Cochlear Clawback Policy

Date Effective: 1 July 2014 | Date Last Reviewed: May 2017

OBJECTIVES

The Executive Clawback Policy aims to provide the Board with the ability to clawback the remuneration outcomes of relevant incentive plan participants in relation to a material misstatement or misrepresentation, or following inappropriate behaviour post-employment in cases where the Board has exercised its discretion to allow retention of equity following termination of employment.

SCOPE

The policy applies to all participants of the Deferred Short Term Incentive (STI) and Long Term Incentive (LTI) Plans.

INTRODUCTION

Cochlear exercises the highest level of transparency in governance of executive remuneration on behalf of shareholders. In line with evolving best practice in remuneration governance, the Board introduced this Clawback policy in 2014, whereby it reserves the right to "clawback" certain elements of an executive's remuneration if there has been a misstatement or misrepresentation.

These "clawback" provisions are designed to further align the interests of equity plan participants with the long-term interests of Cochlear and shareholders, and to ensure that excessive risk taking is not rewarded.

Furthermore, the provisions are designed to encourage a positive long term relationship between Cochlear and a participant where the Board exercises its discretion to allow participants to remain in the plan after their employment has ceased.

POLICY

If Cochlear becomes aware of any misstatement in its financial statements or other misrepresentation for any of the immediately preceding 3 financial years due to:

- a material non-compliance with any financial reporting requirement; or
- the misconduct of any participant; or
- the misconduct of any other employee(s), contractor(s) or adviser(s) as a result of the direction (or lack of direction) by any participant;

and the resulting Short-Term Incentive (STI) or Long Term Incentive (LTI) payment outcomes to a participant were greater than they would have been in the absence of the material misstatement or misrepresentation, the Board reserves the right at its discretion to recover or "clawback" the full overpayment amount as follows (in order of preference):

(i) forfeit all or a part of any deferred STI performance rights of equivalent value to the quantum of the overpaid amount previously granted but not yet vested (value to be calculated according to value at time of grant), and/or
(ii) withhold any STI cash payment earned but not yet paid, and/or
(iii) withhold this amount from any future cash or equity STI payments, and/or

(iv) withhold this amount from any future vesting LTI performance rights or options, and/or
(v) withhold this amount from future pay (in accordance with a plan agreed with the executive), and/or
(vi) Request an ex-executive to reimburse the amount

If the Cochlear Board exercises its discretion to allow a participant to retain equity under any of the Cochlear Incentive Plans following termination of employment (recognition of "good leaver status"), then the Clawback Policy allows them to rescind such discretion at any time prior to vesting of such equity.

POLICY REVIEW

The People & Culture Committee will review the policy as required in accordance with changing legislative or regulatory requirements or due to changes in Cochlear's Executive Remuneration practice.

COMMUNICATION

The Board will make appropriate disclosure of this Policy to shareholders on Cochlear's website and in Cochlear's Annual Report. This Policy will be available on the Cochlear website.

CONTACT

Any questions relating to the interpretation of this Policy should be directed to the Senior Vice President, People & Culture.