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ASX / MEDIA RELEASE
31 JULY 2017

CHIEF EXECUTIVE OFFICER & PRESIDENT TRANSITION TIMELINE ANNOUNCED

SYDNEY – Cochlear Limited (ASX: COH), today announces the retirement timeline for Chris Smith as Chief Executive Officer & President, and the appointment of Dig Howitt as Cochlear's new CEO & President. Mr Howitt will become President, Cochlear, effective today and will work closely with Mr Smith as operating responsibilities and relationships are transferred over the coming months with Mr Smith to retire effective 2 January 2018.

Mr Howitt has been Cochlear's Chief Operating Officer since July 2016. His appointment has been part of a succession process. Cochlear's Chairman, Rick Holliday-Smith, said, "We are pleased to announce the appointment of Dig Howitt as President of Cochlear. Dig joined Cochlear in 2000 and has been a key member of the leadership team for many years. He has a wealth of experience across the company in roles including Chief Operating Officer; President, Asia Pacific; and SVP, Manufacturing and Logistics."

Mr Howitt will immediately replace Mr Smith as President and will become CEO when Mr Smith retires in January. Mr Howitt said it was a great honour for him to be appointed Cochlear CEO & President. "Cochlear is an incredible company with market leading technology and passionate and committed employees. Together with our professional partners, we have a positive impact on many people's lives every day. The company is well positioned with a high quality executive team and a well-established strategic direction. Our business priorities of growing the core, building a service business, shaping the organisation and value creation, remain our priorities."

On the retirement of Mr Smith, Mr Holliday-Smith said, "Chris has overseen a period of substantial growth for Cochlear with the company exceeding a billion dollars in annual sales revenue during his time as CEO. With his leadership team, Chris has focused the strategic priorities on the customer and reorganised the management team around growth initiatives for a sustainable future. Chris will leave the company and its management in a strong position. The Board and management wish Chris well in his retirement and thank him for his substantial contributions during a distinguished thirteen-year career at Cochlear."

Mr Smith said, "Over the last several years I have been honoured to lead a company that has positively impacted the lives of so many patients, and to work with an amazing team of people within our company and industry. Cochlear has clear momentum in its business, a well-defined strategy and a strong leadership team. It is a good time to transition out of the company."

Cochlear will release its FY17 financial results to the market on 17 August 2017. Earnings guidance for FY17 net profit of $210-225 million remains intact. This follows FY16 net profit of $189 million.

The key terms of the leaving arrangements for Mr Smith are attached. Details of the key terms of the employment agreement entered into with Mr Howitt as President, and then Chief Executive Officer & President, including the remuneration arrangements, are also attached.

For further information, please contact:

Analysts
Kristina Devon
Head of Investor Relations
Email: kdevon@cochlear.com
Ph: + 61 2 9611 6691

Media
Piers Shervington
Senior Manager Corporate Affairs
Email: pshervington@cochlear.com
Ph: +61 2 9425 5416

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Mr Chris Smith: Summary of Key Terms of Leaving Arrangements

Key Terms	Details
Retirement Date and Handover	Mr Smith and COCHLEAR have agreed that Mr Smith will retire from his employment with COCHLEAR on 2 January 2018 (**Retirement Date**). Mr Smith will continue in the role of Chief Executive Officer through to the Retirement Date to assist with the handover and transition of his duties to Mr Howitt. Mr Smith will continue to receive his normal remuneration and benefits while his employment continues.
Retirement Payments	Within 14 days of the Retirement Date, Mr Smith will be paid the following entitlements less any applicable tax: 1. A payment in lieu of notice of $1,452,588.89; 2. Payment of accrued but unused annual leave; and 3. Payment of any unpaid base salary. The retirement payments to be made to Mr Smith will not exceed the amount permitted to be paid without shareholder approval under the Corporations Act.
Short Term Cash Incentive for FY18	Mr Smith may receive, subject to the exercise of the Board's discretion, the half year stage STI payment in February 2018 for the period 1 July 2017 to 31 December 2017 to be assessed by the Board against relevant performance indicators. COCHLEAR is not required to obtain shareholder approval in respect of any such payment because the payment will have been earned, accrued or allocated to Mr Smith as remuneration in respect of a period of employment before Mr Smith's retirement.
Long Term and Short Term Equity Incentives for FY18	COCHLEAR has determined that it is not appropriate for LTI Options and/or Performance Rights or STI Performance Rights to be granted to Mr Smith in respect of FY18 given his impending retirement.
Short Term Equity Incentive for FY17	COCHLEAR proposes to make a grant of STI Deferred Rights to Mr Smith under the Cochlear Executive Incentive Plan in August 2017. These Rights comprise the deferred component of Mr Smith' STI award for the 2017 financial year and, subject to the exercise of the Board's discretion, will vest in August 2019. COCHLEAR has determined Mr Smith should still be granted these STI Performance Rights as they are part of the STI he achieved for the 2017 financial year which has already been completed. COCHLEAR is not required to obtain shareholder approval for the grant of STI Performance Rights because it has been earned, accrued or allocated to Mr Smith as remuneration in respect of a period of employment before Mr Smith's retirement.

Key Terms	**Details**
Long Term and Short Term Equity Incentives for previous years	LTI Options and Performance Rights and STI Performance Rights granted in prior years to Mr Smith under COCHLEAR's incentive plans may remain on foot after the Retirement Date, subject to the exercise of the Board's discretion, and vest on their currently scheduled vesting dates. In the case of LTI Options and Performance Rights these will only vest to the extent that relevant performance hurdles are satisfied. There will be no accelerated or automatic vesting of equity awards previously made to Mr Smith in connection with his retirement. COCHLEAR is not required to obtain shareholder approval in respect of any such rights because they will have been earned, accrued or allocated to Mr Smith as remuneration in respect of a period of employment before Mr Smith's retirement.
Post-Employment Restraints	Mr Smith is subject to a restraint for 12 months after the Retirement Date in respect of: • being concerned in any business in competition with Cochlear • soliciting away from Cochlear, Cochlear's directors officers or employees, customers or clients.

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Mr Dig Howitt: Key Terms of Employment Agreement

Key Terms	Details
Appointment and Commencement Date	Mr Howitt has been appointed as President of the Company effective 31 July 2017 and Chief Executive Officer & President commencing on 3 January 2018.
Term	The appointment is on-going with no fixed term.
Prior Service with Cochlear	The Company will continue to recognise Mr Howitt's prior service with Cochlear (which commenced on 24 August 2000) for all employment benefits.
Remuneration	• Fixed remuneration of $1,644,664 - includes base salary, superannuation contributions and annual leave loading which will be reviewed annually; • Short Term Incentive Target (100% of base salary) – $1,600,000 in FY2018 comprising $1,230,743 in cash and $369,258 in deferred performance rights under the Cochlear Executive Incentive Plan; and • Long term Incentive Target (100% of base salary) – grant of $1,600,000 for FY2018 in the form of equity rights with at least 30% taken as options and the balance as performance rights under the Cochlear Executive Incentive Plan and subject to meeting agreed performance hurdles. The fixed remuneration and short term incentive will be pro rated for the period 31 July 2017 to 30 June 2018 with the remuneration terms of Mr Howitt's existing employment agreement for his current role as Chief Operating Officer applying from 1 July to 30 July 2017.
Termination Provisions	• The Company can terminate on twelve (12) months' notice without cause and may make a payment in lieu of notice. • The Company can terminate immediately for serious breach without notice or payment in lieu. • Mr Howitt can terminate on twelve (12) months' notice. • Treatment of unvested incentive awards on termination will be at the discretion of the Board, subject to the Plan Rules and, to the extent required, subject to shareholder approval.
Restraint Provisions	Mr Howitt is subject to a restraint for 12 months after ceasing employment with the Company on: • being concerned in any business in competition with Cochlear • soliciting away from Cochlear, Cochlear's directors officers or employees, customers or clients.