

<b>Company/ASX Code</b>	Cochlear / COH
<b>AGM date</b>	Tuesday 19 October 2021
<b>Time and location</b>	10 am AEDT, Webcast at <a href="http://www.cochlear.com">www.cochlear.com</a>
<b>Registry</b>	Computershare
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Patricia Beal with Raja Rajagopal, assisted by Bindo Roberts
<b>Pre AGM Meeting?</b>	Yes with Chair Alison Deans and Kristina Devon (Investor Relations)

### Company recovered and refreshed board.

One of the individuals involved in the preparation of this voting intention has a shareholding in this company.

### Summary of issues for meeting

Significant changes to, and renewal of, the Board. See below.

<b>Item 1</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

### Summary of ASA Position

#### Governance and culture

The Corporate Gov Report gives targets for structure and composition of Board, senior managers and all employees (within Australia). The target of 30% of the board being female has been met, notably with the incoming chair now female. There is a table showing how many board members are competent in various categories, but there is no identification of which members, nor exactly how competent. 38% (was 36%) of people in “senior and executive management” are now female. “Employee engagement” also increased, and is high at 80%.

The Sustainability Report, while looking back over 40 years of growth, foreshadows continuing growth into the future. Reacting to covid, new methods of helping customers were used, online and remote help. Having adjusted to less business flights, they are committed to keeping this to lower levels, to reduce the company’s carbon emissions.

An ESG Report was published in 2020, and sustainability is one of the board’s key responsibilities.

Future strategies for growth and for managing risks, were detailed.

### **Financial performance**

Financially, COH is back on track after the disruptions of FY2020 by Covid-19. Surgery to implant the devices was impossible when hospitals were required for potential or actual covid patients, so sales of the implants were halted. However research and development of new models continued, and demand was only postponed. The share price has recovered, so the TSR for shareholders is also back up again. There was suspension of dividend as well as the capital raising, after the sharp cut off of income last FY, at which time assistance from the government was sought and received. It was considered vital that experienced staff were hugely valued, and needed to be retained. More recently, after conditions improved, money from the government was completely repaid.

Financial guidance for FY22 has been given, 12 - 20% increase in 'underlying net profit' - subject to any further disruption from covid. The pace of recovery will vary across countries, and be slower in less developed countries.

### **Key events**

Thinner models for cochlear and bone implants, new sound processors for both implants, and smart apps for remote fitting and checking software and Telehealth solutions were released, refreshing the market. While bone implants is a much smaller share of the "severe hearing loss" market than cochlear implants, there is a definite need: when the cochlear nerve is non-functional. The Ossia 2 has been successfully launched in USA. Margins are similar for the 2 devices.

A major competitor in the cochlear implants field announced recalls, notably in its thinner, newer models. It remains to be seen how long it may be till those models reappear (or not), or whether confidence in that firm will recover quickly.

WHO released a major Report on Hearing as a public health issue. Confirming the rising incidence of hearing loss, it also affirmed the cost-effectiveness of treatment. Studies have confirmed a large number of adults would benefit from cochlear implants when hearing aids become ineffective, with further studies ongoing.

This Report confirms one of the company's two ongoing main targets for growth, namely loss of hearing in seniors. Implants were shown to be cost effective in this group. The other target group is children in underdeveloped areas.

COH lost its appeal to the USA Supreme Court regarding its judgment (against COH) in its patent infringement case. The final payment (US\$280m) to AMF and AB had already been paid; and this appeal was for interest and attorney's fees (US\$75m); that sum was already in escrow (in FY20 accounts), and now goes to them. The patent has now expired, so there can be no further damages.

Government announced "patent box" increasing concessions for more R&D, which hopefully will be positive for COH. All research is in related fields where COH has a strategic interest, and may be collaborative with different leading universities.

### **Key Board or senior management changes**

Former Chairman Rick Holliday-Smith retired after the end of the FY, on 20 August 2021. This was announced on 31 May 2021, as was his replacement, Ms Alison Deans. Rick had been Chairman for 11 years, having earlier signalled that FY 2021 would be his last year on the Board.

NED Donal O’Dwyer (15 years’ service) retired in Oct 2020; NED Abbas Hussain (after 2.5 years) retired in July 2021 to take up a CEO appointment.

Christine McLoughlin, AM, was appointed to the Board in Nov 2020, being the third female NED.

Stu Sayers was appointed CFO in Jan 2021, having joined COH in July 2016. Brent Cubis was CFO till Sept 2020, and changed the overall financial structure from a federated model to an integrated one. He then resigned, being more of an ‘agent of change’. Stu was appointed (from internally) after a full search procedure. His emphasis more on commercial strategy was considered more appropriate for the future.

## Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	326.5	(238.3)	276.7	245.8	223.6
UPAT (\$m)	236.7	153.8			
Share price (\$)	251.67	188.93	206.84	200.17	155.45
Dividend (cents)	115	335	315	300	270
Simple TSR (%)	33.8	(7)	4.75	157	30.55
EPS (cents)	496.7	(399.6)	460.9	427.3	390
CEO total remuneration, actual (\$m)	5.385	2.816	3.695	3.936	4.885*

\*refers to previous CEO

For FY 2021, the CEO’s total actual remuneration was **58.5 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2020 data from the Australian Bureau of Statistics).

Note - For November 2020, the Full-time adult average weekly total earnings (annualised) was \$92,034.80 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, “Full-time adult average weekly total earnings”).

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking) by the share price at the start of the year.

<b>Item 2</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

As in prior years, we support the remuneration plan, very slightly changed from last year. The share price, and also the shareholder “simple TSR”, have recovered from last FY. The dividend (expressed as dividend received within the FY) did not. However the pending dividend, declared but not yet paid) will compensate. The CEO and other managers’ rem have also recovered from last year’s lower levels. See Appendix 1 below for further detail.

<b>Item 3.1</b>	<b>Re-election of Alison Deans as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Ms Alison Deans was appointed to the Board in 2015, and appointed as Chair effective 21 August 2021. Previously Chair of the Technology and Innovation Committee she was, and remains, on the Audit & Risk, Nomination, and People & Culture Committees. She has experience as CEO of various technology-enabled businesses. Ms Deans has been on other boards, and remains on the Ramsay Health Care board. She holds 4000 COH shares, more than sufficient to satisfy the requirement re her remuneration, and align her interests with those of shareholders.

<b>Item 3.2</b>	<b>Re-election of Glen Boreham as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Appointed to board in 2015. Chairs the People & Culture Committee, and member of Audit & Risk, Nomination and Technology & Innovation Committees. He led organisations in IT, new media and creative industries through rapid change and innovation. Mr Boreham is on the boards of SXL and LNK, having been also on others. He holds sufficient COH shares to satisfy requirements, and align his interests with shareholders.

<b>Item 3.3</b>	<b>Re-election of Christine McLoughlin, AM as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Appointed to board in Nov 2020, so this is the first opportunity for shareholders to vote for her. Ms McLoughlin is a member of the Audit & Risk, Nomination and People & Culture Committees. She has served on other ASX50 boards, and remains Chair of SUN. She has international experience, and in a variety of fields including health, insurance, and others, and work on other non-listed bodies. She already holds 1000 COH shares.

<b>Item 4</b>	<b>Approval of LTI grant to CEO &amp; President Dig Howitt</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

These options and performance rights (equal numbers of each) for FY22 will not vest till 2025 when they may fall due if the LTI for the 4 year period till then are partially or completely satisfied. The maximum value of the offer is \$2,375,000 as advised in the Notice of Meeting. The share price is an average of prices over the 5 days since the result was declared in August 21. Full details of the conditions and calculations are in the Notice of Meeting.

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## Appendix 1

### Remuneration framework detail

CEO rem. Framework for FY21	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.827	34%	1.827	26%
STI - Cash	1.218	22%	2.192	32%
STI - Equity	0.609	11%	1.096	16%
LTI	1.827	33%	1.827	26%
Total	5.481	100.0%	6.943	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. \*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

The plan is set out in the Annual Report, with diagrams and tables. For the CEO, rem is divided into 3 equal parts: fixed, STI and LTI. There is a performance gateway to STI, based on a threshold of NPAT. And for this year only, the weighting of the assessment measures was altered to increase strategic and decrease financial measures (down to 40%, given the uncertainties of Covid). 2/3 of STI is cash. 1/3 of STI is service rights, which vest after 2 yrs.

LTI is measured over rolling 4 yr periods, and delivered as 50% options, 50% service rights. There are sliding scales for both, as set out clearly in the rem section of the Annual Report. The measures, equally weighted, are CAGR (of EPS) and TSR (versus the ASX100 index).

Actual rem (received or vested in the FY) of CEO and other KMP is set out clearly in a separate table (p58 of Annual Report), newly included. All KMP have significant holdings in COH - as, indeed, do many other employees. This table shows clearly the fact that each component of CEO's rem has contributed very significantly to the overall difference between the two FYs. Shareholder returns ("simple TSR") is similarly vastly different in 2020 compared to this FY.

The significant change in the CEO's received rem, compared with last year, reflects a number of factors. Last year the CEO (and other executives) took a drop in base salary to show their sympathies with other staff who lost wages; also no STI was awarded, and with LTI only one of the two criteria was met to any extent, so it was also significantly lower. With the recovery of the company this FY, STI were awarded fairly highly, also around 50% of LTI. Also there was over \$0.73m vesting from prior years' allocations of equity rights. Shareholders also received high rewards this year, so we considered the design of the rem was working well.