

Compensation report

The employees of the Sonova Group help people to hear the world, thus changing lives. At Sonova, we come to work every day knowing that continuous innovation across all disciplines, our shared engagement as a team, and our responsible approach to all things we do bring the delight of hearing to millions of people. We team up. We grow talent. We collaborate with people of diverse backgrounds to win with the best team in the marketplace. Thus we strive to attract, retain, and develop skilled, dedicated, and ambitious colleagues who continuously improve and grow the company for all our stakeholders.

This compensation report describes Sonova's compensation principles and system, as well as the method of determining the compensation of members of the Board of Directors and the Management Board. It also explains the roles, responsibilities, and governance procedures involved in the design, approval, and implementation of compensation plans. More information on topics such as Board composition, independence, diversity, competence, evaluation, and risk and compliance management, as well as corporate responsibility, can be found in the corporate governance report.

The compensation report provides the context for the shareholder votes on the compensation of the Board of Directors and the Management Board, submitted for approval at the 2022 Annual General Shareholder Meeting (AGM). It is written in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations, the standard relating to information on Corporate Governance of the SIX Swiss Exchange, and the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

It has the following structure:

1. Introduction by the Chair of the Nomination and Compensation Committee
2. At a glance
3. Compensation policy and principles
4. Compensation governance
5. Compensation components and system
6. Compensation for the financial year
7. Share ownership information

For ease of reference, abbreviations are also summarized in a glossary at the end of this report.

I. Introduction by the Chair of the Nomination and Compensation Committee

Dear Shareholders,

The Nomination and Compensation Committee (NCC) focused on its regular activities throughout the year, including the determination of compensation for members of the Board of Directors and the Management Board, the succession planning for positions on the Board of Directors and the Management Board, and the preparation of the compensation report as well as of the say-on-pay votes at the Annual General Shareholders' Meeting (AGM).

I am pleased to share with you Sonova's 2021/22 compensation report. Our compensation system is strongly aligned with the company's strategy, our business results, and the interests of our shareholders. Transparency is key for us and we continuously work to improve the clarity of our disclosures. We have therefore further enhanced the information provided on the compensation framework and particularly on the link between performance and compensation.

Review of compensation framework

To ensure that our compensation framework continues to be attractive, effective, and sustainable, the NCC again dedicated substantial time to its respective tasks during the reporting year. Adaptations to the compensation framework are made only when and if deemed appropriate, also taking into consideration the ongoing dialogue with our shareholders and with proxy advisors.

The NCC carried out its periodical review of the market alignment of compensation for the members of the Board of Directors and of the Management Board. The analysis confirmed that Sonova's compensation structure and levels are broadly in line with prevalent market practice. It also re-confirmed Sonova's Management Board compensation is more performance-oriented (and less fixed) than at other companies. The NCC concluded that both the compensation framework of the members of the Board of Directors and of the Management Board are appropriate and do not need to be amended.

Environmental, social and governance (ESG)

To support Sonova's corporate social responsibility and sustainable business approach and ongoing efforts, relevant environmental, social, and governance (ESG) targets are reflected in the Variable Cash Compensation (VCC) of the Management Board.

As part of our ESG strategy, we strongly believe that a more balanced gender representation on the Board of Directors and in the Management Board is in the best interests of the Sonova Group. We will have achieved a proportion of 30% women on the Board of Directors, assuming that Julie Tay is elected to the Board of Directors at the 2022 AGM, and 25% on the Management Board. At the end of fiscal year 2021/22, women represented 35.2% of key positions across the global Sonova organization, up from 33.5% a year ago.

Changes in the Board of Directors

As of the 2021 AGM, we welcomed two new members of the Board of Directors: Gregory Behar and Roland Diggelmann. Roland Diggelmann and myself were also newly elected to the NCC. Julie Tay is proposed for election to the Board of Directors at the 2022 AGM.

The NCC and the Board of Directors had several sessions focusing on succession planning. An assessment matrix was used encompassing the breadth and depth of competencies and experience required by Sonova to support our business and strategies. To ensure a balanced overall board composition and long-term planning, these criteria include, among others: executive management experience and acumen, international experience, expertise on the areas of finance, M&A, and human resources, industry affinity, as well as diversity in terms of background, industry, functional knowledge, nationalities, gender, and age.

Julie Tay, the new member of the Board of Directors proposed for election at the 2022 AGM has an outstanding executive track record in successfully leading sizeable businesses, particularly in Asia. She brings extensive and invaluable experience in medical technology industries and in growing businesses through healthcare professional and direct-to-consumer models.

Changes in the Management Board

Birgit Conix was appointed as CFO on May 1, 2021. We also announced the appointment of Robert Woolley to the Management Board as GVP Hearing Instruments and the appointment of Martin Grieder within the Management Board as GVP Consumer Hearing. Both appointments are effective April 1, 2022.

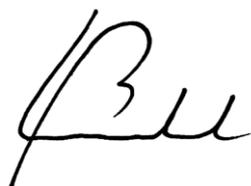
2022 AGM

The total compensation awarded to the members of the Board of Directors for the actual term of office is well within the limit approved by the 2021 AGM. The compensation awarded to the members of the Management Board for the reporting year is also within the limit approved by the 2020 AGM.

At the 2022 AGM, 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 compensation amounts for the Board of Directors for the next term of office, which ends at the 2023 AGM, and for the Management Board for the 2023/24 financial year. No changes to the compensation system of the Board of Directors and the Management Board are foreseen.

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 we remain confident that our compensation system rewards for performance in a balanced and sustainable manner, that aligns well with our shareholder interests. We look forward to our continued dialogue.

Yours sincerely,



Lukas Braunschweiler
Chair of the NCC

2. At a glance

Board of Directors compensation																																	
<p>To ensure their independence in their supervisory function, members of the Board of Directors receive a fixed compensation in form of board retainer in cash and restricted shares and committee fees in cash.</p> <p>Shares are restricted for a period of 5 years and 4 months (chair) and 4 years and 4 months (members) to strengthen the alignment with shareholder interests.</p>		<p>The expected compensation paid for the period from the 2021 AGM until the 2022 AGM of CHF 3,070,000 is within the amount of CHF 3,140,000 approved by shareholders.</p> <p>The effective compensation paid for the period from the 2020 AGM until the 2021 AGM of CHF 2,425,000 is within the amount of CHF 2,600,000 approved by the shareholders.</p>																															
<p>Approved versus effective total compensation for the members of the Board of Directors</p>																																	
<table border="1"> <thead> <tr> <th>Annual retainer</th> <th>Cash (CHF)</th> <th>Shares (CHF)</th> </tr> </thead> <tbody> <tr> <td>Board chair</td> <td>430,000</td> <td>370,000</td> </tr> <tr> <td>Board member</td> <td>100,000</td> <td>160,000</td> </tr> <tr> <td>Travel allowance ¹⁾</td> <td>500</td> <td></td> </tr> <tr> <td colspan="3">¹⁾ per meeting</td> </tr> </tbody> </table>		Annual retainer	Cash (CHF)	Shares (CHF)	Board chair	430,000	370,000	Board member	100,000	160,000	Travel allowance ¹⁾	500		¹⁾ per meeting			<table border="1"> <thead> <tr> <th>Total compensation</th> <th>Approved</th> <th>Effective</th> </tr> </thead> <tbody> <tr> <td colspan="3">in CHF 1,000</td> </tr> <tr> <td>2021 AGM–2022 AGM</td> <td>3,140</td> <td>3,070²⁾</td> </tr> <tr> <td>2020 AGM–2021 AGM</td> <td>2,600</td> <td>2,425</td> </tr> <tr> <td>2019 AGM–2020 AGM</td> <td>2,900</td> <td>2,735</td> </tr> </tbody> </table> <p>²⁾ this compensation period is not completed yet, estimated amount</p>		Total compensation	Approved	Effective	in CHF 1,000			2021 AGM–2022 AGM	3,140	3,070 ²⁾	2020 AGM–2021 AGM	2,600	2,425	2019 AGM–2020 AGM	2,900	2,735
Annual retainer	Cash (CHF)	Shares (CHF)																															
Board chair	430,000	370,000																															
Board member	100,000	160,000																															
Travel allowance ¹⁾	500																																
¹⁾ per meeting																																	
Total compensation	Approved	Effective																															
in CHF 1,000																																	
2021 AGM–2022 AGM	3,140	3,070 ²⁾																															
2020 AGM–2021 AGM	2,600	2,425																															
2019 AGM–2020 AGM	2,900	2,735																															
<table border="1"> <thead> <tr> <th>Additional fees</th> <th>Chair (CHF)</th> <th>Member (CHF)</th> </tr> </thead> <tbody> <tr> <td>Vice-chair</td> <td>15,000</td> <td>n/a</td> </tr> <tr> <td>AC/NCC</td> <td>40,000</td> <td>20,000</td> </tr> </tbody> </table>		Additional fees	Chair (CHF)	Member (CHF)	Vice-chair	15,000	n/a	AC/NCC	40,000	20,000	<p>Members of the Board of Directors are subject to minimum share ownership requirements of CHF 200,000.</p>																						
Additional fees	Chair (CHF)	Member (CHF)																															
Vice-chair	15,000	n/a																															
AC/NCC	40,000	20,000																															
Management Board compensation																																	
<p>The compensation of the Management Board consists of fixed and variable performance-based compensation and is based on the following principles:</p> <ul style="list-style-type: none"> – Pay for performance – Alignment with shareholder interests – Market competitiveness – Alignment with company's values 		<p>The compensation awarded for the 2021/22 financial year of CHF 12,800,000 is within the amount of CHF 15,200,000 approved by the shareholders.</p>																															
<p>Approved versus effective total compensation for the members of the Management Board</p>																																	
<table border="1"> <thead> <tr> <th>Management Board</th> <th>Fixed salary</th> <th>Short-term cash incentive (VCC)</th> <th>Long-term equity incentive (EEAP)</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td>900,000</td> <td>89% of fixed salary (at target)</td> <td>181% of fixed salary (at target)</td> </tr> <tr> <td>MB members</td> <td>450,000 on average</td> <td><50% of fixed salary (at target)</td> <td><133% of fixed salary (at target)</td> </tr> </tbody> </table>		Management Board	Fixed salary	Short-term cash incentive (VCC)	Long-term equity incentive (EEAP)	CEO	900,000	89% of fixed salary (at target)	181% of fixed salary (at target)	MB members	450,000 on average	<50% of fixed salary (at target)	<133% of fixed salary (at target)	<table border="1"> <thead> <tr> <th>Total compensation</th> <th>Approved</th> <th>Effective</th> </tr> </thead> <tbody> <tr> <td colspan="3">in CHF 1,000</td> </tr> <tr> <td>2021/22 financial year</td> <td>15,200</td> <td>12,800</td> </tr> <tr> <td>2020/21 financial year</td> <td>15,300</td> <td>11,300</td> </tr> <tr> <td>2019/20 financial year</td> <td>15,100</td> <td>13,900</td> </tr> </tbody> </table>		Total compensation	Approved	Effective	in CHF 1,000			2021/22 financial year	15,200	12,800	2020/21 financial year	15,300	11,300	2019/20 financial year	15,100	13,900			
Management Board	Fixed salary	Short-term cash incentive (VCC)	Long-term equity incentive (EEAP)																														
CEO	900,000	89% of fixed salary (at target)	181% of fixed salary (at target)																														
MB members	450,000 on average	<50% of fixed salary (at target)	<133% of fixed salary (at target)																														
Total compensation	Approved	Effective																															
in CHF 1,000																																	
2021/22 financial year	15,200	12,800																															
2020/21 financial year	15,300	11,300																															
2019/20 financial year	15,100	13,900																															
<p>The CEO and members of the Management Board are subject to minimum share ownership requirements of CHF 1,000,000 and CHF 200,000 respectively.</p>		<p>The STI payout amounted to 89.03% for the CEO and 85.28% for the other members of the Management Board on average.</p> <p>The LTI vesting level amounted to:</p> <ul style="list-style-type: none"> – 100% for the options – 189.94% for the PSUs 																															
Governance																																	
<ul style="list-style-type: none"> – Authority for decisions related to the compensation of the Board of Directors and the Management Board is governed by the Articles of Association. – The prospective maximum aggregate amounts of compensation of the Board of Directors and of the Management Board are subject to binding shareholder votes at the AGM. – The compensation report is subject to a consultative shareholder vote at the AGM. 																																	

3. Compensation policy and principles

Sonova’s objective is to engage the best talent needed to ensure our success and maintain our position as the world’s leading manufacturer and provider of innovative hearing care solutions and services. To support this objective, our compensation system is based on the following principles:



As an employer, Sonova actively fosters diversity and inclusion. We are committed to the principle of equal pay for equal work and are taking all necessary steps in our job evaluation and grading processes to ensure a fair compensation system. We regularly review compensation in terms of relevant local legal and regulatory equal pay requirements as they continue to evolve. Internally, we analyze whether we pay female and male employees equally for the same job or for a job of the same value and take corrective actions if necessary. In Switzerland, we conducted the legally required equal pay analysis, confirming Sonova’s compliance with Swiss legislation, including the Fair-On-Pay analysis and certification by the international leading testing and certification company Société Générale de Surveillance SA (SGS).

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

The compensation of the Management Board consists of fixed and variable, performance-based, compensation components. The base salary and benefits form the fixed components and are determined based on current market practice. The performance-based compensation includes a short-term cash incentive (VCC) and a long-term equity incentive (EEAP). Performance targets for the VCC and EEAP are defined at the beginning of the performance period and assessed at the end.

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 to both the short-term and the long-term variable compensation component and claw-back provisions are applicable to the VCC.

4. Compensation governance

4.1 Nomination and Compensation Committee

As determined in the Articles of Association, the Organizational Regulations, and the NCC Charter of Sonova Holding AG, the NCC supports the Board of Directors in the fulfilment 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
- Periodical benchmark reviews covering the compensation of the members of the Board of Directors (including the Chair of the Board of Directors), the CEO, and the other members of the Management Board
- A yearly review of the individual compensation of the CEO and of the other members of the Management Board, including the VCC and the EEAP
- Review and amendment of the target setting and related performance appraisal of the members of the Management Board (prepared by the CEO) and of the CEO (prepared by the Chair of the Board of Directors)
- Preparation of the compensation report
- Succession planning of the Management Board and the Board of Directors
- Selection and nomination of candidates for the role of the CEO, for nomination to the Management Board as proposed by the CEO, as well as pre-selection of suitable candidates for the Board of Directors; and
- Periodical review of the employment terms and policies.

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 the Management Board		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 ¹⁾		proposes	approves	
Individual compensation, including fixed base salary, variable cash compensation and long-term equity incentives, of the CEO ¹⁾		proposes	approves	
Employment terms of the CEO ¹⁾		proposes	approves	
Individual compensation, including fixed base salary, variable cash compensation and long-term equity incentives, of the Management Board (excluding CEO) ¹⁾	recommends	proposes	approves	
Annual total amount of long-term equity incentives to be granted to all other eligible employees	recommends	proposes	approves	
Compensation report		proposes	approves	consultative vote

¹⁾ Within the framework of the Articles of Association and the maximum aggregate amount of compensation approved by the AGM.

The NCC consists exclusively of independent and non-executive members of the Board of Directors, who are elected individually and annually by the AGM. For the period under review, the NCC consisted of Lukas Braunschweiler (Chair of the NCC), Stacy Enxing Seng, and Roland Diggelmann.

The NCC meets as often as business requires but at least three times per year. In the 2021/22 financial year, it held five meetings covering, among others, the following pre-defined recurring agenda items during the course of the regular meetings:

Item	May Beginning of the financial year	July	September	November	February End of the financial year
Compensation policy & process	<ul style="list-style-type: none"> – Review of equal pay considerations 	<ul style="list-style-type: none"> – Preview of benchmarking analysis BoD and MB (every 2–3 years) 	<ul style="list-style-type: none"> – Review of benchmarking analysis BoD and MB (every 2–3 years) 	<ul style="list-style-type: none"> – Preview of group wide salary review for the following financial year – Approval of group wide EEAP grant size – Approval of EEAP plan regulations 	<ul style="list-style-type: none"> – Reconfirmation of group wide salary review for the following financial year – Reconfirmation of group wide EEAP grant size – Equity valuation for EEAP (options and PSU)
Management Board (MB) & Board of Directors (BoD) matters	<ul style="list-style-type: none"> – Approval of payout of VCC for the previous financial year and vesting of EEAP for the previous EEAP cycle – Setting of VCC performance targets for the new financial year incl. individual targets 		<ul style="list-style-type: none"> – Approval of performance targets for the VCC 	<ul style="list-style-type: none"> – Preview of target compensation review for the following financial year (incl. EEAP grant) 	<ul style="list-style-type: none"> – Review of target compensation for the following financial year (incl. EEAP grant) – Setting of EEAP performance targets for the next EEAP cycle
Governance	<ul style="list-style-type: none"> – Approval of corporate governance and compensation report as well as compensation part of the AGM invitation – Proposal of maximum aggregate amount of compensation of MB and BoD to be submitted to AGM vote – Share ownership status review of the MB and BoD – Review and approval of NCC charter 		<ul style="list-style-type: none"> – Review of proxy advisor/ shareholder feedback on compensation report – Board evaluation 	<ul style="list-style-type: none"> – Review of BoD skills matrix 	<ul style="list-style-type: none"> – Review of draft compensation report – NCC agenda for the following financial year
Nomination		<ul style="list-style-type: none"> – Succession planning for the BoD 	<ul style="list-style-type: none"> – Succession planning for the BoD 	<ul style="list-style-type: none"> – Succession planning for the BoD 	

Special ad hoc items such as personnel changes at executive level are covered as and when appropriate.

As a general rule, the Chair of the Board of Directors, the CEO, and the GVP Corporate Human Resource Management & Communications (HRM) participate in the meetings of the NCC. However, they do not participate during the sections 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 Chair 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.

External advisors

The NCC may decide to consult external advisors for specific compensation matters. In the 2021/22 reporting year, Aon was tasked with the performance share unit (PSU) valuation and performance measurement under the EEAP; Algofin performed the option valuation. Agnès Blust Consulting provided support in the context of the market review of compensation for the Board of Directors and the Management Board and in the preparation of this compensation report. Support and expertise are also provided by internal compensation experts such as the GVP HRM and the VP Total Reward.

The external advisors had no other mandates for Sonova during the reporting year.

4.2 Governance and shareholder involvement

Authority for decisions related to compensation of the members of the Board of Directors and the Management Board is governed by the Articles of Association.

The prospective maximum aggregate compensation amounts to be awarded to the Board of Directors and the Management Board are subject to a yearly binding shareholder vote at the AGM. The provisions of the Articles of Association foresee that shareholders vote prospectively: on the maximum aggregate compensation for the Board of Directors for the period until the next ordinary AGM, and for the Management Board for the following financial year. In addition, Sonova annually submits the compensation report to a consultative shareholder vote, so that our shareholders have an opportunity to express their opinion on the compensation of the previous financial year.

Over the past several years Sonova has engaged in ongoing dialogue with shareholders and proxy advisors and has made significant efforts to continuously improve its compensation disclosure in terms of transparency and level of detail provided about its principles and system of compensation.



Matters to be voted on at the 2022 Annual General Shareholders' Meeting

The maximum aggregate compensation amount for the Board of Directors comprises fixed compensation components, including a cash retainer and restricted shares as well as committee fees (as applicable). The travel allowance will be discontinued as from the 2022 AGM.

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

Fixed compensation components:

- Fixed base salary, value of benefits and employer's contributions to Sonova's pension plan.

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): fair value of the equity awards at grant (options and PSUs).

Due to the maximum possible VCC payout, the maximum aggregate compensation amount submitted to shareholder vote is very likely to be higher than the actual amount of total compensation for the members of the Management Board based on the performance achieved in the financial year. The total compensation amount awarded to the Management Board will be disclosed in the compensation report of the respective financial year, which will be subject to a consultative shareholder vote at the AGM.

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

Articles of Association

The Articles of Association regarding the compensation of the members of the Board of Directors and the Management Board were revised in 2014 and approved by the shareholders at the 2014 AGM. The Articles of Association include the following provisions on compensation:

- Powers and duties (Art. 24)
- Approval of compensation by the General Shareholder Meeting (Art. 10 para. 5/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 [here](#).

4.3 Process of determining compensation

Compensation structure and components

The compensation structure and components for the Board of Directors and the Management Board are reviewed periodically (at least every three years) to ensure they continue to be aligned with Sonova's strategy as well as with market practice.

Benchmarks

Sonova conducts a benchmarking analysis of the levels of total compensation for members of the Board of Directors and of the Management Board at regular intervals (every two to three years). The benchmark reviews for the Management Board take into consideration our principles of both market and performance related compensation.

A thorough benchmarking review was conducted during the course of the 2021/22 reporting year to help ensure appropriate compensation for the Board of Directors and the Management Board both in terms of structure and overall levels.

For the Board of Directors, the review considered companies in the SMI Expanded index with a market capitalization below CHF 50 billion, and excluding financial services and real estate companies, as well as companies with a non-Swiss compensation structure. The resulting peer group consists of 26 companies: Adecco, Barry Callebaut, Clariant, Dufry, EMS Chemie, Galenica, Geberit, Georg Fischer, Givaudan, Holcim, Kühne+Nagel, Lindt, Logitech, Lonza, OC Oerlikon, Schindler, SGS, SIG Combibloc, Sika, Straumann, Swatch Group, Swisscom, Tecan, Temenos, VAT Group, and Vifor Pharma. The analysis confirmed that both the overall fees paid to members of the Board of Directors and the structure of board retainer and committee fees are in line with the market, and that the equity compensation is subject to a longer restriction period than market practice, which strengthens alignment with shareholder interests.

For the Management Board two different peer groups were considered: a Swiss general industry peer group of companies that are comparable in terms of market capitalization, revenue, industry, number of employees and geographic reach; and an international peer group of medical device companies. The Swiss peer group includes Barry Callebaut, Bucher Industries, dormakaba, EMS-Chemie, Geberit, Georg Fischer, Givaudan, Lindt & Spruengli, Mettler Toledo, OC Oerlikon, Schindler, SGS, SIG Combibloc, Sika, Straumann, Sulzer, Swatch Group, Tecan, and VAT Group. The international medical device peer group comprises Alcon, Amplifon, Cochlear, Coloplast, Dentsply Sirona, Fielmann, Fresenius Medical Care, GN Store Nord, GrandVision, Hill-Rom, Hologic, Smith & Nephew, Demant (William Demant) and Carl Zeiss (Zeiss Meditec).

As a general outcome and compared to both peer groups, the compensation structure of the Management Board continues to be more performance oriented (and less fixed) than that of peer companies. Otherwise, the compensation structure and compensation levels are in line with prevalent market practice.

Performance management

The actual compensation of the members of the Management Board in a financial year depends on the performance of the Group and/or respective business unit, as well as on individual performance, which is assessed through the formal annual performance review process. Financial, business unit, and individual performance objectives are normally approved at the beginning of the financial year and achievements against those objectives are generally assessed at the end of the financial year, according to Sonova's performance appraisal process.

5. Compensation components and system

5.1 Overview of compensation components

The table below provides an overview of the compensation components for the Board of Directors and the Management Board, with more details on both included later in the report:

	Management Board ¹⁾	Board of Directors ¹⁾
	CEO/CFO/GVPs	BoD
Fixed compensation components		
Fixed base salary		
Benefits ²⁾		
Expense allowance ³⁾		
Cash car allowance ^{3) 4)}		
Cash retainer (fixed fee)		
Restricted shares		
Committee fee ⁵⁾		
Travel allowance ⁶⁾		
Pension benefits		
Pension Fund		
Variable compensation components (performance related)		
Short-term cash incentive award		
VCC		
Long-term equity incentive award⁷⁾		
EEAP		
Social and other benefits		
Other benefits		

¹⁾ Mandatory social security contributions (AHV/ALV or for the international MB the local equivalent company costs) are paid by Sonova and disclosed in the compensation report

²⁾ MB members under a non-Swiss employment contract receive benefits in line with local practice

³⁾ Only for MB members with a Swiss employment contract

⁴⁾ Flat rate cash car allowance

⁵⁾ If applicable

⁶⁾ Discontinued as from the 2022 AGM

⁷⁾ Awarded in the form of options and PSUs

5.2 Board of Directors compensation system

Role, responsibility and commitment

Sonova needs to be able to attract and retain members of the Board of Directors who are highly experienced and motivated to contribute their specific business expertise and perform a critical role in the strategic oversight of the company. Their compensation must enable this, while taking account of the way their contribution to Sonova's success differs from that of the members of the Management Board.

Requirements – in terms of qualifications, skills, and experience – for directors of international listed companies are becoming ever more stringent. Sonova's Board of Directors has the relevant and necessary skill set to ensure proper professional supervision, including international, industry, and subject specific experience.

The compensation structure reflects varying responsibilities, committee memberships, workloads and time commitments, so individual compensation levels are not the same. The Chair of the Board of Directors, for example, devotes a substantial amount of his time to mandated duties, including leading the Board of Directors, coordinating Board and committee meeting agendas and topics with committee chairs, and contributing to and participating in committee meetings as guest.

The Chair of the Board of Directors is also responsible for the continued development and adaptation of Sonova's governance to meet regulatory and corporate requirements, preparing for and conducting the AGM, and overseeing the annual report, as well as advising the CEO on key strategic, financial, HR, and operational matters. His role also encompasses third party interactions such as shareholder inquiries and requests about corporate governance and corporate responsibility as well as meetings with proxy advisors. His sound understanding of the company, developed over many years of service, is a unique and valuable qualification that we believe provides a substantial benefit to Sonova and its shareholders.

More details on the Board of Directors' composition, diversity, competencies, evaluation, risk and compliance management, as well as corporate responsibility, can be found in the corporate governance report.

Compensation structure

It is important that compensation components are structured to create a strong alignment with the interests of our shareholders. In line with best practice, a significant portion of the compensation of the Board of Directors consists of restricted shares; members of the Board of Directors receive no variable or performance-based compensation and are not eligible to participate in the occupational pension plan.

The compensation of members of the Board of Directors is defined in a regulation adopted by the Board of Directors. It consists of fixed compensation: a cash retainer and shares with a restriction period of five years and four months (Chair of the Board of Directors) or four years and four months (all other members). In addition, members of the Board of Directors receive committee fees (if applicable) and, until the 2022 AGM, a travel allowance.

Compensation structure 2021 AGM to 2022 AGM

Annual fees in cash in CHF	Chair ¹⁾	Board members excl. Chair
Cash retainer	430,000	100,000
Vice-Chair	n.a.	15,000
Chair of AC/NCC	n.a.	40,000
Member of NCC/AC	n.a.	20,000
Travel allowance ²⁾	500	500

Restricted shares in CHF	Chair	Board members excl. Chair
Market value at grant	370,000	160,000

¹⁾ Including attendance as guest in the NCC and the AC

²⁾ Multiplied by the number of meeting attended. The travel allowance will be discontinued as from the 2022 AGM.

The compensation of members of the Board of Directors is subject to mandatory employer social security contributions (AHV/ALV). These contributions are paid by Sonova and are disclosed in the compensation report in compliance with Sonova's reporting obligations.

Sonova does not grant contractual severance payments to members of the Board of Directors, nor does Sonova make advance payments or grant loans to them.

Sonova Share Ownership Guidelines

To further align the interests of the Board of Directors with those of our shareholders, the Sonova share ownership guidelines require the members to hold a fixed value in shares.

Members of the Board of Directors are required to maintain a minimum shareholding equivalent to CHF 200,000. They have five months from the first grant of restricted shares to achieve 80% of the required shareholdings, and one year and five months from the same point in time to achieve the full required shareholdings. The requirements of the guidelines can be met through shareholdings in the form of the restricted shares awarded as part of compensation and, if applicable, through share purchases on the open market. Compliance with the shareholding requirement is reviewed annually by the NCC.

5.3 Management Board compensation system

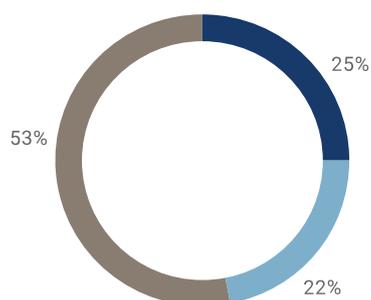
As outlined in the introduction to this compensation report, the compensation system of the Management Board is linked to the company’s strategy and business results, and aligns with the interests of our shareholders, rewarding performance in the context of the business and the market. This compensation system has proven to be effective over several years.

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

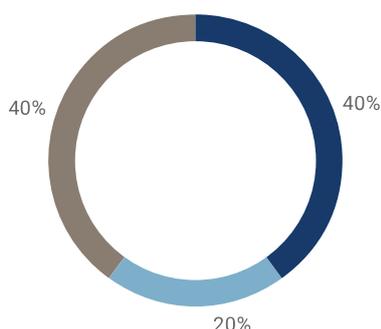
- A fixed base salary;
- A short-term cash incentive award (VCC);
- A long-term equity incentive award (EEAP); and
- Employee benefits, such as pension benefits, flat rate cash car allowance, expense allowance, relocation benefits for certain affected members, as well as social security contributions.

The charts below illustrate the compensation mix excluding employee benefits at target for the CEO, Arnd Kaldowski, and the Management Board in the 2021/22 financial year:

Compensation mix of the CEO, Arnd Kaldowski



Compensation mix of the other members of the Management Board¹⁾



■ Base salary ■ VCC ■ EEAP

■ Base salary ■ VCC ■ EEAP

¹⁾ Average mix

The table below provides an overview of the compensation components of the Management Board, with more details on the following pages. The ratio of the VCC and the EEAP as a percentage of the fixed base salary shown in the table on the next page can vary slightly year-on-year, depending on which component (if any) is adjusted as a result of the compensation review.

Compensation structure 2021/22 financial year

	Fixed compensation components		Variable compensation components	
	Fixed base salary	Benefits	Short-term cash incentive award (VCC)	Long-term equity incentive award (EEAP)
Purpose	Ensures a predictable payment, depends on the market value of the role and the profile of the incumbent	Establishes level of security in line with local market practice Mandatory and voluntary benefits plans offered by the employer	Rewards performance against key performance indicators (KPIs) at Group and business unit level as well as the achievement of individual objectives	Rewards long-term value creation and reinforces alignment with shareholder interests
Vesting Period	n.a.	n.a.	financial year	Options 16 – 52 months PSUs 40 months
KPIs	n.a.	n.a.	A – Group Sales, EBITA, FCF, EPS B – Business Unit Sales, EBITA, ASP, OPEX C – ESG objectives D – Individual objectives	ROCE rTSR
Delivery	Cash, regularly	Country specific	Cash	Options PSUs
Restriction period	n.a.	n.a.	n.a.	Five years from grant date
Cap	n.a.	n.a.	yes	yes
CEO Ratio in % of fixed base salary:	n.a.	n.a.	Target of fixed base salary: 89% Range of fixed base salary: 0 % – 178%	Target of fixed base salary: 214% Range of fixed base salary: 0 % – 294%
MB (excl. CEO) Ratio in % 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: up to 112% Range of fixed base salary: 0 % – 167%

Fixed base salary

The fixed base salary ensures a recurrent payment in cash in regular instalments. 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's performance, as well as on market developments and the economic environment.

Short-term cash incentive award (Variable Cash Compensation)

Sonova's VCC aims at aligning a significant part of compensation to budget achievements in a given financial year. The VCC is an integral component of the compensation for members of the Management Board, defined as a percentage of the annual fixed base salary. At target, it amounts to 89% of fixed base salary for the CEO and to 50% for the other members of the Management Board.

The Board of Directors normally determines the target performance level for each key performance indicator (KPI) annually 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 and ambitious targets helps Sonova strive to 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%, with the exception of sales at 250% and certain ESG targets at 100%. Payout levels between the threshold, the target, and the maximum are calculated by linear interpolation.

The VCC for the Management Board is based on four categories of performance objectives: Group and/or business unit financials, ESG performance, and individual performance objectives.

Group performance objectives are based on the budget; the specific KPIs can include sales, EBITA, FCF, and EPS. Business unit performance objectives can include sales, EBITA, OPEX, ASP, and margin of the respective business unit. These KPIs have been chosen because they are the key drivers for the long-term success of Sonova; they reward for expanding the business, gaining market share, and further increasing profitability through operating leverage.

In broad terms, the rationale for applying these particular Group and business unit performance indicators in determining the VCC is as follows: sales correlate with market success, EBITA reflects profits, and margins reflect profitability, ASP tracks value add and price discipline, OPEX and FCF represent operational and capital efficiency, respectively. As for the performance indicators linked to the external market, earnings per share is important to shareholders and for the determination of the share price. Group and business unit financial performance objectives are generally weighted at 75% of the overall VCC.

In line with our strategy and to reflect Sonova's corporate social responsibility and sustainable business approach, business relevant ESG targets are formally reflected in the VCC based on IntACT, our ESG strategy outlined in Sonova's corporate responsibility report. IntACT operates in four key areas: serving society, advancing our people, acting with integrity, and protecting the planet. ESG performance objectives represent 10% of the overall VCC: 5% allocated for two objectives consistent for all Management Board members and 5% for one to three individual objectives each.

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 total weight of the three to eight individual performance objectives for each member of the Management Board is generally 15% of the overall VCC. The weight can be increased up to 35% for exceptional reasons, such as supporting key strategic initiatives, including research and development.

Ranges of performance objectives for members of the Management Board

Performance Objective	CEO/CFO	Other members of the MB	Minimum payout (threshold)	Target payout (target)	Maximum payout (cap) ¹⁾
A – Group objectives					
Sales	20%	10% – 20%	0%	100% ²⁾	250%
EBITA	0%	10% – 20%			200%
FCF	20%	10% – 20%			
EPS	35%	0% – 15%			
B – Business objectives³⁾					
Sales		0% – 25%	0%	100%	250%
EBITA		0% – 20%			200%
OPEX		0% – 10%			
ASP		0% – 10%			
Margin		0% – 15%			
C – ESG objectives					
ESG objectives	10%	10%	0%	100%	100–200%
D – Individual objectives⁴⁾					
Initiatives/Projects	15%	15% – 25%	0%	100%	200%

¹⁾ The overall maximum payouts is capped at 200%.

²⁾ At target the VCC amounts to 89% of base salary for the CEO and to 50% for the other members of the Management Board.

³⁾ Not all of the business objectives apply to all members of the Management Board.

⁴⁾ In exceptional circumstances, up to 35% (e.g. to support key strategic initiatives).

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

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 talent at Sonova.

The EEAP is offered annually to the members of the Management Board. The Board of Directors determines the individual grant level to the members of the Management Board based on the recommendation of the CEO, and to the CEO based on the recommendation of the NCC. Generally, the grant date is on February 1 each year.

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

Options

A portion of the EEAP is allocated in the form of performance options. This reflects the growth-focused strategy and the desire to further strengthen the alignment of the Management Board compensation with our shareholder interests.

Options granted under the EEAP vest in four equal annual instalments over a period of 16–52 months, depending on ROCE achievement. The first tranche vests 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, and the life of the options is 10 years.

The fair value of the options is calculated at the grant date by a third party using the “Enhanced American Pricing Model.” Additional information is available in Note 7.4 to the consolidated financial statements. Re-pricing of any out-of-the-money options granted under the EEAP is prohibited.

For reference, the average vesting period of the options is 34 months. Options are typically exercised approximately one and a half years after their respective vesting date. In this way options align management with shareholder interests, as value creation is only realized in the event of increasing share price (see [section 6](#) for more information on the overall levels of the target achievements as well as other qualitative comments).

The vesting of the option granted in the 2021/22 financial year to members of the Management Board is based on ROCE as performance criterion because this metric reflects multiple KPIs, including both the profitability of the company and the efficiency with which Sonova’s capital is being employed. The Board of Directors generally determines the target level of performance at which the options will vest in full and a minimum performance threshold below which there is no vesting. Payout levels on ROCE performance between the threshold and the target are determined by linear interpolation. There is no provision for over-achievement; the proportion of options that can vest ranges from 0% to 100%. The ROCE target is ambitious and represents a multiple of the weighted average cost of capital. The ambition is to continuously improve ROCE over time, in line with strategic planning.

Starting with the options granted in February 2020, and to further foster long-term alignment with shareholder interests, options are subject to a five-year restriction period from the grant date. During this period, even after the vesting date, options cannot be exercised, sold, pledged, assigned, transferred or otherwise disposed of.

Performance Share Units

The other portion of the EEAP is allocated in the form of PSUs.

PSUs are subject to a cliff-vesting of three years and four months, depending on the relative Total Shareholder Return (rTSR) achievement. This external criterion is measured against a peer group of relevant companies and thus incentivizes the Management Board to outperform the peers. Sonova’s TSR is measured against the SLI®⁽¹⁾ constituents that remain in the index during a performance period of three years and two months from the grant. A performance period slightly shorter than the vesting period provides for sufficient time to measure the performance achievement and receive approval of the calculation prior to vesting. The SLI® was selected in order to compare Sonova’s performance to other Swiss listed companies with a comparable complexity and geographic footprint, providing a relevant and challenging benchmark for Sonova’s value creation.

Depending on the rTSR performance ranking, the vesting schedule of PSUs is as follows:

- 20th percentile or below: no cliff vesting occurs and granted PSUs are forfeited (threshold)
- 50th percentile: 100% of granted PSUs vest (target)
- 80th percentile or above: 200% of granted PSUs vest (cap)
- Linear interpolation between the threshold, target and cap

As an additional performance alignment measure, if Sonova’s (absolute) TSR is negative over the performance period, the vesting is capped at 100%.

The calculation of rTSR target achievement will be conducted using the average closing price for three calendar months prior to grant and end of performance period, respectively.

The fair value of the PSUs is calculated at the grant date by a third party by using the “Monte Carlo Pricing Model.” Additional information is available in Note 7.4 to the consolidated financial statements.

As with the options, and to further foster long-term alignment with shareholder interests, PSU grants from February 2020 onwards are subject to a five-year restriction period from the grant date. During this period, even after the vesting date, PSUs and underlying shares cannot be sold, pledged, assigned, transferred or otherwise disposed of.

1) The Swiss Leader Index (SLI) includes the 30 largest and most liquid securities in the Swiss equity market.

Summary of the EEAP instruments

EEAP 2022		
Equity	Options	PSUs
Grant Date	February 1, 2022	February 1, 2022
Fair Value (to derive number of instruments granted)	Based on Enhanced American Model valuation (Black-Scholes Model for the impact of the restriction period)	Based on Monte Carlo Model valuation
Exercise/Strike Price	CHF 333.60 (Sonova closing SIX share price on February 1, 2022)	n.a.
Vesting Date	25% vests on June 1, 2023 25% vests on June 1, 2024 25% vests on June 1, 2025 25% vests on June 1, 2026	3 years + 4 months cliff vesting 100% vest on June 1, 2025
Vesting multiple	0%–100% of grant (ROCE)	0%–200% of grant (capped at 100% if the absolute TSR is negative) Floor: 20 th percentile TSR (multiple = 0%) Target: 50 th percentile TSR (multiple = 100%) Cap: 80 th percentile TSR (multiple = 200%) linear interpolation in between
Performance criterion	ROCE	rTSR (against the SLI constituents)
Restriction Period	Five years from the grant date (January 31, 2027)	Five years from the grant date (January 31, 2027)
Exercise Period	After the end of the restriction period until expiry	n.a.
Maturity/Expiry Date	Total 10 years (January 31, 2032)	No maturity/expiry restriction after vesting

Termination of employment under the long-term equity incentive award (Executive Equity Award Plan)

In the event of termination of employment, unvested awards (PSUs, options, and outstanding RSUs from previous programs) are forfeited. Any applicable restriction period for grants from 2020 onwards continues to apply, unless specifically provided otherwise below. Vested options can be exercised within a period of three months.

EEAP termination provisions					
	Unvested PSUs	Vested PSUs	Unvested Options	Vested Options	Unvested RSU
Death, disability	Regular vesting	Immediate unblocking	Immediate vesting	Immediate unblocking, 12 months exercise period	Immediate vesting
Retirement	Regular vesting pro rata (if qualified retirement condition is met) or forfeiture (other retirement cases)	Regular restriction	Regular vesting if vesting date within year of termination, otherwise forfeiture	12 month exercise period after the end of the restriction period	Regular vesting if vesting date within year of termination, otherwise forfeiture
Transition-rule ¹⁾	Regular vesting pro rata (until May 2021)				
Termination for cause	Forfeiture	Forfeiture	Forfeiture	Forfeiture	Forfeiture
Termination due to change of control (double trigger)	Immediate vesting pro rata (performance achievement)	Immediate unblocking	Immediate vesting pro rata (performance achievement)	Immediate unblocking	Immediate vesting pro rata

¹⁾ Transition rule for voluntary resignation or termination by company if termination before 31 May 2021 and MB member on service on 1 April 2017

Disclosure of targets

Internal individual and/or financial targets under the VCC and the EEAP plans are generally considered sensitive information with the exception of the information relating to rTSR for PSUs. Disclosing internal targets would allow insight into our confidential strategic goals and thereby create a competitive disadvantage for Sonova. Therefore, after another review and careful consideration during the reporting year, the decision was made not to disclose the specifics of the VCC and EEAP internal targets at the time of their setting, but to ensure transparency by disclosing target achievements and their respective payouts at the end of the relevant period.

As a general rule, substantial improvements on a comparable basis against the previous period's achievements are required in order to meet the growth targets, in line with the company's ambitious strategic and financial plans and as communicated to the capital market.

Sonova Share Ownership Guidelines

To further align the interests of the Management Board with those of our shareholders, the Sonova share ownership guidelines require Management Board members to hold a minimum fixed value in shares equivalent to the following amounts:

- CEO: CHF 1,000,000
- Other members: CHF 200,000

They have three years and five months after receiving the first grant as a Management Board member to build up the shareholding, with a required progression of one year and five months for a 12.5% achievement, and two years and five months for a 25% achievement. Only shares in the form of fully vested shares awarded as part of compensation and, if applicable, share purchases on the open market are counted. Compliance with the shareholding requirement is reviewed annually by the NCC.

Benefits

As the Management Board is international in its nature, the members participate in the benefit plans available in the country of their employment contract. Benefits consist mainly of retirement, insurance, and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependents in respect to retirement income, healthcare provision, and coverage against the risk of disability or death.

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 a Swiss employment contract are eligible for the same benefits as all other employees in Switzerland. Members of the Management Board who are under a foreign employment contract receive benefits in line with local current regulatory practice.

The compensation of members of the Management Board who are under Swiss employment is subject to mandatory employer social security contributions (AHV/ALV).

The benefits and company contributions covered by Sonova are disclosed in the compensation report in compliance with Sonova's reporting obligations.

The CEO and selected members of the Management Board are entitled to a flat rate cash car allowance as well as an expense allowance in line with the expense regulations applicable to all members of management in Switzerland, which is approved by the Swiss tax authorities. In an international context, members may also be provided with benefits such as relocation, temporary housing, travel benefits, and tax advice, in line with policies and practices. These other benefits are included in the compensation table at their fair value.

Employment terms and conditions

As part of its commitment to good corporate governance, Sonova has a forfeiture provision in all employment agreements with the Management Board members. It provides for repayment of any compensation paid or granted prior to approval by the AGM if the proposed aggregate compensation of the members of the Management Board is not approved.

All members of the Management Board have permanent employment contracts with a notice period of a maximum of six months. The notice period for the CEO is 12 months. Sonova does not grant contractual severance payments to members of the Management Board, nor does Sonova make advance payments or grant loans to them. There are no change of control provisions other than those highlighted in the EEAP termination provisions. The employment contracts of the members of the Management Board may include non-competition arrangements of a duration of up to 12 months, without any compensation.

Claw-back

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 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.

We believe that the five-year restriction period under the EEAP represents an effective solution to mitigate any impact in the event of an accounting/financial restatement due to non-compliance with financial reporting requirements under the Swiss laws at the time of disclosure.

6. Compensation for the financial year

6.1 Board of Directors compensation

The tables in this section are audited by the external auditor.

The following table shows the compensation for the individual members of the Board of Directors for the 2021/22 financial year (9 members from the 2021 AGM) and for the 2020/21 financial year (9 members). The total compensation in the 2021/22 financial year was CHF 2.9 million (2020/21: CHF 2.6 million).

Board of Directors compensation

in CHF

						2021/22
	Cash retainer (fixed fee)	Expenses ¹⁾	Total cash compensation	Grant value of restricted shares	Total compensation	Employer's social insurance contribution (AHV/ALV) ²⁾
Robert F. Spoerry ³⁾ Chair of the Board of Directors	340,466	1,500	341,966	369,962	711,928	39,329
Stacy Enxing Seng Vice-Chair of the Board of Directors Member of the Nomination and Compensation Committee	126,879	–	126,879	159,794	286,674	18,653
Lynn Dorsey Bleil Member of the Audit Committee	115,003	500	115,503	159,794	275,297	17,813
Gregory (Greg) Behar ⁴⁾	79,178	1,500	80,678	159,794	240,472	15,006
Lukas Braunschweiler Chair of the Nomination and Compensation Committee	127,507	1,500	129,007	159,794	288,801	47,402
Roland Diggelmann Member of the Nomination and Compensation Committee ⁴⁾	95,014	1,500	96,514	159,794	256,308	16,127
Ronald van der Vis Member of the Audit Committee	118,334	500	118,834	159,794	278,629	18,049
Jinlong Wang	95,836	500	96,336	159,794	256,130	16,457
Adrian Widmer Chair of the Audit Committee	130,838	1,500	132,338	159,794	292,133	18,933
Total (active members)	1,229,055	9,000	1,238,055	1,648,318	2,886,372	207,769
Beat Hess Vice-Chair of the Board of Directors Member of the Nomination and Compensation Committee ⁵⁾	22,488	–	22,488	–	22,488	1,255
Michael Jacobi Member of the Audit Committee ⁶⁾	19,989	–	19,989	–	19,989	1,091
Total (including former members)	1,271,532	9,000	1,280,532	1,648,318	2,928,849	210,115

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

- 1) Travel expenses are paid only for attended meetings.
- 2) Employer social security contributions on the cash retainer and restricted shares granted during the financial year.
- 3) Including NCC and AC work and attendance.
- 4) Member of the Board of Directors since June 2021
- 5) Vice-Chair of the Board of Directors until June 2021
- 6) Member of the Board of Directors until June 2021

in CHF

2020/21

	Cash retainer (fixed fee) ¹⁾	Expenses ²⁾	Total cash compensation	Grant value of restricted shares	Total compensation	Employer's social insurance contribution (AHV/ALV) ³⁾
Robert F. Spoerry ^{4) 5)} Chair of the Board of Directors Chair of the Nomination and Compensation Committee	15,450	1,500	16,950	369,011	385,961	17,858
Beat Hess Vice-Chair of the Board of Directors Member of the Nomination and Compensation Committee	138,162	3,500	141,662	159,519	301,181	16,460
Lynn Dorsey Bleil Member of the Audit Committee	122,529	3,000	125,529	159,519	285,048	18,425
Lukas Braunschweiler	104,219	2,500	106,719	159,519	266,238	245,809
Stacy Enxing Seng Member of the Nomination and Compensation Committee	122,529	3,500	126,029	159,519	285,548	18,460
Michael Jacobi Member of the Audit Committee	126,076	3,500	129,576	159,519	289,095	15,634
Ronald van der Vis Chair of the Audit Committee	139,318	3,000	142,318	159,519	301,837	19,610
Jinlong Wang	104,219	2,500	106,719	159,519	266,238	17,098
Adrian Widmer ⁶⁾	77,063	–	77,063	159,519	236,582	14,811
Total	949,566	23,000	972,566	1,645,164	2,617,730	384,165

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

- 1) As of the 2020 AGM, fee payment is aligned with the term of office (instead of the financial year). For the transition, catch up payments in a total amount of CHF 178,111 had to be made in June 2020.
- 2) Travel expenses are paid only for attended meetings. No travel expenses paid from 2020 AGM to 2021 AGM due to COVID-19.
- 3) Employer social security contributions on the cash retainer, the tax value of income derived from outstanding EEAP awards (former CEO) and restricted shares granted during the financial year.
- 4) Including NCC and AC work and attendance.
- 5) Amount of CHF 15,450 included under Cash retainer was not paid out, but covers the netting of the social security contributions on the restricted shares.
- 6) Member of the Board of Directors since June 2020

As outlined in the 2020/21 compensation report, the compensation related short-term measures taken in response to the COVID-19 related crisis included that the Chair of the Board of Directors waived his cash retainer (net of social security contributions for the portion delivered in restricted shares) from April 2020 until the 2021 AGM. Additionally, the other members of the Board of Directors waived 20% of their cash retainer and committee fees for this term of office from the 2020 AGM to the 2021 AGM. For more details, please refer to the compensation table above and to the 2020/21 compensation report. – On a 2-year CAGR basis from the 2019/20 to the 2021/22 financial year, no changes were made to the Board of Directors compensation.

in CHF	2019/20					
	Cash retainer (fixed fee)	Expenses ¹⁾	Total cash compensation	Grant value of restricted shares	Total compensation	Employer's social insurance contribution (AHV/ALV) ²⁾
Robert F. Spoerry ³⁾ Chair of the Board of Directors Chair of the Nomination and Compensation Committee	476,343	2,500	478,843	372,664	851,506	52,535
Beat Hess Vice-Chair of the Board of Directors Member of the Nomination and Compensation Committee	132,541	4,500	137,041	161,000	298,041	15,713
Lynn Dorsey Bleil Member of the Audit Committee	117,532	4,500	122,032	161,000	283,033	17,757
Lukas Braunschweiler	100,000	4,000	104,000	161,000	265,000	376,364
Stacy Enxing Seng Member of the Nomination and Compensation Committee	117,532	4,500	122,032	161,000	283,033	17,757
Michael Jacobi ⁴⁾ Member of the Audit Committee	129,058	4,500	133,558	161,000	294,559	15,491
Ronald van der Vis Chair of the Audit Committee	133,489	4,000	137,489	161,000	298,489	18,856
Jinlong Wang	100,000	4,000	104,000	161,000	265,000	16,515
Total (active members)	1,306,494	32,500	1,338,994	1,499,667	2,838,662	530,988
Anssi Vanjoki ⁵⁾ Member of the Audit Committee	21,795	3,000	24,795		24,795	1,785
Total (including former members)	1,328,289	35,500	1,363,789	1,499,667	2,863,456	532,773

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

- 1) Expenses are based on the number of meetings attended by each member of the Board of Directors (attendance fees discontinued from the 2019 AGM forward).
- 2) Employer social security contributions on the cash retainer, the tax value of income derived from outstanding EEAP awards (former CEO) and restricted shares granted during the financial year.
- 3) Including NCC and AC work and attendance.
- 4) Including a compensation of CHF 10,000 for the term of office for extraordinary, supplemental work and contribution during the transition to the new Chair of the Audit Committee as well as on the hiring process for a new member of the Board of Directors.
- 5) Member of the Board of Directors until June 2019

Explanatory comments to the compensation tables

The amounts reported for members of the Board of Directors in the tables do not necessarily correspond to the amounts voted on at the AGM, as the reporting period follows the Sonova financial year, whereas the voting follows the term of office – the period between AGMs. The relative increase of compensation of 11.9% compared to previous year is driven by the compensation related short-term measures taken in the previous year in response to the COVID-19 related crisis. The underlying compensation structure and levels of the Board of Directors remained unchanged compared to previous year.

6.1.1 Approved versus expected total compensation for the members of the Board of Directors

The total compensation paid to the Board of Directors for the period from the 2021 AGM to the 2022 AGM is expected to be CHF 3.1 million. The total compensation is within the limit of CHF 3.1 million approved by the 2021 AGM.

Approved versus expected total compensation for the members of the Board of Directors

in CHF 1,000	Approved for AGM 2020 – AGM 2021	Effective for AGM 2020 – AGM 2021	Approved for AGM 2021 – AGM 2022	Expected for AGM 2021 – AGM 2022
AGM approval year		2020		2021
Total compensation	2,600	2,425	3,140	3,070
Breakdown total compensation:				
Fixed fees including expenses ¹⁾	875	779	1,456	1,421
Market value of restricted shares	1,725	1,645	1,684	1,649
Number of members of the Board of Directors	9	9	9	9

¹⁾ Fixed fee amounts for AGM 2020 – AGM 2021 reflect the impact of the COVID-19 related measures outlined in this report.

6.1.2 Other compensation, loans, and credit for current and former members of the Board of Directors and related parties

No other compensation was paid to current members of the Board of Directors for additional services beyond the total compensation disclosed in the tables above. No other compensation was paid to former members of the Board of Directors beyond the total compensation disclosed in the tables above.

In the year under review, no payments were made to individuals who are closely related to any current or former member of the Board of Directors.

No loans were granted by Sonova or any other Group company to current or former members of the Board of Directors in the 2021/22 financial year, and no such loans were outstanding as of March 31, 2022. Furthermore, neither Sonova nor any other Group company has granted any loans to related parties of current or former members of the Board of Directors.

6.2 Management Board compensation

The tables in this section are audited by the external auditor.

6.2.1 Compensation awarded for the 2021/22 financial year

As stated above, Sonova's basic principle is that any changes to the fixed or target compensation for the Management Board are made only if and when they are deemed necessary and appropriate. Such changes are generally in line with those across the organization, with a primary focus on the variable compensation components, and they can be differentiated in cases such as, for example, a change to a position's responsibilities. They are also aligned with data from executive compensation surveys and published benchmarks from companies of similar size.

The highest total compensation for a member of the Management Board in the 2021/22 financial year was paid to Arnd Kaldowski, CEO.

The following tables show the compensation of the CEO and of the other members of the Management Board for the 2021/22 financial year (9 members) and for the 2020/21 financial year (9 members).

Management Board compensation

in CHF

	Fixed base salary	Variable compensation ¹⁾	Fringe benefits	Employer's pension contribution	Total cash compensation	Value of PSUs ²⁾	Value of options ³⁾	Total compensation	Employer's social security contribution
Arnd Kaldowski, CEO	900,000	712,240	55,650	113,601	1,781,491	721,875	1,203,125	3,706,491	297,825
Other members of the MB	3,455,539	1,686,494	334,774	565,549	6,042,355	1,525,000	1,525,000	9,092,355	2,116,865
Total	4,355,539	2,398,734	390,424	679,150	7,823,846	2,246,875	2,728,125	12,798,846	2,414,690

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

- 1) The variable compensation will be paid out only when the Group's audited financial statements for the financial year have been publicly disclosed by the Group in its consolidated financial statements.
- 2) Fair value per PSU at grant date CHF 334.87. Fair Value of PSUs provided by a third party based on the Monte Carlo pricing model; this is an appropriately balanced approach, taking account of the possibility of either over- or under-achievement. The settlement will be determined based on actual performance achievement prior to the vesting in June 2025 and the PSUs are blocked after vesting to arrive at the total mandatory restriction period of five years from grant date.
- 3) Fair value per option at grant date provided by a third party based on the "Enhanced American Pricing Model" (including the impact of the restriction period based on a "Black-Scholes Model") of CHF 71.31. The options are blocked after vesting to arrive at the total mandatory restriction period of five years.

in CHF									2020/21
	Fixed base salary	Variable compensation ¹⁾	Fringe benefits	Employer's pension contribution	Total cash compensation	Value of PSUs ²⁾	Value of options ³⁾	Total compensation	Employer's social security contribution
Arnd Kaldowski, CEO	709,615	800,000	69,515	111,231	1,690,361	609,375	1,015,625	3,315,361	125,508
Other members of the MB	2,817,903	1,459,448	291,180	486,524	5,055,056	1,449,500	1,449,500	7,954,056	908,102
Total	3,527,519	2,259,448	360,695	597,754	6,745,417	2,058,875	2,465,125	11,269,417	1,033,610

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

- 1) The variable compensation will be paid out only when the Group's audited financial statements for the financial year have been publicly disclosed by the Group in its consolidated financial statements.
- 2) Fair value per PSU at grant date CHF 198.67. Fair Value of PSUs provided by a third party based on the Monte Carlo pricing model; this is an appropriately balanced approach, taking account of the possibility of either over- or under-achievement. The settlement will be determined based on actual performance achievement prior to the vesting in June 2024 and the PSUs are blocked after vesting to arrive at the total mandatory restriction period of five years from grant date.
- 3) Fair value per option at grant date provided by a third party based on the "Enhanced American Pricing Model" (including the impact of the restriction period based on a "Black-Scholes Model") of CHF 39.90. The options are blocked after vesting to arrive at the total mandatory restriction period of five years.

As outlined in the 2020/21 compensation report, the compensation related short-term measures taken in response to the COVID-19 related crisis included a freeze on salary increases for the Management Board in the 2020/21 financial year. Moreover, the CEO waived 50% of his monthly base salary, and each of the other Management Board members 20% of their monthly base salaries, from April 2020 to September 2020. Additionally, target setting for the VCC was governed on a rolling basis while the maximum VCC payout during the 2020/21 financial year was capped at 100% for Management Board members. For more details, we refer to the compensation table above and to the 2020/21 compensation report. – On a 2-year CAGR basis from the 2019/20 to the 2021/22 financial year, only minor changes were made to the Management Board compensation.

in CHF									2019/20
	Fixed base salary	Variable compensation ¹⁾	Fringe benefits	Employer's pension contribution	Total cash compensation	Value of PSUs ²⁾	Value of options ³⁾	Total compensation	Employer's social security contribution
Arnd Kaldowski, CEO	900,000	986,560	74,944	109,338	2,070,841	562,500	937,500	3,570,841	110,466
Other members of the MB	3,138,129	2,147,971	356,124	515,913	6,158,137	1,649,000	1,649,000	9,456,137	888,687
Total	4,038,129	3,134,531	431,068	625,251	8,228,978	2,211,500	2,586,500	13,026,978	999,153

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

- 1) The variable compensation will be paid out only when the Group's audited financial statements for the financial year have been publicly disclosed by the Group in its consolidated financial statements.
- 2) Fair value per PSU at grant date CHF 266.80. Fair Value of PSUs provided by a third party based on the Monte Carlo pricing model; this is an appropriately balanced approach, taking account of the possibility of either over- or under-achievement. The settlement will be determined based on actual performance achievement prior to the vesting in June 2023 and the PSUs are blocked after vesting to arrive at the total mandatory holding period of five years from grant date.
- 3) Fair value per option at grant date provided by a third party based on the "Enhanced American Pricing Model" (including the impact of the holding period based on a "Black-Scholes Model") of CHF 33.34. The options are blocked after vesting to arrive at the total mandatory holding period of five years.

Explanatory comments to the compensation tables

The total compensation of CHF 12.8 million for the 2021/22 financial year is above the total of CHF 11.3 million for the previous year. This is explained by the following main contributing factors:

- The fixed compensation is higher compared to the previous year mainly given the COVID-19 related compensation measures during the 2020/21 financial year.
- Selected members of the Management Board did receive salary increases at the beginning of 2021/22 aligned with those across the organization, as well as with data from executive compensation surveys and published benchmarks from companies of similar size.
- The total EEAP grant value awarded increased as a result of a combination of selective higher awards.

Variable Cash Compensation performance outcomes 2021/22

The system of the VCC is outlined in more detail in [section 5.3](#) of this report.

The overall Group sales (excluding acquisition of Sennheiser) target was exceeded at 1.5% on the back of strong commercial execution, despite some volatility caused by new variants of COVID-19 and supply challenges related to the sourcing of certain electronic components. While the Hearing Instruments and Cochlear Implants businesses exceeded their growth targets, the Audiological Care business was slightly below target.

The target achievement on EBITA resulted at 98.3%. The lower than targeted achievement was driven by a strengthening of the Swiss franc against key currencies compared to the currency target scenario, and by the headwind from the supply chain and component cost. The Hearing Instrument segment slightly missed the profitability target, while the Cochlear Implant segment clearly exceeded its target on the back of the strong upgrade business following the introduction of the new Marvel processor. The EPS target was met (100%). The assessment of these targets was undertaken based on the adjusted metrics as disclosed in the [financial review](#) of this Annual Report.

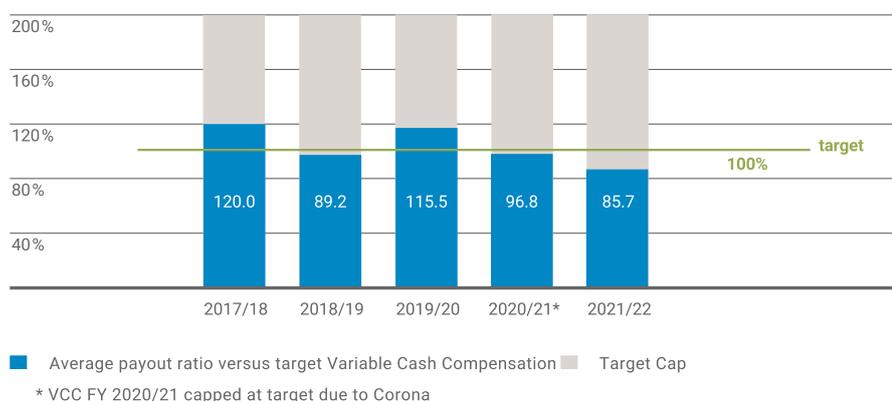
Despite the strong business performance for most of the financial year, not all envisioned improvements in working capital management could be realized to their full extent. This resulted in an Operating Free Cash Flow achievement of 96.7%.

ESG targets were defined around eight categories, with energy and climate, as well as talent & employee engagement, set as a target for all Management Board members. Additionally, members each had a selection of targets set depending on their role and responsibilities. These included eco-friendly products, diversity & inclusion, talent development, customer satisfaction, product quality, safety & reliability and responsible supply chain. On average, ESG targets for management were achieved at 82.8%.

Individual qualitative targets for management were, on average, slightly overachieved at 103.0%.

The overall target achievement for the 2021/22 financial year for the CEO was 89.0% (2020/21: 100.0%) and between 66.9% and 134.8% (2020/21: 77.6% –100.0%) for the other members of the Management Board. The average variable cash payout to Management Board members, including the CEO, was 85.7%, whereas the equivalent average overall payout ratio for the previous year was 96.8%. As noted later in this report, the VCC achievement for the 2020/21 financial year was capped at 100.0%, impacting the year-on-year comparison.

6.2.2 Historical variable cash compensation for the members of the Management Board over the last five years



The above chart illustrates that the design of the VCC is effective: in line with Sonova’s ambitious target-setting, substantial progress needs to be made to reach the target (100%).

6.2.3 Approved versus actual total compensation for the members of the Management Board

The actual total compensation for the Management Board for the 2021/22 financial year was CHF 12.8 million. This figure is below the maximum aggregate compensation amount of CHF 15.2 million approved at the 2020 AGM for the 2021/22 financial year.

The approved compensation for EEAP applies fair value at grant, which is based on 100% target achievement; this is an appropriately balanced approach, taking account of the possibility of either over- or under-achievement for PSUs. The actual number of shares allocated for each PSU will depend on the achievement of pre-determined performance conditions, and ranges from 0 to 2 shares per PSU. Actual achievement will be disclosed upon vesting in each respective financial year.

Additional information to support the shareholder votes on compensation can be found in the invitation to the 2022 AGM.

6.2.4 Executive Equity Award Plan performance outcomes 2021/22

Options

The vesting of the options is subject to a pre-defined ROCE target. In the 2021/22 financial year, the ROCE target was exceeded. Since there is no provision for over-achievement in the EEAP, the vesting of the options is capped at target, namely at 100%. This applies to the option tranches awarded under the EEAP 2017, 2018, 2019 and 2020 that vested in the reporting year.

Performance Share Units

The PSUs vest based on relative TSR measured against a pre-defined peer group. The number of shares allocated for each vested PSU between the 20th and 80th percentile is calculated by linear interpolation within a range of 0% to 200%. The PSUs awarded under the EEAP 2019 vest in June 2022 based on the performance period ending on March 31, 2022.

The actual TSR was 107.8%, which corresponds to a 82.4% percentile rank relative to the peer group, and results in a 200.0% vesting in June 2022. For the PSUs awarded under the EEAP 2018 vesting in June 2021, the actual TSR was 46.5%, which corresponded to a 77.0% percentile rank relative to the peer group and resulted in a 189.9% vesting.

Restricted Share Units

The RSUs that were awarded under the EEAP in the 2018/19 financial year vested in the reporting year. They were not subject to any performance conditions but to employment conditions.

6.2.5 Other compensation, loans and credits for current and former members of the Management Board and related parties

No other compensation was paid to current or former members of the Management Board beyond the total compensation disclosed in the tables above.

No payments were made to individuals who are closely related to any current or former member of the Management Board.

No loans were granted by Sonova or any other Group company to current or former members of the Management Board in the 2021/22 financial year, and no such loans were outstanding as of March 31, 2022. Furthermore, neither Sonova nor any other Group company has granted any loans to related parties of current or former members of the Management Board.

7. Share ownership information

7.1 Shareholdings of members of the Board of Directors

The tables in this section are audited by the external auditor.

The following table shows the equity of the individual members of the Board of Directors and persons closely linked to them.

	31.03.2022				31.03.2021			
	Shares	Restricted Shares ¹⁾	RSUs	Options	Shares	Restricted Shares ²⁾	RSUs	Options
Robert F. Spoerry, Chair	44,368	12,261			41,227	14,293		
Stacy Enxing Seng, Vice-Chair	4,744	4,319			3,231	5,353		
Lynn Dorsey Bleil, Member	1,543	4,319			30	5,353		
Gregory (Greg) Behar, Member ³⁾		479						
Lukas Braunschweiler, Member	26,490	2,967	700	96,016	25,007	2,488	2,183	96,016
Roland Diggelmann, Member ³⁾		479						
Ronald van der Vis, Member	1,513	4,319			3,231	5,353		
Jinlong Wang, Member	6,159	4,319			4,846	5,353		
Adrian Widmer, Member		1,210				731		
Total (active members)	84,817	34,672	700	96,016	77,572	38,924	2,183	96,016
Beat Hess, Vice-Chair ⁴⁾					6,691	5,353		
Michael Jacobi, Member ⁵⁾						5,353		
Total (including former members)	84,817	34,672	700	96,016	84,263	49,630	2,183	96,016

1) These shares are subject to a restriction period which varies from June 1, 2022 to June 1, 2027 depending on the grant date.

2) These shares are subject to a restriction period which varies from June 1, 2021 to June 1, 2026 depending on the grant date.

3) New member of the Board of Directors since June 2021.

4) Vice-Chair of the Board of Directors until June 2021.

5) Member of the Board of Directors until June 2021.

For further details see also Note 7.4 in the consolidated financial statements.

The shareholding requirements set by the share ownership guidelines are entirely met by all members of the Board of Directors.

7.2 Shareholdings of members of the Management Board

The tables in this section are audited by the external auditor.

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

	31.03.2022				31.03.2021			
	Shares ¹⁾	PSUs	RSUs	Options	Shares ¹⁾	PSUs	RSUs	Options
Arnd Kaldowski	14,597	9,627		189,888	6,792	11,581		173,017
Birgit Conix ²⁾	195	991		4,655				
Ludger Althoff	1,183	2,241	528	18,421	919	1,659	792	17,448
Claudio Bartesaghi	911	2,494		23,227 ³⁾	681	2,865	73	22,401 ³⁾
Vicky Carr-Brendel	474	2,206	474	17,603 ⁴⁾	237	1,617	711	16,413 ⁴⁾
Claude Diversi	655	2,977	817	21,724	1,057	4,831	881	27,272
Christophe Fond	776	3,855	323	40,187	4,236	5,005	933	36,682
Martin Grieder	1,506	3,567	316	47,160	1,006	4,765	912	51,812
Andi Vonlanthen	21,292	3,462	316	54,558	17,174	4,831	912	65,727
Total (active members)	41,589	31,420	2,774	417,423	32,102	37,154	5,214	410,772
Hartwig Grevener ⁵⁾					9,420	1,854	596	20,210
Total (including former members)	41,589	31,420	2,774	417,423	41,522	39,008	5,810	430,982

1) Shares are dividend entitled with full voting rights.

2) Member of the Management Board since June 2021.

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

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

5) Member of the Management Board until June 2021.

For further details see also Note 7.4 in the consolidated financial statements.

The shareholding requirements set by the share ownership guidelines are entirely met by all members of the Management Board.

The following table shows the shareholding requirements relative to the fixed base salary and the indicative actual shareholdings.

	Base salary	Share requirements ¹⁾	Actual shares ²⁾	Fulfillment of share ownership guidelines	Share ownership ratio to base salary
	in CHF	in CHF	in CHF	in %	ratio
Arnd Kaldowski, CEO	900,000	1,000,000	5,657,797	566	6.3
Other members of the MB ³⁾	385,474	200,000	1,483,788	742	3.8

1) Share requirements to be achieved for the CEO as of December 31, 2017 and for all other members of the MB after 41 months.

2) Calculated with Sonova closing share price of March 31, 2022.

3) Average of other members of the MB with shareholding requirements.

The calculation of fulfillment and the ratio to base salary of the share ownership shown above are included for illustration purposes only.

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

31.03.2022

	Options EEAP 22 ¹⁾	Options EEAP 21 ²⁾	Options EEAP 20 ³⁾	Options EEAP 19 ⁴⁾	Options EEAP 18 ⁵⁾	Options EEAP 17 ⁶⁾	Options EEAP 16 ⁷⁾	Total options
Arnd Kaldowski	16,871	25,454	28,119	32,901	86,543 ⁹⁾			189,888
Birgit Conix ⁸⁾	4,655							4,655
Ludger Althoff	2,734	4,736	5,668	5,283				18,421
Claudio Bartesaghi	2,355	4,210	4,649	4,881	4,984	2,148 ¹⁰⁾		23,227
Vicky Carr-Brendel	2,769 ¹¹⁾	4,699 ¹¹⁾	5,398 ¹¹⁾	4,737 ¹¹⁾				17,603 ¹¹⁾
Claude Diversi	2,381	5,639	6,748	4,307	2,649			21,724
Christophe Fond	3,505	5,889	7,048	8,996	8,127	6,622		40,187
Martin Grieder	3,085	5,513	6,598	8,422	10,594	12,948		47,160
Andi Vonlanthen	2,278	5,639	6,748	8,614	10,594	12,948	7,737	54,558
Total (active members)	40,633	61,779	70,976	78,141	123,491	34,666	7,737	417,423
Hartwig Grevener ¹²⁾								
Total (including former members)	40,633	61,779	70,976	78,141	123,491	34,666	7,737	417,423

- 1) Exercise price CHF 333.60, vesting period 1.2.2022–1.6.2026 whereas one tranche being vested each year, end of restriction period 31.1.2027, exercise period 1.2.2027–31.1.2032.
- 2) Exercise price CHF 218.70, vesting period 1.2.2021–1.6.2025 whereas one tranche being vested each year, end of restriction period 31.1.2026, exercise period 1.2.2026–31.1.2031.
- 3) Exercise price CHF 241.80, vesting period 1.2.2020–1.6.2024 whereas one tranche being vested each year, end of restriction period 31.1.2025, exercise period 1.2.2025–31.1.2030.
- 4) Exercise price CHF 182.40, vesting period 1.2.2019–1.6.2023 whereas one tranche being vested each year, exercise period 1.6.2020–31.1.2029.
- 5) Exercise price CHF 147.85, vesting period 1.2.2018–1.6.2022 whereas one tranche being vested each year, exercise period 1.6.2019–31.1.2028.
- 6) Exercise price CHF 130.00, vesting period 1.2.2017–1.6.2021 whereas one tranche being vested each year, exercise period 1.6.2018–31.1.2024.
- 7) 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.
- 8) Member of the Management Board since June 2021.
- 9) Includes the one-time, non-recurring performance option grant (47,415 options); exercise price of CHF 147.85, vesting period of 1.2.2018 – 1.4.2025, exercise period 1.4.2023 – 30.9.2027.
- 10) SARs EEAP 2017 (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
- 11) SARs were granted instead of options (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
- 12) Member of the Management Board until June 2021.

31.03.2021

	Options EEAP 21 ¹⁾	Options EEAP 20 ²⁾	Options EEAP 19 ³⁾	Options EEAP 18 ⁴⁾	Options EEAP 17 ⁵⁾	Options EEAP 16 ⁶⁾	Options EEAP 15 ⁷⁾	Total options
Arnd Kaldowski	25,454	28,119	32,901	86,543 ⁸⁾				173,017
Hartwig Greverer		1,649	4,211	5,297	6,474	2,579		20,210
Ludger Althoff	4,736	5,668	7,044					17,448
Claudio Bartesaghi	4,210	4,649	4,881	4,984	2,148 ⁹⁾	1,529		22,401
Vicky Carr-Brendel	4,699 ¹⁰⁾	5,398 ¹⁰⁾	6,316 ¹⁰⁾					16,413 ¹⁰⁾
Claude Diversi	5,639	6,748	6,461	5,297	3,127			27,272
Christophe Fond	5,889	7,048	8,996	8,127	6,622			36,682
Martin Grieder	5,513	6,598	8,422	10,594	12,948	7,737		51,812
Andi Vonlanthen	5,639	6,748	8,614	10,594	12,948	10,315	10,869	65,727
Total	61,779	72,625	87,846	131,436	44,267	22,160	10,869	430,982

1) Exercise price CHF 218.70, vesting period 1.2.2021–1.6.2025 whereas one tranche being vested each year, end of restriction period 31.1.2026, exercise period 1.2.2026–31.1.2031.

2) Exercise price CHF 241.80, vesting period 1.2.2020–1.6.2024 whereas one tranche being vested each year, end of restriction period 31.1.2025, exercise period 1.2.2025–31.1.2030.

3) Exercise price CHF 182.40, vesting period 1.2.2019–1.6.2023 whereas one tranche being vested each year, exercise period 1.6.2020–31.1.2029.

4) Exercise price CHF 147.85, vesting period 1.2.2018–1.6.2022 whereas one tranche being vested each year, exercise period 1.6.2019–31.1.2028.

5) Exercise price CHF 130.00, vesting period 1.2.2017–1.6.2021 whereas one tranche being vested each year, exercise period 1.6.2018–31.1.2024.

6) 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.

7) 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.

8) Includes the one-time, non-recurring performance option grant (47,415 options); exercise price of CHF 147.85, vesting period of 1.2.2018 – 1.4.2023, exercise period 1.4.2023 – 30.9.2027.

9) SARs EEAP 2017 (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).

10) SARs were granted instead of options (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).

Glossary

AC	Audit Committee
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
CHF	Swiss Francs
EBITA	Earnings Before Interest, Taxes and Amortization
EEAP	Executive Equity Award Plan
EPS	Earnings Per Share
ESG	Environmental, Social and Governance
FCF	Free Cash Flow
GVP	Group Vice President
HRM	Human Resource Management
KPIs	Key Performance Indicators
MB	Management Board
n.a.	Not applicable
NCC	Nomination and Compensation Committee
OPEX	Operating Expenses
PSU	Performance Share Unit
ROCE	Return on Capital Employed
RSU	Restricted Share Unit
rTSR	relative Total Shareholder Return
SLI	Swiss Leaders Index
SMI	Swiss Market Index
SMIM	Swiss Market Index Mid
VCC	Variable Cash Compensation



Report of the statutory auditor to the General Meeting of Sonova Holding AG

Statutory auditor's report on the compensation report

We have audited the compensation report of Sonova Holding AG for the year ended 31 March 2022. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables of section 6.1, 6.2, 7.1 and 7.2 excluding tables 6.1.1 and 6.2.2.

Board of Directors' responsibility

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 remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 remuneration, 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 for the year ended 31 March 2022 of Sonova Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Zurich, 12 May 2022

Ernst & Young Ltd

Martin Mattes
Licensed audit expert
(Auditor in charge)

Pascal Solèr
Licensed audit expert