

Company	Cochlear Limited
Code	COH
Meeting	AGM
Date	10 am 22 October 2019
Venue	ASX Auditorium, 20 Bridge St Sydney
Monitor	Patricia Beal, assisted by Chandra Agnihotri

Number attendees at meeting	93 shareholders plus 65 visitors
Number of holdings represented by ASA	219
Value of proxies	\$73.7m
Number of shares represented by ASA	194,890 (equivalent to 9th largest holder in Top 20)
Market capitalisation	\$748m
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with Chair Rick Holliday-Smith

Planning and service with 100 year timeframe

Having cochlear implants is well known as a treatment for deafness in children in developed countries. The company is now raising awareness among seniors as well, by TV and radio advertisements. One was played to open proceedings. They are working through various industry groups also to try to get a standard treatment pathway developed. Their research has shown very significant improvement amongst seniors of hearing and general quality of life with an implant, versus a hearing aid, if deafness is severe. Governments pay for most implants, so widening the approved guidelines is also a work in progress. This will, over time, bring a whole new (and growing) market for cochlear implants, adding to continuing sales for children in less developed countries.

So this is a company with an extended and long growth path, plus servicing current recipients with updates to their devices. Service needs to be throughout life, which may mean 100 years.

Sales revenue rose 7% (2% in constant currency), while service revenue rose 20% (14% cc). While the shareholder return (TSR) was small for the financial year, that was mainly a function of the very high share price rise the previous year, but very slight rise this year. Higher sales are likely next FY, due to release of new models during this FY having a larger impact.

The CEO Dig Howitt enumerated the company's mission and strategies, then handed over to the Chief Technical Officer Jan Janssen who provided more depth again on the different devices and models, and other developments. The presentation is available at the COH website (under FY19 result Presentation slides).

An early question expressed some queries about the new factory being built in China. It was felt that the need / demand there was so great that it was a logical progression, but care is definitely being taken in exactly what is to be done there. It was recognised that employees themselves might be the major intellectual property risk if careless (other factors being minimised or as well controlled as possible), but they will be very well trained and supported. China is currently supportive towards COH. There are also limits in Australia on how much spending on research is tax effective, and those limits are currently significantly less than what COH spends.

Board renewal is most definitely under active consideration. The Chairman is unlikely to serve his full term (after re-election today), and other high quality Board candidates are also likely to become available in the next couple of years, we were told. Those currently on the Board are very conscious of their responsibilities to do what is best for the company. We voted for all candidates; all received over 88% support.

Remuneration guidelines had not been changed for at least 15 years; after considerable thought and consultation, proposed changes were put forward, as itemised in our Voting Intentions. See the VI for full details: a gateway for STI payments and a longer assessment period for LTI, plus slightly lower CAGR settings. We spoke and voted in support of the changes, while noting that we would follow the results closely. The vote for the rem report was 96%.