

# Internal Audit Charter

## 1. Scope & Purpose

As part of Cochlear Limited's ("Cochlear") governance framework, Internal Audit (IA) provides an independent appraisal and advice to the Audit & Risk Committee and management of controls across all business activity and subsidiaries so that:

- a. Risks are appropriately identified and managed
- b. Interaction with the various governance groups occurs as needed
- c. Significant financial, managerial, and operating information is accurate, reliable, & timely
- d. Business activity complies with policies, standards, procedures, and applicable law / regulation
- e. Resources are acquired economically, used efficiently, and adequately protected
- f. Programs, plans, and objectives are achieved
- g. Quality and continuous improvement are fostered in the organisation's control process and
- h. Significant regulatory issues impacting the organisation are recognised and addressed appropriately.

As the Internal Auditor, the Vice-President Group Risk & Assurance coordinates activities and considers relying upon the work of other assurance and consulting service providers where possible.

## 2. Authority

This Charter is established by Cochlear's Board Audit & Risk Committee to define the IA function's roles, responsibilities, authorisation, activities, and reporting relationships.

The Internal Auditor retains unrestricted access to the Chief Executive Officer (CEO), the Chair of the Audit & Risk Committee, and the Board Chair to discuss any matter.

IA is authorised to:

- a. Have unrestricted access to all functions, records, property, and personnel
- b. Have full and free access to the Audit & Risk Committee and
- c. Obtain assistance of personnel in departments under review and other specialised services (within or outside the organisation) subject to budget constraints and Audit & Risk Committee approval.

The IA department is not authorised to:

- d. Perform any operational duties for the organisation or its affiliates, or
- e. Initiate or approve accounting transactions external to the IA department, or
- f. Direct the activities of any employee not employed by IA except to the extent such staff have been appropriately assigned to assist IA.

## 3. Independence

IA staff report to the Vice-President Group Risk & Assurance, who as the Internal Auditor reports functionally to the Chair of the Audit & Risk Committee (see Accountability section herein) and administratively to the Chief Financial Officer (CFO). Any IA staff may raise concerns of the Internal Auditor's independence or the influence of the CFO or CEO with the Audit & Risk Committee Chair.

## 4. Accountability

The Internal Auditor is accountable to the Chair of the Audit & Risk Committee for:

- a. Submitting a risk-based schedule of work to be conducted for Committee approval.
- b. Reviewing and adjusting the schedule in response to changes in business, risks, operations, programs, systems, and controls for Committee approval
- c. Reporting the status and results of work and the sufficiency of department resources
- d. Reporting significant issues and improvements through to resolution
- e. Ensuring a quality assurance and improvement program across all aspects of the IA function
- f. Ensuring staff undertake training required so that they possess the requisite knowledge, skills, and technical proficiency to the performance of their duties
- g. Reporting the results of an independent external review of IA at least every 5 years
- h. Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter
- i. Reporting on IA's conformance with the Standards of Practice (section below)
- j. Reporting & investigating significant suspected fraudulent activities
- k. Report the condition of the company's statutory compliance and internal control systems, and
- l. Advise the Audit & Risk Committee of emerging trends & practices in Internal Auditing
- m. Providing informal updates to the Chair as required.

## 5. Resourcing & Responsibilities

The Audit & Risk Committee has control for the approval, monitoring and continuance of:

- a. the employment and remuneration decisions concerning the Internal Auditor
- b. the scope and budget (including any co-sourced provider) of IA
- c. the Internal Audit Plan and corrective actions for significant issues
- d. agreed IA performance measures
- e. meeting periodically 'in camera' with the Internal Auditor.

Management is responsible for implementing corrective actions agreed during audits.

## 6. Standards of Practice

IA staff will comply with all company policies, mandatory elements of the *International Standards for the Professional Practice of Internal Auditing (Standards)*, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the Definition of Internal Auditing.

## 7. Reporting

IA will issue written reports for each review to:

- a. Chair of the Audit & Risk Committee
- b. Chief Executive Officer
- c. Chief Financial Officer
- d. Regional President / Senior Vice-President and Vice-Presidents of the audited functions / areas, and
- e. The nominated External Auditor (or nominated delegate) as required.

## 8. Relationship with External Audit and other statutory bodies

Internal audit will maintain a professional relationship with external audit. IA will liaise regularly with external audit and seek to minimise any possible duplication of assurance effort. Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest.

## 9. Review of this Charter

This Charter will be reviewed at least every two years by the Audit & Risk Committee.