

Invitation

35th Annual General Shareholders' Meeting

June 11, 2020



Invitation

35th Annual General Shareholders' Meeting

Sonova Holding AG

Thursday, June 11, 2020, 3:00 p.m.

Laubisrütistrasse 28, 8712 Stäfa

Dear shareholders,

As a result of the exceptional circumstances due to COVID-19, the 35th Annual General Shareholders' Meeting of Sonova Holding AG cannot take place in its usual format. In accordance with the measures taken by the Swiss Federal Council currently in place, the Board of Directors decided that shareholders who are entitled to vote may exercise their rights exclusively through the Independent Proxy. On-site personal attendance by shareholders at the Annual General Shareholders' Meeting will not be possible.

You can issue your voting instructions to the Independent Proxy on the enclosed reply form. We kindly ask you to return the completed and signed reply form using the envelope provided. Alternatively, you can provide online voting instructions to the Independent Proxy by following the instructions on the reply form. You will find further information on organizational matters at the end of this invitation.

Please find enclosed the invitation, including the agenda and the motions of the Board of Directors, the reply form, and the Summary Report on the 2019 / 20 financial year. The complete and interactive 2019 / 20 Annual Report can be accessed at: report.sonova.com/2020.

The global health and economic crisis resulting from the COVID-19 pandemic materially affects the hearing care market and with it the Group's business activities. Some motions in this invitation are adapted to reflect the current situation and aim to preserve capital. Thus, the Board of Directors is proposing to pay a stock dividend and to create authorized capital.

The Board of Directors regrets that this important event cannot be held in its usual format. We thank you for your understanding and look forward to your participation at the Annual General Shareholders' Meeting next year.



Robert Spoerry

Chairman of the Board of Directors

Agenda

1. Financial Reporting, Advisory Vote on the 2019 / 20 Compensation Report

1.1 Approval of the Annual Report, the Annual Consolidated Financial Statements of the Group, and the Annual Financial Statements of Sonova Holding AG for 2019 / 20; Acknowledgement of the Auditors' Reports

Motion: The Board of Directors proposes to approve the annual report, the annual consolidated financial statements of the Group, and the annual financial statements of Sonova Holding AG for 2019 / 20.

1.2 Advisory Vote on the 2019 / 20 Compensation Report

Motion: The Board of Directors proposes to accept the Compensation Report for 2019 / 20 by a non-binding advisory vote.

2. Appropriation of Retained Earnings and Distribution of Stock Dividend

Motion: The Board of Directors proposes to distribute a stock dividend and to appropriate the retained earnings as follows:

	CHF million
Balance carried forward from previous year	1,597.9
Net profit for the year	223.1
Voluntary retained earnings	1,821.0
Dividend distribution	0.0 ¹⁾
Balance to be carried forward	1,821.0²⁾

If the proposal of the Board of Directors is approved, the dividend distribution will be delivered in the form of registered shares of Sonova Holding AG ("Sonova shares"). Each shareholder will be entitled to receive one Sonova share for 150 existing Sonova shares,³⁾ which corresponds to a maximum of 430,000 shares (rounded) to be distributed. In case of fractional entitlements, the number of shares will be rounded down so that each shareholder will receive an integer number of Sonova shares, and the fraction will be paid out in cash. Sonova will sell on behalf of the respective shareholders such number of Sonova shares as corresponds to the aggregate amount of fractions and distribute the gross sale proceeds accordingly.

¹⁾ The Board of Directors proposes to distribute a stock dividend instead of a cash dividend. The dividend distribution amount corresponds to the maximum aggregate nominal value of Sonova shares to be distributed (grossed up to account for Swiss withholding tax) and is subject to the number of shares outstanding on the last trading day with entitlement to receive the dividend, i.e. June 15, 2020. Treasury shares held by Sonova Holding AG and its subsidiaries are not entitled to dividends. The distribution amount will be reduced accordingly.

The delivery of Sonova shares and payment in lieu of fractional entitlements is expected to occur as from June 18, 2020. As from June 16, 2020, the shares will be traded ex-dividend. Shareholders will be entitled to receive the Sonova shares free of charge, subject to any legal restrictions applicable in their home jurisdiction. Sonova will pay the 35 % Swiss withholding tax on the grossed up nominal value per distributed Sonova share and the Swiss securities transfer tax incurred in connection with the sale of the Sonova shares to satisfy the fractional entitlements.

Explanation: In view of the current economic environment and associated uncertainties, the Board of Directors deems it in the best interest of Sonova Holding AG to reduce the dividend amount compared with last year's dividend and to distribute a stock dividend instead of a cash dividend; this helps to preserve Sonova's liquidity position. The required number of Sonova shares will be sourced from Sonova shares currently held in treasury, which were repurchased by Sonova under the share buyback program of 2018 – 2021.

3. Discharge of the Members of the Board of Directors and the Management Board

Motion: The Board of Directors proposes to discharge the members of the Board of Directors and the Management Board for the 2019 / 20 financial year.

4. Elections

4.1 Re-election of the Board of Directors

All members of the Board of Directors stand for re-election.

According to Art. 6 para. b of the Organizational Regulations of Sonova Holding AG, the Board of Directors shall not nominate a candidate for re-election who has completed the age of 70. In justified cases, the Board of Directors can make an exemption. Such an exemption was made for Beat Hess who, although having reached the age of 70, is proposed for re-election for another term of office. Beat Hess' experience and in-depth knowledge of Sonova Holding AG will be very valuable in further developing Sonova's business.

²⁾ As the stock dividend will be sourced from Sonova shares which were repurchased by Sonova under the share buyback program 2018 – 2021 and are liquidated shares for Swiss tax purposes, the voluntary retained earnings will be reduced by the difference of (i) the average repurchase price of the Sonova shares bought back under the share buyback program multiplied by the number of Sonova shares distributed as stock dividend and (ii) the aggregate nominal value of these shares. The total reduction amount is subject to the number of Sonova shares distributed (maximum amount of CHF 97.1m).

³⁾ The Board of Directors shall determine at its discretion the treatment of holders of physical share certificates ("Heimverwahrer"), it being understood that Sonova will sell the Sonova shares on behalf of such holders and distribute the gross sale proceeds to them in cash.

Motion: The Board of Directors proposes the individual re-election of the following members of the Board of Directors, each for a term of office lasting until the completion of the next Annual General Shareholders' Meeting:

- 4.1.1 Re-election of Robert F. Spoerry as Member and as Chairman of the Board of Directors
- 4.1.2 Re-election of Beat Hess as Member of the Board of Directors
- 4.1.3 Re-election of Lynn Dorsey Bleil as Member of the Board of Directors
- 4.1.4 Re-election of Lukas Braunschweiler as Member of the Board of Directors
- 4.1.5 Re-election of Michael Jacobi as Member of the Board of Directors
- 4.1.6 Re-election of Stacy Enxing Seng as Member of the Board of Directors
- 4.1.7 Re-election of Ronald van der Vis as Member of the Board of Directors
- 4.1.8 Re-election of Jinlong Wang as Member of the Board of Directors

For detailed biographical information please refer to the 2019 / 20 Corporate Governance Report and to our website: www.sonova.com/en/about-us/board-directors.

4.2 Election of Adrian Widmer as Member of the Board of Directors

Motion: The Board of Directors proposes to elect Adrian Widmer as a new member of the Board of Directors for a term of office lasting until the completion of the next Annual General Shareholders' Meeting.

Explanation: The Board is pleased to propose Adrian Widmer (born in 1968, Swiss citizen) as a new member of the Board of Directors. Adrian Widmer is Group CFO of Sika AG since 2014. Prior to joining Sika in 2007, where he first served as Head Group Controlling and M&A, he held various management positions at BASF, Degussa and Textron Inc. Adrian Widmer holds a Master of Science in Business and Economics from the University of Zurich, Switzerland, and completed the Advanced Management Program of INSEAD Fontainebleau in France. With his broad management and financial background as well as his experience in M&A and business development, Adrian Widmer is a valuable addition to the Board of Directors. His nomination is a further step in the rejuvenation of the Board and part of our succession planning.

If Adrian Widmer is elected, the Board of Directors intends to appoint him as a member of the Audit Committee.

4.3 Re-election of the Members of the Nomination & Compensation Committee

Motion: The Board of Directors proposes the individual re-election of Robert F. Spoerry, Beat Hess, and Stacy Enxing Seng as members of the Nomination & Compensation Committee for a term of office lasting until the completion of the next Annual General Shareholders' Meeting.

The Board of Directors intends to appoint Robert F. Spoerry (if re-elected) as Chairman of the Nomination & Compensation Committee.

4.3.1 Re-election of Robert F. Spoerry

4.3.2 Re-election of Beat Hess

4.3.3 Re-election of Stacy Enxing Seng

4.4 Election of the Auditors

Motion: The Board of Directors proposes to elect Ernst & Young AG, Zurich, as Auditors of Sonova Holding AG for a term of office of one year.

Explanation: As part of its good corporate governance, Sonova invited tenders for audit services. The current auditor also participated in the tender process since it had always performed its task to the complete satisfaction of Sonova. After a thorough review process, the Board of Directors decided to follow the Audit Committee's recommendation and proposes a change in auditor to Ernst & Young AG as of the 2020/21 financial year.

4.5 Re-election of the Independent Proxy

Motion: The Board of Directors proposes to re-elect the Law Office Keller Partnership, Zurich, as Independent Proxy for a term of office lasting until the completion of the next Annual General Shareholders' Meeting.

5. Compensation of the Board of Directors and the Management Board

5.1 Approval of the Maximum Aggregate Amount of Compensation of the Board of Directors

Motion: The Board of Directors proposes to approve a maximum aggregate amount of compensation of the Board of Directors of CHF 2,600,000¹⁾ for the term of office from the 2020 Annual General Shareholders' Meeting to the 2021 Annual General Shareholders' Meeting.

Explanation: Pursuant to Art. 26 of the Articles of Association, the General Shareholders' Meeting shall approve the maximum aggregate amount of compensation of the Board of Directors for the next term of office. Further information on the proposed compensation is included in the appendix to this invitation. In addition, the compensation paid and the method of determining compensation are described in the 2019/20 Compensation Report.

¹⁾ For further details see the Appendix to Agenda Item 5.

5.2 Approval of the Maximum Aggregate Amount of Compensation of the Management Board

Motion: The Board of Directors proposes to approve a maximum aggregate amount of compensation of the Management Board of CHF 15,200,000¹⁾ for the 2021/22 financial year.

Explanation: Pursuant to Art. 26 of the Articles of Association, the General Shareholders' Meeting shall approve the maximum aggregate amount of compensation of the Management Board for the following financial year. Further information on the proposed compensation is included in the appendix to this invitation. In addition, the compensation paid and the method of determining compensation are described in the 2019/20 Compensation Report.

6. Creation of Authorized Share Capital

Motion: The Board of Directors proposes to create authorized share capital in the amount of CHF 321,990.65 and to amend the Articles of Association as follows:

Proposed Wording²⁾

Art. 5: Authorized Share Capital

The Board of Directors shall be authorized to increase the share capital at any time until 11th June 2022 by a maximum amount of CHF 321,990.65 by issuing a maximum of 6,439,813 registered shares that are to be fully paid up, each with a nominal value of CHF 0.05. Increases in partial amounts shall be permissible.

The subscription and acquisition of the new shares as well as any subsequent transfer of the shares shall be subject to the restrictions in accordance with these Articles of Association.

¹⁾ For further details see the Appendix to Agenda Item 5.

²⁾ Informal translation of the legally binding German text.

Proposed Wording (continued)

Art. 5: Authorized Share Capital (continued)

The Board of Directors shall determine the issue price, the type of contribution, the date of issue, the conditions for the exercise of subscription rights and the beginning date for dividend entitlement. In this regard, the Board of Directors may issue new shares by means of a firm underwriting through a financial institution, a syndicate of financial institutions or another third party and a subsequent offer of these shares to the existing shareholders or third parties (if the subscription rights of the existing shareholders have been excluded or have not been duly exercised). The Board of Directors is entitled to permit, to restrict or to exclude the trade with subscription rights. It may permit the expiration of subscription rights that have not been exercised, or it may place such rights or shares as to which subscription rights have been granted, but not exercised, at market conditions or may use them otherwise in the interest of the Company.

The Board of Directors is further authorized to exclude or restrict subscription rights of existing shareholders and allocate such rights to third parties, the Company or any of its group companies:

- a) for raising equity capital in a fast and flexible manner if the issue price of the new shares is determined by reference to the market price; or
- b) for the acquisition of companies, part(s) of companies or participations or for investment projects of the Company or any of its group companies, or for the financing or refinancing of any of such transactions; or
- c) for purposes of broadening the shareholder constituency of the Company in certain financial or investor markets, for purposes of the participation of strategic partners, or in connection with the listing of new shares on domestic or foreign stock exchanges.

Art. 6: Exclusion of subscription or advance subscription rights

Until 11th June 2022, the total of new registered shares issued from (i) conditional share capital according to Art. 4 where the subscription or advance subscription rights were excluded, and (ii) authorized share capital according to Art. 5 where the subscription rights were excluded or restricted, may not exceed 6,439,813 new shares.

Explanation: The Company wishes to increase its financial flexibility by means of an authorized share capital. The Board of Directors therefore proposes to create new authorized share capital in the amount of CHF 321,990.65, corresponding to just below 10 % of the currently issued share capital, which is in line with the average authorized capital of companies in the SMI and SMIM. The Board of Directors may exclude subscription rights under the requirements set forth in the Articles of Association. To mitigate dilution effects by share issuances out of authorized and conditional share capital for existing shareholders, the Board of Directors proposes to limit, up to June 11, 2022, the total number of new shares that could be issued from (i) conditional share capital where the subscription or advance subscription rights were excluded and (ii) authorized share capital where the subscription rights were excluded or restricted to 6,439,813 new shares (i.e., just below 10 % of the currently outstanding share capital).

Stäfa, May 19, 2020

For the Board of Directors
The Chairman



Robert Spoerry

Appendix to Agenda Item 5

5.1 Approval of the Maximum Aggregate Amount of Compensation of the Board of Directors

Pursuant to Art. 26 of the Articles of Association, the General Shareholders' Meeting shall approve the maximum aggregate amount of compensation of the Board of Directors for the next term of office, i.e. from the 2020 Annual General Shareholders' Meeting to the 2021 Annual General Shareholders' Meeting. Further details, beyond those disclosed below, can be found in the 2019/20 Compensation Report.

The Board of Directors proposes to approve a maximum aggregate amount of compensation of the Board of Directors of CHF 2,600,000 for the 2020/21 term of office.

As described in the 2019/20 Compensation Report, in line with other steps aimed at preserving our competitiveness and liquidity, and best positioning us for the expected market recovery from the impact of COVID-19, the compensation related short-term measures include the Chairman of the Board of Directors ceding his cash retainer (net of social security contributions for the portion delivered in restricted shares) from April 2020 until the 2021 Annual General Shareholders' Meeting. Additionally, the other members of the Board of Directors will waive 20 percent of their cash retainer and committee fees for the term of office from the 2020 Annual General Shareholders' Meeting until the 2021 Annual General Shareholders' Meeting. These short-term measures will only apply to the 2020/21 term of office.

The aim is to ensure careful use of resources. The proposed reduced amount reflects the maximum aggregate amount of compensation that could arise. The proposed maximum aggregate amount stated in gross is calculated for 9 members of the Board of Directors (2019/20 term of office: 8 members), assuming that all those proposed are (re-)elected as members of the Board of Directors at the 2020 Annual General Shareholders' Meeting. The reduction compared to the 2019/20 amount equals about 20 % on average per member of the Board of Directors and, considering the additional member of the Board of Directors, mainly reflects the COVID-19 related short-term measures outlined above.

The proposed maximum aggregate amount includes the following fixed compensation components: a reduced gross cash retainer, reduced committee fees, each as applicable, estimated travel allowances and the market value of the restricted shares at grant.

The proposed maximum aggregate amount also includes a modest reserve for unforeseen events and unexpected additional expenses.

Sonova pays mandatory employer's social security contributions (AHV / ALV) for the members of the Board of Directors in accordance with applicable law, which are not included in the proposed maximum aggregate amount. This because these contributions to governmental social security systems cannot be accurately forecast. However, actual employer social security costs will be disclosed in the reporting years when they are due and paid.

The actual compensation paid will be disclosed in the Compensation Report of the 2020 / 21 financial year, which will be submitted to a consultative shareholders' vote.

in CHF 1,000	Approved for AGM 2019 – AGM 2020	Expected for AGM 2019 – AGM 2020	Proposal for AGM 2020 – AGM 2021
AGM approval year	2019	n/a	2020
Fixed fees including committee fees and expenses	1,363	1,242	875
Market value of restricted shares	1,537	1,500	1,725
Total amount¹⁾	2,900	2,742	2,600

Number of members of the Board of Directors	8	8	9
---	---	---	---

5.2 Approval of the Maximum Aggregate Amount of Compensation of the Management Board

Pursuant to Art. 26 of the Articles of Association, the General Shareholders' Meeting shall approve the maximum aggregate amount of compensation of the Management Board for the following financial year, i.e. the 2021 / 22 financial year. Further details, beyond those disclosed below, can be found in the 2019 / 20 Compensation Report.

The Board of Directors proposes to approve a maximum aggregate amount of compensation of the Management Board of CHF 15,200,000 for the 2021 / 22 financial year.

As described in the 2019 / 20 Compensation Report, in line with other steps aimed at preserving our competitiveness and liquidity, and best positioning us for the expected market recovery from the impact of COVID-19, we are implementing certain short-term compensation related measures. These measures will affect the 2020 / 21 financial year, for which the maximum aggregate amount of compensation of the Management Board was approved at the 2019 Annual General Shareholders' Meeting. The impact of these measures will be disclosed in the 2020 / 21 Compensation Report.

¹⁾ The proposal of the Board of Directors relates only to the maximum aggregate amount.

The subtotals shown for each compensation component are included for illustration purposes only.

Sonova pays mandatory employer's social security contributions (AHV / ALV) for the members of the Management Board in accordance with applicable law. These contributions to governmental social security systems are not included in the amount approved as they cannot be accurately forecast. However, actual employer social security costs will be disclosed in the reporting years when they are due and paid.

The proposed maximum aggregate amount consists of the following compensation components:

in CHF 1,000	Approved for 2019 / 20 FY	Effective for 2019 / 20 FY	Approved for 2020 / 21 FY	Proposal for 2021 / 22 FY
Maximum amount of fixed salaries, including base salary, fringe benefits, employer's pension contributions	5,374	5,094	5,406	5,260
Maximum amount of variable cash compensation	4,945	3,135	4,990	4,924
Fair value at grant of options and performance share units (PSUs) to be granted under the Executive Equity Award Plan (EEAP)	4,781	4,798	4,904	5,016
Total amount^{1), 2)}	15,100	13,027	15,300	15,200
Number of Management Board members	9	9	9	9

The aim is to ensure careful use of resources. The proposed amount reflects the maximum aggregate amount of compensation that could arise.

The proposed maximum aggregate amount stated in gross is calculated for 9 members of the Management Board in the 2021 / 22 financial year, same as in the 2020 / 21 financial year.

The proposed maximum aggregate amount includes a reserve for potential salary adjustments expected to be in line with those across the organization (approx. 2 %).

The proposed maximum aggregate amount includes a modest reserve of 2 % for other unforeseen events.

The proposed maximum aggregate amount is based on the maximum potential variable cash compensation payout (i.e. the 200 % payout cap).

¹⁾ The proposal of the Board of Directors for the compensation of the Management Board relates only to the maximum aggregate amount. The subtotals shown for each compensation component are included for illustration purposes only.

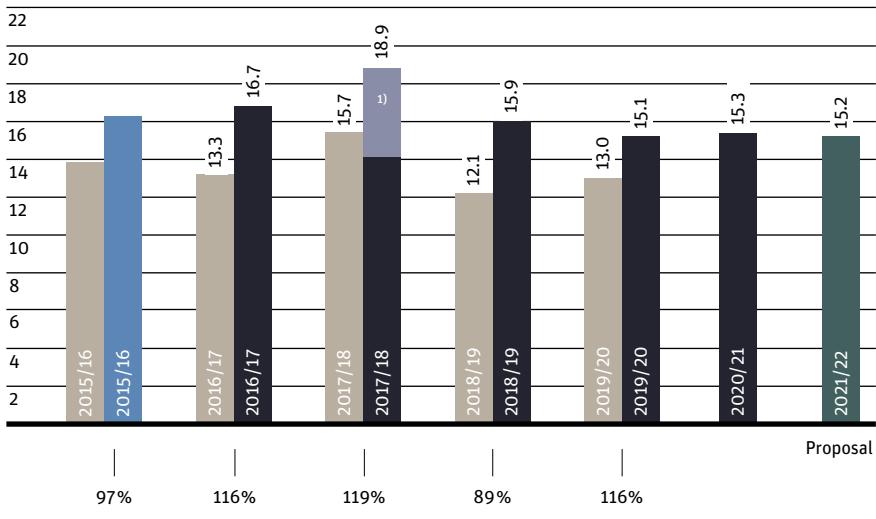
²⁾ One Management Board member currently receives compensation in US Dollars (USD) and another in Euro (EUR). The proposed maximum aggregate amount includes the compensation for these two members based on an exchange rate of 1 USD = 0.98654 CHF and 1 EUR = 1.09624 CHF. Any exchange rate fluctuation until final payment will be disregarded.

The proposed maximum aggregate amount is based on the targeted value at grant at 100% achievement. This target amount is divided by the fair value of the options and of the PSUs to determine the number of units at grant. Both the fair value of the options and of the PSUs at grant date are determined by third parties. For the options it is based on the ‘Enhanced American Pricing Model’. For the PSUs it is based on the Monte Carlo pricing model; taking into account the possibility of either over- or under-achievement. The PSU component included in the proposed maximum aggregate amount equals CHF 2,211,500 at grant. Actual PSU payout, which may range from 0 to 2 shares per PSU, can only be determined after 3 years and 2 months and will be disclosed at that time. The PSUs and options awarded from 2020 onwards are subject to a holding period post vesting to arrive at a total restriction period of five years from the date of award.

No other change of relevance to the compensation structure, system and components of the Management Board is planned for the 2021/22 financial year aside of what is disclosed in the 2019/20 Compensation Report.

The following overview shows the Management Board compensation (excluding employer’s social security contributions) for the past five years and the proposed maximum aggregate amount for the 2021/22 financial year:

Total compensation in CHF million



Average payout ratio for the variable cash compensation plan (VCC)

■ Effective ■ Max. ■ Max. approved ■ Additional reserve amount

The actual payout and grants for the 2021/22 financial year will be disclosed in the 2021/22 Compensation Report.

¹⁾ Additional reserve amount for changes in the Management Board according to Art. 27 of the Articles of Association.

Organizational Matters

Documents

The Annual Report, including the Compensation Report, the annual consolidated financial statements of the Group, and the annual financial statements of Sonova Holding AG, as well as the auditors' reports for 2019/20, will be available for review by the shareholders from May 19, 2020 at the company's registered office in Laubisrütistrasse 28, CH-8712 Stäfa, Switzerland. These documents may also be downloaded at: www.sonova.com.

Share Register

Shareholders with voting rights who have been recorded in the share register by June 5, 2020 will receive this invitation to the Annual General Shareholders' Meeting directly, including the agenda and the motions of the Board of Directors.

From June 6, 2020 to June 11, 2020, no entries will be made in the share register. Registered shareholders who sell their shares before the Annual General Shareholders' Meeting will no longer be entitled to vote.

Representation / Proxy

Shareholders shall be represented by the Independent Proxy, Law Office Keller Partnership, Alfred-Escher-Strasse 11, Postfach 1889, CH-8027 Zürich, Switzerland. Proxy is granted by completing the enclosed reply form accordingly. To the extent that no specific instructions have been provided, the Independent Proxy is instructed by the shareholder to vote in favor of the motions by the Board of Directors.

Use of the Online Platform

Sonova Holding AG provides an online platform for its shareholders. Shareholders registered in the share register with voting rights may provide voting instructions to the Independent Proxy. Personal access data for the online platform is printed on the enclosed reply form. The final deadline for providing instructions to the Independent Proxy electronically is June 9, 2020 at 3:00 p.m.

Sonova Holding AG

Laubisrütistrasse 28

8712 Stäfa

Switzerland

Phone +41 58 928 33 33

Fax +41 58 928 33 99

Email ir@sonova.com

Website www.sonova.com

Our Brands

PHONAK

unitron

 **HANSATON**

AudioNova 

 **ADVANCED
BIONICS**