

## Sonova Holding AG Board Committee Charters

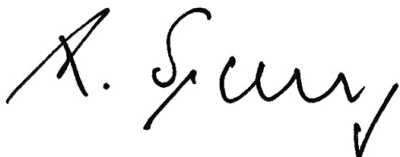
### Directive

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

### Audit Committee ('AC') Nomination and Compensation Committee ('NCC')

- a) These charters are effective June 13, 2011. They replace the charters dated March 14, 2008.
- b) These charters may only be amended or replaced by the Board. It is also a Board matter to decide to make the charters available to 3<sup>rd</sup> persons or the public.

The Chairman:



Robert F. Spoerry

The Secretary:



Patrick Büchi

# Audit Committee Charter

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

## **Art. 1 Purpose**

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The Audit Committee ("AC") reviews on behalf of the Board the work and effectiveness of the external and the internal audit, evaluates the financial control, the financial structure and risk measurement mechanisms of the Company and reviews the interim and annual financial accounts of the Company.

## **Art. 2 Appointment and Composition**

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The members and the Chairman of the AC are appointed by the Board.

The Committee consists of at least three members. All members are independent Board members (s. OrgR) who are, in the opinion of the Board, free from any relationship that would interfere with the exercise of independent judgment as a member of the AC.

The majority, including the Chairman of the AC, should be financially literate.

The Secretary shall be the secretary of the AC.

## **Art. 3 Meetings**

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The AC meets regularly, at least four times per year.

The Chairman of the AC may invite other persons to attend the meetings; as a rule, the Chairman, the CEO, the CFO and the Head of Internal Audit should attend.

At least once a year, the AC meets with the Head of Internal Audit and the audit partner in charge of the External Audit, without other representatives of the Company present.

## **Art. 4 Reporting**

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The AC reports on its activities and findings to the Board.

The overall responsibility for the duties delegated to the AC remains with the Board.

## **Art. 5 Reporting Line**

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The Head of Internal Audit reports to the Chairman of the AC (s. OrgR).

## Art. 6 Duties and Authorities

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- a) Regarding the *external audit*:
- to recommend the nomination of the external auditor to the Board,
  - to approve the fees of the external auditor for the external audit of the published accounts,
  - to evaluate and confirm the independence of the external auditor. For this, it receives a report from the external auditor on the other services rendered to the Company outside the audit of the published accounts,
  - to review the report of the external auditor on the annual financial statements and the management letters issued in this respect,
  - to conduct a separate meeting with the external auditors without company management,
  - to review any other reports of the external auditor on financial statements, particularly where such an audit report is required in the context of capital market transaction, and
  - to form an impression of the mutual cooperation between External and Internal audit.
- b) Regarding the *Internal Audit* (s. also OrgR):
- to recommend the appointment of the Head of Internal Audit,
  - to approve the Sonova Internal Audit Charter,
  - to approve the annual work plan and the budget of Internal Audit,
  - to entrust Internal Audit with specific mandates, and
  - to review the reports of the Internal Audit.
- c) Regarding *compliance* with rules and regulations on financial reporting:
- to review compliance with applicable laws and regulations of filings with stock exchange regulators, and
  - to be periodically informed about legal, tax and regulatory matters with potentially significant impact on financial accounting and reporting.
- d) Regarding the risk measurement and management process:
- to define the principles for the Group Risk Management Policy and to propose them to the Board,
  - to review on behalf of the Board the process established to identify the significant business exposures and risks,
  - to review whether the identified exposures and risks are adequately reflected (or disclosed) in the published financial statements,
  - to review the Annual Risk Management Report and to make recommendations to the Board,

- to review whether the identified exposures and risks receive adequate audit coverage,
  - to review whether the identified exposures and risks receive adequate insurance coverage, monitoring or other mitigating measures, and
    - to review legal controls, including information about major pending lawsuits and lawsuits to be expected.
- e) Regarding the interim and annual published *financial statements*:
- to review the published interim and annual financial statements, focusing particularly on
    - compliance with accounting standards,
    - major judgment areas,
    - changes in accounting policies, and
    - other issues brought to the attention of the AC by the external auditor, the CFO or others.
- f) Regarding the adequacy of the *financial reporting process*:
- to review periodically the integrity of the Group's financial reporting processes, both internal and external,
  - to consider the external auditor's judgment about the quality and appropriateness of the Group's accounting principles as applied in its financial reporting, particularly the degree of aggressiveness or conservatism of the accounting principles and underlying estimates applied,
  - to review significant financial reporting issues, and
  - to review the appropriateness of changes in accounting principles and the correct adoption of new accounting standards.
- g) Regarding financing and capital structure:
- to review periodically significant financial policies and the Group's capital structure, focusing particularly on
    - treasury and cash management (including changes in stock of treasury shares),
    - currency exposure,
    - pension plan management, in particular to review in detail the pension plan of the Swiss Group Companies of Sonova Holding AG, and
    - tax planning.
- h) Regarding the performance appraisal of the CFO:
- to provide input to the NCC's performance appraisal of the CFO.
- i) Regarding the Committee's effectiveness:
- to investigate any activity necessary to perform its defined duties; it is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the AC,

- to obtain outside legal or independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, and
- to perform any other responsibilities delegated to the AC by the Board.

The current allocation of the specific topics to the meeting schedule is set out in a separate schedule which can be revised by the Chairman of the AC at any time.

## **Art. 7 CEO/CFO Report to the AC**

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Once a year, before approval of the annual accounts, the CEO and the CFO prepare a report to the AC stating their evaluation of the effectiveness of internal control mechanisms and the true and fair view of the financial statements.

## **Art. 8 Annual Review, Amendments**

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Annually, the AC reviews the adequacy of this charter, its work plan and the priorities to be set for the following year.

Amendments of this Charter are determined by the Board upon recommendation of the AC.

# Nomination and Compensation Committee Charter

Released by Board of Directors of Sonova Holding AG on [Date], 2011

## **Art. 1 Purpose**

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The Nomination and Compensation Committee ("NCC") supports the mission of the Board to attract, retain and motivate persons with outstanding professional and human capabilities on the level of the Board and the top management. The Committee evaluates and nominates candidates as assigned by the Board, reviews the compensation policy and employment arrangements and supports the Board in all important personnel related matters.

## **Art. 2 Appointment and Composition**

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The members and the Chairman of the NCC are appointed by the Board.

The Committee consists of the Chairman of the Board and at least two independent Board members.

The Secretary shall be the secretary of the NCC.

## **Art. 3 Meetings**

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The NCC meets regularly, at least three times per year.

The Chairman of the NCC may invite other persons to attend the meetings. As a rule, for matters involving members of the top management or other Company employees, the CEO should attend.

## **Art. 4 Reporting**

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The NCC reports on its activities, findings and proposals to the Board.

The overall responsibility for the duties delegated to the NCC remains with the Board.

## **Art. 5 Duties and Authorities**

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- a) Regarding appointments and removals:
- following the annual self-assessment of the Board, the Board may assign the NCC to take appropriate action, and
  - to coordinate the process of nominating candidates for the Board as required by the Board.
- b) Regarding remuneration and employment:
- to prepare a general remuneration scheme for the Board and MB members subject to approval by the Board,

- to propose to the Board the remuneration and the form and amount of equity instruments to be granted to the Board members,
  - to propose the remuneration and employment terms including also the incentive scheme of the CEO to the Board,
  - to propose to the Board the variable compensation payment to the CEO according to the employment terms,
  - to approve, upon recommendation of the CEO, the remuneration, including the incentives (e.g. form and amount of equity instruments and variable compensation payments) of the direct reports of the CEO, and to approve the annual total amount of equity instruments, granted in line with the Executive Equity Award Plan,
  - to review, amend and approve the performance appraisal of the MB members prepared by the CEO, and
  - to examine and interview candidates for the MB proposed by the CEO and to propose suitable candidates to the Board.
- c) Regarding the Committee's effectiveness:
- to have at its discretion direct access to the Head of Human Resources,
  - to obtain outside professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, and
  - to perform any other responsibilities delegated to the NCC by the Board.

## **Art. 6            Nomination Procedure**

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As a rule, the procedure for nominating candidates on the level of the Board includes the following steps:

- to define the position profile and the key personal requirements,
- to collect information on potentially suitable candidates,
- to compile a long list of candidates and to reduce it through a first interview round with the Chairman of the Board and the CEO,
- to interview the potentially suitable candidates by the members of the NCC, and
- to submit the proposal for the final candidate(s) to the Board and to provide the opportunity to interview the candidates by the members of the Board.

If an external advisor is engaged, he or she will be subject to careful guidance and supervision by the competent body according to the above mentioned milestones.

The lead of the Nomination Procedure can be delegated to a Board member, who is not required to be a member of the NCC.

## **Art. 7 Annual Review, Amendments**

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Annually, the NCC reviews the adequacy of this Charter, its work plan and the priorities to be set for the following year as well as the general remuneration scheme for the Board and MB members.

Amendments of this Charter are determined by the Board upon recommendation of the NCC.

## **Art. 8 Recurring Tasks**

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The below list of recurring tasks is not exhaustive and not binding. It shall serve the NCC as a guideline when establishing the agenda for the NCC meetings. The allocation of the recurring tasks to the respective meetings of the NCC is set out in a separate schedule which can be revised by the Chairman of the NCC at any time.

- Preparation of a proposal to the Board regarding the variable compensation payment of the CEO according to the employment terms,
- approval, upon recommendation of the CEO, of the variable compensation payments of the MB members and other specifically defined direct reports of the CEO,
- preparation of a proposal to the Board regarding the remuneration and the form and amount of equity instruments to be granted to the Board members,
- approval of the Executive Equity Award Plan,
- review of NCC charter and modus operandi of the Committee,
- proposal to the Board regarding the remuneration and employment terms including also the incentive scheme of the CEO,
- approval, upon recommendation of the CEO, of the remuneration of the direct reports of the CEO,
- approval, upon recommendation of the CEO, of the actual amount of equity instruments to the individual direct reports of the CEO, granted in line with the Executive Equity Award Plan, and
- preparation of a proposal to the Board regarding the annual total amount of equity instruments, granted in line with the Executive Equity Award Plan.