

Organizational Regulations

Directive

Released by the Board of Directors of Sonova Holding AG on June 17, 2014 and amended on August 27, 2015.

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'),
 - Internal Audit & Risk, and,
 - Corporate Compliance.

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 judgment.
- 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: 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 to prevent insider-dealing offences are dealt with by the 'Securities Trading Policy'.

The Board of Directors (the 'Board')

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 who has completed 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

- not been a member of the executive management over the last 3 years, and
- no or comparatively minor business relation 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 is not required to be a member of the Board.
- b) The CEO reports to the Board represented by the Chairman.

Art. 8: 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. 9: 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 management report, the compensation 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 of Sonova Holding AG, 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,
 - the principles and procedures of auditing,
 - the succession planning on the level of the Board, the Committees and the CEO,
 - the general employment terms and compensation for the Board and MB members,
 - the proposals of the Board to the Shareholders' Meeting regarding the compensation of the Board and the MB in relation to the applicable compensation reference period pursuant to the Articles of Association, and
 - the compensation of the members of the Board, as well as the employment terms and compensation 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 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,
 - the Head of Internal Audit & Risk upon proposal by the AC, and
 - the Group Compliance Manager upon proposal by the AC.
- bc) The Board receives information and reports 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.
- 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. 10: Board Efficiency and Effectiveness

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

- proposal for the strategic plan,
- regular monthly report by the CEO and the CFO,

- 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. 11: 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. 12: 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. 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 Chairman of the AC and of the NCC. 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 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. 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 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, if required,
- e) to prepare and chair the Board meetings,
- 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. 16: 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. 17: Duties

The Vice-Chairman has the following duties and authorities:

- a) to chair the meetings of the Board if the Chairman is unable to attend the meetings.

The Chief Executive Officer ('CEO')

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 Company with the operational management by

- preparing the Company strategy, policies and procedures for the submission to, review 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 externally vis-à-vis third parties,
 - 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 risk management and 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. 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 upon 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 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 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 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 his resolutions pursuant to art. 20 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 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. 24: 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 & Risk

Art. 25: Appointment, Line of Report

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

Art. 26: Mandate, Duties and Authorities

Internal Audit & Risk exercise independent and objective functions established within the Sonova Group. The 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. The Internal Audit & Risk Charter is approved by the AC. Internal Audit & Risk 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 that they do not jeopardize his independence.

Compliance

Art. 27: Corporate Compliance Program

The Group has established and maintains a Corporate Compliance Program which is designed to ensure compliance of the Group with all relevant laws and regulations and to further ethical conduct across all levels of the organization. The Corporate Compliance Program is led and administered by the Group Compliance Manager. The Group Compliance Manager reports to the General Counsel and, indirectly, to the Chairman of the AC. The AC and the Board are regularly updated on the activities under the Corporate Compliance Program.

Effectiveness and Amendments

Art. 28: Effectiveness and Amendments

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. Sperry

The Secretary



Patrick Büchi

Further applicable documents

[1]	Sonova Holding AG Board Committee Charters
[2]	Internal Audit & Risk Charter

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 th March 2008	Sonova Board of Directors, 14 th March 2008
2010	Revised Version	Sandra Wiedmer	Andy Rihs, Sandra Wiedmer, 3 rd May 2010	Sonova Board of Directors, 3 rd May 2010
2011	Revised Version	Patrick Buechi	Robert F. Spoerry, Patrick Buechi, 13 th June 2011	Sonova Board of Directors, 13 th June 2011
2013	Revised version to reflect changes in-line with Internal Audit, Risk & Compliance Charter	Claudia Nohr	Robert F. Spoerry, Patrick Buechi, 17 th June 2014	Sonova Board of Directors, 14 th November 2013
2014	Revised version to reflect implementation of Minder initiative	Sascha Stocker	Robert F. Spoerry, Patrick Buechi, 17 th June 2014	Sonova Board of Directors, 17 th June 2014
2015	Revised version to reflect changes in responsibility for Compliance	Claudia Nohr	Robert F. Spoerry, Michael Jacobi, 27 th August 2015	Sonova Board of Directors, effective 1 st of October 2015