

# Share Ownership Policy

Effective Date: 1 July 2015

Date of last review: December 2020

## 1. Purpose

The purpose of this policy (the **Policy**) is to better align the interests of Cochlear Limited (the **Company** or **Cochlear**) and its Non-Executive Directors and Executives (as defined below) with the financial interests of the Company's shareholders. The Policy aims to create ownership focus and to build long-term commitment to the Company by providing direction to Non-Executive Directors and Executives as to minimum levels of ownership of Cochlear shares (**Shares**).

## 2. Scope

The Policy requires Participants to establish and maintain minimum specified levels of Share ownership. The Participants are the Company's Non-Executive Directors, Chief Executive Officer (**CEO&P**) and Band 1 Executives who participate in the Long Term Incentive Plan.

## 3. Policy participation and requirements

- Each Executive must establish a level of share ownership equivalent to one times their base salary.
  - Until this requirement is met, an Executive must retain Shares derived from participation in the Company Executive Incentive Plan (the **Plan**), except sales to meet the cost of exercising any options and sales to meet tax on participation in the Plan.
  - There is no timeline specified by which the Executive must achieve the requirement.
- Each Non-Executive Director must establish a level of share ownership equivalent to the value of their previous year's total annual Cochlear Director's fees (including committee fees). The Share ownership requirement must be satisfied within three years of appointment to the Board.
  - If the Non-Executive Director's fees increase substantially as a result of increased responsibility, the increased ownership requirement must be satisfied within three years of the change.
- Each Non-Executive Director and Executive must annually report their current Share ownership status to the Board, and any proposed trade must be approved at the discretion of the Company Secretary (refer to Appendix 1 and 2).

## 4. Determination of Required Share Ownership

- The Share ownership requirement will be a specific number of Shares. Participants will be advised annually of the number of Shares required to comply with this policy:
  - For existing Participants, the number of shares required for the next financial year will be determined on 30 June of the preceding financial year.

Executive Requirement = Annual base salary in the preceding year / Share Price

Non-Executive Director Requirement = Annual fees in the preceding year / Share Price

- Share Price is averaged over the prior 365 calendar days using the closing share price, as reported by the Australian Securities Exchange.
- If an Executive moves to a part-time role, the required holding is pro-rated accordingly (e.g., if the role is 80% of the full-time equivalent time, the requirement = 80% of the Full Time Equivalent base salary divided by the Share Price)

## 5. Counting Shares Owned

- Shares or interests in Shares that count towards satisfaction of the Share ownership requirements include:
  - All shares owned outright by the Participant or his/her “associated entities” and “close associates” (each as defined by the *Corporations Act 2001*);
  - All shares owned through a trust or in superannuation funds/accounts which do not fit into the Corporations Act definitions (due to the complexities of trust accounts all such holdings must be declared to the Board annually); and
  - All shares owned beneficially by the Participant but held on trust by Cochlear Incentive Plan Pty Limited.

## 6. Compliance with the Policy

- Once achieved, ownership of the minimum Share ownership requirement must be maintained by each Participant for as long as the relevant Participant is subject to this Policy.
- If a fall in the Share price occurs which results in a Participant ceasing to satisfy the applicable Share ownership requirement, the following will apply from the next setting of the Share ownership requirement:
  - A Non-Executive Director must increase their holdings of Shares to a level at which they again satisfy the applicable Share ownership requirement. Non-Executive Directors will have one year from the 30<sup>th</sup> of June when the determination of the requirement ceased to be satisfied to meet the requirement again; and
  - An Executive must retain from any incentive plan awards that vest (following the determination that the requirement has not been met), Shares or vested Options equivalent in value to meet the requirement again, except sales to meet the cost of exercising any options and sales to meet tax on participation in the Plan.
- Any proposed disposal of Shares by an Executive is subject to the approval of the Company Secretary (in their discretion) under this Policy. Executives must complete and submit the “Minimum Shareholding Requirement Declaration” (Appendix 1 of this document) in connection with any proposed disposal so as to advise whether or not the Executive is currently in compliance with this Policy. Executives must also comply with the requirements of the Cochlear Trading Policy.

- All Non-Executive Directors and Executives covered by this Policy are required to complete and submit the “Annual Share Ownership Declaration” around July each year (Appendix 2 of this document) for Board reporting purposes.

## 7. Relationship to the Cochlear Trading Policy

- An approval or waiver under this Policy does not constitute an approval or waiver for the purposes of the Cochlear Trading Policy. Participants must comply with the Cochlear Trading Policy in addition to any requirements of this Policy.
- The Cochlear Trading Policy includes requirements that (unless a proposed dealing is an Exempt Dealing) Participants must:
  - Only trade during a designated trading window and after receipt of a notice of “no objection” from the Relevant Officer; and
  - Only trade at any other time after receipt of a waiver of the Cochlear Trading Policy from the Relevant Officer.

## 8. Exemptions

- There may be instances in which strict application of and compliance with this Policy would place a severe hardship on a Participant or might prevent the Participant from complying with a court order, such as in the case of a divorce settlement. It is expected that these cases will be rare.
- In these instances, the Participant must submit a request in writing to the Company Secretary, which summarises the circumstances and describes the extent to which an exemption from the Policy is being requested.
- The Company Secretary will review the request with the Chairman and CEO&P, and they will make the final decision.
- If the request is granted in whole or in part, the Company Secretary will, in consultation with the Participant, develop an alternative Share ownership plan that reflects both the intention of this Policy’s requirements and the Participant's individual circumstances.
- An exemption granted under this Policy does not constitute a notice of “no objection” or a waiver for the purposes of the Cochlear Trading Policy. The Cochlear Trading Policy must be complied with and required applications made separately under that policy.

## 9. Roles & Responsibilities

### Participants:

- Compliance to the Policy will be each Participant’s responsibility with annual compliance confirmation to the Global Reward Team of the People & Culture department.

### Global Reward Team:

- Responsible for administering the Share Ownership Policy.

**Senior Vice President of People & Culture:**

- Responsible for reporting compliance to this Policy through the Executives’ annual declarations to the Board.

**Company Secretary:**

- Responsible for approving ad-hoc requests to trade, and will liaise with the Global Reward Team to consider the implications of the Share Ownership Policy as well as the Trading Policy.
- Responsible for submitting share plan requests for discretion to the Board, and for notifying Board decisions to the Global Reward Team.

## 10. Related Policies

Trading Policy

## 11. Policy Owner

Head of Global Talent Reward

## 12. Change History

Date	Change	Author
January 2021	Updated template	Lisa De Permentier

## Appendix 1: Minimum Shareholding Requirement Declaration

<b>Name:</b>	<b>Position:</b>
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This form is required to be submitted to the Company Secretary when approval to dispose of Cochlear Shares is sought by individuals covered by this Policy.

I hereby seek approval to dispose of \_\_\_\_\_ Cochlear Shares

I confirm that following disposal of those shares, I still hold \_\_\_\_\_ shares, which currently have a value in excess of one times my base salary/directors fees for the previous financial year, and hence I remain in compliance with the current minimum shareholding requirement applicable to me as calculated pursuant to the Share Ownership Policy.

**Notes:**

***You must also comply with the Cochlear Trading Policy. Any application under the Cochlear Trading Policy must be made in accordance with that policy.***

***Any proposed transaction is approved under the Share Ownership Policy at the sole discretion of the Company Secretary.***

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## Appendix 2: Annual Share Ownership Declaration

I \_\_\_\_\_ hereby declare my current nominal Cochlearshare ownership at 30 June \_\_\_\_\_ to be correct for Board reporting (details below).

My nominal shareholding under the Policy consists of:

\_\_\_\_\_ ordinary Cochlear Shares

I confirm I hold Cochlear shares in the following SRNs\*:

SRN 1	
SRN 2	
SRN 3	

\* Shares may also be held in the Cochlear Employee Share Trust.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_