

Cochlear Limited

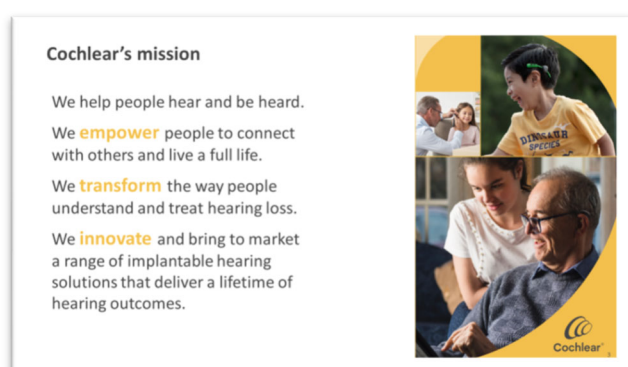
2021 Annual General Meeting

Chair and CEO & President's Address

19 October 2021

Alison Deans – Chair

Ladies and gentlemen...



2021 is an important milestone for Cochlear, marking our 40th anniversary and four decades serving as the global leader in implantable hearing solutions. In such an important year, we are pleased to report much improved momentum in our operations and strengthening of our strategic position. In an eventful 18 months, defined in many ways by the impact and disruption caused by COVID, we have been consistently guided by **our mission**. It is our mission that drives the organisation and focuses our strategy.

Throughout the disruption we have maintained our focus on supporting and **empowering** our existing customers, who rely on Cochlear now and over their lifetime. At the same time, we have stepped up our efforts to serve the unmet need of candidates who could benefit from a cochlear or acoustic implant.

We have continued to invest in building awareness, and in our work to **transform** the way people understand and treat hearing loss. And we have continued to **innovate**, strengthening our product portfolio.

We have also continued to invest in our people. We know that it is the remarkable people and culture of Cochlear that will deliver on the mission over the long term. This in turn will deliver long term sustainable value for our shareholders.

Cochlear is in a strong financial position. This year we delivered record sales and the related improvement in profits enabled us to resume paying dividends, with the target payout of 70% achieved by the end of the year.




Our long-term goal is to deliver value by helping more people to hear. To do this, we need support from many stakeholders, and we also need to deliver value to each of those stakeholders.

This year we have sought to clarify our model for long-term value creation. This model recognises the key inputs to our activities, and it describes the outcomes of our activities on all our key stakeholders – our customers, our people, and our shareholders, as well as society more broadly. This model is helping us to understand, build and communicate these relationships more effectively.

By having this broader view of our impact, we will be better aligned to delivering sustainable positive outcomes and sustainable financial returns for shareholders over the long term.

There were many highlights this year across these dimensions of value creation. These were outlined in the Annual Report and I will touch on just a few



FY21 highlights

A healthier & more productive society
Transforming the way people understand and treat hearing loss by improving awareness and access.

- WHO's first 'World Report on Hearing'
- Cost-effectiveness studies
- Cochlear implant v hearing aid trial
- Partnership between the Cochlear Foundation and Malala Fund announced in September 2021

MALALA. Cochlear

I will start with our work to create value by building a healthier and more productive society. We do this by building societal awareness of the importance of hearing health and paving the way for improved access to hearing solutions including cochlear and acoustic implants.

Over recent years, we have been focused on driving adoption of cochlear implants in the adults and seniors segment. There are compelling health, economic and societal benefits to cochlear implantation in this segment, but only around 3% of the adults and seniors who could benefit from an implant currently have one.

To address this low level of penetration, we have a long-term goal to contribute to the development of a consistent treatment pathway for adults. This year there were several important developments towards this goal.

The first of these was the publication in March of the **World Health Organization's 'World Report on Hearing'**. This landmark publication affirms the effectiveness and cost effectiveness of cochlear implants and highlights the benefits of implants for both children and adults. It also contains a roadmap for governments to follow which includes adoption of hearing screening, treatment and rehabilitation into primary health care systems.

It is also significant that the report confirmed that age should not be a barrier to a cochlear implant. It points out that the greatest societal and economic burden from hearing loss comes from age-related hearing loss and that this burden is expected to increase with ongoing demographic shifts.

This year also saw the publication of **cost-effectiveness studies** highlighting the economic and societal benefits of adult implantation. These studies play an important role in educating payers and providers on the economic benefits of cochlear implants as well as the quality-of-life benefits to recipients.

There is now a growing body of evidence demonstrating the **superior outcomes of cochlear implants over hearing aids** for many people with a severe or higher hearing loss. However, it remains challenging for professionals and consumers to quantify the potential improvement in hearing outcomes that can be achieved with a cochlear implant. To build on the existing evidence, we have provided funding for an independent, randomised control trial to investigate this. The trial aims to provide gold standard clinical evidence of the efficacy of cochlear implants relative to hearing aids. We look forward to seeing the evidence generated by this study in the coming years.

Another priority segment is emerging markets, where we have a primary focus on children. While this segment has been growing rapidly, penetration rates remain very low. But we know that if children with hearing loss do not receive support early in life, they often experience lower performance at school and ultimately this can impact economic outcomes over their lifetime. Cochlear is focused on building awareness in these markets of the importance of addressing hearing health through public education campaigns, and on improving the rates of hearing screening for children.

Last month Cochlear announced a **partnership between the Cochlear Foundation and The Malala Fund** with the joint aim of removing hearing loss as a barrier to education. We hope this partnership will raise awareness of the need for governments and societies to prioritise hearing health in children. In doing so, children with hearing loss will be empowered to connect with life's opportunities on a more even playing field.



Secondly, we create value by building a strong organisation with **thriving people**. We have an engaged, capable and high-performing team. It is a diverse workforce with over 4,000 people across the globe in over 180 countries. Their knowledge, expertise, passion and focus on excellence is key to achieving future success.

We have worked deliberately and actively to build an inclusive organisation and a healthy **corporate culture**. This culture is strongly connected to our mission and puts the customer at the centre of everything we do.

Last year we introduced culture champions, a group focused on actively shaping our culture through communications, training and education. We also implemented training in inclusive leadership and unconscious bias, and we better aligned our remuneration and reward structures to our cultural objectives.

We are pleased to report that our **employee engagement** remains strong at 80%, and with 93% of employees reporting that they feel proud to tell people they work at Cochlear.

Achieving **gender equality** is an important element of our 'Diversity and Inclusion' strategy. Our goal for gender balance is 40:40:20, and we are close to achieving this target amongst our senior leaders, with 38% female representation. At Board level, this year we reached our target of 30% female representation.

These goals are being supported by focused activities in the areas of talent acquisition, personal development and succession planning, with the aim of strengthening our pipeline of female leaders.

We are always committed to ensuring the **safety and wellbeing of our people and have adapted well to the challenges of the global pandemic**. With many of our employees continuing to work remotely, we have increased communications and provided additional resources to support both physical and mental health - with a focus on staying connected to colleagues.

Finally, I would like to highlight changes to the Board. Over recent years we have continued our process of **Board renewal**, adding new directors with diverse perspectives and relevant experience, while maintaining continuity and corporate knowledge.

We are pleased with our recent appointments, with Christine McLoughlin and Michael Daniell adding valuable new perspectives to our Board discussions. In July, Abbas Hussain was appointed to a full-time executive position in Europe and unfortunately resigned from our

Board. We thank him for his contribution to Cochlear and wish him well in his exciting new role.

In August of this year, our long-serving Chairman, Rick Holliday-Smith, retired from the Board. Rick instilled a relentless focus on our Mission and the importance of investment to drive long-term sustainable growth. Under his stewardship, the corporate culture thrived and the ongoing investment in innovation and market development has strengthened our market position and our growth outlook. On behalf of the Board and management of Cochlear, I would like to thank Rick for his great contributions over many years.

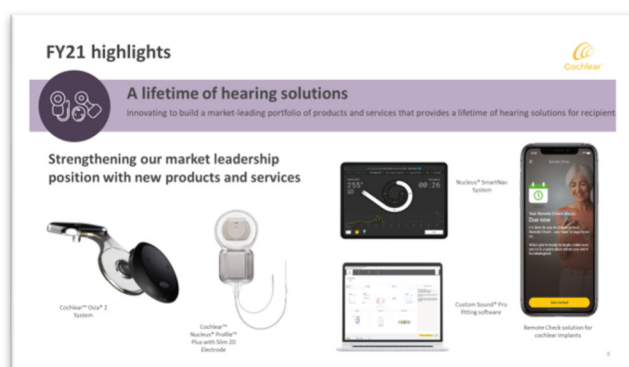
I believe that we currently have an appropriate mix of skills and experience on the Board, but as we consider ongoing renewal, we will continue to review the skills needed to best serve Cochlear now and into the future.

As incoming Chair, I'd like to take this opportunity to say that it is an honour to be appointed to this position. I look forward to working with the Board and the management team to build on the strengths of the business, working towards long term sustainable value and the mission of helping more people to hear.

I will now hand over to our CEO & President, Dig Howitt who will talk to progress on our other value drivers.

Dig Howitt – CEO & President

Thank you Chair and good morning...



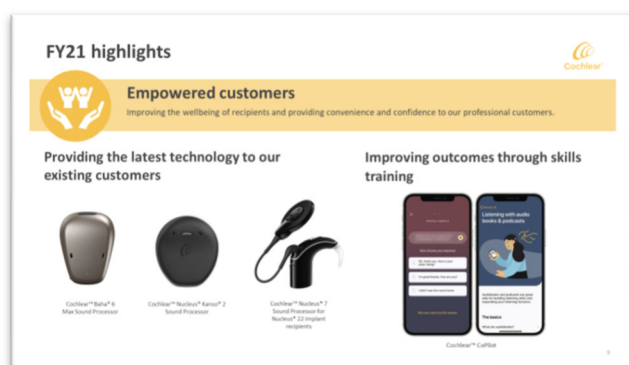
We create value for our recipients by innovating to build a market-leading portfolio of products and services that supports **a lifetime of hearing solutions for recipients**. We have achieved this through a multi-decade philosophy of investing to grow and an unwavering commitment to innovation. In FY21 we invested \$195 million in R&D, representing 13% of sales revenue, with eight new products and services achieving FDA approval over the past 18 months across all parts of the portfolio.

I'll touch on a few of our new products now...

Our new implantable product offering, the **Cochlear™ Osia® 2 System**, represents a significant improvement in performance, aesthetics and quality of life for bone conduction patients. It has received an enthusiastic response from surgeons and patients in the US since launch. We are excited about the potential for the Osia 2 System with the opportunity for both increased penetration of bone conduction implants as well as geographic expansion in the coming years.

Remote Check is the first telehealth patient assessment tool for cochlear implant recipients. It is designed to be a convenient, at-home testing tool that allows people with a Cochlear™ Nucleus® 7 or Kanso® 2 Sound Processor to complete a series of hearing checks from home. Results are then sent remotely to the recipient's clinic for review by their clinician.

The technology can provide significant cost savings by offering a convenient, time-saving option for care that does not require travel to a clinic. Remote care is a core pillar of our long-term innovation strategy, with access to care crucial to people who rely on a cochlear implant.

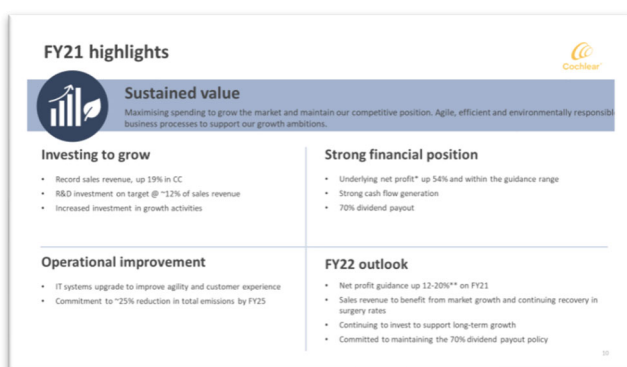


We also create value by **empowering our customers**. We aim to improve the wellbeing of our recipients by providing them with the latest sound processor technology and easy-to-use after-care to support a lifetime of hearing outcomes. And we invest in education and clinical support tools to ensure our professional customers have convenience and confidence in caring for implant candidates and recipients.

A few of our latest offerings include the **Cochlear™ Nucleus® Kanso® 2 Sound Processor**, which brings the features of the Cochlear™ Nucleus® 7 Sound Processor into an off-the-ear form factor.

The **Cochlear™ Baha® 6 Max Sound Processor**, which has a broader fitting range, longer battery life than its predecessor and direct streaming from both Android and Apple devices.

And **Cochlear™ CoPilot**, a new mobile app designed to improve hearing techniques. It was developed using the latest clinical evidence and proven rehabilitation practices. The iPhone® app provides cochlear implant recipients with information, personalised support and practical tips for hearing, listening and communication. It also features interactive skill builders designed to help improve listening and communication skills.



And finally, we aim to deliver **sustained value**. To deliver consistent revenue and earnings growth over time, we balance maximising spending to grow the market with investment to maintain our competitive position. We also ensure we have agile, efficient and environmentally responsible business processes to support our growth ambitions.

As the Chair outlined, we **delivered record sales revenue and a significant improvement in profits in FY21**. The balance sheet remained strong with operating cash flows sufficient to fund investing activities and capital expenditure whilst delivering dividends to shareholders.

Over the past few years we have been increasing our focus on our **environmental sustainability**. We are developing a comprehensive approach to understanding, reporting and reducing our carbon emissions.

We have a relatively low level of carbon emissions as a business, with around 50% of total reported carbon emissions generated from Scope 3 – or indirect – emissions. Business travel was our single biggest source of carbon emissions pre-COVID.

This year we introduced our first public emission reduction targets. We are committing to a 50% absolute reduction in business flight-related carbon emissions by FY25, equivalent to around 25% in overall reported carbon emissions compared to our FY19 baseline. We will achieve this through a combination of reductions in business flights, with a targeted 20%

reduction in business flights per full-time employee, and investment in carbon offsets. We also commit to using 100% renewable energy at all our manufacturing sites by the end of FY22.

In FY22 we will develop a roadmap for setting measurable and practical reduction targets that will get us to net-zero for our global operations well ahead of 2050. We will aim to complete work on our carbon emissions reduction roadmap and confirm a net zero target in time for our FY22 results announcement.

As we look to the future, we remain confident of the opportunity to grow our markets. There remains a significant, unmet and addressable clinical need for cochlear and acoustic implants that is expected to continue to underpin the long-term sustainable growth of the business. Our clear growth opportunity and strategy, combined with a strong balance sheet, mean we are well placed to create value for our stakeholders now, and over the long term.

We **provided earnings guidance for FY22 at the release of our results in August**, outlining how we expect to increase underlying net profit by between 12 and 20%, and this continues to be the case.

Sales revenue is expected to benefit from market growth, with a continuing recovery in surgery rates across many countries more affected by COVID. We will continue our investment in market growth activities, with the net profit margin expected to remain a little below our longer-term target of 18%.

Developed markets are expected to continue to grow in FY22. While hospitals and clinics have adapted to operating during the pandemic, surgery rates continue to be variable across many countries.

The rate of recovery in emerging markets has varied. We expect continued improvement but at a slower rate than developed markets, with some countries well down on FY19 levels and not likely to recover fully in FY22.

The earnings guidance factored in some continuing near-term COVID impact, and during the first quarter we did experience COVID-related surgery delays that will continue into the second quarter in a few markets, including the US and Australia. Our sales revenue and profit however remains in line with our forecasts.

A more material disruption from COVID that significantly impacts sales or the supply chain remains a risk factor that does not form part of guidance. We are confident of the resilience of our hearing implant business given the improvements in surgery rates experienced across FY21.

Finally, the Board is committed to maintaining the dividend policy which targets a 70% payout of underlying net profit.

Thank you, and I will pass back to the Chair.