

# Corporate governance

Transparency is one of the key elements of good corporate governance, to which Sonova is committed.

Good corporate governance is essential for Sonova and we strive for high standards in this field. The Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies has established new transparency rules and opportunities for shareholders to influence corporate decision-making. What “good corporate governance” means is an evolving matter and we constantly adopt to the latest requirements.

Compliance is an integral element of our corporate culture and embedded in our core values. We therefore continued to strengthen the Sonova Group compliance program during the 2015/16 financial year, putting particular emphasis on compliance training sessions and process enhancements throughout the globe. Our continuing compliance efforts help us to live our values of ethical behavior and unquestionable integrity.

At Sonova, corporate governance is based upon and structured to conform with relevant standards and practices. The company fulfils its legal duties under the Swiss Code of Obligations, the SIX Swiss Exchange Directive on Information relating to Corporate Governance, and the standards defined in the Swiss Code of Best Practice for Corporate Governance. This report describes the principles of corporate governance for the Sonova Group and provides background information on the Group’s executive officers and bodies as of March 31, 2016. All the relevant documents can be accessed at the corporate governance section of the Sonova website: [www.sonova.com/en/commitments/corporategovernance](http://www.sonova.com/en/commitments/corporategovernance). For clarity and transparency, the compensation report is presented as a separate chapter of this Annual Report.

## Group structure

### Operational group structure

The Sonova Group is headquartered in Stäfa, Switzerland, and is active in over 90 countries. Sonova has subsidiaries in over 30 countries and a network of independent distributors serving other markets. Details of its business segments can be found in Note 6 of the consolidated financial statements.

### Listed companies

Sonova Holding AG is listed on the SIX Swiss Exchange. Apart from Sonova Holding AG, no other company belonging to the consolidated Sonova Group is listed on any stock exchange.

Key data for the shares of Sonova Holding AG as of March 31:

|                       | 2016   | 2015   | 2014   |
|-----------------------|--------|--------|--------|
| Market capitalization |        |        |        |
| In CHF million        | 8,182  | 9,089  | 8,679  |
| In % of equity        | 429 %  | 486 %  | 489 %  |
| Share price in CHF    | 122.80 | 135.30 | 129.20 |

|                   |                         |
|-------------------|-------------------------|
| Registered office | 8712 Stäfa, Switzerland |
| Listed on         | SIX Swiss Exchange      |
| Security number   | 1254978                 |
| ISIN              | CH0012549785            |
| Ticker symbol     | SOON                    |
| Par value         | CHF 0.05                |

### Non-listed companies

A list of the significant companies of the Sonova Group as of March 31, 2016, can be found in the consolidated financial statements in Note 35.

## Shareholders

### Registered shareholders

As of March 31, the shareholdings of registered shareholders were distributed as follows:

| Number of shares                     | Registered shareholders |               |
|--------------------------------------|-------------------------|---------------|
|                                      | 31.3.2016               | 31.3.2015     |
| 1 – 100                              | 6,664                   | 5,961         |
| 101 – 1,000                          | 10,409                  | 8,907         |
| 1,001 – 10,000                       | 1,398                   | 1,216         |
| 10,001 – 100,000                     | 189                     | 167           |
| 100,001 – 1,000,000                  | 33                      | 36            |
| > 1,000,000                          | 5                       | 6             |
| <b>Total registered shareholders</b> | <b>18,698</b>           | <b>16,293</b> |

### Significant shareholders

The following overview shows the registered shareholdings of significant shareholders as of March 31. Nominees are registered without voting rights. Significant shareholders may also hold non-registered shares which are reported under “Not registered”:

|  | 2016              |               | 2015              |               |
|--|-------------------|---------------|-------------------|---------------|
|  | No. of shares     | In %          | No. of shares     | In %          |
| Beda Diethelm <sup>1)</sup>                          | 6,652,259         | 9.98          | 6,650,009         | 9.90          |
| Chase  |                   |               |                   |               |
| Nominees Ltd. <sup>2)</sup>                          | 6,559,041         | 9.84          | 8,609,693         | 12.82         |
| Hans-Ueli Rihs <sup>1)</sup>                         | 4,013,000         | 6.02          | 4,056,000         | 6.04          |
| Nortrust   |                   |               |                   |               |
| Nominees Ltd. <sup>2)</sup>                          | 2,641,556         | 3.96          | 2,415,798         | 3.60          |
| Andy Rihs <sup>1)</sup>                              | 2,344,979         | 3.52          | 3,219,596         | 4.79          |
| Registered shareholders with less than 3 % of shares | 22,708,639        | 34.09         | 21,825,309        | 32.49         |
| Not registered                                       | 21,706,913        | 32.59         | 20,396,882        | 30.36         |
| <b>Total shares</b>                                  | <b>66,626,387</b> | <b>100.00</b> | <b>67,173,287</b> | <b>100.00</b> |

<sup>1)</sup> The founding shareholders Andy Rihs, Beda Diethelm and Hans-Ueli Rihs were already shareholders before the Initial Public Offering in November 1994. There are no shareholders' agreements between these individuals.

<sup>2)</sup> Registered without voting rights.

For information on shareholders of Sonova Holding AG that have reported shareholdings of over 3% or a reduction of the shareholding below 3% in the financial year (FY) 2015/16, please refer to the website of the Disclosure Office of the SIX Swiss Exchange [www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

### Cross-shareholdings

Sonova Holding AG has no cross-shareholdings with other companies.

## Articles of Association

The Articles of Association of Sonova Holding AG remained unchanged in FY 2015/16 except for article 3: The share capital as stipulated by the previous version of article 3 was reduced according to the resolution of the 2015 General Shareholders' Meeting (see section capital structure below).

## Capital structure

### Share capital

As of March 31, 2016, the ordinary share capital of Sonova Holding AG was CHF 3,331,319 fully paid up and divided into 66,626,387 registered shares with a par value of CHF 0.05 each.

Sonova Holding AG has neither issued any participation certificates nor any profit-sharing certificates.

With the exception of the treasury shares held by the company itself, each share represents one vote at the General Shareholders' Meeting and is entitled to dividend payments. As of March 31, 2016, the company held 1,209,989 treasury shares (previous year 547,313), whereof 1,203,500 shares were bought via a second trading line under the share buyback program.

### Authorized and conditional capital

#### Authorized capital

Sonova Holding AG has no authorized capital.

#### Conditional capital

The Annual General Shareholders' Meeting (AGM) 2005 approved the creation of conditional share capital of 3,301,120 registered shares with a par value of CHF 0.05 per share to improve the company's financial flexibility. This capital may be used for exercising option and conversion rights granted in connection with bonds or similar debt instruments issued by the company to finance the acquisition of companies, parts of companies or shareholdings.

The AGMs in 1994 and 2000 approved the creation of conditional share capital of 8,000,000 registered shares with a par value of CHF 0.05 per share for distribution to key employees of the Sonova Group through an equity participation program.

### Convertible bonds and options

Sonova Holding AG has not issued any convertible bonds.

In FY 2015/16, a total of 263,418 options were granted as part of the Sonova Executive Equity Award Plan (EEAP). In FY 2014/15 and FY 2013/14, the number of options granted totaled 272,224 and 215,221 respectively. As of March 31, 2016, there were still 1,113,982 options outstanding (compared with 1,019,036 in the previous year). Each of these options entitles the holder to purchase one registered share in Sonova Holding AG with a par value of CHF 0.05. The EEAP is described in greater detail in the compensation report (beginning on page 50) and in Note 31 to the consolidated financial statements.

### Changes in capital

As of March 31, the capital of Sonova Holding AG comprised the following:

|                                 | 2016       | 2015       | 2014       |
|---------------------------------|------------|------------|------------|
| Ordinary capital<br>(in CHF)    | 3,331,319  | 3,358,664  | 3,358,664  |
| Total shares                    | 66,626,387 | 67,173,287 | 67,173,287 |
| Conditional capital<br>(in CHF) | 266,107    | 266,107    | 266,107    |
| Conditional shares              | 5,322,133  | 5,322,133  | 5,322,133  |

Of the 8,000,000 maximum approved conditional shares a total of 5,978,987 shares with a par value of CHF 0.05 each were issued prior to FY 2015/16. Starting in FY 2014/15 Sonova decided to purchase shares on the market to fulfill its obligations under the long-term incentive plans and not to issue shares out of the conditional share capital. The maximum conditional share capital reserved for long-term incentive plans therefore remained unchanged at 2,021,013 shares.

The conditional share capital of 3,301,120 registered shares, which was created on July 7, 2005 in order to increase the company's financial flexibility, has not yet been used.

The AGM 2015 approved a reduction of the share capital by CHF 27,345 through cancellation of 546,900 registered shares. This capital reduction was the result of the share buyback program as further outlined below, in which the Company repurchased 546,900 registered shares between December 1, 2014, to March 31, 2015.

### Share buyback program

As announced on November 17, 2014, Sonova Holding AG has initiated a share buyback program with a maximum overall value of CHF 500 million. The shares are repurchased via a second trading line over a period of up to three years terminating at the end of 2017. As of March 31, 2016, a total of 1,750,400 shares have been bought back for a total of CHF 229,218,414. With the announcement of the acquisition of AudioNova on May 4, 2016, Sonova has suspended the share buyback program until further notice. The current status of the program can be found on [www.sonova.com/en/investors/current-share-buyback-program](http://www.sonova.com/en/investors/current-share-buyback-program).

### Limitations on transferability and nominee registrations

#### Limitations on transferability for each share category

To be recognized as a shareholder with full voting rights, the acquirer of shares must submit a written application for registration in the share register. The company may refuse registration in the share register if applicants do not explicitly declare that they have acquired and will hold the shares in their own name and for their own account. The company may further refuse entry of the acquirer as a shareholder or usufructuary with a voting right to the extent that the shares held would exceed 5% of the overall number of shares shown in the Commercial Register (Art. 8 para. 6 of the Articles of Association). Linked parties are considered as one person. This registration restriction does not apply to the founding shareholders. The Board of Directors may grant exceptions where there is justified cause, in which case no special quorum is required.

#### Exceptions granted in the year under review

No exceptions were granted by the Board of Directors during the reporting period.

#### Admissibility of nominee registrations

The Board of Directors can issue regulations specifying the conditions under which trustees / nominees are recognized as shareholders with voting rights (Art. 8 para. 5 of the Articles of Association).

#### Procedure and conditions for cancelling statutory privileges and limitations on transferability

A resolution of the General Shareholders' Meeting approved by a relative majority of the votes cast is sufficient for cancellation.

## Board of Directors

### Introduction

The Board of Directors of Sonova Holding AG sets the overall direction and supervision of the management (see Art. 716a para. 1 of the Swiss Code of Obligations).

### Executive management positions

No member of the Board of Directors holds an executive management position with Sonova Holding AG or any of its subsidiaries, or has held such a position in the past three years.

### Business connections of Board members with Sonova Holding AG or its subsidiaries

Except for the transactions disclosed in Note 29 to the consolidated financial statements, there are no business connections between individual Board members, including companies or organizations represented by them, and Sonova Holding AG.

### Other activities and vested interests

Except as disclosed in the biographies of the members of the Board of Directors, no member of the Board of Directors holds any position in a governing or supervisory body of any important private or public sector organization, institution, or foundation; none holds any permanent management or consultancy position with an important interest group, or any public or political office.

### Mandates outside Sonova Holding AG

No member of the Board of Directors may hold more than four additional mandates in listed companies and in total no more than six additional mandates. The following mandates are not subject to these limitations:

- Mandates in companies which are controlled by Sonova or in companies which control Sonova;
- Up to ten mandates held at the request of Sonova or companies controlled by Sonova;
- Up to six mandates in associations, charitable organizations, foundations, trusts, and employee welfare foundations.

For further details please see Art. 30 of the Articles of Association: [www.sonova.com/en/investors/articles-association](http://www.sonova.com/en/investors/articles-association).

### Elections and terms of office

#### Election procedure and limits on the terms of office

The Articles of Association of Sonova Holding AG state that the Board of Directors must consist of a minimum of three and a maximum of nine members. The members of the Board of Directors are elected by the shareholders at the General Shareholders' Meeting.

Re-elections for successive terms are possible. Members of the Board of Directors shall retire automatically at the first General Shareholders' Meeting following their seventieth birthday. In exceptional cases the Board of Directors can make an exemption. Such an exemption was made in the case of John J. Zei extending his term until the AGM 2016.

#### First election and remaining term of office

The following table shows the date of first election for each member of the Board of Directors. The Articles of Association require that the term of office of a Board member ends after completion of the next ordinary AGM. As a consequence, each Board member will have to be re-elected annually at the AGM. Apart from Andy Rihs, who did not stand for re-election in accordance with the age limitations stipulated in the Organizational Regulations, all previous Board members were re-elected by the 2015 AGM.

| Name               | Position      | First elected |
|--------------------|---------------|---------------|
| Robert F. Spoerry  | Chairman      | 2003          |
| Beat Hess          | Vice Chairman | 2012          |
| Stacy Enxing Seng  | Member        | 2014          |
| Michael Jacobi     | Member        | 2003          |
| Ronald van der Vis | Member        | 2009          |
| Anssi Vanjoki      | Member        | 2009          |
| Jinlong Wang       | Member        | 2013          |
| John J. Zei        | Member        | 2010          |

#### Robert F. Spoerry

(born 1955, Swiss citizen) has been Chairman of the Board of Sonova Holding AG since March 30, 2011, and a non-executive member of the Board since 2003.

Robert F. Spoerry is also Chairman of the Board of Mettler-Toledo International Inc., a leading global manufacturer and marketer of precision instruments and related services for use in laboratory, manufacturing, and food retailing applications. He joined Mettler-Toledo in 1983 and was CEO from 1993 to 2007. He led the buyout of Mettler-Toledo from Ciba-Geigy in 1996, and the company's subsequent Initial Public Offering on the New York Stock Exchange (NYSE) in 1997. In 1998, he was nominated Chairman of the Board.

Robert F. Spoerry graduated in mechanical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland, and holds an MBA from the University of Chicago.

#### Other activities:

- Vice Chairman of the Board of Geberit AG (until April 2016, does not stand for re-election)
- Member of the Board of Conzzeta Holding AG

**Beat Hess**

(born 1949, Swiss citizen) has been Vice Chairman of the Board of Sonova Holding AG since June 19, 2012.

From 1988 to 2003, he served as General Counsel of ABB Group and, from 2003 to 2011, as Group Legal Director and member of the Group Executive Committee of Royal Dutch Shell plc.

Beat Hess studied at the Universities of Geneva, Freiburg, and Miami, is an attorney-at-law and holds a Ph.D. in Law.

**Other activities:**

- Member of the Board of Directors of Nestlé S.A.
- Vice Chairman of the Board of Directors of LafargeHolcim Ltd. (until May 2016, thereafter Chairman)

**Stacy Enxing Seng**

(born 1964, US citizen) most recently served as an Executive in Residence for Covidien, as well as President of Covidien's Vascular Therapies division. Stacy Enxing Seng joined Covidien in July 2010 through its acquisition of ev3 where she was a founding member and executive officer responsible for leading ev3's Peripheral Vascular Division from inception. She has also held various positions at Boston Scientific, SCIMED Life Systems Inc., Baxter Healthcare and American Hospital Supply.

Stacy Enxing Seng received a Master of Business Administration from Harvard University and has a Bachelor of Arts in Public Policy from Michigan State University.

**Other activities:**

- Member of the Board of Directors of Solace Therapeutics, Inc.
- Member of the Board of Directors of Hill-Rom Holdings, Inc.
- Member of the Board of Directors of Spirox, Inc.
- Venture Partner, Lightstone Ventures

**Michael Jacobi**

(born 1953, Swiss and German citizen) has worked as an independent consultant since 2007.

From 1996 to 2007, he was CFO and member of the Executive Committee of Ciba Specialty Chemicals Inc. Prior to this, since 1978, Michael Jacobi held various management positions in the area of finance at Ciba-Geigy Group in Brazil, the US, and in Switzerland.

Michael Jacobi studied economics and business administration at the University of St. Gallen, Switzerland, at the University of Washington in Seattle, and at the Harvard Business School in Boston. He was awarded a Ph.D. from the University of St. Gallen in 1979.

**Other activities:**

- Member of the Board of Hilti AG
- Member of the Board of Actelion Pharmaceuticals Ltd.
- Member of the Board of Trustees of Martin Hilti Family Trust

**Ronald van der Vis**

(born 1967, Dutch citizen) was Executive Director of the Board and Group CEO of Esprit Holdings Limited, a global fashion and lifestyle company listed on the Hong Kong Stock Exchange, from 2009 until November 2012.

Prior to this, since 1998, he held various general management positions at Pearle Europe (now Grandvision NV), the world's leading optical retailer. He was CEO of the Pearle Europe group from 2004 to 2009.

Ronald van der Vis graduated from the Nyenrode Business University in the Netherlands and received his Master's degree in business administration from the Manchester Business School in the UK.

**Other activities:**

- Operating partner and Industry Advisor
- Chairman of the Board of Miktom Topco (Basic Fit International) B.V.
- Chairman of the Investor Board Pharmacies of Mediq N.V.
- Member of the Board of Directors of Beter Bed Holding N.V.

**Anssi Vanjoki**

(born 1956, Finnish citizen) is Professor at Lappeenranta University of Technology and Individual Multicontributor of RKBS Oy, a technology start-up investment company. He was Executive Vice President and General Manager of Nokia until March 2011 and member of the Nokia Group Executive Board from 1998 to 2011. He is also Chairman of the Board of Amer Sports Corporation, one of the world's leading suppliers of sports equipment and owner of Salomon, Atomic, Wilson, Precor, and Suunto brands.

Anssi Vanjoki has a Master's degree in business administration from the Helsinki School of Economics and Business Administration.

**Other activities:**

- Chairman of the Board of Amer Sports Corporation
- Chairman of the Board of Oriola-KD Oyj
- Member of the Board of Basware Corporation Oyj
- Investor and Chairman of small technology companies



From left to right: John J. Zei, Beat Hess, Jinlong Wang, Robert F. Spoerry, Stacy Enxing Seng, Anssi Vanjoki, Ronald van der Vis, Michael Jacobi

### Jinlong Wang

(born 1957, US citizen) is currently serving as managing director / operating partner at Hony Capital. He previously held a number of senior positions at Starbucks including Senior Vice President of Starbucks Corp., President of Starbucks Asia Pacific Region, Chairman and President of Starbucks Greater China Region, Head of the Law & Corporate Affairs department and Vice President International Business Development. He started his career as a government official in the Ministry of Foreign Economic Relations and Trade in China.

Jinlong Wang graduated with a Bachelor degree in International Economics and Trade from the University of International Economics and Trade in Beijing in 1982 and received his Juris Doctor degree at Columbia School of Law, Columbia University, in 1988.

### John J. Zei

(born 1944, US citizen) was CEO of Knowles Electronics, the primary supplier of acoustic components for the hearing instruments industry, through the end of 2009. He retired as Senior Advisor from Knowles in 2010.

John J. Zei was previously President of Rexton, a hearing instrument manufacturer in the US, and later President and CEO of Siemens Hearing Instruments, Inc. He served three times as Chairman of the Hearing Industries Association (HIA). He also served as President of the HIA, Chairman of the hearing industry's Market Development Committee, and on the Board of the Better Hearing Institute.

John J. Zei has a law degree from Loyola University, Chicago, and a Master's degree in business administration from the University of Chicago.

## Internal organizational structure

### Allocation of tasks within the Board of Directors

As specified in the Articles of Association, the Board of Directors constitutes itself, except for the Chairman and the members of the Compensation Committee, who must be elected by the shareholders. If the office of the Chairman or a member of the Compensation Committee is vacant, the Board of Directors appoints a replacement from among its members for the remaining term of office.

In accordance with the Organizational Regulations which supplement the Articles of Association, the Board appoints an Audit Committee (see the Organizational Regulations, available at [www.sonova.com/en/investors/organizational-regulations](http://www.sonova.com/en/investors/organizational-regulations)).

### Tasks and areas of responsibility of Board of Directors' committees

The duties and authorities of the committees are defined in the Articles of Association (solely for the Compensation Committee), the Organizational Regulations, and the Committee Charters of the Board of Directors. The committees usually meet before the Board of Directors meetings and report regularly to the Board on their activities and findings. The overall responsibility for duties delegated to the committees remains with the Board.

### Audit Committee

The members of the Audit Committee are Michael Jacobi (Chairman), Ronald van der Vis, and Anssi Vanjoki.

The duties of the Audit Committee include reviewing the performance and effectiveness of external and internal audit on behalf of the entire Board of Directors; evaluating the company's financial control systems, financial structure, and risk management control mechanisms; and verifying the interim and annual accounts and financial statements of the Sonova Group. The Audit Committee is also kept regularly informed on the company's compliance program. The Audit Committee Charter is available at: [www.sonova.com/en/investors/committee-charters](http://www.sonova.com/en/investors/committee-charters).

The Audit Committee meets as often as required and no fewer than four times per year. During the reporting period, the committee met four times. The Chairman of the Board of Directors was invited to, and attended, every Audit Committee meeting.

## Nomination and Compensation Committee

The members of the Nomination and Compensation Committee are Robert F. Spoerry (Chairman), John. J. Zei, and Beat Hess.

The Nomination and Compensation Committee supports the mission of the Board of Directors to attract, retain and motivate people with outstanding professional and human capabilities at the Board of Directors and top management levels. The Nomination and Compensation Committee also supports the Board of Directors in preparing the Compensation Report, establishing and reviewing the Company's compensation principles, guidelines, and performance metrics, and preparing proposals to the General Shareholders' Meeting on the compensation of the Board of Directors and Management Board. The committee may also submit proposals and recommendations to the Board of Directors on other compensation-related issues. The Nomination and Compensation Committee Charter is available at: [www.sonova.com/en/investors/committee-charters](http://www.sonova.com/en/investors/committee-charters).

The Nomination and Compensation Committee meets as often as required and no fewer than three times per year. During the reporting period, the committee met four times.

### Work methods of the Board of Directors and its committees

During the reporting period, the Board of Directors held five meetings. The table below shows the individual members' attendance at Board of Directors and committee meetings, as well as the average length of the meetings:

|                            | BoD <sup>1)</sup> | AC <sup>2)</sup> | NCC <sup>3)</sup> |
|----------------------------|-------------------|------------------|-------------------|
| No. of meetings in 2015/16 | 5                 | 4                | 4                 |
| Robert F. Spoerry          | 5                 | 4 <sup>4)</sup>  | 4                 |
| Beat Hess                  | 5                 | –                | 4                 |
| Stacy Enxing Seng          | 4                 | –                | –                 |
| Michael Jacobi             | 5                 | 4                | –                 |
| Anssi Vanjoki              | 5                 | 4                | –                 |
| Ronald van der Vis         | 5                 | 4                | –                 |
| Jinlong Wang               | 5                 | –                | –                 |
| John J. Zei                | 5                 | –                | 4                 |
| Average meeting length     | 8h <sup>5)</sup>  | 3h               | 3h                |

<sup>1)</sup> Board of Directors

<sup>2)</sup> Audit Committee

<sup>3)</sup> Nomination and Compensation Committee

<sup>4)</sup> As guest

<sup>5)</sup> Excluding telephone conferences and preparation time

Urgent business matters were discussed in various telephone conferences. In addition to formal meetings at which minutes were taken, members of the Board of Directors or of the committees also met informally for other topics and discussions that required additional time. These included, for example, preparations for formal meetings.

The agenda for a meeting of the Board of Directors or of a Board committee is set by its respective Chairman. Any member of the Board of Directors or a committee may request a meeting or ask that an item be put on the agenda. Members of the Board of Directors and the committees are provided in advance of meetings with all relevant documents that enable them to prepare for the discussion of the items on the agenda during the meeting. The Board of Directors and its committees constitute a quorum if half of the members are present. The Board of Directors and its committees approve resolutions by a majority of members present at the meeting. In the event of an equal number of votes, the Chairman has the casting vote.

The Board of Directors works closely with the Management Board. In general, the meetings of the Board of Directors and its committees are also attended by the CEO and the CFO and, depending on the agenda, other members of the Management Board. The Board of Directors and the committees meet in executive session after every Board and committee meeting respectively. The Board of Directors consults external experts when necessary in connection with specific topics.

#### Definition of areas of responsibility

The Board of Directors of Sonova Holding AG is responsible for the overall direction of the company, except in matters reserved by law to the General Shareholders' Meeting. The Board of Directors decides on all matters that have not been reserved for or conferred upon another governing body of the company by law, by the Articles of Association, or by the company's Organizational Regulations. The division of responsibility between the Board of Directors and the Management Board is set out in detail in the company's Organizational Regulations (see: [www.sonova.com/en/investors/organizational-regulations](http://www.sonova.com/en/investors/organizational-regulations)).

#### Information and control instruments vis-à-vis the Management Board

The Management Board reports regularly to the Board of Directors and its committees. At each Board meeting, the Management Board informs the Board of Directors of the status of current business matters and financial results as well as major business transactions; it also presents relevant strategic initiatives and updates. Each year a Board of Directors meeting is reserved for presentation and discussion of the company's strategy and long term financial plan. The Board of Directors is provided with monthly consolidated sales reports providing data on revenue, average selling prices, and units for each major product, subsidiary, and market. The Board of Directors also receives on a monthly basis the financial report with the full profit and loss statement, the balance sheet, and the cash flow statement, as well as the CEO's report on business performance, the competitive situation, updates on various initiatives, and an outlook. Telephone conferences are held as required between Board members and the CEO or CFO. Furthermore, each member of the Board of Directors may request information on all matters concerning the company.

The Head of Internal Audit & Risk reports to the Chairman of the Audit Committee. The mandates of the Internal Audit and Risk Management functions, along with their reporting lines and scope of activities, are defined in the Internal Audit & Risk Charter approved by the Audit Committee and the Board of Directors. Internal Audit carries out compliance and operational audits and assists the business units in attaining their goals by providing assurance from independent evaluation of the effectiveness of internal control processes. Management is responsible for the control of business risks and for compliance with laws and regulations. The Audit Committee approves the annual work plans of Internal Audit and ensures that the relevant Group companies are adequately reviewed according to their risk scoring. The Audit Committee also reviews and discusses the reports on completed audits submitted by Internal Audit. Internal Audit together with business controlling monitor the implementation by Group companies of any measures necessary to address findings from previous audits and regularly reports progress to the Audit Committee.

The Group has implemented an efficient system to identify and assess strategic, operational, financial, legal, and compliance risks related to the Group's business activities. The risk management function categorizes risks by severity and probability and supports the Management Board in determining the measures necessary to address or mitigate them. In accordance with the Audit Committee Charter, the Audit Committee reviews the company's risk assessment prepared by Risk Management before it is presented to the Board of Directors. The Board of Directors approves the risk assessment and provides guidance from a strategic point of view. To continuously monitor key risks and their mitigation, Risk Management prepares risk status reports which are presented to the Audit Committee on an ad hoc basis.

Risk Management also assumes responsibility for the internal control system (ICS) for financial reporting risks. The Board of Directors receives annual updates on the Group companies' compliance with the ICS guidelines.

The Group has a comprehensive compliance program in place which is administered by the Group Compliance Manager and overseen by the General Counsel. Quarterly compliance reports are provided to the Audit Committee and an annual compliance report is addressed to the Board of Directors.

## Management Board

The Management Board is responsible for the preparation, implementation, and monitoring of the strategic roadmap, the management of the members' respective Group functions, and the preparation, implementation, and delivery of the annual plan and budget. The Management Board also prepares for and executes decisions made by the Board of Directors. According to the Organizational Regulations of Sonova Holding AG, the Management Board is chaired by the CEO and comprises at least the CFO, plus such additional members as appropriately reflect the company's structure and activities. The members of the Management Board are proposed by the CEO and are appointed by the Board of Directors on the request of the Nomination and Compensation Committee.

### Lukas Braunschweiler

(born 1956, Swiss citizen) joined the Sonova Group as CEO in November 2011. Before joining the company, he was CEO of the Swiss technology group RUAG. From 2002 to 2009, as President & CEO, he headed the Dionex Corporation. The California-based company, active in the life sciences industry, was listed on the Nasdaq stock exchange. Prior to this, he worked from 1995 to 2002 in various group executive positions in Switzerland and the US for Mettler Toledo, a precision instruments manufacturer.

Lukas Braunschweiler received a Master of Science in analytical chemistry (1982) and was awarded a Ph.D. in physical chemistry (1985) from the Swiss Federal Institute of Technology (ETH) in Zurich.

Lukas Braunschweiler is a member of the Board of Directors of the Schweiter Technology Group.

### Hartwig Grevenor

(born 1966, German citizen) joined the Sonova Group as CFO in August 2012. Before joining the company, he was Group CFO of Jet Aviation, a business group of General Dynamics. From 2001 to 2006 Hartwig Grevenor was CFO for the European operations of Gate Gourmet, one of the leading global airline catering firms. His previous professional experience includes positions at Hapag-Lloyd, a German logistics group, A.T. Kearney management consultants, and BMW.

Hartwig Grevenor holds a Diploma in business administration and mechanical engineering from the TU University of Berlin (1991) as well as a Ph.D. in business administration from the University of St. Gallen (1994).

### Claude Diversi

(born 1964, French and Italian citizen) joined the Sonova Group in March 2005 as Managing Director of Phonak France. He was appointed Vice President Wholesale for the Region Europe and South America from May 2012, thereby joining the Management Board. Claude Diversi has an extensive track record as a sales executive with a broad experience in all disciplines of sales, including reporting, sales force management, and executing trade marketing strategies. Prior to joining Phonak, he worked in sales management positions in companies such as British American Tobacco, Dowbrands & Melitta Europe, Pillsbury, and Kraft Foods France.

Claude Diversi majored in international business at the University of Paris Descartes in France.

### Hansjürg Emch

(born 1968, Swiss citizen) joined the Sonova Group as Group Vice President, Medical in March 2011. Before joining Sonova, he was President of the Global Spine division of Synthes, the implant manufacturer. During his time at Synthes he held various positions and gained broad specialist and management skills, including experience in general management, sales, product and business development, as well as clinical and regulatory affairs in the US and Europe.

Hansjürg Emch has a Master of Science and Engineering degree from the Swiss Federal Institute of Technology (ETH) in Zurich and completed the Program for Management Development at Harvard Business School.

### Martin Grieder

(born 1965, Swiss and British citizen) has been Group Vice President Phonak since August 2014. He joined Sonova from Nestlé, where he was Vice President and Global Head of Nestlé BabyNes. Martin Grieder joined Nestlé in 1992 and brings over 20 years of experience in senior management roles within the company. His diversified cross-functional work experience in 18 countries ranges from leading the global Nespresso professional division to managing Nestlé Nespresso North America. Further senior roles at Nestlé include Vice President, Head of Finance for the Americas and Head Nestlé Group Audit as well as R&D Head for Food & Beverage systems solutions for the Nestlé Group.

Martin Grieder received a Master of Business Administration degree from IMD-Switzerland and has a Bachelor's degree in business and economics from the University of Applied Science and Arts (FHNW) in Basel.



From left to right: Jan Metzdorff, Albert Chin-Hwee Lim, Andi Vonlanthen, Franz Petermann, Hartwig Grevenner, Stefan Launer, Lukas Braunschweiler, Paul Thompson, Hans Mehl, Sarah Kreienbühl, Claude Diversi, Hansjürg Emch, Martin Grieder

### Sarah Kreienbühl

(born 1970, Swiss citizen) has been Group Vice President, Corporate Human Resource Management since August 2004 and also Group Vice President, Corporate Communications since 2012. She was previously Head of Global Human Resources and member of the Executive Board of the Tecan Group in Männedorf, Switzerland. Prior to that she was a consultant with Amrop International, Zurich, where she did executive search projects and also introduced new assessment and management audit services. She started her career as a psychologist with Swissair, where she was involved in the selection of pilots and air traffic controllers.

Sarah Kreienbühl studied applied psychology at the University of Zurich and obtained a Master's degree, followed by a number of additional qualifications in the field of human resource management, communications and finance.

### Stefan Launer

(born 1966, Swiss and German citizen) has been Vice President Science & Technology since April 2008 and joined the Management Board in April 2013. He started his professional career at Phonak in 1995 in the Research & Development department where he held several positions, including leading R&D teams in clinical audiology, digital signal processing, microelectronics and acoustics. Today he is in charge of basic science and

technology programs in various fields of hearing health care, developing core technologies, and intellectual property rights.

Stefan Launer studied physics at the University of Würzburg, Germany, and was awarded a Ph.D. in 1995 from the University of Oldenburg, Germany, for his work on modeling auditory perception in hearing impaired subjects. He was furthermore appointed as Adjunct Professor with the University of Queensland, Brisbane, Australia.

### Albert Chin-Hwee Lim

(born 1961, Singapore citizen) joined the Sonova Group as Vice President Wholesale for the Asia / Pacific region in April 2013. He joined Sonova from Medtronic where he was Vice President Business Operations, Greater China, responsible for six different business and operational functions. Previously, he was Managing Director at Medtronic in Taiwan. Albert Chin-Hwee Lim has a wealth of experience in driving growth in emerging markets. Previous professional experiences include management positions at Novartis, Merck Sharp & Dohme, and Abbott.

Albert Chin-Hwee Lim holds a Bachelor of Engineering in chemical engineering from the National University of Singapore.

### Hans Mehl

(born 1959, German citizen) was appointed Group Vice President, Operations in April 2007. Before joining Sonova, he held various international leadership positions within the Siemens Group in the Netherlands, Singapore, USA, and Switzerland. In his last position, Hans Mehl acted as Co-Division Head of the Fire and Security business at Siemens Building Technologies in Zug, Switzerland. Between 2000 and 2003, he was CFO of Global Health Services at Siemens Medical Group in Philadelphia, USA. Before that he was a member of the executive management of Siemens Audiology Group.

Hans Mehl completed his education in business administration in Germany.

### Jan Metzdorff

(born 1963, Danish citizen) joined the Sonova Group in 2004 and was Managing Director for Phonak UK, before moving to Unitron as Vice President International Sales in 2010. He was appointed Vice President Unitron in October 2011 and joined the Management Board effective April 2013. Having previously held leadership positions as General Manager for GN ReSound Canada and Regional Manager Asia for the Hearing Instruments Division of Philips Electronics, he has more than 15 years of experience in the hearing aid industry. He has accumulated prior international expertise with companies like Bantex, Minolta and the European Union in Japan.

Jan Metzdorff graduated with a Bachelor of Commerce (Economics) degree from Copenhagen Business School in 1987.

### Franz Petermann

(born 1964, Swiss citizen) joined the Sonova Group in 2002 as Director Finance & Controlling. He was appointed Vice President Connect Hearing Group, effective April 2013. During his career at Sonova he has held various positions within finance & controlling and for eight months in 2011 was interim head of the global organization for Connect Hearing Group. Before joining Sonova, he was CFO of Qualifyer Loyalty Ltd. from 1999 to 2002, before which he held management positions in different industries. In the course of his career he gained international experience working in Germany, Canada, and Hong Kong.

Franz Petermann is a graduate of the Lucerne University of Applied Sciences and Arts and received a Master's degree in business administration in the UK in 2002.

### Paul Thompson

(born 1967, Canadian citizen) has been Group Vice President Wholesale for the Region North & Central America since March 2012. From March 2011 until July 2012, he served as interim CFO of Sonova Holding AG, having already been CFO of the Sonova Group from 2002 to 2004. From 1998 to 2001, Paul Thompson was CFO and later COO of Unitron Hearing Group.

Before that he worked for Ernst & Young in Canada from 1987 to 1998 – first in auditing, and then in management consulting.

Paul Thompson studied finance and business studies at the University of Waterloo, Canada. In 1992 he became a Chartered Accountant.

### Andi Vonlanthen

(born 1961, Swiss citizen) has been Group Vice President Research & Development since April 2012. He started his professional career at Phonak in 1984 in the area of product development, where he contributed significantly to a large number of technological innovations and product launches. As one of many innovations, he developed the first ever multi-microphone system for hearing instruments, which revolutionized the entire industry. From 2002 to 2004, he was Vice President R & D at Unitron. As of 2004 he was responsible for the Group System Integration function.

Andi Vonlanthen received a degree in electronic engineering at the School of Engineering (HTL) Brugg Windisch, Switzerland in 1984.

### Other activities and vested interests

Except as disclosed in the biographies of the members of the Management Board, no member of the Management Board holds any position in a governing or supervisory body of any important private or public sector organization, institution, or foundation; none holds any permanent management or consulting position with an important interest group, or any public or political office.

### Mandates outside Sonova Holding AG

According to Art. 30 of the Articles of Association, no member of the Management Board may hold more than one additional mandate in a listed company and in total no more than five additional mandates (all such mandates are subject to approval by the Board of Directors). Just as stipulated for the Board of Directors, some mandates are not subject to these limitations (see page 39).

### Management contracts

The Board of Directors and the Management Board conduct business directly and have not delegated any management tasks to companies outside the Group.

### Compensation and shareholdings

Details of Board and Management compensation are contained in the compensation report (beginning on page 50).

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## Compensation, shareholdings and loans

See: Compensation report (beginning on page 50)

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## Shareholders' participation rights

### Voting rights and representation restrictions

#### Voting rights restrictions

When exercising voting rights, no shareholder can combine, with their own and represented shares, more than 10% of the total number of shares as shown in the Commercial Register (Art. 14 para. 2 of the Articles of Association). Linked parties are considered as one person. This voting right restriction does not apply to founding shareholders. The Board of Directors may approve other exceptions if it has good reason to do so, in which case no special quorum is required.

#### Exceptions granted in the year under review

During the reporting period, no exceptions to the above-listed rules were granted.

#### Statutory rules on participation in the General Shareholders' Meeting

According to Art. 14 para. 4 of the Articles of Association, every shareholder entered in the share register with voting rights may have his shares represented by a person with written authorization from him who does not need to be a shareholder, or by the Independent Proxy. All the shares owned by a shareholder can only be represented by one person.

#### Independent Proxy and electronic voting

Andreas G. Keller was elected as the Independent Proxy by the AGM 2015 for the period until completion of the AGM 2016.

Sonova Holding AG offers shareholders the option of using an online platform and to grant proxy and provide voting instructions to the Independent Proxy electronically.

#### Statutory quorums

Resolutions and elections by the General Shareholders' Meeting require the approval of a relative majority of the votes cast, taking voting right restrictions into account, except as otherwise provided by law or the Articles of Association.

#### Convocation of the General Shareholders' Meeting

The ordinary AGM is held within six months following the close of the financial year.

Extraordinary General Shareholders' Meetings may be called as often as necessary, especially if required by law.

General Shareholders' Meetings are convened by the Board of Directors and, if necessary, by the auditors. Shareholders with voting rights, who together represent at least 10% of the share capital, may request that the Board of Directors convene an Extraordinary General Shareholders' Meeting, provided that they do so in writing and set forth the reason for the meeting.

#### Inclusion of items on the agenda

Shareholders with voting rights who represent at least 1% of the share capital may request that an item be put on the agenda for discussion by indicating the proposal or motion. Such requests must be addressed in writing to the Chairman of the Board of Directors no later than 60 days before the meeting.

#### Registration in the share register

For administrative reasons, the share register is closed approximately one week prior to the date of the General Shareholders' Meeting (the exact date is communicated in the invitation to the General Shareholders' Meeting). Admission cards and voting forms are sent to shareholders during this period. The shares can be traded at any time and are not blocked.

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## Changes of control and defense measures

### Duty to make an offer

The Articles of Association of Sonova Holding AG do not contain provisions for opting out or opting up. The result is that an investor who directly, indirectly, or in concert with third parties acquires shares in the company and, together with the shares he already possesses, thereby exceeds the 33 1/3% threshold of voting rights in the company is required to submit an offer for all shares outstanding, according to Swiss stock exchange law.

### Clauses on changes of control

In case of a change of control and a related termination of employment (double trigger), unvested equity instruments granted under the EEAP vest on a pro-rata basis only.

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## Securities trading policy

The Board of Directors maintains a policy to prevent corporate insiders from making use of confidential information. It institutes blocking periods to prevent insiders from trading in securities of Sonova Holding AG during sensitive time periods and requires pre-trading clearance for members of the Board of Directors, the Management Board, and selected employees.

## Auditors

### Duration of the mandate and term of office of the lead auditor

At the AGM on July 5, 2001, PricewaterhouseCoopers AG was elected auditor for Sonova Holding AG and the Sonova Group. At the AGM 2015, PricewaterhouseCoopers AG was re-elected for another one-year term. Sandra Boehm has served as lead auditor for the existing auditing mandate since June 18, 2013.

### Fees

PricewaterhouseCoopers charged the following fees during FY 2015/16 and 2014/15:

| 1,000 CHF              | 2015/16      | 2014/15      |
|------------------------|--------------|--------------|
| Audit services         | 1,374        | 1,311        |
| Audit-related services | 53           | 42           |
| Tax services           | 0            | 128          |
| Non-audit services     | 116          | 182          |
| <b>Total</b>           | <b>1,543</b> | <b>1,663</b> |

Audit services are defined as the standard audit work performed each year in order to issue an audit opinion on the parent company and consolidated financial statements of the Sonova Group as well as opinions on the local statutory financial accounts or statements. Also included is extra work within the audit that can only be provided by the Sonova Group auditor, such as auditing of non-recurring transactions or the implementation of new accounting policies as well as consents and comfort letters in relation to regulatory filings.

Audit-related services consist of support to the audit such as providing advice on new accounting rules; this could be provided by sources other than the auditor who signs the audit report.

Tax services consist of services in connection with compliance with tax laws.

Non-audit related services mainly consisted of consulting fees in connection with the employee shareholding program as well as acquisition related services.

The values of audit, audit-related, tax, and non-audit services are in line with ratios suggested by commonly applied good practice standards that relate to the independence of auditors. A formal policy issued by the Audit Committee is in place that regulates all non-audit assignments of the auditors.

### Informational instruments pertaining to the external audit

The external auditors report their findings semi-annually directly to the Audit Committee of the Board of Directors. In FY 2015/16, the external auditors attended 3 out of 4 Audit Committee meetings physically or by telephone conference. The Audit Committee of the Board of Directors reviews the performance, compensation, and independence of the external auditors on a regular basis. The Audit Committee reports its findings to the Board of Directors quarterly.

## Information policy

The Sonova Group pursues an open and active information policy. A governing principle of this policy is to treat all stakeholders alike and to inform them at the same time. It is our aim to inform our shareholders, employees, and business partners in the most direct, open, and transparent way possible about our strategy, our global activities, and the current state of the company.

All publications are made available to all shareholders, the media, and the stock exchange at the same time. All shareholders entered in the share register automatically receive the Summary Report, an invitation to the AGM and, on request, a copy of the Annual Report of Sonova Holding AG. Sonova uses a news service that delivers press releases to interested stakeholders.

The website of the Sonova Group [www.sonova.com](http://www.sonova.com) contains information on the company results and the financial calendar as well as current investor presentations. The Investor Relations function includes presentations of annual and interim results, investor presentations, and presentations held at other events.

More information tools, permanent sources of information, and contact addresses are shown in the back of this Annual Report.

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