

A warm, intimate photograph of a woman with long brown hair and a young child with blonde hair. They are both looking down at an open book held by the woman. The child is pointing at a page with their right hand. The scene is set indoors with soft, warm lighting.

2017 COCHLEAR LIMITED

# Corporate Governance Statement

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## Corporate Governance Statement 2017

Cochlear Limited (Cochlear or the Company) is committed to ensuring that its policies and practices reflect good corporate governance and that there is compliance with all corporate governance requirements applicable to Australian listed companies.

In this Corporate Governance Statement, Cochlear discloses the extent to which Cochlear has followed the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition), March 2014 (Guidelines) during the reporting period of 1 July 2016 to 30 June 2017 (FY17). A checklist of the recommendations made in the Guidelines is set out at the end of this statement. References to recommendations in the Guidelines are made throughout this statement in order to indicate how Cochlear follows the recommendations. All policies, charters and terms of reference referred to in this statement are published on the Company's website, [www.cochlear.com](http://www.cochlear.com), in the Corporate Governance section, unless stated otherwise. The Corporate Governance section is located in the Investor Centre area of the Company's website (Rec 6.1). The Investor Centre is found under the Investors tab on the website home page. Cochlear's corporate governance policies and procedures are reviewed on a regular basis and are updated where appropriate.

This Corporate Governance Statement is current as at 17 August 2017. This Corporate Governance Statement was approved by the Board of directors of Cochlear (Board) on 17 August 2017.

### Principle 1: Lay solid foundations for management and oversight

There is a clear distinction between the role and responsibilities of the Board and the role and responsibilities of the Company's Chief Executive Officer & President (CEO&P) and the senior executive team (Rec 1.1). The balance of responsibilities between the Board and the executives is reviewed on a regular basis so as to ensure that the division of functions remains appropriate to the needs of the Company.

The Board is responsible to Cochlear's shareholders and other stakeholders for the Company's overall business performance. The Board's prime objectives are to improve shareholder returns and to achieve disciplined and sustainable growth. The Board operates under a Board Charter that details its functions and the matters specifically reserved to it for decision (Rec 1.1). The Board Charter is published in the Corporate Governance section of the Cochlear website. The Board is responsible for setting Cochlear's strategic objectives and for monitoring management's performance and implementation of the strategy. The Board also provides input into management's development of corporate strategy and performance objectives. The Board appoints and removes the CEO&P, oversees succession plans and approves the accounts, budgets, Risk Management Policy (including internal control and compliance), Global Code of Conduct and major capital management and expenditure decisions.

The CEO&P is responsible for the implementation of Cochlear's strategic objectives and operating within the risk appetite set by the Board and for all other aspects of the day-to-day running of Cochlear (Rec 1.1). The CEO&P is assisted by the senior executive team. The CEO&P is accountable to the Board for all authority delegated to the senior executive team. Notwithstanding these delegations by the Board, the CEO&P is expected to consult the Chairman on matters that are sensitive, extraordinary or of a strategic nature and to bring all material matters to the Board's attention. The senior executives brief the Board regularly so as to keep the Board up to date and to assist the directors with monitoring the results of operations. Each month, directors receive operating reports prepared by senior management, covering each region and function. Directors also visit and inspect operations in Australia and overseas from time to time.

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.

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Individual directors may also seek independent professional advice at the expense of Cochlear where the Chairman 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 policy for appointment of directors and the selection process are outlined in the Nomination Committee Terms of Reference, which are published in the Corporate Governance section of the Cochlear website. The selection process may include obtaining advice from an external consultant to assist in identifying suitable candidates who meet the required specifications. Before appointing a person as a director, Cochlear performs checks as to the person's character, experience and education (Rec 1.2). These checks may be carried out by Cochlear or by an external consultant. The Chairman separately carries out reference checks for candidates and makes appropriate enquiries in the business community (Rec 1.2).

As a part of the appointment process, prospective directors are asked to disclose existing and proposed directorships as well as any other commitments they have and to confirm that they have sufficient time to fulfil their duties as a director. These commitments are assessed by the Nomination Committee to determine whether it also considers the prospective director has adequate time to perform their duties.

The Nomination Committee regularly reviews the time required from non-executive directors. The Nomination Committee assesses the commitments of the Chairman and all other non-executive directors on an ongoing basis so as to ensure that adequate time is available to discharge Board duties. The current members of the Board are all considered to have sufficient time available to them in order to discharge their responsibilities to Cochlear. The Board's practice and expectation are that non-executive directors consult with the Chairman prior to accepting any significant new appointment.

The Company's Constitution requires that one-third of the directors retire from office at the Annual General Meeting (AGM) each year and that no director serve longer than three years without re-election. The CEO&P is excluded from these requirements. Directors appointed by the Board during a year are required to resign at the AGM next following their appointment. Retiring directors are eligible for re-election. Prof Bruce Robinson, AM will retire at the 2017 AGM as he was appointed by the Board in December 2016. In addition, the Chairman Mr Rick Holliday-Smith and Mr Andrew Denver will also retire by rotation at the 2017 AGM. Each retiring director will stand for re-election at that meeting.

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 (Rec 1.2). This information includes biographical details, details of other material directorships and information with regard to the Board's assessment of the director's independence. The information is typically provided in the relevant notice of meeting.

Cochlear has a detailed written agreement with each director and senior executive setting out the terms of their appointment or employment (as applicable) including details of their role, responsibilities, remuneration and their disclosure/compliance obligations (Rec 1.3).

The Company Secretary advises the Board on governance matters and is accountable directly to the Board, through the Chairman of the Board, on all matters to do with the proper functioning of the Board (Rec 1.4). The Company Secretary is also Secretary of the Audit Committee, the Nomination Committee and the Technology and Innovation Committee. The Board appoints and removes the Company Secretary. Each director is able to contact the Company Secretary directly and to meet in person with the Company Secretary.

## Diversity

As a global business, Cochlear is committed to providing an inclusive workplace that attracts the best employees to support the Company's growth initiatives. The Company needs people with a diverse range of skills, expertise and diversity in terms of gender, age and ethnicity. To this end, the focus of the Company's workforce demographics objectives is to continuously build organisational capabilities to achieve Cochlear's business vision and mission.

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Cochlear's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender or cultural background. As a business founded on technology leadership, the Company places a particular focus on attracting and retaining staff with science, technology, engineering and mathematics skills to drive long-term value creation in the business.

To ensure the Company meets its ongoing commitment to diversity, Cochlear has established a Diversity Policy (Rec 1.5). The Diversity Policy can be viewed in the Corporate Governance section of the Cochlear website (Rec 1.5). The Diversity Policy sets out the following Workforce Objectives:

- grow the diversity of our workforce to reflect our business needs and the global community we serve;
- continue to implement programs that prepare women to take on senior roles within the business both in operational and specialist support areas;
- continue to implement programs to attract a diverse workforce; and
- invest in initiatives to enable our People Managers to provide an inclusive working environment to retain staff.

These Workforce Objectives are supported through annual initiatives which are approved and monitored by the Board's People & Culture Committee. These annual initiatives include initiatives with measurable objectives for achieving gender diversity (Rec 1.5). The outcomes of all annual initiatives are assessed as part of the annual workforce demographics review by the People & Culture Committee (Rec 1.5). A summary of the FY17 annual initiatives to implement Cochlear's Workforce Objectives, together with the progress achieved for each initiative, is set out below in Table 1 (Rec 1.5).

**Table 1: FY17 Annual Initiatives and Progress**

Workforce Objectives	Annual Initiatives and Progress
Grow the diversity of our workforce to reflect our business needs and the global community we serve	<p><b>Science, technology, engineering and mathematics (STEM)</b></p> <p>As a technology company, Cochlear needs to attract and maintain key skills for innovation in STEM areas. A significant portion of our senior employees have a STEM qualification, with more than 40% of these employees working in a STEM related role. We also endeavour to grow our STEM pipeline through hosting the Cochlear STEMSmart 50:50 event and through our continued commitment to recruiting talented engineering graduates as part of our formal graduate program.</p> <p><b>Increase the representation of women in the workforce</b></p> <p>51.1% of Cochlear's total permanent full-time workforce is female. 37% of senior roles (Bands 1 to 3) are filled by females.</p> <p>In FY17:</p> <ul style="list-style-type: none"> <li>• 52% of new hires at Band 2 level were female;</li> <li>• 45% of new hires at Band 3 level were female;</li> <li>• 55% of new hires at Band 4 level were female; and</li> <li>• 54% of new hires at Band 5 level were female.</li> </ul> <p>Overall, of more than 600 new permanent and fixed-term staff recruited (globally) in FY17, 52% were female.</p>

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	<p><b>Global diversity</b></p> <p>As a global business, Cochlear's workforce is ethnically diverse with staff from more than 75 nationalities working in the Company's domestic offices.</p> <p>Cochlear continues to recruit from around the globe, drawing on unique and specialist global skills and capabilities. The Company also recruits people with hearing impairment (including people who use our products) to ensure that customers' needs are understood.</p> <p>This diversity enriches Cochlear's business and helps the Company create an inclusive culture that attracts and retains the best talent. Cochlear's global annualised employee turnover is 9.1%. This rate is very competitive for a medical device business.</p>
Continue to implement programs that prepare women to take on senior roles within the business both in operational and specialist support areas	<p><b>Succession planning for executive roles</b></p> <p>In FY17, Cochlear refreshed its approach to talent and succession planning, to ensure a consistent, global approach aligned with our business strategy. Women make up 47% of our top senior leadership talent and we continue to develop them and accelerate their readiness to take on key leadership roles within Cochlear.</p> <p><b>Women in Leadership Network</b></p> <p>Cochlear supports and sponsors the development of women for senior roles internally through the Women in Leadership network. In FY17, a number of speakers presented on a range of leadership topics. We also celebrated International Women's Day with an afternoon tea in support of our charity partner, Dress for Success.</p>
Continue to implement programs to attract a diverse workforce	<p><b>Promotion of science and engineering careers</b></p> <p>During FY17, Cochlear 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. This event showcases career opportunities for high school girls within the STEM industry.</p> <p>We also partnered with First10, the leading provider of careers information to 98% of school careers advisors across Australia, to produce podcasts and career information showcasing Cochlear career opportunities.</p> <p><b>Building of Cochlear's graduate pipeline</b></p> <p>We continue to build our pipeline of future talent through our highly regarded graduate and internship programs, where we rank in the Top 50 of GradAustralia's most sought after employers. Cochlear has operated a formal graduate development program since 2006 to ensure the Company attracts top talent from Australian universities, so as to build a pipeline of people for research and development, manufacturing and quality roles within the business.</p> <p>Students who complete a summer internship during their penultimate year of study become eligible to apply for a place on the Graduate Program. During FY17, our Summer Internship Program attracted over 1,000 applicants from all over Australia. Of these, 24 were selected to participate in the program, and eight of these students will commence in permanent roles with Cochlear in early 2018. We continue to build a diverse pipeline of talent, with females representing 20% of graduate applicants and 38% of graduates recruited into</p>

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	permanent roles. This is significantly higher than the representation of females undertaking engineering tertiary studies and continues to remain a strong focus of this program.
Invest in initiatives to enable our People Managers to provide an inclusive working environment to retain staff	<p><b>Leadership development</b></p> <p>During FY17, to support our One Cochlear initiative and continue to build and enhance leader capability, we developed a new global leadership capability framework, Leading the Way. The framework identifies the critical leadership capabilities essential for our People Managers to demonstrate, to ensure we are able to meet the business demands of the future and deliver on our strategy. Leading the Way will also provide a consistent global framework across a range of People &amp; Culture activities to support the employee life cycle, including recruitment, performance, development and succession. This will enable us to identify, develop and deploy talent around the globe in an agile and effective manner.</p> <p>We also continued to deliver our 'Respectful Workplace for Employees' workshops, which are mandatory for all employees. These workshops provide guidance on managing workplace relationships respectfully to ensure a professional, respectful and inclusive culture.</p>

Cochlear is a "relevant employer" under the Workplace Gender Equality Act 2012 (Cth) (WGEA). Cochlear's most recent Gender Equality Indicators (as defined in and published under the WGEA) are set out below in Table 2 (Rec 1.5). It should be noted that this data covers Australian based staff only and does not represent Cochlear's global workforce.

**Table 2: Cochlear's Gender Equality Indicators**

Workforce Gender Profile	Cochlear Limited - 31 March 2017 (Source WGEA submission)											
	Permanent full-time			Permanent part-time			Contract/Casual			Total employees		
	Female	Male	Female	Female	Male	Female	Female	Male	Female	Female	Male	Female
CEO	0	1	0%	0	0	0%	0	0	0%	0	1	0%
Other KMP	0	5	0%	0	0	0%	0	0	0%	0	5	0%
Other executives/general managers	2	4	33%	0	0	0%	0	0	0%	2	4	33%
Senior managers	12	30	29%	0	0	0%	0	0	0%	12	30	29%
Other managers	52	99	34%	10	0	100%	3	1	75%	65	100	39%
Sales	8	5	62%	2	0	100%	3	0	100%	13	5	72%
Professionals	185	297	38%	41	10	80%	32	40	44%	258	347	43%
Technicians and trade	12	63	16%	0	0	0%	1	2	33%	13	65	17%
Clerical and administrative	31	6	84%	14	0	100%	1	3	25%	46	9	84%
Machinery operators and drivers	348	233	60%	1	1	50%	0	0	0%	349	234	60%
Total Australia	650	743	47%	68	11	86%	40	46	47%	758	800	49%

The performance of the Board, committees, individual directors and senior executives is evaluated in accordance with the Performance Evaluation Process (Recs 1.6 and 1.7). The Performance Evaluation Process is published in the Corporate Governance section of the Cochlear website (Recs 1.6 and 1.7).

The Nomination Committee is responsible for the review of the Board's performance. The procedure involves the discussion of the objectives of the Board at the start of the relevant period and then assessing the outcomes at the end of the period. The Chairman assesses the performance of individual directors in accordance with a process agreed with the members of the Nomination Committee. The Chairman undertakes individual interviews and questionnaires and subsequently holds evaluations with each individual director as to their performance. The

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performance of the Board and individual directors is evaluated at least every two years. The most recent evaluations were undertaken during the reporting period immediately prior to FY17 in March 2016 and were carried out in accordance with the Performance Evaluation Process (Rec 1.6). The key findings of these reviews were then discussed at the Nomination Committee meeting held in March 2016. Each committee of the Board annually reviews its performance and makes recommendations to the Board for improving the effectiveness of the committee.

All employees, including senior executives, participate in biannual performance reviews, where achievement of key goals is discussed and assessed and future goals are agreed upon. The Chairman of the Board facilitates the performance evaluation of the CEO&P with ultimate oversight by the Board. A performance evaluation for the CEO&P and the senior executive team took place during FY17 and was carried out in accordance with the process disclosed in this statement and the Performance Evaluation Process Overview (Rec 1.7).

## Principle 2: Structure the board to add value

### Composition of the Board

The Board comprises eight non-executive directors (including the Chairman) and one executive director, the CEO. 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 FY17 is set out in Cochlear's Annual Report for FY17 (2017 Annual Report) at page 51 (Recs 2.1, 4.1, 7.1 and 8.1). At each Board meeting, the non-executive directors meet for a period without management or any executive directors present. Throughout the year, the Board has regular scheduled discussions on the various aspects of the Company's strategy.

### Board committees

The Board has established five permanent committees to assist in the execution of its responsibilities. Each committee reports to the Board. Each committee has terms of reference under which authority is delegated to it from the Board. The terms of reference for each committee can be viewed in the Corporate Governance section of the Cochlear website.

Committee meeting agendas, papers and minutes are made available to all members of the Board. The Chair of each committee is free to use whatever resources they consider necessary to discharge the committee's responsibilities. The number of committee meetings held during the year and the attendance at these meetings by committee members are set out in the 2017 Annual Report at page 51 (Recs 2.1, 4.1, 7.1 and 8.1). With the exception of the Medical Science Committee and the Technology and Innovation Committee, all committees are comprised entirely of independent non-executive directors. Mr Chris Smith, the CEO and an executive director, is a member of the Medical Science Committee and the Technology and Innovation Committee.

Details in relation to each committee including as to composition and role are set out below:

### Audit Committee (Recs 4.1 and 7.1)

The Audit Committee meets at least four times a year. The Audit Committee consists entirely of independent non-executive directors (Recs 4.1 and 7.1). Mrs Yasmin Allen chairs the committee with the other members being Mr Glen Boreham, AM, Ms Alison Deans, Mr Andrew Denver, the Chairman of the Board Mr Rick Holliday-Smith and Mr Donal O'Dwyer (Recs 4.1 and 7.1). Mrs Yasmin Allen is an independent director and is not the chair of the Board (Recs 4.1 and 7.1). The Board considers that the Audit Committee is of a sufficient size and independence and possesses sufficient technical expertise to discharge its mandate effectively. An assessment of the technical

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expertise of the committee's members occurs on an annual basis. The external and internal auditors, the CEO&P and the Chief Financial Officer (CFO) and other executives are invited to the meetings at the discretion of the committee. At each Audit Committee meeting they attend, the external auditor reports on the outcome of their audit and other work. The Audit Committee meets with the external auditor in the absence of members of management at every meeting that the external auditor attends. The Audit Committee members' relevant qualifications and experience are set out in their respective biographies on pages 27-29 of the 2017 Annual Report (Recs 4.1 and 7.1). The Audit Committee Terms of Reference set out the committee's role and responsibilities, composition, structure and membership requirements. The Audit Committee Terms of Reference can be viewed in the Corporate Governance section of the Cochlear website (Recs 4.1 and 7.1).

The principal role of the Audit Committee is to advise and assist the Board in relation to the reporting of financial information and management of risk. In particular, the Audit Committee assists the Board in ensuring that the Company maintains appropriate accounting and reporting practices, an independent external audit process and effective risk management and internal control systems.

Cochlear's processes relating to financial reporting are outlined below at Principle 4: Safeguard integrity in corporate reporting. Cochlear's processes relating to risk management and internal control are outlined below at Principle 7: Recognise and manage risk.

## **People & Culture Committee (Rec 8.1)**

The People & Culture Committee meets at least three times a year. Mr Glen Boreham, AM chairs the committee with the other members being Mrs Yasmin Allen, Ms Alison Deans, Prof Bruce Robinson (appointed on 17 August 2017) and the Chairman of the Board Mr Rick Holliday-Smith (Rec 8.1). Mr Glen Boreham, AM is an independent director (Rec 8.1). All members of the People & Culture Committee are independent non-executive directors (Rec 8.1). The Senior Vice President of People & Culture is the secretary of the committee. As the need arises, the CEO&P, CFO and other executives are invited to meetings at the discretion of the committee.

The People & Culture Committee Terms of Reference set out the committee's role and responsibilities, composition, structure and membership requirements. The People & Culture Committee Terms of Reference can be viewed in the Corporate Governance section of the Cochlear website (Rec 8.1).

The People & Culture Committee's responsibilities include making recommendations to the Board in relation to the amounts and composition of remuneration for the CEO&P and the senior executive team. This includes long-term performance requirements and incentives. Remuneration levels are set at competitive levels to attract and retain qualified and experienced staff. Independent advice is taken on the appropriateness of remuneration packages. The People & Culture Committee considers and, if thought fit, approves any agreement for independent advice before it is entered into. This includes any remuneration consultancy contract (within the meaning of the Corporations Act 2001 (Cth) (Corporations Act). To the extent that any remuneration recommendation (for the purpose of the Corporations Act) is made by a remuneration consultant, an appropriate disclosure is made in the Remuneration report as required by the Corporations Act.

The People & Culture Committee's role also includes responsibility for making recommendations to the Board in relation to remuneration for the Chairman and other non-executive directors. The committee approves the Cochlear remuneration, recruitment, retention, incentive and termination policies and practices as well as superannuation arrangements. In addition, the People & Culture Committee makes recommendations to the Board for the purpose of the Cochlear Executive Incentive Plan (CEIP).

The People & Culture Committee's role encompasses responsibility for the Cochlear Diversity Policy including the implementation and monitoring of the policy. Further information on Cochlear's Diversity Policy can be found above at Principle 1: Lay solid foundations for management and oversight.

The People & Culture Committee is authorised to seek any information it requires from internal resources and to take independent professional advice as it considers necessary.

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Further details on Cochlear's remuneration policies and the principles upon which they are based are set out below at Principle 8: Remunerate fairly and responsibly.

## Nomination Committee (Rec 2.1)

The Nomination Committee is chaired by the Chairman of the Board Mr Rick Holliday-Smith, who is an independent director. The other members of the Nomination Committee are Mrs Yasmin Allen, Mr Glen Boreham, AM, Prof Edward Byrne, AC, Ms Alison Deans, Mr Andrew Denver, Mr Donal O'Dwyer and Prof Bruce Robinson, AM (Rec 2.1). The Nomination Committee is comprised entirely of independent non-executive directors (Rec 2.1). The Nomination Committee Terms of Reference require a separate chair who is an independent director to be appointed when the committee is dealing with the appointment of a successor to the Chairman of the Board.

The Nomination Committee's role is to assist the directors in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of a director. The Nomination Committee also establishes processes for the identification of suitable candidates for appointment to the Board and oversees succession planning for the Board and the CEO&P.

The Nomination Committee Terms of Reference set out the committee's role and responsibilities, composition, structure and membership requirements. The Nomination Committee Terms of Reference can be viewed in the Corporate Governance section of the Cochlear website (Rec 2.1). The Nomination Committee Terms of Reference include a description of the procedure for the selection and appointment of new directors and the criteria used to determine director independence.

## Medical Science Committee (Rec 7.1)

Prof Edward Byrne, AC chairs the Medical Science Committee with the other members being Mr Andrew Denver, Mr Donal O'Dwyer, Prof Bruce Robinson, AM and Mr Chris Smith (Rec 7.1). Prof Edward Byrne, AC is an independent director (Rec 7.1). The committee may invite any Cochlear executive to attend its meetings at its discretion. With the exception of Mr Chris Smith, all members of the Medical Science Committee are independent non-executive directors (Rec 7.1).

The Medical Science Committee Terms of Reference set out the committee's role and responsibilities, composition, structure and membership requirements. The terms of reference provide for the Medical Science Committee to meet on an "as needs" basis, but at least twice each year. The Medical Science Committee Terms of Reference can be viewed in the Corporate Governance section of the Cochlear website (Rec 7.1).

The Medical Science Committee considers any matters relating to the medical aspects of Cochlear's businesses and related technologies. This includes monitoring risk management and internal controls with respect to medical risks associated with the Company's activities. In this regard, the Medical Science Committee liaises with and provides input to the Audit Committee for the purpose of the Audit Committee's reviews of the Company's Risk Management Framework (as defined below at Principle 7: Recognise and manage risk). The Medical Science Committee also keeps a watching brief on developments in relevant medical fields and the findings of independent medical experts.

## Technology and Innovation Committee (Rec 7.1)

The Technology and Innovation Committee is chaired by Mr Andrew Denver with the other members being Mrs Yasmin Allen, Mr Glen Boreham, AM, Prof Edward Byrne, AC, Ms Alison Deans, Mr Donal O'Dwyer, Prof Bruce Robinson, AM and Mr Chris Smith (Rec 7.1). Mr Andrew Denver is an independent director (Rec 7.1). With the exception of Mr Chris Smith, all members of the Technology and Innovation Committee are independent non-executive directors (Rec 7.1). Executives of the Company are invited to meetings at the discretion of the committee.

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The Technology and Innovation Committee Terms of Reference set out the committee's role and responsibilities, composition, structure and membership requirements. The Technology and Innovation Committee Terms of Reference can be viewed in the Corporate Governance section of the Cochlear website (Rec 7.1). The committee oversees the strategic direction of the Company's technology research and product development programs with an emphasis on priority and resource allocation in line with the Company's agreed corporate strategy. The Technology and Innovation Committee also monitors risk management and internal control systems with respect to risks associated with the technology and research and development aspects of Cochlear's business. In this regard, the Technology and Innovation Committee liaises with and provides input to the Audit Committee for the purpose of the Audit Committee's reviews of the Company's Risk Management Framework.

## Skills Matrix

The mix of skills and diversity that the Board is looking to achieve in its membership is set out in the Board Skills Matrix below (Rec 2.2). The Nomination Committee considers that the members of the Board possess the necessary skills, knowledge and experience to allow the Board to perform its duties appropriately. Information relating to the experience and qualifications of the directors is set out in their respective biographies on pages 27-29 of the 2017 Annual Report.

Skills and experience	Board (9 directors)	Audit Committee (6 directors)	Medical Science Committee (5 directors)	Nomination Committee (8 directors)	People & Culture Committee (4 directors)	Technology and Innovation Committee (8 directors)
The Board currently comprises 8 non-executive directors and 1 executive director.						
<b>Executive leadership/strategic thinking capabilities</b> <small>Sustained success in business at a senior executive level with a track record of developing and implementing successful strategy and profit and loss outcomes. Proven judgement and communication skills.</small>	9	6	5	8	4	8
<b>Global experience</b> <small>Board, senior management or equivalent experience in multiple global locations, exposed to a range of political, cultural, regulatory and business environments.</small>	9	6	5	8	4	8
<b>Governance</b> <small>Commitment to the highest standards of governance including experience with a major organisation that is subject to rigorous governance standards. Ability/willingness to probe management in the context of board acting collegiately in constructive debate.</small>	9	6	5	8	4	8
<b>Financial acumen</b> <small>Board, senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls.</small>	9	6	5	8	4	8
<b>Human resources</b> <small>Board remuneration committee membership or management experience in relation to remuneration, including incentive programs and pensions/superannuation and the legislation and contractual framework governing remuneration. An ability to assess the effectiveness of senior management for succession and talent planning. Experience related to workplace health and safety, environmental and social responsibility and community.</small>	9	6	5	8	4	8
<b>Technology and digital expertise</b> <small>Ability to generate innovative and fresh forward thinking and ideas. Board, senior executive or equivalent experience in development and commercialisation of technology, innovation processes and/or digital businesses.</small>	9	6	5	8	4	8
<b>Public and regulatory policy</b> <small>Experience in public and regulatory policy, including how it affects corporations and implications for product development and commercialisation.</small>	5	2	4	4	1	4
<b>Medical Device Industry</b> <small>Senior executive or equivalent experience in the medical device industry including a broad understanding of operations, markets, customers, competitors and regulatory environment.</small>	3	2	3	2	0	3
<b>Healthcare Industry</b> <small>Senior executive or equivalent experience in the provision of products and/or services to treat patients with curative, preventative and rehabilitative care.</small>	5	2	5	4	1	5

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The Nomination Committee's role includes annually reviewing the mix of skills, knowledge and expertise (by reference to the Board Skills Matrix), personal qualities, ability to exercise independent judgement and diversity required to discharge the Board's duties and making recommendations in relation to same. The Nomination Committee also recommends to the Chairman ways in which the skills, experience and expertise levels of existing directors can be enhanced through learning and continuing professional development.

## Independence

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 Box 2.3 in the Guidelines.

The Nomination Committee has assessed the independence of the non-executive directors in light of their interests and relationships and considers that all of the non-executive directors are independent (Rec 2.3). Ms Alison Deans is an independent non-executive director of Westpac Banking Corporation. Westpac Banking Corporation is Cochlear's principal banker and provider of debt finance. The Board does not consider that Ms Deans' position compromises her independence because, as an independent non-executive director, she is not involved in any commercial decisions at a business level. Ms Deans is also a senior advisor to the consulting firm McKinsey & Company. During FY17, McKinsey & Company was engaged by Cochlear to provide strategic consulting services. The Board does not consider that Ms Deans' position compromises her independence. Her role is an advisory role only and she is not a McKinsey & Company business owner or employee, nor otherwise involved in the operation of its business.

The Board believes arbitrary limits on tenure may cause loss of experience and expertise that are important to the efficient and effective working of the Board. The Board does not believe that any non-executive directors have served on the Board for a period that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of the relevant director's judgement. The length of service of each director is disclosed at pages 27-29 of the 2017 Annual Report (Rec 2.3). The longest serving director is Prof Edward Byrne, AC who was appointed in 2002. The Board has assessed Prof Edward Byrne, AC's independence and does not believe that his length of tenure compromises his independence. At all times while he has been a director of Cochlear, Prof Edward Byrne, AC has also held other high profile positions and appointments at a management and/or board level.

Except as set out above, none of the non-executive directors has any interest, position, association or relationship of the type described in Box 2.3 in the Guidelines. With the exception of the CEO, all directors on the Board are independent directors (Rec 2.4).

The Nomination Committee assesses the independence of the non-executive directors at least annually, in light of the interests, positions, associations and relationships disclosed by the directors (Rec 2.3). Independence is reassessed as soon as practicable after the Nomination Committee becomes aware of any change in the interests, positions, associations and relationships of a non-executive director. Any loss of independence by a non-executive director will immediately be disclosed to the market. Non-executive directors are required to notify the Chairman of the Board of any change in their interests, positions, associations and relationships. The total number of shares in the Company owned by non-executive directors is 31,550. This is considered immaterial.

## The Chair

The Chairman of the Board Mr Rick Holliday-Smith is responsible for leading the Board in the performance of its duties. The role of the Chairman includes facilitating the effective contribution of all directors and promoting communication and respectful relations between directors and between the Board and management. Cochlear's

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Chairman is also responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. Mr Rick Holliday-Smith is an independent non-executive director (Rec 2.5). Mr Rick Holliday-Smith is not and has not previously been the CEO of the Company (Rec 2.5).

New non-executive directors are provided with an induction program (Rec 2.6). The program includes the provision of a briefing pack, online and face-to-face product training, one-on-one meetings with the CEO&P and the senior executive team and visits to key functional areas. Directors participate in continuous improvement and education programs from time to time, as considered appropriate (Rec 2.6). From time to time, the Board receives updates from the Company's professional advisors on developments and changes to accounting standards and the Australian Securities Exchange (ASX) Listing Rules. The Nomination Committee also recommends to the Chairman ways in which the skills, experience and expertise levels of existing directors can be enhanced through learning and continuing professional development.

## Principle 3: Act ethically and responsibly

Cochlear is committed to acting ethically and responsibly. All Cochlear personnel, including the non-executive directors, the CEO&P and the senior executive team, are expected to act with integrity and at all times to seek to enhance the reputation, brand and performance of Cochlear. These expectations are reflected in Cochlear's Global Code of Conduct. The Global Code of Conduct became effective on 1 July 2017 and replaced the Company's previous Code of Business Conduct (Rec 3.1) and is an important document for creating a culture within Cochlear that promotes ethical and responsible behaviour.

The Global Code of Conduct guides all Cochlear employees, officers, directors, contracted staff, contractors, consultants and third parties that conduct business for and on behalf of Cochlear as to how to act in order to protect the Company's reputation for integrity. The Global Code of Conduct requires adherence to high standards of honesty, integrity and fairness in all conduct relating to Cochlear and its products and services. The Global Code of Conduct includes standards relating to anti-bribery and corruption, competition and consumer laws, conflicts of interest, insider trading, privacy, intellectual property, confidentiality, health and safety, fair work environment as well as other compliance issues. When preparing the Global Code of Conduct, Cochlear had regard to the "suggestions for the content of a code of conduct" provided by the Guidelines.

Cochlear is committed to conducting operations in every country where the Company does business, in full compliance with each country's laws (including the laws against bribery and corruption). Where there is a conflict between the Global Code of Conduct and a more restrictive applicable law or regulation, the Global Code of Conduct provides that applicable law or regulation shall prevail. Both the Global Code of Conduct and the Cochlear Anti-Bribery Policy prohibit bribery and other corrupt practices. The Anti-Bribery Policy provides more detailed guidance as to what constitutes a bribe and the responsibilities of all Cochlear employees, representatives and business partners to in relation to the prevention, detection and reporting of bribery.

The Global Code of Conduct is endorsed and supported by senior management, with Cochlear's CEO&P providing the opening message encouraging use of the Global Code of Conduct in day-to-day work. To further promote and reinforce the importance of the Global Code of Conduct, Cochlear's Group General Counsel & Company Secretary made an organisation-wide announcement in relation to the Global Code of Conduct on 30 June 2017. Mandatory face-to-face compliance training was carried out in the lead up to the end of FY17 for all corporate personnel located in Australia, specifically covering the Global Code of Conduct. Following the launch on 1 July, training for the entire global organisation will take place in FY18. Breaches of the Global Code of Conduct may result in the individual or related entity being subject to disciplinary measures, including the termination of employment or business contracts.

During FY17, Cochlear adopted a new Global Sanctions and Export Control Policy. The objective of this policy is to assist Cochlear to deliver its hearing solutions to those that need them, including in countries affected by economic sanctions, while remaining in compliance with applicable sanctions laws, rules, regulations and export

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controls. The Global Sanctions and Export Control Policy is an internal document and is not available on the Cochlear website.

There are clear avenues for reporting suspected or actual breaches of any of the Global Code of Conduct, the Anti-Bribery Policy and the Global Sanctions and Export Control Policy. To ensure that, as Cochlear grows, allegations relating to improper conduct can continue to be reported and investigated on a confidential basis, during FY17 the Company replaced its Whistleblower Policy with a new Global Whistleblower Protection Policy. The Global Whistleblower Protection Policy is available in English as well as a further 16 languages. In connection with the Global Whistleblower Protection Policy, Cochlear has also appointed an independent third party to provide a 24/7 worldwide whistleblower reporting service. Reports can be made by telephone (free of charge and in the local language), e-mail, post or through a website (which is available in 17 different languages). The Global Whistleblower Protection Policy is an internal document and is not available on the Cochlear website.

The Global Code of Conduct and the Anti-Bribery Policy can be viewed in the Corporate Governance section of the Cochlear website (Rec 3.1).

With effect from 1 August 2013, the Physician Payments Sunshine Act (Sunshine Act) requires medical device and pharmaceutical companies operating in the United States of America to track and publicly report payments and transfers of value provided to physicians and teaching hospitals in the USA. The Centers for Medicare & Medicaid Services have been tasked with overseeing the Sunshine Act in the USA and have called it the Open Payments Program. As part of this program, Cochlear is required to submit annual data on payments and other transfers of value made to physicians and teaching hospitals, unless otherwise excluded under applicable law. The majority of Cochlear's Open Payments transactions have been in the Research category, consistent with Cochlear's efforts to lead the industry in research and development. Cochlear maintains an enterprise-wide tracking and reporting process to ensure compliance with regulatory requirements.

The Company has documented policies on equal opportunity, occupational health and safety and standards of workplace behaviour, which are communicated to employees at the time of employment. These policies are reinforced by continuous performance management and employee training programs. These policies are internal documents and are not available on the Cochlear website.

Directors and certain senior executives are subject to the Share Ownership Policy which provides direction as to minimum levels of shareholdings. The Share Ownership Policy is available on the Cochlear website. Further information in relation to the policy is also disclosed in the Remuneration report. The document seeks to further align the interests of the directors and senior executives with the interests of Cochlear's shareholders.

All directors, senior executives and other employees are subject to Cochlear's Trading Policy. Consistent with the Corporations Act, directors, senior executives and employees are prohibited by the Trading Policy from dealing in the Company's securities while in possession of "inside information". Subject to certain limited exceptions, the Trading Policy prohibits "Designated Persons" (which includes the Company's key management personnel and certain other persons) from dealing in Cochlear securities outside of set trading windows. During the trading windows, Designated Persons must still seek "no objection" from the Company prior to trading in Cochlear securities. Employees who are not Designated Persons are not restricted to dealing within the trading windows. However, in order to mitigate the risk of inadvertently trading while in possession of inside information, the Trading Policy suggests that employees trade in the Company's securities only during the trading windows. Employees are encouraged to seek guidance from the Group General Counsel & Company Secretary if they have questions about the policy.

Compliance with the Trading Policy is monitored. The People & Culture Committee receives a report at each of its meetings regarding trading in the Company's securities by any non-executive director, the CEO&P or members of the senior executive team. Share dealings by directors are promptly notified to the ASX in accordance with the ASX Listing Rules.

Executives who are granted equity based awards under the CEIP are provided with details of the Trading Policy and the trading windows as well as guidelines on what constitutes insider trading. The Trading Policy can be viewed in the Corporate Governance section of the Cochlear website.

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## Principle 4: Safeguard integrity in corporate reporting

The directors are committed to the preparation of financial statements that comply with Australian Accounting Standards and present a true and fair view of the Company's financial performance and position in respect of or as at the end of the relevant financial period.

Cochlear has established accounting and financial control policies and procedures and these are monitored by the Audit Committee (Rec 4.1). Detail relating to the Audit Committee's role, composition, terms of reference, meetings and attendance can be found above at Principle 2: Structure the board to add value.

The Audit Committee approves any material new accounting policies or material changes to existing accounting policies. The Audit Committee provides a link between the external auditor and the Board. The Audit Committee monitors compliance with statutory requirements in relation to the audit process and ensures that the half year review and annual audit are conducted in an effective manner. The Audit Committee is responsible for overseeing the selection and appointment of the external auditor, setting the external auditor's fees and ensuring that the external auditor reports to the Audit Committee and the Board. The Audit Committee reviews the performance and objectives of the external auditor on an annual basis.

Cochlear is committed to auditor independence. The Cochlear audit engagement partner must rotate every five years, with the last rotation occurring in August 2013. The Audit Committee reviews any matters relating to the independence of the external auditor. All non-audit services provided by the Company's external audit firm must be approved or ratified by the Audit Committee.

Cochlear has a highly structured six monthly reporting process, culminating in Board sign-off and release of financial results to the market. Before the Board approves the Company's financial statements for a half year or full year, the CEO&P, CFO and Head of Group Finance provide a written statement to the Board that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with Australian Accounting Standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively (Rec 4.2).

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 (Rec 4.3).

Cochlear seeks to ensure that it complies fully with all other reporting requirements applicable to it. Reports, disclosures and announcements are carefully prepared and reviewed so as to ensure that they are factual, complete, balanced and clearly expressed.

## Principle 5: Make timely and balanced disclosure

Cochlear is committed to effective communication with its investors so as to give them equal and timely access to accurate, balanced and understandable information.

Cochlear's Continuous Disclosure Policy sets out the Company's policies and procedures to ensure compliance with its continuous disclosure obligations and to provide accountability at a senior management level for that compliance (Rec 5.1). The Continuous Disclosure Policy aims to ensure full and timely disclosure to the market of all material issues relating to Cochlear in a clear, factual, complete and balanced manner and to ensure all stakeholders have an equal opportunity to access that information. Among other things, the Continuous Disclosure Policy addresses the issues of confidentiality, media contact/comment and analyst briefings. To further manage and protect against the risk of insider trading, during FY17 the Company introduced stricter limitations and controls on the internal dissemination of business reports and data that may include price sensitive information. Cochlear also has a separate Media Policy dealing specifically with who may provide comment on the Company's behalf.

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The Continuous Disclosure Policy can be viewed in the Corporate Governance section of the Cochlear website (Rec 5.1). The Media Policy is an internal document and is not available on Cochlear's website.

## Principle 6: Respect the rights of security holders

Cochlear's main website has an Investor Centre area which is found under the Investors tab of the home page. The Investor Centre contains a dedicated Corporate Governance section (Rec 6.1). The Corporate Governance section includes information about the directors and senior executives as well as links to the Company's Constitution, the Board Charter, each Board committee's terms of reference and all policies referred to in this Corporate Governance Statement (other than internal documents). The Cochlear website also provides links to the Company's annual reports, financial statements, ASX announcements, notices of AGM and webcasts of previous AGMs.

The shareholders of the Company play a key role in the governance of the Company. The directors recognise that shareholders must receive timely information about the Company in order to play their role effectively. The directors appreciate that the information communicated to shareholders needs to be of high quality, relevant, balanced and understandable. The Company's Shareholder Communications Policy is published in the Corporate Governance section of the Cochlear website (Recs 6.1 and 6.2). The policy aims to promote effective two-way communication with shareholders and to encourage shareholders to participate in general meetings of the Company (Rec 6.2). The principal channels of communication with the Company's shareholders are the provision of the half yearly and annual reports, periodic analyst and media briefings, an Investor Handbook and Investor Day, the distribution of specific material covering major transactions and events, Company ASX/media announcements and the AGM. The Company continues to seek ways to improve its communications with investors and in this regard participates in the twice yearly Corporate Confidence Index surveys. The Company employs a Head of Investor Relations to ensure the focus and effectiveness of communications with investors.

The Board's philosophy is to encourage full participation of shareholders at general meetings of the Company (including the AGM) to ensure a high level of accountability and identification with Cochlear's strategy and goals. The Company provides a forum to address individual shareholders' questions at each AGM (Rec 6.3). The external auditor attends the AGM and is available to answer questions about the conduct of the audit and the preparation and content of the Audit Report (Recs 4.3 and 6.3). In addition to attending the AGM in person, shareholders may view a webcast of the AGM online (Rec 6.3). 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 (Recs 6.1 and 6.3). Shareholders who are unable to attend the AGM are able to submit questions and comments to Cochlear in advance of the meeting (Rec 6.3). Where appropriate, questions submitted will be answered at the AGM.

Cochlear offers its shareholders the ability to receive distributed materials in either electronic or hard copy format. Cochlear's share registry is managed by Computershare Investor Services Pty Limited (Computershare). Cochlear shareholders can access standard forms, check shareholding details and contact Computershare electronically (Rec 6.4). Cochlear shareholders can also register on Cochlear's website to receive all shareholder information electronically (Rec 6.4). In addition, shareholders may at any time direct questions or requests for information to the Company Secretary, the CEO&P or the Chairman (Rec 6.2). This may be done electronically using the e-mail contact details provided in the Investor Centre area of Cochlear's website (Rec 6.4).

## Principle 7: Recognise and manage risk

Cochlear views risk management as integral to its objectives of effective management of Company assets and the creation and maintenance of shareholder value. The Board has established a Risk Management Policy. This policy provides a framework for the oversight and management on a continuing basis of the material business risks associated with Cochlear's activities (Risk Management Framework). Cochlear assesses its Risk

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Management Framework against the International Standard for Risk Management ISO 31000. The Risk Management Framework was designed and is implemented so as to provide a comprehensive risk management system which identifies, assesses and appropriately manages and monitors Cochlear's material business risks. Cochlear focuses on effective management of material business, operational, financial and legal risks. Within these categories, specific identified risks arise from matters such as actions by competitors, technological developments, government policy changes and exchange rate movements. These risks are captured in the enterprise Risk Register.

The Board, Audit Committee, Medical Science Committee, Technology and Innovation Committee as well as the Risk Management Committee (a committee of senior executives) are together accountable for monitoring risk and implementing the Risk Management Policy.

The Board oversees the Risk Management Policy, reviews and ratifies systems of risk management and addresses specific issues escalated to it.

The Audit Committee is the principal committee of the Board responsible for overseeing risk (Rec 7.1). 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 (Rec 7.2). In this regard, the Audit Committee liaises with and receives input from both the Medical Science Committee and the Technology and Innovation Committee (Rec 7.1). The Audit Committee last reviewed the Risk Management Framework in May 2017 (Rec 7.2). The Audit Committee also reports on the status of major risks to the Company through the integrated risk management programs.

Details in relation to each of the Audit Committee, Medical Science Committee and Technology and Innovation Committee and their respective roles, composition, terms of reference, meetings and attendance can be found above at Principle 2: Structure the board to add value. The Risk Management Policy can also be viewed in the Corporate Governance section of the Cochlear website (Rec 7.1).

Day-to-day management of the Risk Register is delegated to the Risk Management Committee (Rec 7.1). The Risk Management Committee is made up of senior executives. The Risk Management Committee reports on the effectiveness of the Company's management of its material business risks at each Audit Committee meeting, including minutes of all Risk Management Committee meetings (Rec 7.1). The Risk Management Committee is responsible for identification of areas of risk, prioritisation of these risks and adoption of cost effective strategies, where appropriate, to manage Cochlear's exposure.

The Audit Committee oversees the Company's internal audit function. The internal audit function carries out independent risk based reviews to determine the adequacy and effectiveness of key internal control, risk and governance processes. The internal audit function is structured as a global function. Internal audit personnel are based in Sydney and travel to overseas Cochlear operations in the conduct of internal audit reviews (Rec 7.3). The Audit Committee is responsible for the appointment and removal of the head internal auditor (Head of Group Risk and Audit) and for ensuring that the internal audit function is independent from the external auditor. The Audit Committee reviews and approves the annual internal audit plan and monitors and reviews the overall effectiveness of the internal audit activities. All internal audit reports are reviewed by the CFO, CEO&P and the Audit Committee as a minimum. The Head of Group Risk and Audit reports to the CFO and has unrestricted access to executive management and to the Board Audit Committee Chair. Other internal audit personnel report directly or indirectly to the Head of Group Risk and Audit.

Prior to approving the Company's financial statements for any half year or full year, the Board receives an assurance from the CEO&P, CFO and Head of Group Finance that the declarations provided by each of them as to the integrity of the financial statements, are founded on a sound system of risk management and internal control which is operating effectively.

Cochlear currently does not have any material exposure to economic, environmental and social sustainability risks within the meaning of the Guidelines (Rec 7.4). Material business risks are disclosed in the business risks section in the Directors' report in the 2017 Annual Report. Environmental and social considerations are disclosed in the Environment, social and governance section of the 2017 Annual Report.

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## **Principle 8: Remunerate fairly and responsibly**

The Board has established the People & Culture Committee to focus on appropriate remuneration policies which are designed to enhance corporate and individual performance (Rec 8.1). The People & Culture Committee Terms of Reference are published in the Corporate Governance section of the Cochlear website. Details in relation to the role, composition, terms of reference, meetings and attendance during FY17 can be found above at Principle 2: Structure the board to add value.

Cochlear's Remuneration Policy and practices are designed to attract, motivate and retain high quality people. The Remuneration Policy is published in the Corporate Governance section of Cochlear's website and separately discloses Cochlear's policies and practices with respect to the remuneration of non-executive directors and the remuneration of executive directors and other senior executives (Rec 8.2).

Details of FY17 remuneration (including retirement benefits) of the directors and specified executives are included in the 2017 Annual Report (Remuneration report) at pages 33-50. Further disclosure in relation to the remuneration philosophy is included in the Remuneration report.

Equity based executive remuneration awards are made pursuant to the CEIP. The exercise periods for CEIP are timed to coincide with the trading windows provided in the Company's Trading Policy.

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 (Rec 8.3). The Trading Policy and the CEIP documents include provisions to reflect this position. The Trading Policy is published in the Corporate Governance section of Cochlear's website. The CEIP documents are not published as they are internal documents.

To further align the interests of key management personnel and shareholders, at the beginning of FY17 Cochlear introduced a Clawback Policy. The Clawback Policy aims to provide the Board with the ability to recover overpayments of remuneration to key management personnel in the event of a material misstatement or misrepresentation. The Clawback Policy is published in the Corporate Governance section of Cochlear's website.

## **ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition)**

### **Checklist of recommendations**

Number	Requirement	Followed?
<b>Pr 1</b>	<b>Lay solid foundations for management and oversight</b>	
Rec 1.1	A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) the respective roles and responsibilities of its board and management; and</li> <li>(b) those matters expressly reserved to the board and those delegated to management.</li> </ul>	✓
Rec 1.2	A listed entity should: <ul style="list-style-type: none"> <li>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</li> </ul>	✓
Rec 1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	✓
Rec 1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	✓

Rec 1.5	A listed entity should:	✓
	<ul style="list-style-type: none"> <li>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</li> <li>(b) disclose that policy or a summary of it; and</li> <li>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ul style="list-style-type: none"> <li>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</li> <li>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</li> </ul> </li> </ul>	
Rec 1.6	A listed entity should:	✓
	<ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</li> <li>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	
Rec 1.7	A listed entity should:	✓
	<ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</li> <li>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	
<b>Pr 2 Structure the board to add value</b>		
Rec 2.1	The board of a listed entity should:	✓
	<ul style="list-style-type: none"> <li>(a) have a nomination committee which: <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> </ul> </li> <li>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</li> </ul>	
Rec 2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	✓
Rec 2.3	A listed entity should disclose:	✓
	<ul style="list-style-type: none"> <li>(a) the names of the directors considered by the board to be independent directors;</li> <li>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</li> <li>(c) the length of service of each director.</li> </ul>	
Rec 2.4	A majority of the board of a listed entity should be independent directors.	✓
Rec 2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	✓
Rec 2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	✓

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**Pr 3      Act ethically and responsibly**

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- Rec 3.1    A listed entity should: ✓
- (a) have a code of conduct for its directors, senior executives and employees; and
  - (b) disclose that code or a summary of it.
- 

**Pr 4      Safeguard integrity in corporate reporting**

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- Rec 4.1    The board of a listed entity should: ✓
- (a) have an audit committee which:
    - (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
    - (2) is chaired by an independent director, who is not the chair of the board, and disclose:
      - (3) the charter of the committee;
      - (4) the relevant qualifications and experience of the members of the committee; and
      - (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
  - (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.
- 
- Rec 4.2    The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. ✓
- 

- Rec 4.3    A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. ✓
- 

**Pr 5      Make timely and balanced disclosure**

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- Rec 5.1    A listed entity should: ✓
- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
  - (b) disclose that policy or a summary of it.
- 

**Pr 6      Respect the rights of security holders**

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- Rec 6.1    A listed entity should provide information about itself and its governance to investors via its website. ✓
- 
- Rec 6.2    A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. ✓
- 
- Rec 6.3    A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. ✓
- 
- Rec 6.4    A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. ✓
- 

**Pr 7      Recognise and manage risk**

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- Rec 7.1    The board of a listed entity should: ✓
- (a) have a committee or committees to oversee risk, each of which:
    - (1) has at least three members, a majority of whom are independent directors; and
    - (2) is chaired by an independent director,
-

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	<p>and disclose:</p> <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	
Rec 7.2	The board or a committee of the board should:	✓
	<ul style="list-style-type: none"> <li>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</li> <li>(b) disclose, in relation to each reporting period, whether such a review has taken place.</li> </ul>	
Rec 7.3	A listed entity should disclose:	✓
	<ul style="list-style-type: none"> <li>(a) if it has an internal audit function, how the function is structured and what role it performs; or</li> <li>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</li> </ul>	
Rec 7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	✓
<b>Pr 8</b>	<b>Remunerate fairly and responsibly</b>	
Rec 8.1	The board of a listed entity should:	✓
	<ul style="list-style-type: none"> <li>(a) have a remuneration committee which: <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director,</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</li> </ul>	
Rec 8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	✓
Rec 8.3	A listed entity which has an equity-based remuneration scheme should:	✓
	<ul style="list-style-type: none"> <li>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</li> <li>(b) disclose that policy or a summary of it.</li> </ul>	

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