

Audit and Risk Committee

Terms of Reference

Purpose

The primary purpose of the Audit and Risk Committee (the Committee) is to assist the Board discharge its responsibility in the following areas:

- ensuring Cochlear adopts, maintains and applies appropriate accounting and financial reporting processes and procedures;
- facilitating the independence of the external audit process and addressing issues arising from the audit process; and
- ensuring Cochlear maintains effective risk management and internal control systems.

Membership

- The Committee shall comprise not less than three members.
- All members shall be Independent (within the meaning set out in the Nomination Committee Terms of Reference) non-executive directors who possess the requisite qualifications and financial literacy.
- The Chief Executive Officer & President, Chief Financial Officer, other Executives and the Head of Group Risk & Assurance shall be invited to attend meetings at the Committee's discretion.
- The external auditors and other external experts shall be invited to attend meetings at the Committee's discretion.

Chair

- The Chair of the Committee shall be an Independent non-executive director. The Chair of the Board shall not be the Chair of the Committee.
- The Chair of the Committee is responsible for planning and conducting meetings.
- The Chair of the Committee shall report significant findings and recommendations of the Committee to the Board after each Committee meeting.

Secretary

- The Company Secretary shall be appointed Secretary of the Committee.
- The Secretary, in conjunction with the Chair, shall draw up an agenda, which shall be circulated, to the members of the Committee and the external auditors.

Meetings

- Meetings shall be held at least four times a year.
- The quorum of the meeting shall be a minimum of two.
- The minutes of all Committee meetings shall be circulated to members of the Board.
- The Chair will call a meeting of the Committee if so requested by any Committee member, the Chief Financial Officer or the external auditors.
- The Chief Financial Officer and the external auditors shall be given notice of all meetings.

Authority

- The Committee shall have the authority to seek any information it requires from any officer, employee, consultant or contractor of Cochlear and each of its controlled entities and such officers, employees, consultants or contractors shall be instructed by the Board to respond to such enquiries.
- The Committee shall have the authority to seek any information it requires from the internal and external auditors without the presence of management.
- The Committee is authorised to obtain such independent professional or other advice in the fulfillment of its duties at the expense of Cochlear.
- The Committee has no executive powers with regards to its findings and recommendations.

Responsibilities

The responsibilities of the Committee shall include, but are not limited to, the following:

1. Financial Reporting

- Reviewing financial statements and other financial information distributed externally including as to:
 - a) whether the financial statements reflect the Committee's understanding of and otherwise provide a true and fair view of Cochlear's financial position and performance; and
 - b) the appropriateness of the accounting judgments or choices exercised by management in preparing Cochlear's financial statements;
- Reviewing and monitoring the key policies and procedures in place to ensure Cochlear is in compliance with the Corporations Act, ASX Listing Rules and other legislative and reporting requirements;
- Reviewing related party transactions and considering the adequacy of disclosure of those transactions in the financial statements; and
- Reviewing reports on Cochlear's superannuation plan and compliance with relevant laws and regulations.

2. Risk Management and Internal Control

- Specifically delegated by the Board to the Committee:
 - a) reviewing Cochlear's Risk Management Framework (at least annually) to satisfy itself that it continues to be sound and that Cochlear is operating with due regard to the risk appetite set by the Board; and

b) disclosing, in relation to each reporting period, whether such a review has taken place.

This includes satisfying itself that the Risk Management Framework deals adequately with contemporary and emerging risks.

- Reviewing risk management practices and monitoring management's performance against the Risk Management Framework (including whether it is operating within the risk appetite set by the Board). Making recommendations to the Board in relation to changes that should be made to the Risk Management Framework or to the risk appetite set by the Board;
- Monitoring risk assessment and the establishment of an appropriate internal control framework, including information systems and considering enhancements;
- Receiving reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks;
- Reviewing external and internal audit reports and, where major deficiencies or breakdowns in controls or procedures have been identified, monitoring remedial action taken by management to ensure such action is appropriate and prompt;
- Reviewing compliance reports and reports on any major defalcations, frauds, thefts from Cochlear, or other breakdowns in Cochlear's internal controls and the "lessons learned";
- Initiating and supervising special investigations;
- Reviewing reports on the adequacy of insurance coverage having regard to Cochlear's business, including the use of and the extent of derivatives and foreign exchange cover, and the insurable risks associated with its business; and
- Reviewing transfer pricing arrangements.

3. External Auditors

- Overseeing the selection and appointment of the external auditors including reviewing the nominations for external auditors and assessing the performance of the incumbent external auditors;
- Liaising with the external auditors and ensuring the annual and half-year statutory audits and reviews are conducted in an effective manner;
- Approving audit fees;
- Reviewing matters relating to auditor independence; and
- Ensuring the rotation of the audit partner every 5 years.

4. Internal Audit

- Reviewing the internal audit plan for adequacy;
- Appointing and removing the internal auditor; and
- Ensuring that the internal audit function is independent of the external auditors.

5. Corporate Governance Compliance

- Ensuring that a Global Code of Conduct is established and periodically reviewed;
- Reviewing policies on sensitive issues or practices such as environmental issues;
- Reviewing policies to avoid conflicts of interest and reviewing past or proposed transactions between Cochlear and members of management and Cochlear directors; and
- Reviewing the Committee Terms of Reference.

6. Reporting to the Board

- Ensuring that all matters relevant to the Committee's roles and responsibilities are reported to the Board.

Review of Committee Performance

The Committee will annually review its performance and make recommendations to the Board for improving the effectiveness of the Committee.

Current Membership

Chair:	Mrs Yasmin Allen
Non-Executive Directors:	Mr Glen Boreham, AM
	Mr Andrew Denver
	Sir Michael Daniell, KNZM
	Ms Christine McLoughlin, AM
Secretary:	Mr Ray Jarman

Last Updated: 18 October 2021