
Compensation report

Sonova is all about people: the value and success of our company strongly depend on our employees. We therefore aim to attract and retain the best talent available in a highly competitive global employment market. As custodians of shareholders' equity, we take very seriously our responsibility to uphold a transparent and sustainable approach to compensation.

The compensation report provides an overview of Sonova's principles and system of compensation, its key components, as well as information about the method of determining compensation of the members of the Board of Directors and the Management Board. It also describes which bodies are responsible for the design of compensation plans, the approval framework, and the implementation process. The report provides important and relevant information to be considered by the shareholders when making their decision with regard to the votes on the maximum aggregate total compensation of the Board of Directors and the Management Board that will be submitted to the 2016 Annual General Shareholders' Meeting for approval. The abbreviations are summarized in a glossary table at the end of the compensation report.

The report is structured as follows:

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Report of the statutory auditor on the compensation report

1. Introduction by the Chairman of the Nomination and Compensation Committee

Dear Shareholders

The purpose of our compensation system is to attract, motivate, and retain employees; to inspire best-in-class performance; and to encourage behavior aligned with Sonova's values. We are keen to ensure that our compensation principles properly reward performance and stay closely aligned with the interests of our shareholders.

Over the past years, we have developed and implemented an attractive, effective, and sustainable compensation system. We focused our efforts on compliance and the alignment of all compensation-related rules and regulations with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies at Public Corporations, which came into force during the 2014/15 financial year. Among other actions, we implemented claw-back and forfeiture provisions in the Management Board employment agreements and introduced a performance criterion in the Executive Equity Award Plan (EEAP) for members of the Management Board.

In the 2015/16 financial year, we have continued to review our compensation system. We concluded that, while no further changes to the compensation system seem necessary at this stage, we would like to enhance our compensation disclosure so that our shareholders can better assess the link between performance and pay. Looking ahead, we will proactively review and refine our compensation system to respond to the evolving business and regulatory environment, and to continue to create value for all our stakeholders – our customers, employees, and shareholders.

At the 2016 Annual General Shareholders' Meeting, you will have the opportunity to express your opinion on our compensation principles and system by way of a consultative vote on this compensation report. We will also ask for your approval of the maximum aggregate total compensation amounts to be awarded to the Board of Directors for the period from the 2016 Annual General Shareholders' Meeting until the 2017 Annual General Shareholders' Meeting, and to the Management Board for the 2017/18 financial year.

On behalf of the Board of Directors, I would like to thank you for your continued support. We hope that you find this report informative and are confident that our compensation system rewards for performance in a balanced and sustainable manner, and aligns well with the shareholders' interest.

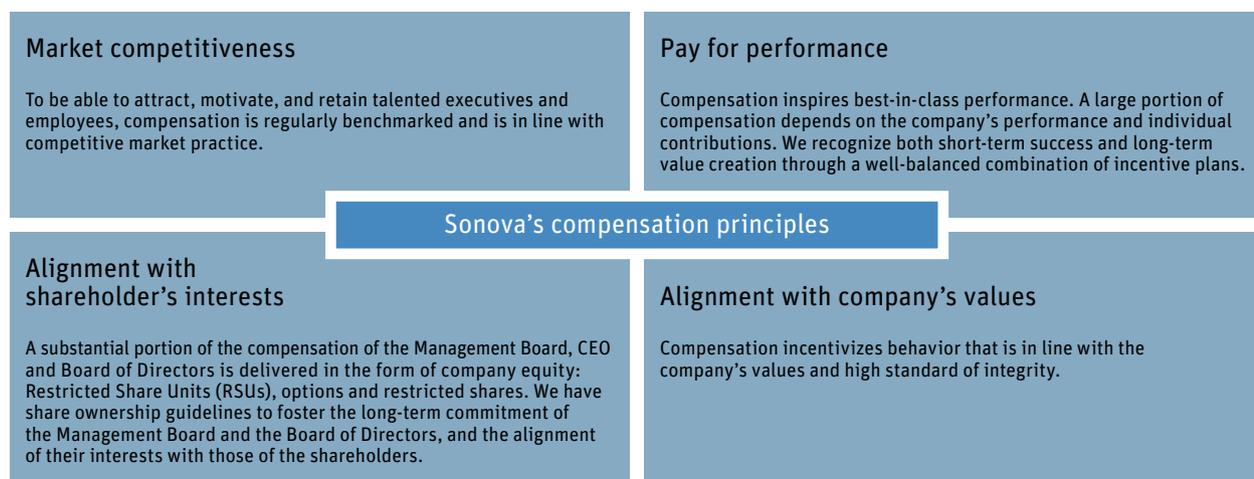
Yours sincerely



Robert Spoerry
Chairman of the Nomination and Compensation Committee

2. Compensation policy and principles

To assure Sonova's success and to maintain its position as leading manufacturer and provider of innovative hearing care, it is key to attract, develop, and retain the best talents available in the market. Sonova's compensation system is designed to support this fundamental objective and is based on the following principles:



The compensation of the Board of Directors consists of fixed compensation only, paid partly in cash and partly in the form of non-discounted restricted shares. The independence of the Board of Directors in its supervisory function is reinforced by the fact that no performance-related compensation is awarded.

The compensation of the Management Board consists of fixed and variable compensation components. The fixed base salary and benefits form the fixed components and are determined based on current market practice.

Variable compensation consists of a short-term cash incentive award and a long-term equity incentive award, which are both based on performance:

- The short-term cash incentive award is awarded under Sonova's Variable Cash Compensation plan (VCC), which is based on Sonova's key performance indicators (KPIs), such as sales, operating profit before acquisition-related amortization (EBITA), free cash flow (FCF), earnings per share (EPS), average sales price (ASP), and operating expenses (OPEX) at Group and/or business unit level. It additionally reflects the achievement of individual objectives as defined in the annual performance review process. Therefore, the VCC rewards both the company's success and individual performance over a one-year period.
- The long-term equity incentive award includes the grant of Restricted Share Units (RSUs) and options under Sonova's Executive Equity Award Plan (EEAP), for which the vesting is dependent on the return on capital employed (ROCE) performance. The EEAP reinforces the alignment between compensation and the company's sustainable long-term performance. It also aligns the interests of the Management Board with those of shareholders, and fosters the long-term retention of the Management Board.

To avoid compensation for inappropriate risk taking or short-term profit maximization at the expense of the long-term health of the company, a cap applies on the VCC cash payout and on the number of equity awards that can vest under the EEAP. Finally, Sonova has mandatory share ownership guidelines in place for members of the Board of Directors and the Management Board. These guidelines require them to hold a minimum number of Sonova shares and thus reinforce the alignment between the interests of shareholders, the Board of Directors and the Management Board.

3. Organization, competencies and method of determining compensation

3.1 Governance and shareholders' involvement

Authority for decisions related to compensation is governed by the Articles of Association.

The prospective maximum aggregate total compensation amounts to be awarded to the Board of Directors and the Management Board are subject to a yearly binding shareholders' vote at the Annual General Shareholders' Meeting. Sonova intends to continue to submit yearly the compensation report to a consultative shareholders' vote at the Annual General Shareholders' Meeting, so that shareholders have an opportunity to express their opinion about the compensation of the previous financial year.

3.2 Nomination and Compensation Committee

As determined in the Articles of Association, the Organizational Regulations, and the Nomination and Compensation Committee Charter of Sonova Holding AG, the Nomination and Compensation Committee (NCC) supports the Board of Directors in the fulfillment of its duties and responsibilities in the area of compensation and personnel related matters. Its tasks and responsibilities include, among others:

- Periodical review of Sonova's compensation principles
- Regular benchmark reviews on compensation of the members of the Board of Directors (including Chairman), the Chief Executive Officer (CEO), and the other members of the Management Board
- Yearly review of the individual compensation of the CEO and of the other members of the Management Board
- Review, amendment, and approval of the performance appraisal of the members of the Management Board (prepared by the CEO) and of the CEO (prepared by the Chairman of the Board of Directors)
- Preparation of the compensation report
- Selection and nomination of candidates for the membership of the Management Board as proposed by the CEO, and pre-selection of suitable candidates to the Board of Directors

APPROVAL AND AUTHORITY LEVELS ON COMPENSATION MATTERS:

DECISION ON	CEO	NCC	BOARD OF DIRECTORS	AGM
Compensation principles and system for the Board of Directors and Management Board within the framework of the Articles of Association		proposes	approves	
Maximum aggregate amount of compensation for the Board of Directors and the Management Board to be submitted to shareholders' vote		proposes	reviews and proposes to AGM	binding vote
Individual compensation, including cash components and shares, to be granted to the members of the Board of Directors*		proposes	approves	
Individual compensation, including fixed base salary, variable cash compensation and long-term equity incentives, of the CEO*		proposes	approves	
Employment terms of the CEO*		proposes	approves	
Individual compensation, including fixed base salary, variable cash compensation and long-term equity incentives, of the Management Board (excluding CEO)*	recommends	proposes	approves	
Annual total aggregate amount of long-term equity incentives to be granted to all other eligible employees		proposes	approves	
Compensation report		proposes	approves	consultative vote

* within the framework of the Article of Association and /or maximum aggregate amount of compensation approved by the Annual General Shareholders' Meeting.

The NCC consists exclusively of independent and non-executive members of the Board of Directors, who are elected individually and annually by the Annual General Shareholders' Meeting. For the period under review, the NCC consisted of Robert F. Spoerry (Chairman), John J. Zei, and Beat Hess.

The NCC meets as often as business requires but at least three times per year. In the 2015/16 financial year, it held four meetings including, among others, the following pre-defined recurring agenda items:

ITEM	MAY BEGINNING OF THE FINANCIAL YEAR	AUGUST	NOVEMBER	FEBRUARY END OF THE FINANCIAL YEAR
Compensation policy & process		– Review of compensation policy and programs	– Preview salary review for the following financial year – Approval of EEAP grant size and plan regulations	– Reconfirmation of EEAP target group for the following financial year – Target compensation review for the following financial year
Management Board (MB) matters	– Approval of actual payout under VCC for CEO and MB for the previous financial year – Approval of EEAP performance hurdle – Approval of individual targets for CEO and MB – Diversity at Sonova – Special ad hoc items*	– Special ad hoc items*	– Review of talent management at Sonova (MB covered in the full BoD) – Regular Benchmark of MB compensation – Special ad hoc items*	– Option valuation – EEAP grant review – Special ad hoc items*
Board of Directors (BoD) matters			– Regular Benchmark of BoD compensation	
Governance	– AGM preparation – Approval of the corporate governance, compensation report and the compensation part of the AGM invitation – Approval of the maximum aggregate amount of compensation of the MB and the BoD – Status of Share Ownership	– Review of feedback on compensation report – Self assessment of NCC		– Review draft compensation report – Agenda NCC for the following financial year

* Special ad hoc items such as personnel changes at executive level, if applicable.

As a general rule, the Chairman of the Board of Directors, the CEO, and the Group Vice President Corporate Human Resource Management and Corporate Communications participate in the meetings of the NCC. However, they do not take part in the section of the meetings where their own performance and /or compensation is discussed.

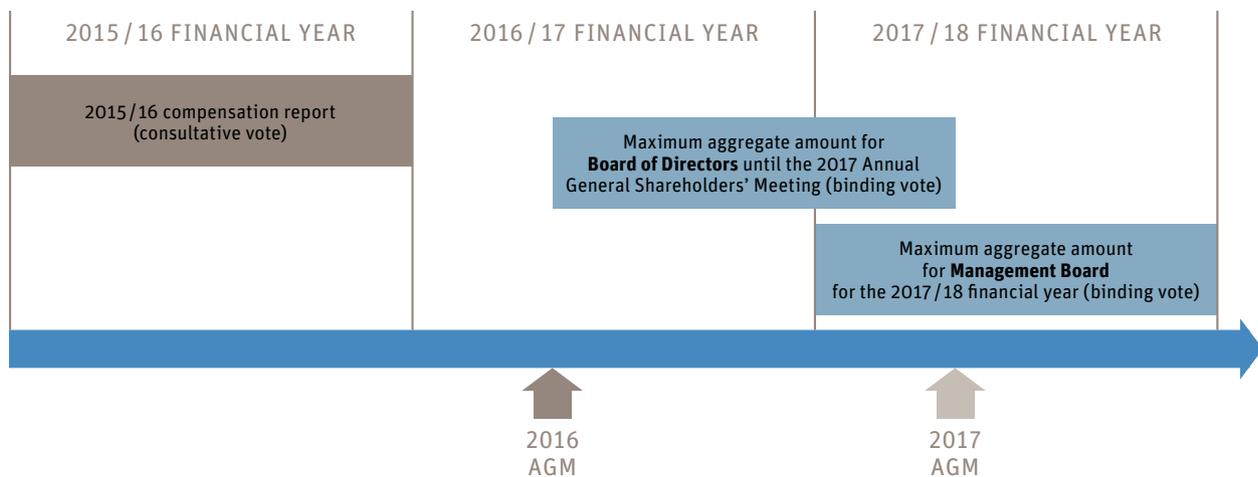
There is a closed session (without participation of any executive or guest) after each NCC meeting. The Chairman of the NCC reports to the Board of Directors on its activities and recommendations after each meeting and the minutes of the meetings are available to the full Board of Directors.

3.3 Shareholder involvement

Over the past several years Sonova has engaged in ongoing dialog with shareholders and shareholders' representatives and has made significant efforts to continuously improve its compensation disclosure, both in terms of transparency and level of detail provided about its principles and system of compensation. The positive outcome of the consultative votes in recent years indicates that shareholders welcome this approach. Sonova intends to continue

to submit the compensation report to a consultative shareholders' vote at the Annual General Shareholders' Meeting, so that shareholders have an opportunity to express their opinion about the compensation principles and systems.

In addition, as required by the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance), shareholders are asked to annually approve the amounts of compensation of the Board of Directors and of the Management Board in binding prospective votes at the Annual General Shareholders' Meeting. The provisions of the Articles of Association foresee that shareholders will vote prospectively on the maximum aggregate total compensation amount for the Board of Directors for the period until the next ordinary Annual General Shareholders' Meeting and for the Management Board for the following financial year.



Matters to be voted on at the 2016 Annual General Shareholders' Meeting:

The maximum aggregate total compensation amount for the Board of Directors comprises the following components, all of which are fixed: a cash retainer, a committee fee (if applicable), a meeting attendance fee, as well as a travel allowance, based on the number of meetings attended. In addition, members of the Board of Directors receive non-discounted shares with a restriction period of 5 years and 4 months (Chairman) or 4 years and 4 months (all other members of the Board of Directors). There is no performance-related compensation for the Board of Directors and no eligibility to participate in the occupational pension plan.

The compensation of members of the Board of Directors is subject to regular social security contributions (AHV/ALV) (see chapter 4.2 for more information).

The maximum aggregate total compensation amount for the Management Board (including the CEO) comprises:

Fixed compensation components:

- Fixed base salary, value of benefits, employer's contributions into Sonova's pension plan, and estimated employer's social security contributions (AHV/ALV).

Variable compensation components:

- Short-term cash incentive award (VCC): maximum possible payout under the VCC should the achievement of all performance objectives reach the cap.
- Long-term equity incentive award (EEAP): maximum value of the equity awards at grant (options and RSUs), assuming that the achievement of the performance criterion reaches the cap.

Therefore, the maximum aggregate total compensation amount submitted to shareholders' vote is potentially much higher than the amount of total compensation that will be effectively paid out to the members of the Management Board based on the performance achieved. The amount effectively paid out will be disclosed in the compensation report of the respective financial year, which will be subject to a consultative shareholders' vote.

We are convinced that the binding prospective votes on aggregate total compensation amounts, combined with a consultative retrospective vote on the compensation report, provide our shareholders with a far-reaching "say-on-pay."

Articles of Association

As required by the Ordinance, the Articles of Association were revised in 2014 and approved by the shareholders at the 2014 Annual General Shareholder' Meeting. The Articles of Association include the following provisions on compensation:

- Powers and duties (Art. 24)
- Approval of compensation by the General Shareholders' Meeting (Art. 26)
- Additional reserve amount for changes in the Management Board (Art. 27)
- General compensation principles (Art. 28)
- Maximum consideration for non-competition agreement (Art. 29 para.3)
- Prohibition on loans (Art. 31)

The Articles of Association are available in their entirety online:
www.sonova.com/en/investors/articles-association

3.4 Process of determination of compensation

Benchmarks and external consultants

Sonova regularly reviews the total compensation of members of the Management Board, comparing data from executive surveys and published benchmarks from companies of similar size in terms of market capitalization, revenue, number of employees, geographic reach, etc., and/or which are operating in related industries. The level and mix of the different compensation components are determined on the basis of those benchmarks.

The last detailed review was conducted in 2015 in cooperation with an independent firm specializing in compensation surveys and analysis. For the purpose of the benchmarking analysis, two relevant peer groups were identified: ten companies in the international Medical Technology sector¹ and eight Swiss companies in the General Industry sector of comparable size². The conclusion of this review was that the members of the Management Board are compensated consistently with the peer groups.

A similar benchmark process is regularly conducted to review and determine the total compensation of the Board of Directors, comparing Sonova with companies of a similar market capitalization (SMIM® companies). In addition, periodically available data and surveys are reviewed and taken into account.

Performance Management

The actual compensation effectively paid out to the members of the Management Board in a financial year depends on the Group and/or respective business unit, as well as on individual performance, which is assessed through the formal annual performance review process.

1 Cochlear Ltd., Dräger, Fresenius Medical Care AG & Co., Medtronic Inc., St. Jude Medical, Straumann Holding AG, Stryker, William Demant Holding A/S, Zimmer Holdings Inc., Smith & Nephew plc

2 Geberit AG, Georg Fischer AG, Logitech International SA, Lonza Group AG, Mettler-Toledo International Inc., Sika, Straumann Holding AG, Sulzer AG

Financial, business unit, and individual performance objectives are approved at the beginning of the financial year and achievements against those objectives are assessed at the end of the financial year, according to Sonova's performance appraisal process.



4. Compensation system

4.1 Overview of compensation components

	Management Board			Board of Directors
	CEO	GVPs	VPs	BoD
Fixed compensation components				
Fixed base salary				
Benefits ¹⁾				
Expense allowance ²⁾				
Car allowance ³⁾				
Cash retainer (fixed fee)				
Restricted Shares				
Committee fee ⁴⁾				
Meeting attendance fee				
Travel allowance				
Pension, social and other benefits				
Pension Fund				
Social security contributions (AHV / ALV)				
Variable compensation components (performance related)				
Short-term cash incentive award Variable Cash Compensation (VCC)				
Long-term equity incentive award Executive Equity Award Plan (EEAP) ⁵⁾				
Social and other benefits				
Social security contributions (AHV / ALV)				
Other benefits				

¹⁾ MB members under a foreign employment receive benefits in line with local practice

²⁾ Only for MB members with a Swiss employment contract

³⁾ Company car or flat rate car allowance

⁴⁾ If applicable

⁵⁾ Options and Restricted Share Units

4.2 Board of Directors compensation system

The compensation of members of the Board of Directors is defined in a regulation adopted by the Board of Directors; it consists of a cash retainer (fixed fee), a committee fee (if applicable), a meeting attendance fee, as well as a travel allowance, based on the number of meetings attended. In addition, members of the Board of Directors receive non-discounted shares with a restriction period of 5 years and 4 months (Chairman) or 4 years and 4 months (all other members of the Board of Directors). There is no performance-related compensation for the Board of Directors and no eligibility to participate in the occupational pension plan.

The compensation of members of the Board of Directors is subject to regular social security contributions (AHV/ALV); the employer contributions are paid by Sonova.

ANNUAL FEES IN CASH IN CHF	CHAIRMAN	BOARD MEMBERS EXCL. CHAIRMAN
Cash retainer	500,000	100,000
Vice-Chairman	n.a.	15,000
Chairman of Audit Committee	n.a.	25,000
Chairman of NCC	Included in cash retainer	15,000
Member of NCC / Audit Committee	n.a.	7,500
Meeting attendance fee ¹⁾	Included in cash retainer	500
Travel allowance ¹⁾	500	500

RESTRICTED SHARES IN CHF	CHAIRMAN	BOARD MEMBERS EXCL. CHAIRMAN
Fair value at grant ²⁾	400,000	200,000

¹⁾ Multiplied by the number of meeting attended

²⁾ The tax value at grant differs from the value at grant by reduction of 6 % per year of restriction

Further information regarding the planned total compensation amounts of the Board of Directors for the period from the 2016 Annual General Shareholders' Meeting to the 2017 Annual General Shareholders' Meeting is provided in the invitation to the AGM 2016.

Sonova Share Ownership Guidelines

To further align the interests of the Board of Directors with those of Sonova's shareholders, the Sonova share ownership guidelines require them to hold a specified number of Sonova shares. Members of the Board of Directors must hold at least 2,000 Sonova shares. These holdings must be achieved within three years of joining the Board of Directors; the NCC monitors the progress toward the requirements on an annual basis.

4.3 Management Board compensation system

The compensation of the Management Board (including the CEO) is defined in several regulations adopted by the Board of Directors and comprises:

- Fixed base salary
- Employee benefits, such as pension benefits, company car or flat rate car allowance and expense allowance
- Short-term cash incentive award (Variable Cash Compensation VCC)
- Long-term equity incentive award (EEAP)

The fixed base salary and benefits form the fixed compensation component and are based on current market practice. The variable compensation component consists of a short-term cash incentive award, the VCC, and a long-term equity incentive award in form of options and RSUs under the EEAP. Both short and long-term components are performance-based.

	Fixed compensation components		Variable compensation components	
	FIXED BASE SALARY	BENEFITS	SHORT-TERM CASH INCENTIVE AWARD	LONG-TERM EQUITY INCENTIVE AWARD
Purpose	Ensures predictable salary, depends upon the market value of the role and the profile of the incumbents	Establishes level of security in line with local market practice Mandatory and voluntary benefits plans offered by the employer	Rewards performance against key indicators at Group and business unit level as well as the achievement of individual objectives	Rewards long-term value creation and reinforces alignment to shareholder interests
Performance/ Vesting Period	n.a.	n.a.	1 financial year	1 year 4 months – 4 years 4 months
Performance measures	n.a.	n.a.	A – Group Sales, EBITA, FCF, EPS B – Business Unit Sales, EBITA, ASP, OPEX C – Individual objectives	ROCE
Delivery	Cash, regularly	Country specific	Cash	Equity (Options / RSUs)
CEO variable compensation as % of fixed base salary	n.a.	n.a.	Target of fixed base salary: 62.5% Range of fixed base salary: 0–125%	Target of fixed base salary: 106.2% Range of fixed base salary: 0–106.2%
MB (excl. CEO) variable compensation as % of fixed base salary	n.a.	n.a.	Target of fixed base salary: 50% Range of fixed base salary: 0–100%	Target of fixed base salary: 96% Range of fixed base salary: 0–96%

Fixed base salary

The fixed base salary ensures a regular and predictable salary paid out in cash in regular installments. The salary level is based on the scope and complexity of the position, market norms and benchmarks, and the individual's profile in terms of experience and skills. Salary progression depends primarily on the individual performance as well as market developments and the economic environment.

Short-term cash incentive award (Variable Cash Compensation – VCC)

Sonova's VCC aims to align a significant part of compensation to sustainable company performance in a given financial year.

The VCC is an integral component of the cash compensation for members of the Management Board, defined as a percentage of the annual fixed base salary. At target, it amounts to 62.5 % of fixed base salary for the CEO and close to 50 % for the other members of the Management Board.

The Board of Directors determines annually the target performance level for each financial objective for the following financial year, based on the recommendation of the NCC. The targets are generally set in such a way that on an adjusted base, substantial improvements from the previous financial year's achievement are required, in line with the company's ambitious mid- and long-term financial plans. Setting demanding targets helps Sonova deliver best-in-class performance and stay ahead of the market. Lower and upper performance thresholds are also set, below which the payout percentage is zero, and above which it is capped at 200 %. Payout levels between the threshold, the target, and the maximum are calculated by linear interpolation.

The VCC for the Management Board is based on three categories of performance objectives: Group, business unit, and individual performance objectives. The performance objectives that must be met to achieve the target VCC are mutually agreed at the beginning of the financial year.

Group performance objectives are based on the budget; the specific metrics are sales, EBITA, FCF, and EPS. Business unit performance objectives include sales, EBITA, ASP, and OPEX of the respective business unit. These financial objectives have been chosen because they are the key drivers for the long term success of Sonova; they link reward both to expanding the business and gaining market share (top-line contribution) and to increasing profitability through operating leverage (bottom-line contribution).

Group and business unit performance objectives together are weighted at between 60 % and 80 % of the overall VCC. The individual performance component is based on the achievement of individual objectives defined at the beginning of the financial year between the CEO and individual members of the Management Board – and, for the CEO, between the Board of Directors and the CEO. The three to five individual performance objectives for each member of the Management Board are weighted at between 20 % and 40 % of the total VCC.

	Weight	Performance objectives	Minimum payout (threshold)	Target payout (target)	Maximum payout (cap)
Group objectives	60 % – 80 %	Sales, EBITA, FCF, EPS	0 %	100 %	200 %
Business unit objectives		Sales, EBITA, ASP, OPEX	0 %	100 %	200 %
Individual objectives	20 % – 40 %	Individually determined	0 %	100 %	200 %

Long-term equity incentive award (Executive Equity Award Plan – EEAP)

The purpose of the EEAP is to ensure long-term value creation for the company, alignment of the interests between shareholders and the members of the Management Board, and the long-term retention of managerial talent at Sonova.

The EEAP is annually offered to the members of the Management Board. The Board of Directors determines the individual grant level for the Management Board based on the recommendation of the CEO and to the CEO based on the recommendation of the Chairman of the Board of Directors. Generally the grant date is on February 1 each year. The grants are made in the form of options and RSUs that vest in four equal annual installments over a period of four years, with the first tranche vesting on June 1 of the year following the grant year (16 months after grant date). The exercise price of the options is the closing price of the Sonova share on the Swiss Stock Exchange (SIX Swiss Exchange) at the grant date. The term of the options granted amounts to seven years. The fair value of the options is calculated at the grant date by using the “Enhanced American Pricing Model.” Additional information is available in Note 31 to the consolidated financial statements. Re-pricing of any out-of-the-money options granted under the EEAP is not permitted.

Under the EEAP, the CEO receives an equity compensation mix of 62.5 % in options and 37.5 % in RSUs and the other members of the Management Board are awarded 50 % in options and 50 % in RSUs.

From 2014, the grant made under the EEAP to members of the Management Board includes a performance criterion: the vesting of options and RSUs in a given year is subject to achievement of a pre-defined minimum ROCE target. ROCE measures the efficiency with which Sonova’s capital is employed. The Board of Directors determines a target level of performance for which the options and RSUs will vest in full and a minimum performance threshold below which there is no vesting at all. Both the threshold and the target are ambitious, representing a multiple of the weighted average cost of capital. Payout levels on ROCE performance between the threshold and the target are determined by linear interpolation. There is no provision for over-achievement in the EEAP; the proportion of options and RSUs that can vest ranges from 0 % to 100 %.

EEAP 2016		
Equity	Options	RSUs
Grant Date	February 1, 2016	February 1, 2016
Exercise / Strike Price	CHF 124.20 (Sonova share closing price at SIX on February 1, 2016)	n.a.
Vesting Date	25 % vest on June 1, 2017 25 % vest on June 1, 2018 25 % vest on June 1, 2019 25 % vest on June 1, 2020	25 % vest on June 1, 2017 25 % vest on June 1, 2018 25 % vest on June 1, 2019 25 % vest on June 1, 2020
Restriction Period on the resulting shares	n.a.	n.a.
Performance criterion	Number of options which vest depends on the achievement of the ROCE target	Number of RSUs which vest depends on the achievement of the ROCE target
Exercise Period	After vesting until expiry of the options	n.a.
Maturity	Total 7 years	Not limited
Expiry Date	January 31, 2023	n.a.

The fair value of the 2016 EEAP grant to the CEO was 106.2% of his fixed base salary and the fair value of the 2016 EEAP grant to the other members of the Management Board averaged 100.3% of their fixed base salary.

In the event of termination of employment, vested options can be exercised within a 60-day period. Unvested options and RSUs are forfeited on termination, with the following exceptions:

- In case of death or disability, the unvested options and RSUs vest immediately. The vested options are exercisable within a period of 12 months commencing on the date of death or disability.
- In case of retirement, the unvested options and RSUs with a vesting date during the calendar year of the employee's retirement vest according to the regular vesting schedule. The vested options are exercisable for a period of 12 months. Unvested options and RSUs with a vesting date after the calendar year of the employee's retirement are forfeited without any compensation.
- In the event of termination of employment by Sonova for cause all options, regardless whether vested or not, and unvested RSUs become null and void immediately. "Cause" shall mean any act of fraud, embezzlement or dishonesty, unauthorized use or disclosure of confidential information or trade secrets of Sonova or any other misconduct by the employee.
- In the event of termination of employment by Sonova following a change of control ("double trigger"), unvested options and RSUs vest immediately on a pro rata basis at target level, considering the period from the grant date to the effective date of the change of control compared to the original vesting period. Vested options are exercisable for a period of 60 days commencing on an employee's date of termination. This rule does not apply in the event of voluntary resignation by the employee following a change of control. In such case, unvested options and RSUs are forfeited.

Disclosure of targets

Internal individual and / or financial targets under the VCC and the EEAP plans are considered sensitive information. Disclosing such targets would allow confidential insight into the strategy of Sonova and therefore could create a competitive disadvantage to Sonova. Therefore, the decision was made to not disclose the specifics of the VCC and EEAP targets at the time of their setting. As a general rule, on a comparable basis, substantial improvements against the previous year's achievements are required in order to meet the target level of performance, in line with the company's ambitious financial plan.

Sonova Share Ownership Guidelines

To further align the interests of the Management Board with those of our shareholders, Sonova's share ownership guidelines require the members to hold a specified number of Sonova shares in order to be eligible to participate in the EEAP. The CEO must hold 8,000; the Group Vice Presidents (GVPs) 3,000; and the Vice Presidents (VPs) 1,500 Sonova shares each. These holdings must be achieved within three years of joining the Management Board; the NCC monitors progress toward those requirements on an annual basis.

Benefits

Sonova maintains defined-contribution plans under the Swiss occupational pension regulations. Pension benefits are provided through the regular pension plan. Members of the Management Board who are under Swiss employment contract are eligible for the same benefits as all employees in Switzerland. Members of the Management Board who are under a foreign employment receive benefits in line with local market practice.

Sonova also makes the mandatory employer social security contributions (AHV / ALV) on behalf of the Management Board members who are under Swiss employment.

The CEO and GVPs are entitled to a company car or flat rate car allowance and an expense allowance in line with the expense regulations applicable to all members of management in Switzerland and approved by the Swiss tax authorities.

Employment terms and conditions

As part of its commitment to good corporate governance, Sonova has a forfeiture provision in all employment agreements of the Management Board members, which operates in addition to the provisions of the Ordinance. It provides for repayment of any compensation if paid or granted prior to the approval by the Annual General Shareholders' Meeting and /or if the AGM does not approve the respective proposal regarding compensation of the members of the Management Board.

In addition, Sonova has introduced a claw-back provision allowing the company to reclaim any VCC payment, in part or in full, in the event of an accounting / financial restatement due to non-compliance with financial reporting requirements under the Swiss equity laws at the time of disclosure. This provision applies to all VCC payments for a period of three years following the financial year related to which the VCC payment has been made.

All members of the Management Board have permanent employment contracts with a notice period of a maximum of 6 months. The notice period for the CEO is 12 months.

Sonova does not grant severance payments to members of the Management Board or Board of Directors, nor does Sonova make advance payments or grant loans / credits to them. No loans or credits were granted by Sonova or any other Group company to present or former members of the Management Board or Board of Directors in the financial year, and no such loans were outstanding as of March 31, 2016. Furthermore, neither Sonova nor any other Group company has granted any loans to related parties of present or former members of the Management Board or Board of Directors.

5. Compensation for the financial year

5.1 Board of Directors compensation

This section is audited by the external auditor according to article 17 of the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies.

The following table shows the compensation for the individual members of the Board of Directors for the 2015 / 16 and 2014 / 15 financial years.

The total compensation in the 2015 / 16 financial year was CHF 2.9 million compared to CHF 3.0 million in the previous year; the lower figure is due to the reduced number of members of the Board of Directors. The structure and levels of total compensation of the members of the Board of Directors has not changed in the last 5 years. There are no changes planned for the next year related to the system and total compensation for members of the Board of Directors.

No other compensation was paid for additional services beyond the total compensation disclosed in the tables below. No loans or credits were granted by Sonova or any other Group company to present or former members of the Board of Directors in the 2015 / 16 financial year, and no such loans were outstanding as of March 31, 2016. Furthermore, neither Sonova nor any other Group company has granted any loans to related parties of present or former members of Board of Directors.

in CHF						2015/16
	Cash retainer (fixed fee)	Meeting attendance fee/ expenses ¹⁾	Employer's social insurance contribution (AHV/ALV) ²⁾	Total cash compensation	Value of restricted shares ³⁾	Total compensation
Robert F. Spoerry, Chairman	500,000	2,500	66,226	568,726	285,550	854,276
Beat Hess, Vice-Chairman	122,500	7,500	16,043	146,043	151,277	297,320
Stacy Enxing Seng, Member	100,000	5,000	17,602	122,602	151,277	273,879
Michael Jacobi, Member	125,000	7,500	36,860	169,360	151,277	320,637
Anssi Vanjoki, Member	107,500	7,500	20,904	135,904	151,277	287,181
Ronald van der Vis, Member	107,500	7,500	34,836	149,836	151,277	301,113
Jinlong Wang, Member	100,000	5,500	17,635	123,135	151,277	274,412
John J. Zei, Member	107,500	7,500	29,400	144,400	151,277	295,677
Total (active members)	1,270,000	50,500	239,506	1,560,006	1,344,489	2,904,495
Andy Rihs ⁴⁾	21,096	2,500	6,237	29,833		29,833
Total (including former member)	1,291,096	53,000	245,743	1,589,839	1,344,489	2,934,328

The compensation shown in the table above is gross and based on the accrual principle.

- ¹⁾ Attendance fees and expenses are based on the number of meetings attended by each member of the Board of Directors (no attendance fees for the Chairman).
²⁾ Including social security contributions on the tax value of RSUs vested, options/WARs/SARs exercised and restricted shares granted during the financial year.
³⁾ Calculation of the value of restricted shares: Tax discounted value per restricted share at grant date for the Chairman of the Board of Directors CHF 90.91, and for the other members of the Board of Directors CHF 96.35. The discount takes into account a reduction of 6% per year of restriction and reflects the fact that once the restricted shares have been granted, they are then blocked over a restriction period of 5 years and 4 month for the Chairman of the Board of Directors and 4 years and 4 month for the other members of the Board of Directors.
⁴⁾ Andy Rihs retired from the Board of Directors at the annual shareholders meeting from June 16, 2015.

in CHF						2014/15
	Cash retainer (fixed fee)	Meeting attendance fee/ expenses ¹⁾	Employer's social insurance contribution (AHV/ALV) ²⁾	Total cash compensation	Value of restricted shares ³⁾	Total compensation
Robert F. Spoerry, Chairman	500,000	2,000	58,675	560,675	286,914	847,589
Beat Hess, Vice-Chairman	122,500	8,000	17,044	147,544	152,175	299,719
Stacy Enxing Seng, Member ⁴⁾	78,904	5,000	14,803	98,707	152,175	250,882
Michael Jacobi, Member	125,000	8,000	28,926	161,926	152,175	314,101
Andy Rihs, Member	100,000	6,000	7,734	113,734		113,734
Anssi Vanjoki, Member	107,500	6,500	47,957	161,957	152,175	314,132
Ronald van der Vis, Member	107,500	8,000	20,154	135,654	152,175	287,829
Jinlong Wang, Member	100,000	5,500	17,145	122,645	152,175	274,820
John J. Zei, Member	107,500	8,000	27,503	143,003	152,175	295,178
Total	1,348,904	57,000	239,941	1,645,845	1,352,139	2,997,984

The compensation shown in the table above is gross and based on the accrual principle.

- ¹⁾ Attendance fees and expenses are based on the number of attended meetings of each member of the Board of Directors (no attendance fees for the Chairman).
²⁾ Including social security contributions on the tax value of RSUs vested, options/WARs/SARs exercised and restricted shares granted during the financial year.
³⁾ Tax value per restricted share at grant date: for the Chairman of the Board of Directors CHF 89.21, for the other members of the Board of Directors CHF 94.58.
⁴⁾ New member of the Board of Directors since June 2014.

For the period from the 2015 Annual General Shareholders' Meeting to the 2016 Annual General Shareholders' Meeting, the total compensation paid to the Board of Directors is expected to be CHF 2,908,000. This is within the limit of CHF 3,000,000 as approved by the AGM 2015.

5.2 Management Board compensation

This section is audited by the external auditor according to article 17 of the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies.

Overall, Sonova substantially achieved the financial targets set by the Board of Directors for the financial year. The Group was below its sales, EBIT and earnings per share targets, whereas OPEX and ASP targets have been exceeded. The return on capital employed was lower compared to the prior year, reflecting the balance sheet effect of acquisitions and the lower EBITA. Overall the variable compensation for the members of the Management Board represents a 97.3% average target achievement for the VCC and a 100% average target achievement for the EEAP.

The highest total compensation for a Management Board member in the financial year was paid to the CEO, Lukas Braunschweiler. His fixed base salary was CHF 800,000, unchanged from the previous financial year, and the target VCC was CHF 500,000 (62.5% of the fixed base salary), unchanged from the previous financial year. The effective VCC payout for performance in the 2015/16 financial year amounted to CHF 464,865 (58.1% of the fixed base salary), whereas the maximum potential variable cash payout would have been CHF 1,000,000 (125% of the fixed base salary). In addition, an equity grant (EEAP) with a 2016 fair value of CHF 849,890, fringe benefits of CHF 24,891, employer's pension contributions of CHF 127,306, and employer's social security contribution (AHV/ALV) of CHF 109,956 are included in Lukas Braunschweiler's total compensation of CHF 2,376,908 (CHF 2,404,365 in the 2014/15 financial year). The decrease compared to the previous year is caused by a lower VCC due to performance achievement. The fixed based salary and EEAP grant value remained unchanged from the previous year.

The following table shows the compensation of the CEO (highest compensation) and of the other members of the Management Board for the 2015/16 financial year (13 members) and for the 2014/15 financial year (13.7 members). The average variable cash payout to Management Board members for performance in the 2015/16 financial year was 97.3%, whereas the respective average target achievement was 99.7% in the previous year. The total compensation of CHF 14.7 million for the financial year is below the range of CHF 15.2 million for the previous year. This is caused by a lower Variable Cash Compensation due to overall lower performance achievements and a lower headcount.

The structure and levels of total compensation of the members of the Management Board has not changed compared to the previous financial year. There are no significant changes planned in the future related to the system and total compensation for members of the Management Board. As a basic principle such changes, if applicable, will be kept small and selective and always aligned to data from executive compensation surveys and published benchmarks from companies of similar size.

No other compensation was paid for additional services beyond the total compensation disclosed in the tables below. No loans or credits were granted by Sonova or any other Group company to present or former members of the Management Board in the 2015/16 financial year, and no such loans were outstanding as of March 31, 2016. Furthermore, neither Sonova nor any other Group company has granted any loans to related parties of present or former members of the Management Board.

in CHF										2015/16
	Fixed base salary	Variable salary ¹⁾	Fringe benefits	Employer's pension contribution	Employer's social security contribution ²⁾	Total cash compensation	Value of RSUs ³⁾	Value of options ⁴⁾	Total compensation	
Lukas Braunschweiler, CEO	800,000	464,865	24,891	127,306	109,956	1,527,018	318,658	531,232	2,376,908	
Other members of the MB	4,124,266	2,208,612	370,683	721,139	780,788	8,205,488	2,068,024	2,068,611	12,342,123	
Total	4,924,266	2,673,477	395,574	848,445	890,744	9,732,506	2,386,682	2,599,843	14,719,031	

The compensation shown in the table above is gross and based on the accrual principle.

¹⁾ The variable salary will be paid out after the end of the financial year.

²⁾ Including social security contributions (AHV/ALV) on the tax value of RSUs vested and options/warrants exercised during the financial year.

³⁾ Fair value per RSU at grant date CHF 120.43.

⁴⁾ Fair value per option at grant date CHF 20.60.

in CHF										2014/15
	Fixed base salary	Variable salary ¹⁾	Fringe benefits	Employer's pension contribution	Employer's social security contribution ²⁾	Total cash compensation	Value of RSUs ³⁾	Value of options ⁴⁾	Total compensation	
Lukas Braunschweiler, CEO	800,000	491,679	24,891	126,899	110,904	1,554,373	318,692	531,300	2,404,365	
Other members of the MB ⁵⁾	4,398,733	2,309,791	274,350	759,536	823,492	8,565,902	2,111,684	2,112,646	12,790,232	
Total	5,198,733	2,801,470	299,241	886,435	934,396	10,120,275	2,430,376	2,643,946	15,194,597	

The compensation shown in the table above is gross and based on the accrual principle.

¹⁾ The variable salary will be paid out after the end of the reporting year.

²⁾ Including social security contributions on the tax value of RSUs vested and options/warrants exercised during the financial year.

³⁾ Fair value per RSU at grant date CHF 117.17.

⁴⁾ Fair value per option at grant date CHF 19.55.

⁵⁾ Martin Grieder, GVP Phonak joined the Management Board as of August 2014.

6. Share ownership information

6.1 Shareholdings of members of the Board of Directors

This section is audited by the external auditor.

The following tables show the shareholdings of the individual members of the Board of Directors and persons closely linked to them.

	31.3.2016				31.3.2015				
	Shares	Restricted Shares ^{1) 2)}	RSUs ²⁾	Options ²⁾	Shares	Restricted Shares ^{1) 2)}	RSUs ²⁾	Options ²⁾	Warrants ^{2) 3)}
Robert F. Spoerry	22,100	17,406			16,100	14,265			250,000
Beat Hess		6,617				5,047			
Stacy Enxing Seng		3,179				1,609			
Michael Jacobi	2,782	6,617	261	5,115	2,521	5,047	522	5,115	250,000
Anssi Vanjoki	1,782	6,617	261	2,558	1,521	5,047	522	2,558	62,500
Ronald van der Vis	2,261	6,617	261	5,115	2,553	5,047	522	5,115	250,000
Jinlong Wang		4,784				3,214			
John J. Zei	1,282	6,617	261	1,279 ⁴⁾	2,021	5,047	522	3,837 ⁴⁾	125,000 ⁵⁾
Total (active members)	30,207	58,454	1,044	14,067	24,716	44,323	2,088	16,625	937,500
Andy Rihs ⁶⁾					3,216,158	3,438	522	5,115	250,000
Total (including former member)					3,240,874	47,761	2,610	21,740	1,187,500

¹⁾ These shares are subject to a restriction period which varies from June 1, 2017 to June 1, 2021 depending on the grant date.

²⁾ For further details see also Note 31 in the consolidated financial statements.

³⁾ Exercise ratio between warrants and options: 25:1.

⁴⁾ SARs (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).

⁵⁾ WARs (WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares).

⁶⁾ Andy Rihs retired from the Board of Directors at the annual shareholders meeting from June 16, 2015.

The following table shows the detailed breakdown of the outstanding warrants/options of the members of the Board of Directors.

	31.3.2016	31.12.2015	
	Options (incl. SARs) EEAP 12 ¹⁾	Options (incl. SARs) EEAP 12 ¹⁾	Warrants (incl. WARs) EEAP 11 ²⁾
Robert F. Spoerry			250,000
Michael Jacobi	5,115	5,115	250,000
Anssi Vanjoki	2,558	2,558	62,500
Ronald van der Vis	5,115	5,115	250,000
John J. Zei	1,279 ³⁾	3,837 ³⁾	125,000 ⁴⁾
Total (active members)	14,067	16,625	937,500
Andy Rihs ⁵⁾		5,115	250,000
Total (including former member)		21,740	1,187,500

EEAP 2016 and 2015, no options or warrants were granted – 100% restricted shares.

Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).

¹⁾ Exercise price CHF 95.85, vesting period 1.2.2012 – 1.6.2016 whereas one tranche being vested each year, exercise period 1.6.2013 – 31.1.2019.

²⁾ Exercise price CHF 118.40, vesting period 1.3.2011 – 28.2.2015 whereas one tranche being vested each year, exercise period 1.3.2012 – 29.2.2016.

³⁾ SARs (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).

⁴⁾ WARs (WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares).

⁵⁾ Andy Rihs retired from the Board of Directors at the annual shareholders meeting from June 16, 2015.

6.2 Shareholdings of members of the Management Board

This section is audited by the external auditor.

The following tables show the shareholdings of individual members of the Management Board and persons closely linked to them.

	31.3.2016			31.3.2015			
	Shares	RSUs ¹⁾	Options ¹⁾	Shares	RSUs ¹⁾	Options ¹⁾	Warrants ^{1) 2)}
Lukas Braunschweiler	11,463	9,619	120,924	9,285	9,151	95,136	
Claude Diversi	1,000	4,796	26,183	500	3,887	19,886	56,250
Hansjürg Emch	7,213	6,412	48,368	6,261	6,100	38,053	375,000
Hartwig Greverer	2,000	5,890	38,138	1,000	5,057	27,823	
Martin Grieder		3,577	21,184		1,813	10,869	
Sarah Kreienbühl	3,454	6,412	48,368	2,002	6,100	38,053	281,250
Stefan Launer	3,117	3,013	22,892	2,429	2,871	18,038	62,500
Albert Chin-Hwee Lim	744	3,379	20,670	240	2,846	14,603	
Hans Mehl	6,305	6,412	44,368	4,853	6,100	36,053	562,500
Jan Metzdorff	1,490	4,258	23,065	647	3,856	19,744	15,625
Franz Petermann	2,261	2,811	15,214	1,227	2,491	12,733	12,188
Paul Thompson	3,000	5,530	29,234	1,548	6,100	35,872	140,625
Andi Vonlanthen	11,495	6,347	47,089	10,108	5,970	36,774	224,000
Total (active members)	53,542	68,456	505,697	40,100	62,342	403,637	1,729,938
Maarten Barmentlo ³⁾				2,002	4,181	26,673	475,000
Total (including former member)				42,102	66,523	430,310	2,204,938

¹⁾ For further details see also Note 31 in the consolidated financial statements.

²⁾ Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).

³⁾ Member of the Management Board until March 31, 2015.

The following table shows the detailed breakdown of the outstanding warrants/options of the members of the Management Board.

	31.3.2016					
	Options EEAP 16 ¹⁾	Options EEAP 15 ²⁾	Options EEAP 14 ³⁾	Options EEAP 13 ⁴⁾	Options EEAP 12 ⁵⁾	Total options
Lukas Braunschweiler	25,788	27,173	21,719	20,669	25,575	120,924
Claude Diversi	10,315	7,672	4,599	2,222	1,375	26,183
Hansjürg Emch	10,315	10,869	8,687	8,267	10,230	48,368
Hartwig Grevenor	10,315	10,869	8,687	8,267		38,138
Martin Grieder	10,315	10,869				21,184
Sarah Kreienbühl	10,315	10,869	8,687	8,267	10,230	48,368
Stefan Launer	4,854	5,115	4,088	3,720	5,115	22,892
Albert Chin-Hwee Lim	6,067	6,393	5,110	3,100		20,670
Hans Mehl	10,315	10,869	8,687	8,267	6,230	44,368
Jan Metzdorff	7,281	7,672	4,599	2,170	1,343	23,065
Franz Petermann	4,854	5,115	3,066	1,654	525	15,214
Paul Thompson	5,157	10,869	6,516	4,134	2,558	29,234
Andi Vonlanthen	10,315	10,869	8,687	8,267	8,951	47,089
Total	126,206	135,223	93,132	79,004	72,132	505,697

¹⁾ Exercise price CHF 124.20, vesting period 1.2.2016 – 1.6.2020 whereas one tranche being vested each year, exercise period 1.6.2017 – 31.1.2023.

²⁾ Exercise price CHF 121.10, vesting period 1.2.2015 – 1.6.2019 whereas one tranche being vested each year, exercise period 1.6.2016 – 31.1.2022.

³⁾ Exercise price CHF 124.60, vesting period 1.2.2014 – 1.6.2018 whereas one tranche being vested each year, exercise period 1.6.2015 – 31.1.2021.

⁴⁾ Exercise price CHF 109.10, vesting period 1.2.2013 – 1.6.2017 whereas one tranche being vested each year, exercise period 1.6.2014 – 31.1.2020.

⁵⁾ Exercise price CHF 95.85, vesting period 1.2.2012 – 1.6.2016 whereas one tranche being vested each year, exercise period 1.6.2013 – 31.1.2019.

31.3.2015

	Options EEAP 15 ¹⁾	Options EEAP 14 ¹⁾	Options EEAP 13 ²⁾	Options EEAP 12 ³⁾	Options (interim CEO/CFO) 11/12 ⁴⁾	Warrants EEAP 11 ⁵⁾	Total options	Total warrants ⁷⁾
Lukas Braunschweiler	27,173	21,719	20,669	25,575			95,136	
Maarten Barmtentlo ⁸⁾		8,176	8,267	10,230		475,000	26,673	475,000
Claude Diversi	7,672	6,132	3,333	2,749		56,250	19,886	56,250
Hansjürg Emch	10,869	8,687	8,267	10,230		375,000	38,053	375,000
Hartwig Greverer	10,869	8,687	8,267				27,823	
Martin Grieder	10,869						10,869	
Sarah Kreienbühl	10,869	8,687	8,267	10,230		281,250	38,053	281,250
Stefan Launer	5,115	4,088	3,720	5,115		62,500	18,038	62,500
Albert Chin-Hwee Lim	6,393	5,110	3,100				14,603	
Hans Mehl	10,869	8,687	8,267	8,230		562,500	36,053	562,500
Jan Metzdorff	7,672	6,132	3,255	2,685		15,625	19,744	15,625
Franz Petermann	5,115	4,088	2,481	1,049		12,188	12,733	12,188
Paul Thompson	10,869	8,687	6,201	5,115	5,000	140,625	35,872	140,625
Andi Vonlanthen	10,869	8,687	8,267	8,951		224,000	36,774	224,000
Total	135,223	107,567	92,361	90,159	5,000	2,204,938	430,310	2,204,938

¹⁾ Exercise price CHF 121.10, vesting period 1.2.2015 – 1.6.2019 whereas one tranche being vested each year, exercise period 1.6.2016 – 31.1.2022.

²⁾ Exercise price CHF 124.60, vesting period 1.2.2014 – 1.6.2018 whereas one tranche being vested each year, exercise period 1.6.2015 – 31.1.2021.

³⁾ Exercise price CHF 109.10, vesting period 1.2.2013 – 1.6.2017 whereas one tranche being vested each year, exercise period 1.6.2014 – 31.1.2020.

⁴⁾ Exercise price CHF 95.85, vesting period 1.2.2012 – 1.6.2016 whereas one tranche being vested each year, exercise period 1.6.2013 – 31.1.2019.

⁵⁾ Exercise price CHF 88.30, vesting period 28.5.2011 – 27.5.2015 whereas one tranche being vested each year, exercise period 28.5.2012 – 27.5.2016.

⁶⁾ Exercise price CHF 118.40, vesting period 1.3.2011 – 28.2.2015 whereas one tranche being vested each year, exercise period 1.3.2012 – 29.2.2016.

⁷⁾ Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).

⁸⁾ Member of the Management Board until March 31, 2015.

Glossary

AGM	Annual General Shareholders' Meeting
AHV	Old Age and Survivors' Insurance
ALV	Unemployment Insurance
Articles of Association	Articles of Association of Sonova Holding AG
ASP	Average sales price
BoD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
EBITA	Operating profit before acquisition-related amortization
EEAP	Employee Equity Award Plan
EPS	Earnings per share
FCF	Free cash flow
GVP	Group Vice President
KPIs	Key performance indicators'
MB	Management Board
N.A.	Not applicable
NCC	Nomination and Compensation Committee
OPEX	Operating expenses
Ordinance	Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies
ROCE	Return on capital employed
RSU	Restricted Share Unit
VCC	Variable Cash Compensation
VP	Vice President

Report of the statutory auditor on the compensation report



Report of the statutory auditor on the compensation report to the Annual General Shareholders' Meeting of Sonova Holding AG

Report of the statutory auditor on the audit of the compensation report

We have audited the accompanying compensation report of Sonova Holding AG for the year ended March 31, 2016. The audit was limited to the information according to articles 14 – 16 of the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 63 to 71.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of Sonova Holding AG for the year ended March 31, 2016 complies with Swiss law and articles 14 – 16 of the Ordinance.

PricewaterhouseCoopers AG

Two handwritten signatures in black ink. The first signature is on the left and the second is on the right.

Sandra Boehm
Audit expert
Auditor in charge

Kai Mauden

Zurich, May 10, 2016