

NOTICE OF ANNUAL GENERAL MEETING 2014

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Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of Cochlear Limited (the Company) will be held at the Australian Securities Exchange, Exchange Square Auditorium, 20 Bridge Street, Sydney NSW 2000 on Tuesday 14 October 2014 at 10:00 am (AEDT).

Business of the Meeting

Ordinary business

1. Financial and other reports

To receive and consider the Company's Financial Report, Directors' Report and Auditor's Report in respect of the financial year ended 30 June 2014 (F14) 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 2014 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 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 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 do not want your vote exercised in favour of this resolution, you should direct the person chairing the meeting 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 Mr Roderic Holliday-Smith, being a director who is retiring by rotation 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."

3.2 "THAT Mr Andrew Denver, being a director who is retiring by rotation 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 issue, allocation or transfer of securities to the CEO/President under the Cochlear Executive Incentive Plan (CEIP)

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

4.1 "THAT approval be given to:

Long-term incentive award under the CEIP (CEIP LTI)

(a) The grant to Dr Christopher Roberts, the CEO/President of the Company, of options and performance rights under the CEIP LTI calculated in accordance with the formula and on the terms summarised in the Explanatory Notes attached to this Notice of Annual General Meeting (refer to the Explanatory Notes for Item 4); and

Deferred short-term incentive award under the CEIP (CEIP STI Deferral)

(b) The grant to Dr Christopher Roberts, the CEO/President of the Company, of performance rights under the CEIP STI Deferral relating to F15, F16 and F17, calculated in accordance with the formula and on the terms summarised in the Explanatory Notes attached to this Notice of Annual General Meeting (refer to the Explanatory Notes for Item 4); and

Issue of shares upon the exercise of any performance rights and options

(c) The issue, allocation or transfer to Dr Roberts of any shares upon the exercise of any performance rights and options."

Voting Exclusion Statement: In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution: (a) by Dr Roberts; and/or (b) by any associate of Dr Roberts. In accordance with the ASX Listing Rules, the Company need not disregard any such vote if: (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or (b) it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy to vote as the proxy decides. Further, 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 person chairing the meeting can vote undirected proxies, provided the proxy 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. The additional disclosures for this resolution required by ASX Listing Rule 10.14 and 10.15A are set out in the Explanatory Notes to this Notice of Annual General Meeting.

5. Approval of future retirement allowance payment to Professor Edward Byrne, AC

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

5.1 "THAT approval is given for the purposes of sections 200B and 200E, of the *Corporations Act 2001* (Cth) to give or pay to Professor Edward Byrne, AC any benefits or allowance he may become entitled to under his employment agreement in connection with his future retirement from any office or position

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in the Company, in accordance with the terms summarised in the Explanatory Notes attached to this Notice of Annual General Meeting (refer to Explanatory Notes Item 5)".

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution: (a) by Professor Edward Byrne; and/or (b) by any associate of Professor Edward Byrne. In accordance with the *Corporations Act 2001* (Cth), the Company need not disregard any such vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form. Further, 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 person chairing the meeting can vote undirected proxies, provided the proxy expressly authorises the chair to do so.

Note: An explanation of the proposed resolution is set out at Item 5 of the Explanatory Notes attached to this Notice of Annual General Meeting.

6. Approval of temporary increase to the maximum aggregate remuneration of non-executive directors

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

6.1 "THAT the aggregate maximum sum available for remuneration of non-executive directors is temporarily increased by \$500,000 in the year that Professor Edward Byrne, AC retires as a director of the Company to allow for the payment of his retirement allowance, which shall be calculated in accordance with the terms summarised in the Explanatory Notes attached to this Notice of Annual General Meeting (refer to Explanatory Notes Item 6)."

Voting Exclusion Statement: In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution: (a) by a director of the Company; and/or (b) by any associate of a director of the Company. In accordance with the ASX Listing Rules, the Company need not disregard any such vote if: (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or (b) it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy to vote as the proxy decides. Further, 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 person chairing the meeting can vote undirected proxies, provided the proxy expressly authorises the chair to do so.

Note: An explanation of the proposed resolution is set out at Item 6 of the Explanatory Notes attached to this Notice of Annual General Meeting. The additional disclosures for this resolution required by ASX Listing Rule 10.17 are set out in the Explanatory Notes to this Notice of Meeting.

By Order of the Board



NJ Mitchell
Company Secretary

Dated: 5 September 2014

Item 1. Reports and accounts

As required by section 317 of the *Corporations Act 2001* (Cth) (Act), the Financial Report, Directors' Report and Auditor's Report of the Company for the financial year ended 30 June 2014 will be laid before the Company in the Annual General Meeting. There is no requirement for a formal resolution on this item; however, it is the Company's practice to do so.

Item 2. Remuneration Report

As required by section 250R(2) of the Act, the Remuneration Report of the Company for the financial year ended 30 June 2014 will be laid before the Company in the Annual General Meeting and a resolution that it be adopted will be put to the vote. The Remuneration Report is set out on pages 31 to 53 (and in Note 15 of the financial statements) of the Company's 2014 Annual Report. It is also available on the Company's website (www.cochlear.com).

The 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 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.

Following a market based review of remuneration structure, mix and level undertaken by an independent advisor in 2013, a number of changes were adopted in respect of Cochlear's executive KMP remuneration policies. Such changes included altering the structure for short-term incentive awards, a change in the valuation approach for CEIP LTI, and a change in the total remuneration mix.

The changes adopted in F14 are under constant review. At this stage, no material Board or executive KMP remuneration strategy changes are under consideration for F15.

The Board believes Cochlear's approach to Board and executive KMP remuneration is a balanced, fair and equitable approach 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 will continue to welcome feedback from shareholders on Cochlear's remuneration practices or on the communication of remuneration matters in the F14 Remuneration Report and beyond.

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 16.1 of the Company's Constitution, one third of the directors for the time being (excluding the Company's CEO/President) must retire from office and are then eligible for re-election

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or, if their number is not a multiple of three, then the lowest whole number of relevant directors must retire. The directors retiring at this Annual General Meeting in accordance with Article 16.1 are Mr Roderic (Rick) Holliday-Smith and Mr Andrew Denver. Both Mr Holliday-Smith and Mr Denver are offering themselves for re-election.

Mr Rick Holliday-Smith

Age 64
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 and Human Resources Committee.

Note: Membership of Board Committees is as at 30 June 2014.

Resolution 3.1 – directors' recommendation

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

Mr Andrew Denver

Age 65
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, Nomination Committee and Medical Science Committee.

Note: Membership of Board Committees is as at 30 June 2014.

Resolution 3.2 – directors' recommendation

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

Item 4. Approval of securities issued to the CEO/President under the CEIP

Why is shareholder approval being sought?

In accordance with ASX Listing Rule 10.14, this resolution is being put to shareholders to seek approval for the grant of equity based allocations to the CEO/President.

Terms of the CEIP LTI

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

Structure: In F15, participants can elect to receive only options, 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.

Dr Roberts has elected to receive 50% of his F15 offer as options and 50% of his F15 offer as performance rights. The CEIP plan rules permit the Company to deliver shares due on exercise of options or performance rights through an employee share trust. The shares in the employee share trust are held by the CEIP trustee for the benefit of the relevant participant.

Each option or performance right entitles Dr Roberts to subscribe for, be allocated or 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 F15 grant of options and performance rights to Dr Roberts under the CEIP LTI. If the shareholders approve the grant of options and performance rights to Dr Roberts in accordance with the proposed resolution, the Company will issue the options and performance rights within five (5) business days of the Company's 2014 Annual General Meeting. These options and performance rights will be taken to be granted as at 14 October 2014, being the date on which LTI options and/or performance rights will be granted to other Company executives under the CEIP (based on values determined as at 12 August 2014).

The options will be granted for nil consideration with an exercise price of A\$68.56, being the weighted average price of ordinary shares in the Company traded on the ASX during the five day period commencing on the release of the full year results on 5 August 2014, 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 F15 offers are:

- the options and performance rights will not vest before 11 August 2017. 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; and
- the performance of the Company from 1 July 2014 to 30 June 2017 - measured using compound annual growth in earnings per share (EPS), and total shareholder return (TSR) as measured against the S&P/ASX 100 comparator group, 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 a three year period		Ranking of TSR against S&P/ASX 100 comparator group over a three year period	
Performance	% vesting	Performance	% vesting
< 10%	0%	< 50th percentile	0%
10% to 20%	50% - 100% (pro-rata)	50th to 75th percentile	40% - 100% (pro-rata)
> 20%	100%	> 75th percentile	100%

Calculation of the number of securities relating to Dr Roberts under the CEIP LTI for F15

Assumptions:

- Based on Dr Roberts' remuneration, his role and the Company's remuneration strategy, the value of the offer is \$1,450,000.
 - (a) The value of an option is defined below and is \$11.93, while the value of a performance right is \$61.33.
 - (b) Subject to the EPS and TSR vesting hurdles described above.

Total Value of Offer (TVO)	\$1,450,000
Component	Share options and performance rights
Option Value (VO)	\$11.93
Performance rights value (VP)	\$61.33
Number of options and performance rights	$= \frac{\text{TVO} \times 50\%}{\text{VO}} + \frac{\text{TVO} \times 50\%}{\text{VP}}$ $= \frac{\$725,000}{\$11.93} + \frac{\$725,000}{\$61.33}$ $= 60,771 \text{ options and } 11,821 \text{ performance rights}$

Where:

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

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

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

The inputs used in the measurement of the value of an option/performance right are:

Exercise price (options)	\$68.56
Exercise price (performance rights)	Nil
Expected volatility	29.49%
Expected contract life (options)	3.4 years
Expected contract life (performance rights)	2.9 years
Expected dividend yield	3.48%
Risk free interest rate	2.54%.

Terms of the CEIP STI Deferral

Purpose: The CEIP STI Deferral is designed to maximise Cochlear's short-term performance and provide retention stimulus.

Structure: Participants' short-term incentive outcome is determined according to performance against a mix of financial and non-financial targets. The CEIP STI Deferral value is calculated as 30% of the resulting short-term incentive payment, and is then divided by the performance rights valuation in order to determine the number of performance rights to be granted. The CEIP rules permit the Company to deliver shares due on exercise of performance rights through an employee share trust. The shares in the employee share trust are held by the CEIP trustee for the benefit of the relevant participant.

Each performance right entitles Dr Roberts to subscribe for, be allocated or 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 grant of up to 20,000 performance rights to Dr Roberts under the CEIP STI Deferral for F15, F16 and F17.

Any shares allocated with respect to vested performance rights granted under the CEIP STI Deferral in F14 to Dr Roberts will be purchased on-market and accordingly, shareholder approval is not required for the grant of performance rights to Dr Roberts under the CEIP STI Deferral in F14. The Company has not yet formed a view on whether shares required under the CEIP STI Deferral for F15, F16 and F17 will be purchased on-market or issued, and hence shareholder approval is being sought to allow the Company flexibility to issue shares.

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

Service restrictions: The performance rights are subject to a two year service restriction period calculated from the date of the performance rights valuation. During this time period, the participant will be unable to exercise the performance rights. Should the participant resign from the Company during this period, all unvested performance rights will lapse. Should the participant leave the Company for any other reason (other than death), their performance rights will lapse unless the Board in its absolute discretion decides otherwise.

Calculation of the number of securities relating to Dr Roberts under the CEIP STI Deferral for F14

Assumptions:

- The award of CEIP STI Deferral performance rights is calculated as 30% of the short-term incentive payment for the financial year ended 30 June 2014.
 - (a) The value of a performance right for F14 is defined below and is \$63.11
 - (b) Subject to the service restrictions described above

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F14 short-term incentive payment (STI)	\$585,055
Component	Performance rights
Performance rights value (VP)	\$63.11
Number of performance rights for F14	$= \frac{\text{STI} \times 30\%}{\text{VP}}$
	$= \frac{\$585,055 \times 30\%}{\$63.11}$
	= 2,781 performance rights

Where:

STI = the short-term incentive payment made to the participant relating to the previous financial year, F14 (i.e. the financial year ended 30 June 2014) expressed in dollars; and

VP = the value of a performance right, based on the Black-Scholes Merton value before service or performance hurdles.

The inputs used in the measurement of the value of a performance right are:

Expected volatility	29.49%
Expected contract life (performance rights)	2.08 years
Expected dividend yield	3.48%
Risk free interest rate	2.54%

Other terms of the CEIP

Eligibility: Persons who are permanent full-time or part-time employees of the Company or an associated 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.

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).

If the participant ceases to be an employee of the Company (or a group company), the Board may exercise certain discretions, including preventing an unvested option from lapsing.

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 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.

Additional disclosures required by ASX Listing Rules 10.14 and 10.15A

ASX Listing Rules 10.14 and 10.15A requires the following additional disclosures for the purposes of Item 4 of these Explanatory Notes:

- (i) the maximum number of securities that may be acquired by Dr Roberts under this approval is 60,771 options and 31,821 performance rights;
- (ii) the options and performance rights will be issued for no monetary consideration;
- (iii) since the last approval under ASX Listing Rule 10.14 at the Company's 2013 Annual General Meeting Dr Roberts has received 123,023 options for nil consideration at an exercise price of A\$59.13 per option;
- (iv) the name of the person referred to in ASX Listing Rule 10.14 entitled to participate in the CEIP is Dr Christopher Roberts. None of the other directors are eligible to participate in any employee incentive scheme in relation to the Company;
- (v) no loan will be provided by the Company in relation to the acquisition by Dr Roberts of the options and performance rights the subject of this approval;
- (vi) details of any securities issued under the CEIP will be published in each annual report of the Company relating to a period in which the securities have been issued and that approval for the issue of securities was obtained under ASX Listing Rule 10.14;
- (vii) any additional person to whom ASX Listing Rule 10.14 applies who becomes entitled to participate in the CEIP after this resolution is approved and who is not named in this Notice of Annual General Meeting will not participate in the CEIP until shareholder approval is obtained under ASX Listing Rule 10.14; and
- (viii) the Company will issue the F15 CEIP LTI options and performance rights within five (5) Business Days of the Company's 2014 Annual General Meeting. The Company will issue any F15, F16 and F17 performance rights to Dr Roberts under the CEIP STI Deferral no later than three years following the date of the 2014 Annual General Meeting.

Resolution 4.1 – directors' recommendation

The Board (other than Dr Roberts) recommends that shareholders vote in favour of the resolution.

Item 5. Approval of future retirement allowance payment to Professor Edward Byrne, AC

The purpose of the proposed resolution in Item 5 is to ensure the Company is able to comply with the terms of its employment agreement obligations with Professor Byrne. The resolution does not propose or allow any variation to the existing employment agreement.

On 24 November 2009, significant changes were made to the provisions of the Act that deal with the circumstances in which member approval is required for a retirement allowance to be given by a company to directors and certain senior executives.

The new provisions apply to Professor Byrne notwithstanding his appointment on 1 July 2002.

Under these provisions, the Company may only give Professor Byrne a benefit in connection with his cessation of employment if an exemption applies or it is approved by members under sections 200B and 200E of the Act.

It is important that members are aware that the payment of retirement allowances to non-executive directors is no longer a part of the Company's remuneration strategy. The payment of the contractual retirement allowance to Professor Byrne reflects the market practice and remuneration strategies that existed at the time of his appointment as a director in 2002.

If approval is granted, Professor Byrne will be entitled to receive the retirement allowance described below on a future retirement from his position as a director of the Company.

If approval is not granted, the Company may be unable to provide Professor Byrne with the retirement allowance described below.

Retirement allowance

Professor Byrne's employment agreement made on 19 April 2002 stipulated that a retirement allowance would be paid up to an amount equivalent to the aggregate of fees received over the three years prior to retirement following five years of service as a director. This was in line with the Act in place at this time.

On 23 October 2006, the Board determined that it should implement changes to non-executive director remuneration consistent with developing market practice (and guidelines) by discontinuing the ongoing accrual of benefits under the directors' retirement scheme once the remaining members of the scheme reached their five year period of service.

As a result, the retirement allowance for Professor Byrne was calculated on 30 June 2007 as an amount equivalent to the aggregate of fees received in F05, F06 and F07 (notwithstanding that Professor Byrne was not retiring) and has been retained in the Company's accounts since 1 July 2007.

Interest is calculated on the balance at the end of each quarter since 1 July 2007 using the average 90 day bank bill rate during the quarter sourced from Reuters and is disclosed in the Remuneration Report under Professor Byrne's retirement allowance. The liability is listed separately in the F14 financial statements in Note 20.

As at 30 June 2014, Professor Byrne's retirement allowance including accrued interest is \$421,719 (see Note 20 of the financial statements).

The actual future amount payable to Professor Byrne will depend on the date on which Professor Byrne retires and the amount of interest accrued up until the date of his retirement.

Resolution 5.1 – directors' recommendation

The Board (other than Professor Byrne) has formed the view that the retirement allowance described is reasonable and unanimously recommends that members vote in favour of the resolution.

Item 6. Approval of temporary increase to the maximum aggregate remuneration of non-executive directors

In accordance with ASX Listing Rule 10.17 and Article 19.1 of Cochlear's Constitution, this resolution is being put to members to temporarily increase the total aggregate amount of fees paid to non-executive directors. It is important that members are aware that this one-off increase is being sought for the sole purpose of allowing the payment of the retirement allowance to Professor Byrne as detailed in the Explanatory Notes Item 5 (Retirement Allowance). Members should note that the resolution proposed in Item 6 is not for the purpose of allowing a general increase in directors' fees for non-executive directors.

The aggregate maximum sum amount available for remuneration of non-executive directors is currently capped at A\$2,000,000 per year (as approved by the members at the 2011 Annual General Meeting). This resolution is required because the payment of the Retirement Allowance is caught by the definition of "directors' fees" in ASX Listing Rule 10.17. Cochlear cannot increase the total aggregate amount of fees paid to non-executive directors in excess of the existing cap without passing a resolution under ASX Listing Rule 10.17 and Article 19.1 of Cochlear's Constitution.

If the proposed resolution in Item 6 is passed, the total aggregate amount of fees paid to non-executive directors will be temporarily increased by \$500,000 for the financial year that the Retirement Allowance is payable. In the following financial year, the aggregate maximum sum available for remuneration of non-executive directors will revert back to the cap applicable in the financial year prior to the retirement of Professor Byrne.

If approval is granted (and if the resolution in Item 5 is also passed), Professor Byrne will be entitled to receive the Retirement Allowance on a future retirement from his position as a director of the Company.

If approval is not granted, the Company may be unable to provide Professor Byrne with the Retirement Allowance.

Members should note that both the resolutions in Items 5 and 6 must be passed to ensure Cochlear can comply with the terms of its employment agreement with Professor Byrne.

Additional disclosures required by ASX Listing Rule 10.17

ASX Listing Rule 10.17 requires the following additional disclosures for the purposes of Item 6 of these Explanatory Notes:

- (i) the maximum aggregate amount of directors' fees that may be paid to all of the Company's non-executive directors for the financial year that the Retirement Allowance is payable is \$2,500,000. In the following financial year, the maximum aggregate amount of directors' fees that may be paid to all of the Company's non-executive directors will revert back to \$2,000,000; and

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- (ii) no securities have been issued to a non-executive director under ASX Listing Rules 10.11 or 10.14 within the preceding three years.

Resolution 6.1 – directors' recommendation

As each non-executive director has an interest in this matter, the Board does not believe it is appropriate to make a recommendation to shareholders in relation to voting on resolution 6.1.

Quorum, right to vote and proxies

Quorum

The Constitution of the Company 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.

Right to vote

Who may vote:

Persons whose names are set out in the register of shareholders as at 10:00am (AEDT) on 12 October 2014 are entitled to attend and vote at the Annual General Meeting (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 attached Proxy 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 Form must be received not less than 48 hours before the time for holding the 2014 Annual General Meeting. 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
Victoria 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 Form or copy the Proxy Form and follow the directions as to how to complete the two Proxy 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 Annual General Meeting) or abstain from voting.

Signing of Proxy Form:

The Proxy Form must be signed as follows:

Individual: Where the holding is in one name, the proxies 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 registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to the Proxy Form when you return it; or

Companies: Where a company has a sole director who is also the sole company secretary, the Proxy 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 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 Chairman of the meeting or the auditor and you are not able to attend the meeting, please email your question to the Company Secretary at nmitchell@cochlear.com. Questions must be received by the Company Secretary by Wednesday 8 October 2014.

Hear now. And always

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