

Hear now. And always

As the global leader in implantable hearing solutions, Cochlear is dedicated to bringing the gift of sound to people with moderate to profound hearing loss. We have helped over 450,000 people of all ages live full and active lives by reconnecting them with family, friends and community.

We aim to give our recipients the best lifelong hearing experience and access to innovative future technologies. For our professional partners, we offer the industry's largest clinical, research and support networks.

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

2016 COCHLEAR NOTICE OF ANNUAL GENERAL MEETING

Innovation for life



Cochlear Ltd (ABN 96 002 618 073) 1 University Avenue, Macquarie University, NSW 2109, Australia Tel: +61 2 9428 6555 Fax: +61 2 9428 6352

www.cochlear.com

© Cochlear Limited 2016
D1062277 ISS1 AUG16

Hear now. And always



Cochlear®

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of Cochlear Limited (the Company or Cochlear) will be held at the Australian Securities Exchange, Exchange Square Auditorium, 20 Bridge Street, Sydney NSW 2000 on Tuesday 18 October 2016 at 10:00am (AEDT).

Business of the meeting

Ordinary business

1. Financial and other reports

To receive and consider the Company's Financial Report, Directors' Report and the Auditor's Report in respect of the financial year ended 30 June 2016 and to consider and, if thought fit, to pass the following resolution:

1.1 "THAT the Company's Financial Report, Directors' Report and the Auditor's Report in respect of the financial year ended 30 June 2016 be received."

Note: An explanation of the proposed resolution is set out at Item 1 of the Explanatory Notes attached to this Notice of Annual General Meeting.

2. Remuneration Report

To consider and, if thought fit, to pass the following non-binding resolution:

2.1 "THAT the Remuneration Report in respect of the financial year ended 30 June 2016 be adopted."

Voting Exclusion Statement: In accordance with the *Corporations Act 2001* (Cth), no votes can be cast by or on behalf of a member of key management personnel (KMP) whose remuneration details are included in the Remuneration Report and their closely related parties (collectively referred to as a Prohibited Voter). However, a Prohibited Voter may: (a) vote directed proxies for someone other than a Prohibited Voter; and (b) vote undirected proxies for someone other than a Prohibited Voter if the Prohibited Voter who is voting is the Chair of the meeting and the proxy/voting form: (i) does not specify the way the proxy is to vote on the resolution; and (ii) expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a Prohibited Voter. If you intend to appoint the Chair as your proxy and you do not want your vote exercised in favour of this resolution, you should direct the Chair to vote against, or to abstain from voting on, this resolution.

Note: An explanation of the proposed resolution is set out at Item 2 of the Explanatory Notes attached to this Notice of Annual General Meeting.

3. Re-election of directors

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

3.1 " THAT Mrs Yasmin Allen, being a director who is retiring in accordance with the Company's Constitution and who, being eligible, offers herself for re-election as a director of the Company, be re-elected as a director of the Company."

3.2 "THAT Mr Donal O'Dwyer, being a director who is retiring in accordance with the Company's Constitution and who, being eligible, offers himself for re-election as a director of the Company, be re-elected as a director of the Company."

Note: An explanation of the proposed resolutions is set out at Item 3 of the Explanatory Notes attached to this Notice of Annual General Meeting.

Special business

4. Approval of securities to be granted to the Chief Executive Officer & President under the Cochlear Executive Incentive Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

4.1 "THAT approval be given to:

(a) the grant to Mr Chris Smith, the Company's Chief Executive Officer & President, of options and performance rights under the Cochlear Executive Incentive Plan calculated in accordance with the formula and on the terms summarised in the Explanatory Notes attached to the Notice of Annual General Meeting; and

(b) the transfer to Mr Smith of existing shares upon the exercise of any options and/or performance rights granted to Mr Smith pursuant to (a) above."

Voting Exclusion Statement: In accordance with the *Corporations Act 2001* (Cth), a member of KMP and their closely related parties may not vote as a proxy on this resolution if the appointment does not specify how the proxy is to vote. However, the Chair of the meeting can vote undirected proxies, provided the proxy/voting form expressly authorises the Chair to do so.

Note: An explanation of the proposed resolution is set out at Item 4 of the Explanatory Notes attached to this Notice of Annual General Meeting.

By order of the Board



NJ Mitchell
Company Secretary

Dated: 8 September 2016

Explanatory Notes

Item 1. Financial and other reports

As required by section 317 of the *Corporations Act 2001* (Cth) (Act), the Company's Financial Report, Directors' Report and the Auditor's Report for the financial year ended 30 June 2016 (FY16) will be laid before the Company in the Annual General Meeting (AGM). There is no requirement for a formal resolution on this item; however, it is the Company's practice to do so.

The Chairman intends to vote all available proxies in favour of the resolution.

Item 2. Remuneration Report

As required by section 250R(2) of the Act, the Remuneration Report of the Company for FY16 will be laid before the Company in the AGM and a resolution that it be adopted will be put to a vote. The Remuneration Report is set out in the Directors' Report contained in the Company's 2016 Annual Report. The Annual Report is available on the Company's website (www.cochlear.com).

The Remuneration Report explains the structure of and policy behind the Company's remuneration practices and the link between the remuneration of executives and the Company's performance. The Remuneration Report also sets out remuneration details for each director and for certain specified executives. A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting. Although there is a requirement for a formal resolution on this item, by operation of section 250R(3) of the Act, the resolution is advisory only and does not bind the directors or the Company.

The Board believes Cochlear's approach to Board and executive KMP remuneration is a balanced, fair and equitable approach. The Company's executive remuneration practices are designed to reward and motivate a successful and experienced executive team to deliver ongoing business growth which meets the expectations of all shareholders. The Board welcomes feedback from shareholders on Cochlear's remuneration practices.

Resolution 2.1 – directors' recommendation

The Board recommends that shareholders vote in favour of the resolution.

Voting exclusions apply to this resolution as specified in the Notice of Annual General Meeting.

The Chairman intends to vote all available proxies in favour of the resolution.

Item 3. Re-election of directors

Pursuant to Article 16.2 of the Company's Constitution, each director (excluding the Company's Chief Executive Officer & President (CEO&P)) must retire from office not later than at the third AGM following his or her last election or appointment by a general meeting, but may submit himself or herself for and will be eligible for re-election. Mrs Yasmin Allen and Mr Donal O'Dwyer are retiring at this AGM in accordance with Article 16.2.

The retirements of Mrs Yasmin Allen and Mr Donal O'Dwyer mean that the requirement of Article 16.1 of the Company's Constitution, that one-third of the directors for the time being (excluding the CEO&P and rounded down to the nearest multiple of 3) retire from office at each AGM, is also satisfied.

The Board considers that each of Mrs Yasmin Allen and Mr Donal O'Dwyer are independent non-executive directors.

Explanatory Notes

Mrs Yasmin Allen
Age 52. BCom, FAICD

Appointed 2 August 2010.
Six years' service.



Director of Santos Limited and member of the Santos Environment, Safety and Sustainability Committee and Audit Committee. Director of ASX Limited and member of ASX Audit Committee and ASX Clearing and Settlement Board. Director of National Portrait Gallery since 2013. Member of the George Institute for Global Health Board.

Former Director of Insurance Australia Group Limited (IAG). Former National director of the Australian Institute of Company Directors. Former member of The Salvation Army Advisory Board. Former Chair of Macquarie Specialised Asset Management. 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 People & Culture, Nomination and Technology & Innovation Committees.

Resolution 3.1 – directors' recommendation

The Board (other than Mrs Yasmin Allen) recommends that shareholders vote in favour of the resolution.

The Chairman intends to vote all available proxies in favour of the resolution.

Mr Donal O'Dwyer
Age 63. BE Civil, MBA

Appointed 1 August 2005.
Eleven years' service.



Chairman of Atcor Medical since 2004 and a director of Mesoblast Limited since 2004 and Fisher & Paykel Healthcare Limited since 2012. Non-executive Director of NIB Holdings Ltd since 2016. Former director of Sunshine Heart Inc (2004–2013). Former Worldwide President of Cordis Cardiology (Johnson & Johnson medical device business unit) between 2000 and 2004.

Member of the Audit, Medical Science, Nomination and Technology & Innovation Committees.

Resolution 3.2 – directors' recommendation

The Board (other than Mr Donal O'Dwyer) recommends that shareholders vote in favour of the resolution.

The Chairman intends to vote all available proxies in favour of the resolution.

Item 4. Approval of securities to be granted to the Chief Executive Officer & President under the Cochlear Executive Incentive Plan

Why is shareholder approval being sought?

The Cochlear Executive Incentive Plan (CEIP) requires that any shares to be delivered to a director upon the exercise of options or performance rights that are issued under the CEIP after 21 July 2015 must be existing shares acquired on market. Accordingly, an exception to ASX Listing Rule 10.14 applies. Notwithstanding this, the Company intends to seek approval for the grant of CEIP long-term incentive (CEIP LTI) awards to the CEO&P as it is the Company's practice to do so and for good corporate governance.

Terms of the CEIP LTI

Purpose: The CEIP LTI is designed to reward participants for the long-term growth of the Company.

Structure: For the financial year ending 30 June 2017 (FY17), participants can elect to receive options alone, or a combination of performance rights (being rights to subscribe for or be allocated or receive the transfer of ordinary shares in the Company) and options, provided as a minimum at least 30% are options.

Mr Smith has elected to receive 30% of his FY17 offer as options and 70% of his FY17 offer as performance rights. The CEIP rules permit the Company to satisfy its obligation to deliver shares under options or performance rights through an employee share trust.

Each option or performance right entitles Mr Smith to receive the transfer of one ordinary share in the capital of the Company, subject to certain vesting restrictions.

Approval is being sought from shareholders for the FY17 grant of options and performance rights to Mr Smith under the CEIP LTI. If shareholders approve the grant of options and performance rights to Mr Smith in accordance with the proposed resolution, the Company will issue the options and performance rights within five (5) business days of the Company's 2016 AGM. These options and performance rights will be taken to be granted as at 19 October 2016, being the date on which CEIP LTI options and/or performance rights will be granted to other Company executives under the CEIP (based on values determined as at 15 August 2016).

The options will be granted for nil consideration with an exercise price of A\$135.84, being the weighted average price of ordinary shares in the Company traded on the Australian Securities Exchange during the five day period commencing on the release of the Company's FY16 full year results on 9 August 2016, payable on exercise of the options.

Performance rights are granted for nil consideration with a nil exercise price.

Vesting restrictions: The options and performance rights are subject to vesting restrictions, which will ultimately determine the final number of options and performance rights which will be exercisable. The relevant vesting restrictions for the FY17 offers are:

- the options and performance rights will not vest before the full year results are announced in 2019. The participant will be unable to exercise the options and performance rights before they vest unless the Board decides to allow early exercise pursuant to the CEIP rules. Should the participant cease to be an employee of Cochlear or a related body corporate, all unvested options and performance rights will lapse unless the Board determines otherwise; and
- the performance of the Company from 1 July 2016 to 30 June 2019 in terms of annual growth in earnings per share (EPS) and in terms of total shareholder return (TSR) as measured against the S&P/ASX 100 comparator group, each according to the table set out below. Half of the offer will be assessed against EPS growth and the other half using TSR as follows:

Compound annual growth rate of EPS over the three year vesting period		Ranking of TSR against S&P/ASX 100 comparator group over the three year vesting period	
Performance	% vesting	Performance	% vesting
< 10%	0%	< 50 th percentile	0%
10% to 20%	50% to 100% (pro-rata)	50 th to 75 th percentile	40% to 100% (pro-rata)
> 20%	100%	> 75 th percentile	100%

Calculation of the number of securities relating to be granted to Mr Smith under the CEIP LTI for FY17

Assumptions:

Based on Mr Smith's remuneration, his role and the Company's remuneration strategy, the value of the offer is A\$1,750,000.

- The value of an option is defined below and is A\$18.65. The value of a performance right is defined below and is A\$125.82.
- Options and performance rights are subject to the EPS and TSR vesting hurdles described above.

Total value of offer (TVO)	A\$1,750,000
Components	Options and performance rights
Option value (OV)	A\$18.65
Performance right value (PV)	A\$125.82
Number of options and performance rights	$= \frac{TVO \times 30\%}{OV} + \frac{TVO \times 70\%}{PV}$ $= \frac{A\$525,000}{A\$18.65} + \frac{A\$1,225,000}{A\$125.82}$ = 28,150 options and 9,736 performance rights

where:

TVO = the total value of the offer made to the participant under the CEIP LTI (expressed in Australian Dollars), which is a percentage of fixed remuneration of the participant;

OV = the value of an option, based on the Black-Scholes-Merton value before service or EPS and TSR performance discounts; and

PV = the value of a performance right, based on the Black-Scholes-Merton value before service or EPS and TSR performance discounts.

Exercise price (options)	A\$135.84
Exercise price (performance rights)	Nil
Expected volatility	23.15%
Expected contract life (options)	3.41 years
Expected contract life (performance rights)	2.90 years
Expected dividend yield	3.29%
Risk free interest rate	1.39%

Other terms of the CEIP

Eligibility: Persons who are permanent full-time or part-time employees of the Company or a related body corporate of the Company are "Eligible Employees".

Allocation: The CEIP is administered by the Board. Each year, the Board may decide to offer designated Eligible Employees the opportunity to participate in the CEIP. The number of options and/or performance rights to be offered to a participant depends upon the participant's salary and the Company's target remuneration package for the participant's position.

The Board has determined that any options or performance rights that do not vest will lapse or be forfeited automatically.

Explanatory Notes

Rights: Option and performance right holders will not be entitled to any dividend payments until the options or performance rights are exercised.

Additional conditions: All participants will be bound by the applicable plan rules. A participant must exercise their options within seven months after the date of vesting, otherwise the options will lapse. Performance rights will be exercised automatically on vesting. The shares delivered on exercise of options or performance rights will be held by the employee share trust until withdrawn by participants. Whilst participants are employees of the Company, they must abide by the Company's Trading Policy (available in the Investor Centre section of www.cochlear.com under Corporate Governance).

It is a specific condition of grant that no schemes are entered into by an individual or their associates that specifically protect the unvested value of options or performance rights allocated.

Plan limit: An overall limit applies on the number of options and performance rights that are offered under the CEIP, being that the aggregate of the number of options and performance rights offered together with outstanding offers under the CEIP and the total number of shares issued to employees under employee incentive schemes in the last five years cannot exceed 5%, excluding unregulated offers, of the total number of issued shares at the time of the offer.

Overriding restrictions: No options or performance rights may be offered under the CEIP if to do so would contravene the Act, the ASX Listing Rules, or instruments of relief issued by the Australian Securities and Investments Commission from time to time relating to the CEIP or employee incentive schemes generally.

Administration: The Board may amend, terminate or suspend the operation of the CEIP and/or any relevant CEIP rules at any time.

Resolution 4.1 – directors' recommendation

The Board (other than Mr Chris Smith) recommends that shareholders vote in favour of the resolution.

Voting exclusions apply to this resolution as specified in the Notice of Annual General Meeting.

The Chairman intends to vote all available proxies in favour of the resolution.

Quorum, who may vote and proxies

Quorum

The Company's Constitution provides that two registered Company shareholders present personally or by representative, attorney or proxy shall be a quorum for a general meeting of the Company.

Who may vote

Persons whose names are set out in the register of shareholders as at 10:00am (AEDT) on Sunday 16 October 2016 are entitled to attend and vote at the AGM (and at any adjournment of the meeting which takes place within 28 days).

Proxies

If you wish to appoint a proxy, you should complete the enclosed proxy/voting form and comply with the details set out in that form for lodgement. A proxy need not be a shareholder of the Company. The proxy/voting form must be received not less than 48 hours before the time for holding the AGM. Documents may be lodged using the reply paid envelope or by posting or facsimile to:

Cochlear Limited Share Registry
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne
VIC 3001
Australia
Facsimile 03 9473 2555.

Number of proxies:

A shareholder of the Company who is entitled to attend and cast a vote at a meeting has a right to appoint a single proxy. A shareholder of the Company who is entitled to attend and cast two or more votes at a meeting has a right to appoint up to two proxies. If you wish to appoint two proxies, please contact the Company's Share Registry for another proxy/voting form or copy the proxy/voting form and follow the directions as to how to complete the two proxy/voting forms.

Proportion of votes per proxy:

Where the appointment is for more than one proxy, it may specify the proportion of votes that the proxy may exercise. If the appointment does not specify the proportion of votes that each proxy may exercise, then each proxy may exercise half of the votes of the relevant member.

Voting:

Unless the member specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit (except as specified in the Voting Exclusion Statements in the Notice of AGM) or abstain from voting.

Signing of proxy/voting form

The proxy/voting form must be signed as follows:

Individual: Where the holding is in one name, the shareholder must sign;

Joint holding: Where the holding is in more than one name, all of the shareholders must sign;

Power of Attorney: To sign under Power of Attorney, you must have already lodged this document with the Company's Share Registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to the proxy/voting form when you return it; or

Companies: Where a company has a sole director who is also the sole company secretary, the proxy/voting form must be signed by that person. If a company (pursuant to section 204A of the Act) does not have a company secretary, a sole director can also sign alone. Otherwise, the proxy/voting form must be signed by a director jointly with either another director or a company secretary. Please indicate the office by signing in the appropriate place.

Shareholder questions

If you would like a question to be put to the Chair of the meeting or the auditor and you are not able to attend the meeting, please complete the Questions from Shareholders form enclosed and send it to the Company Secretary at Cochlear Limited, 1 University Avenue, Macquarie University NSW 2109, Australia or alternatively email it to the Company Secretary at nmitchell@cochlear.com. Questions must be received by the Company Secretary by 5:00pm (AEDT) on Wednesday 12 October 2016.