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A shared future

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Hear now. And always



A shared future

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Today, more than 360 million people young and old around the world live with a disabling hearing loss. Unfortunately, many just accept their loss, and adjust their lifestyle.

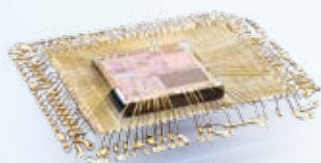
Cochlear has over 30 years' experience in advanced hearing solutions across over 100 countries, thousands of clinics and with hundreds of thousands of recipients. But this is just the tip of the iceberg; tens of millions could share the benefit and live a fuller life with the help of our technologies.

We want to build a future where people can hear and be heard.

With the help of our customers and partners, we are seeking to transform the way people understand and treat hearing loss. We want to motivate candidates to explore implantable hearing solutions, and help them find the solution and the support that are right for them. We are then proud to be their hearing partners for life.

Hear now. And always

New chipsets



Cochlear™ SmartSound® iQ



Cochlear™ Nucleus® 6 system



Cochlear Baha® Attract system

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*It's changed my life!
It's changed
my family's life!*

SHIRLEY MOSS
Cochlear recipient since 1998

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2013 Performance Overview

Record cochlear implant sales

26,674 units

\$132.6m net profit after tax

Up 133%

Sales revenue up 1%

\$715.0m

Global upgrade

to Oracle Release 12 complete in April 2013 as systems and processes are put in place to support long-term growth.

Purchase of intellectual property

and assets from Otologics LLC provides the platform for development of the Acoustics implants. Initial sales of the Carina Met device were made in June 2013.

The Board remains confident

of Cochlear's long-term sustainable growth, declaring a final dividend of \$1.27 per share.

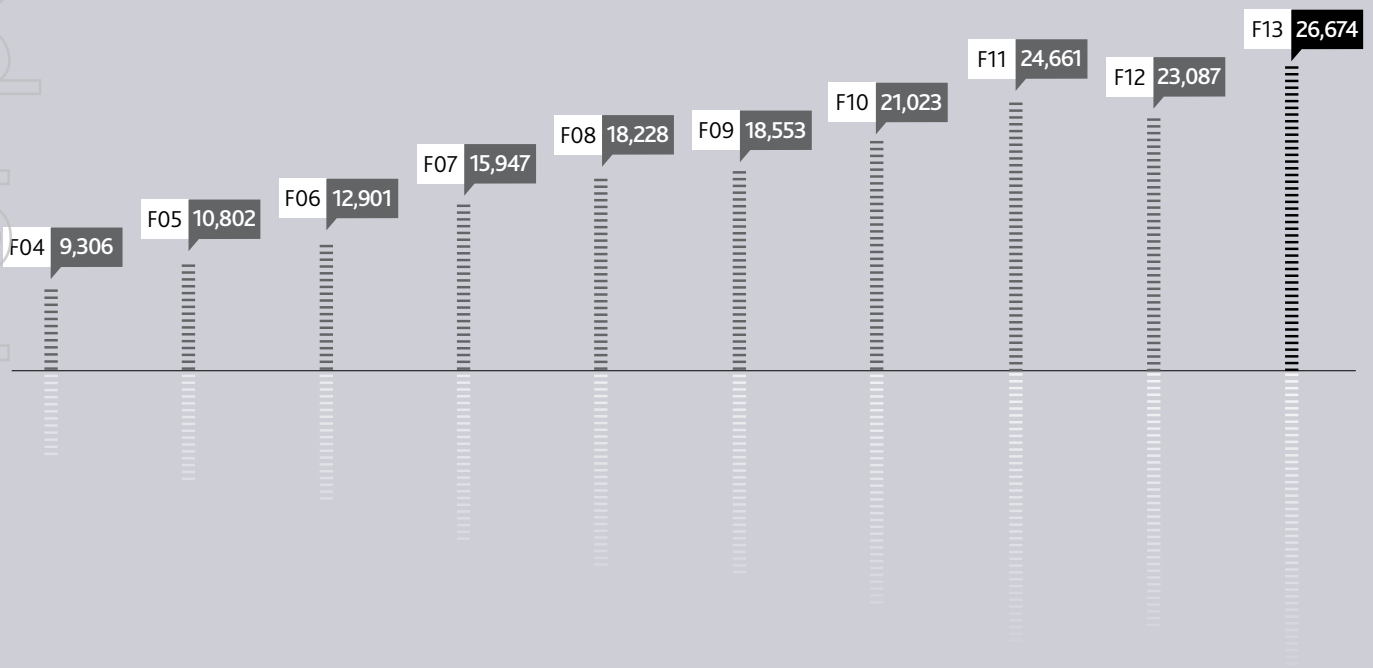
New products

continue to be market ready and awaiting regulatory approval:

- Nucleus® 6 Sound Processor launched in Canada and Korea by the end of F13. Approval in Europe and limited approval in the United States of America was received in August 2013; and
- Baha® 4 Sound Processor was approved in July 2013.

Ten year unit sales performance

Unit sales up 16% in F13



Key Highlights

	2013 IFRS	2012 IFRS	2011 IFRS	2010 IFRS	2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 previous GAAP
Cochlear implant system sales (units)	26,674	23,087	24,661	21,023	18,553	18,228	15,947	12,901	10,802	9,306
Total revenue (\$million)	752.7	779.0	809.6	734.8	694.7	601.7	559.4	452.3	349.0	282.8
R&D expenses (\$million)	124.7	119.3	108.9	94.9	96.7	80.0	65.9	56.7	44.6	44.5
Net profit after tax (NPAT) (\$million)	132.6	56.8	180.1	155.2	130.5	115.2	100.1	80.0	59.6	36.8
EBITDA (\$million)*	201.9	239.4	270.1	243.6	205.5	193.3	170.9	130.2	96.8	54.9
EBIT (\$million)*	178.9	215.3	242.7	220.5	183.3	167.3	150.2	111.5	82.5	45.5
NPAT (\$million)*	132.6	158.1	180.1	155.2	130.5	115.2	100.1	80.0	59.6	36.8
Basic EPS (cents)	233.0	100.0	318.2	275.7	233.7	208.1	182.9	146.8	110.1	68.2
Dividends per share (cents)	252.0	245.0	225.0	200.0	175.0	150.0	125.0	100.0	80.0	79.0
Closing share price (\$)	61.71	65.84	72.00	74.32	57.70	43.65	61.00	54.63	39.20	22.72
Market capitalisation as at 30 June (\$million)	3,512	3,744	4,081	4,198	3,230	2,423	3,341	2,985	2,123	1,231
Number of employees	2,531	2,390	2,319	2,006	1,888	1,789	1,655	1,100	982	816

* Excludes product recall costs of \$138.8 million before tax and \$101.3 million after tax in 2012.

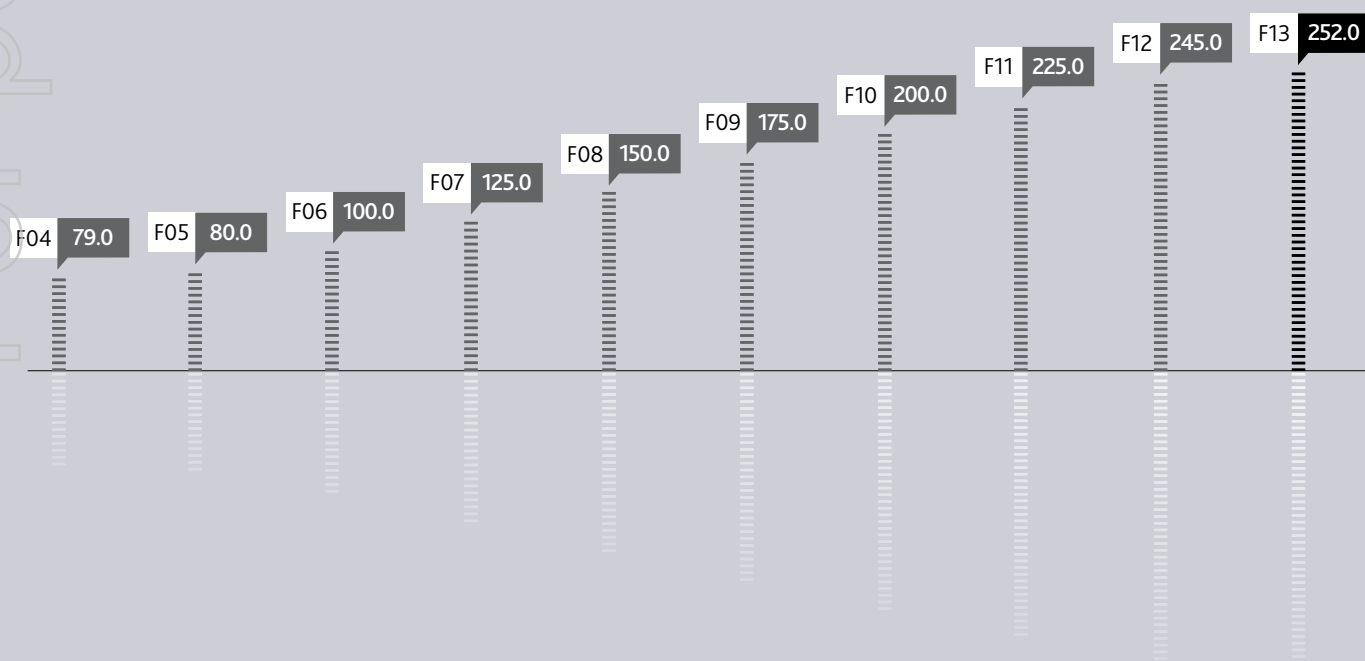
The following non-IFRS financial measures are included in this document:

- excluding recall costs;
- constant currency; and

Refer to page 117 for a discussion of these items.

Ten year dividends per share performance

\$2.52 up 3% in F13



Letter to Shareholders

Introduction

F13 was an extremely busy year for Cochlear. We are making strong progress to return Cochlear to sustainable long-term growth following the recall events of F12.

Every day, we consider how to ensure we fulfil our long-term obligations and ambitions including our front of mind goal of being the best in our field and also staying the world leader.

We achieved record cochlear implant sales of 26,674 units, which was up 16% on F12. This was a great achievement as it means we again helped a record number of people hear and be heard, with the help of our implantable hearing solutions.

Total revenue for F13 was \$752.7 million, down 3%, with sales in constant currency up 3%. Net profit after tax was \$132.6 million, up 133% on F12 (the F12 result included our provision for costs associated with the voluntary recall of the CI500 series implant).

□ New microchip platform

Nucleus 6 has five times the processing power of the market-leading Nucleus 5 sound processor. Nucleus 6 has been launched globally and has received approval in Europe and limited approval in the United States (US).

□ Investment of \$14m

on an Oracle upgrade to Release 12 and other process improvements, essential for our connected global supply chain, sales and patient management systems.

The high volatility of the Australian dollar over the last five years continued to have an impact on our business with hedging related foreign exchange contract revenues down \$36.7 million from F12.

We also experienced a slowdown in sales in the second half of the year ahead of new product introductions, in particular Nucleus 6, our latest cochlear implant sound processor.

We remain confident in Cochlear's long-term growth potential and the F13 results should be seen in this context. During the year, the Company's growth settings were further developed through a range of exciting and innovative new product introductions, market growth and support activities, and reinforcement of our systems and processes. These settings will help us deliver the gift of sound to more people around the world and drive shareholder value in the coming years.

The Company's activities and financial results are discussed further in the Directors' Report on pages 23 to 57.

New and innovative products

Cochlear continued to develop a range of advanced products and services during F13, which are innovating the implantable hearing solution market and which should broaden indications (and increase the number of people who can benefit from them).

Cochlear Nucleus 6 – the world's most advanced sound processor – has begun its roll out and is already generating excitement in the medical community and among recipients. It delivers industry-first innovations designed to provide superior outcomes in a way that makes hearing a lot easier for the recipient – in the smallest sound processor on the market.

Built on a completely new microchip platform, Nucleus 6 has five times the processing power of the market-leading Nucleus 5 sound processor. As of the end of August 2013, Nucleus 6 has been launched in Canada, Korea, Israel, India and Malaysia, and has received approval in Europe and limited approval in the United States (US).

Further work has been done on the NEOS chipset, which brings together two distinct chipsets into one powerful unit designed to support the growth of our products' capabilities into the future.

The Nucleus CI422 with Slim Straight electrode, launched in F12, has performed very well and has been adopted by a great number of surgeons internationally.

The Cochlear Baha DermaLock™ Abutment was launched in F13 with an advanced new coating that offers significant recipient benefits in terms of reduced surgery and healing times. The Cochlear Bone Anchored Solutions team also progressed the new Baha Attract System (our first transcutaneous bone conduction device) into clinical trials and made great progress in readying the Baha 4 system for launch.

We are excited about the original premarket approval (PMA) filed in the USA for a hybrid cochlear implant system, which will expand cochlear implant indications in that region. This product combines cochlear implant and hearing aid technologies, allowing recipients to benefit from residual hearing. We are hopeful for a positive outcome including US regulatory approval in F14.

Sales from our emerging acoustic implant range also started in F13 following our acquisition of Otologics LLC's assets; and further development was made on our Cochlear Codacs™ direct acoustic cochlear implant.

This suite of new products is indicative of the breadth of products Cochlear has been working on and the long technologic lead times necessary for true innovation to change the market.

Growth initiatives

Our focus in F13 was ensuring readiness for the launch of our new products including marketing, messaging and training of our employees.

A number of market growth initiatives were developed in the context of our strategy and will continue to roll out globally in F14. We have placed an even greater focus on customer experience and seek to further improve the lifelong hearing experience they need in today's world.

Letter to Shareholders

This is complex as we sell in over 100 countries in an increasingly regulated and changing world environment.

Evolving systems and processes

Cochlear has hundreds of thousands of recipients worldwide; we produce a number of different products and sell into many countries, which vary significantly. To manage this requires modern systems and processes that are robust and reflect the realities of our business. We continue to review our systems and processes, aligning and simplifying them as required.

In F13, we invested \$14 million on an Oracle upgrade to Release 12 and other process improvements, essential for our connected global supply chain, sales and patient management systems.

Dividends continued to grow

We are proud that our full year dividend has grown each year since Cochlear listed in 1995. For F13, the full year dividend is \$2.52 per share, up 3%.

The view of Cochlear's Board and senior management is one of confidence in our long-term sustainable growth profile and strong cash generation. In this context, the dividend payment ratio is higher than usual, but over time will trend back to approximately 70% as the business continues on a positive path, and as foreign exchange volatility hopefully reduces, and global markets stabilise.

Remuneration settings updated

In F12, 30.3% of Cochlear shareholders voted against the Board's Remuneration Report in what was the Company's 'first strike'. We carefully reviewed the reasons for the 'first strike'. We spent considerable time reaching out to shareholders and experts in these areas and understanding the range of views on the related matters, determining appropriate and sensible responses and changes, and generally adopting an approach that is now part of an important on-going process.

The reformatted and comprehensive F13 Remuneration Report contained in the Directors' Report on pages 30 to 55 is a first major step forward. There has been and will continue to be interaction and discussion with a range of interested parties, most importantly shareholders, on these matters over the coming years.

While this has properly been the preserve of the Human Resources Committee and Board, senior management fully supports the new arrangements, which aim to motivate and retain employees, while aligning them with Cochlear's owners, its shareholders.

Cochlear's dedicated employees

Cochlear has a global team of over 2,700 people in 25 countries. The diversity of experience and expertise from this global structure is a strength for Cochlear. In our Sydney headquarters alone, over 60 ethnic groups are represented. This diversity has been a feature of Cochlear since the Company's inception and the global understanding it brings has been an important element in our success. We would like to extend our warm thanks to all Cochlear employees for their passion and commitment.

The Board

The Board has worked cohesively for several years now as we have dealt with a range of complex issues.

In the current circumstances, we decided not to change the directors' fee levels for F14 but we will make minor changes to committee fees including for those in a chair role and introduced a specific committee, reporting to the Board, to oversee technology and related issues.

We are now starting a process of Board renewal. This has been mentioned in prior years. It is envisaged we will introduce a new Board member by rotation over the next year and in addition may increase the Board numbers by one over the next two years. This will involve external consultants and is an opportunity to add more talent and strength to the Board.

During the year we repositioned the Technology and Innovation Committee (previously within the main Board) as a separate committee under the chairmanship of Andrew Denver. The Medical Science Committee and the Technology and Innovation Committee are working closely together to provide the appropriate oversight, and a review function, across a range of areas including quality assurance, clinical, new product approval processes, product pipeline and priorities, and the new technologies being developed to support enhanced services to our clinics and to our recipient base.

The current process of returning Cochlear to sustainable long-term growth has covered many areas. These included short-term and longer-term strategies following the recall in F12.

The strategic review initiated in F12 and the determination of a new strategic plan, approved by the Board, is now being rolled out across the global organisation. The strategic plan focuses on a range of initiatives centring around manufacturing and service capabilities, clinic and recipient interaction, awareness of user needs over time, clear focus on the competitive pressures now in the market, re-evaluation of our product plans and priorities, careful consideration of the global economy and related likely impacts on the business, and a general refocus on how to support total market growth that will enhance our opportunity as the market leader.

Conclusion

Our business is a long-term one and our customers are partners for life. It is important that we continue to manage Cochlear's operations in that context.

The business fundamentals for implantable hearing solutions remain strong and we believe the right settings are in place for F14 with a range of innovative new products and marketing initiatives.

We believe F15 and beyond will see the positive results of the recent years of effort we are now completing.

We understand we are operating in an increasingly competitive environment, we still believe we have the most reliable and innovative products, and we are committed to achieving long term growth while at the same time positively changing the world of the hearing impaired.



Rick Holliday-Smith
Chairman



Dr Chris Roberts
CEO/President

Environment, Social and Governance (ESG)

Our approach to ESG

At Cochlear, our mission is to help people hear and be heard. We empower people to connect with others and live a full life. We help transform the way people understand and treat hearing loss. We innovate and bring to market a range of implantable hearing solutions that deliver a lifetime of hearing outcomes.

Our approach to ESG issues follows this corporate mission. It is part of our culture and values. Everything we do to deliver quality, innovative products and services relate to many of the ESG issues reflected in this report and elsewhere in this Annual Report.

We invest in research and development (R&D) to bring innovative products to market and support our customers.

Strict legal compliance and high performance on environmental, privacy and safety issues are also integral to our culture.

□ 5 star rating

Our headquarters in Sydney has achieved a high, 5 star NABERS rating through innovative building design and air conditioning system plus energy efficient lighting.

□ Rainwater used

The Sydney headquarters uses collected rainwater to supply all toilets, the cooling towers and irrigate the landscape.

□ 50% increase

The new building has a 50% increase to the minimum fresh air requirements compared to those of standard buildings. This improves staff wellbeing and productivity.

□ Over 100 universities

Cochlear has research arrangements with over 100 universities around the world focused on increasing the understanding and treatment of hearing loss.

We know that our performance and products are reflective of the quality of our people. We seek the best people and support them to be successful in their work.

We are proud of our environmental and governance record as well as our social contribution.

Environmental awareness

Cochlear is committed to improving the lives of its recipients, driving technologic innovation within the industry, and in doing so, promoting best practice business principles.

Cochlear supports a group of employees called "greenFEVER" whose goals are to raise awareness of environmental issues, promote sustainable living at work and at home, and identify possible activities to further reduce the Company's environmental impact. This Group has been active in promoting alternative transport options and sharing energy saving ideas with employees.

Cochlear's "greenFEVER" group voluntarily works with likeminded groups at Macquarie University, on whose campus our headquarters is situated. Shared projects are identified to actively reduce the impact on the environment of the campus, its people and its activities.

Currently, Cochlear's emissions levels are significantly below the compulsory greenhouse gas reporting thresholds set out in the Australian Government's Energy Efficiency Opportunities program and so are not disclosed.

Modern global headquarters

Cochlear moved into its new headquarters in October 2010. The building is situated at Macquarie University campus in Sydney and was awarded a 4 Star Green Star rating by the Green Building Council of Australia. This confirmed good practice in environmentally sustainable design/construction of the building. During the construction of the development, an environmental management system was established. This helped to reduce site disturbance, pollution, water and energy use and construction waste (80% of which was reused or recycled).

The building achieved a rating equivalent to a 5 star NABERS rating¹, the highest NABERS rating that can be achieved (carbon emissions associated with electricity and gas consumption are 270% better than an "average performance" building). This high rating was achieved through a high efficiency façade design, energy efficient lighting and an innovative air conditioning system.

Water efficient fittings and fixtures have been used throughout the building. The building reuses rain water that is collected from the roof and is stored in underground reuse tanks. The tanks have a capacity of 350 cubic metres. The water is filtered and then used to supply all the toilets and the cooling towers within the building and used to irrigate the landscape outside. Within Green Star, the maximum points possible for water efficiency were achieved.

The building has a 50% increase to the minimum fresh air requirements compared to those of standard buildings. This improves staff wellbeing and productivity.

Environment, Social and Governance (ESG)

The waste recycling systems in place at the Sydney headquarters include:

- commingle recycle waste collection in all breakout and kitchen areas, collecting approximately 20 tonnes this year;
- paper recycling collection at workstations and utility areas;
- cardboard compactus;
- battery recycle collection, collecting approximately 225 kilograms of waste a year;
- e-waste recycle collection, collecting approximately 600 kilograms of waste a year;
- fluorescent tube recycling, collecting approximately 280 kilograms of waste a year; and
- 240 litre capacity security paper destruction bins, collecting approximately 180 bins over the last year.

The workstations used materials which are 97% recyclable. They are made by Herman Miller who have been pioneers in sustainable manufacturing. Bicycle facilities have been provided to encourage cycling to work and reduce the use of cars. Some 160 bicycle parking spaces as well as showers and lockers are available and guest bicycle parking has also been provided.

Manufacturing

Cochlear holds an EPA licence² governing usage and control of waste and pollution in Australia. Cochlear retains or recycles nearly all of its waste product material from manufacturing in Australia.

Social support

Supporting the tertiary sector

Cochlear is a knowledge based organisation and strongly supports and engages with the tertiary sector.

Cochlear's headquarters is located on Macquarie University campus, adjacent to the Australian Hearing Hub building. This brings together over 2,000 people, across a range of disciplines, dedicated to hearing issues and solutions. Cochlear engages with Macquarie University across a range of other activities, including staff lecturing at the University.

Cochlear has research agreements and arrangements with over 100 universities around the world. Cochlear's support is focused on increasing the understanding and treatment of hearing loss. In addition, Cochlear provides support to a number of tertiary institutions around the world in the development and presentation of academic research using Cochlear products.

Cochlear is a core member of the Hearing Cooperative Research Centre based in Australia, which combines academic, business and government interests to further understanding and the development of technologies for diagnosis and remediation of hearing loss. This includes education and support for post graduate students. Since 2005, some 37 students have engaged in post graduate doctoral studies in hearing related topics under this scheme.

Supporting the community

The Cochlear Foundation was established in 2007 to support various programs promoting research and awareness of treatments

for people with significant hearing impairment. To date, some \$2.4 million has been donated by Cochlear to the Foundation.

Cochlear supports its employees' participation in community fundraising activities and corporate sporting activities through sponsoring its employees in a number of activities.

In Europe, community activities have been supported in several countries in F13 through team involvement and financial support. These include a range of different charities, mostly focused on helping the hearing impaired.

Cochlear strongly supports efforts to raise awareness of science and technology among the community and in particular students. To this end, Cochlear partnered with the National Youth Science Forum (NYSF) during the year. The NYSF helps students moving into Year 12 from across Australia, who wish to follow careers in science, engineering and technology by introducing them to leading commercial research and researchers. It also fosters discussion of, and interest in, major national and global issues. Cochlear provided several speakers at the annual forum in January 2013 and hosted tours of its manufacturing facility later in the year, to students.

No political contributions were made in F13.

Industry and advocacy

Many of our professional staff are also involved in supporting relevant research and community programs in their regions, partnering with academic, industry and health professionals to assist Cochlear implantees and the institutions that support them. This is particularly relevant in developing countries. Employees who are engaged in eligible community service activities are granted time off to perform their required duties.

To have input into the national debate, Cochlear encourages executives to participate in forums and bodies that advance Australia's competitiveness and the promotion of innovation and technology. During the year, Cochlear executives were represented on a number of committees including the NSW Innovation Council, NSW Medical Device Seed Fund Panel, Business Council of Australia, Centre for Independent Studies and Warren Centre for Advanced Engineering.

Access to healthcare

Cochlear sells its products in over 100 countries including emerging markets. Cochlear provides, particularly in the emerging markets, support to professionals in the healthcare area. We facilitate partnering of surgeons and supporting education of local professionals. Part of enabling access to our products in developing markets is our ability to provide tiered products to suit the needs and financial ability of customers.

Governance

Cochlear's key governance principles and practices are outlined in the Corporate Governance Report included within this Annual Report.

¹ NABERS (National Australian Built Environment Rating System) is a national rating scheme managed by the NSW Government in Australia.

² EPA (Environmental Protection Agency) is an agency of the Australian Government.

Our People

To help Cochlear continue delivering industry leading products and services, the Company continues to invest in its workforce. The global Cochlear team has grown to over 2,700 people, based in 25 countries.

Talent strategy

We strive to attract and keep the best people. We do this by providing employees with a work environment that inspires them to be the best they can. Individuals' capabilities to grow and learn are nurtured so that career development opportunities are maximised and, ultimately, customer experience can be improved. In F13, Cochlear attracted 16,394 applicants for 388 vacancies and hired 238 permanent employees. We continue to maintain high staff retention levels with voluntary turnover at 6.1% in F13.

Over the year, Cochlear continued to run programs to encourage internal career movement for employees, resulting in applications from 11% of our employees and 25% of positions filled by internal candidates. Cochlear maintained its commitment to developing a strong talent pipeline through the engineering summer and graduate program, which attracts the very best graduates to Cochlear. These graduates rotate through the different parts of the Company's business as part of a broad development program.

In our manufacturing department, we have a well established Employee Consultative Committee, with representation from across our manufacturing operations, that meets monthly to discuss employee issues. This helps Cochlear provide the best working environment possible.

Ongoing learning

Cochlear continues to invest in employee development programs to support individuals and enhance team capability development. In F13, Cochlear won the Best Learning and Development Strategy award at the 2012 Australian HR Awards.

The Company's global learning management system, Cochlear Academy, provides employees with a range of flexible and multi-lingual learning options, modules, documents and webinars. The number of online learning modules has grown to approximately 700 and covers a wide range of different topics. The learning management system, which has been used by over 2,000 Cochlear employees in the past year, is complemented by Manufacturing Academy, which provides job based learning specific to our manufacturing team.

Diversity

Because of our global focus, Cochlear strongly encourages diversity. In our Sydney offices alone, over 60 ethnic groups are represented. The Company's global workforce is 48% female, which is above the Australian workforce average. The advancement of female managers is actively encouraged and in Australia 34% of our managers are now women, up from 31% last year. The proportion of female executive managers at Cochlear (22%) is higher than other top 200 ASX organisations (which average 10.7%). During F13, Cochlear maintained programs to promote diversity in its workforce, including support for the Women in Leadership network, aimed at fostering the development of female leaders at Cochlear.

Health and safety

Cochlear remains committed to providing a healthy and safe workplace for all employees. Our workplace health and safety team has been active in promoting wellness programs and improved safety reporting, which has led to a continued reduction in the amount of accident related lost time and improved safety investigation and auditing.

Internal career movement

25% in F13

Internal career movement motivates employees and helps retain key skills within the business. Cochlear continued to run programs to encourage internal career movement for employees, resulting in 25% of positions being filled by internal candidates. This was up from 15% in F12.



Investing in Innovation

Cochlear continues to make investment in advanced technology a priority. Over the past five years, the Company has invested more than \$500 million in its R&D activities. In F13, Cochlear's total R&D investment was \$124.7 million, which is 16.6% of revenue.

Over 350 specialists from a range of science and technology disciplines make up Cochlear's design and development department. These highly specialised teams are based in Australia, Belgium, Sweden and the United States. In addition to the Company's internal resources, Cochlear also collaborates with over 100 external research partners based in 20 countries.

Focused technology groups continue working to enhance our solutions and provide better hearing performance outcomes for Cochlear's recipients. Research spans basic scientific research, new technology developments and new product developments. This includes work on Cochlear's unique dual microphone and input processing technologies, totally implantable cochlear implants, simplification through automation, wireless connectivity and expansion of Cochlear's portfolio of implantable hearing solutions.

In F13, R&D continued across the Company's in-market product areas: cochlear implants, bone conduction implants and the emerging area of active acoustic implants.

Highlights in these areas include:

- the market introduction of Cochlear Nucleus 6 in Canada, India, Israel, Malaysia and Korea and its rollout has also started in several European countries;
- the continued market release of the Cochlear Nucleus CI422 Slim Straight electrode to Japan, Taiwan and the United States. This is the thinnest full length electrode on the market and an important addition to the Company's market leading electrode portfolio;
- the market introduction of the Cochlear Nucleus Aqua Accessory, the world's first behind-the-ear waterproof accessory;
- the clinical trials of Cochlear Baha Attract, the first transcutaneous (non-skin penetrating) Baha system;
- the market introduction of Cochlear Baha DermaLock™ Abutment (BA400), which has been successfully implanted in more than 1,500 patients to date;
- further development of Cochlear Codacs™, a direct acoustic cochlear implant, for which CE mark approval is expected in F14; and
- the market introduction of Carina middle ear implants following the acquisition of Otolgics LLC's assets.

During the year, development was carried out on a range of other technologies including new chipsets, wireless technologies and clinical care innovations to support recipients and medical professionals. Two of our clinical care products, the Cochlear Nucleus CR120 Intraoperative Remote Assistant and the Cochlear Nucleus CR110 Remote Assistant Fitting, won four design excellence awards between them.

Manufacturing and supply chain operations

Cochlear operates a global supply chain, with sales into over 100 countries. Components are sourced across Europe, Asia and the Americas. Manufacturing operations are primarily located in Australia and Sweden with smaller sites in Belgium and the US. Suppliers and the manufacturing sites are aligned to enable the Company to deliver products of the highest quality and reliability. The structure and

operation of the supply chain continue to play an important part in our productivity drive as well as for the introduction of new products. This has allowed Cochlear to maintain its gross margin despite rises in the Australian dollar over the year.

The Company's manufacturing strategy is to ensure that production methods and capacity ensure the highest quality products to be produced to meet demand while improving efficiency. Cochlear continues to run an operations improvement program, which incorporates "lean manufacturing" principles and ongoing investment in new manufacturing technologies which support flexibility and productivity improvements.

Over 800 people are currently employed in Cochlear's manufacturing facilities.

Non-military use

Other than where our products are used by military personnel,

Cochlear produces or contributes to no products or services designed or used for military purposes.

Quality assurance

Cochlear has a worldwide quality assurance system in place to ensure the quality of its products and services.

Device approvals

Medical devices must be approved by relevant regulatory authorities. At present, Cochlear has the necessary licences and approvals to enable the marketing of our products in the jurisdictions we operate. Ongoing approvals are regularly being sought for new products in a variety of jurisdictions.

Intellectual property

The creation of new intellectual property and the protection of that as well as our existing intellectual property remain key strategic imperatives for the business. Cochlear currently holds over 1,000 patents and patent applications globally, and filed many new patent applications in F13.

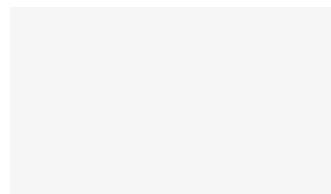
□ Over 350 specialists

from a range of science and technology disciplines make up Cochlear's design and development department. In addition to the Company's internal resources, Cochlear also collaborates with over 100 external research partners based in 20 countries.

□ \$500m R&D investment

Over the past five years, the Company has invested more than \$500 million in its R&D activities. In F13, Cochlear's total R&D investment was \$124.7 million, which is 16.6% of revenue.

Board of Directors



1. Mr Rick Holliday-Smith

Age 63. BA (Hons), FAICD, CA
Appointed 1 March 2005

Director of Servcorp Limited since 1999. Director of ASX Limited since 2006 and Chairman since March 2012. Former Chairman of Snowy Hydro Limited (not publicly listed) 2006 – 2012 and SFE Corporation Limited since 1999 until it merged with ASX Limited in 2006. Former director of St George Bank Limited (2007 – 2008), Exco Resources NL (1999 – 2006), DCA Group Limited (2004 – 2006) and MIA Group Limited (2000 – 2004). Former President of NationsBank-CRT, Chicago and Managing Director of Hong Kong Bank Limited, London.

Chairman of the Board of Directors and Nomination Committee. Member of the Audit Committee, Human Resources Committee and Technology and Innovation Committee.

2. Dr Chris G Roberts

CEO/President

Age 59. BE (Hons), MBA, PhD, Hon DSc (Macq), Hon DSc (UNSW), FAICD, FTSE, FIEAust
Appointed 1 February 2004

Chief Executive Officer/
President of Cochlear Limited.
Director of ResMed Inc since 1992. Dr Roberts has worked in the medical device industry

for more than 37 years in a number of senior management positions.

Member of the Medical Science Committee and Technology and Innovation Committee.

3. Mrs Yasmin Allen

Age 49. BCom, FAICD
Appointed 2 August 2010

Director of Insurance Australia Group Limited (IAG) since 2004, member of IAG Audit, Risk Management and Compliance Committee and Chair of IAG People and Remuneration Committee. Chair of Macquarie Specialised Asset Management (not publicly listed) since 2003. National director of the Australian Institute of Company Directors since 2010 and director of National Portrait Gallery since 2013. Member of the Salvation Army Advisory Board. Former Vice President of Deutsche Bank AG, Director of ANZ Investment Bank and Associate Director, HSBC London.

Chairman of the Audit Committee. Member of the Human Resources Committee, Nomination Committee and Technology and Innovation Committee.

4. Mr Paul R Bell

Age 67. BA, MA (Hons)
Appointed 1 August 2005

Director of Westmead Millennium Institute for Medical Research. Former

director of Biota Holdings Limited (2006 – 2013) and Bio-Link Partners Limited (2005 – 2009). Extensive executive career spanning 30 years with the international pharmaceutical company, Merck & Co Inc (Managing Director – Australia, 1988 – 1997; President of the Asia Pacific Human Health Division, 1997 – 2002).

Chairman of the Human Resources Committee. Member of the Nomination Committee and Technology and Innovation Committee.

5. Prof Edward Byrne, AO

Age 61. DSc, MD, MBA, FRCP, FRACP
Appointed 1 July 2002

Vice Chancellor of Monash University. Director of Bupa Australia Pty Limited. Deputy Chairman of Group of Eight Vice Chancellors. Chairman of Global Foundation. Former director of Bupa Group Board, London. Former executive Dean of the Faculty of Biomedical Sciences, Vice Provost and Head of the Medical School at University College, London. Former Dean of Faculty of Medicine, Nursing and Health Sciences at Monash University Melbourne (2003 – 2006).

Chairman of the Medical Science Committee. Member of the Nomination Committee and Technology and Innovation Committee.

6. Mr Andrew Denver

Age 64. BSc (Hons), MBA, FAICD
Appointed 1 February 2007

Chairman of Universal Biosensor Pty Limited since 2005 (director since 2002) and Speedx Pty Limited since 2009. Director of Vaxxas Pty Limited since 2012. Former director of Principals Cornerstone Management Pty Limited. Former Managing Director of Memtec Limited and President Asia for Pall Corporation.

Chairman of the Technology and Innovation Committee. Member of the Audit Committee, Human Resources Committee, Nomination Committee and Medical Science Committee.

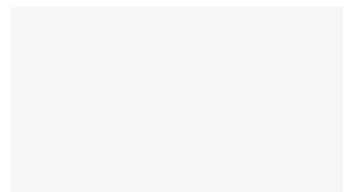
7. Mr Donal P O'Dwyer

Age 60. BE Civil, MBA
Appointed 1 August 2005

Chairman of Atcor Medical since 2004 and a director of Mesoblast Limited since 2004 and Fisher & Paykel Healthcare Limited since 2012. Former director of Sunshine Heart Inc (2004 – 2013). Former President of Cordis Cardiology (Johnson & Johnson medical device business unit) between 2000 and 2004.

Member of the Audit Committee, Human Resources Committee, Nomination Committee, Medical Science Committee and Technology and Innovation Committee.

Senior Executive Team



1. Dr Chris Roberts – CEO/President

See "Board of Directors" on page 10.

2. Richard Brook – President, European Region

BSc Management, MBA

Richard is responsible for the development and execution of the strategic direction for all our operations in Europe, Middle East and Africa.

This includes sales in over 60 countries. Operations in Europe include sales, marketing, distribution, service, finance, regulatory and administration across this complex and diverse region.

Before joining Cochlear in 2003, Richard held senior roles in Guidant Corporation and Alaris Medical Systems. He has 20 years' experience in the medical device industry.

3. Dig Howitt – Senior Vice President, Manufacturing and Logistics

BE (Hons), MBA

Dig is responsible for the development and execution of the strategic direction for the Cochlear supply chain. He and his team are responsible for the manufacture of all Cochlear products and all aspects of the supply chain, together with the introduction of new products from R&D into commercial production.

Prior to joining Cochlear in 2000, Dig had gained general management experience at Boral and Sunstate Cement, as well as being a consultant for Boston Consulting Group.

4. Jan Janssen – Senior Vice President, Design and Development

MScEE

Jan leads a team of over 350 highly qualified engineers and scientists who implement the R&D strategy. This includes responsibility for identifying and developing cutting-edge technologies and commercial products.

Jan joined Cochlear in 2000 as head of the Cochlear Technology Centre based in Belgium, having previously worked with Philips Electronics where he was involved in R&D in the fields of high technology electronics and cochlear implants. Jan was promoted to Senior Vice President, Design and Development in 2005.

5. Michael Kavanagh – Senior Vice President, Global Marketing

BSc, MBA (Advanced)

Michael is responsible for the development of the global marketing strategy for Cochlear's product portfolio. This spans the identification of new product development opportunities through to product introduction and lifecycle management. This requires coordination and interpretation of research and then translating this into a relevant product portfolio together with marketing programs to drive disciplined growth.

Michael joined Cochlear in 2003, having held senior sales and marketing positions both locally and internationally in the pharmaceutical industry.

6. Anne-Marie Leslie – Senior Vice President, Human Resources

BA (Hons), EMHRL

Anne-Marie joined Cochlear in February 2007 and is responsible for global human resources management. Her focus is on building people strategies to meet the demands of a fast growing, global company.

She has over 25 years' experience in local, regional and global human resources management roles, most recently with Bristol-Myers Squibb in the US. Earlier experience included quality management at Kodak as winners of the Australian Quality Prize and as an evaluator with Business Excellence Awards in Australia and the US.

Senior Executive Team

7. Neville Mitchell – Chief Financial Officer and Company Secretary

BComm, CA (SA), CA

Neville is responsible for accounting, corporate finance, treasury and audit, together with investor relations, company secretarial and the corporate legal functions at Cochlear.

He joined the Company in 1990 and has been Chief Financial Officer since listing in 1995. Director of Osprey Medical Inc, Hearing Cooperative Research Centre and Panel member of NSW Medical Device Seed Fund.

8. David Morris – Chief Strategy Officer

BBus, BAppSc

David is responsible for the development and execution of the global business strategy.

David was appointed as Chief Strategy Officer in 2011, having served as President, Cochlear Bone Anchored Solutions since 2005. He joined the Company in 2002 as Senior Vice President, Business Development.

Prior to joining Cochlear, he worked with Accenture in strategy and operational consulting, and has extensive international and Australian experience in the healthcare, consumer products, utilities and financial services industries.

9. Prof Jim Patrick – Senior Vice President, Chief Scientist

DEng, MSc, FTSE, FIEAust, CPE

Jim is responsible for the global research portfolio of projects that feed into the commercial development stream. One of the original researchers involved with the cochlear implant program in Melbourne from 1975, Jim has worked in a number of senior managerial positions at Cochlear since its inception in 1981. Jim is an Associate Professor at the Department of Otolaryngology at The University of Melbourne and Adjunct Professor at La Trobe University.

10. Mark Salmon – President, Asia Pacific Region

MBA (Executive)

Mark is responsible for the development and execution of the strategic direction for all our operations in Australia, Asia and the South Pacific. This high potential region has complex regulatory sales and marketing drivers which require coordination of sales, marketing, third-party distribution, regulatory and clinical infrastructure development activities. Mark also has global responsibility for Cochlear's information technology strategy and systems.

He joined Cochlear in 2004, after more than 20 years' experience in the medical industry, most recently as President and CEO of Asia Growth Markets and Australia, New Zealand and South East Asia for GE Medical Systems.

11. Chris Smith – President, Americas Region

BSc

Chris is responsible for the development and execution of the strategic direction for our operations in the Americas region, comprising North America, Central America and South America. Operations in the Americas include sales, marketing, distribution, service, finance, regulatory and administration.

Chris is also responsible for Cochlear Bone Anchored Solutions and, in September 2012, assumed responsibility for Global Support Operations.

He joined Cochlear in 2004, after more than 20 years' experience in the medical device industry specifically and healthcare in general in the US including Warburg Pincus, and as Group President for Gyrus Group (ENT and Surgical divisions).

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Corporate Governance Report

Cochlear 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 Report, Cochlear sets out the key governance principles and practices of Cochlear and reports against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments 2nd Edition (August 2007) (Guidelines). A checklist of the recommendations made in the Guidelines is set out at the end of this report. References to recommendations in the Guidelines are made throughout this report in order to indicate how Cochlear complies with the recommendations. All policies and terms of reference referred to in this report are published on the Company's website, www.cochlear.com, in the Corporate Governance section, unless stated otherwise. The Corporate Governance section is located under the Investor Relations tab on the Company's website. Cochlear's corporate governance policies and procedures are reviewed on a regular basis and updated where appropriate.

Principle 1: Lay solid foundations for management and oversight

The Board of directors is responsible to Cochlear's shareholders and other stakeholders for the Company's overall business performance. The Board operates under a Board Charter that details its functions and the matters specifically reserved to it for decision (Rec 1.1). The charter is published in the Corporate Governance section of the Cochlear website (Rec 1.3). The Board is responsible for adopting Cochlear's business strategies and for monitoring management's implementation of those strategies. The Board considers and sets the Company's goals and performance targets, appoints and removes the CEO/President, oversees succession plans and approves the accounts, budgets, Risk Management Policy (including internal control and compliance), Code of Business Conduct and major capital management and expenditure decisions.

There is a clear distinction between the role and responsibilities of the Board and the role and responsibilities of the CEO/President (Rec 1.1). The balance of responsibilities between the Board and the CEO/President is reviewed on a regular basis so as to ensure that the division of functions remains appropriate to the needs of the Company.

The Chairman is responsible for leading the Board in the performance of its duties. The Board's prime objectives are to improve shareholder returns and to achieve disciplined and sustainable growth. 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 F13 is set out in the Directors' Report at page 23 (Recs 2.6, 4.4 and 8.4). At each Board meeting, the non-executive directors meet for a period without management or any executive directors present (Rec 2.1). Throughout the year, the Board has regular scheduled discussions on various aspects of the Company's strategy.

The CEO/President is responsible for the efficient and effective operation of Cochlear on a day-to-day basis. The CEO/President oversees the implementation of the strategies approved by the Board and is accountable to the Board for all authority delegated

to the senior executive team. Notwithstanding these delegations by the Board, the CEO/President must consult the Chairman on matters that are sensitive, extraordinary or of a strategic nature. The CEO/President must bring all material matters to the Board's attention. The senior executive team briefs 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 regularly visit and inspect operations in Australia and overseas.

The performance of senior executives is evaluated in accordance with the Performance Evaluation Process Overview. The Performance Evaluation Process Overview is published in the Corporate Governance section of the Cochlear website (Rec 1.2). 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. A performance evaluation for senior executives took place in the reporting period and was carried out in accordance with the process disclosed (Rec 1.3).

Principle 2: Structure the board to add value

Composition of the Board

As at 30 June 2013, the Board comprised six non-executive directors (including the Chairman) and one executive director, the CEO/President. The Board is looking for directors to bring to the Board a mix of scientific, medical, technical and financial expertise as well as international business experience. The directors consider that, between them, they possess the necessary skills, knowledge and experience to allow the Board to perform its duties appropriately. Summaries of the relevant skills, experience and expertise of each director are set out on page 10 (Rec 2.6).

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 (Rec 2.6). The Nomination Committee assesses the necessary and desirable competencies of candidates for directorship. The selection process includes obtaining advice from an external consultant to assist in identifying suitable candidates who meet the required specifications. Upon appointment of a new director, the key terms and conditions and the Company's expectations of the appointee are set out in a letter to the new director. The Nomination Committee actively considers gender diversity in carrying out its role. For further information on Cochlear's Diversity Policy, please see Principle 3: Promote ethical and responsible decision-making, below.

New non-executive directors are provided with an induction program specifically tailored to the needs of individual appointees. That program includes product training, one-on-one meetings with members of 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. The Company's Constitution requires one third of the directors to retire from office at the AGM each year. Retiring directors are eligible for re-election. The CEO/President is excluded from this requirement. Mr Donal O'Dwyer and Mrs Yasmin Allen will retire at the 2013 AGM and will stand for re-election at that meeting. A review of the performance of the Board, its committees and

Corporate Governance Report

individual directors is performed at least every two years, with the most recent being undertaken in July 2012. The Chairman Mr Rick Holliday-Smith undertook individual interviews and questionnaires and subsequently held evaluations with each individual director as to their performance over the past year. The key findings of these reviews were then discussed at the Nomination Committee meeting held in July 2012. The Performance Evaluation Process Overview gives details of performance evaluation for the Board, its committees and individual directors (Rec 2.5). The Performance Evaluation Process Overview is published in the Corporate Governance section of the Cochlear website.

The Chairman Mr Rick Holliday-Smith is an independent non-executive director (Rec 2.2). Mr Rick Holliday-Smith is not and has not previously been the CEO of the Company (Rec 2.3). Details of the division of responsibility between the Chairman and the CEO/President are set out above under Principle 1: Lay solid foundations for management and oversight (Rec 2.6).

Independence

The Board 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 2.1). With the exception of the CEO/President, all directors on the Board are independent directors (Rec 2.1). An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Nomination Committee Terms of Reference outline criteria used to determine the independence of the directors (Rec 2.6). The criteria used follow the criteria set out in the Guidelines.

Each year, the Board assesses the independence of the non-executive directors in light of the interests and circumstances disclosed by them. Independence is reassessed in the event of any material change of interests and circumstances. Any loss of independence by a non-executive director will immediately be disclosed to the market.

None of the non-executive directors has any business relationship with Cochlear. The total number of shares in the Company owned by non-executive directors is 27,450. This is considered immaterial.

The Board believes arbitrary limits on tenure may cause loss of experience and expertise that are important contributors to the efficient working of the Board. The Board does not currently 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 period of office of each director is disclosed at page 10 (Rec 2.6). Currently, no director has served longer than 11 years on the Board. The longest serving director is Prof Edward Byrne, AO, who was appointed in 2002.

With the consent of the Chairman, individual directors may seek independent professional advice, at the expense of Cochlear, on any matter connected with their responsibilities (Rec 2.6). No individual directors exercised this right during the year.

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 members is set out in the Directors' Report at page 23 (Recs 2.6, 4.4 and 8.4). With the exception of the Medical Science Committee and the Technology and Innovation Committee, all members of the committees are independent non-executive directors. Executive director Dr Chris Roberts is a member of the Medical Science Committee and the Technology and Innovation Committee.

The composition and role of each committee are set out below:

Audit Committee (Rec 4.1)

The Audit Committee meets at least four times a year. The Audit Committee consists entirely of independent non-executive directors (Rec 4.2). As at 30 June 2013, Mrs Yasmin Allen chaired the Committee with the other members being the Chairman of the Board Mr Rick Holliday-Smith, Mr Andrew Denver and Mr Donal O'Dwyer (Recs 4.2 and 4.4). 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 expertise of the Committee's members occurs on an annual basis. The external and internal auditors, the CEO/President and the Chief Financial Officer (CFO) and other executives are invited to the meetings at the discretion of the Committee. At each Committee meeting they attend, the external auditor reports on the outcome of their audit and other work. The Committee meets with the external auditor in the absence of members of management at every meeting that the external auditor attends. Summaries of the Committee members' technical expertise are set out at page 10 (Rec 4.4). 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 4.3 and 4.4).

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 and to assist the Board in:

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

Corporate Governance Report

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

Human Resources Committee (Rec 8.1)

The Human Resources Committee (which was formerly known as the Remuneration Committee) meets at least three times a year. As at 30 June 2013, Mr Paul Bell chaired the Committee with the other members being the Chairman of the Board Mr Rick Holliday-Smith, Mr Andrew Denver, Mr Donal O'Dwyer and Mrs Yasmin Allen. All members of the Human Resources Committee are independent non-executive directors (Rec 8.4). As the need arises, the CEO/President, CFO, Senior Vice President, Human Resources and other executives are invited to meetings at the discretion of the Committee.

The Human Resources Committee Terms of Reference set out the Committee's role and responsibilities, composition, structure and membership requirements. The Human Resources Committee Terms of Reference can be viewed in the Corporate Governance section of the Cochlear website (Rec 8.4).

The Human Resources Committee's responsibilities include making recommendations to the Board in relation to the Remuneration Policy and the amounts and composition of remuneration for the CEO/President and other members of 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 Committee's role includes responsibility for the remuneration and incentive policies (including the Performance Appraisal Policy) for the Chairman and other non-executive directors as well as for Cochlear generally. The Committee also approves the recruitment, retention and termination policies and practices as well as superannuation arrangements and makes recommendations to the Board in accordance with the Cochlear Executive Long Term Incentive Plan (CELTIP). The Human Resources 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 below at Principle 3: Promote ethical and responsible decision-making.

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

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 and in the Remuneration Report at pages 30 to 55 (Rec 8.4).

Nomination Committee (Rec 2.4)

The Nomination Committee is chaired by the Chairman of the Board Mr Rick Holliday-Smith and, as at 30 June 2013, the other members of the Committee were Mrs Yasmin Allen, Mr Paul Bell, Prof Edward Byrne, AO, Mr Andrew Denver and Mr Donal O'Dwyer (Rec 2.6). The Nomination Committee is comprised entirely of independent non-executive directors.

The Nomination Committee was established in July 2003. The 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's role includes:

- annually assessing the skills, knowledge, experience, independence and diversity required on the Board and the extent to which each is represented and making recommendations to the Board;
- establishing processes for the review of the performance of individual directors and the Board as a whole;
- establishing processes for the identification of suitable candidates for appointment to the Board;
- reviewing skills required to be maintained by existing directors and recommending ways in which the skills of directors can be enhanced; and
- overseeing succession planning for the Board and the CEO/President.

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 2.6). 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 (Rec 2.6).

As a part of the appointment process, prospective directors must disclose existing and proposed directorships as well as any other commitments they have. These commitments are assessed to determine whether the prospective director has adequate time to perform their duties. The Nomination Committee assesses the time 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.

Medical Science Committee

The Medical Science Committee was established during the 2003 financial year. As at 30 June 2013, Prof Edward Byrne, AO chaired the Committee with the other members being Mr Donal O'Dwyer, Mr Andrew Denver and Dr Chris Roberts. The Committee may invite any Cochlear executive to attend its meetings at its discretion.

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 Committee to meet on an "as needs" basis, but at least biannually. The Medical Science Committee Terms of Reference can be viewed in the Corporate Governance section of the Cochlear website.

The Medical Science Committee considers any matters relating to medical aspects of Cochlear's businesses and related technologies. This includes a watching brief on medical developments in these

Corporate Governance Report

fields and the findings of independent medical experts. The Medical Science Committee has provided oversight and guidance in relation to the recall of the unimplanted Nucleus CI500 series implants.

The Committee has met on a number of occasions since the recall and has closely monitored developments for quality and regulatory implications.

Technology and Innovation Committee

The Technology and Innovation Committee was established during the 2003 financial year. As at 30 June 2013, the Committee was chaired by Mr Andrew Denver with the other members being Mrs Yasmin Allen, Mr Paul Bell, Prof Edward Byrne, AO, Mr Rick Holliday-Smith, Mr Donal O'Dwyer and Dr Chris Roberts. Executives of the Company are invited to meetings at the discretion of the Committee.

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. 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.

Principle 3: Promote ethical and responsible decision-making

Conduct

All Cochlear personnel, including the directors and the senior executive team, are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of Cochlear. Cochlear's values are enunciated in the Code of Business Conduct and are reflected in Cochlear's mission statement and strategic plan (Rec 3.1). The Code guides the directors, the senior executive team and all employees as to:

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

The Code requires strict compliance with high standards of honesty, integrity and fairness in all conduct relating to Cochlear and its products. The Code outlines requirements relating to anti-corruption, confidentiality/privacy, trade practices, documentation management, workplace and other compliance issues for the purpose of ensuring that the Company meets best practice in these areas.

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). Any form of bribery or corruption in relation to a public official or facilitation payments (given to public officials to expedite a process or administrative action where the payment is not listed as a public fee) is expressly prohibited under Cochlear's internal Code of Conduct.

The Code of Business Conduct also provides for clear and confidential reporting mechanisms concerning any potential breach. The Company has a whistleblower policy to ensure that the confidentiality, investigation and reporting of any allegations relating to improper conduct are properly maintained. The whistleblower policy is an internal document and is not available on the Cochlear website.

The Code of Business Conduct can be viewed in the Corporate Governance section of the Cochlear website (Rec 3.5).

With the introduction of the Physician Payments Sunshine Act (Sunshine Act) in the United States, medical device and pharmaceutical companies operating in the United States are required to track and publicly report payments and transfers of value provided to physicians and teaching hospitals in the United States. Steps have been taken for the purpose of compliance with the requirements of the Sunshine Act when reporting obligations commence in March 2014.

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 the senior executive team are subject to the Non-Executive Directors and Executives Share Ownership Policy. This Policy specifies minimum levels of shareholdings for directors and the senior executive team. The Non-Executive Directors and Executives Share Ownership Policy is an internal document and is not available on the Cochlear website.

All directors, senior executives and employees are subject to Cochlear's Trading Policy, Consistent with the Corporations Act 2001, directors, senior executives and employees are prohibited by the Trading Policy from dealing in the Company's securities whilst 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 whilst in possession of inside information, the Policy advises employees to trade in the Company's securities only during the trading windows. Employees are encouraged to seek advice from the Company Secretary prior to trading if they are in any doubt as to whether they are in possession of inside information.

Compliance with the Trading Policy is monitored. The Audit Committee receives a report at each of its meetings regarding trading in the Company's securities by the CEO/President and other members of the senior executive team. Share dealings by directors are promptly notified to the ASX in accordance with the ASX Listing Rules.

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Executives who are granted shares under the CELTIP 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.

Diversity

As a global business, Cochlear is committed to providing an inclusive workplace that attracts the best employees to support the Company's growth business. Cochlear therefore 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.

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 mathematical 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 3.2). The Diversity Policy can be viewed in the Corporate Governance section of

the Cochlear website (Rec 3.5). The Diversity Policy sets out the following Workforce Objectives:

- growing the diversity of Cochlear's workforce to reflect the Company's business needs and the global community it serves;
- implementing programs that prepare women to take on senior roles within the business both in operational and specialist support areas;
- implementing programs to attract a diverse workforce; and
- investing in initiatives to enable Cochlear's 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 Human Resources Committee. These annual initiatives include initiatives with measurable objectives for achieving gender diversity (Rec 3.2). The outcomes of all annual initiatives are assessed as part of the annual workforce demographics review by the Board's Human Resources Committee (Rec 3.2). A summary of the F13 annual initiatives to implement Cochlear's Workforce Objectives, together with the progress achieved for each initiative, is set out below in Table 1 (Rec 3.3). Cochlear's gender profile, including the percentage of women employees in the whole organisation, women in senior executive positions and women on the Board, is set out overleaf in Table 2 (Rec 3.4).

Table 1: F13 Annual Initiatives and Progress

Workforce Objectives	Annual Initiative and Progress
Growing the diversity of the workforce to reflect Cochlear's business needs and the global community	<p>Science Technology Engineering and Mathematics (STEM)</p> <p>As a technology company, Cochlear needs to attract and maintain key skills for innovation in STEM areas. 64% of senior employees at Cochlear (Band 1 and their direct reports in Australia) have a STEM qualification and need this in order to perform their role.</p> <p>Representation of women in the workforce</p> <p>48% of Cochlear's total permanent full-time workforce is female. 33% of Senior Executive roles (Bands 1 — 3) are filled by females.</p> <p>In F13:</p> <ul style="list-style-type: none"> • females made up 29% of all recorded job applications (note: around 14% of candidates opt not to disclose their gender); • 20% of permanent new hires at Band 2 level were female; • 33% of permanent new hires at Band 3 level were female; and • 50% of permanent new hires at Band 4 level were female. <p>Specific actions included promoting two women to head of function roles, promoting a senior manager to a new role in the months before she went on maternity leave, and converting two contract employees to permanent before they went on maternity leave.</p> <p>In F13, the Company continued to monitor gender in the Company's workforce demographics and remuneration reviews and in Cochlear's employee engagement monitoring. The Company survey found female participants rated Cochlear higher than their male counterparts on all 17 dimensions of the survey, with statistically significant positive results on culture and values, safety and environment, engagement capital (future) and leadership.</p> <p>Global diversity</p> <p>As a global business, Cochlear's workforce is ethnically diverse with staff from 73 nationalities working in the Company's headquarters. The Top 4 most highly represented are Australia: 23.60% of Cochlear's workforce, China: 12.31%, Vietnam: 8.80% and Philippines: 8.61%.</p> <p>In the past year, we have recruited from Republic of Korea (South Korea), South Africa, the United States, Canada, Israel, Taiwan, China, India and Romania. The Company also recruits people with hearing impairment to ensure we understand Cochlear's customers' needs.</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 voluntary turnover is 6.1%, and 4.8% in Australia. These rates are very competitive for a medical device business.</p>

Corporate Governance Report

Table 1: F13 Annual Initiatives and Progress - continued

Workforce Objectives	Annual Initiative and Progress
Implementing programs that prepare women for senior roles	<p>Human Capital planning for recruitment and development for Executive roles</p> <p>During F13, two females were appointed to two head of function roles and the Company increased the representation of women in Cochlear's leadership talent pool to 38% so that Cochlear is developing a talent pipeline, across key all strategic roles for the Company's business.</p> <p>Development programs</p> <p>Cochlear was recognised in October 2012 by the Australian HR Awards for the Best Learning and Development Strategy to support the business. Cochlear continued to provide the very successful a "Leadership Presence" program for high performing women during F13 with 11 participants.</p> <p>Women in Leadership network</p> <p>Support and sponsorship through the Women in Leadership network continued in F13 with external presenters, mentoring events with four events held and 85 participants. Mentor and Mentee support material is available on Cochlear's corporate intranet and in F13 the Company established a collaboration network to support mentoring.</p>
Attracting diverse talent to meet Cochlear's business needs	<p>Promotion of Science and Engineering careers</p> <p>During F13, Cochlear promoted science and engineering careers through its support of Engineering Australia, support and sponsorship for Robogals (an organisation committed to fostering female participation in science and engineering programs in schools) and participation in career programs for the University of Wollongong and Macquarie University.</p> <p>Building Cochlear's Graduate pipeline</p> <p>Cochlear has continuously invested in graduate recruitment. Since 2006, Cochlear has operated a formal graduate development program to ensure the Company attracts the top talent from Australian universities so as to build a pipeline of people for product development, manufacturing and quality roles within the business. The Summer Internship Program during F13 attracted over 300 applicants. Four females and 10 males were accepted into the program. The F13 Graduate Engineering Program attracted 14 applicants for six places. Two of these places were filled by female applicants.</p> <p>Promotion of Cochlear's Employee Value Proposition</p> <p>Of 298 permanent and fixed-term staff recruited in F13, 50% were female, up from 45.7% in F12. The Company received 5% fewer applications when compared to the previous year but filled 17% more permanent and fixed-term positions. 29% of applications received in F13 were from females, up 5% on the previous year (noting that around 14% of candidates chose not to reveal their gender in their application). Overall, female applicants were two times more likely to be successful than male applicants (1.4% of female applicants were successful compared to 0.7% of male applicants). During F13, Cochlear continued to develop programs to encourage internal career movement for employees. During the second half of F13, the percentage of permanent positions filled internally nearly doubled to 29% (from 15% in all of F12). The success rate of internal applications doubled from one in 10 in F12 to two in 10 being successful in F13. Consistent with the results in F12, men and women were equally represented in internal promotions and had the same success rate.</p>
Investing in people manager development	<p>Leadership Development</p> <p>Cochlear continues to invest in building our People Management capability with 190 Managers in our headquarters participating in self-directed learning pathways:</p> <ul style="list-style-type: none"> • Manager of Managers pathway – 65; and • People Manager pathway – 125. <p>Cochlear also conducted seven skill building workshops for People Managers in F13 with over 125 participants (42 female).</p>

Table 2: Cochlear's workforce gender profile

Workforce Profile	Cochlear Limited - 30 June 2013											
	Permanent Full-Time			% Permanent Part-Time			Contract/Casual			Total Employees		
Occupational Category	Female	Male	Female	Female	Male	Female	Female	Male	Female	Female	Male	Female
Board (including CEO/President)	1	6	14%	0	0	0%	0	0	0%	1	6	14%
Senior Executive Positions	64	136	32%	8	2	80%	1	12	8%	73	150	33%
Whole Organisation	1,126	1,295	47%	91	19	83%	120	134	47%	1,337	1,448	48%

Corporate Governance Report

Principle 4: Safeguard integrity in financial reporting

The directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Company's financial performance, position and prospects.

Accounting and financial control policies and procedures have been established and are monitored by the Audit Committee (Rec 4.1). The Committee approves any new material accounting policies. Compliance with these policies and procedures is subject to review by the external and internal auditors. The Committee provides a link between the external auditor and the Board and monitors compliance with statutory responsibilities. The Audit Committee is responsible for making recommendations on the appointment, evaluation and dismissal of the external auditor, setting fees and ensuring that the external auditor reports to the Committee and the Board (Rec 4.4). The Audit Committee reviews the performance, independence and objectives of the external auditor on an annual basis. Details relating to the selection and appointment of the Company's external auditor are included in the Audit Committee Terms of Reference (Rec 4.4).

Additional detail relating to the Audit Committee and the Audit Committee Terms of Reference can be found above at Principle 2: Structure the board to add value (Rec 4.4).

Cochlear is committed to auditor independence. The Cochlear audit engagement partner must rotate every five years, with the last rotation occurring in July 2011. The Audit Committee reviews the independence of the external auditor at each of its meetings. 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. In accordance with section 295A of the Corporations Act 2001, the CEO/President and the CFO provide a written statement to the Board that the Company's published financial reports present a true and fair view, in all material respects, of the Company's financial condition and that the operational results are in accordance with relevant accounting standards.

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 and Procedures set out the Company's policies and procedures in relation to the disclosure of information (Rec 5.1). The Continuous Disclosure Policy and Procedures aim to ensure full and timely disclosure to the market of all material issues relating to Cochlear and to ensure all stakeholders have an equal opportunity to access that information. The Policy and Procedures are designed to ensure that the disclosure requirements set out in the ASX Listing Rules and the Corporations Act 2001 are complied with and to ensure accountability at a senior management level for that compliance. The Policy and Procedures are reviewed on a regular basis.

The Continuous Disclosure Policy and Procedures can be viewed in the Corporate Governance section of the Company website (Rec 5.2).

Principle 6: Respect the rights of shareholders

The Board and senior executive team are committed to formulating and implementing Company strategy. 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 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 is designed to promote effective communications with shareholders and to encourage shareholders to participate in general meetings of the Company.

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, the distribution of specific material covering major transactions and events, Company announcements and the AGM. Cochlear offers its shareholders the ability to receive distributed materials in either electronic or hard copy format.

The Board's philosophy is to encourage full participation of shareholders at 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. 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. In addition to attending the AGM in person, shareholders may view a webcast of the AGM online. 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.

In addition, shareholders may at any time direct questions or requests for information to the Company Secretary, the CEO/President or the Chairman. Shareholders can also gain access to information about Cochlear, including annual reports, key policies and the Terms of Reference of its Board committees through the Cochlear website.

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 (Rec 7.1). Cochlear assesses its risk management framework against the International Standard for Risk Management ISO 31000. The Risk Register puts the Risk Management Policy into effect. The Risk Register was designed and is implemented so as to provide a comprehensive risk management system which identifies, assesses and appropriately manages Cochlear's material business risks (Rec 7.2). Cochlear focuses on effective management of material business, operational, financial, human resources and legal risks. Within these categories, specific identified risks arise from matters

Corporate Governance Report

such as actions by competitors, technological developments, government policy changes and exchange rate movements.

The Board, Audit Committee and senior executive team are together accountable for monitoring risk and implementing the Risk Management Policy. The Board oversees implementation of the Risk Management Policy and the Risk Register. The Board ensures that investors are informed of material changes to the Company's risk profile.

The Audit Committee advises the Board and reports on the status of major risks to the Company through the integrated risk management programs. Day-to-day management of the Risk Register is delegated to the Risk Management Committee. 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 7.2). 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. Senior executives charged with the responsibility for identifying and managing these risks are required to sign off on them on a quarterly basis. The Risk Management Committee has reported to the Board on the effectiveness of the Company's management of business risks (Recs 7.2 and 7.4).

The Audit Committee advises the Board on risk management and is responsible for reviewing the effectiveness of Cochlear's approach to risk management and the establishment and maintenance of internal compliance and control systems within the risk management framework. This includes the scope of the Internal Audit function. The Audit Committee is responsible for the appointment and removal of the internal auditor and for ensuring that the internal auditor is independent from the external auditor.

Whilst particular internal audit programs may be outsourced, the internal and external audit functions are separate and independent of each other. The Audit Committee approves the internal audit program for each year and the effectiveness of the function is kept under review. All reports issued by the internal auditor are tabled at Audit Committee meetings.

The Board has received assurance from the CEO/President and the CFO that the declarations provided by each of the CEO/President and CFO in accordance with section 295A of the Corporations Act 2001, regarding the integrity of the financial statements, are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks (Rec 7.3). The Risk Management Policy can be viewed at the Corporate Governance section of the Cochlear website (Rec 7.4).

Principle 8: Remunerate fairly and responsibly

The Board has established the Human Resources Committee to focus on appropriate remuneration policies which are designed to enhance corporate and individual performance (Rec 8.1). The Human Resources Committee Terms of Reference are published in the Corporate Governance section of the Cochlear website. These Terms of Reference set out the Human Resources Committee's

role and responsibilities, composition, structure and membership requirements (Rec 8.4). Further detail relating to the Human Resources Committee, including a signpost to the record of attendance at its meetings, can be found above at Principle 2: Structure the board to add value (Rec 8.4).

Cochlear's Remuneration Policy and practices are designed to attract, motivate and retain high quality people.

The Remuneration Policy is built around principles that:

- remuneration be linked to Cochlear's performance and the creation of shareholder value;
- directors' remuneration be competitive and reflect good corporate governance;
- executive and employee rewards be competitive in the markets in which Cochlear operates;
- executive and relevant employee remuneration be an appropriate balance of fixed and variable reward;
- variable remuneration for senior management be comprised of short and long-term components; and
- a significant proportion of executive and employee reward be dependent upon performance assessed against key business measures, both financial and non-financial.

Details of F13 remuneration (including retirement benefits) of the directors and specified executives are included in the Remuneration Report on pages 30 to 55. Further disclosure in relation to the remuneration philosophy is included in the Remuneration Report.

Non-executive directors' remuneration policy

Fees for non-executive directors are based on the nature of their work and their responsibilities. In determining levels of fees, survey data on comparable companies is considered. Non-executive directors' fees are recommended by the Committee and determined by the Board within the aggregate amount approved by shareholders at the 2011 AGM of \$2,000,000 a year.

The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives (Rec 8.3). Non-executive directors do not receive any options, performance shares or other performance related remuneration. All non-executive directors receive the statutory superannuation awards only. Any amounts due under the closed directors' retirement scheme have been frozen and are indexed by reference to the bank bill rate (Rec 8.4).

Senior executives' remuneration policy

Remuneration for Cochlear executives includes both fixed and variable incentive components. Up to and including F13, equity based executive remuneration was made in accordance with the CELTIP. The CELTIP was approved by shareholders at the 2003 AGM. From F14 onwards, equity based executive remuneration will be made in accordance with the new Cochlear Executive Incentive Plan (CEIP). The exercise periods for the CELTIP and CEIP are timed to coincide with the trading windows provided in the Company's Trading Policy. In line with the Corporations Act 2001, the Trading Policy prohibits executives from hedging unvested CELTIP and CEIP awards (Rec 8.4).

Corporate Governance Report

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations checklist

Number	Requirement	Compliant
Pr 1	Lay solid foundations for management and oversight	
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✓
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	✓
Rec 1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	✓
Pr 2	Structure the board to add value	
Rec 2.1	A majority of the board should be independent directors.	✓
Rec 2.2	The chairman should be an independent director.	✓
Rec 2.3	The roles of chairman and chief executive officer should not be exercised by the same individual.	✓
Rec 2.4	The board should establish a nomination committee.	✓
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✓
Rec 2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	✓
Pr 3	Promote ethical and responsible decision-making	
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity; the practices necessary to take account of their legal obligations and the reasonable expectations of their stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	✓
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	✓
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	✓
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✓
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	✓
Pr 4	Safeguard integrity in financial reporting	
Rec 4.1	The board should establish an audit committee.	✓
Rec 4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the board; and has at least three members. 	✓
Rec 4.3	The audit committee should have a formal charter.	✓
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	✓
Pr 5	Make timely and balanced disclosure	
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	✓
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	✓
Pr 6	Respect the rights of shareholders	
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	✓
Rec 6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	✓
Pr 7	Recognise and manage risk	
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	✓
Pr 8	Remunerate fairly and responsibly	
Rec 8.1	The board should establish a remuneration committee.	✓
Rec 8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> consists of a majority of independent directors; is chaired by an independent chair; and has at least three members. 	✓
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	✓

Glossary, Company ASX Announcement Record and Company Information

Glossary

AGM Annual General Meeting.
ASIC Australian Securities and Investments Commission.
ASX Australian Securities Exchange.
DPS Dividends per share.
EBIT Earnings before interest and tax.
EBITDA Earnings before interest, tax, depreciation and amortisation.
EMEA Europe, Middle East and Africa.
EPS Earnings per share.
F11 Financial Year 2011: 1 July 2010 to 30 June 2011.
F12 Financial Year 2012: 1 July 2011 to 30 June 2012.
F13 Financial Year 2013: 1 July 2012 to 30 June 2013.
F14 Financial Year 2014: 1 July 2013 to 30 June 2014.

FDA United States Food and Drug Administration.
FX Foreign exchange.
IFRS International Financial Reporting Standards.
KMP Key management personnel.
NPAT Net profit after tax.
Previous GAAP Previous Australian Generally Accepted Accounting Principles.
Processor/sound processor
 The externally worn part of the cochlear implant.
R&D Research and development.
TGA Therapeutic Goods Administration.
TSR Total shareholder return.
TUV Technical Überwachungs-Verein.

Company Information

Stock exchange listing

Australian Securities Exchange
 ASX code COH

Solicitors

Clayton Utz

Share registrar

Computershare Investor Services Pty Limited
 Level 4, 60 Carrington Street
 Sydney NSW 2000, Australia
 Tel: 61 3 9415 4000

Auditor

KPMG

Bankers

Australia Westpac Banking Corporation and HSBC Bank Australia Limited
Japan The Bank of Tokyo-Mitsubishi UFJ, Limited
Sweden Skandinaviska Enskilda Banken AB (publ)
United Kingdom HSBC Bank plc
United States Wells Fargo Bank West, NA

Annual General Meeting

The Annual General Meeting will be held at 10am on Tuesday 15 October 2013 at Australian Securities Exchange, Exchange Square Auditorium, 20 Bridge Street, Sydney. A Notice of Meeting and Proxy Form are enclosed with this Annual Report.

Financial calendar

2013

Final dividend record date 29 August
 Payment of final dividend 19 September
 Annual General Meeting 15 October

2014

Interim profit announcement 11 February*
 Interim dividend record date 6 March*
 Payment of interim dividend 27 March*
 Final profit announcement 5 August*
 Annual General Meeting 14 October*

* Indicative dates only.

ACE, Advance Off-Stylet, AOS, AutoNRT, Autosensitivity, Beam, Clinicnet, Cochlear, Codacs, Contour, Contour Advance, Custom Sound, DermaLock, ESPrit, Freedom, Hear now. And always, Hybrid, inHear, Invisible Hearing, MP3000, myCochlear, NRT, Nucleus, Nucleus in Chinese characters, Off-Stylet, SmartSound, Softip, SPrint, the elliptical logo and Whisper are either trademarks or registered trademarks of Cochlear Limited. Ardium, Baha, Baha Divino, Baha Intenso, Baha PureSound, Baha SoftWear and Vistafix are either trademarks or registered trademarks of Cochlear Bone Anchored Solutions AB.

Design

Cross Media Communications Pty Ltd

Company ASX Announcement Record

17 June 2013

UBS Australian Healthcare Conference 2013 presentation

Cochlear Limited CEO/President, Dr Chris Roberts, gave a presentation at the UBS Australian Healthcare Conference in Sydney on 17 June 2013. It was an update on Cochlear technologies and the product pipeline.

3 June 2013

Market update

Cochlear Limited updated the market on its next generation cochlear implant sound processor, Nucleus 6, and provided a trading update, which anticipated a lower than expected net profit after tax for F13.

12 March 2013

Half year report 2013

Cochlear Limited provided an F13 half year report to shareholders listing half year revenues and sales.

5 February 2013

First half revenue announcement

Cochlear Limited announced revenue up 1% to \$391.7 million, with sales up 9% in constant currency for the six months ended 31

December 2012. There was a net profit after tax of \$77.7 million. The interim dividend of \$1.25 per share was up 4%.

16 October 2012

Chairman's address

Cochlear Limited Chairman, Mr Rick Holliday-Smith, addressed shareholders at the Annual General Meeting.

7 August 2012

Full year results for year ended 30 June 2012

Cochlear Limited announced revenue down 4% to \$779 million, with sales up 1% in constant currency. Net profit after tax was \$56.8 million, including \$101.3 million after-tax recall costs. The final dividend was \$1.25 per share (35% franked), up 4%.

7 August 2012

Update on voluntary recall

Cochlear Limited provided an update to shareholders on actions taken following the voluntary recall of the unimplanted Nucleus CI500 series implants.

Non-IFRS financial measures

Given the significance of the product recall and FX movements the directors believe the presentation of non-IFRS financial measures is useful for the users of this document as they reflect the underlying financial performance of the business.

The non-IFRS financial measures included in this document have been calculated on the following basis:

- Excluding recall costs: IFRS measures adjusted for the costs of the product recall
- Constant currency: restatement of IFRS financial measures in comparative years using F13 FX rates
- Free cash flow: IFRS cash flow from operating and investing activities excluding interest and tax paid related to non-operating activities.

The above non-IFRS financial measures have not been subject to review or audit. However, KPMG have separately undertaken a set of procedures to agree the non-IFRS financial measures disclosed to the books and records of the consolidated entity.

Hear now. And always

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