

2019 COCHLEAR LIMITED

Corporate Governance Statement



Hear now. And always



Contents

Letter from the Chair	2
Roles and responsibilities of the Board and management	3
Structure and composition of the Board	4
Board tenure and qualifications	5
Board skills and experience	5
Board Skills Matrix	6
Chair	7
Director independence.....	8
Conflicts of interest	8
Independent advice	8
The role of the Company Secretary	8
Committees of the Board	9
Board performance and succession planning	10
Director appointment and election	10
Director induction and development	10
Board performance evaluation.....	10
Governance policies	11
Diversity and inclusion	12
Cochlear's workplace profile	12
Ethical and responsible behaviour	13
Global Code of Conduct.....	13
Cochlear Whistleblower Service	14
Remuneration and evaluation of senior executives	14
Remuneration	14
Senior executive performance evaluation	14
Communication with shareholders	15
Shareholder engagement	15
Continuous disclosure.....	15
Risk management and assurance	16
Risk management oversight	16
Economic risks.....	17
Environmental and social sustainability risks	17
Internal audit.....	17
Assurances by management	17
Appendix	18

Letter from the Chair

We are pleased to present this 2019 Corporate Governance Statement. At Cochlear Limited (the Company and Cochlear), we have a proud history of having provided the gift of hearing for almost 40 years – and with that comes a great responsibility. Through our high-quality products and services, we have worked hard to earn the trust of our recipients as well as of the professionals that support them. We are also committed to high standards of corporate governance and transparency and we regularly review our governance practices.

The Board is responsible for the overall corporate governance of the Company including adopting appropriate policies and procedures designed to ensure that Cochlear is properly managed to protect and enhance shareholder interests. The Board and its committees regularly review Cochlear's governance arrangements and practices to maintain compliance with regulatory requirements and industry practice, and to ensure that they continue to support Cochlear's business objectives.

Good corporate governance is important for the creation, protection and enhancement of shareholder value. Our directors, senior executives and employees are expected to act ethically, lawfully and responsibly at all times.

The Board considers that Cochlear's corporate governance practices have been consistent with the recommendations contained in the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations released on 27 March 2014 (ASX Principles and Recommendations) throughout the reporting period. This statement outlines our principal governance arrangements and practices for effective decision-making and accountability. It is current as at 15 August 2019 and has been approved by the Board.

For more information on Cochlear and its corporate governance, including Company policies, please go to the 'Investors' or 'Investor Centre' section of our website www.cochlear.com.



Rick Holliday-Smith
Chair



Cochlear's Board of directors. From left to right: Donal O'Dwyer, Abbas Hussain, Alison Deans, Andrew Denver, Rick Holliday-Smith (Chair), Dig Howitt (CEO & President), Yasmin Allen, Glen Boreham and Bruce Robinson.

Roles and responsibilities of the Board and management

The role of the Board is to set Cochlear's strategic objectives, to guide and monitor the management of the Company and its implementation of the strategic objectives and to oversee good governance practice. The Board aims to protect and enhance the interests of Cochlear's shareholders, while taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

In performing its role, the Board is committed to a high standard of corporate governance practice and to fostering a culture of compliance which values ethical, lawful and responsible behaviour, personal and corporate integrity, accountability, transparency and respect for others. The Board has a charter which clearly sets out its role and responsibilities and describes those matters expressly reserved for the Board's determination. The Board Charter is available on the Company's website.

The CEO & President has responsibility for the implementation of Cochlear's strategic objectives, operating within the risk appetite set by the Board and for the day-to-day management of Cochlear. The CEO & President is supported in this function by the Cochlear Executive team. Details of the members of the Executive team are set out in the 2019 Annual Report, available on the Company's website.

A summary of the Board's key responsibilities is set out below.

Key Board responsibilities	
Strategy	Set strategic objectives, provide input into management's development of corporate strategy and monitor senior management's implementation of strategy.
Financial oversight	Approve and monitor the progress of major capital expenditure plans, capital management, operational budgets, acquisitions and divestments and dividend policy.
Financial and other reporting	Approve Cochlear's interim and annual financial statements and monitor and review management processes for the integrity of financial and other reporting.
Corporate governance	Review, ratify and monitor systems of governance, risk management and internal compliance and control, legal compliance, codes of conduct and other corporate governance policies and practices.
Risk management framework	Oversee the risk management framework. Set the risk appetite within which the Board expects the CEO & President and the management team to operate.
Board performance and composition	Evaluation of Board performance at least every two years. Annual review of the composition of the Board.
Leadership selection	Evaluate the performance, and selection, of the CEO & President.
Succession and remuneration planning	Plan for Board, CEO & President and executive succession and remuneration and set non-executive director remuneration.
Sustainability	Consider the social, ethical and environmental impact of Cochlear's activities and operations. Set standards and monitor compliance with the Company's sustainability responsibilities and practices.
Material transactions	Approve any unbudgeted major expenditure and capital initiatives, outside the authority delegated to management.

Structure and composition of the Board

Cochlear is committed to ensuring that the composition of the Board continues to include directors who bring an appropriate mix of skills, experience, knowledge, expertise and diversity, including gender diversity, required to discharge the Board's duties.

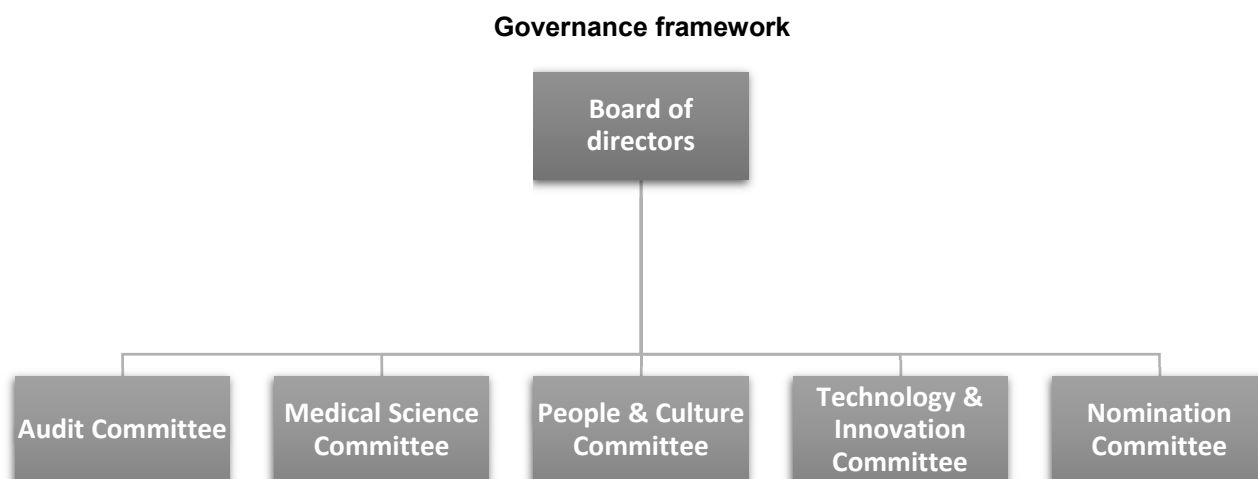
The Board currently comprises nine directors, including eight independent non-executive directors. Details of the directors, including their qualifications and date of appointment, are set out below. Detailed biographies of the directors are set out in the 2019 Annual Report, available on the Company's website.

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 FY19 is set out in the 2019 Annual Report at page 44.

On 13 August 2018, Cochlear announced that Prof Edward Byrne, AC would retire as a non-executive director of the Company. The Board anticipated Prof Byrne's retirement and appointed Prof Bruce Robinson, AM to the Board in December 2016 to allow for an orderly transition and to ensure the Board had the necessary ongoing depth of experience in research, healthcare and medicine, and tertiary education.

Abbas Hussain joined the Board as a non-executive director on 1 December 2018. Mr Hussain brings to the Board extensive experience in the pharmaceutical industry with global experience in building relationships with healthcare professionals and leading business operations across 150 markets. He has demonstrated strong values in customer focus and with his background and knowledge brings expertise to prioritisation of business development and growth opportunities in diverse markets. Mr Hussain also has experience in the areas of research and development, quality control and capital investments.

The Board is of the view that the tenure profile, represented by the length of service of each of its directors on the Board, is appropriately balanced such that Board succession and renewal planning is managed over the medium to longer term. The current directors possess an appropriate mix of skills, experience, knowledge, expertise and diversity to enable the Board to discharge its responsibilities and deliver on the Company's strategic priorities.



Board tenure and qualifications

Name of director	Independent	Term in office	Qualifications
Rick Holliday-Smith	Yes	Director since March 2005 and Chair since March 2010	BA (Hons), FAICD, CA
Dig Howitt	No	Director since November 2017	BE (Hons), MBA
Yasmin Allen	Yes	Director since August 2010	BCom, FAICD
Prof Edward Byrne, AC	Yes	Director since July 2002. Retired in October 2018	DSc, MD, MBA, FRCP, FRACP, FTSE
Andrew Denver	Yes	Director since February 2007	BSc (Hons), MBA, FAICD
Donal O'Dwyer	Yes	Director since August 2005	BE Civil, MBA
Glen Boreham, AM	Yes	Director since January 2015	BEc, FAICD
Alison Deans	Yes	Director since January 2015	BA, MBA, GAICD
Prof Bruce Robinson, AM	Yes	Director since December 2016	MD, MSc, FRACP, FAAHMS, FAICD
Abbas Hussain	Yes	Director since December 2018	BSc (Hons)

A description of each Board member's experience is set out in their respective biographies on pages 22 of the 2019 Annual Report.

Board skills and experience

The Board believes that its membership should comprise directors with an appropriate mix and diversity of skills, professional experience, knowledge and expertise that allow the directors individually, and the Board collectively, to:

- discharge their responsibilities and duties;
- understand the Company's business and the industry and markets in which Cochlear operates so as to set the strategic direction which will maximise shareholder value; and
- assess the performance of management in implementing those strategic objectives.

A survey of the Cochlear Board of Directors was conducted in FY19 to measure the skills and experience currently possessed by each of the directors. The revised Cochlear Board Skills Matrix below incorporates these survey results and sets out the mix of skills that the Board currently has in its membership.

The new layout of the Matrix takes into account the commentary to Recommendation 2.2 of the 4th edition of the ASX Principles and Recommendations by outlining in detail the criteria a director must meet to be considered to have each skill.

In selecting potential new directors, the Nomination Committee uses the Matrix as part of assessing the needs of the Board and its current composition to ensure there is a range of skills and experience required to enable the Board to fulfil its responsibilities. The Nomination Committee considers that the members of the Board currently have an appropriate mix of skills, knowledge and experience to enable the Board to discharge its duties and deliver Cochlear's strategic objectives.

Board Skills Matrix

Skills	Criteria	No. of Directors (9)
MEDICAL DEVICE INDUSTRY Capability to oversee product commercialisation by applying a deep understanding of the medical device industry.	<ul style="list-style-type: none"> Professional, senior executive or equivalent experience in medical device product development and commercialisation including experience managing product design, manufacturing operations, quality systems and detailed knowledge of markets, customers, competition and regulatory environment in the medical device industry. 	
HEALTHCARE INDUSTRY Competency in the healthcare industry and international health systems. Ability to influence public policy development in healthcare.	<ul style="list-style-type: none"> Professional, senior executive or equivalent experience in a large organisation in the healthcare industry with a focus on the provision of products and/or services to treat patients with curative, preventative and rehabilitative care. Experience interacting with government or regulatory bodies, including making submissions on public policy objectives and outcomes in healthcare. 	
RESEARCH AND DEVELOPMENT Ability to develop product innovation to drive long-term business growth through strategic investment in research and development activities.	<ul style="list-style-type: none"> Experience leading the research and development or product development function of a large organisation. Experience overseeing capital investment in product research and development activities. Experience leading clinical research and development projects. 	
TECHNOLOGY AND DIGITAL EXPERTISE Ability to leverage new technologies, innovation processes and digital services to drive innovation and grow a services business and respond to technology/digital disruption.	<ul style="list-style-type: none"> Experience working in a company with a major focus on technology and innovation. Experience overseeing the development and commercialisation of technology, innovation processes and/or digital services to drive innovation and grow a services business. Experience in the use and governance of critical information technology infrastructure and applications. 	
STRATEGY Ability to develop and implement successful strategies.	<ul style="list-style-type: none"> Director, senior executive or equivalent experience in developing and implementing organisational strategy. Experience: <ul style="list-style-type: none"> setting a strategic direction for a business; driving organic growth in a large organisation; executing against a clear strategy; and overseeing management to ensure strategic objectives are delivered. 	
GLOBAL EXPERIENCE Ability to manage and oversee an organisation's business and strategic objectives from an international perspective.	<ul style="list-style-type: none"> Senior executive or equivalent experience working in different countries in large organisations with significant international operations. Experience dealing in emerging markets, including in the Asia-Pacific region. Senior executive exposure to a range of political, cultural, regulatory and business environments. 	
HUMAN RESOURCES Understanding of remuneration practices and frameworks. Ability to attract talent, oversee talent management and retention initiatives and develop succession plans.	<ul style="list-style-type: none"> Board remuneration committee membership or management experience in relation to remuneration, including incentive programs, superannuation and the legislation and contractual framework governing remuneration. Experience overseeing: <ul style="list-style-type: none"> key talent attraction, motivation, development, retention and succession planning; and the management of workplace health and safety risks. 	

Skills	Criteria	No. of Directors (9)
FINANCIAL ACUMEN Ability to understand and analyse financial statements to assess financial performance and probe the adequacies of internal financial and risk controls.	<ul style="list-style-type: none"> Qualifications in accounting and finance and/or board audit/risk committee, senior executive or equivalent experience in financial accounting and reporting, capital markets, corporate finance, financial risk management and internal financial controls. Experience implementing or overseeing financial accounting, reporting and internal controls. 	
PUBLIC POLICY AND REGULATORY AFFAIRS Ability to manage the implications of public and regulatory policy on product development and commercialisation. Ability to influence public policy development.	<ul style="list-style-type: none"> Experience at a senior executive or equivalent level in public and regulatory policy, including knowledge of how it affects corporations and implications for product development and commercialisation. Experience interacting with government or regulatory bodies, including making submissions on public policy objectives and outcomes. 	
RISK MANAGEMENT Ability to identify and manage key risks to an organisation to ensure the delivery of long-term value to shareholders.	<ul style="list-style-type: none"> Senior executive or equivalent experience identifying and managing risk and monitoring the effectiveness of risk management frameworks and internal controls. Knowledge of contemporary risk management practices. 	
GOVERNANCE Commitment to the highest standards of governance. Ability to assess the effectiveness of process and procedures, and to manage legal, compliance and reputational risks.	<ul style="list-style-type: none"> Experience working in a listed organisation which is subject to rigorous governance standards. Experience establishing and overseeing governance frameworks, policies and processes. Knowledge and understanding of key governance issues and reputational risks for a listed organisation. 	
ORGANISATIONAL CULTURE Ability to set and oversee corporate culture ('tone from the top') and promote diversity and inclusion in the workplace.	<ul style="list-style-type: none"> Experience setting and communicating organisational culture, including implementing or advising on cultural or organisational change initiatives, within a large organisation. Understanding the connection between corporate strategy, business performance, desired behaviours, long-term sustainability and remuneration policy. Experience overseeing: <ul style="list-style-type: none"> the promotion of diversity and inclusion in a large organisation; and environmental, social responsibility and community programs in a large organisation. 	

Chair

The Chair is responsible for leading the Board in the performance of its duties and is elected from the independent non-executive directors. The directors have elected Rick Holliday-Smith, an independent non-executive director, as the Chair of the Board. The roles of CEO & President and Chair are separate and are not performed by the same person.

The role of the Chair includes:

- representing the Board to shareholders and communicating the Board's position;
- leading the Board in the performance of its duties;
- facilitating and promoting constructive communication between directors and between Cochlear's Board and management;
- setting the Board's agenda and ensuring adequate time is available for discussion of all agenda items;
- assessing and agreeing the development plans of non-executive directors; and
- monitoring the contribution of individual directors and providing annual feedback on their performance and effectiveness.

Director independence

Cochlear recognises that independent directors have an important role in assuring shareholders that the Board is able to act in the best interests of Cochlear and independently of management.

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 the 4th edition of the ASX Principles and Recommendations, as well as other facts, information and circumstances that the Board considers relevant.

The Board reviews the interests notified by directors regularly and formally assesses director independence annually. The Board has determined that each director other than the CEO & President was independent throughout the reporting period. Alison Deans is an independent non-executive director of Westpac Banking Corporation, with whom Cochlear has a material business relationship. The Board does not consider that Ms Deans' position compromises her independence because the relationship between Cochlear and Westpac is not material to Westpac and, as an independent non-executive director of Cochlear, she is not involved in any banking and financing decisions at an executive level.

The length of service of each director is disclosed under 'Structure and composition of the Board' in this Corporate Governance Statement. Three directors have served for more than ten years. In accordance with its terms of reference, the Nomination Committee has assessed whether any of these directors has become too close to management to be considered independent and does not believe that their independence has been compromised. At all times while they have been directors of Cochlear, each of these directors has also held other high-profile positions and appointments outside of Cochlear at a management and/or board level.

Conflicts of interest

Directors are not involved in decisions where they have, or could be perceived to have, a conflict of interest or a material personal interest. Any director who considers they may have a conflict of interest or a material personal interest in any matter concerning the Company must declare it immediately.

The Company Secretary also monitors all information coming to the Board and its standing committees. Potential conflicts are flagged with the affected director and the Chair.

Independent advice

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 Chair 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 role of the Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board and Board committees. All directors have access to the services and advice of the Company Secretary.

Committees of the Board

Cochlear's five standing Board committees assist the Board in its oversight role. Each Board committee has an independent director as its Chair and comprises members who are independent directors. All Board members are sent Board committee meeting agendas and may attend any Board committee meeting. Subsequent to each Board committee meeting, the minutes are included in the Board papers and presented to the Board by the respective Board committee Chairs.

The CEO & President and other executives are invited to the meetings at the discretion of the committee. An assessment of the technical expertise of the committee's members occurs on an annual basis. Terms of Reference of each committee is available on the Company's website. The number of meetings and attendance by each of the directors during the financial year can be found in the 2019 Annual Report.

Overview of Board committees

Audit Committee	Medical Science Committee	People & Culture Committee	Technology & Innovation Committee	Nomination Committee
Members:				
Yasmin Allen (Chair) Glen Boreham, AM Alison Deans Andrew Denver Rick Holliday-Smith Donal O'Dwyer	Prof Bruce Robinson, AM (Chair) Prof Edward Byrne, AC (retired 16 October 2018) Andrew Denver Abbas Hussain Donal O'Dwyer Dig Howitt	Glen Boreham, AM (Chair) Yasmin Allen Alison Deans Rick Holliday-Smith Prof Bruce Robinson, AM	Andrew Denver (Chair – until 22 July 2019) Alison Deans (Chair – effective 23 July 2019) Yasmin Allen Glen Boreham, AM Prof Edward Byrne, AC (retired 16 October 2018) Donal O'Dwyer Prof Bruce Robinson, AM Dig Howitt Jan Janssen	Rick Holliday-Smith (Chair) Yasmin Allen Glen Boreham, AM Prof Edward Byrne, AC (retired 16 October 2018) Alison Deans Andrew Denver Donal O'Dwyer Prof Bruce Robinson, AM
Responsibilities include:				
<ul style="list-style-type: none"> Review financial statements and other financial information distributed externally, corporate reporting and external audit reports Review and monitor key policies and procedures to ensure compliance with relevant laws, regulations, ASX Listing Rules and other legislative and reporting requirements Oversee selection and appointment of the external auditor and assess their performance Ensure independence of the internal audit function from external auditors Review risk management practices and effectiveness of Cochlear's risk management framework at least annually Monitor risk assessment and the internal controls instituted 	<ul style="list-style-type: none"> Consider any matters relating to medical aspects of Cochlear's implantable devices program Monitor risk management and the adequacy of internal controls with respect to medical risks associated with Cochlear's activities Make recommendations to the Audit Committee with respect to medical risks associated with Cochlear's activities Monitor developments in relevant medical and scientific fields and the findings of independent medical experts 	<ul style="list-style-type: none"> Review and monitor the strategies that shape organisational culture, ensuring management foster a healthy culture that promotes legal, ethical and responsible behaviour Develop and monitor talent management policies and procedures including leadership development, succession planning, resourcing, recruitment, development and remuneration Develop and monitor workplace health and safety metrics and consider initiatives to ensure a safe working environment at Cochlear Review and monitor the implementation of Cochlear's Diversity Policy and establish targets for diversity Review and make recommendations to the Board on the remuneration and performance of the Chair, other non-executive directors, executive directors, CEO & President and senior executives 	<ul style="list-style-type: none"> Oversee the strategic direction of the Company's technology research and product development programs Oversee resource allocation for investments that respond to Cochlear's agreed corporate strategy Monitor risk management and the adequacy of internal control systems to manage product risk and other risks associated with the technology and research and development aspects of Cochlear's business 	<ul style="list-style-type: none"> Review composition of the Board and mix of expertise, skills, knowledge and diversity Recommend to the Board candidates the Committee considers appropriate for appointment, re-election or removal from the Board Establish and maintain process for performance evaluation of individual directors and the Board as a whole Establish and maintain the selection, appointment and succession planning process for the CEO & President Ensure effectiveness of induction process for individual directors Assess the independence of directors and review any changes in interests, positions, associations or relationships
FY19 meetings: (individual attendances of members are disclosed on page 44 of the 2019 Annual Report)				
5	2	4	2	4

Board performance and succession planning

Director appointment and election

A director appointed to the Board must stand for election at the next Annual General Meeting (AGM). Directors must stand for re-election at the third AGM following their election. There is no limit on director tenure. A recommendation that the Board supports an existing director standing for election or re-election is not automatic. Potential candidates for the Board as well as directors standing for re-election are all assessed according to a number of factors, including but not limited to:

- skills, experience, knowledge, personal qualities and attributes that will best complement the skill set and characteristics of existing directors and enhance board effectiveness;
- diversity (in its broadest sense) of board composition;
- capacity to devote the time and commitment to the role; and
- potential conflicts of interest and independence.

Appropriate background checks, including as to the person's character, experience, education, criminal record and bankruptcy history, are also performed before any potential candidate is appointed by the Board or recommended to shareholders as a candidate for election or re-election. 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.

Director induction and development

New directors receive a letter of appointment that sets out their duties, the Company's expectations and the terms and conditions of their appointment.

New non-executive directors are provided with an induction program. 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 the Executive team and visits to key functional areas.

All directors are expected to maintain the skills required to discharge their obligations to the Company and to this end the Cochlear Board Education Program outlines the learning requirements and activities to achieve this.

On an ongoing basis, directors are provided with papers, presentations and briefings on matters which may affect the business or operations of Cochlear. Directors are also encouraged to undertake continuing professional development training relevant to the discharge of their duties as directors of the Company.

Subject to consultation with the Company Secretary, the reasonable cost of continuing education and training is met by Cochlear. To assist the directors in maintaining an appropriate level of knowledge of the operations of the Company, directors undertake site visits each year to Cochlear's operations overseas and, on a less frequent basis, in Australia.

Board performance evaluation

The Chair assesses the performance of individual non-executive directors in accordance with a process agreed with the members of the Nomination Committee. The Chair 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 and is carried out in accordance with the Performance Evaluation Process (available on the Company's website), with the most recent reviews being undertaken in May 2018. The key findings of these reviews were discussed at the following Nomination Committee meeting. The Board also periodically engages an external consultant to facilitate its performance evaluation.

Each committee of the Board annually reviews its performance and makes recommendations to the Board for improving the effectiveness of the committee. A performance evaluation of each of the Board committees was undertaken in respect of the reporting period.

Governance policies

The Board considers that the governance policies and practices adopted by Cochlear during the reporting period for the year ended 30 June 2019 follow the recommendations contained in the ASX Principles and Recommendations.

Details of Cochlear's externally available corporate governance policies are summarised in the table below. The 'Investors' or 'Investor Centre' section of the Company's website contains access to all relevant corporate governance information, including information about the Company, Board and committee charters and policies referred to below.

Global Code of Conduct

Cochlear's Global Code of Conduct sets a high standard of conduct, business ethics and integrity required of all our people around the world in driving our business forward, to ensure we are "Hear now. And always".

Anti-Bribery Policy Statement

As an extension to our Global Code of Conduct, Cochlear is committed to conducting our operations in an honest and ethical manner and in compliance with all applicable laws against bribery and corruption.

Continuous Disclosure Policy

Cochlear has obligations under the Corporations Act and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of its securities. Cochlear's policy is to strictly comply with these requirements, and Cochlear discharges these obligations by releasing information to the ASX in the form of an ASX release or disclosure of other relevant documents.

Trading Policy

The ASX Listing Rules require Cochlear to have a trading policy which applies to its Key Management Personnel (KMP). This is in addition to the insider trading prohibitions of the Corporations Act which apply to all of Cochlear's directors, officers and employees (and their associates). The Trading Policy is an important tool in managing the risks associated with dealings in securities.

Performance Evaluation of the Board and Key Executives Policy

The Board has established a Performance Evaluation Process for evaluation of the performance of the Board, Board committees, individual directors and key executives.

Risk Management Policy

Cochlear's Risk Management Policy provides the framework to manage the risks associated with all the activities of Cochlear.

Shareholder Communications Policy

Cochlear's communication to shareholders is based on openness and honesty. These principles are set out in the Shareholder Communications Policy.

Diversity Policy

As a global business, Cochlear is committed to an inclusive workplace that attracts the best employees to support our growth business; we therefore need people with a diverse range of skills expertise and diversity in terms of gender, age and ethnicity. These principles are set out in the Company's Diversity Policy.

Remuneration Policy

The Board is responsible for Cochlear's remuneration strategy and policy. The Remuneration Policy outlines the Board's remuneration philosophy, and the remuneration framework that applies to non-executive directors, and separately to executives, and all employees.

Share Ownership Policy

The purpose of the Cochlear Share Ownership Policy is to ensure appropriate alignment of the interests of Cochlear's executives with the financial interests of Cochlear's shareholders. The guidelines aim to create a share ownership focus and culture and to build long-term commitment to the Company by providing direction to KMP as to minimum levels of share ownership.

Clawback Policy

The Clawback Policy aims to provide the Board with the ability to claw back the remuneration outcomes of Cochlear's executives in relation to a material misstatement or misrepresentation.

Environmental Policy

Cochlear makes its best effort to minimise its impacts on the environment. The Company's Environmental Policy sets out how this is done.

Supplier Code of Conduct

Cochlear works with our suppliers to encourage standards on labour practices, safety and wellbeing, environment and sustainability and ethical trading.

Whistleblower Protection Policy

Cochlear's Whistleblower Protection Policy aims to promote a culture of acting lawfully, ethically and responsibly by enabling Eligible Protected Persons to confidentially report suspected or actual misconduct in relation to Cochlear, without fear of reprisal, victimisation or disadvantage.

Diversity and inclusion

As a global business, Cochlear is committed to providing an inclusive workplace that is diverse and representative of the communities in which we operate. We believe a diverse and inclusive workplace delivers better outcomes for our shareholders, customers, collaborators, employees and local communities. Cochlear's Diversity Policy, which can be viewed on the Company's website, provides that the Board will establish diversity-related measurable objectives for the Company and assessment of these objectives and review of progress will be carried out annually by the Board's People & Culture Committee.

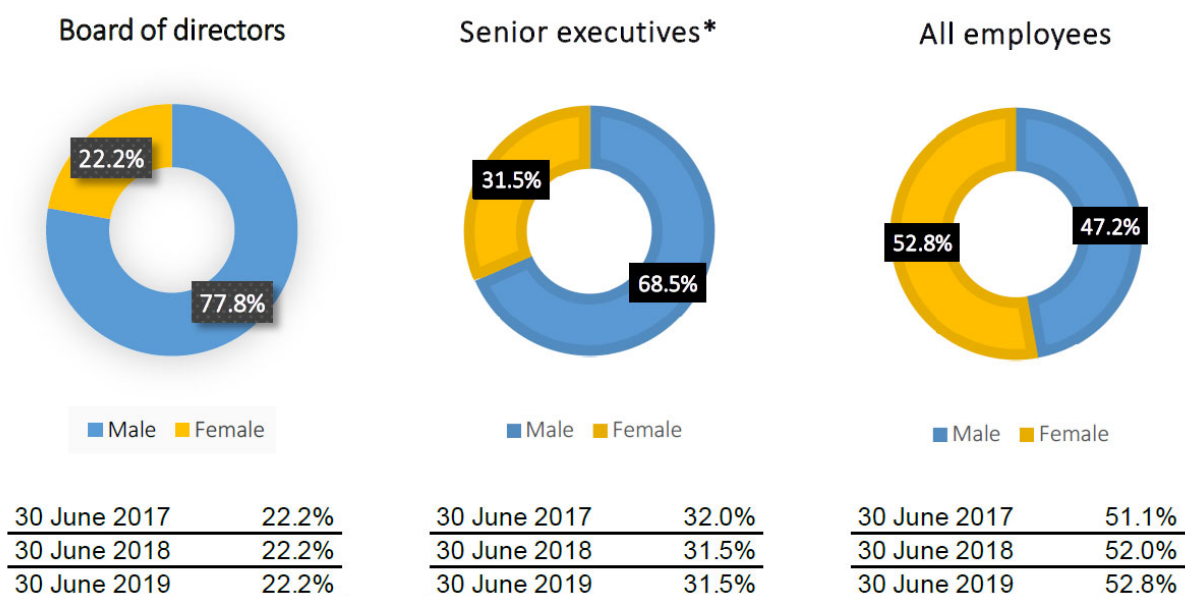
The Diversity Policy sets out the following workforce objectives:

1. Grow the diversity of our workforce to reflect our business needs (STEM) and the global community we serve;
2. Continue to implement programs that prepare women to take on senior roles within the business both in operational and specialist support areas;
3. Continue to implement programs to attract a diverse workforce; and
4. Invest in initiatives to enable our People Managers to provide an inclusive working environment to retain staff.

The progress report for FY19 against these four objectives is set out at the Appendix.

Cochlear's workplace profile

During the year, our CEO & President joined Male Champions of Change, which demonstrates his leadership aspirations in the area of gender equality. Below is a summary of Cochlear's workplace profile, which shows the percentage of males and females by employment category as at 30 June 2019.



* For the purposes of this Statement, senior executives are defined as all executives one and two reporting levels below the CEO & President and other executives at three reporting levels below the CEO & President with significant influence on business outcomes.

Cochlear is a "relevant employer" under the *Workplace Gender Equality Act 2012* (Cth). Cochlear's most recent Gender Equality Indicators (as defined in and published under the Act) are available on the Workplace Gender Equality Agency (WGEA) website at <https://www.wgea.gov.au/public-reports-0>. It should be noted that this data submitted to WGEA covers Australian-based staff only and does not represent Cochlear's global workforce.

Ethical and responsible behaviour

Together with the Global Code of Conduct and our other policies and procedures, the HEAR Behaviours guide the behaviour of everyone who works at Cochlear.

HEAR Behaviours

 Hear the customer	Put the customer at the centre of all that we do <ul style="list-style-type: none">• Listen and act with the customer in mind• Strive to enhance the customer experience• Seek to learn about and understand our customers• Help others think about our customers
 Embrace Change & Innovate	Think differently to change and grow <ul style="list-style-type: none">• Inspire and implement new ways of thinking and operating• Keep things simple, specify minimum must haves• Challenge the status quo and take calculated risks• Make it okay to make mistakes and learn from them
 Aspire to Win	Inspire each other to achieve <ul style="list-style-type: none">• Develop self and others to grow the business• Make decisions, demonstrate courage and overcome obstacles• Respond and adapt quickly to changes• Recognise and celebrate success and achievements
 Remove Boundaries	Unite and act as one <ul style="list-style-type: none">• Seek alignment around decisions and demonstrate shared accountability• Work together to identify and act on opportunities• Consider diverse perspectives to solve problems• Build trust, strengthen relationships and communicate openly

Our HEAR Behaviours are integral to the way we behave and how we do business. We continue to embed them in our systems, policies and processes from recruitment of our talent, through to our performance management processes, leadership development and employee recognition and reward programs.

Global Code of Conduct

Cochlear is committed to acting ethically and responsibly and carrying out our business fairly, honestly and legally, wherever we operate around the world. This is reflected in our Global Code of Conduct, which applies to all our employees, officers and directors, contracted staff, contractors and consultants and third parties that conduct business for or on behalf of Cochlear, and our Anti-Bribery Policy Statement. The Code is a meaningful statement of Cochlear's core values and sets out the expectations in which we conduct our business to ensure the highest standards of honesty, fairness, professionalism and integrity.

We are committed to providing a safe, healthy, fair and inclusive work environment and we articulate clear standards and expectations in our Code. Our customers and suppliers can expect honest and fair interactions with us and we include such topics as anti-bribery and corruption, competition and consumer laws and confidentiality in our Code.

The Code is available on the Company's website in English and 17 other languages relevant for our global business. The Code is endorsed and supported by senior management, with the CEO & President providing the opening message encouraging use of the Code in day-to-day work. It is reinforced with mandatory training: annual online training for the entire global organisation and face-to-face training for those without access to our online training platform. The FY19 mandatory annual online training on the Code included when and how to use the Cochlear Whistleblower Service.

The Code is supplemented by local and regional Business Relationship Policies, which govern our interactions with healthcare professionals and customers.

Cochlear Whistleblower Service

The independently-operated Cochlear Whistleblower Service is available anywhere in the world, in multiple languages, 24 hours a day and 7 days a week, to report any suspected or actual misconduct in relation to Cochlear. A link to the Cochlear Whistleblower Service is available under 'About Cochlear' on our website. A report may be made in one of four different ways: online, by telephone, by email or by post. The Group General Counsel is notified of each report submitted through the service.

Remuneration and evaluation of senior executives

Remuneration

Cochlear's remuneration policy and practices are designed to attract, motivate and retain highly qualified and experienced people across diverse geographies.

The Board is responsible for Cochlear's remuneration strategy and policy. The Remuneration Policy, available on the Company's website, outlines the Board's remuneration philosophy, and the remuneration framework that applies to non-executive directors, and separately to executives, and all employees. This framework reflects the guidelines for executive remuneration and non-executive remuneration set out in the ASX Principles and Recommendations.

Full details of the remuneration paid to KMP are set out in the Remuneration report in the 2019 Annual Report.

Equity based executive remuneration awards are made pursuant to the Cochlear Executive Incentive Plan (CEIP). It is the Company's policy that participants in the CEIP 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. The Trading Policy and the CEIP documents include provisions to reflect this position. The Trading Policy is published on the Company's website. The CEIP documents are not published as they are internal documents.

Senior executive performance evaluation

The CEO & President and each senior executive have a written contract with the Company, setting out the terms of their appointment or employment (as applicable) including details of their role, responsibilities, remuneration and their disclosure/compliance obligations.

The importance of a clear relationship between management performance and the assessment of remuneration is reflected in the Company's approach to evaluating management performance. All employees, including senior executives, participate bi-annually in performance reviews, where achievement of key goals are discussed and assessed and future goals are agreed upon. The Chair facilitates the performance evaluation of the CEO & President with ultimate oversight by the Board.

A performance evaluation for the CEO & President and the Executive team took place during FY19 and was carried out in accordance with the process disclosed in the Performance Evaluation Process (available on the Company's website).

Communication with shareholders

Shareholder engagement

Shareholders and other stakeholders are informed of all material matters affecting the Company through ASX announcements, periodic communications and a range of forums and publications. The 'Investors' or 'Investor Centre' section of the Company's website contains a range of information that may be useful to shareholders. Shareholders have the option to receive communications from, and send communications to, the Company and its share registry electronically.

Information most likely to be of interest to shareholders is available under the 'Investors' or 'Investor Centre' section of the Company's website and includes the Company's published reports, presentations and webcasts, shareholder meeting details, company policies and material ASX announcements.

Cochlear provides regular email notifications of major events or periodic corporate reporting, including results announcements.

Other shareholder engagement activities include:

- the AGM;
- the Annual Report, ESG Report, Strategy Overview and Tax Report; and
- regular releases of financial information, including interim and full year financial results.

The Company has an investor relations program designed to facilitate effective two-way communications with analysts, investors, proxy advisors and the media. The Company provides a forum to address individual shareholders' questions at each AGM. In addition to attending the AGM in person, shareholders may view a webcast of the AGM online. 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. Shareholders who are unable to attend the AGM are able to submit questions and comments to Cochlear in advance of the meeting. Where appropriate, questions submitted will be answered at the AGM.

Continuous disclosure

Cochlear has established processes to enable the Company to provide shareholders and the market generally with timely, direct and equal access to relevant information.

The Company's Continuous Disclosure Policy aims to:

- achieve compliance with continuous disclosure regulatory requirements;
- clarify accountability of Cochlear's senior executives; and
- promote investor confidence in the integrity of Cochlear and its securities.

The Continuous Disclosure Policy was reviewed during the reporting period and is available on the Company's website.

Risk management and assurance

Cochlear is committed to the identification, monitoring and management of material financial and non-financial risks associated with its business activities.

The Board provides oversight of risk exposures and sets and communicates expectations for risk management. The Board has approved the risk appetite for the Company in FY19. The Board recognises that a sound culture is fundamental to an effective risk management framework. Cochlear promotes a culture which values the principles of honesty, transparency, integrity, fairness, constructive challenge and accountability, and these values are reflected in the Global Code of Conduct. These elements are necessary to support effective risk management and awareness, and to support appropriate behaviours and judgements about risk taking.

Cochlear focuses on effective management of material business, operational, financial, human resource and legal risks. Within these categories, specific identified risks that arise from matters such as actions by competitors, technological developments, market changes, government policy changes and exchange rate movements are captured in the enterprise Risk Register.

Management is responsible for the day-to-day compliance with risk management systems. They monitor compliance with, and the effectiveness of, the risk management systems and controls. Senior management across Cochlear is responsible for reinforcing and modelling the key behaviours required to maintain a sound risk culture, including encouraging constructive reporting, challenge and transparency. Cochlear's senior management reports to the Board, through the Audit Committee, on the adequacy of the risk management systems and processes. Regional Presidents are accountable for risk management outcomes, and day-to-day compliance, in their respective regions.

The risk management framework has regard to relevant regulations, standards and guidelines including the ASX Principles and Recommendations and the Australian/New Zealand standard AS/NZS ISO 31000:2009 Risk management – Principles and guidelines. This framework is reviewed and approved by the Audit Committee each year.

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. The Audit Committee last reviewed the Risk Management Framework in May 2019.

Risk management oversight

The diagram below sets out a high level description of how risk governance operates at Cochlear together with key responsibilities of the Board, the Executive team, Internal Audit and the business units, and incorporates the three lines of defence model for how risk is managed.



Economic risks

Material Cochlear business risks, including economic risks, are disclosed in the Business risks section on page 18 to 21 of the 2019 Annual Report.

Environmental and social sustainability risks

Cochlear has conducted a risk assessment for FY19 and has concluded that it does not currently have any material exposure to environmental and social sustainability risks. Environmental and social considerations are disclosed in the 2019 ESG Report, available on the Company's website.

The ESG Report showcases Cochlear's performance in managing environmental and social sustainability risks and reports our progress across the four key ESG focus topics for Cochlear of communities, governance, environment and people.



Internal audit

Cochlear has an internal audit function which is managed by and within the Group Risk and Assurance team and is accountable to the Board. Internal audit provides assurance services to management and the Board in relation to the internal controls, risk management framework and governance of Cochlear. It does so through:

- performing audits in accordance with an Internal Audit Plan. The Plan is formulated using a risk-based approach and approved annually by the Audit Committee;
- having direct access to the Board through the Audit Committee, with the right to communicate to it in the absence of management; and
- regular reporting to the Executive team and the Audit Committee on the results of its audits.

The Audit Committee reviews and approves the Internal Audit Plan each year. It also reviews the hiring and performance of the Head of Group Risk and Assurance and the internal audit function. This process was followed during the reporting period.

Assurances by management

The Board received CEO & President and Chief Financial Officer certifications during the reporting period in accordance with section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles and Recommendations.

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.

Unless otherwise specified, all references in this document to "the Company's website" are specifically to the 'Investors' or 'Investor Centre' section of the Company's website.

Appendix

Diversity and Inclusion Progress Report for FY19

The four workforce objectives set out in Cochlear's Diversity Policy are supported through annual initiatives which are approved and monitored by the People & Culture Committee. The outcomes of all FY19 initiatives have been assessed as part of the annual review conducted by the People & Culture Committee and a summary of these, along with the progress achieved, is set out below:

Objective	Progress Achieved
1. Grow the diversity of our workforce to reflect our business needs (STEM) and the global community we serve.	<ul style="list-style-type: none"> • Cochlear again partnered with The University of New South Wales to host the Cochlear STEMSmart 50:50 event for female high school students in years 9-12. • We also participated in many other educational programs to host more than 1,000 students during the year, including the National Youth Science forum, the Honeywell Summer School, the Indigenous Australian Engineering School program, the Power of Engineering secondary school program and the Cochlear Autumn School of Engineering. • We continue to build our pipeline of future talent through our highly regarded graduate and internship programs, with females comprising more than 40% of both our 2018/2019 summer intern intake and graduates commencing with us in 2020.
2. Continue to implement programs that prepare women to take on senior roles within the business both in operational and specialist support areas.	<ul style="list-style-type: none"> • During the year, we worked closely with our second cohort of talented senior female leaders participating in our targeted career review program. Since the introduction of this program in late 2017, females have comprised 50% of moves into new or larger roles made by senior executive talent participating in the program. • Talent and succession planning reviews are conducted bi-annually by the Executive team. During the most recent review conducted in February: <ul style="list-style-type: none"> - Females represented 40% of identified top leadership talent at a senior executive level, despite comprising approximately one-third of this population; and - Female representation of named successors to Band 2 roles (i.e. two reporting levels below the CEO & President) increased from 25% in FY17 to 31% in FY18 and to 48% during FY19.
3. Continue to implement programs to attract a diverse workforce.	<ul style="list-style-type: none"> • Implementation of Flex@Cochlear, our flexible working program. This program is available to all Australian non-manufacturing employees to better support them in integrating their work and personal commitments, so they can be more productive. Flexible work practices have also been made available in other geographies as applicable. • Significant enhancement to existing, and introduction of new, policies for Australian employees, including: <ul style="list-style-type: none"> - Significant enhancement to our parental leave policy, with a tripling of paid leave for both primary and secondary carers; - Introduction of purchased leave which is supportive of our flexible work practices; and - Introduction of domestic violence leave, to provide support to all employees impacted by domestic violence. • Further aligned and embedded best practice recruitment and selection decision making processes. This has included a mandate to ensure female representation on all shortlists and during the interview and selection process. Our current recruitment pipeline ratios indicate females comprise 45% of all applicants, however they comprise 58% of new hires. We continued our Hiring Manager Excellence Training focused on unconscious bias and sourcing and selecting candidates from diverse talent pools. • Continued our focus to ensure pay equity: we continue to assess performance and remuneration outcomes each half, to work towards equity. We are making good progress on our global gender pay equity project, with the aim of removing any gender pay gap between male and female employees performing like-for-like roles of comparable value. Work has been completed to develop a common global methodology for valuing roles and, to date, over 70% of roles globally have been reviewed.
4. Invest in initiatives to enable our People Managers to provide an inclusive working environment to retain staff.	<ul style="list-style-type: none"> • Over 1,500 employees, including over 70% of our manager population, have attended a 'Leading the Way' program, with 484 people managers (over two thirds) having attended our 'Leadership Starts with You' program. This is our foundational leadership program for people managers. • Global Code of Conduct, Unconscious Bias, and Respectful Workplace for Employees training programs were delivered to provide guidance on managing workplace relationships respectfully, to ensure a professional, respectful and inclusive culture. • A new People Manager program was launched, outlining the expectations of a Cochlear People Manager, including the importance of our HEAR Behaviours, leadership at Cochlear and building and supporting a diverse and inclusive team.

Hear now. And always

As the global leader in implantable hearing solutions, Cochlear is dedicated to helping people with moderate to profound hearing loss experience a life full of hearing. We have provided more than 550,000 implantable devices, helping people of all ages to hear and connect with life's opportunities.

We aim to give people the best lifelong hearing experience and access to innovative future technologies. We have the industry's best clinical, research and support networks.

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

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Please seek advice from your health professional about treatments for hearing loss. Outcomes may vary, and your health professional will advise you about the factors which could affect your outcome. Always read the instructions for use. Not all products are available in all countries. Please contact your local Cochlear representative for product information.

The Cochlear Nucleus Smart App is available on App Store and Google Play. The Cochlear Nucleus 7 Sound Processor is compatible with Apple and Android devices. For compatibility information visit www.cochlear.com/compatibility.

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