
Compensation report

Sonova is all about people. The value and success of our company strongly depend on our employees. We therefore aim to attract and retain the best talent available in a highly competitive global employment market. As custodians of shareholders' equity, we confirm our responsibility to uphold a transparent and sustainable approach to compensation.

This compensation report provides an overview of the compensation system in place at Sonova, its general principles and key elements. It describes the method for determining compensation and the bodies responsible for the design of compensation plans, the approval framework, and the implementation process. It also contains detailed information on the compensation awarded to the Board of Directors and the Management Board in the 2014 / 15 financial year. The report is written in accordance with the provisions of the Swiss Ordinance Against Excessive Compensation at Public Corporations, and complies with the SIX Swiss Exchange Directive on Information relating to Corporate Governance as well as the principles of the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

The report is structured as follows:

1. Introduction by the Chairman of the Nomination and Compensation Committee
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3. Organization, competencies, and method of determination
4. Compensation system
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6. Share ownership information

1. Introduction by the Chairman of the Nomination & Compensation Committee

Dear Shareholders

The purpose of our compensation system is to attract, motivate, and retain employees; to inspire best-in-class performance; and to encourage behavior aligned with the company's values. We are keen to ensure that our compensation principles properly reward performance and stay closely aligned with the interests of our shareholders.

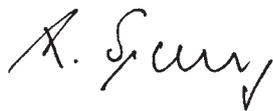
Over the past years, we have developed and implemented an attractive, effective, and sustainable compensation system. In the 2013/14 financial year, we focused our efforts on compliance and the alignment of all compensation-related rules and regulations with the Swiss Ordinance Against Excessive Compensation at Public Corporations, which came into force during the 2014/15 financial year. Among other actions, we implemented claw-back provisions in the Management Board employment agreements and introduced a performance criterion in the Executive Equity Award Plan (EEAP) for members of the Management Board.

In the 2014/15 financial year, we have continued to assess our compensation system in terms of implementing the Swiss Ordinance Against Excessive Compensation at Public Corporations. We concluded that, while no further changes to the compensation system seem necessary at this stage, we would like to enhance our compensation disclosure so that our shareholders can better assess the link between performance and pay. Looking ahead, we will proactively review and refine our compensation system to respond to the evolving business and regulatory environment, and to continue to create value for all our stakeholders – our customers, employees, and shareholders.

At the 2015 Annual General Shareholders' Meeting, we will request your approval of the maximum aggregate compensation amounts to be awarded to the Board of Directors for the period from the 2015 Annual General Shareholders' Meeting until the 2016 Annual General Shareholders' Meeting, and to the Management Board for the 2016/17 financial year. You will also have the opportunity to express your opinion on our compensation principles and system by way of a consultative vote on this compensation report.

On behalf of the Board of Directors, I would like to thank you for your continued support. We hope that you find this report informative and are confident that our compensation system rewards for performance in a balanced and sustainable manner, and aligns well with the shareholders' interest.

Yours sincerely



Robert Spoerry
Chairman of the Nomination & Compensation Committee

2. Compensation policy and principles

To assure the company's success and to maintain its position as leading manufacturer and provider of innovative hearing care, it is key to attract, develop and retain the best talents available in the market. Sonova's compensation system is designed to support this fundamental objective and is based on the following principles:

Market competitiveness	To be able to attract, motivate, and retain talented executives and employees, compensation is regularly benchmarked and is in line with competitive market practice.
Pay for performance	Compensation inspires best-in-class performance. A large portion of compensation depends on company's performance and individual contributions. We recognize both short-term success and long-term value creation through a well-balanced combination of incentive plans.
Alignment with shareholder's interests	A substantial portion of compensation is delivered in the form of company equity: Restricted Share Units (RSUs), options, restricted shares. We have share ownership guidelines to foster the long-term commitment of the Management Board and the Board of Directors, and the alignment of their interests with those of the shareholders.
Alignment with company's values	Compensation encourages behavior that is in line with the company's values and high standard of integrity.

The members of the Board of Directors receive only fixed compensation, paid partly in cash and partly in the form of restricted shares. The independence of the Board of Directors in its supervisory function is reinforced by not awarding performance-related compensation.

The compensation of the Management Board consists of fixed and variable elements. Base salary and benefits form the fixed component and are determined by current market practice for each function. Variable compensation consists of a variable cash compensation and a long-term incentive plan and is based on performance:

- Variable cash compensation is based on Sonova's value drivers, such as sales, EBITA, free cash flow (FCF), earnings per share (EPS), and average sales price (ASP), and operating expense at Group and / or business unit level. It also reflects the achievement of individual objectives defined in the annual performance review process. This compensation element rewards both the company's success and individual performance over a one-year period.
- The Employee Equity Award Plan (EEAP) is Sonova's long-term incentive plan, which, for members of the Management Board, includes a performance criterion: return on capital employed (ROCE). The EEAP reinforces the alignment between compensation and the company's sustainable long-term performance. It also aligns the interests of the Management Board with those of shareholders, and fosters the long-term retention of executives.

To avoid compensation for inappropriate risk taking or short-term profit maximization at the expense of the long-term health of the company, a cap applies on the variable cash payout and on the number of equity awards that can vest under the EEAP.

Finally, we have mandatory share ownership guidelines in place for members of the Board of Directors and the Management Board. These guidelines require them to hold a minimum number of the company's shares and thus reinforce the alignment between the interests of executives and shareholders.

3. Organization, competencies and method of determination

3.1. Nomination and Compensation Committee

As determined in the Articles of Association, the Organizational Regulations, and the Nomination and Compensation Committee Charter of Sonova Holding AG, the Nomination and Compensation Committee (NCC) supports the Board of Directors in the fulfillment of its duties and responsibilities in the area of compensation and personnel related matters. Its tasks and responsibilities include, among others:

- Periodical review of Sonova’s compensation principles
- Periodical initiation of benchmark reviews on compensation of members of the Board of Directors (including Chairman), CEO, and members of the Management Board
- Yearly review of the individual compensation of the CEO and of the other members of the Management Board
- Review, amendment, and approval of the performance appraisal of the members of the Management Board (prepared by the CEO) and of the CEO
- Preparation of the compensation report
- Selection and nomination of candidates for the membership of the Management Board as proposed by the CEO, and pre-selection of suitable candidates to the Board of Directors

APPROVAL AND AUTHORITY LEVELS ON COMPENSATION MATTERS:

DECISION ON	CEO	NCC	BOARD OF DIRECTORS	AGM
Compensation principles and system for the Board of Directors and Management Board within the framework of the Articles of Association		proposes	approves	
Maximum aggregate amount of compensation for the Board of Directors and the Management Board to be submitted to shareholders’ vote		proposes	reviews and proposes to AGM	binding vote
Individual compensation, including the cash element and the shares, to be granted to the members of the Board of Directors*		proposes	approves	
Individual compensation, including fixed base salary, variable cash compensation and long-term incentive, of the CEO*		proposes	approves	
Employment terms of the CEO*		proposes	approves	
Individual compensation, including fixed base salary, variable cash compensation and long-term incentives, of the Management Board (excluding CEO)*	recommends	proposes	approves	
Annual total aggregate amount of long-term incentive to be granted to all other eligible employees		proposes	approves	
Compensation report		proposes	approves	consultative vote

* within the framework of the Article of Association and /or maximum aggregate amount of compensation approved by the Annual General Shareholders’ Meeting.

The NCC consists exclusively of independent and non-executive members of the Board of Directors, who are elected individually and annually by the Annual General Shareholders’ Meeting. For the period under review, the NCC consisted of Robert F. Spoerry (Chairman), John J. Zei, and Beat Hess.

The NCC meets at least three times per year. In the reporting year, it held four meetings. As a general rule, the Chairman of the Board of Directors, the CEO, and the Group Vice President Corporate Human Resource Management and Corporate Communications participate to the meetings of the NCC. However, they do not take part in the section of the meetings where their own performance and /or compensation is discussed.

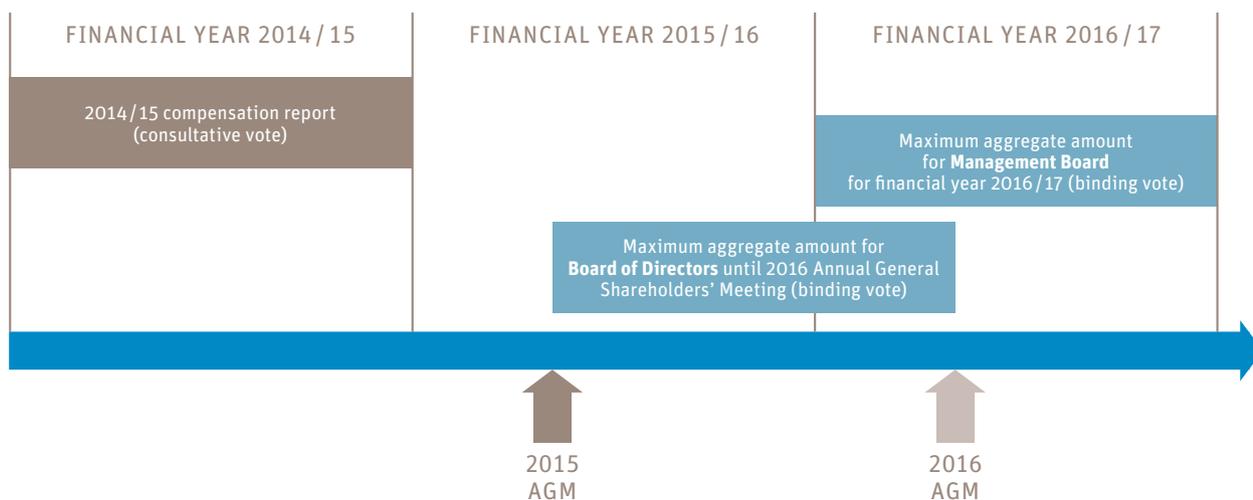
After each meeting, the Chairman of the NCC reports to the Board of Directors on its activities and recommendations. The minutes of the NCC’s meetings are available to the full Board of Directors.

3.2. Shareholder involvement

Over the past years Sonova has engaged in an ongoing dialog with shareholders and has made significant efforts to continuously improve its compensation disclosure, both in terms of transparency and the level of detail provided about its principles and system of compensation. The positive outcome of the consultative votes in previous years indicates that shareholders welcome this approach. Sonova intends to continue to submit the compensation report to a consultative shareholders' vote at the Annual General Shareholders' Meeting, so that shareholders have an opportunity to express their opinion about the compensation principles and systems.

In addition, as required by the Swiss Ordinance Against Excessive Compensation at Public Corporations, shareholders will be asked to approve the amounts of compensation of the Board of Directors and of the Management Board in a binding vote at the Annual General Shareholders' Meeting. The provisions of the Articles of Association of Sonova foresee that shareholders will vote prospectively on the maximum aggregate compensation amount for the Board of Directors for the period until the next ordinary Annual General Shareholders' Meeting and for the Management Board for the following financial year.

Matters to be voted on at the 2015 Annual General Shareholders' Meeting:



The maximum aggregate compensation amount for the Board of Directors comprises fixed compensation elements as follows: a cash retainer (fixed fee), a committee fee (if applicable), a meeting attendance fee, the value of the restricted shares at grant and the social security contributions paid by the employer (see chapter 4.1 for more information).

The maximum aggregate compensation amount for the Management Board (including the CEO) comprises:

- Fixed compensation: base salary, value of benefits, employer's pension contributions, and estimated employer's social security contributions
- Maximum possible payout under the variable cash compensation should the achievement of all performance objectives reach the cap
- Maximum value of the equity awards at grant (options and RSUs), assuming that the achievement of the performance criterion reaches the cap.

Therefore, the maximum aggregate compensation amount submitted to shareholders' vote is potentially much higher than the amount of compensation that will be effectively paid out to the members of the Management Board based on the performance achieved. The amount effectively paid out will be disclosed in the compensation report of the respective financial year, which will be subject to a consultative shareholders' vote.

We are convinced that the binding prospective vote on aggregate compensation amounts, combined with a consultative retrospective vote on the compensation report, will provide our shareholders with a far-reaching “say-on-pay”.

Articles of Association

As required by the Swiss Ordinance Against Excessive Compensation at Public Corporations, the Articles of Association of Sonova have been revised in 2014 and approved by the shareholders at the last Annual General Shareholder’ Meeting. The Articles of Association include the following provisions on compensation:

- Powers and duties (Art. 24)
- Approval of the compensation by the Annual General Shareholders’ Meeting (Art. 26)
- Additional reserve amount for changes in the Management Board (Art. 27)
- General compensation principles (Art. 28)
- Maximum consideration for non-competition agreement (Art. 29 para.3)
- Prohibition on loans (Art. 31)

The Articles of Association are available in their entirety online:
www.sonova.com/en/investors/articles-association

3.3 Process of determination of compensation

Benchmarks and external consultants

We periodically review the compensation of members of the Management Board, comparing data from executive surveys and published benchmarks from companies of similar size in terms of market capitalization, revenue, number of employees, geographic reach, etc., and /or which are operating in related industries. The level and mix of the different compensation elements are determined on the basis of those benchmarks.

The last detailed review was conducted in 2013 in cooperation with an independent firm specializing in compensation surveys and analysis. For this purpose, two relevant peer groups were identified: ten companies in the international Medical Technology sector¹ and nine Swiss companies in the General Industry sector of comparable size². The conclusion of this review was that the members of the Management Board are compensated consistently with both peer groups.

A similar benchmark process is regularly conducted to review and determine the compensation of the Board of Directors, among others comparing Sonova with companies of a similar size and structure in the international medical technology sector, and with Swiss companies in the general industry sector.

Performance Management

The actual compensation effectively paid out to the members of the Management Board in a given year depends on the Group and /or respective business unit, as well as on individual performance, which is assessed through the formal annual performance review process. The process is based on guiding principles that are designed to align corporate strategic goals and financial objectives, business unit objectives, and individual objectives to identify performance-driven incentives and promote personal development.

¹ Cochlear Ltd, Fresenius Medical Care AG & Co. KGaA, Medtronic Inc., Nobel Biocare, St. Jude Medical, Straumann Holding AG, Stryker, William Demant Holding A/S, Zimmer Holdings Inc., Smith & Nephew plc.

² Geberit AG, Georg Fischer AG, Givaudan SA, Logitech International SA, Lonza Group AG, Mettler-Toledo International Inc., Nobel Biocare Holding AG, Straumann Holding AG, Sulzer AG.



4. Compensation system

4.1. Board of Directors compensation system

The compensation of members of the Board of Directors is defined in a regulation adopted by the Board of Directors; it consists of a cash retainer (fixed fee), a committee fee (if applicable), and a meeting attendance fee, as well as a lump sum for expenses, based on the number of meetings attended. In addition, members of the Board of Directors receive shares with a restriction period of 5.3 years (Chairman) or 4.3 years (all other members of the Board of Directors). There is no performance-related variable cash compensation for the Board of Directors. The members of the Board of Directors are not eligible to participate in the occupational retirement benefit plans.

ANNUAL FEES IN CASH IN CHF	CHAIRMAN	BOARD MEMBERS EXCL. CHAIRMAN
Cash retainer	500,000	100,000
Vice-Chairman	n.a.	15,000
Chairman of Audit Committee	n.a.	25,000
Chairman of NCC	Compensated by cash retainer	15,000
Member of NCC / Audit Committee	n.a.	7,500
Meeting attendance fee ¹⁾	Compensated by cash retainer	500
Expense allowance ¹⁾	500	500

RESTRICTED SHARES IN CHF	CHAIRMAN	BOARD MEMBERS EXCL. CHAIRMAN
Fair value at grant ²⁾	400,000	200,000

¹⁾ Multiplied by the number of meetings attended.

²⁾ The tax value at grant differs from the fair value at grant by a reduction of 6% per year of restriction.

Sonova Share Ownership Guidelines

To further align the interests of the Board of Directors with those of our shareholders, the Sonova share ownership guidelines require the members to hold a specified number of Sonova shares in order to be eligible to receive restricted shares. Members of the Board of Directors must hold at least 2,000 Sonova shares. These holdings must be achieved within three years; the NCC monitors progress toward the requirements on an annual basis.

4.2. Management Board compensation system

The compensation of the Management Board (including the CEO) is defined in several regulations adopted by the Board of Directors and comprises:

- Fixed base salary
- Variable cash compensation (VCC)
- Long-term incentive (EEAP)
- Additional employee benefits, such as pension benefits and lump sum expenses

The fixed base salary and benefits form the fixed component and are based on current market practice. The variable component consists of a short-term element, the VCC, and a performance-based long-term incentive in form of options and RSUs under the EEAP:

	Fixed compensation & benefits		Variable compensation	
	Fixed base salary	Benefits	Variable cash compensation	Long-term incentive (EEAP)
Purpose	Ensures predictable salary, depends upon the market value of the role and the profile of the incumbents	Establishes level of security in line with local market practice Mandatory and voluntary benefits plans offered by the employer	Rewards performance against key indicators at Group and business unit level as well as the achievement of individual objectives	Rewards long-term value creation and reinforces alignment to shareholder interests
Performance/ Vesting Period	n.a.	n.a.	1 financial year	1.3 – 4.3 years
Performance measures	n.a.	n.a.	A – Group Sales, EBITA, free cash flow (FCF), earning per share (EPS) B – Business Unit Sales, EBITA, operating expenses (OPEX), average sales price (ASP) C – Individual objectives	Return on capital employed (ROCE)
Delivery	Cash, regularly	Country specific	Cash	Equity (Options/RSUs)
CEO variable compensation as % of fixed base salary	n.a.	n.a.	Target of fixed base salary: 62.5% Range of fixed base salary: 0 – 125%	Target of fixed base salary: 106.2% Range of fixed base salary: 0 – 106.2%
MB (excl. CEO) variable compensation as % of fixed base salary	n.a.	n.a.	Target of fixed base salary: 50% Range of fixed base salary: 0 – 100%	Target of fixed base salary: 96% Range of fixed base salary: 0 – 96%

Fixed Base salary

The fixed base salary ensures a regular and predictable salary paid out in cash in regular installments. The salary level is based on the scope and complexity of the position, market norms and benchmarks, and the individual's profile in terms of experience and skills. Salary progression depends primarily on the executives' individual performance as well as market developments and the economic environment.

Variable cash compensation (VCC)

The VCC is an integral component of the cash compensation for members of the Management Board, defined as a percentage of the annual fixed base salary. At targets, it amounts to 62.5% of base salary for the CEO and, usually, 50% for other members of the Management Board.

The Board of Directors determines annually the target performance level for each financial objective for the following financial year, based on the recommendation of the NCC. The targets are generally set in such a way that substantial improvements from the previous financial year's achievement are required, in line with the company's mid and long-term financial plans, its ambitions to strengthen its market leadership position, and its drive for continuous innovation. Setting demanding targets helps Sonova deliver best-in-class performance and stay ahead of the market. Lower and upper performance thresholds are also set, below which the

payout percentage is zero, and above which it is capped at 200 %. Payout levels between the threshold, the target, and the maximum are calculated by linear interpolation.

The VCC for the Management Board is based on three categories of performance objective: Group, business unit, and individual. The performance objectives that must be met to achieve the target VCC are mutually agreed at the beginning of the financial year.

Group performance objectives are based on the budget; the specific metrics are sales, EBITA, free cash flow (FCF), and earnings per share (EPS). Business unit performance objectives include sales, EBITA, average sales price (ASP), and operating expenses of the respective business unit. These financial objectives have been chosen because they are key value drivers for the long-term success of the company; they link reward both to expanding the business and gaining market share (top-line contribution) and to increasing profitability through operating leverage (bottom-line contribution).

Group and business unit performance objectives together are weighted at between 60 % and 80 % of the overall VCC objectives. The individual performance component is based on the achievement of individual objectives predefined at the beginning of the financial year between the CEO and individual members of the Management Board, and, for the CEO, between the Board of Directors and the CEO. The three to five individual performance objectives for each member of the Management Board are weighted at between 20 % and 40 % of the total VCC objectives.

	Weight	Performance objectives	Minimum payout (threshold)	Target payout (target)	Maximum payout (cap)
Group objectives	60 – 80 %	Sales, EBITA, free cash flow (FCF), earnings per share (EPS)	0 %	100 %	200 %
Business unit objectives		Sales, EBITA, operating expenses (OPEX), average sales price (ASP)	0 %	100 %	200 %
Individual objectives	20 – 40 %	Individually determined	0 %	100 %	200 %

Long-Term Incentive (Executive Equity Award Plan – EEAP)

The purpose of the EEAP is to ensure long-term value creation for the company, alignment of the interests of executives to those of shareholders and long-term retention of executives.

The EEAP is offered annually to members of the Management Board (including the CEO). Generally the grant date is on February 1 each year. The grants are made in the form of options and RSUs that vest in four equal annual installments over a period of four years, with the first tranche vesting on June 1 of the year following the grant year. The exercise price of the options is the closing price for the Sonova share on the Swiss stock exchange (SIX Swiss Exchange) at the grant date. As of 2012, the term of the options granted was extended from five to seven years to promote extended option holding periods. The fair value of the options is calculated at the grant date by using the “Enhanced American Pricing Model”. Additional information is available in Note 31 to the consolidated financial statements. Re-pricing of any out-of-the-money options granted under the EEAP is not permitted.

Under the EEAP, the CEO receives an equity compensation mix of 62.5 % in options and 37.5 % in RSUs and the other members of the Management Board members are awarded 50 % in options and 50 % in RSUs.

From 2014, the grant made under the EEAP to members of the Management Board includes a performance criterion: the vesting of options and RSUs in a given year is subject to achieve-

ment of a pre-defined minimum return on capital employed (ROCE) target. ROCE measures the efficiency with which the company's capital is employed. The Board of Directors determines a target level of performance for which the options and RSUs will vest in full and a minimum performance threshold below which there is no vesting at all. Both the threshold and the target are ambitious, representing a multiple of the weighted average cost of capital. Payout levels on ROCE performance between the threshold and the target are determined by linear interpolation. There is no provision for over-achievement in the EEAP; the proportion of options and units that can vest ranges from 0 to 100 %.

EEAP 2015		
Equity	Options	RSUs
Grant Date	February 1, 2015	February 1, 2015
Exercise / Strike Price	CHF 121.10 (Sonova share closing price at SIX on February 1, 2015)	n.a.
Vesting Date	25% vest on June 1, 2016 25% vest on June 1, 2017 25% vest on June 1, 2018 25% vest on June 1, 2019	25% vest on June 1, 2016 25% vest on June 1, 2017 25% vest on June 1, 2018 25% vest on June 1, 2019
Restriction Period on the resulting shares	n.a.	n.a.
Performance criterion	Number of units which vest may be reduced based on the achievement of the ROCE target	Number of units which vest may be reduced based on the achievement of the ROCE target
Exercise Period	From the vesting date until the expiry date of the options	n.a.
Maturity	Total 7 years	Not limited
Expiry Date	January 31, 2022	n.a.

The fair value of the 2015 EEAP grant to the CEO was 106.2 % of his fixed base salary and the fair value of the 2015 EEAP grant to the other members of the Management Board averaged 96.0 % of their fixed base salary.

In the event of termination of employment, vested options can be exercised within a 60-day period. Non-vested options and RSUs are forfeited on termination, with the following exceptions:

- In case of death or disability, the non-vested options and RSUs vest immediately. The vested options are exercisable for a period of 12 months.
- In case of retirement, the non-vested options and RSUs with a vesting date during the calendar year of the participant's retirement vest according the regular vesting schedule. The vested options are exercisable for a period of 12 months. Non-vested options and RSUs with a vesting date after the calendar year of the participant's retirement are forfeited.
- In the event of termination of employment by the employer following a change of control, the options and RSUs vest immediately on a pro rata basis at target level, considering the number of days that have expired during the relevant vesting period. Vested options are exercisable for a period of 60 days. This rule only applies in the situation of "double-trigger" where the employment agreement of the participant is terminated as a result of the change of control.

Sonova Share Ownership Guidelines

To further align the interests of the Management Board with those of our shareholders, the Sonova share ownership guidelines require the members to hold a specified number of Sonova shares in order to be eligible to participate in the EEAP. The CEO must hold 8,000; the Group

Vice Presidents (GVPs) 3,000; and the Vice Presidents (VPs) of the Management Board 1,500 Sonova shares each. These holdings must be achieved within three years; the NCC monitors progress toward those requirements on an annual basis.

Benefits

Sonova maintains defined-contribution plans under the Swiss occupational pension regulations. Pension benefits are provided through the regular pension fund. Members of the Management Board who are under Swiss employment are eligible for the same statutory benefits as all employees in Switzerland. Members of the Management Board who are under a foreign employment receive benefits in line with local practice.

Sonova also makes mandatory social security contributions (AHV/ALV) on behalf of the Management Board members who are under Swiss employment.

The CEO and GVPs are entitled to a company car (or allowance) and lump sum expenses in line with the expense regulations applicable to all members of management in Switzerland and approved by the tax authorities.

Employment terms and conditions

As part of its commitment to good corporate governance, Sonova has introduced a claw-back provision in the employment agreements of the Management Board members, which operates in addition to the claw-back provisions of the Swiss Ordinance against Excessive Compensation at Public Corporations. It provides for repayment of VCC, in part or in full, in the event of an accounting restatement. The claw-back applies to all VCC payments for a period of three years following the financial year related to which the VCC payment has been made.

All members of the Management Board have permanent employment agreements. The notice period for the CEO is 12 months and that for all other members of the Management Board is 6 months.

Sonova does not grant severance payments to members of the Management Board or Board of Directors, nor does Sonova make advance payments to them. No loans are granted to members of the Management Board or Board of Directors.

5. Compensation for the 2014/15 financial year

5.1. Board of Directors compensation in 2014/15

This section is audited by the external auditor according to article 17 of the Swiss Ordinance against Excessive Compensation at Public Corporations.

The following table shows the compensation for the individual members of the Board of Directors for the 2014/15 financial year and for 2013/14.

The total compensation in the year under review was CHF 3.0 million and CHF 3.1 million in the previous year. The decrease is caused by less employer's social insurance contributions on equity transactions than in the previous year.

No fees were paid for additional services beyond the stated compensation, nor were any loans awarded or guarantees given to current or former members of the Board of Directors or persons closely linked to them, in this reporting period.

in CHF

2014/15

	Fixed fee	Attendance fee/ expenses ¹⁾	Employer's social insurance contribution ²⁾	Total cash compensation	Value of restricted shares ³⁾	Total compensation
Robert F. Spoerry, Chairman	500,000	2,000	58,675	560,675	286,914	847,589
Beat Hess, Vice-Chairman	122,500	8,000	17,044	147,544	152,175	299,719
Stacy Enxing Seng, Member ⁴⁾	78,904	5,000	14,803	98,707	152,175	250,882
Michael Jacobi, Member	125,000	8,000	28,926	161,926	152,175	314,101
Andy Rihs, Member	100,000	6,000	7,734	113,734		113,734
Anssi Vanjoki, Member	107,500	6,500	47,957	161,957	152,175	314,132
Ronald van der Vis, Member	107,500	8,000	20,154	135,654	152,175	287,829
Jinlong Wang, Member	100,000	5,500	17,145	122,645	152,175	274,820
John J. Zei, Member	107,500	8,000	27,503	143,003	152,175	295,178
Total	1,348,904	57,000	239,941	1,645,845	1,352,139	2,997,984

The compensation shown in the table above is gross and based on the accrual principle.

¹⁾ Attendance fees and expenses are based on the number of attended meetings of each member of the Board of Directors (no attendance fees for the Chairman).

²⁾ Including social security contributions on the tax value of RSUs vested, options/WARs/SARs exercised and restricted shares granted during the financial year.

³⁾ Tax value per restricted share at grant date: for the Chairman of the Board of Directors CHF 89.21, for the other members of the Board of Directors CHF 94.58.

⁴⁾ New member of the Board of Directors since June 2014.

in CHF							2013/14
	Fixed fee	Attendance fee/ expenses ¹⁾	Employer's social insurance contribution ²⁾	Total cash compensation	Value of restricted shares ³⁾	Total compensation	
Robert F. Spoerry, Chairman	500,000	2,500	126,725	629,225	291,192	920,417	
Beat Hess, Vice-Chairman	122,500	9,500	19,199	151,199	154,332	305,531	
Michael Jacobi, Member	125,000	9,000	98,977	232,977	154,332	387,309	
Andy Rihs, Member	100,000	7,000	93,713	200,713	154,332	355,045	
Anssi Vanjoki, Member	107,500	9,000	19,934	136,434	154,332	290,766	
Ronald van der Vis, Member	107,500	7,000	19,840	134,340	154,332	288,672	
Jinlong Wang, Member ⁴⁾	78,630	3,500	15,092	97,222	154,332	251,554	
John J. Zei, Member	107,500	9,500	17,525	134,525	154,332	288,857	
Total (active members)	1,248,630	57,000	411,005	1,716,635	1,371,516	3,088,151	
Heliane Canepa, Member ⁵⁾	23,267	4,000	8,341	35,608		35,608	
Total (including former members)	1,271,897	61,000	419,346	1,752,243	1,371,516	3,123,759	

The compensation shown in the table above is gross and based on the accrual principle.

- ¹⁾ Attendance fees and expenses are based on the number of attended meetings of each member of the Board of Directors (no attendance fees for the Chairman).
²⁾ Including social security contributions on the tax value of RSUs vested, options/WARs/SARs exercised and restricted shares granted during the financial year.
³⁾ Tax value per restricted share at grant date: for the Chairman of the Board of Directors CHF 90.71, for the other members of the Board of Directors CHF 96.16.
⁴⁾ New member of the Board of Directors since June 2013.
⁵⁾ Heliane Canepa resigned from the Board of Directors at the annual shareholders meeting from June 18, 2013.

5.2 Management Board compensation in 2014/15

This section is audited by the external auditor according to article 17 of the Swiss Ordinance against Excessive Compensation at Public Corporations.

The highest total remuneration for a Management Board member in the year under review was paid to the CEO, Lukas Braunschweiler. His fixed base salary was CHF 800,000 and the target variable cash compensation was CHF 500,000 (62.5 % of the fixed base salary). The effective variable cash compensation payout for performance in the year under review amounted to CHF 491,679 (61.5 % of the fixed base salary), whereas the maximum potential variable cash payout would have been CHF 1,000,000 (125 % of the fixed base salary). In addition, an equity grant (EEAP) with a 2015 fair value of CHF 849,992, fringe benefits of CHF 24,891, employer's pension contributions of CHF 126,899 and employer's social insurance contribution of CHF 110,904 are included in Lukas Braunschweiler's total compensation of CHF 2,404,365 (CHF 2,574,997 in 2013/14 financial year). The decrease compared to the previous year is caused by a lower variable cash compensation due to performance achievement. The fixed based salary and EEAP grant value remained unchanged from the previous year.

The following table shows the compensation of the CEO (highest compensation) and of the other members of the Management Board for the 2014/15 financial year (thirteen members) and for 2013/14 (twelve members). The average variable cash payout of Management Board members for the performance year under review was 52.5 % of their fixed base salary, whereas the maximum potential variable cash payout would have been an average of 103.1 % of the fixed salary. This is reflective of the satisfying performance in the reporting year. The total compensation of CHF 15.2 million for the 2014/15 financial year is within the range of CHF 15.1 million for the previous year. This is caused by the higher average number of members of the Management Board (13.7 members in the 2014/15 financial year and 13 members in 2013/14) but also lower variable cash compensation due to performance achievement.

No fees were paid for additional services beyond the stated compensation, nor were any loans awarded or guarantees given to current or former members of the Management Board or persons closely linked to them, in this reporting period.

in CHF 2014/15

	Fixed salary	Variable salary ¹⁾	Fringe benefits	Employer's pension contribution	Employer's social insurance contribution ²⁾	Total cash compensation	Value of RSUs ³⁾	Value of options ⁴⁾	Total compensation
Lukas Braunschweiler, CEO	800,000	491,679	24,891	126,899	110,904	1,554,373	318,692	531,300	2,404,365
Other members of the MB ⁵⁾	4,398,733	2,309,791	274,350	759,536	823,492	8,565,902	2,111,684	2,112,646	12,790,232
Total	5,198,733	2,801,470	299,241	886,435	934,396	10,120,275	2,430,376	2,643,946	15,194,597

The compensation shown in the table above is gross and based on the accrual principle.

¹⁾ The variable salary will be paid out after the end of the reporting year.

²⁾ Including social security contributions on the tax value of RSUs vested and options/warrants exercised during the financial year.

³⁾ Fair value per RSU at grant date CHF 117.17.

⁴⁾ Fair value per option at grant date CHF 19.55.

⁵⁾ Martin Grieder, GVP Phonak joined the Management Board as of August 2014.

in CHF 2013/14

	Fixed salary	Variable salary ¹⁾	Fringe benefits	Employer's pension contribution	Employer's social insurance contribution ²⁾	Total cash compensation	Value of RSUs ³⁾	Value of options ⁴⁾	Total compensation
Lukas Braunschweiler, CEO	800,000	672,040	24,496	126,764	101,722	1,725,022	318,728	531,247	2,574,997
Other members of the MB ⁵⁾	3,971,335	2,821,704	247,650	672,182	642,898	8,355,769	2,099,216	2,099,842	12,554,827
Total	4,771,335	3,493,744	272,146	798,946	744,620	10,080,791	2,417,944	2,631,089	15,129,824

The compensation shown in the table above is gross and based on the accrual principle.

¹⁾ The variable salary will be paid out after the end of the reporting year.

²⁾ Including social security contributions on the tax value of RSUs vested and options/warrants exercised during the financial year.

³⁾ Fair value per RSU at grant date CHF 117.96.

⁴⁾ Fair value per option at grant date CHF 24.46.

⁵⁾ Albert Chin-Hwee Lim, VP Region Asia Pacific, Stefan Launer, VP Science & Technology, Jan Metzendorf, VP Unitron, and Franz Petermann, VP Connect Hearing Group joined the Management Board as of April 2013.

6. Share ownership information

6.1 Shareholdings of members of the Board of Directors

This section is audited by the external auditor.

The following tables show the shareholdings of the individual members of the Board of Directors and persons closely linked to them.

	31.3.2015					31.3.2014				
	Shares	Restricted Shares ^{1) 2)}	RSUs ²⁾	Options ²⁾	Warrants ^{2) 3)}	Shares	Restricted Shares ^{1) 2)}	RSUs ²⁾	Options ²⁾	Warrants ^{2) 3)}
Robert F. Spoerry	16,100	14,265			250,000	15,000	11,049			500,000
Beat Hess		5,047					3,438			
Stacy Enxing Seng ⁴⁾		1,609								
Michael Jacobi	2,521	5,047	522	5,115	250,000	2,260	3,438	783	5,115	500,000
Andy Rihs	3,216,158	3,438	522	5,115	250,000	3,713,258	3,438	783	5,115	500,000
Anssi Vanjoki	1,521	5,047	522	2,558	62,500	1,260	3,438	783	5,115	500,000
Ronald van der Vis	2,553	5,047	522	5,115	250,000	2,292	3,438	783	5,115	500,000
Jinlong Wang		3,214					1,605			
John J. Zei	2,021	5,047	522	3,837 ⁵⁾	125,000 ⁶⁾	1,760	3,438	783	5,115 ⁵⁾	250,000 ⁶⁾
Total	3,240,874	47,761	2,610	21,740	1,187,500	3,735,830	33,282	3,915	25,575	2,750,000

¹⁾ These shares are subject to a restriction period which varies from June 1, 2017 to June 1, 2020 depending on the grant date.

²⁾ For further details see also Note 31 in the consolidated financial statements.

³⁾ Exercise ratio between warrants and options: 25:1.

⁴⁾ New member of the Board of Directors since June 2014.

⁵⁾ SARs (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).

⁶⁾ WARs (WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares).

The following table shows the detailed breakdown of the outstanding warrants/options of the members of the Board of Directors.

	31.3.2015				31.3.2014		
	Options EEAP 12 ¹⁾	Warrants EEAP 11 ²⁾	Options EEAP 12 ¹⁾	Warrants EEAP 11 ²⁾	Warrants EEAP 10 ³⁾	Total warrants	
Robert F. Spoerry		250,000		250,000	250,000	500,000	
Michael Jacobi	5,115	250,000	5,115	250,000	250,000	500,000	
Andy Rihs	5,115	250,000	5,115	250,000	250,000	500,000	
Anssi Vanjoki	2,558	62,500	5,115	250,000	250,000	500,000	
Ronald van der Vis	5,115	250,000	5,115	250,000	250,000	500,000	
John J. Zei	3,837 ⁴⁾	125,000 ⁵⁾	5,115 ⁴⁾	250,000 ⁵⁾		250,000 ⁵⁾	
Total	21,740	1,187,500	25,575	1,500,000	1,250,000	2,750,000	

EEAP 2015 and 2014, no options or warrants were granted – 100% restricted shares.

Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).

¹⁾ Exercise price CHF 95.85, vesting period 01.02.2012–01.06.2016 whereas one tranche being vested each year, exercise period 01.06.2013–31.01.2019.

²⁾ Exercise price CHF 118.40, vesting period 01.03.2011–28.02.2015 whereas one tranche being vested each year, exercise period 01.03.2012–29.02.2016.

³⁾ Exercise price CHF 131.00, vesting period 01.03.2010–28.02.2014 whereas one tranche being vested each year, exercise period 01.03.2011–28.02.2015.

⁴⁾ SARs (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).

⁵⁾ WARs (WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares).

6.2 Shareholdings of members of the Management Board

This section is audited by the external auditor.

The following tables show the shareholdings of individual members of the Management Board and persons closely linked to them.

	31.3.2015				31.3.2014			
	Shares	RSUs ¹⁾	Options ¹⁾	Warrants ^{1) 2)}	Shares	RSUs ¹⁾	Options ¹⁾	Warrants ^{1) 2)}
Lukas Braunschweiler	9,285	9,151	95,136		7,782	7,934	67,963	
Maarten Barmantlo	2,002	4,181	26,673	475,000	1,000	5,183	26,673	869,000
Claude Diversi	500	3,887	19,886	56,250	280	3,145	16,073	450,000
Hansjürg Emch	6,261	6,100	38,053	375,000	2,759	5,289	27,184	661,000
Hartwig Grevener	1,000	5,057	27,823			3,724	16,954	
Martin Grieder ³⁾		1,813	10,869					
Sarah Kreienbühl	2,002	6,100	38,053	281,250	1,000	5,289	27,184	843,750
Stefan Launer	2,429	2,871	18,038	62,500	1,802	2,495	12,923	474,000
Albert Chin-Hwee Lim	240	2,846	14,603			2,020	9,243	
Hans Mehl	4,853	6,100	36,053	562,500	1,851	5,289	27,184	1,012,500
Jan Metzdorff	647	3,856	19,744	15,625	766	3,202	14,500	93,750
Franz Petermann	1,227	2,491	12,733	12,188	853	2,012	8,968	111,250
Paul Thompson	1,548	6,100	35,872	140,625	2,621	5,289	37,184	843,750
Andi Vonlanthen	10,108	5,970	36,774	224,000	9,172	5,093	25,905	448,000
Total	42,102	66,523	430,310	2,204,938	29,886	55,964	317,938	5,807,000

¹⁾ For further details see also Note 31 in the consolidated financial statements.

²⁾ Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).

³⁾ Martin Grieder, GVP Phonak joined the Management Board as of August 2014.

The following table shows the detailed breakdown of the outstanding warrants/options of the members of the Management Board.

31.3.2015

	Options EEAP 15 ¹⁾	Options EEAP 14 ²⁾	Options EEAP 13 ³⁾	Options EEAP 12 ⁴⁾	Options (interim CEO/CFO 11/12 ⁵⁾	Warrants EEAP 11 ⁶⁾	Total options	Total warrants ⁷⁾
Lukas Braunschweiler	27,173	21,719	20,669	25,575			95,136	
Maarten Barmantlo		8,176	8,267	10,230		475,000	26,673	475,000
Claude Diversi	7,672	6,132	3,333	2,749		56,250	19,886	56,250
Hansjürg Emch	10,869	8,687	8,267	10,230		375,000	38,053	375,000
Hartwig Grevenor	10,869	8,687	8,267				27,823	
Martin Grieder	10,869						10,869	
Sarah Kreienbühl	10,869	8,687	8,267	10,230		281,250	38,053	281,250
Stefan Launer	5,115	4,088	3,720	5,115		62,500	18,038	62,500
Albert Chin-Hwee Lim	6,393	5,110	3,100				14,603	
Hans Mehl	10,869	8,687	8,267	8,230		562,500	36,053	562,500
Jan Metzdorff	7,672	6,132	3,255	2,685		15,625	19,744	15,625
Franz Petermann	5,115	4,088	2,481	1,049		12,188	12,733	12,188
Paul Thompson	10,869	8,687	6,201	5,115	5,000	140,625	35,872	140,625
Andi Vonlanthen	10,869	8,687	8,267	8,951		224,000	36,774	224,000
Total	135,223	107,567	92,361	90,159	5,000	2,204,938	430,310	2,204,938

¹⁾ Exercise price CHF 121.10, vesting period 01.02.2015–01.06.2019 whereas one tranche being vested each year, exercise period 01.06.2016–31.01.2022.

²⁾ Exercise price CHF 124.60, vesting period 01.02.2014–01.06.2018 whereas one tranche being vested each year, exercise period 01.06.2015–31.01.2021.

³⁾ Exercise price CHF 109.10, vesting period 01.02.2013–01.06.2017 whereas one tranche being vested each year, exercise period 01.06.2014–31.01.2020.

⁴⁾ Exercise price CHF 95.85, vesting period 01.02.2012–01.06.2016 whereas one tranche being vested each year, exercise period 01.06.2013–31.01.2019.

⁵⁾ Exercise price CHF 88.30, vesting period 28.05.2011–27.05.2015 whereas one tranche being vested each year, exercise period 28.05.2012–27.05.2016.

⁶⁾ Exercise price CHF 118.40, vesting period 01.03.2011–28.02.2015 whereas one tranche being vested each year, exercise period 01.03.2012–29.02.2016.

⁷⁾ Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).

31.3.2014

	Options EEAP 14 ¹⁾	Options EEAP 13 ²⁾	Options EEAP 12 ³⁾	Options (interim CEO / CFO) 11/12 ⁴⁾	Warrants EEAP 11 ⁵⁾	Warrants EEAP 10 ⁶⁾	Total options	Total warrants ⁷⁾
Lukas Braunschweiler	21,719	20,669	25,575				67,963	
Maarten Barmantlo	8,176	8,267	10,230		475,000	394,000	26,673	869,000
Claude Diversi	6,132	4,443	5,498		225,000	225,000	16,073	450,000
Hansjürg Emch	8,687	8,267	10,230		475,000	186,000	27,184	661,000
Hartwig Grevener	8,687	8,267					16,954	
Sarah Kreienbühl	8,687	8,267	10,230		281,250	562,500	27,184	843,750
Stefan Launer	4,088	3,720	5,115		250,000	224,000	12,923	474,000
Albert Chin-Hwee Lim	5,110	4,133					9,243	
Hans Mehl	8,687	8,267	10,230		562,500	450,000	27,184	1,012,500
Jan Metzdorff	6,132	4,340	4,028		31,250	62,500	14,500	93,750
Franz Petermann	4,088	3,307	1,573		48,750	62,500	8,968	111,250
Paul Thompson	8,687	8,267	10,230	10,000	281,250	562,500	37,184	843,750
Andi Vonlanthen	8,687	8,267	8,951		224,000	224,000	25,905	448,000
Total	107,567	98,481	101,890	10,000	2,854,000	2,953,000	317,938	5,807,000

¹⁾ Exercise price CHF 124.60, vesting period 01.02.2014 – 01.06.2018 whereas one tranche being vested each year, exercise period 01.06.2015 – 31.01.2021.

²⁾ Exercise price CHF 109.10, vesting period 01.02.2013 – 01.06.2017 whereas one tranche being vested each year, exercise period 01.06.2014 – 31.01.2020.

³⁾ Exercise price CHF 95.85, vesting period 01.02.2012 – 01.06.2016 whereas one tranche being vested each year, exercise period 01.06.2013 – 31.01.2019.

⁴⁾ Exercise price CHF 88.30, vesting period 28.05.2011 – 27.05.2015 whereas one tranche being vested each year, exercise period 28.05.2012 – 27.05.2016.

⁵⁾ Exercise price CHF 118.40, vesting period 01.03.2011 – 28.02.2015 whereas one tranche being vested each year, exercise period 01.03.2012 – 29.02.2016.

⁶⁾ Exercise price CHF 131.00, vesting period 01.03.2010 – 28.02.2014 whereas one tranche being vested each year, exercise period 01.03.2011 – 28.02.2015.

⁷⁾ Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).

Report of the statutory auditor on the compensation report



Report of the statutory auditor on the compensation report to the Annual General Shareholders' Meeting of Sonova Holding AG Stäfa

Report of the statutory auditor on the audit of the compensation report

We have audited the accompanying compensation report of Sonova Holding AG for the year ended March 31, 2015. The audit was limited to the information according to articles 14 – 16 of the Swiss Ordinance Against Excessive Compensation at Public Corporations (Ordinance) contained in the tables on pages 57 to 63.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of Sonova Holding AG for the year ended March 31, 2015 complies with Swiss law and articles 14 – 16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'Sandra Boehm', written over a light blue horizontal line.

Sandra Boehm
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'Gian Franco Bieler', written over a light blue horizontal line.

Gian Franco Bieler
Audit expert

Zurich, May 12, 2015