommendations to the Board for the purpose of the Cochlear Executive Incentive Plan (CEIP).

The Human Resources Committee's role encompasses responsibility for the Cochlear Diversity Policy including the implementation and monitoring of the policy. Further information on Cochlear's Diversity Policy can be found above at Principle 1: Lay solid foundations for management and oversight.

The Human Resources Committee is authorised to seek any information it requires from internal resources and to take independent professional advice as it considers necessary.

Further details on Cochlear's remuneration policies and the principles upon which they are based are set out below at Principle 8: Remunerate fairly and responsibly and in the Remuneration Report at pages 41 to 65 (Rec 8.1).

Nomination Committee (Rec 2.1)

The Nomination Committee is chaired by the Chairman of the Board Mr Rick Holliday-Smith, who is an independent director. The other members of the Nomination Committee are Mrs Yasmin Allen, Mr Glen Boreham, AM, Prof Edward Byrne, AC, Ms Alison Deans, Mr Andrew Denver and Mr Donal O'Dwyer (Rec 2.1). The Nomination Committee is comprised entirely of independent non-executive directors (Rec 2.1). The Nomination Committee Terms of Reference require a separate chair who is an independent director to be appointed when the committee is dealing with the appointment of a successor to the Chairman of the Board.

The Nomination Committee's role is to assist the directors in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of a director. The Nomination Committee also establishes processes for the identification of suitable candidates for appointment to the Board and oversees succession planning for the Board and the CEO/President.

The Nomination Committee Terms of Reference set out the committee's role and responsibilities, composition, structure and membership requirements. The Nomination Committee Terms of Reference can be viewed in the Corporate Governance section of the Cochlear website (Rec 2.1). The Nomination Committee Terms of Reference include a description of the procedure for the selection and appointment of new directors and the criteria used to determine director independence.

Medical Science Committee

Prof Edward Byrne, AC chairs the Medical Science Committee with the other members being Mr Andrew Denver, Mr Donal O'Dwyer and Dr Chris Roberts (Rec 7.1). Prof Edward Byrne, AC is an independent director (Rec 7.1). The committee may invite any Cochlear executive to attend its meetings at its discretion. A majority of the members of the Medical Science Committee are independent non-executive directors (Rec 7.1).

The Medical Science Committee Terms of Reference set out the committee's role and responsibilities, composition, structure and membership requirements. The terms of reference provide for the Medical Science Committee to meet on an "as needs" basis, but at least twice each year. The Medical Science Committee Terms of Reference can be viewed in the Corporate Governance section of the Cochlear website (Rec 7.1).

The Medical Science Committee considers any matters relating to the medical aspects of Cochlear's businesses and related technologies. This includes monitoring risk management and

internal controls with respect to medical risks associated with the Company's activities. In this regard, the Medical Science Committee liaises with and provides input to the Audit Committee for the purpose of the Audit Committee's reviews of the Company's Risk Management Framework (as defined below at Principle 7: Recognise and manage risk). The Medical Science Committee also keeps a watching brief on developments in relevant medical fields and the findings of independent medical experts. The Medical Science Committee has provided oversight and guidance in relation to the recall of the unimplanted Nucleus CI500 Series implants. The committee closely monitored developments for quality and regulatory implications.

Technology and Innovation Committee

The Technology and Innovation Committee is chaired by Mr Andrew Denver with the other members being Prof Edward Byrne, AC, Ms Alison Deans, Mr Donal O'Dwyer and Dr Chris Roberts (Rec 7.1). Mr Andrew Denver is an independent director (Rec 7.1). With the exception of Dr Chris Roberts, all members of the Technology and Innovation Committee are independent non-executive directors (Rec 7.1). Executives of the Company are invited to meetings at the discretion of the committee.

The Technology and Innovation Committee Terms of Reference set out the committee's role and responsibilities, composition, structure and membership requirements. The Technology and Innovation Committee Terms of Reference can be viewed in the Corporate Governance section of the Cochlear website (Rec 7.1). The committee oversees the strategic direction of the Company's technology research and product development programs with an emphasis on priority and resource allocation in line with the Company's agreed corporate strategy. The Technology and Innovation Committee also monitors risk management and internal control systems with respect to risks associated with the technology and research and development aspects of Cochlear's business. In this regard, the Technology and Innovation Committee liaises with and provides input to the Audit Committee for the purpose of the Audit Committee's reviews of the Company's Risk Management Framework.

Skills Matrix

The mix of skills and diversity that the Board is looking to achieve in its membership is set out in the Board Skills Matrix below (Rec 2.2). The Nomination Committee considers that the members of the Board possess the necessary skills, knowledge and experience to allow the Board to perform its duties appropriately. Information relating to the experience and qualifications of the directors is set out in their respective biographies on page 15.

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| Skills and experience The Board currently comprises 7 non-executive directors and 1 executive director. | Board (8 directors) | Audit Committee (4 directors) | Medical Science Committee (4 directors) | Nomination Committee (7 directors) | Human Resources Committee (3 directors) | Technology and Innovation Committee (5 directors) |
|--|-----------------------------------|---|---|--|---|---|
| Executive leadership/ strategic thinking capabilities Sustainable success in business at a very senior executive level in a successful career. Track record of developing and implementing successful strategy and profit and loss outcomes. Excellent judgement and communication skills. | 8 | 4 | 4 | 7 | 3 | 5 |
| Global experience Board, senior management or equivalent experience in multiple global locations, exposed to a range of political, cultural, regulatory and business environments. | 8 | 4 | 4 | 7 | 3 | 5 |
| Governance Commitment to the highest standards of governance including experience with a major organisation that is subject to rigorous governance standards. Ability/willingness to probe management in the context of the board acting collegiately in constructive debate. | 8 | 4 | 4 | 7 | 3 | 5 |
| Financial acumen Board, senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls. | 8 | 4 | 4 | 7 | 3 | 5 |
| Human resources Board remuneration committee membership or management experience in relation to remuneration, including incentive programs and pensions/superannuation and the legislation and contractual framework governing remuneration. An ability to assess the effectiveness of senior management for succession and talent planning. Experience related to workplace health and safety, environmental and social responsibility and community. | 8 | 4 | 4 | 7 | 3 | 5 |
| Technology and digital expertise Ability to generate innovative and fresh forward thinking and ideas. Board, senior executive or equivalent experience in development and commercialisation of technology, innovation processes and/or digital businesses. | 8 | 4 | 4 | 7 | 3 | 5 |
| Public and regulatory policy Experience in public and regulatory policy, including how it affects corporations and implications for product development and commercialisation. | 5 | 2 | 2 | 4 | 3 | 2 |

The Nomination Committee's role includes annually reviewing the mix of skills, knowledge and expertise (by reference to the Board Skills Matrix), personal qualities, ability to exercise independent judgement and diversity required to discharge the Board's duties and making recommendations in relation to same. The Nomination Committee also recommends to the Chairman ways in which the skills, experience and expertise levels of existing directors can be enhanced through learning and continuing professional development.

Independence

A director of Cochlear is only characterised as an "Independent" director if he or she is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Cochlear and its security holders generally. The Nomination Committee Terms of Reference outline how Cochlear determines the independence of directors. The matters to be considered include the factors set out in Box 2.3 in the Guidelines.

The Nomination Committee has assessed the independence of the non-executive directors in light of their interests and relationships and considers that all of the non-executive directors are independent (Rec 2.3). Ms Alison Deans is an independent non-executive director of Westpac Banking Corporation. Westpac Banking Corporation is Cochlear's principal banker and provider of debt finance. The Board does not consider that Ms Deans' position compromises her independence because, as an independent non-executive director, she is not involved in any commercial decisions at a business level.

The Board believes arbitrary limits on tenure may cause loss of experience and expertise that are important to the efficient and effective working of the Board. The Board does not believe that any non-executive directors have served on the Board for a period that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of the relevant director's judgement. The length of service of each director is disclosed at page 15 (Rec 2.3). Currently, no director has served longer than 14 years on the Board. The longest serving director is Prof Edward Byrne, AC who was appointed in 2002. The Board does not believe that Prof Edward Byrne, AC's length of tenure compromises his independence. At all times whilst he has been a director of Cochlear, Prof Edward Byrne, AC has also held other high profile positions and appointments at a management and/or board level.

Except as set out above, none of the non-executive directors has any interest, position, association or relationship of the type described in Box 2.3 in the Guidelines. With the exception of the CEO/President, all directors on the Board are independent directors (Rec 2.4).

The Nomination Committee assesses the independence of the non-executive directors at least annually, in light of the interests, positions, associations and relationships disclosed by the directors

(Rec 2.3). Independence is reassessed as soon as practicable after the Nomination Committee becomes aware of any change in the interests, positions, associations and relationships of a non-executive director. Any loss of independence by a non-executive director will immediately be disclosed to the market. Non-executive directors are required to notify the Chairman of the Board of any change in their interests, positions, associations and relationships. The total number of shares in the Company owned by non-executive directors is 28,000. This is considered immaterial.

The Chair

The Chairman of the Board Mr Rick Holliday-Smith is responsible for leading the Board in the performance of its duties. The role of the Chairman includes facilitating the effective contribution of all directors and promoting communication and respectful relations between directors and between the Board and management. Cochlear's Chairman is also responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. Mr Rick Holliday-Smith is an independent non-executive director (Rec 2.5). Mr Rick Holliday-Smith is not and has not previously been the CEO of the Company (Rec 2.5).

New non-executive directors are provided with an induction program (Rec 2.6). The program includes the provision of a briefing pack, online and face-to-face product training, one-on-one meetings with the CEO/President and other members of the senior executive team and visits to key functional areas. Directors participate in continuous improvement and education programs from time to time, as considered appropriate (Rec 2.6). From time to time, the Board receives updates from the Company's professional advisors on developments and changes to accounting standards and the ASX Listing Rules. The Nomination Committee also recommends to the Chairman ways in which the skills, experience and expertise levels of existing directors can be enhanced through learning and continuing professional development.

Principle 3: Act ethically and responsibly

All Cochlear personnel, including the directors and the senior executive team, are expected to act with integrity and at all times to seek to enhance the reputation and performance of Cochlear. Cochlear's values are enunciated in the Code of Business Conduct and are reflected in Cochlear's mission statement and strategic plan (Rec 3.1).

The Code of Business Conduct is the most important document issued by the Company. The Code of Business Conduct guides the directors, the senior executive team and all employees as to how to act in order to protect the Company's reputation for integrity. The Code of Business Conduct requires adherence to high standards of honesty, integrity and fairness in all conduct relating to Cochlear and its products. The Code of Business Conduct includes standards relating to safe work environments, respect for the law, anti-corruption, confidentiality, trade practices as well as other compliance issues.

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Cochlear is committed to conducting operations in every country where the Company does business, in full compliance with each country's laws (including the laws against bribery and corruption). If any local laws or regional Cochlear policies/codes set higher standards than those in the Code of Business Conduct, the higher standards apply. Both the Code of Business Conduct and the Cochlear Anti-Bribery Policy prohibit bribery and other corrupt practices. The Anti-Bribery Policy provides more detailed guidance as to what constitutes a bribe and the responsibilities of Cochlear employees, representatives and business partners in relation to the prevention of bribery.

There are clear avenues for reporting suspected potential breaches of either the Code of Business Conduct or the Anti-Bribery Policy. The Company has a Whistleblower Policy to ensure that allegations relating to improper conduct can be reported and investigated on a confidential basis. The Whistleblower Policy is an internal document and is not available on the Cochlear website.

The Code of Business Conduct and the Anti-Bribery Policy can be viewed in the Corporate Governance section of the Cochlear website (Rec 3.1).

With effect from 1 August 2013, the *Physician Payments Sunshine Act* (Sunshine Act) requires medical device and pharmaceutical companies operating in the United States of America to track and publicly report payments and transfers of value provided to physicians and teaching hospitals in the USA. The Centers for Medicare & Medicaid Services has been tasked with overseeing the Sunshine Act in the USA and has called it the Open Payments Program. As part of this program, Cochlear is required to submit annual data on payments and other transfers of value made to physicians and teaching hospitals, unless otherwise excluded under applicable law. The majority of Cochlear's Open Payments transactions have been in the Research category, consistent with Cochlear's efforts to lead the industry in research and development. Cochlear maintains an enterprise-wide tracking and reporting process to ensure compliance with regulatory requirements.

The Company has documented policies on equal opportunity, occupational health and safety and standards of workplace behaviour, which are communicated to employees at the time of employment. These policies are reinforced by continuous performance management and employee training programs. These policies are internal documents and are not available on the Cochlear website.

Directors and the senior executive team are subject to the Non-Executive Directors and Executives Share Ownership Guideline. This document provides direction as to minimum levels of shareholdings for directors and the senior executive team. The Non-Executive Directors and Executives Share Ownership Guideline is an internal document and is not available on the Cochlear website; however, compliance with the guideline is disclosed in the Remuneration Report. The document seeks to further align the interests of the directors and the senior executive team with the interests of Cochlear's shareholders.

All directors, senior executives and employees are subject to Cochlear's Trading Policy. Consistent with the Corporations Act, directors, senior executives and employees are prohibited by the Trading Policy from dealing in the Company's securities whilst in possession of "inside information". Subject to certain limited exceptions, the Trading Policy prohibits "Designated Persons" (which includes the Company's key management personnel and certain other persons) from dealing in Cochlear securities outside of set trading windows. During the trading windows, Designated Persons must still seek "no objection" from the Company prior to trading in Cochlear securities. Employees who are not Designated Persons are not restricted to dealing within the trading windows. However, in order to mitigate the risk of inadvertently trading whilst in possession of inside information, the Trading Policy suggests that employees trade in the Company's securities only during the trading windows. Employees are encouraged to seek guidance from the Company Secretary or Group General Counsel if they have questions about the policy.

Compliance with the Trading Policy is monitored. The Audit Committee receives a report at each of its meetings regarding trading in the Company's securities by any non-executive director, the CEO/President or any other members of the senior executive team. Share dealings by directors are promptly notified to the ASX in accordance with the ASX Listing Rules.

Executives who are granted equity based awards under the CEIP are provided with details of the Trading Policy and the trading windows as well as guidelines on what constitutes insider trading. The Trading Policy can be viewed in the Corporate Governance section of the Cochlear website.

Principle 4: Safeguard integrity in corporate reporting

The directors are committed to the preparation of financial statements that comply with Australian Accounting Standards and present a true and fair view of the Company financial performance and position in respect of or as at the end of the relevant financial period.

Cochlear has established accounting and financial control policies and procedures and these are monitored by the Audit Committee (Rec 4.1). Detail relating to the Audit Committee's role, composition, terms of reference, meetings and attendance can be found above at Principle 2: Structure the board to add value.

The Audit Committee approves any material new accounting policies or material changes to existing accounting policies. The Audit Committee provides a link between the external auditor and the Board. The Audit Committee monitors compliance with statutory requirements in relation to the audit process and ensures that the half year review and annual audit are conducted in an effective manner. The Audit Committee is responsible for appointing, evaluating and dismissing the external auditor, setting the external auditor's fees and ensuring that the external auditor reports to the Audit Committee and the Board. The Audit Committee reviews the performance and objectives of the external auditor on an annual basis.

Cochlear is committed to auditor independence. The Cochlear audit engagement partner must rotate every five years, with the last rotation occurring in August 2013. The Audit Committee reviews any matters relating to the independence of the external auditor. All non-audit services provided by the Company's external audit firm must be approved or ratified by the Audit Committee.

Cochlear has a highly structured six monthly reporting process, culminating in Board sign-off and release of financial results to the market. Before the Board approves the Company's financial statements for a half year or full year, the CEO/President, CFO and Group Financial Controller provide a written statement to the Board that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with Australian Accounting Standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively (Rec 4.2).

As required by the Corporations Act, Cochlear's external auditor attends each AGM and is available to answer questions about the conduct of the audit and the preparation and content of the Audit Report (Rec 4.3).

Cochlear seeks to ensure that it complies fully with all other reporting requirements applicable to it. Reports, disclosures and announcements are carefully prepared and reviewed so as to ensure that they are factual, complete, balanced and clearly expressed.

Principle 5: Make timely and balanced disclosure

Cochlear is committed to effective communication with its investors so as to give them equal and timely access to accurate, balanced and understandable information.

Cochlear's Continuous Disclosure Policy and Procedures set out the Company's policies and procedures to ensure compliance with its continuous disclosure obligations and to provide accountability at a senior management level for that compliance (Rec 5.1). The Continuous Disclosure Policy and Procedures aim to ensure full and timely disclosure to the market of all material issues relating to Cochlear in a clear, factual, complete and balanced manner and to ensure all stakeholders have an equal opportunity to access that information. Amongst other things, the Continuous Disclosure Policy and Procedures address the issues of confidentiality, media contact/comment and analyst briefings. Cochlear also has a separate Media Policy dealing specifically with who may provide comment on the Company's behalf.

The Continuous Disclosure Policy and Procedures can be viewed in the Corporate Governance section of the Cochlear website (Rec 5.1). The Media Policy is an internal document and is not available on Cochlear's website.

Principle 6: Respect the rights of security holders

Cochlear's main website has an Investor Centre area which is found under the Investors tab of the home page. The Investor Centre contains a dedicated Corporate Governance section (Rec 6.1). The Corporate Governance section includes information about the directors and senior executives as well as links to the Company's Constitution, the Board Charter, each Board committee's terms of reference and all policies referred to in this Corporate Governance Statement (other than internal documents). The Cochlear website also provides links to the Company's annual reports, financial statements, ASX announcements, notices of AGM and webcasts of previous AGMs.

The shareholders of the Company play a key role in the governance of the Company. The directors recognise that shareholders must receive timely information about the Company in order to play their role effectively. The directors appreciate that the information communicated to shareholders needs to be of high quality, relevant, balanced and understandable. The Company's Shareholder Communications Policy is published in the Corporate Governance section of the Cochlear website (Recs 6.1 and 6.2). The policy aims to promote effective two-way communication with shareholders and to encourage shareholders to participate in general meetings of the Company (Rec 6.2). The principal channels of communication with the Company's shareholders are the provision of the half yearly and annual reports, periodic analyst and media briefings, the distribution of specific material covering major transactions and events, Company ASX/media announcements and the AGM. The Company continues to seek ways to improve its communications with investors and recently retained an external consultant to survey and obtain independent feedback from investors in this regard.

The Board's philosophy is to encourage full participation of shareholders at general meetings of the Company (including the AGM) to ensure a high level of accountability and identification with Cochlear's strategy and goals. The Company provides a forum to address individual shareholders' questions at each AGM (Rec 6.3). The external auditor attends the AGM and is available to answer questions about the conduct of the audit and the preparation and content of the Audit Report (Recs 4.3 and 6.3). In addition to attending the AGM in person, shareholders may view a webcast of the AGM online (Rec 6.3). Advance notice of the timing of half year and full year results announcements is provided on the Cochlear website. Copies of results presentations are made available via the Cochlear and ASX websites (Recs 6.1 and 6.3). Shareholders who are unable to attend the AGM are able to submit questions and comments to Cochlear and/or the external auditor in advance of the meeting (Rec 6.3).

Cochlear offers its shareholders the ability to receive distributed materials in either electronic or hard copy format. Cochlear's share registry is managed by Computershare Investor Services Pty Limited (Computershare). Cochlear shareholders can access standard

Corporate Governance Statement 2015

forms, check shareholding details and contact Computershare electronically. Cochlear shareholders can also register on Cochlear's website to receive all shareholder information electronically (Rec 6.4). In addition, shareholders may at any time direct questions or requests for information to the Company Secretary, the CEO/President or the Chairman (Rec 6.2). This may be done through the Cochlear website's Contact Us facility which has an Investors option in the drop down menu for the Feedback field (Rec 6.4).

Principle 7: Recognise and manage risk

Cochlear views risk management as integral to its objectives of effective management of Company assets and the creation and maintenance of shareholder value. The Board has established a Risk Management Policy. This policy provides a framework for the oversight and management on a continuing basis of the material business risks associated with Cochlear's activities (Risk Management Framework). Cochlear assesses its Risk Management Framework against the International Standard for Risk Management ISO 31000. The Risk Register puts the Risk Management Framework into effect. The Risk Register was designed and is implemented so as to provide a comprehensive risk management system which identifies, assesses and appropriately manages and monitors Cochlear's material business risks. Cochlear focuses on effective management of material business, operational, financial and legal risks. Within these categories, specific identified risks arise from matters such as actions by competitors, technological developments, government policy changes and exchange rate movements.

The Board, Audit Committee, Medical Science Committee, Technology and Innovation Committee and Risk Management Committee are together accountable for monitoring risk and implementing the Risk Management Policy.

The Board oversees the Risk Management Policy, reviews and ratifies systems of risk management and addresses specific issues escalated to it.

The Audit Committee is the principal committee of the Board responsible for overseeing risk (Rec 7.1). The Audit Committee advises the Board on risk management and reviews the Company's Risk Management Framework (at least annually) to ensure that it continues to be sound. In this regard, the Audit Committee liaises with and receives input from both the Medical Science Committee and the Technology and Innovation Committee (Rec 7.1). The Audit Committee reviewed the Risk Management Framework during F15 (Rec 7.2). The Audit Committee also reports on the status of major risks to the Company through the integrated risk management programs.

Details in relation to each of the Audit Committee, Medical Science Committee and Technology and Innovation Committee and their respective roles, composition, terms of reference, meetings and attendance can be found above at Principle 2: Structure the

board to add value. The Risk Management Policy can also be viewed at the Corporate Governance section of the Cochlear website (Rec 7.1).

Day-to-day management of the Risk Register is delegated to the Risk Management Committee (Rec 7.1). The Risk Management Committee is made up of senior executives. The Risk Management Committee reports on the effectiveness of the Company's management of its material business risks at each Audit Committee meeting, including minutes of all Risk Management Committee meetings (Rec 7.1). The Risk Management Committee is responsible for identification of areas of risk, prioritisation of these risks and adoption of cost effective strategies, where appropriate, to manage Cochlear's exposure.

The Audit Committee oversees the Company's internal audit function. The internal audit function carries out independent risk based reviews to determine the adequacy and effectiveness of key internal control, risk and governance processes. The internal audit function is structured as a global function. Internal audit personnel are based in Sydney and travel to overseas Cochlear operations in the conduct of internal audit reviews (Rec 7.3). The Audit Committee is responsible for the appointment and removal of the head internal auditor (Manager, Group Risk and Audit) and for ensuring that the internal audit function is independent from the external auditor. Whilst particular internal audit programs may be outsourced, the internal and external audit functions are separate and independent of each other. The Audit Committee reviews and approves the annual internal audit plan and monitors and reviews the overall effectiveness of the internal audit activities. All internal audit reports are reviewed by the CFO, CEO/President and the Audit Committee as a minimum. The Manager, Group Risk and Audit reports to the CFO and has unrestricted access to executive management and to the Board Audit Committee Chair. Other internal audit personnel report directly or indirectly to the Manager, Group Risk and Audit.

Prior to approving the Company's financial statements for any half year or full year, the Board receives an assurance from the CEO/President, CFO and Group Financial Controller that the declarations provided by each of them as to the integrity of the financial statements, are founded on a sound system of risk management and internal control which is operating effectively.

Cochlear currently does not have any material exposure to economic, environmental and social sustainability risks within the meaning of the Guidelines (Rec 7.4). Material business risks are disclosed in the business risks section in the Directors' Report in the Annual Report and environmental and social considerations are disclosed in the Environment, Social and Governance (ESG) section of the Annual Report.

Principle 8: Remunerate fairly and responsibly

The Board has established the Human Resources Committee to focus on appropriate remuneration policies which are designed to enhance corporate and individual performance (Rec 8.1). The Human Resources Committee Terms of Reference are published in the Corporate Governance section of the Cochlear website. Detail in relation to the role, composition, terms of reference, meetings and attendance during F15 can be found above at Principle 2: Structure the board to add value.

Cochlear's Remuneration Policy and practices are designed to attract, motivate and retain high quality people.

The Remuneration Policy is built around principles that:

- remuneration be linked to Cochlear's performance and the creation of shareholder value;
- directors' remuneration be competitive and reflect good corporate governance;
- executive and employee rewards be competitive in the markets in which Cochlear operates;
- executive and relevant employee remuneration be an appropriate balance of fixed and variable reward;
- variable remuneration for senior management be comprised of short and long-term components; and
- a significant proportion of executive and employee reward be dependent upon performance assessed against key business measures, both financial and non-financial.

Details of F15 remuneration (including retirement benefits) of the directors and specified executives are included in the Remuneration Report on pages 41 to 65. Further disclosure in relation to the remuneration philosophy is included in the Remuneration Report.

Non-executive directors' remuneration policy (Rec 8.2)

Fees for non-executive directors are based on the nature of their work and their responsibilities. In determining levels of fees, survey data on comparable companies is considered. Non-executive directors' fees are recommended by the Human Resources Committee and determined by the Board within the aggregate amount approved by shareholders at the 2011 AGM of \$2,000,000 a year.

At the 2014 AGM, the shareholders approved the payment to Prof Edward Byrne, AC of his retirement allowance upon his retirement from the Board. This approval was required to allow the Company to comply with the terms of Prof Edward Byrne, AC's appointment as a director, due to a change in law subsequent to his appointment. In this regard, the shareholders also agreed at the 2014 AGM to a temporary and one-off increase in the directors' fee pool for the purpose of permitting payment of the retirement allowance to Prof Edward Byrne, AC in the year in which he retires. The increase is only effective in the year Prof Edward Byrne, AC retires. In subsequent years, the directors' fee pool will revert to the amount applicable in the financial year prior to the year in which Prof Edward Byrne, AC retires.

The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives (Rec 8.2). Non-executive directors do not receive any options, performance rights or other performance related remuneration. All non-executive directors receive the statutory superannuation awards only. Any amounts due under the closed directors' retirement scheme have been frozen and are indexed by reference to the bank bill rate. Prof Edward Byrne, AC is the only director with any entitlement under this scheme.

Senior executives' remuneration policy (Rec 8.2)

Remuneration for Cochlear executives includes both fixed and variable incentive components. Up to and including F13, equity based executive remuneration awards were made pursuant to the Cochlear Executive Long Term Incentive Plan (CELTIP). From F14 onwards, equity based executive remuneration awards are made pursuant to the CEIP. The exercise periods for the CELTIP and CEIP are timed to coincide with the trading windows provided in the Company's Trading Policy.

It is the Company's policy that participants in the CEIP and CELTIP are not permitted to enter into transactions (whether through the use of derivatives or otherwise) to limit the economic risk of participating in these schemes (Rec 8.3). The Trading Policy and the CEIP documents include provisions to reflect this position. The Trading Policy is published in the Corporate Governance section of Cochlear's website. The CEIP documents are not published as they are internal documents.

Corporate Governance Statement 2015

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations checklist

| Number | Requirement | Followed? | Pr 2 | Structure the board to add value | |
|-------------|--|-----------|-------------|---|---|
| Pr 1 | Lay solid foundations for management and oversight | | Rec 2.1 | The board of a listed entity should: | ✓ |
| Rec 1.1 | A listed entity should disclose: <ul style="list-style-type: none"> 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. | ✓ | | a. have a nomination committee which: <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: <ol style="list-style-type: none"> 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. | |
| Rec 1.2 | A listed entity should: <ul style="list-style-type: none"> a. undertake appropriate checks before appointing a person, or putting forward to security holders a candidate 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. | ✓ | Rec 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. | ✓ |
| Rec 1.3 | A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | ✓ | Rec 2.3 | A listed entity should disclose: <ul style="list-style-type: none"> a. the names of the directors considered by the board to be independent directors; b. if a director has an interest, position, association 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, association or relationship in question and an explanation of why the board is of that opinion; and c. the length of service of each director. | ✓ |
| Rec 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. | ✓ | Rec 2.4 | A majority of the board of a listed entity should be independent directors. | ✓ |
| Rec 1.5 | A listed entity should: <ul style="list-style-type: none"> a. have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b. disclose that policy or a summary of it; and c. disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ol style="list-style-type: none"> 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2. if the entity is a "relevant employer" under the <i>Workplace Gender Equality Act</i>, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. | ✓ | Rec 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. | ✓ |
| Rec 1.6 | A listed entity should: <ul style="list-style-type: none"> a. have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | ✓ | Rec 2.6 | A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | ✓ |
| Rec 1.7 | A listed entity should: <ul style="list-style-type: none"> a. have and disclose a process for periodically evaluating the performance of its senior executives; and b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | ✓ | Pr 3 | Act ethically and responsibly | |
| | | | Rec 3.1 | A listed entity should: <ul style="list-style-type: none"> a. have a code of conduct for its directors, senior executives and employees; and b. disclose that code or a summary of it. | ✓ |
| | | | Pr 4 | Safeguard integrity in corporate reporting | |
| | | | Rec 4.1 | The board of a listed entity should: <ul style="list-style-type: none"> a. have an audit committee which: <ol style="list-style-type: none"> 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: | ✓ |

| | | |
|-------------|---|---|
| | <ul style="list-style-type: none"> 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 <p>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.</p> | |
| Rec 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. | ✓ |
| Rec 4.3 | A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. | ✓ |
| Pr 5 | Make timely and balanced disclosure | |
| Rec 5.1 | A listed entity should: <ul style="list-style-type: none"> a. have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b. disclose that policy or a summary of it. | ✓ |
| Pr 6 | Respect the rights of security holders | |
| Rec 6.1 | A listed entity should provide information about itself and its governance to investors via its website. | ✓ |
| Rec 6.2 | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | ✓ |
| Rec 6.3 | A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | ✓ |
| Rec 6.4 | A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | ✓ |
| Pr 7 | Recognise and manage risk | |
| Rec 7.1 | The board of a listed entity should: <ul style="list-style-type: none"> a. have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: <ul style="list-style-type: none"> 3. the charter of the committee; 4. the members of the committee; and | ✓ |
| | <ul style="list-style-type: none"> 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 <p>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.</p> | |
| Rec 7.2 | The board or a committee of the board should: <ul style="list-style-type: none"> a. review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b. disclose, in relation to each reporting period, whether such a review has taken place. | ✓ |
| Rec 7.3 | A listed entity should disclose: <ul style="list-style-type: none"> 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. | ✓ |
| Rec 7.4 | A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. | ✓ |
| Pr 8 | Remunerate fairly and responsibly | |
| Rec 8.1 | The board of a listed entity should: <ul style="list-style-type: none"> a. have a remuneration committee which: <ul style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: <ul style="list-style-type: none"> 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. | ✓ |
| Rec 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. | ✓ |
| Rec 8.3 | A listed entity which has an equity-based remuneration scheme should: <ul style="list-style-type: none"> 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. | |

Glossary, Key Company ASX Announcement Record and Company Information

Glossary

| | |
|---|---|
| AGM Annual General Meeting. | F15 Financial year 2015: 1 July 2014 to 30 June 2015. |
| ASIC Australian Securities & Investments Commission. | F16 Financial year 2016: 1 July 2015 to 30 June 2016. |
| ASX Australian Securities Exchange. | FDA United States Food and Drug Administration. |
| EBIT Earnings before interest and tax. | FX Foreign exchange. |
| EBITDA Earnings before interest, tax, depreciation and amortisation. | IFRS International Financial Reporting Standards. |
| EMEA Europe, Middle East and Africa. | KMP Key management personnel. |
| EPS Earnings per share. | NPAT Net profit after tax. |
| F11 Financial year 2011: 1 July 2010 to 30 June 2011. | Processor/sound processor The externally worn part of the cochlear implant. |
| F12 Financial year 2012: 1 July 2011 to 30 June 2012. | R&D Research and development. |
| F13 Financial year 2013: 1 July 2012 to 30 June 2013. | STEM Science, Technology, Engineering and Mathematics. |
| F14 Financial year 2014: 1 July 2013 to 30 June 2014. | TSR Total shareholder return. |

Key Company ASX Announcement Record

26 May 2015

Chris Smith announced as incoming CEO of Cochlear

Cochlear Limited announced that Mr Chris Smith is appointed Chief Executive Officer/ President effective 1 September 2015. Dr Chris Roberts, who has been Chief Executive Officer/ President since 1 February 2004, will step down at the end of August 2015.

21 April 2015

Judgment entered in US patent infringement case

Cochlear Limited announced, further to its 1 April announcement, that a US District Court in California has now entered Judgment in the patent infringement lawsuit by the Alfred E. Mann Foundation for Scientific Research and Advanced Bionics LLC against Cochlear Limited and its US subsidiary Cochlear Americas.

1 April 2015

Decision in US patent infringement case

Cochlear Limited announced that a Court decision has

partially overturned the jury verdict in the patent infringement lawsuit by the Alfred E. Mann Foundation for Scientific Research and Advanced Bionics LLC against Cochlear Limited and its US subsidiary Cochlear Americas. A Judge in the United States District Court in Los Angeles, California, determined that 3 of the 4 patent claims that the jury found Cochlear had infringed were actually invalid.

26 March 2015

Half year report 2015

Cochlear Limited provided an F15 half year report to shareholders listing half year revenues and sales.

10 February 2015

Half year results announced

Cochlear Limited announced revenue up 18% to \$438.3 million, with cochlear implant sales of 11,698, in line with the first half F14. The interim dividend was \$0.90 per share.

9 December 2014

Two directors' appointments announced

Cochlear Limited announced the appointment of Glen Boreham, AM and Alison Deans as non-executive directors for the Company, effective 1 January 2015.

14 October 2014

Chairman's address

Cochlear Limited Chairman, Mr Rick Holliday-Smith, addressed shareholders at the Annual General Meeting.

5 August 2014

Full year results for year ended 30 June 2014

Cochlear Limited announced that sales revenue was up 15% on the previous financial year to a record \$820.9 million. Major product launches in the first half had a big effect on sales momentum in the second half of the year. The final dividend was \$1.27 per share (20% franked).

Company Information

Stock exchange listing

Australian Securities Exchange
ASX code COH

Solicitors

Clayton Utz

Share registrar

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000, Australia
Tel: 61 3 9415 4000

Auditor

KPMG

Bankers

Australia Westpac Banking Corporation and HSBC Bank Australia Limited
Japan The Bank of Tokyo-Mitsubishi UFJ, Limited
Sweden Skandinaviska Enskilda Banken AB (publ)
United Kingdom HSBC Bank plc
United States Wells Fargo Bank West, NA

Annual General Meeting

The Annual General Meeting will be held at 10am on Tuesday 20 October 2015 at the Australian Securities Exchange, Exchange Square Auditorium, 20 Bridge Street, Sydney. A Notice of Annual General Meeting and Proxy Form are enclosed with this Annual Report.

Financial calendar

2015

Dividend record date 10 September
Payment of final dividend 1 October
Annual General Meeting 20 October

2016

Interim profit announcement 9 February*
Interim dividend record date 10 March*
Payment of interim dividend 31 March*
Final profit announcement 9 August*
Annual General Meeting 18 October*

* Indicative dates only.

ACE, Advance Off-Stylet, AOS, AutoNRT, Autosensitivity, Beam, Button, Carina, Cochlear, コクレア, Codacs, Contour, Contour Advance, Custom Sound, ESPrit, Freedom, Hear now. And always, Hybrid, inHear, Invisible Hearing, MET, MP3000, myCochlear, NRT, Nucleus, Nucleus in Chinese characters, Off-Stylet, SmartSound, Softip, SPrint, the elliptical logo and Whisper are either trademarks or registered trademarks of Cochlear Limited. Ardium, Baha, Baha Divino, Baha Intenso, Baha PureSound, Baha SoftWear, DermaLock, Vistafix and WindShield are either trademarks or registered trademarks of Cochlear Bone Anchored Solutions AB. iPhone is a trademark of Apple Inc.

Design

Cross Media Communications Pty Ltd

Non-IFRS financial measures

Given the significance of the patent dispute, product recall and FX movements, the directors believe the presentation of non-IFRS financial measures is useful for the users of this document as they reflect the underlying financial performance of the business.

The non-IFRS financial measures included in this document have been calculated on the following basis:

- excluding patent dispute provision: IFRS measures adjusted for the expense of the patent dispute provision;
- excluding product recall costs: IFRS measures adjusted for the costs of the product recall; and
- constant currency: restatement of IFRS financial measures in comparative years using F15 FX rates.

The above non-IFRS financial measures have not been subject to review or audit. However, KPMG has separately undertaken a set of procedures to agree the non-IFRS financial measures disclosed to the books and records of the Consolidated Entity.

Hear now. And always

As the global leader in implantable hearing solutions, Cochlear is dedicated to bringing the gift of sound to people with moderate to profound hearing loss. We have helped over 400,000 people of all ages live full and active lives by reconnecting them with family, friends and community.

We give our recipients the best lifelong hearing experience and access to innovative future technologies. For our professional partners, we offer the industry's largest clinical, research and support networks.

That's why more people choose Cochlear than any other hearing implant company.