



Cochlear Limited
**Tax Contribution
Report 2024**





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Cover: David, Cochlear™ Nucleus® System recipient



About Cochlear

Cochlear has been the global leader in implantable hearing solutions for over 40 years, providing a range of implants and sound processor upgrades that deliver a lifetime of hearing outcomes.

Cochlear commenced operations in 1981 as part of the Nucleus group and in 1995 listed on the Australian Securities Exchange. Today, it is a Top 30 listed Australian company with a market capitalisation of over A\$20 billion.

Our goal is to deliver value by helping more people to hear, which contributes to building a healthier and more productive society. Our strategy is focused on improving awareness of and access to implantable hearing solutions for people indicated for our products.

We are pioneers and global leaders in the development, manufacture and commercialisation of implantable hearing solutions, collaborating in over 100 research programs worldwide to further research into hearing loss.

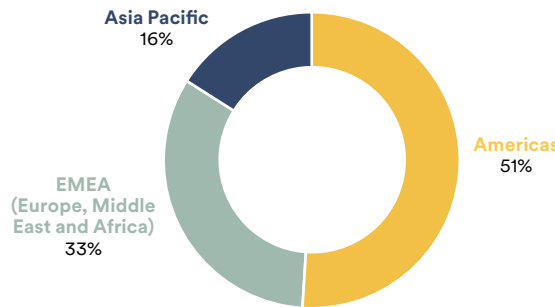
We invest around 12% of sales revenue each year in research and development (R&D), with over \$3 billion invested since listing, and we have a portfolio of more than 2,300 patents and patent applications worldwide.

Over the past 40 years we helped over 700,000 people to hear with one – or two – of our implantable solutions. And we deliver a lifetime of hearing solutions for recipients, with sound processor upgrades and services to support prior generation products.

Our global headquarters are on the campus of Macquarie University in Sydney, with regional offices in Asia Pacific, Europe and the Americas. We have a global workforce of over 5,000 employees and a wide geographical reach, selling in over 180 countries, with employees based in over 50 countries.

In 2024, we completed the acquisition of the Oticon Medical cochlear implant business from Demant. We remain committed to supporting the long-term hearing outcomes of these 20,000 patients and will develop and commercialise next generation sound processors and services to the vast majority of customers to transition to Cochlear’s technology platform over time.

Revenue by region



Business segments

Cochlear Implants*

59% Cochlear implant systems



Services*

30% Sound processor upgrades, accessories and other



Acoustics*

11% Bone conduction systems and sound processor upgrades



* Based on sales revenue (FY24) ^Nucleus® Profile™ Plus Series implant cumulative survival percentage within five years



Tax strategy and governance

Approach to risk management and governance

We operate in a highly regulated global industry in the area of implantable hearing solutions. We must ensure we enter into transactions in a way that does not inhibit our ability to design, develop, manufacture and distribute products globally and which also maintains our reputation with regulators and governments in the countries in which we operate.

The Audit and Risk Committee have approved a Tax Risk Management and Governance Framework which reflects the tax risk strategy and management controls relating to tax risk management and governance.

Global tax and finance teams work together to identify, assess, prioritise and manage global tax risks, with key global tax risks identified escalated to the Vice President Global Tax and Treasury who is a direct report of, and identifies global tax risks to, the Chief Financial Officer.

Each Audit and Risk Committee has an agenda item on global tax to report key risks and, where appropriate, matters are reported through to the full Board.

Publication of this statement is regarded as satisfying the statutory obligation under Paragraph 19, Schedule 19, Finance Act 2016 (UK) which prescribes that the UK tax strategy must be published for UK entities of the Cochlear global group. The UK entities to which this strategy applies are Cochlear Europe Limited, Cochlear Research and Development Limited and Cochlear (UK) Limited.

Attitude towards tax planning

Our attitude towards tax planning is to ensure that transactions and compliance activities undertaken in Australia and by subsidiaries overseas have consideration of the Tax Risk Management and Governance Framework. Where appropriate, we will engage external advisors on significant transactions and for review of compliance activities.

Cochlear together with its Australian subsidiaries has formed a tax consolidated group for Australian tax purposes with Cochlear Limited as the head company of the Australian tax consolidated group.

Accepted level of risk in relation to taxation

The level of accepted risk in relation to taxation is to assess the risk appetite of a transaction or activity in accordance with the Tax Risk Management and Governance Framework.

Approach to engagement with global revenue authorities

Our approach to engagement with global revenue authorities including but not limited to the ATO, Internal Revenue Service and His Majesty's Revenue and Customs, is to be compliant with tax legislation and fulfil all tax obligations in accordance with local tax laws and practice.

Our approach is to engage early with global revenue authorities on significant transactions and to ensure cooperative, collaborative and transparent communication.

In this respect, we have signed two Bilateral Advanced Pricing Agreements with the ATO; one with the National Tax Authority of Japan which has a term of 5 years, and one with the Internal Revenue Service of the United States which has a term of 7 years. Dealings with the UK subsidiary based in London are conducted on similar principles but are not encapsulated in a formal Bilateral Advanced Pricing Agreement.

We support robust tax systems built on the principles of integrity, transparency and sustainability and engage in policy development and consultation both directly and via local taxpayer and industry associations.

International related party dealings

Cochlear Limited is the ultimate parent entity of the Cochlear group. Our global headquarters is on campus at Macquarie University in Sydney, Australia, with regional headquarters in Asia Pacific, EMEA and the Americas.

As the global manufacturer and developer of implantable hearing devices, we undertake the majority of manufacturing and R&D activities in Australia. We also conduct manufacturing and R&D activities with group entities located in Sweden, Malaysia, Belgium, the US and China.



With approximately 95% of revenue in 2024 generated from countries outside of Australia, our manufactured product is sold either directly or through headquarter distributors located in the UK, US and Panama and also through distributors located in Asia Pacific.

A summary of our international related party dealings is provided below. All dealings between related parties within the Cochlear group are priced on an arm's length basis in accordance with global transfer pricing laws and OECD guidelines:

- **Sale of product and services** - we have headquarter distributors located in the UK, US and Panama as well as other distributors located across Asia Pacific who purchase product directly from Cochlear for ultimate sale in their regions.
- **R&D** - we have a global innovation network with over 600 R&D employees across the globe. Primary R&D is co-located with the Australian Hearing Hub in Sydney, with the Cochlear Technology Centre in Belgium focused on advanced innovation and an acoustics and software hub in Sweden. There are also R&D capabilities with our subsidiaries in Malaysia, the US and France following the acquisition of the Oticon Medical cochlear implant business.
- **Manufacturing** - we manufacture across six sites globally. We have three sites in Australia Australia - Macquarie University and Lane Cove in New South Wales, and Brisbane in Queensland and we have contract manufacturing arrangements with our subsidiaries in Sweden, Malaysia and China. There is considerable know-how associated with this specialised manufacture.
- **Repairs** - we operate a repair centre in Malaysia. This entity provides testing, diagnostic and repair of sound processors, logistic activities including packing and shipping, scrapping of devices and related administrative tasks for Cochlear group entities globally.
- **Shared Service Centres** - we operate Shared Service Centres in Malaysia and Panama. These centres provide support to Cochlear group entities such as customer order entry, service request entry, registration, invoicing, user acceptance testing, customer account set up and maintenance. The centre in Malaysia also provides IT support services to the group.
- **Insurance premiums** - we have a captive insurance company in Singapore. It provides captive insurance services to subsidiaries in the Americas, EMEA and Asia Pacific. The captive insurance company is managed by an independent third-party insurance broker.
- **Financing** – we have funding facilities from external sources. Cochlear provides funding to some of its subsidiaries through of intercompany loans and equity financing.

The following table provides a summary of the nature of activities undertaken by subsidiaries incorporated, and branches located, in jurisdictions outside of Australia:

Country	International related party dealing
Belgium	Service provider (contract R&D)
Canada	Distributor of Cochlear products
China¹	Distributor of Cochlear products and service provider for contract manufacturing
Hong Kong¹	Distributor of Cochlear products
India¹	Distributor of Cochlear products
Japan	Distributor of Cochlear products
Korea¹	Distributor of Cochlear products
Malaysia¹	Shared services provider (contract manufacturing and R&D, repair centre, IT support services, customer service admin)
New Zealand	Distributor of Cochlear products
Panama¹	Headquarter distributor for Latin America and Shared services provider (customer service admin)
Singapore^{1,2}	Distributor of Cochlear products and captive insurance company
Sweden	Service provider (contract manufacturing, marketing and R&D)
Taiwan¹	Sales support for Cochlear products
Thailand¹	Sales support for Cochlear products
United Kingdom	Headquarter distributor for EMEA
United States	Headquarter distributor for North America and service provider (contract R&D)

Note 1 – The subsidiary companies in these countries are treated as Controlled Foreign Companies for Australian income tax purposes and are subject to tax at the Australian corporate tax rate of 30% on any profits generated from any activities between the subsidiaries and Cochlear.

Note 2 – Singapore includes a registered branch of Cochlear Limited.



Income taxes disclosed in the Annual Report

The income tax expense disclosed in the Annual Report is calculated based on International Financial Reporting Standards (IFRS). In any one income year there may be a difference between the income tax expense calculated in the Annual Report to the total cash taxes paid to a relevant taxation authority during that same income year. This is due to a number of factors such as the timing of corporate tax instalment payments made to the relevant tax authorities, differences between accounting and tax treatments and whether any tax losses are incurred or utilised during the year.

We calculate the Effective Tax Rate (ETR) as income tax expense divided by accounting profit before income tax.

Provided below is the calculation of the income tax expense for Cochlear and its Australian operations showing the impact of adjustments to the income tax expense on the calculation of the ETR and a reconciliation of income tax expense to cash tax paid.

All amounts are presented in Australian currency (AUD).

Reconciliation of accounting profit to income tax expense

	2024 \$m	2024 ETR	2023 \$m	2023 ETR
Profit before income tax	484.8		396.6	
Tax at the Australian tax rate of 30% (2023: 30%)	145.4	30.0%	119.0	30.0%
Add/(less) adjustments for:				
Research and development allowances	(21.9)	(4.5%)	(21.1)	(5.3%)
Net non-deductible items	4.8	1.0%	5.6	1.4%
Effects of tax rates in foreign jurisdictions	(5.4)	(1.1%)	(4.5)	(1.1%)
	122.9	25.4%	99.0	25.0%
Integration costs	7.1	1.5%	0.0	0.0%
Adjustment for prior years	(2.0)	(0.5%)	(3.0)	(0.8%)
Income tax expense on profit before income tax	128.0	26.4%	96.0	24.2%



Reconciliation of income tax expense to cash tax paid

	2024 \$m	2023 \$m
Income tax expense on profit before income tax	128.0	96.0
Timing differences recognised in deferred tax	13.7	9.5
Net recognition/(utilisation) of tax losses recognised in deferred tax	(0.9)	2.3
Current year tax instalments (payable)/receivable next year	(9.4)	(4.5)
Prior year instalments (received)/paid this year ¹	0.1	(24.0)
Cash taxes paid as per statement of cash flows	131.5	79.3

Note 1 – The prior year tax instalments received in 2023 relates to a refund of overpaid tax due to the utilisation of carried forward tax losses in 2022.

International tax reform

The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS)'s published the Pillar Two model rules to address the tax challenges arising from the digitalisation of the global economy. The BEPS Pillar Two model rules, which seek to apply a 15% global minimum tax to individual jurisdictions across the globe, apply to Cochlear from 1 July 2024.

The Pillar Two model rules have not impacted on the amounts disclosed in the Annual Report. We continue to monitor the progress of these rules as they become enacted and effective in jurisdictions globally.

Tax residency

The tax residency of Cochlear and its subsidiaries are included in the Consolidated Entity Disclosure Statement in our Annual Report. Based on the ATO's public guidance in Taxation Ruling TR2018/5 and guidance in foreign jurisdictions, all of Cochlear's subsidiary entities are tax resident in the country of their incorporation.

Reconciliation of accounting profit to income tax expense for the Australian tax consolidated group

	2024 \$m	2024 ETR	2023 \$m	2023 ETR
Profit before income tax (excluding dividends from wholly owned foreign subsidiaries)	355.5		272.2	
Dividends from wholly owned foreign subsidiaries	87.3		23.1	
Profit before income tax	442.8		295.3	
Income tax expense using the Company's domestic tax rate of 30%	132.8	30.0%	88.6	30.0%
Add/(less) adjustments for:				
Research and development allowances	(20.2)	(4.6%)	(20.0)	(6.8%)
Net non-deductible items	4.2	0.9%	5.9	2.0%
Controlled foreign company income	1.5	0.3%	0.7	0.2%
Exempt foreign sourced dividends from wholly owned subsidiaries	(26.2)	(5.9%)	(6.9)	(2.3%)
	92.1	20.7%	68.3	23.1%
Integration costs	1.1	0.3%	0.0	0.0%
Adjustment for prior years	(0.3)	0.1%	(4.0)	(1.3%)
Income tax expense on Australian profit before income tax	93.5	21.1%	64.3	21.8%



Tax contribution summary

In 2024, we made the following cash tax payments to Australian and overseas tax authorities:

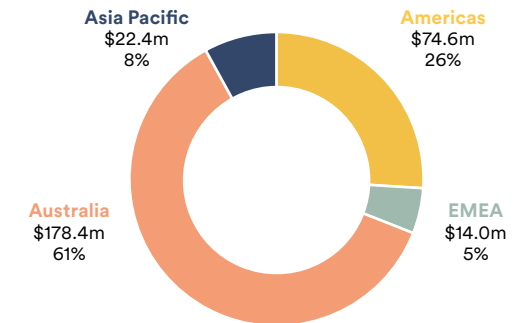
	Australia \$m	Americas \$m	EMEA \$m	Asia Pacific \$m	Total Group \$m	2023 \$m
Taxes paid by/ (refunded to) Cochlear						
Corporate income tax	81.3	22.2	19.9	8.1	131.5	79.3
Employer/payroll taxes	19.3	11.5	12.4	0.3	43.5	33.9
Fringe benefits taxes	0.4	0.2	-	-	0.6	0.6
Taxes paid by Cochlear	101.0	33.9	32.3	8.4	175.6	113.8
Taxes collected by/ (refunded to) Cochlear						
Salary withholding (PAYG/PAYE)	98.2	38.0	26.3	6.0	168.5	140.4
Net GST/VAT remitted/(refunded) ¹	(21.1)	1.5	(44.7)	7.6	(56.7)	(58.0)
Net sales/consumption taxes	-	1.2	0.1	0.4	1.7	3.6
Withholding taxes on interest and royalties	0.3	-	-	-	0.3	2.2
Taxes collected by/ (refunded to) Cochlear	77.4	40.7	(18.3)	14.0	113.8	88.2
Total taxes paid and collected/(refunded)	178.4	74.6	14.0	22.4	289.4	202.0
2023	119.6	59.8	5.1	17.5	202.0	-

Note 1 – Sale of Cochlear products are generally exempt from GST / VAT.

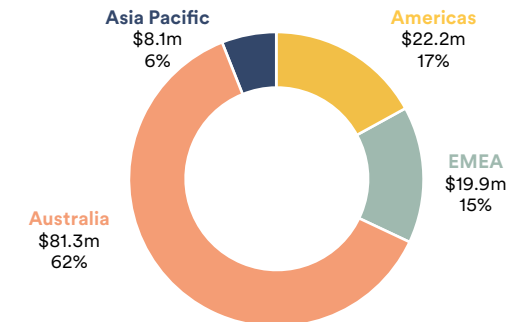
Corporate income tax

Corporate income taxes paid in Australia continue to represent the majority of total corporate income taxes paid by the Cochlear Group.

Total global taxes paid/collected 2024



Total corporate income tax paid 2024





ATO tax transparency disclosures

Report of entity tax information

The Australian Taxation Office (ATO) has published the following taxation information from the Australian tax consolidated group income tax return for 2022:

2022

Total income	\$1,296,859,592
Taxable income	\$368,140,606
Tax payable	\$13,616,051

Taxable income is calculated based on accounting profit adjusted for allowable tax timing and tax permanent differences as provided for in the Australian tax law. Tax payable is then calculated at the corporate income tax rate (30%) of taxable income, reduced by available tax offsets. For Cochlear, the primary tax offset which reduces the tax payable amount is the R&D tax offset.

R&D expenditure claimed

The ATO will publish the following R&D expenditure claimed in the Australian tax consolidated group income tax return for 2022:

2022

Total expenditure on R&D	\$120,376,749
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Total expenditure on R&D represents both expensed (\$117.7m) and capitalised (\$2.7m) R&D.

Provided below is a summary of Cochlear's tax transparency information. Additional information has been provided in relation to the ATO tax transparency disclosures to demonstrate how the final tax payable amount is calculated after the R&D tax offset has been applied.

Cochlear Australian tax consolidated group

	2022 A\$m	2023 A\$m
Total income published	1,296.9	1,283.5
Taxable income	368.1	436.1
Tax payable ¹	13.6	64.4
Application of R&D tax offset to tax transparency disclosures:		
Taxable income	250.4	309.1
R&D expense (100% add back)	117.7	127.0
Taxable income published	368.1	436.1
Tax payable (@30%)	110.4	130.8
R&D tax offset ²	(94.0)	(62.0)
Other tax offsets	(2.8)	(4.4)
Tax payable published	13.6	64.4

Note 1 – Tax losses were generated in 2020 which have been carried forward and reduce taxable income 2022.


Note 2 – In 2022, carried forward R&D tax offsets from 2020 were utilised in addition to the R&D tax offset for that year.

Hear now. And always

Cochlear is dedicated to helping people with moderate to profound hearing loss experience a world full of hearing. As the global leader in implantable hearing solutions, we have helped more than 700,000 people of all ages to hear and connect with life's opportunities.

We aim to give people the best lifelong hearing experience and access to next generation technologies. We collaborate with leading clinical, research and support networks to advance hearing science and improve care.

That's why more people choose Cochlear than any other hearing implant company.

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www.cochlear.com

Please seek advice from your health professional about treatments for hearing loss. Outcomes may vary, and your health professional will advise you about the factors which could affect your outcome. Always follow the directions for use. Not all products are available in all countries. Please contact your local Cochlear representative for product information.

ACE, Advance Off-Stylet, AOS, Ardium, AutoNRT, Autosensitivity, Baha, Baha SoftWear, BCDrive, Beam, Bring Back the Beat, Button, Carina, Cochlear, 科利耳, コクレア, 코클리어, Cochlear SoftWear, Contour, コントウア, Contour Advance, Custom Sound, DermaLock, Freedom, Hear now. And always, Hugfit, Human Design, Hybrid, Invisible Hearing, Kanso, LowPro, MET, MP3000, myCochlear, mySmartSound, NRT, Nucleus, Osia, Outcome Focused Fitting, Off-Stylet, Piezo Power, Profile, Slimline, SmartSound, Softip, SoundArc, True Wireless, the elliptical logo, Vistafix, Whisper, WindShield and Xidium are either trademarks or registered trademarks of the Cochlear group of companies.

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