

# Organizational Regulations

## Directive

Amended, restated and released by the Board of Directors of Sonova Holding AG on May 16, 2018.

Pursuant to the Articles of Association of Sonova Holding AG, the Board of Directors enacts the following Regulations<sup>1</sup>.

### Art. 1: Purpose

- a) The Sonova Holding AG Organizational Regulations (**'OrgR'**) establish a framework for enabling the relevant corporate bodies to conduct successfully Sonova's business by
  - creating a corporate environment of customer focus, cooperative spirit, and mutual trust,
  - setting out duties and authorities, and
  - meeting requirements of law and good corporate governance.
- b) The OrgR shall be interpreted such as to assign top priority to the mission of leading and developing a successful company.

### Art. 2: Scope

- a) Sonova Holding AG (**'Company'**) is the ultimate parent company of a global group of subsidiaries consolidated into its financial statements (each a **'Group Company'**, collectively with the Company, the **'Group'**) which conduct the business operations of the Company. In this function and in accordance with applicable laws and regulations, the Company is responsible for the management of the Group.
- b) These OrgR govern the organization of the Group, including the duties and authorities of the following corporate bodies and officials (**'Corporate Bodies'**):
  - the Board of Directors (**'Board'**),
  - the Committees of the Board (**'Committees'**),
  - the Chairman of the Board (**'Chairman'**),
  - the Vice-Chairman of the Board (**'Vice-Chairman'**),
  - the Chief Executive Officer (**'CEO'**),
  - the Management Board (**'MB'**),
  - the Internal Audit & Risk function, and
  - the Global Compliance function.

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<sup>1</sup> All references to the masculine apply to both the masculine and feminine, as the case may be.

## General Provisions

### Art. 3: Duty of Care and Loyalty

Members of a Corporate Body must perform their duties with the utmost due diligence and safeguard the interests of the Company in good faith at all times.

### Art. 4: Conflicts of Interest

- a) Board members shall abstain from participating in deliberations and from exercising their voting rights in matters as to which they have a conflict of interest.
- b) A Board member who has a conflict of interest which involves the Group shall disclose the nature of his interest to the Board. A conflicting interest shall mean the special interest the Board member has with respect to a transaction due to the fact that he or a related person has a financial or other interest in, or is otherwise closely linked to, the transaction, and such interest is of such significance to the Board member or a related person that it could reasonably be expected to interfere with the Board member's judgment.
- c) If a Board member is required to abstain from voting in a matter, he shall not be counted in the quorum of the meeting in question. Also, such Board member shall use best efforts to ensure that he does not receive any confidential information with respect to such transaction.
- d) Transactions between members of a Corporate Body or related persons on the one hand and the Group on the other must be carried out at 'arm's length' and be approved by the Board without participation of the member concerned. If necessary, a neutral opinion as to the legality of the transaction shall be obtained.

### Art. 5: Confidentiality

- a) Members of a Corporate Body and any further persons involved in meetings of Corporate Bodies must not disclose any facts which they learn in the execution of their function and which are not otherwise public knowledge. This duty of confidentiality extends beyond the termination of office.
- b) Members of a Corporate Body must return or destroy all business related documents or electronic data by the end of their term of office.
- c) Measures to prevent insider-dealing offences are dealt with in the 'Securities Trading Policy'.

## The Board of Directors

### Art. 6: Appointment, Mandate, Composition

- a) The members of the Board are elected by the Shareholders' Meeting.
- b) The Board shall not nominate a candidate for the Board for reelection who has completed the 70<sup>th</sup> year of age. In justified individual cases the Board may make an exemption.
- c) The Board may be composed of independent and non-independent members. The Board aims to be constituted by a majority of independent members. An independent member – personally or in association with related persons – has
  - not been a member of the MB during the 3 years preceding election of the member, and
  - no or comparatively minor business relations with the Company.

See also Sonova Holding AG 'Rules on Board Operations and Procedures'.

### **Art. 7: Constitution, Lines of Report**

- a) Except for the election of the Chairman, the Board constitutes itself by appointing the Vice-Chairman and the Secretary of the Board (**'Secretary'**) who does not need to be a member of the Board.
- b) The CEO reports to the Board represented by the Chairman.

### **Art. 8: Mandate**

- a) The Board is ultimately responsible for directing the Company and supervising and controlling its management.
- b) The Board may take decisions on all matters which are not expressly reserved to the Shareholders' Meeting or to another Corporate Body by law, the Articles of Association or these OrgR.

### **Art. 9: Duties**

- a) Pursuant to the Articles of Association, the Board has the following non-transferable and inalienable duties:
  1. managing the Company and providing the necessary direction,
  2. approving the strategy of the Company,
  3. establishing the organization and issuing management regulations,
  4. structuring the accounting and financial controlling functions as well as the financial planning,
  5. appointing and removing the persons entrusted with the management and the representation of the Company,
  6. ultimately supervising the persons entrusted with the management, also with a view to compliance with laws, the Articles of Association, and any Company regulations and directives,
  7. establishing the management report, the compensation report as well as preparing the Shareholders' Meeting and carrying out its resolutions,
  8. notifying the competent judge in case of over-indebtedness,
  9. issuing resolutions in connection with capital increases to the extent this falls within the authority of the Board according to the Swiss Code of Obligations,
  10. issuing resolutions on mergers, demergers and similar restructurings under the Swiss Merger Act, and
  11. any other matter reserved to the full Board under Swiss statutory law.
- b) In particular, the Board has the following duties and authorities:
  1. The Board determines:
    - the annual financial statements of the Company, the consolidated Group financial statements and the management report, the corresponding public communication, and the agenda for the Shareholders' Meetings,
    - the compensation report,
    - the strategic direction and the composition of the business portfolio,
    - the principles for the Company organization and the OrgR,
    - the Rules of Authorities and the signatory powers,
    - the principles regarding financial and legal transactions, risk management and compliance, and the operational management of the Company and the Group,
    - the principles and procedures of auditing,
    - the succession planning on the levels of the Board, the Committees and the CEO,
    - the general employment terms and the compensation for the Board, the CEO and the other MB members, and
    - the proposals of the Board to the Shareholders' Meeting regarding the aggregate compensation of the Board and the MB in relation to the applicable compensation reference period pursuant to the Articles of Association.

2. The Board appoints and removes:
  - the Vice-Chairman and the Secretary,
  - the members and the chairperson of the AC and the chairperson of the NCC,
  - the CEO, upon recommendation of the NCC,
  - the members of the MB, upon proposal by the CEO and recommendation of the NCC, and
  - the Head of Internal Audit & Risk, upon proposal by the AC.
  
3. The Board receives information and reports on and/or approves the following matters submitted by the CEO:
  - proposal for the strategic plan,
  - the annual budget and interim financial reports of the Group,
  - the fundamental changes in the business, such as major financial and legal transactions, business locations and technology,
  - the annual risk assessment of the Group included in the annual Risk Report,
  - the annual Compliance Report,
  - the strategically relevant legal proceedings and contractual obligations, and
  - the succession planning and development of the direct reports of the CEO.
  
4. The Board has the following ancillary duties:
  - decisions on the report concerning an increase in capital and on ascertaining capital increases and the corresponding amendments to the Articles of Association,
  - organization, management and control of the share register of the Company, and
  - examination of the special professional qualifications of the external auditors.
  
5. Matters that require Board approval:
  - for example: agreements involving certain risks such as liabilities or obligations exceeding a certain threshold; decisions to initiate or settle certain legal proceedings, etc.

The authorities and duties are specified in the Sonova Holding AG 'Rules of Authorities.'

#### **Art. 10: Board Efficiency and Effectiveness**

The following instruments shall support the Board in conducting its affairs in an efficient and effective way:

- proposal for the strategic plan,
- regular monthly reports by the CEO and the CFO,
- standard agenda of Board meetings covering annually recurring topics required by good corporate governance,
- annual self-assessment of the Board and evaluation of the Chairman,
- special mandates to Internal or External Audit, and
- retention of advisors and consultants reporting directly to the Board, including special assignments to the external auditor.

#### **Art. 11: Board Operations and Procedures**

Specific rules regarding operational and procedural matters of the Board are laid down in the Sonova Holding AG 'Rules on Board Operations and Procedures.'

#### **Art. 12: Delegation of Management**

In all respects not mentioned in these OrgR, the Board delegates the executive management of the Company to the CEO according to the provisions of the OrgR, unless the law or the Articles of Association stipulate otherwise. The details are specified in the Sonova Holding AG 'Rules of Authorities.'

## Committees of the Board

### Art. 13: Structure, References

- a) The Board forms the following Committees:
  - the Audit Committee ('AC'), and
  - the Nomination and Compensation Committee ('NCC').
- b) The Board appoints the members of the AC and the Chairperson of the AC and of the NCC, respectively. The members of the NCC are elected by the Shareholders' Meeting.
- c) The Board may constitute additional standing or *ad hoc* committees.
- d) The Sonova Holding AG Board Committee Charters set out the duties of the Committees and the Sonova Holding AG rules regarding 'Rules on Board Operations and Procedures' specify additional rules relating to the Committees.

## The Chairman of the Board

### Art. 14: Appointment, Lines of Report

- a) The Chairman is elected by the Shareholders' Meeting upon recommendation of the Board.
- b) If the office of the Chairman is vacant, the Board shall appoint a new Chairman from among its members for the remaining term of office.
- c) The Chairman represents the Board vis-à-vis the CEO.

### Art. 15: Duties

The Chairman has the following duties and authorities:

- a) to prepare, and preside over, the Shareholders' Meetings,
- b) to lead the Board in a spirit of mutual trust and cooperation,
- c) to set the agenda of Board meetings in consultation with the CEO,
- d) to represent the Company towards the shareholders and the stakeholders on behalf of the Board
- e) to prepare and chair the Board meetings,
- f) to supervise the Board's and Committees' procedures so that the Board and the Committees act in conformity with the Company's objectives, the business needs, the applicable legal and statutory requirements and the generally accepted standards of good corporate governance,
- g) to instruct the CEO on Board and Committee resolutions and to ensure their implementation,
- h) to prepare and conduct the annual self-assessment of the Board and the performance appraisal of the CEO by the Board including his employment terms, development and succession planning for him,
- i) to have access to all information and files in the Company,
- j) to secure good communication and collaboration within the Board as well as among the Board, the Committees and the MB, particularly through maintaining regular personal contact with the CEO and, if required, the MB, and
- k) to take all necessary measures in urgent cases, and notify the members of the Board immediately of any decisions taken which shall be ratified by the Board at its next meeting.

## The Vice-Chairman of the Board

### Art. 16: Appointment, Mandate

- a) The Vice-Chairman is appointed by the Board; he is selected from amongst the independent members of the Board.
- b) He is the substitute of the Chairman. Substitution takes place whenever the Chairman is not in a position to execute his function or when he explicitly delegates the chair.

### Art. 17: Duties

The Vice-Chairman has the following duties and authorities:

- a) to chair the Board meeting if the Chairman is unable to attend a meeting;
- b) to assume the chairmanship for as long as the Chairman has delegated it; and
- c) to replace the Chairman in all respects while the chairman position is vacant and until a successor has been appointed by the Board in accordance with art. 14 (b).

## The Chief Executive Officer

### Art. 18: Appointment, Lines of Report

- a) The CEO is appointed by the Board.
- b) He reports to the Board, represented by the Chairman.
- c) The direct reports of the CEO include the members of the MB and additional key executives.

### Art. 19: Duties

The CEO has the following duties and authorities:

- a) to connect the strategy of the Group with the operational management by
  - preparing the Group strategy, policies and procedures for submission to, review and approval by the Board,
  - pursuing the strategic direction defined by the Board,
  - directing the operational management of the Group, thereby balancing the short-term results and the medium and long-term developmental potential,
- b) to prepare the financial plans of the Group, particularly the annual budgets and to bear ultimate accountability for the overall financial results in line with the objectives defined by the Board,
- c) to determine the powers and duties of each member of the MB, in line with the Sonova Holding AG 'Rules of Authorities,' subject to ratification by the Board,
- d) to lead the MB and the functions reporting to the CEO in a spirit of entrepreneurial orientation, customer focus, ethical performance, mutual trust and cooperation as a team,
- e) to prepare the performance appraisal of the MB members for the NCC,
- f) to represent the Group externally vis-à-vis third parties with respect to executive management matters,
- g) to ensure adherence to and conformity with the applicable legal and statutory requirements, internal policies, regulations, and the Code of Conduct; in doing so, the CEO shall act as a role model in supporting and enforcing the principles underlying the Group's Code of Conduct.
- h) to supervise the management and to install suitable instruments of risk management and control so that the Group acts in conformity with the defined objectives, the business needs, and the measures adopted by the Board,
- i) to liaise between the management and the Board, thereby safeguarding a timely and accurate information flow to the Board,
- j) to support the Chairman in his responsibility to lead the Board and to prepare the Board meetings; and
- k) to ensure implementation of Board and Committee resolutions.

## The Management Board

### Art. 20: Composition, Appointment

- a) The MB consists of strategic key functions of the management including:
  - the Chief Financial Officer,
  - additional members, including the business leaders, according to the strategic needs and depending on the organizational set-up and as agreed by the Board.
- b) All members of the MB are proposed by the CEO and appointed by the Board upon recommendation of the NCC.
- c) The MB is chaired by the CEO.
- d) The remuneration of the members of the MB is determined by the NCC upon proposal of the CEO, subject to approval by the Shareholders' Meeting of the aggregate compensation for the MB in relation to the applicable compensation reference period pursuant to the Articles of Association.

### Art. 21: Duties

- a) The MB is the top managerial team that supports the CEO in his responsibility to direct the Group's operations.
- b) In particular, the MB has the following duties and authorities:
  - actively to participate in the processes of directing, planning and executing the business strategy,
  - to manage their respective key responsibilities in an efficient, effective and transparent way in close cooperation with the other members of the MB and on the basis of mutual trust,
  - to propose the strategic roadmap and to execute, implement and monitor it,
  - to set and demonstrate the standards for the group-wide spirit of innovation, business focus, open dialogue, close cooperation and mutual trust,
  - to identify key risks and manage risk mitigation,
  - to promote ethical conduct and demonstrate compliance with external and internal rules and regulations,
  - to be responsible for leading their respective Group functions, and
  - to prepare, implement and deliver the yearly plans and budget.

### Art. 22: Decision Making

- a) The MB members perform their duties by actively participating in the MB opinion forming process (initiation, participation, deliberation, expression of opinion).
- b) The CEO takes decisions pursuant to art. 19 on the basis of this process.

## Group Organization

### Art. 23: Structure

- a) The Group organizational structure is determined by the Board upon recommendation of the CEO.
- b) The Group Companies conduct business through functional and/or various operating companies. The Group Companies are created either for the manufacturing or distribution of certain products or brands, or for distribution in a certain country. Managing Directors of Group Companies are responsible for planning, directing and executing local business plans and actions in full compliance with applicable laws and regulations and the Group's internal rules.
- c) Each Group Company shall have a management team, led by a Managing Director and consisting of managers of the relevant functional units. The Managing Directors of the Group Companies report directly either to the CEO or to the responsible member of the MB.

#### **Art. 24: Board of Directors of Group Companies**

Composition and duties of the Board of Group Companies are governed by applicable mandatory local law. The managing director of the respective Group Company ensures compliance with applicable laws and regulations and the Group's internal rules.

### **Internal Audit & Risk and Global Compliance**

#### **Art. 25: Appointment, Reporting Line**

- a) The AC makes a proposal to the Board for the appointment of the Head of Internal Audit & Risk. The Head of Internal Audit & Risk reports to the Chairman of the AC. Administrative and personnel related matters are dealt with by the CFO.
- b) The Group General Counsel includes in his area of responsibility the Global Compliance function and is the Group's Compliance Officer. The Board confirms the appointment of the Group General Counsel. The Group General Counsel, in his capacity as Compliance Officer of the Group, has a dotted / indirect reporting line to the Chairman of the AC.

#### **Art. 26: Mandate, Duties and Authorities**

Internal Audit & Risk and Global Compliance exercise independent and objective functions within the Group. The two functions receive their mandates from the Board, generally represented by the AC. The mandate, duties and authorities of Internal Audit & Risk are defined in the 'Internal Audit & Risk Charter' as amended from time to time. The Internal Audit & Risk Charter is approved by the AC. Internal Audit & Risk and Global Compliance regularly report on their activities to the AC and the Board. The Head of Internal Audit & Risk may assume such other responsibilities as assigned to him from time to time and provided they do not jeopardize his independence.

### **Effectiveness and Amendments**

#### **Art. 27: Effectiveness and Amendments**

These OrgR may only be amended or replaced by the Board. It is also a Board matter to decide to make the OrgR available to third parties or the public.

The Chairman

  
Robert F. Spoerry

The Secretary

  
Antje Petersen Schmalnauer

## Further applicable documents

[1]	Sonova Holding AG Board Committee Charters
[2]	Internal Audit & Risk Charter
[3]	Rules of Authorities
[4]	Securities Trading Policy
[5]	Rules on Board Operations and Procedures

## Version Control

Version	Description of change / content	Written by	Approved by/on	Released by/on
2008	Revised Version	Pascal Brandenberger	Andy Rihs, Pascal Brandenberger, 14 <sup>th</sup> March 2008	Sonova Board of Directors, 14 <sup>th</sup> March 2008
2010	Revised Version	Sandra Wiedmer	Andy Rihs, Sandra Wiedmer, 3 <sup>rd</sup> May 2010	Sonova Board of Directors, 3 <sup>rd</sup> May 2010
2011	Revised Version	Patrick Buechi	Robert F. Spoerry, Patrick Buechi, 13 <sup>th</sup> June 2011	Sonova Board of Directors, 13 <sup>th</sup> June 2011
2013	Revised version to reflect changes in-line with Internal Audit, Risk & Compliance Charter	Claudia Nohr	Robert F. Spoerry, Patrick Buechi, 17 <sup>th</sup> June 2014	Sonova Board of Directors, 14 <sup>th</sup> November 2013
2014	Revised version to reflect implementation of Minder initiative	Sascha Stocker	Robert F. Spoerry, Patrick Buechi, 17 <sup>th</sup> June 2014	Sonova Board of Directors, 17 <sup>th</sup> June 2014
2018	Revised version to reflect restructuring of Global Compliance function	Antje Petersen Schmalnauer	Robert F. Spoerry, Antje Petersen Schmalnauer, May 16, 2018	Sonova Board of Directors, May 16, 2018