

2019 COCHLEAR LIMITED
ESG Report



Hear now. And always



ESG Report

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ESG Report

About this report

This is Cochlear's Environmental, Social and Governance (ESG) Report. It showcases our approach to caring for our employees and customers, the broader community and the environment. In developing this report, we have been guided by recognised standards of sustainability reporting to better monitor and report on our ESG performance.

Terms that are bold and underlined indicate links to further information such as reports, documents or pages from our website.

Unless otherwise specified, measurements and data in this report pertain to Cochlear Limited and its entities during the reporting period from 1 July 2018 to 30 June 2019 (FY19). You can find consolidated financial statements for the corresponding reporting period in the Cochlear [**2019 Annual Report**](#). All dollar values refer to Australian dollars (AUD) unless otherwise specified.



Our commitment to ESG



This year, as well as developing a new ESG framework, we are proud to publish Cochlear's ESG Report. This report outlines how we aim to improve the impact we have on our communities, environment, employees, and reflects our commitment to high standards of corporate governance.

Cochlear's mission is to help people hear and be heard. This not only improves individual quality of life but also the health and wellbeing of communities. We do this by developing market-leading technology and contributing to clinical research related to hearing loss and its treatments.

We continue to invest in research collaborations that contribute to the global body of knowledge about the effects of hearing loss and its treatment. This includes a major partnership with Johns Hopkins University to establish the Cochlear Center for Hearing and Public Health in Baltimore in the US. This is a 10-year commitment to focus research on the link between hearing loss and age-related conditions such as dementia.

We launched our global diversity and inclusion strategy in 2018 and aim to foster employee wellbeing by creating a safe and inclusive workplace for our employees, to contribute and realise their potential. As a priority, Cochlear promotes gender equality and supports the equal participation of men and women in the workplace. We have also been

examining the benefits offered to our employees to reward them fairly based on their contribution.

Environmental sustainability is an important focus of our ESG framework. This year, Cochlear is publishing its environmental performance data across energy, water and greenhouse gas emissions. We have tracked our environmental performance in Australia for the last three years and have seen a reduction in our greenhouse gas emissions. This has been achieved through improved energy efficiencies in our operations.

In 2019, we switched on solar panels at our Macquarie Headquarters, and we aim to make further reductions in our waste production, energy consumption and greenhouse gas emissions. We are also strengthening our supplier due diligence assessments to support sustainable and ethical procurement.

I look forward to seeing Cochlear's continued efforts in improving its ESG performance in the long term.

Dig Howitt
CEO & President

AT A GLANCE

Celebrated the

40th

ANNIVERSARY

since the world's first recipient of a multi-channel implant

More than

550,000 implants

in more than 100 countries, helping recipients of all ages to hear

Introduced the NEW Cochlear



Nucleus Profile Plus Series Implant

Invested

\$180 over **million**

(13% of sales revenue) in R&D

Invested in med-tech startups



Nyxoah S.A.

Cochlear Center for Hearing and Public Health



partnership with Johns Hopkins Bloomberg School of Public Health

Cochlear Care Centre

to increase regional access to hearing health

Collaboration with



Hearing and Healthy Ageing

at Macquarie University

Established

Cochlear's Supplier Code of Conduct

Environmental Policy and implement a global Environmental Management System



New global

Diversity & Inclusion Strategy



91% of employees feeling proud to tell people they work for Cochlear

About Cochlear

Our mission



We help people hear and be heard.

We **empower** people to connect with others and live a full life.

We **transform** the way people understand and treat hearing loss.

We **innovate** and bring to market a range of implantable hearing solutions that deliver a lifetime of hearing outcomes.

About Cochlear

Company overview

Cochlear is the global leader in implantable hearing solutions with products including cochlear implants, bone conduction implants and acoustic implants. We started operations in 1981 as part of the Nucleus group and in 1995, listed on the Australian Securities Exchange (ASX). Today, Cochlear is a top 50 ASX-listed company with a market capitalisation exceeding AUD\$10 billion.

Cochlear aims to support cochlear implantation becoming the standard of care for people with severe to profound hearing loss. Cochlear also provides bone conduction implants for people with conductive hearing loss, mixed hearing loss and single sided deafness. To date, the company has provided more than 550,000 implant solutions, helping people of all ages to hear.

Whether our hearing solutions were implanted today or many years ago, Cochlear strives to continuously develop new technologies and innovations for all recipients. We invest more than \$180 million each year in research and development (R&D) and currently participate in over 100 collaborative research programs worldwide.

Our global headquarters are on the campus of Macquarie University in Sydney, with regional offices in Asia Pacific, Europe and the Americas. We have a deep geographical reach, selling in over 100 countries, with a direct presence in over 30 countries and a global workforce of more than 4,000 employees.



550,000+
implants sold

A\$1.4b+
in annual sales
revenue

30+
countries with
direct operations

6
key manufacturing
sites

A\$180m+
in annual R&D
investments

100+
collaborative research
programs worldwide

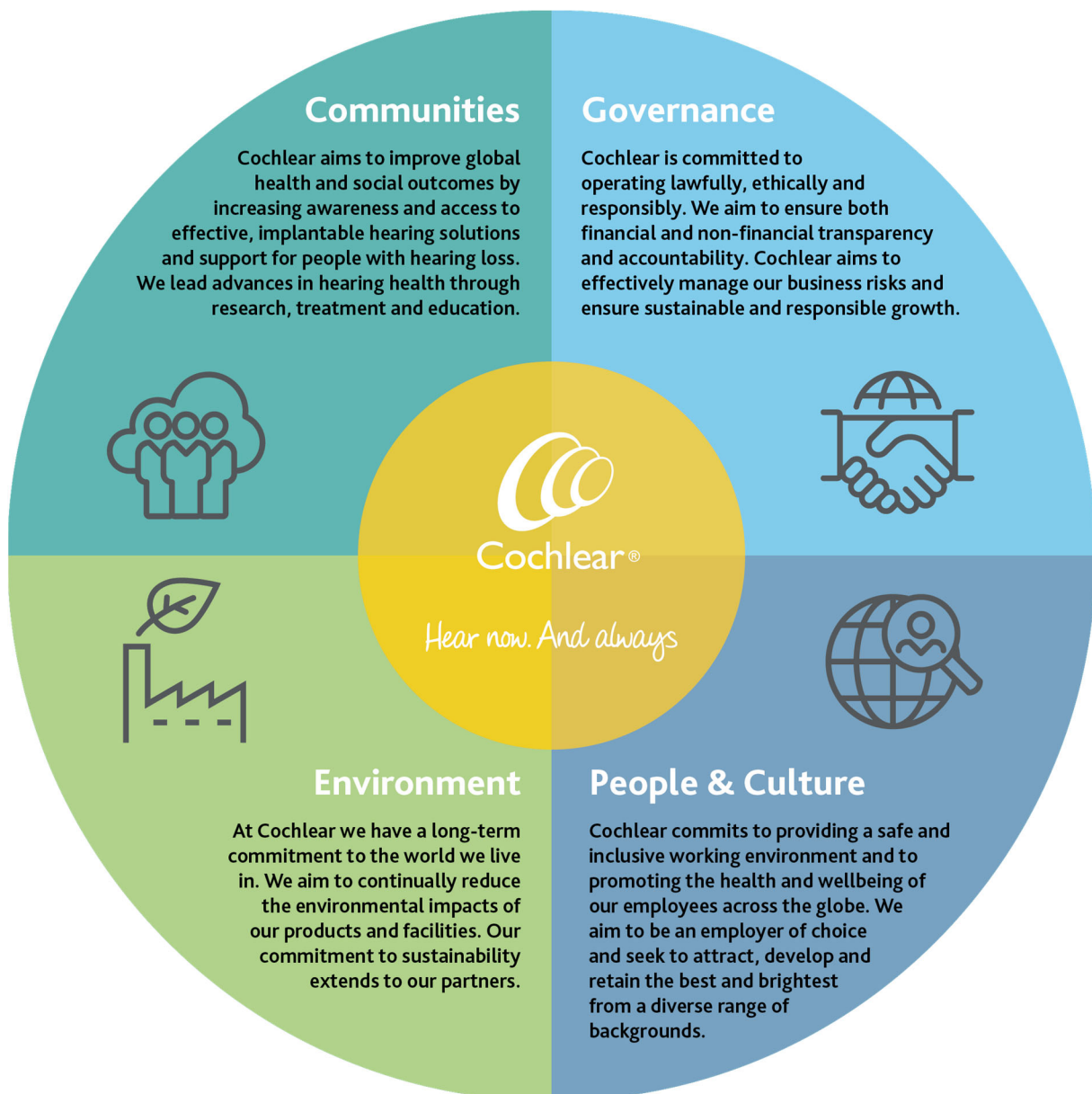
4,000+
employees

About Cochlear

Cochlear's Environmental, Social and Governance framework

"Hear now. And always" embodies Cochlear's commitment to providing our customers with the best possible hearing support. It also reflects our long-term commitment to global communities and environments.

We continue to improve how we monitor and manage our environmental performance, the impact we have on communities and our employees, and the governance of our global operations. We have identified the following four key ESG areas:



About Cochlear

ESG focus topics for Cochlear

Across the four ESG areas, Cochlear has identified focus topics that are relevant to our external and internal stakeholders. The following pages provide further detail on each of the objectives to support these focus topics and provide updates on our progress.

Communities

- Advance hearing science and technology, creating opportunities for people to hear and connect, now and in the future
- Increase awareness of hearing loss and access to treatment
- Focus on product quality and reliability, giving people the confidence to live their fullest lives
- Support education in STEM and audiology, ensuring innovation and hearing support in the future

Governance

- Act lawfully, ethically and responsibly
- Ensure financial and non-financial transparency
- Manage business risks
- Strengthen data privacy and security

Environment

- Enhance environmental management and compliance
- Improve energy efficiency and reduce GHG emissions
- Improve resource efficiency
- Enhance supply chain sustainability

People

- Develop our people
- Build a diverse and inclusive workplace
- Support the health and wellbeing of our workforce
- Reward and engage our talent

Communities



Cochlear is committed to improving global health and social outcomes through the supply of implantable hearing solutions and support for those in need. We aim to lead advancements in hearing technology by creating and contributing to research, education and treatment. To enable sustainable progress over the long term, our focus is developing technologies and promoting education and careers in the Science, Technology, Engineering and Mathematics (STEM) fields.

Communities

Through our mission, Cochlear aims to improve individual quality of life and the health and wellbeing of communities. Our efforts will be channelled through the following objectives:

ESG focus topic	Objectives
Advance hearing science and technology, creating opportunities for people to hear and connect, now and in the future	<ol style="list-style-type: none">1. Partner with key academic institutions, start-ups, and other leaders in health technology to contribute to the science of hearing2. Develop a range of implantable hearing solutions that improve the quality of life for people with hearing loss
Increase awareness of hearing loss and access to treatment	<ol style="list-style-type: none">3. Demonstrate the clinical, social and economic benefits of diagnosing and treating hearing loss4. Support the awareness activities of hearing organisations and advocacy groups, and support education in relation to hearing loss
Focus on product quality and reliability, giving people the confidence to live their fullest lives	<ol style="list-style-type: none">5. Product quality and implant reliability6. Transparent reliability reporting
Support education in STEM and audiology, ensuring innovation and hearing support in the future	<ol style="list-style-type: none">7. Support education for audiological, medical and health professionals8. Grow our STEM pipeline and nurture the next generation of hearing innovators and health professionals

Communities

Advance hearing science and technology, creating opportunities for people to hear and connect, now and in the future

1. Partner with key academic institutions, start-ups, and other leaders in health technology to contribute to the science of hearing

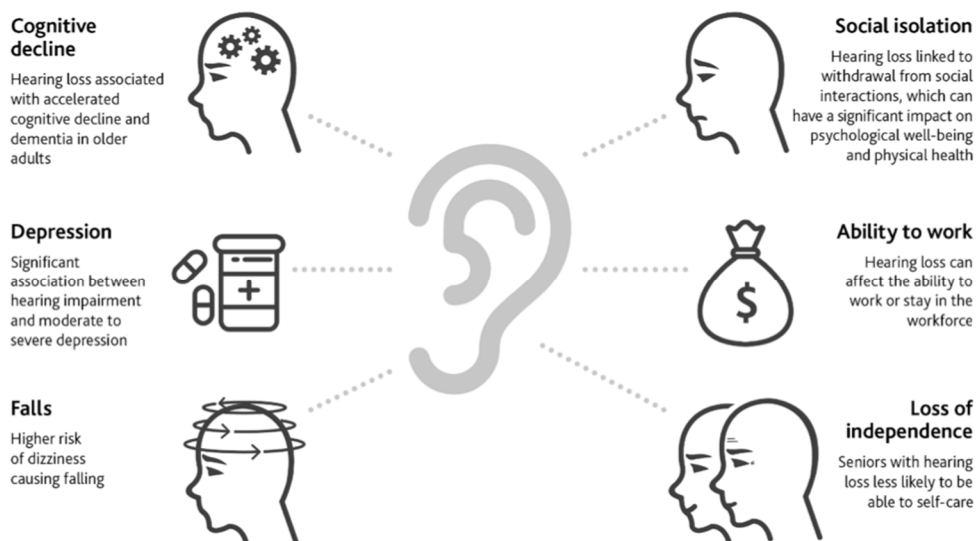
Cochlear contributes to the advancement of hearing loss treatment by aiming to fill research and knowledge gaps. In FY19, Cochlear:

- Invested over \$180 million (13% of our sales revenue) on research and development;
- Invested €13 million in Nyxoah S.A., a medical company focused on the development and commercialisation of a best-in-class hypoglossal nerve simulation therapy for the treatment of obstructive sleep apnea;
- Increased investment in the medical research community to more than 100 research partners in over 20 countries; and
- Funded research and clinical trials that resulted in over 25 peer-reviewed scientific publications.

Below are some examples of our partnerships:

USD\$10 million pledged over 10 years to the Johns Hopkins Bloomberg School of Public Health – This commitment aims to establish the Cochlear Center for Hearing and Public Health. The Center will focus on hearing loss as a global public health priority, with an emphasis on the public health impacts of hearing loss in senior adults. This is an important and growing issue, especially as we begin to better understand the link between high levels of hearing loss and cognitive decline, social isolation and depression.

Growing understanding of the link between hearing and healthy ageing



See References 1 to 9 on page 32.

Communities

Co-funded Cochlear Chair in Hearing and Healthy Ageing at Macquarie University – We have established a co-funded Chair role that will strengthen and formalise the strategic collaboration between Cochlear and Macquarie University. The Chair will oversee the implementation of collaborative hearing research, education strategies, clinical practice and advocacy, with the long-term goal of developing a leading platform for further impactful research in hearing in Australia. In addition, we will also provide financial support for the ongoing research activities of the University's Professor of Hearing, Language & the Brain and Australian Laureate Fellow, Professor David McAlpine.

The HEARING CRC – We have partnered with 21 member organisations including Cochlear, Macquarie University, The University of Melbourne and Australian Hearing, to create value through research, develop the next generation of hearing aids and cochlear implants, and overcome barriers to use of hearing technology.

Sichuan Innovation and Entrepreneurship Promotion Association (SIEPA) – We have announced a collaboration with SIEPA to open a Sino-Australian International Hearing Hub in Chengdu, to provide hearing health services and support health professionals in China.

Pharmacological partnership with Sensorion – We have entered into a strategic partnership with French biopharmaceutical company, Sensorion, to develop and evaluate therapeutic approaches to improve hearing outcomes in cochlear implant recipients.

Smart Hearing Alliance with GN Hearing – The Smart Hearing Alliance in Denmark was established in 2015 to develop best-in-class, integrated hearing solutions that provide hearing aid and cochlear implant recipients access to the latest in connectivity and wireless technology, and allow bimodal recipients to achieve seamless connectivity between a cochlear implant in one ear and a GN hearing aid in the other. The deepening of this relationship between Cochlear and GN Hearing includes joint R&D, shared technology and strengthened global commercial collaboration.



2. Develop a range of implantable hearing solutions that improve the quality of life for people with hearing loss

We have a global innovation network of more than 350 R&D employees to develop implantable hearing solutions that help to deliver a lifetime of hearing outcomes. Our primary R&D is co-located with the Australian Hearing Hub in Sydney, while our Cochlear Technology Centre in Belgium is focused on advanced innovation.

Over the past few years, we have launched products which help improve the quality of life for people with severe to profound hearing loss. These include:

Nucleus® Profile™ Plus Series cochlear implant – Cochlear has received regulatory approval in several countries for the new Nucleus Profile Plus Series cochlear implant. With the Nucleus Profile Plus Implant, recipients have access to 3.0 and 1.5 Tesla (T) MRI scans without the need for internal magnet removal or use of a head wrap. In the event of future changes in MRI technology or if image artifact reduction is needed, the easy-to-remove magnet is designed for lifetime access to MRI according to a recipient's healthcare needs.

Nucleus® 7 Sound Processor and Nucleus Smart App –

The world's first Made for iPhone cochlear implant sound processor, which allows users to stream sound directly from a compatible iPhone®, iPad® and iPod touch® to their sound processor^a. The direct streaming enhances the experience of talking on the phone and makes enjoying music or watching videos easily accessible. The Nucleus 7 Sound Processor is the winner of Cochlear's third Red Dot award, and is 25% smaller and 24% lighter than the previous generation Nucleus 6 Sound Processor, with user feedback contributing to the product's development.



Nucleus Profile Slim Modiolar Electrode – The world's thinnest full-length electrode sits closest to the hearing nerve for optimal hearing outcomes. It is reloadable and offers a smooth, easy insertion.

Nucleus Kanso® Sound Processor – Our first off-the-ear sound processor is designed for discretion and comfort. Kanso lets people enjoy life with confidence, as it is the smallest and lightest off-the-ear sound processor available.

Baha® 5 Sound Processor – Our latest generation of bone conduction sound processors for people with conductive hearing loss, mixed hearing loss or single-sided sensorineural deafness includes Baha 5 (the industry's smallest sound processor), Baha 5 Power (for people with greater hearing loss), and Baha 5 SuperPower (the industry's most powerful head-worn bone conduction sound processor). All Baha 5 sound processors are made for iPhone, allowing easy streaming of phone, music and movies. They can be used with a bone anchor or a non-surgical solution.

Baha SoundArc – A comfortable, non-surgical hearing solution that works with all of our Baha 5 sound processors.



^a iPhone, iPad and iPod touch are trademarks of Apple Inc., registered in the US and other countries.

Communities

Increase awareness of hearing loss and access to treatment

We aim to increase awareness of hearing loss and its effects, improve access to hearing loss assessment and treatment, and improve the quality of life of people with hearing loss. We do this by demonstrating the clinical, social and economic benefits of national auditory screening programs and implantable technologies; partnering research studies on hearing loss and its treatment; and supporting the activities of hearing advocacy groups. This is our most significant and complex area of influence, where we shape and demonstrate leadership in hearing loss awareness, care and treatment.

3. Demonstrate the clinical, social and economic benefits of diagnosing and treating hearing loss

The World Health Organization (WHO) estimates that there are more than 460 million people worldwide – over 5% of the world's population – who experience disabling hearing loss^a. This includes 1 in every 3 people over the age of 65. By 2050, this is expected to rise to more than 900 million people – or 1 in every 10 people¹.

We estimate that more than 15 million people could benefit from a cochlear or bone conduction implant to treat moderate to profound hearing loss in children globally and in adults and seniors in the developed world². With less than 5% of the people that could benefit from an implantable hearing solution being treated³, Cochlear can contribute to social outcomes by bringing to market a range of implantable hearing solutions that empower people to connect with others and live a full life. In 2019, Macquarie University's Centre for the Health Economy also evaluated the cost effectiveness of cochlear implantation in adults in the UK, finding that unilateral cochlear plants continue to be a cost-effective intervention for adults.

This clinical need is expected to continue to underpin the long-term sustainable growth of our business. As the global leader in implantable hearing solutions, we are transforming the way people understand and treat hearing loss.



>460 million

people globally with a disabling hearing loss.



1 in 3

people over the age of 65 affected by disabling hearing loss.



>15,000,000

people could benefit from a cochlear or bone conduction implant.



<5%

market penetration of implantable hearing solutions.

^a Disabling hearing loss refers to hearing loss greater than 40 decibels (dB) in the better hearing ear in adults and a hearing loss greater than 30 dB in the better hearing ear in children.

¹⁰⁻¹² See References on page 32

Communities

4. Support the awareness activities of hearing organisations and advocacy groups, and support education in relation to hearing loss

Cochlear supports a range of global and local initiatives aimed at increasing awareness and promoting the value of hearing health. In FY19, this includes:

- Working with the WHO and members of the international hearing care community on awareness activities as part of World Hearing Day. This year, we launched 'Hearing Matters', a community awareness social media campaign designed to help families and friends recognise the symptoms of hearing loss, and provide support for loved ones in seeking more information and treatment;
- Holding Cochlear Family activities in countries around the world, providing support and information to existing and potential cochlear implant recipients. Celebrations involved more than 5,000 attendees in South America alone, bringing our communities together and sharing the latest information; and
- Continuing to fund 12 scholarship positions for Cochlear implant recipients, who each receive support throughout their university degrees in North America, Australia, the UK and Ireland.

Cochlear America supports Songs for Sound's Mobile Hearing Kiosk which provides access to hearing screenings at no cost to communities, prioritising underserved populations. Last year, the program provided hearing screenings to 4,872 adults and children at 250 locations throughout the United States.

In partnership with the Hearing Loss Association of America, Cochlear America sponsored walk teams to participate in the Walk4Hearing held in 17 cities in the United States, attracting 10,000 participants. This event promotes awareness of hearing loss, screening and advocacy.

During Better Hearing and Speech Month of May, the #MillionEar Challenge campaign employed engaging social media strategies that included a short film, "See Sound Differently", to help educate people about noise-induced hearing loss.

In regional Australia, Cochlear partnered with the Royal Victorian Eye and Ear Hospital to open the Geelong Cochlear Care Centre. The Centre will provide access to quality hearing health services for thousands of people with hearing loss in rural and regional Victoria.

Cochlear continues to support the Australian Hearing Hub, which is adjacent to Cochlear's global headquarters at Macquarie University. The Hub brings together more than 2,000 people across disciplines, dedicated to promoting hearing health.

Focus on product quality and reliability, giving people the confidence to live their fullest lives

5. Product quality and implant reliability

Cochlear implants and sound processors are subject to rigorous internal and external testing and regulatory approvals and audits for patient safety. Pre-clinical and clinical trials are run or assisted by leading universities and research partners to study the efficacy of new technology in accordance with ethics approval and relevant standards.

Our quality management systems are an integral part of our reliability. They are reviewed and adjusted to address quality issues and regularly audited by internal and external auditors for adherence to International Standard ISO 13485:2016 (Medical devices -- Quality management systems – Requirements for regulatory purposes).

Cochlear monitors all of its products through the product lifecycle which includes returned device testing. It uses this data to continuously improve product quality and reliability through design and/or manufacturing modifications.

6. Transparent reliability reporting

Cochlear Implant reliability is important for successful patient outcomes. Cochlear records and investigates reports of possible adverse patient outcomes. Each year, we publish the **Cochlear Nucleus Implant Reliability Report** which discloses reliability data for all of our implants. The report is based on the reporting methodology recommended by International Standard ISO 5841-2^{4,5}, the reporting principles outlined in the European Consensus Statement on Cochlear Implant Failures and Explantations⁶, and expert recommendations from the International Classification of Reliability for Implanted Cochlear Implant Receiver Stimulators⁷.

Our latest implant range, Nucleus Profile Series implant, has a cumulative survival percentage (CSP)^a of 99.82% at five years⁸. Our CI24RE Series, the world's most widely used cochlear implant with more than 186,000 registered devices, has a CSP of 99% after being on the market for 14 years⁸.

¹³⁻¹⁷ See References on page 32

^a Cumulative survival percentage is the percentage of implants still operational. This accounts for all causes of failures - even traumatic accidents.

Support education in STEM and audiology, ensuring innovation and hearing support in the future

7. Support education for audiological, medical and health professionals

Around the globe, we provide practical training courses to thousands of public and private health professionals, such as surgeons, audiologists and speech pathologists. These courses are carried out at our **Cochlear Clinical Skills Institute**, a world-class surgical training centre in the Australian Hearing Hub, our North American offices in Denver, and in many other cities around the world.

We are also a core member of the HEARing CRC based in Australia, which combines academic, business, government and other relevant stakeholders. The Centre aims to further understand and develop technologies to diagnose and treat hearing loss. Since 2007, 71 students have completed post-graduate doctoral studies in hearing-related topics under this program.

8. Grow our STEM pipeline, and nurture the next generation of hearing innovators and health professionals

In Australia, we work closely with several schools, colleges and universities to promote the benefits of pursuing study and careers in science, technology, engineering and mathematics (STEM), especially for indigenous and female students.

This year, we participated in many 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 also work with The Smith Family and the Business Council of Australia to sponsor two students each year for the Cadetship to Career program, with the aim of providing students from disadvantaged backgrounds work experience and to help them explore future career options. We support the National Youth Science Forum which engages with Australian school students to inspire interest and learning in science and technology.

Governance



At Cochlear, we have a proud history of providing the gift of sound 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 and the professionals who support them. Cochlear is committed to carrying out its business fairly, honestly, and legally, wherever we operate around the world. Cochlear recognises that good corporate governance is important for the creation, protection and enhancement of shareholder value. Cochlear’s principal governance arrangements and practices for effective decision-making and accountability are set out in its **Corporate Governance Statement**, available on the Investors or Investor Centre section of the Company’s website (depending on your location).

We have identified the following ESG objectives in line with our commitment to acting ethically and responsibly, complying with all applicable laws and regulations, and maintaining high standards of business ethics and integrity:

ESG focus topic	Objectives
Act lawfully, ethically and responsibly	<ol style="list-style-type: none">1. Maintain a quality board and governance structure2. Monitor and support human rights governance in our supply chains
Ensure financial and non-financial transparency	<ol style="list-style-type: none">3. Make timely and balanced disclosure4. Publish a tax contribution report and an environmental, social and governance report annually
Manage business risks	<ol style="list-style-type: none">5. Proactively manage our principal business risks
Strengthen data privacy and security	<ol style="list-style-type: none">6. Safeguard the security and privacy of customer data

Act lawfully, ethically and responsibly

1. Maintain a quality board and governance structure

In performing its role, our Board is committed to a high standard of corporate governance practice and to fostering a culture of compliance which values ethical 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 in the 'Investors' or 'Investor Centre' section of the Company's website. The Board currently consists of eight independent non-executive directors, of which two are women, and one managing director, the CEO & President.

Cochlear's Constitution requires one-third of its non-executive directors to retire from office at every annual general meeting (AGM) and no director may serve longer than three years without standing for re-election. We annually assess the Board's mix of skills, knowledge, expertise and diversity required to discharge its duties.

Cochlear sets the 'tone at the top' by instilling and continually reinforcing a culture of acting lawfully, ethically and responsibly. Cochlear's Global Code of Conduct, which 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, is a meaningful statement of Cochlear's core values and is a commitment to act ethically and responsibly, follow all applicable laws, regulations, Cochlear policies and procedures, and maintain high standards of business ethics and integrity. Cochlear conducts mandatory training on the Global Code of Conduct for all staff on an annual basis.

The Cochlear Global Code of Conduct sets the baseline rules for business conduct including anti-bribery and corruption, competition and consumer laws, conflicts of interest, confidentiality, privacy, trade restrictions, a fair work environment and health and safety. Cochlear also has a global Whistleblower Protection Policy and an independently-operated Cochlear Whistleblower Service, both available on cochlear.com, to enable Eligible Protected Persons to report confidentially any suspected or actual misconduct in relation to Cochlear.

2. Monitor and support human rights governance in our supply chains

We are currently improving our supplier due diligence assessments to support sustainable and ethical procurement. During FY19, Cochlear worked with its suppliers to encourage the standards set out in the **Supplier Code of Conduct** in relation to labour rights, safety and wellbeing, environmental sustainability, and ethical trading. We expect our suppliers to comply with all relevant legislation and to carry out their own measures to ensure that their suppliers, partners and distributors comply with our Supplier Code of Conduct.

We have also designed a supplier on-boarding process to screen new critical direct suppliers to our Australian and European manufacturing sites for major governance, human rights and environmental issues. During the reporting year, Cochlear carried out an environmental, social and governance risk assessment of its key direct suppliers based on the location of their manufacturing sites. This risk assessment concluded that Cochlear has no material exposure to these risks. Cochlear continues to monitor our suppliers and create opportunities for further assessment and improvement. Please refer to our **UK Modern Slavery Statement** for more details.

Ensure financial and non-financial transparency

3. Make timely and balanced disclosure

We are committed to effective communication with our investors to give them equal and timely access to accurate, balanced and understandable information. Cochlear's **Continuous Disclosure Policy and Procedures**

Governance

sets out Cochlear's policy to strictly comply with its obligations under the Australian Corporations Act and the 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 discloses to the market all material issues relating to the Company in a timely, clear, factual, complete and balanced manner and to ensure all stakeholders have an equal opportunity to access that information.

4. Publish a tax contribution report and an environmental, social and governance report annually

Cochlear publishes a **Tax Contribution Report** annually, which outlines our overall low risk tax strategy. In FY19, Cochlear paid and collected on behalf of others more than \$184 million in global taxes, 68% of which were paid in Australia to the Australian Taxation Office. For FY19, the effective tax rate for Cochlear Limited was 24.3%.

This **ESG Report** provides transparency around non-financial issues, and will be reviewed and updated annually.

Manage business risks

Cochlear has established a **Risk Management Policy** which is overseen by the Board. The Policy provides a risk management framework for the oversight and management on a continuing basis of the material business risks associated with Cochlear's activities. The Board has delegated the day-to-day implementation of the risk management framework to the Risk Management Committee (an internal committee of senior executives) and the Audit Committee (consisting of independent non-executive directors) is the principal committee of the Board responsible for overseeing risk. The Audit Committee advises the Board on risk management and reviews the Risk Management Framework (at least annually) to ensure that it continues to be sound. The Audit Committee also assists the Board in ensuring that the Company maintains appropriate accounting and financial reporting practices, an independent external audit process, and effective risk management and internal control systems.

5. Proactively manage our principal business risks

We use our Risk Management Framework as a basis to assess business, environmental and safety risks. Our Risk and Assurance team maintains and monitors a register of business risks, including ESG-related risks, which the team reviews at least annually, and acts to further assess and mitigate these risks via the Internal Audit program. Our **2019 Annual Report** outlines Cochlear's material business risks in the Business risks section in the Operating and financial review and identified management strategies to mitigate these risks.

Strengthen data privacy and security

6. Safeguard the security and privacy of customer data

Our business activities and product portfolio constantly evolve, to give our recipients, professional partners and employees more convenience and connectivity. These efforts are increasingly dependent on access to, and insights from, data, which may include personal information. We design and implement technology and security infrastructure and applications with controls in line with industry standards. We take a multi-layered approach, with several controls and countermeasures protecting infrastructure, systems and data.

We collect and use personal information entrusted to us by customers, professionals and employees in a compliant, transparent and ethical manner as outlined in our **Global Privacy Policy**. Our privacy function is led by Cochlear's Chief Privacy Officer and is supported by staff around the world with specialised privacy training and certifications.

Environment



Cochlear’s promise of “Hear now. And always” not only embodies our commitment to providing our customers with the best possible hearing performance today and for the rest of their lives, it also reflects our long-term commitment to the environment we live in. We aim to continually improve and review our environmental performance, and we are promoting the efficient use of materials and resources throughout our facilities. This includes working with our suppliers to manage environmental impacts within our supply chains.

Our objectives for environmental sustainability are:

ESG focus topic	Objectives
Enhance environmental management and compliance	1. Implement environmental management systems based on best practice international frameworks
Improve energy efficiency and reduce GHG emissions	2. Improve energy efficiency 3. Reduce reliance on non-renewable energy
Improve resource efficiency	4. Reduce waste to landfill 5. Manage materials and water consumption
Enhance supply chain sustainability	6. Implement effective due diligence program to identify environmental risks in our supply chain



Enhance environmental management and compliance

In 2019, we conducted an environmental risk assessment and concluded that we do not have material exposure to environmental risks. Nevertheless, we have identified strategies to manage climate change related risks to our business. Our **Environmental Policy** outlines our long-term commitment to continually improving our environmental performance.

The Cochlear Board believes that the Company has adequate systems in place to manage its environmental obligations and is not aware of any breach of those environmental requirements applicable in jurisdictions in which we operate.

1. Implement environmental management systems based on best practice international frameworks

Cochlear's Environmental Management System (EMS) is aligned with International Standard ISO 14001. We are currently implementing our EMS across our main manufacturing, service and research sites, and head offices. The EMS covers almost 90% of our operational footprint and we will look to expand this further going forward. The EMS incorporates environmental objectives and targets, and associated environmental monitoring and reporting framework.

The scope of this ESG Report includes the following environmental metrics:

- Electricity use;
- Water use; and
- Greenhouse Gas (GHG) emissions.

Improve energy efficiency and reduce GHG emissions

This year, we continued to reduce our energy use by applying new technologies and systems, and through better management and monitoring of our operations. Key environmental initiatives include energy efficiency upgrades to existing building fixtures and fittings at our major facilities in Australia.

Environment

2. Improve energy efficiency

As our business continues to grow, we will need to balance power consumption while reducing our dependence on carbon-based energy source. Energy use, in particular purchased electricity, is our biggest contributor to GHG emissions. Cochlear does not emit significant amounts of other gases such as sulphur dioxide or nitrous oxide.

GHG emissions are measured using greenhouse gas protocols⁹, guidance documents¹⁰⁻¹¹, and relevant tools¹²⁻¹⁴ including the latest available emissions/conversion factors for each location, as per local and international environmental reporting frameworks¹⁵⁻¹⁸. The table below shows our energy use, GHG emissions and intensities across our key sites.

We have made progress on our emission intensities, by sourcing energy from renewable sources in Australia and other offices in Europe as well as making incremental efficiency improvements to our facilities.

	% Change	FY19	FY18
Energy			
Directly purchased ^a electricity (MWh)	↓ 3%	17,806	18,300
Directly purchased ^a natural gas use (MWh)	↑ 63%	5,371 ^f	3,300
Total directly purchased ^a energy (MWh)	↓ 7%	23,177	21,600
Energy intensity (MWh / unit ^b)	↑ 15%	0.15	0.13
Energy intensity (MWh / mAUD revenue)	↑ 3%	17.16	16.67
GHG emissions			
Total Scope 1 emissions ^c (tCO ₂ -e)	↓ 14%	625	728
Total Scope 2 emissions ^d (tCO ₂ -e)	↓ 27%	9,827	13,537
Total Scope 1 and 2 emissions (tCO ₂ -e)	↓ 27%	10,453	14,265
Scope 1 and 2 GHG emissions intensity (kgCO ₂ -e / unit ^b)	↓ 24%	67	89
Scope 1 and 2 GHG emissions intensity (tCO ₂ -e / FTE)	↓ 35%	2.66	4.07
Emissions from Scope 3 business-related flights ^e (tCO ₂ -e)	↑ 2%	10,185	9,976

18-27 For references please see Appendix on page 32

a Usage billed directly to Cochlear, plus usage at downstream leased assets (i.e. electricity and gas billed to Cochlear and then on-charged to tenants or sub-tenants).

b Unit = total number of Cochlear implants, Bahas and sound processors produced.

c Total GHG for energy created onsite, i.e. diesel, petrol, natural gas, and other fuel gases burned.

d Total GHG for purchased energy, including emissions from downstream leased assets (i.e. from electricity used by tenants or subtenants).

e Total GHG for business travel via data sourced from our travel partners.

f Increase in natural gas usage with new Denver facility.

Environment

Our main manufacturing operations, and the majority of our energy use and GHG emissions, currently occur in Australia. For this reason, energy efficiency initiatives will be prioritised on our Australian sites. Initiatives planned for 2019/20 to help reduce energy use include:

- Heating, ventilation, and air conditioning energy efficiency initiatives at our Lane Cove manufacturing facility;
- Optimisation of equipment shut-down and start-up protocols in our Australian manufacturing facilities;
- Installation of power correction at our Brisbane manufacturing plant; and
- Installation of energy efficient fixtures and fittings in our office expansion in Belgium.

3. Reduce reliance on non-renewable energy

During FY19, we focused on sourcing renewable energy across our main operations. In Australia (Melbourne and Sydney), Belgium, Sweden and United Kingdom facilities, we are making progress in sourcing renewable energy. In 2019, we installed a solar array on the roof of our Global Headquarters at Macquarie, securing our main manufacturing facilities in Sydney (Macquarie and Lane Cove) with renewable energy stock for future energy needs.

Employee business flights (Scope 3 emissions) are our next most significant source of GHG emissions. We are reviewing our current business travel to identify opportunities where we can further reduce and/or offset emissions.



Improve resource efficiency

4. Reduce waste to landfill

Cochlear does not have a significant waste profile but we will continue to identify ways to reduce the amount of waste going to landfill. Key focus areas are effective sorting of recyclable materials and waste avoidance. Waste and recycling performance and measurement differ across regions due to several factors, including regulation and available infrastructure. We aim to improve the accuracy of data on our waste volumes in the countries we operate in through enhanced collection and reporting from our waste contractors.

In 2019, we initiated education initiatives and infrastructure improvements to encourage recycling of resources such as paper, cardboard, glass, plastic and metal at most Cochlear sites. We are reducing our reliance on single-use plastic for our conference events and training sessions. In Australia, we are continuing the pilot program to convert our organic (wood and suitable plastic) waste into fuel bricks for other industries, reducing their reliance on fossil fuels. We will continue our efforts in reducing waste to landfill in the coming years.

Environment

5. Manage materials and water consumption

Cochlear will continue to identify opportunities to improve resource efficiency at our global repair centre, and we are working towards rechargeable batteries for our products.

We comply with the European Union (EU) Restriction of Hazardous Substances (RoHS) Directive 2002/95/EC, which governs the use of heavy metals and halogenated compounds in electrical and electronic equipment. We also comply with the EU's regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) for the safe manufacture and use of chemical substances throughout their lifecycle.

Our current production processes use limited quantities of water, with the majority consumed through staff kitchens and bathrooms. Cochlear aims for responsible water consumption and continuously identify appropriate water-saving initiatives. For example, at our Sydney office, we collect rain water from the roof and use this for our garden maintenance and flushing toilets.

	% Change	FY19	FY18
Water use (m ³)	↓ 25%	45,065	60,087

Enhance supply chain sustainability

6. Implement effective due diligence program to identify environmental risks in our supply chain

Our environmental impacts extend beyond our operations to those in our supply chain. In recognition of this, we are currently working to improve our supplier due diligence assessments to support sustainable and ethical procurement. Our supplier due diligence process includes ongoing assessment of our suppliers' legislative compliance, sustainability performance, and supplier due diligence.

Cochlear has:

- Published and distributed a **Supplier Code of Conduct**;
- Introduced a new on-boarding process for suppliers to screen for major governance, human rights and environmental issues; and
- Conducted an ESG risk assessment of our key direct suppliers in FY19 based on known risk factors and internal risk models.

Cochlear aims to continue improving its supplier due diligence process in FY20. This will consist of the following measure:

- Undertaking further environmental sustainability assessments for higher-risk suppliers, such as questionnaires, onsite audits, consultation, and corrective action processes if required.

People



Our people and culture are pivotal to Cochlear successfully delivering its business strategy. With an ambitious growth agenda, we not only need to attract and recruit the best talent, we also need to optimise, develop and retain the talented and diverse global workforce we already have. We have identified the following objectives aimed at developing and supporting our people:

ESG focus topic	Objectives
Develop our people	<ol style="list-style-type: none">1. Develop leadership capabilities throughout the business2. Support internal career opportunities
Build a diverse and inclusive workplace	<ol style="list-style-type: none">3. Embed the global diversity and inclusion strategy across the organisation
Support the health and wellbeing of our workforce	<ol style="list-style-type: none">4. Support health and wellbeing5. Reduce the incidence and severity of workplace injuries
Reward and engage our talent	<ol style="list-style-type: none">6. Improve our high engagement rate and maintain our low turnover rate7. Implement fair and competitive pay practices globally

Develop our people

The continual development of our workforce is a critical part of our business strategy. Our talent development initiatives focus on different stages of people's careers, supporting all employees, regardless of tenure, to develop the knowledge and skills to succeed in their role and fulfil their potential. For the second year running, Cochlear was named by the Association for Talent Development as one of the "BEST Learning Organisations" globally. This award recognises organisations that demonstrate enterprise-wide success as a result of employee talent development.

1. Develop leadership capabilities throughout the business

We have introduced a global on-boarding pathway to set new employees up for success in their roles, whether they are entering the workforce for the first time as a student or joining us as an experienced professional. Cochlear also encourages all employees to grow and develop, by facilitating half-yearly performance reviews, goal-setting, and individual development plans. During the year, over 1,800 employees attended programs which focus on providing the skills and knowledge to employees to drive their own development, or providing managers with the skills to support the growth and development of their team members.

We continue to embed our 'Leading the Way' leadership competency framework built around four topics - Leading Self, Leading Teams, Leading Results and Leading Strategy. Over 1,500 employees, including over 70% of our manager population, have participated in a 'Leading the Way' program, with 484 people managers having attended the 'Leadership Starts with You' program.

2. Support internal career opportunities

To support the continual development of our workforce, we encourage internal career opportunities and hires. We do this by focusing on individual development plans, training people leaders to identify opportunities and encourage workers to seek out internal career moves, and communicating internal career opportunities to employees. During the year we worked closely with our second cohort of identified talent who participated in our targeted career review program. Since the introduction of this program in 2017, we have seen 37% of participants progress into new or larger roles.

Build a diverse and inclusive workplace

We believe in fostering a supportive environment that values and encourages the ideas, capabilities and experiences of our global workforce. We focus on creating a safe and inclusive workplace for our employees to contribute and fulfil their potential. Our workforce is ethnically diverse, with employees from more than 75 nationalities working in our offices around the world.

3. Embed the global diversity and inclusion strategy across the organisation

This year saw the launch of our new global diversity and inclusion strategy focusing on the five pillars of gender, ethnicity & religion, disability & accessibility, LGBTIQ+ and generational & mature age, all underpinned by our overarching goal to ensure and support employee wellbeing.



People

To enhance access to the workplace for all employees, we have introduced improved parental leave with a tripling of paid leave for both primary and secondary carers, and purchased leave benefits to increase participation and retention. This year, we have introduced domestic violence leave to provide support to all employees impacted by domestic violence. In Australia, we have also implemented Flex@Cochlear – a program which supports our employees to integrate work and personal commitments, such as working remotely and flexible work arrangements to enable our people to be more productive. Flexible work practices have also been made available in other locations as applicable.

Our commitment towards increasing female representation at all levels of our organisation remains a core focus of our recruitment and talent management because we recognise gender diversity in the workplace is instrumental to driving change in our broader community.

Our CEO & President, Dig Howitt, has joined the Male Champions of Change, an Australian organisation which aims to accelerate the advancement of women in leadership and achieve gender equality. He joins other business leaders who come together to share experiences, reflect on their own leadership and work together to identify and implement progressive, high impact actions that create meaningful and lasting change.

This year, 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. In addition to these initiatives, we are also continuing to build cultural awareness and community engagement with a specific Indigenous focus, starting with Aboriginal and Torres Strait Islander recognition in Australia.

Through our Hiring Manager Excellence training sessions that we deliver globally, we aim to ensure a fair, equitable and unbiased approach towards recruiting and selecting candidates from diverse talent pools. During the year, over 370 managers completed the program. We have also implemented improvements in screening, assessing and selecting candidates, delivering increased female representation during the interview and selection process. Our global female hire rate increased from 56% to 58% in FY19. Our current global workforce is 53% female.

Cochlear's Global Diversity and Inclusion Framework

Gender

- Pay equity
- Women in leadership
- Return to work



Ethnicity & religion

- Cultural diversity at senior levels
- Cultural capability and sensitivity



Disability & accessibility

- Hearing awareness
- Accessible workspaces



LGBTIQ+

- Awareness and inclusion
- Bring whole self to work



Generational & mature age

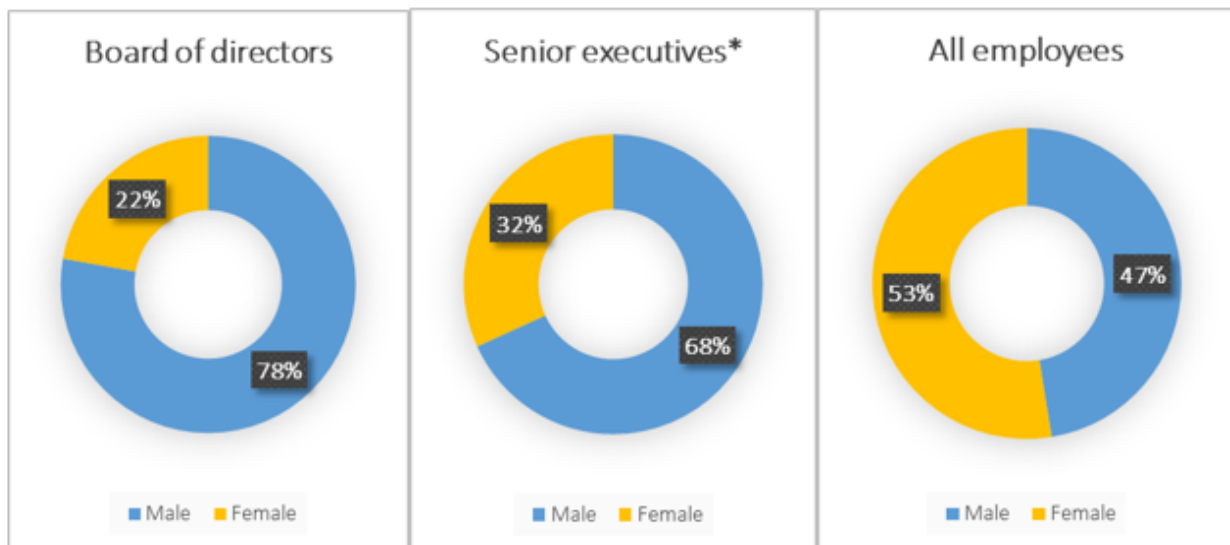
- Supporting the ageing workforce
- Career opportunities across the lifespan



Employee wellbeing

- Flexible work (including parental leave)
 - Employee safety
 - Mental health

People



Support the health and wellbeing of our workforce

We have a comprehensive approach to safety and wellbeing and we work towards providing a safe, healthy and supportive workplace for our people at all Cochlear sites. We apply a risk-based approach to managing all identified workplace hazards, and we seek to minimise exposure to workplace hazards by developing and implementing safety procedures in consultation with relevant and interested stakeholders.

4. Support health and wellbeing

Cochlear is committed to providing safe, healthy and supportive workplaces for all our people globally and to continuously improving our safety and wellness performance. Providing a safe, healthy and supportive work environment enables our employees to perform at their best, supporting the delivery of our strategic priorities.

Cochlear applies a risk-based approach to the management of all identified workplace hazards, and we seek to minimize exposure to such hazards by developing and implementing safety and wellness procedures in consultation with relevant stakeholders. We have developed strategies to support sustainable employment with a focus on holistic health promotion and injury prevention. Additionally, we have implemented ageing workforce strategies, mental health programs, safety in design and early intervention programs.

We are passionate about the creation of mentally healthy workplaces and have implemented programs to support this objective and enable employees to be their best selves. In addition to our Employee Assistance Program which provides support to all our workers and their immediate families, managers were also provided the opportunities during the year to participate in Mental Health for Managers training, developing their skills to assist them in the management of their teams and, also importantly, providing a focus on self-care. Psychological first responder training is also provided to upskill our people to provide mental health support across our workforce.

5. Reduce the incidence and severity of workplace injuries

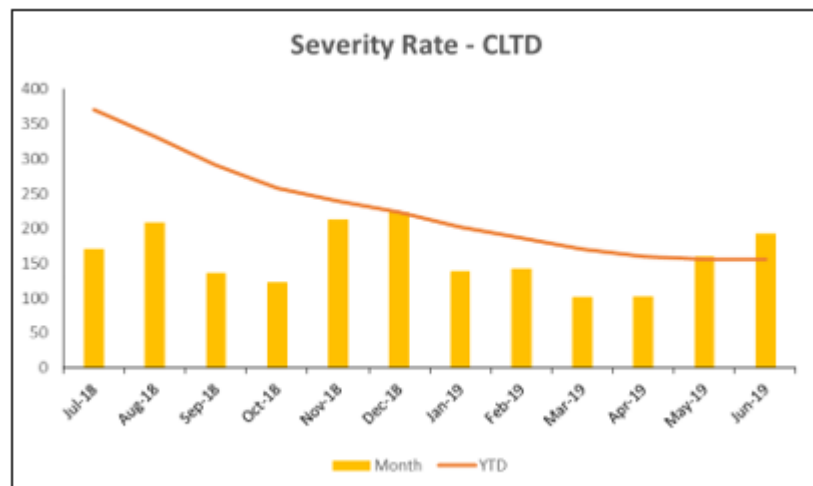
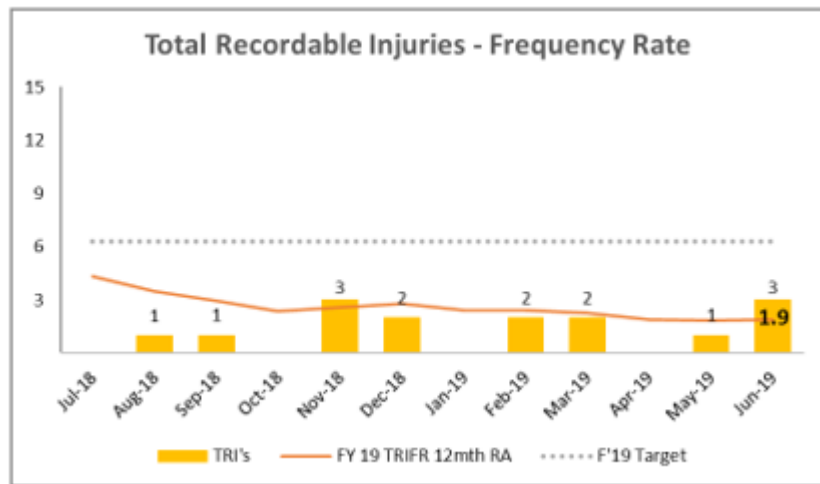
During 2019, we continued to focus on prevention of injury through best practice injury management and our early intervention program. We are proud of the progress made over the past 12 months, in not only preventing the development of musculoskeletal disorders, but also providing education and support to our workers to assist in the

People

understanding of injury mechanisms and providing them active preventative strategies. Our severity rate improved during the year by 64% and our Total Recordable Injury Frequency Rate (TRIFR) improved by 72%.

Early intervention is complemented by our targeted and customised exercise program, which is developed in collaboration with Macquarie University Physiotherapy students, who assist in providing the latest evidence based programs for exercise intervention in injury prevention.

	FY19	FY18
Total recordable injury frequency rate	1.9	5.9
Average severity rate	156	431



Reward and engage our talent

6. Improve our high engagement rate and maintain our low turnover rate

Each year, all employees have the opportunity to provide feedback via our internal global engagement survey. We aim to increase participation year-on-year. Our overall engagement score for FY19 was 79%, with 92% of employees feeling proud to tell people they work for Cochlear. Our high staff engagement is reflected in our high retention rates, with a global annualised employee turnover for FY19 being 9.7%.

We have also made significant progress in building a high performance culture, an important element of which is setting clear goals and expectations in line with business priorities. Responses from our engagement survey demonstrate that over 92% of employees have a clear understanding of how their individual role contributes to our business strategy and to the satisfaction of our customers.

7. Implement fair and competitive pay practices globally

We aim to ensure fair remuneration by implementing a globally aligned and consistent pay structure that takes into account relevant factors such as an employee's education, skills and experience, as well as local award and market rates. We continue our focus on pay equity. Our team is making progress on our global gender pay equity project, aiming to remove the gender pay gap for employees performing like-for-like roles of comparable value. Work has been completed to develop a global methodology for valuing roles with 70% of global roles reviewed during the year.

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References

Global Reporting Initiative (GRI) Index

Cochlear considered the GRI 2016 Sustainability Reporting Standards in the development of this report. This index includes links to the information and the relevant disclosures.

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102-50	Reporting period	1 July 2018 to 30 June 2019
102-51	Date of most recent report	April 2019
102-52	Reporting cycle	Annual
102-53	Contact point	Ian Coffey, Head of Group Risk & Assurance
102-55	GRI Content	Refer to this index

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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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www.cochlear.com

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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