

Invitation

# 36<sup>th</sup> Annual General Shareholders' Meeting

June 15, 2021





## Invitation

# 36<sup>th</sup> Annual General Shareholders' Meeting

Sonova Holding AG

**Tuesday, June 15, 2021, 3:00 p.m.**  
**Laubisrütistrasse 28, 8712 Stäfa**

Dear shareholders,

As a result of the continued exceptional circumstances due to the COVID-19 pandemic, this year's Annual General Shareholders' Meeting of Sonova Holding AG will once again not take place in its usual format. In accordance with the measures taken by the Swiss Federal Council, 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.

The Board of Directors regrets that this important event cannot be held in its usual format. Shareholders will have the opportunity to address their questions to the Board of Directors ahead of the Annual General Shareholders' Meeting via email to [agm@sonova.com](mailto:agm@sonova.com) before June 4, 2021. 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 2020 / 21 financial year. The complete and interactive 2020 / 21 Annual Report can be accessed at: [report.sonova.com/2021](http://report.sonova.com/2021).

We thank you for your understanding and look forward to your participation at the Annual General Shareholders' Meeting next year.



**Robert Spoerry**  
Chair of the Board of Directors

# Agenda

## 1. Financial Reporting, Advisory Vote on the 2020 / 21 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 2020 / 21

**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 2020 / 21.

### 1.2 Advisory Vote on the 2020 / 21 Compensation Report

**Motion:** The Board of Directors proposes to accept the Compensation Report for 2020 / 21 by a non-binding advisory vote.

## 2. Appropriation of Retained Earnings

**Motion:** The Board of Directors proposes to appropriate the retained earnings as follows:

	CHF million
Balance carried forward from previous year	1,714.9
Net profit for the year	198.3
<b>Voluntary retained earnings</b>	<b>1,913.2</b>
Cancellation of treasury shares	(258.9) <sup>1)</sup>
Dividend distribution	(201.7) <sup>2)</sup>
<b>Balance to be carried forward</b>	<b>1,452.5</b>

If the proposal of the Board of Directors is approved, the gross dividend will amount to CHF 3.20 per registered share for the 2020 / 21 financial year, representing a net amount of CHF 2.08 per registered share after deduction of the 35 % Swiss withholding tax.

Payment of the dividend is expected to take place as of June 21, 2021. As from June 17, 2021, the shares will be traded ex-dividend.

## 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 2020 / 21 financial year.

<sup>1)</sup> Subject to approval of Agenda Item 6 (Capital Reduction Through Cancellation of Shares).

<sup>2)</sup> The total payout amount is subject to the number of shares issued on the last trading day with entitlement to receive the dividend, i.e. June 16, 2021. Treasury shares held by Sonova Holding AG and its subsidiaries are not entitled to dividends. The payout amount will be reduced accordingly.

## 4. Elections

### 4.1 Re-election of the Board of Directors

All members of the Board of Directors stand for re-election except for Beat Hess, who has reached Sonova's age limit for Board membership, and Michael Jacobi, who will not stand for re-election having served as member of the Board of Directors since 2003.

**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 Chair of the Board of Directors

4.1.2 Re-election of Lynn Dorsey Bleil as Member of the Board of Directors

4.1.3 Re-election of Lukas Braunschweiler as Member of the Board of Directors

4.1.4 Re-election of Stacy Enxing Seng as Member of the Board of Directors

4.1.5 Re-election of Ronald van der Vis as Member of the Board of Directors

4.1.6 Re-election of Jinlong Wang as Member of the Board of Directors

4.1.7 Re-election of Adrian Widmer as Member of the Board of Directors

For detailed biographical information please refer to the 2020 / 21 Corporate Governance Report and to our website: [www.sonova.com/en/about-us/board-directors](http://www.sonova.com/en/about-us/board-directors).

### 4.2 Election of New Members of the Board of Directors

The Board is very pleased to propose Gregory Behar and Roland Diggelmann, two highly qualified executives, for election to the Board of Directors. They both have a strong affinity to our business activities and an outstanding track record in leading as CEOs successful global businesses in the medical device sector and the broader healthcare industry. The Board of Directors is convinced that with their extensive international experience, entrepreneurial spirit, and business expertise they will be valuable contributors to the work of the Board of Directors and the further growth of Sonova. Their nomination is a further step in the rejuvenation of the Board of Directors.

#### 4.2.1 Election of Gregory Behar as Member of the Board of Directors

**Motion:** The Board of Directors proposes to elect Gregory Behar 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:** Gregory Behar (born in 1969, Swiss citizen) has been the CEO of Nestlé Health Science SA, a global leader in the science of nutrition, since 2014. His career has taken him to many different parts of the world, as President & CEO of Boehringer Ingelheim Pharmaceuticals Inc. (USA), and in various leadership positions with Boehringer Ingelheim GmbH (Germany), Novartis AG, and Nestlé SA. Gregory Behar holds an MBA from INSEAD, France, a Master of Science in mechanical engineering and manufacturing from EPFL Lausanne, Switzerland, and a Bachelor of Science in mechanical engineering from the University of California in Los Angeles, USA.

#### 4.2.2 Election of Roland Diggelmann as Member of the Board of Directors

**Motion:** The Board of Directors proposes to elect Roland Diggelmann 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:** Roland Diggelmann (born in 1967, Swiss citizen) has over 20 years of executive experience in the medical device industry across many parts of the world. Since 2019, he has been CEO of Smith & Nephew plc, a UK-based leading global medical technology company active in orthopedics, sports medicine, and advanced wound management. Prior to that, he was managing director for the Asia / Pacific region and later CEO of Roche Diagnostics from 2008 to 2018. He previously held senior management positions in sales and marketing as well as strategic planning at Zimmer Holdings and Sulzer Medica (later known as Centerpulse). Roland Diggelmann studied Business Administration at the University of Bern, Switzerland.

#### 4.3 Re-election of Stacy Enxing Seng as Member of the Nomination & Compensation Committee

**Motion:** The Board of Directors proposes the re-election of Stacy Enxing Seng as member of the Nomination & Compensation Committee for a term of office lasting until the completion of the next Annual General Shareholders' Meeting.

## 4.4 Election of New Members of the Nomination & Compensation Committee

**Motion:** The Board of Directors proposes the individual election of Lukas Braunschweiler and Roland Diggelmann as new members of the Nomination & Compensation Committee for a term of office lasting until the completion of the next Annual General Shareholders' Meeting. Both candidates are considered as independent according to the Swiss Code of Best Practice for Corporate Governance.

**Explanation:** After many years as member and Chair of the Nomination & Compensation Committee, Robert Spoerry has decided not to stand for re-election as a member of the committee. The Board of Directors intends to appoint Lukas Braunschweiler (if elected) as Chair of the Nomination & Compensation Committee. With his experience as Chair of the Nomination and Governance Committee at Tecan Group AG, the Board of Directors is convinced that he is well suited for this position.

### 4.4.1 Election of Lukas Braunschweiler

### 4.4.2 Election of Roland Diggelmann

## 4.5 Re-election of the Auditors

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

**Explanation:** At the request of the Audit Committee, the Board of Directors proposes to re-elect Ernst & Young AG as Auditors for a further term of office of one year. Ernst & Young has confirmed to the Audit Committee that it possesses the independence required to carry out the assignment.

## 4.6 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 3,140,000 <sup>1)</sup> for the term of office from the 2021 Annual General Shareholders' Meeting to the 2022 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 2020 / 21 Compensation Report.

### 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 15,800,000 <sup>1)</sup> for the 2022 / 23 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 2020 / 21 Compensation Report.

<sup>1)</sup> For further details see Appendix to Agenda Item 5.



## 6. Capital Reduction Through Cancellation of Shares

**Motion:** The Board of Directors proposes:

- a) to reduce the share capital of CHF 3,219,906.85 by CHF 61,299.00 to CHF 3,158,607.85 by way of cancellation of 1,225,980 registered shares, with a nominal value of CHF 0.05 each, that were bought back by the Company under the share buyback program announced on August 31, 2018;
- b) to confirm, in agreement with the Auditors' report, that the claims of creditors are fully covered notwithstanding the capital reduction; and
- c) to amend Art. 3 para. 1 of the Articles of Association according to the following wording as of the date of entry of the capital reduction in the commercial register:

### Current Wording

#### Art. 3: Share Capital

The share capital of the Company shall be CHF 3,219,906.85 and it is divided into 64,398,137 registered shares each with a nominal value of CHF 0.05.

### Proposed Wording

#### Art. 3: Share Capital

The share capital of the Company shall be CHF 3,158,607.85 and it is divided into 63,172,157 registered shares each with a nominal value of CHF 0.05.

**Explanation:** Under its share buyback program announced on August 31, 2018, the Company repurchased between April 1, 2019 and March 31, 2021 a total of 1,843,090 shares at an average price per share of CHF 227.29. Of these, 417,110 shares were distributed in the form of a stock dividend as resolved by the Annual General Shareholders' Meeting on June 11, 2020, and 200,000 shares were repurposed and used for settling RSUs and options under employee participation plans. It is now proposed to cancel the remaining 1,225,980 shares by way of a capital reduction.

Stäfa, May 18, 2021

For the Board of Directors  
The Chair



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 2021 Annual General Shareholders' Meeting to the 2022 Annual General Shareholders' Meeting. For further details, beyond those disclosed below, please read the 2020 / 21 Compensation Report.

The Board of Directors proposes to approve a maximum aggregate amount of compensation of the Board of Directors of CHF 3,140,000 for the 2021 / 22 term of office.

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 Board of Directors (2020 / 21 term of office: 9 members), assuming that all those proposed are (re-)elected as members of the Board of Directors at the 2021 Annual General Shareholders' Meeting.

As described in the 2020 / 21 Compensation Report, the COVID-19 compensation related short-term cash reductions included that the Chair of the Board of Directors waived 100 % of his cash retainer (net of social security contributions for the portion delivered in restricted shares) and the other members of the Board of Directors waived 20 % of their cash retainer and committee fees. The maximum aggregate compensation amount of CHF 2,600,000 approved at the 2020 Annual General Shareholders' Meeting includes this reduction. The measures only applied to the 2020 / 21 term of office. The Board of Directors' compensation is now brought back to the standard level for the 2021 / 22 term of office, resulting in an increase of CHF 540,000 compared to the 2020 / 21 amount.

The proposed maximum aggregate amount includes the following fixed compensation components: a gross cash retainer, 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. These are not included in the proposed maximum aggregate amount, because 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 2021 / 22 financial year, which will be submitted to a non-binding advisory shareholders' vote.

in CHF 1,000	Approved for AGM 2020 – AGM 2021	Expected for AGM 2020 – AGM 2021	Proposal for AGM 2021 – AGM 2022
<b>AGM approval year</b>	<b>2020</b>	<b>n / a</b>	<b>2021</b>
Fixed fees including committee fees and expenses	875	780	1,456
Market value of restricted shares	1,725	1,646	1,684
<b>Total amount<sup>1)</sup></b>	<b>2,600<sup>2)</sup></b>	<b>2,426</b>	<b>3,140<sup>3)</sup></b>
Number of members of the Board of Directors	9	9	9

<sup>1)</sup> 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.

<sup>2)</sup> The amount includes the COVID-19 related fee reduction of CHF 540,000.

<sup>3)</sup> The increase from CHF 2,600,000 for 2020 / 21 to CHF 3,140,000 for 2021 / 22 is solely a result of the COVID-19 related fee reductions in 2020 / 21 described above.

## 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 2022 / 23 financial year. For further details, beyond those disclosed below, please read the 2020 / 21 Compensation Report.

The Board of Directors proposes to approve a maximum aggregate amount of compensation of the Management Board of CHF 15,800,000 for the 2022 / 23 financial year.

As described in the 2020 / 21 Compensation Report, the short-term compensation related measures taken as a reaction to the impact of COVID-19 (a six months reduction in base salary of 20 % for the Management Board members and of 50 % for the CEO, and the payout cap on the variable cash compensation at 100 %) affected 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. These COVID-19 compensation related short-term measures only applied to the 2020 / 21 financial year and the Management Board compensation is now brought back to the standard level for the 2022 / 23 financial year.

## APPENDIX TO AGENDA ITEM 5

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 proposed maximum aggregate amount 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 2020 / 21 FY	Effective for 2020 / 21 FY	Approved for 2021 / 22 FY	Proposal for 2022 / 23 FY
Maximum amount of fixed salaries, including base salary, fringe benefits, employer's pension contributions	5,406	4,486	5,260	5,439
Maximum amount of variable cash compensation	4,990	2,259	4,924	5,068
Fair value at grant of options and performance share units (PSUs) to be granted under the Executive Equity Award Plan (EEAP)	4,904	4,524	5,016	5,293
<b>Total amount<sup>1), 2)</sup></b>	<b>15,300</b>	<b>11,269<sup>3)</sup></b>	<b>15,200</b>	<b>15,800</b>
Number of Management Board members	9	9	9	9

<sup>1)</sup> 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.

<sup>2)</sup> 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 = 0.9231 CHF and 1 EUR = 1.0763 CHF. Any exchange rate fluctuation until final payment will be disregarded.

<sup>3)</sup> The effective total compensation for FY 2020 / 21 is reduced as a result of the COVID-19 related short-term compensation measures in 2020 / 21.

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 2022 / 23 financial year, as in the 2021 / 22 financial year.

The proposed maximum aggregate amount includes a reserve for potential salary adjustments in line with those across the organization as well as for unforeseen events.

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

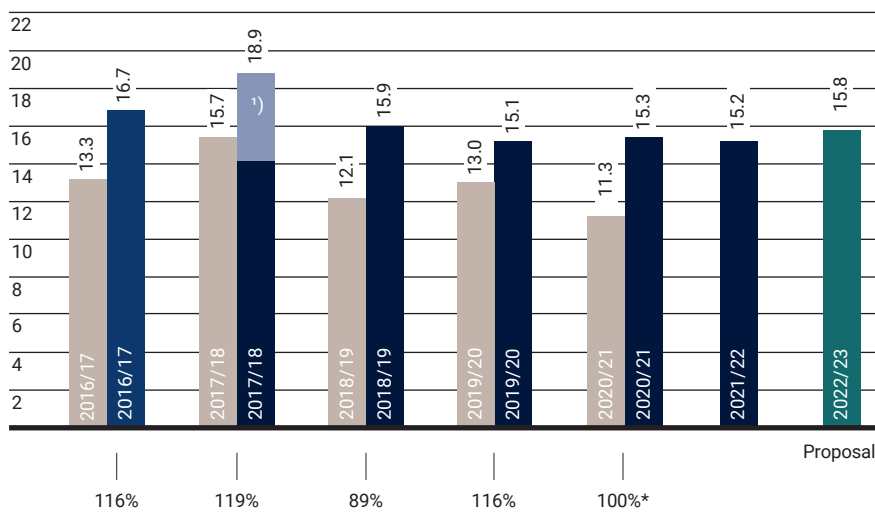
The proposed maximum aggregate amount is based on the targeted value at grant at 100 % achievement. This target amount is divided by the fair value of the options and of the PSUs to determine the number of units at grant. Both the fair value of the options and of the PSUs at

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 2,438,695 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 restriction 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 2022 / 23 financial year aside of what is disclosed in the 2020 / 21 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 2022 / 23 financial year:

**Total compensation in CHF million**



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

\*VCC cap at target due to COVID-19

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

The actual payout and grants for the 2022 / 23 financial year will be disclosed in the 2022 / 23 Compensation Report.

<sup>1)</sup> 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 2020 / 21, will be available for review by the shareholders from May 18, 2021 at the company's registered office in Laubisrütistrasse 28, CH-8712 Stäfa, Switzerland. These documents may also be downloaded at: [www.sonova.com](http://www.sonova.com).

## Share Register

Shareholders with voting rights who have been recorded in the share register by June 9, 2021 will receive this invitation to the Annual General Shareholders' Meeting directly, including the agenda and the motions of the Board of Directors.

From June 10, 2021 to June 15, 2021, 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.

## Shareholder Questions on Agenda Items

As the current situation regarding COVID-19 does not permit shareholders to be physically present at the Annual General Shareholders' Meeting, Sonova is giving its shareholders the opportunity to address questions regarding the Annual Report and the agenda items to [agm@sonova.com](mailto:agm@sonova.com) until June 4, 2021. Shareholders are asked to provide their full name and place of residence to allow Sonova to verify shareholdings. The Board of Directors will respond to important questions relevant to the other shareholders at the Annual General Shareholders' Meeting. The answers will be minuted and the minutes will be available at [www.sonova.com/agm](http://www.sonova.com/agm). As far as possible, some or all of the remaining questions will be addressed with a direct reply to the shareholder. Sonova may answer questions in aggregated form or individually, possibly mentioning the name and place of residence of the shareholder who submitted the question.

## 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 11, 2021 at 3:00 p.m.



## Sonova Holding AG

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