

Sonova Holding AG

Organizational Regulations

Directive

Released by Board of Directors of Sonova Holding AG on June 13, 2011

Pursuant to the Articles of Association of Sonova Holding AG, the Board of Directors enacts the following Regulations¹.

Art. 1 Purpose

- a) The Sonova Holding AG Organizational Regulations ('OrgR') aim to establish a framework that enables the addressed bodies to conduct Sonova's business successfully by
- creating a corporate environment of customer focus, cooperative spirit and mutual trust,
 - securing clarity regarding to duties and authorities, and
 - transforming the requirement of law and good corporate governance into practice.
- b) The OrgR should be construed in a way that the mission to lead and develop a successful company gets top priority.

Art. 2 Scope

- a) Sonova Holding AG is the ultimate parent company of a global group ('Group') of subsidiaries ('Group Companies') in charge of conducting the business operations of Sonova ('Company'). In this function and in accordance with applicable regulations, Sonova Holding AG is responsible for the management of the Company.
- b) The Regulations govern the organization of the Company 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'), and
 - the Internal Audit.

¹ 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 all 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 for which they have a conflict of interest.
- b) A Board member who has a conflicting interest, which involves the Company, shall disclose the nature of his/her 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 he/she 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 could reasonably be expected to interfere with the Board member's judgement.
- c) If a Board member is required to abstain from voting in a matter, he/she shall not be counted in the quorum of the meeting in question. Also, such Board member shall use best efforts to ensure that he/she does not receive any confidential information with respect to such transaction.
- d) Transactions between members of a Corporate Body or related persons and the Company shall be carried out at 'arm's length' and should be approved by the Board without participation of the party concerned. If necessary, a neutral opinion shall be obtained.

Art. 5 Remuneration

The compensation granted to the members of Corporate Bodies in accordance with these OrgR constitutes the total remuneration. Any additional compensation (such as exceptional consulting or compensatory fees) is subject to explicit approval by the Board.

Art. 6 Confidentiality

- a) Members of a Corporate Body and any further persons involved in meetings of Corporate Bodies are required not to divulge any facts to which they become privy in the execution of their function and which are not otherwise public knowledge. This obligation to observe 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) The measures regarding to preventing insider-dealing offences are dealt with by the 'Sonova Insider Trading Policy'.

The Board of Directors (the ‘Board’)

Art. 7 Appointment, Mandate, Composition

- a) The members of the Board are elected by the Shareholders’ Meeting.
- b) They shall automatically retire on the date of the shareholders’ meeting following their completion of the 70th year of age. In justified individual cases the Board can make an exemption.
- c) The Board may be composed of independent and dependent members, whereby a majority of independent members is strived for. An independent member – personally or in association with related persons – has
 - no shareholding in the Company of more than 3% of the share capital,
 - not held a position in the Company over the last 5 years, and
 - no major business relation with the Company.

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

Art. 8 Constitution, Lines of Report

- a) The Board constitutes itself by appointing
 - the Chairman,
 - the Vice-Chairman, and
 - the Secretary of the Board (‘Secretary’) who is not required to be a member of the Board.
- b) The CEO reports to the Board represented by the Chairman.

Art. 9 Mandate

- a) The Board has the ultimate responsibility for directing the Company and supervising and controlling the 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 the present OrgR.

Art. 10 Duties

- a) The Board has the following *non-transferable and inalienable duties* pursuant to the Articles of Association:
 1. the ultimate management of the Company and the giving of the necessary directives,
 2. the approval of the policy and the strategy of the Company,
 3. the establishment of the organization and the enactment of management regulations,
 4. the structuring of the accounting and the financial controlling as well as the financial planning,

5. the appointment and removal of the persons entrusted with the management and the representation of the Company,
 6. the ultimate supervision of the persons entrusted with the management, also with a view to compliance with laws, Articles of Association, regulations and directives,
 7. the establishment of the business report as well as the preparation of the Shareholders' Meeting and the carrying out of its resolutions,
 8. the notification of the judge in the case of over-indebtedness,
 9. 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. 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:
- ba) The Board *determines*:
- the annual financial statements and the annual reports of the Group and of Sonova Holding AG, the corresponding public communication and the agenda for the shareholders' meetings,
 - 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 operational management of the Company,
 - the principles and procedures of auditing,
 - the succession planning on the level of the Board, the Committees and the CEO,
 - the general remuneration scheme for the Board and MB members, and
 - the remuneration of the members of the Board, as well as the employment terms and remuneration of the CEO.

The Board may ask a Committee or the CEO to make a proposal.

- bb) The Board declares *appointments and removals* of:
- the Chairman, the Vice-Chairman and the Secretary,
 - the members and the chairpersons of the Committees,
 - the CEO and the members of the MB upon proposal by the NCC, and
 - the Head of Internal Audit upon proposal by the Audit Committee.
- bc) The Board receives *information and reports* and/or *approves* the following matters submitted by the CEO:
- 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 strategically relevant legal proceedings and contractual obligations, and
- the succession planning and development of the direct reports of the CEO.

bd) The Board has following *ancillary duties*:

- decisions on the report concerning an increase in capital and on the ascertainment of 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.

be) 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. 11 Board Efficiency and Effectiveness

The following tools aim at supporting an efficient and effective work of the Board:

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

Art. 12 Board Operations and Procedures

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

Art. 13 Delegation of Management

In all respects not mentioned in these regulations, the Board delegates its powers 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 ('Committees')

Art. 14 Structure, References

- a) The Board forms the following Committees:
- the Audit Committee ('AC'), and
 - the Nomination and Compensation Committee ('NCC').
- b) The Board may constitute additional standing or ad hoc Committees.
- c) The Sonova Holding AG Board Committee Charters show the duties of the Committees and the Sonova Holding AG Rules on Board Operations and Procedures specify additional rules relating to the Committees.

The Chairman of the Board ('Chairman')

Art. 15 Appointment, Lines of Report

- a) The Chairman is appointed by the Board.
- b) The Chairman represents the Board in the function as superior body of the CEO. Moreover, the Chairman's Office (including the Secretary) reports directly to the Chairman.

Art. 16 Duties

The Chairman has the following duties and authorities:

- a) to prepare and preside the shareholders' meetings,
- b) to lead the Board in a spirit of mutual trust and cooperation,
- c) in line with the powers vested in the Board, to explore and supervise the strategic direction of the Company so that its sustainable development is optimized and the justified interests of the key stakeholders are safeguarded,
- d) to represent the Company towards the shareholders and the stakeholders on the Board level,
- e) to prepare and chair the Board meetings or to delegate the chair to the Vice-Chairman,
- f) to supervise the Board's and Committees' procedures so that the Board acts 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 implementation,
- h) to prepare and conduct the annual self-assessment of the Board and the performance appraisal by the Board of the CEO including employment terms, development and succession planning,
- 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 between the Board, the Committees and the executive management, particularly through maintaining regular personal contact with the CEO and, if required, the MB, and
- k) to take all necessary measures in urgent cases, thereby notifying the members of the Board immediately of the decision which shall be ratified by the Board at its subsequent meeting.

The Vice-Chairman of the Board ('Vice-Chairman')

Art. 17 Appointment, Mandate

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

Art. 18 Duties

The Vice-Chairman has the following duties and authorities:

- a) to chair the meetings of the Board as delegated by the Chairman, and
- b) to prepare and lead the process for annually evaluating the Chairman (s. also Sonova Holding AG Rules on Board Operations and Procedures).

The Chief Executive Officer ('CEO')

Art. 19 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. 20 Duties

The CEO has the following duties and authorities:

- a) to connect the strategy of the Company with the operational management by
 - preparing the Company strategy, policies and procedures for the submission to and approval by the Board,
 - pursuing the strategic direction defined by the Board,
 - directing the operational management of the Company, thereby balancing the short-term results and the medium- and long-term developmental potential,
- b) to prepare the financial plans of the Company, 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, mutual trust and cooperation as a team,
- e) to prepare the performance appraisal of the MB members for the NCC,
- f) to represent the Company towards outside bodies in accordance with the corresponding duties of the Chairman,
- 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 sets a personal example in advocating the Code of Conduct. The CEO supervises the management and installs suitable instruments of control so that the Company acts in conformity with the defined objectives, the business needs and the measures adopted by the Board,
- h) to liaise between the management and the Board, thereby safeguarding timely and concise information of the Board,
- i) to support the Chairman in his responsibility to lead the Board and to prepare the Board meetings, and
- j) to ensure implementation of Board and Committees resolutions.

The Management Board ('MB')

Art. 21 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 upon by the Board.
- b) All members of the MB are proposed by the CEO and appointed by the Board upon request 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.

Art. 22 Duties

- a) The MB is the top managerial team that supports the CEO in his responsibility to direct the Company's operations.
- b) In particular, the MB has the following duties and authorities:
- to actively participate in the processes of directing, planning and execution of the business strategy,
 - to manage their key responsibilities in an efficient and effective way in close cooperation with the other members of the MB, in a transparent way and on the basis of mutual trust,
 - to make a proposal for 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 be responsible for leading their respective Group functions, and
 - to prepare, implement and deliver the yearly plans and budget.

Art. 23 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 his resolutions pursuant to art. 20 on the basis of this process.

Group Organization

Art. 24 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 companies are created either for the manufacturing or distribution of certain products or brands, or for distribution in a certain country. Managing Directors of local companies are responsible for the planning, directing and execution of local business plans and actions.
- c) All Group companies have a management team, led by the Managing Director and consisting of managers of the relevant functional units. The Managing Directors of the local companies report directly either to the CEO or to the responsible member of the MB.

Art. 25 Board of Directors of Local Companies

Composition and duties of the Board of Local Companies are governed by applicable mandatory local law. The managing director of the Local Companies ensures compliance with local laws and regulations.

Internal Audit

Art. 26 Appointment, Line of Report

- a) The AC makes a proposal to the Board for the appointment of the Head of Internal Audit.
- b) The Head of Internal Audit reports to the Chairman of the AC. Administrative and personnel related matters are dealt with by the CFO.

Art. 27 Mandate

- a) Internal Audit exercises an independent and objective function established within the Company. All Corporate Bodies and organizational units are subject to audit.
- b) Internal Audit receives the mandates from the AC, generally represented by the Chairman or the AC.
- c) Internal Audit submits the audit reports to the Chairman, the members of the AC, the CEO and CFO. Any unusual major observations should be reported immediately.
- d) Within the framework of his independent position the Head of Internal Audit seeks input from the CEO and conducts additional assignments initiated by the CEO as far as the mandates on behalf of the Board allow him sufficient time.

Art. 28 Duties, Authorities

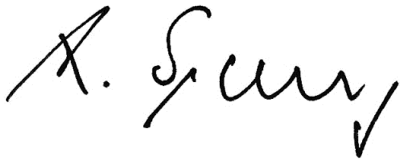
- a) Internal Audit supports management and assists the Board in the risk identification process and the establishment of appropriate policies, systems and control procedures necessary to manage risks and compliance effectively and efficiently. Management is responsible for the control of business risks and for compliance with law, corporate governance and internal regulations. Internal Audit is not responsible for and has no authority over the activities reviewed.
- b) In particular, Internal Audit
 - carries out financial, operational and system audits,
 - assesses the efficiency of internal control procedures and processes for identifying and controlling risks and compliance deficits, and
 - prepares audit reports regarding the audits it has performed.
- c) Internal Audit has unrestricted access to all records, personnel and premises of the Company relevant to the performance of an audit.

Effectiveness and Amendments

Art. 29 Effectiveness and Amendments

- a) These OrgR are effective June 13, 2011. They replace the OrgR dated May 3, 2010.
- b) These Regulations may only be amended or replaced by the Board. It is also a Board matter to decide to make the OrgR available to 3rd persons or the public.

The Chairman:



Robert F. Spoerry

The Secretary:



Patrick Büchi