

Audit and Risk Committee

Terms of Reference

Purpose

The primary purpose of the Audit and Risk Committee (the **Committee**) is to bring the transparency, focus and independent judgement required to oversee the corporate reporting process and assist the Board discharge its responsibility in the following areas:

- ensuring Cochlear adopts, maintains and applies appropriate accounting and financial reporting processes and procedures;
- facilitating the independence of the external audit process and addressing issues arising from the audit process; and
- ensuring Cochlear maintains effective risk management and internal control systems.

Membership

- The Committee shall comprise not less than three members.
- All members shall be Independent (within the meaning set out in the Nomination Committee Terms of Reference) non-executive directors who possess the requisite qualifications and financial literacy.
- The Chief Executive Officer & President, Chief Financial Officer, other Executives and the Vice President Group Risk & Assurance shall be invited to attend meetings at the Committee's discretion.
- The external auditors and other external experts shall be invited to attend meetings at the Committee's discretion.

Chair

- The Chair of the Committee shall be an Independent non-executive director and shall be a member of the People and Culture Committee. The Chair of the Board shall not be the Chair of the Committee.
- The Chair of the Committee is responsible for planning and conducting meetings.
- The Chair of the Committee shall report significant findings and recommendations of the Committee to the Board after each Committee meeting.

Secretary

- The Company Secretary shall be appointed Secretary of the Committee.
- The Secretary, in conjunction with the Chair, shall draw up an agenda, which shall be circulated, to the members of the Committee and the external auditors.

Meetings

- Meetings shall be held at least four times a year.
- The quorum of the meeting shall be a minimum of two.
- The minutes of all Committee meetings shall be circulated to members of the Board.
- The Chair will call a meeting of the Committee if so requested by any Committee member, the Chief Financial Officer or the external auditors.
- The Chief Financial Officer and the external auditors shall be given notice of all meetings.

Authority

- The Committee shall have the authority to seek any information it requires from any officer, employee, consultant or contractor of Cochlear and each of its controlled entities and such officers, employees, consultants or contractors shall be instructed by the Board to respond to such enquiries.
- The Committee shall have the authority to seek any information it requires from the internal and external auditors without the presence of management.
- The Committee is authorised to obtain such independent professional or other advice in the fulfillment of its duties at the expense of Cochlear.
- The Committee has no executive powers with regards to its findings and recommendations.

Responsibilities

The responsibilities of the Committee shall include, but are not limited to, reviewing and making recommendations to the Board in relation to the following:

1. Financial Reporting

- Reviewing financial statements and other financial information distributed externally including as to:
 - a) whether the financial statements reflect the Committee's understanding of and otherwise provide a true and fair view of Cochlear's financial position and performance; and
 - b) the appropriateness of the accounting judgments or choices exercised by management in preparing Cochlear's financial statements;
- Reviewing the adequacy of Cochlear's corporate reporting processes and internal controls framework;
- Reviewing and monitoring the key policies and procedures in place to ensure Cochlear is in compliance with the Corporations Act, ASX Listing Rules and other legislative and reporting requirements;
- Reviewing related party transactions and considering the adequacy of disclosure of those transactions in the financial statements; and
- Reviewing reports on Cochlear's superannuation plan and compliance with relevant laws and regulations.

2. Risk Management and Internal Control

- Specifically delegated by the Board to the Committee:
 - a) reviewing Cochlear's Risk Management Framework (at least annually) to satisfy itself that it continues to be sound and that Cochlear is operating with due regard to the risk appetite set by the Board; and

b) disclosing, in relation to each reporting period, whether such a review has taken place.

This includes satisfying itself that the Risk Management Framework deals adequately with contemporary and emerging risks.

- Reviewing risk management practices and monitoring management’s performance against the Risk Management Framework (including whether it is operating within the risk appetite set by the Board). Making recommendations to the Board in relation to changes that should be made to the Risk Management Framework or to the risk appetite set by the Board;
- Monitoring risk assessment and the establishment of an appropriate internal control framework, including information systems and considering enhancements;
- Receiving reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks;
- Reviewing the risk function’s assessment of whether Cochlear has any material exposure to environmental or social risks and if so review the adequacy of the disclosure of those risks. A material exposure in this context means a real possibility that the risk in question could materially impact Cochlear’s ability to create or preserve value for shareholders over the short, medium, or long-term;
- Receiving reports from internal audit on its reviews of the adequacy of Cochlear’s process for managing risk;
- Reviewing external and internal audit reports and, where major deficiencies or breakdowns in risk controls or procedures have been identified, monitoring remedial action taken by management to ensure such action is appropriate and prompt;
- Reviewing compliance reports and reports on any major incident involving defalcations, frauds, thefts from Cochlear, or other breakdowns in Cochlear’s internal controls and the “lessons learned”;
- Initiating and supervising special investigations;
- Overseeing Cochlear’s insurance program, having regard to Cochlear’s business and the insurable risks associated with its business; and
- Review reports from management on taxation matters material to the Group and the Group’s compliance with applicable tax legislation and regulations.

3. External Auditors

- Reviewing the independence, qualifications, performance and effectiveness of the external auditors at least annually and provide prior endorsement and make recommendations to the Board on the appointment and/or removal of the external auditors as necessary;
- Liaising with the external auditors and ensuring the scope and adequacy of the annual and half-year statutory audits and reviews;
- The fees payable to the external auditors for audit and non-audit work;
- Reviewing matters relating to auditor independence, including any proposal for the external auditor to provide non-audit services and whether it might comprise the independence of the external auditor; and
- Ensuring the rotation of the audit engagement partner every 5 years and overseeing the selection of any new audit engagement partner.

4. Internal Audit

- Reviewing the scope and adequacy of the internal audit plan;
- Appointing and removing the Vice President Group Risk and Assurance, ensuring that this person is suitably qualified and has a direct reporting line to the Committee to bring the requisite degree of skill, independence and objectivity to the role; and
- Review the independence, objectivity and performance of the internal audit function.

5. Corporate Governance Compliance

- Ensuring that a Global Code of Conduct is established and periodically reviewed;
- Reviewing policies on sensitive issues or practices such as environmental issues; and
- Reviewing policies to avoid conflicts of interest and reviewing past or proposed transactions between Cochlear and members of management and Cochlear directors.

6. Reporting to the Board

- Ensuring that all matters relevant to the Committee's roles and responsibilities are reported to the Board.

Review of Committee Performance and Committee Terms of Reference

The Committee will annually assess the capabilities of the Committee to discharge its responsibilities, review its performance and make recommendations to the Board for improving the effectiveness of the Committee. This review process will include the review of the Committee Terms of Reference.

Any change to the Committee Terms of Reference must be approved by the Board.

Current Membership

Chair:	Ms Karen Penrose
Non-Executive Directors:	Ms Yasmin Allen
	Mr Glen Boreham, AM
	Sir Michael Daniell, KNZM
	Mr Andrew Denver
	Ms Christine McLoughlin, AM
Secretary:	Mr Ray Jarman

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