sonova
HEAR THE WORLD

FINANCIAL REPORT

Annual Report 2022/23

Table of contents

Dear shareholders,

Sonova entered the 2022/23 financial year with an ambitious growth plan, taking advantage of its strong market position. Performance did not fully meet our initial expectations, due to unforeseen challenges. Nevertheless, Sonova weathered these challenges successfully and remains well-positioned to capture value in a market with strong growth potential.

There have been a number of encouraging highlights this year, and our growth strategy continues to deliver significant advances in innovation, consumer access, and operational excellence. We further expanded our Audiological Care network, both organically and by acquisition: after doubling our US network in the previous year with the addition of Alpaca, we have successfully integrated the businesses, and have extended further into the fast-growing China market by acquiring the highly-regarded HYSOUND business. The Hearing Instruments business saw the successful launch of a number of innovative solutions, including the groundbreaking Phonak Lumity technology platform, which sets new standards for speech understanding and ease of listening. The consumer business acquired from Sennheiser delivered on our expectations for its first post-acquisition year and successfully entered a new market segment: early-entry hearing solutions.

The challenges we encountered were mainly driven by the macroeconomic environment. High inflation, geopolitical tensions, and a sharp decline in global equity values reduced discretionary consumer spending, particularly in higher-price hearing care markets. At the same time, increased costs for transportation, components, and wages put pressure on margins. The strength of the Swiss franc adversely affected reported results throughout the year, while results in the second half-year were significantly impacted by the non-renewal of a hearing instruments contract with one of our largest customers in the US.

> “Our proven strategy positions us well to grow further, leveraging our market leading position."
>
> Robert Spoerry

We have taken active measures to address these challenges, based on continued execution of our well proven strategy. We carried through disciplined cost management and structural improvements to support organizational agility and protect profitability. We increased prices for our products and services, partly to compensate for inflationary cost pressures, but also to reflect our continued value expansion through innovation. Thanks to these measures and strategic initiatives, we have delivered solid results given the broader market context. Overall, we remain convinced of the soundness of our strategy and confident in its effectiveness for the future. You can find additional details in the Strategy & Businesses section of this report.

Our strategic priority is to stay close to consumers throughout their lifelong hearing journey. This year's report brings you the story of how our solutions transform daily life for our consumers and the hearing care professionals who support them. We showcase four examples, emphasizing how each of our businesses has a role to play in the quest for good hearing.

Hearing Instruments segment

Sales for Sonova's Hearing Instruments segment rose 15.7% in local currencies, largely driven by acquisitions, with organic growth reaching 2.3%. Growth in the Hearing Instruments business was significantly affected by slowing market momentum over the course of the year, particularly in higher-price markets, and the non-renewal of the previously mentioned contract with a large US customer. Excluding the latter, organic growth would have been 4.6%. The Consumer Hearing business made its first full-year contribution to segment results. The integration of the consumer business acquired from Sennheiser is well on track and the acquisition delivered in line with our expectations. The business sustained a strong momentum of successful product launches in a consumer electronics market challenged by subdued consumer confidence. The Audiological Care business made good progress in advancing its strategy, further expanding its network to over 3,900 clinics on five continents, supported by a strong and ever-expanding digital presence.

The Hearing Instruments business followed in the successful path of its previous Marvel and Paradise technology platforms with the launch in August 2022 of the Phonak Lumity platform, which received a good market response. Lumity makes a significant contribution to consumers' active participation in all moments of life by its sophisticated monitoring of the listening environment and direction of speech, improving understanding and ease of conversation in the most challenging situations. The platform has launched in over 40 countries, initially in the Audéo rechargeable RIC form factor – including Audéo Lumity Life, the second generation of the world's first rechargeable and waterproof hearing aid. In April 2023, we added the Phonak Slim™ Lumity, while Unitron introduced its new Vivante™ platform as part of our strategic commitment to roll out our latest technologies across all our brands.

The Consumer Hearing business achieved increased market share in the otherwise challenging consumer devices sector thanks to a series of successful product launches. These included the MOMENTUM True Wireless 3 earbuds, which set new standards for sound quality, adaptive noise cancelation, and custom-fit wearing comfort, and the MOMENTUM 4 wireless noise-canceling headband headphones – an audiophile-inspired acoustic system in a compact, beautifully-designed package, coupled with an unprecedented 60+ hour battery life. We also delivered on a key strategic rationale for acquiring the consumer business from Sennheiser with the launch of the Sennheiser Conversation Clear Plus: these compact earbuds establish a new category of early-entry hearing solutions, devices that support and enhance hearing in specific situations such as busy restaurants or noisy worksites, while at the same time providing an excellent sound experience.

The Audiological Care business continued to significantly expand its global network this financial year, both through acquisitions and greenfield openings. The successful integration of Alpaca in the US and the acquisition of HYSOUND in China are particular highlights. The latter adds one of the leading nationwide chains, with more than 200 clinics, to our existing physical network in China, supported by a strong digital presence including multiple branded sales channels across all major online platforms – all in all, an excellent basis for further expansion in this high-growth market. Audiological Care has also extended its successful Digital Lead Generation Hub concept to serve five major markets, with in-house digital marketing capabilities that draw in consumers at an earlier age and enhance the in-store success rate. Continued investment in our digital ecosystem gives consumers flexibility in how they interact with us and enables us to serve them in a comprehensive and personalized way. The business continues to broaden its consumer value proposition by expanding its range of medical services, such as the SilentCloud™ app, a powerful medically-regulated tool that enables users to actively manage their tinnitus from home while being guided by one of our trained audiological care experts.

Cochlear Implants segment

Sales in the Cochlear Implants segment, which conducts its business through the Advanced Bionics brand, rose by 2.8% in local currencies in the 2022/23 financial year. Sales volumes were held back by lower than expected growth in the overall market, due to continued hospital staffing challenges and headwinds from supply shortages.

The Cochlear Implants business saw continued highly favorable response and increased sales volumes for its innovative sound processors launched in 2021: the Naída™ CI Marvel for adults and the Sky CI™ Marvel, the world's first sound processor designed specifically for children. These have received regulatory approval and have been rolled out in eight additional countries during this financial year. China's regulators have also approved our HiRes™ Ultra implant, featuring our thinnest profile for easier insertion, along with circuitry that can accommodate future advances in sound processor performance. We are convinced of the potential this creates in the important high-growth Chinese market. We are also gratified that our unwavering commitment to product quality and reliability has significantly reduced our already low product return rate for external equipment in every one of the last three years.

Financial performance

Group consolidated sales for the 2022/23 financial year were CHF 3,738.4 million, up 14.6% in local currencies. Adverse currency exchange-rate development reduced reported sales by CHF 116.3 million, resulting in 11.1% sales growth in Swiss francs. Growth was mainly attributable to acquisitions, while the rise in organic sales was principally driven by successful product launches and a positive development in the Audiological Care business.

Reported operating profit before acquisition related amortization (EBITA) reached CHF 801.6 million, an increase of 6.7% in local currencies and a slight decline of 0.2% in Swiss francs. Adjusted for restructuring, transaction, integration, and certain legal costs, EBITA was CHF 840.4 million, up 6.1% in local currencies and down 0.5% in Swiss francs. This represents a margin of 22.5%, compared to 25.1% in the 2021/22 financial year. This decrease in margin reflects the previously communicated dilutive effect from the consumer business acquired from Sennheiser, slower sales development, input cost headwinds, as well as the adverse currency exchange-rate development. Adjusted earnings per share (EPS) reached CHF 11.14 (2021/22: CHF 10.76), up 11.5% in local currencies and 3.5% in Swiss francs.

Returning cash to shareholders

The Board of Directors is pleased to propose to our shareholders a dividend of CHF 4.60 per share, an increase of 5% year-on-year and contributing to a double-digit average annual growth rate for the past ten years.

Under the new share buyback program, Sonova has repurchased shares for a total value of CHF 421.5 million in the 2022/23 financial year.

Environmental, social, and governance (ESG)

We remain convinced that continued, verifiable improvement in ESG performance is an essential contributor to long-term market success. We have made good progress in implementing IntACT, our ESG strategy, which specifies goals and concrete actions for key sustainability topics; these are included in the performance targets for the variable compensation of the Management Board.

We have initiated further actions to reduce our global carbon footprint and have established ambitious climate targets that commit us to significantly reducing CO_2 emissions across our whole value chain, in line with the standards set by the Science Based Targets initiative (SBTi). Including the Sennheiser consumer business and Alpaca for all years, we have reduced our Scope 1, 2, and 3 greenhouse gas emissions by 22% since 2019, largely due to our shift to 100% renewable electricity. Through several challenging years for the world, we have maintained a uniformly high employee engagement score – 82% this year. Major sustainability indices and rating agencies confirm Sonova’s strong ESG performance: among them, the 2022 Dow Jones Sustainability Index ranked Sonova second out of 268 companies in the health care equipment industry.

You will find detailed information and data in our ESG Report, including a section on climate-related disclosures based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Changes to the Management Board and to the Board of Directors

In March 2023, Sonova announced that Katya Kruglova will assume the position of Group Vice President Human Resources & Communications and join Sonova's Management Board as of May 2023. She has more than 25 years of global experience in large-scale organizations and a proven track record. Katya Kruglova will succeed Claudio Bartesaghi, whom we thank for the valuable contribution he has made during his years with Sonova.

Jinlong Wang, non-executive member of the Board of Directors since 2013, has announced that he will not stand for re-election at the Annual General Shareholders' Meeting in June 2023. We warmly thank him for his ten years of most valuable contributions to the development of the Sonova Group, in particular his deep insights into the strategically important Chinese market.

If all candidates proposed by the Board of Directors are re-elected by the Annual General Shareholders' Meeting in June 2023, the number of members will return to nine, with women in a proportion of 33%.

Our thanks

For several years, our world has been going through a challenging time, which tests not just companies, but every individual who works for them. A range of external challenges have made unprecedented demands on our employees – and they have responded with exemplary dedication, agility, and commitment for which we are deeply thankful. We are also grateful to the consumers whom we accompany on their hearing journey, and the professionals who serve them. And our renewed thanks go to our shareholders, whose loyalty in a year of uncertainty bolsters our confidence in our strategy to deliver sustainable, profitable growth.

Outlook

The fundamentals of Sonova's business remain strong despite ongoing macroeconomic volatility. With its proven strategy and continued innovation, the Group is well prepared to capture growth opportunities in the attractive hearing care market. This market has shown signs of recovery in recent months, although uncertainty remains in the short term. For the 2023/24 financial year, Sonova expects consolidated sales to increase by 3% – 7% and adjusted EBITA to grow in the range of 6% – 10%, measured at constant exchange rates.

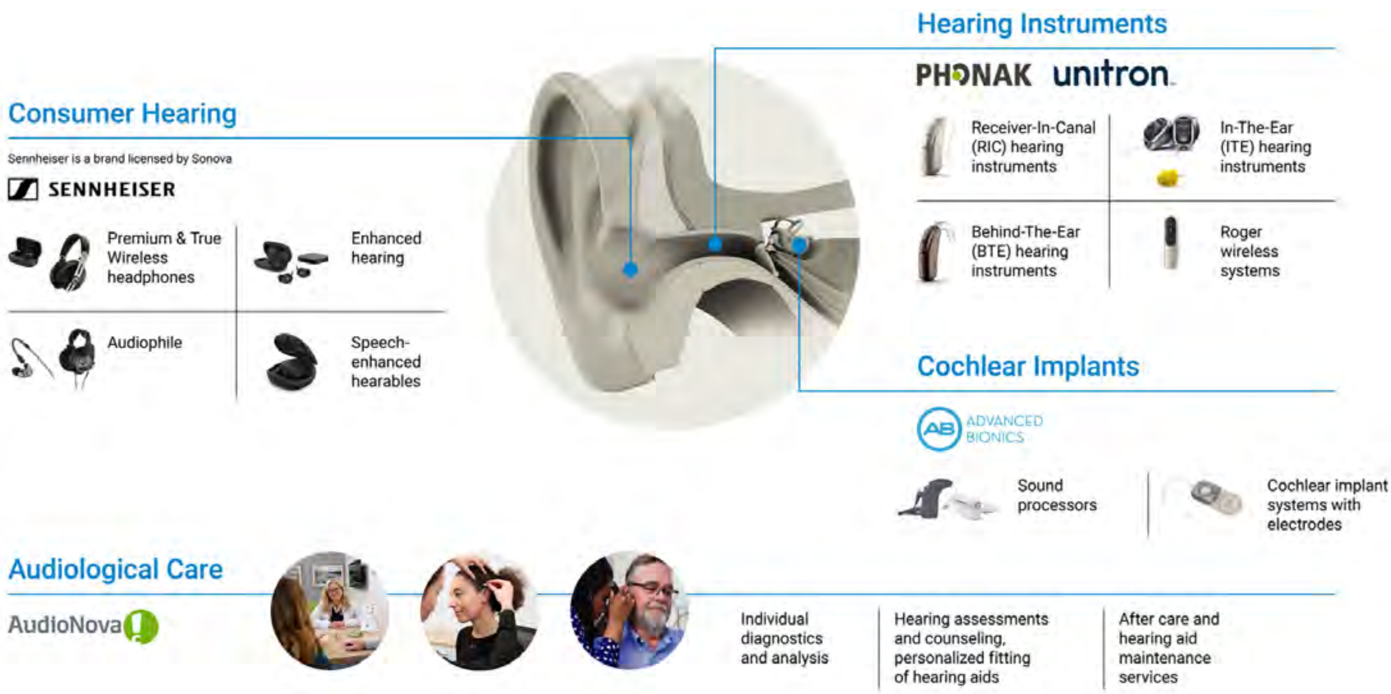
Robert Spoerry
Chair of the Board of Directors

Arnd Kaldowski
CEO

> "We remain confident in our ability to benefit from the attractive long-term fundamentals of our market."
>
> Arnd Kaldowski

Our product and service offering

Sonova is a global leader in innovative hearing care solutions: from personal audio devices and wireless communication systems to audiological care services, hearing aids, and cochlear implants. Our product brands – Phonak, Unitron, Sennheiser (under license), and Advanced Bionics – create compelling new products to offer the optimal solution for an ever growing consumer base through our globally diversified sales and distribution channels, including our well established global audiological care business.



Phonak

Phonak Audéo™ Lumity

Phonak Lumity delivers an enlightening hearing experience. This next generation of solutions is based on a strong heritage of audiological expertise and incorporates the proven reliability and innovation of lithium-ion technology. Phonak Lumity, the first fully rechargeable RIC portfolio, delivers unique products and features.

Phonak SmartSpeech Technology focuses on improved speech understanding and reduced listening effort[1,2,3], particularly in challenging environments. The wearer will be able to fully immerse in conversations and enjoy easier hearing in many situations, in quiet or even in environments with background noise, such as a restaurant.

It is a new dimension in directional microphone technology, with improved speech detection and speech understanding through new StereoZoom 2.0 and SpeechSensor. Until now, directional microphone technology has been one dimensional with sharp focus on a single or main source of sound. StereoZoom 2.0 provides a smoother, gradual and continuously adaptive focus on a conversation partner while simultaneously maintaining a balance of environmental awareness.

1) Appleton, J. (2020) AutoSense OS 4.0 – significantly less listening effort and preferred for speech intelligibility. Phonak Field Study News retrieved from www.phonakpro.com/evidence, accessed February, 2022.
2) Latzel, M & Hobi, S (2022) ActiveVent™ Receiver provides benefit of open and closed acoustics for better speech understanding in noise and naturalness of own voice perception. Phonak Field Study News retrieved from www.phonakpro.com/evidence, accessed May 2022
3) Thibodeau L. M. (2020) Benefits in Speech Recognition in Noise with Remote Wireless Microphones in Group Settings. Journal of the American Academy of Audiology, 31(6), 404–411.

Unitron

Unitron Vivante™ platform

Unitron's new platform Vivante™, introduced in April 2023, helps consumers live life to its fullest and enjoy all the sounds that come with it. Sound performance is Unitron's best yet. Integra OS has evolved with a new 8th listening environment, conversation in loud noise, with HyperFocus which improves signal-to-noise ratio (SNR) for face-to-face conversations in loud noise environments. Vivante features a new 360 conversation in car manual program that automatically focuses on speech regardless of where passengers are sitting.

Furthermore, it features two new Moxi™ RIC products and a newly designed charger with a magnetic pull insertion which makes it easy for consumers to insert and remove their hearing aids. The new platform also has Unitron's suite of Experience Innovation tools that empower each consumer to personalize their listening experience to suit their lifestyle.

Vivante products offer Made For All connectivity so consumers can stream phone calls and other media right to their hearing aids with just a tap. Whatever their lifestyle, the Moxi Vivante family of hearing aids is designed to deliver the good life right to their ears.

Sennheiser

Conversation Clear Plus

The Sennheiser [1] Conversation Clear Plus was introduced in January 2023 and features advanced speech enhancement technology to let conversations take center stage in every interaction. With their smart, intuitive features, these earbuds help people understand conversations in noisy environments, such as in a busy restaurant or on a loud street.

Utilizing sophisticated Sonova chip technology, conversations and calls are enhanced thanks to the Sennheiser Automatic Scene Detection feature, which analyzes the noise level of a user's environment and matches the speech enhancement level to their surroundings. Automatic Scene Detection ensures the clearest speech in challenging environments, be it in person or on the phone. In concert with Active Noise Cancellation, Conversation Clear Plus works dynamically to block distracting noises and improve the clarity of conversations for every level of background noise. Conversation Clear Plus lets you choose how much background noise you want to hear. Active Noise Cancellation blocks out distractions, while the Ambient Awareness mode enables more connection with the outside environment when desired.

Conversation Clear Plus complements the new Sennheiser Hearing product category, which comprises products for crystal clear assistive listening with comfort and convenience.

1) Sennheiser is a registered trademark of Sennheiser electronic GmbH & Co. KG and is used under license by Sonova

Advanced Bionics

Naída™ CI Marvel

Through the close collaboration between the brands Advanced Bionics (AB) and Phonak, people with severe or profound hearing loss can now benefit from the breakthrough Marvel cochlear implant technology. With AB's Sky CI™ Marvel, the world's first dedicated CI sound processor for children, and Naída™ CI Marvel for adults, people can connect to the moments they love.

Marvel technology also benefits people with bimodal fittings[1)] through the introduction of Phonak Sky Link Marvel and the Naída Link Marvel. As a bimodal system, these devices wirelessly communicate with each other and feature all of the connectivity benefits of Marvel, including Sonova's unique universal Bluetooth® connectivity and RogerDirect™.

Naída CI Marvel is powered by AutoSense OS™ 3.0, which delivers excellent sound quality and performance in a variety of situations throughout the day. This machine-learning algorithm analyzes the sounds in the listener's environment every 0.4 seconds and identifies whether the listener is, for example, in a noisy restaurant, car, concert hall, or at home. It then engages the appropriate cochlear implant system features to customize and enhance their hearing experience based on the specific characteristics of the listening environment. AutoSense Sky OS™ 3.0 works similarly to the adult version but is uniquely designed for a child's typical listening environments, providing excellent sound quality and performance wherever the child goes.

1) Many people hear through one hearing aid and one cochlear implant in what's known as a bimodal fitting.

The Bluetooth® word mark is a registered trademark owned by the Bluetooth SIG, Inc. and any use of such marks by Sonova AG is under license.

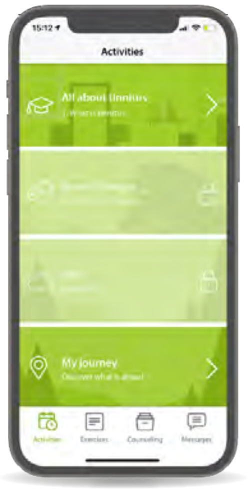
AudioNova

SilentCloud™ tinnitus app

A constant ringing, whistling or buzzing sound – 10 to 15% of the adult population experience tinnitus and 20% of those affected experience it as bothersome, or even debilitating, requiring clinical intervention.[1] In addition, four out of five people who have tinnitus also experience some degree of hearing loss.[2]

In February 2023, Sonova Audiological Care announced the launch of the SilentCloud app for tinnitus management. This service supports the innovative consumer journey portfolio and holistic approach of Audiological Care, as well as Sonova's strategic goal to reach more people who have hearing loss by engaging with them earlier in their hearing care journey.

SilentCloud is a user-centered, medical app for tinnitus management which consolidates a range of proven therapies recommended in international clinical guidelines.[3] It combines Cognitive Behavioral Therapy, education, and sound therapies to help people manage their tinnitus, supported by an AC hearing care professional.



1) Cima, R., Mazurek, B., Haider, H., Kikidis, D., Lapira, A., Noreña, A., & Hoare, D. J. (2019). A multidisciplinary European guideline for tinnitus: diagnostics, assessment, and treatment. HNO, 67(Suppl 1), 10–42. https://doi.org/10.1007/s00106-019-0633-7
2) Baguley, D., McFerran, D., & Hall, D. (2013). Tinnitus. The Lancet, 382, 1600-1607. doi:10.1016/S0140-6736(13)60142-7
3) Please consult https://www.lapperre.be/nl/tinnitus/silentcloud/bibliotheek/ if you are interested in further information regarding supporting evidence for SilentCloud.

Strategy and businesses

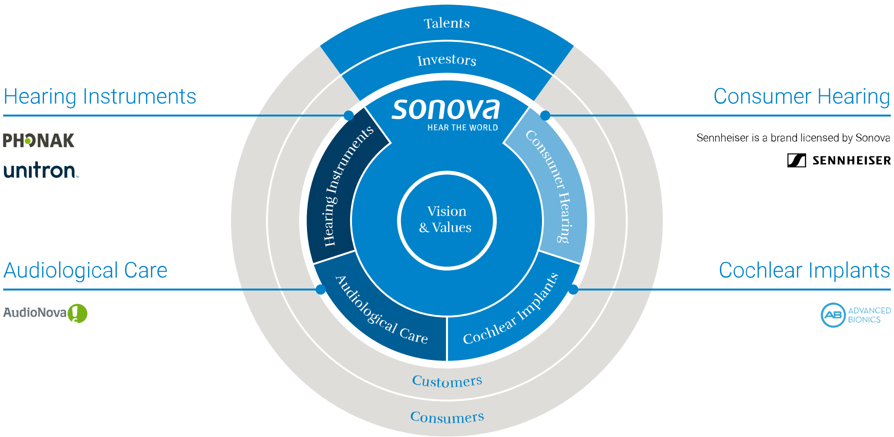
We aim to be each consumer's trusted companion on every step of their journey to better hearing.

Music, laughter, whispers, rushing water, rustling leaves… sound enriches life in every moment. Sonova's vision is to extend those moments into lifetimes, bringing the delight of hearing to ever more people. This means understanding the experience of each consumer at every stage, and developing innovative, bespoke solutions to meet each need: from personal audio devices that deliver immersive and enhanced sound experiences to medical products and services that treat every type of hearing loss.

The Sonova Group

As a leading global provider of hearing care solutions, the Sonova Group is a closely integrated business, harnessing technological innovation and ever-broadening access channels to establish deep and lasting relationships with consumers and hearing care professionals worldwide. The Group's comprehensive spectrum of solutions, fast-expanding range of digital sales and marketing channels, and disciplined approach to the innovation cycle foster close collaboration between its businesses and add value for consumers in every interaction.

The Group is comprised of four businesses serving four distinct customer segments, with complementary areas of specialization and extensive cross-sharing of technological and market expertise. Each business serves its market through one or more established and well-respected brands.



The Hearing Instruments business, through its Phonak and Unitron brands, sustains Phonak's more than 75-year tradition of innovation leadership in hearing aids and wireless communications devices with a regular launch cadence of new technology platforms. Each combines novel hardware and software advances to deliver step-change improvements in hearing performance and consumer experience.

Consumer Hearing, operating under license through the Sennheiser brand, enriches consumers' hearing experience with its range of audiophile and true wireless premium headphones and immersive soundbars, and now adds Sonova's audiological expertise to create enhanced hearing solutions that serve consumers earlier on their hearing journey.

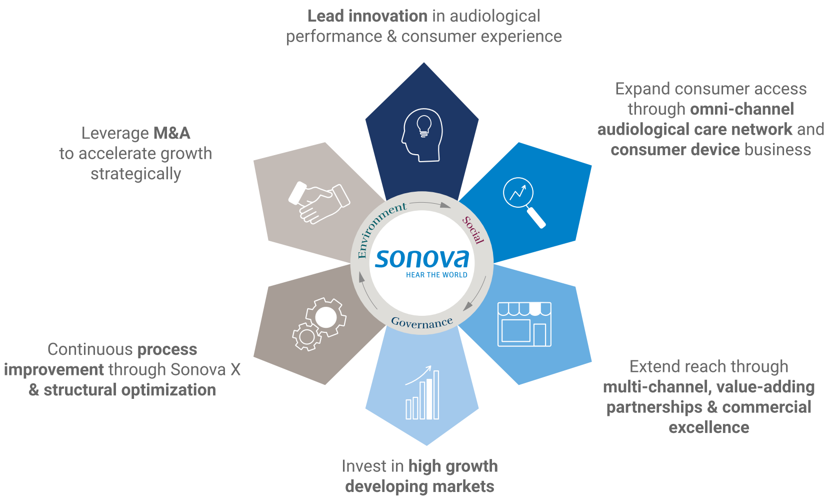
Audiological Care, represented by AudioNova and other strong national brands, connects directly to end-consumers, providing expert professional hearing care through an omnichannel approach that complements its expanding network of physical stores with increasing investment in digital interactions: online, through dedicated apps, and over the phone.

Cochlear Implants, operating under the Advanced Bionics brand, serves those people whose hearing loss is beyond the point where hearing aids can help, offering them the combined benefits of Phonak audiological performance and cochlear implant expertise.

Strategic progress continues

The past financial year has presented significant challenges. Macroeconomic volatility – specifically, the inflationary pressure that has both raised input costs and dampened consumer demand – has stress-tested many corporate strategies. Thanks to consistent implementation and a focus on execution, our strategy continues to deliver.

Our strategy calls for Sonova to lead innovation, expand consumer access, extend customer reach, invest in high-growth markets, drive continuous improvement, and leverage M&A to accelerate growth.



In each of these areas, we can report meaningful progress. The new Phonak Lumity technology platform and groundbreaking Sennheiser products extend our record of market-leading innovation. Our Digital Lead Generation Hub and World of Hearing stores let us present the full range of our solutions in an accurately targeted way to the consumers who will benefit most. Cooperation between the expanding salesforces in our Hearing Instruments and Cochlear Implants businesses allows us to bridge the gap between two significant phases of the consumer's hearing journey and generate new business for audiologists. Enlargement of our digital and physical footprint in China gives our omnichannel approach traction in a major growth market. Further improvements in productivity and efficiency across all of Sonova continue to strengthen the foundations of profitable growth. Finally, the significant expansion of our Audiological Care store network broadens our opportunities in a consolidating industry.

Underpinning this strategic progress is the Sonova eXellence System, generally known as "Sonova X:" a structured methodology to improve core processes and free up resources to drive profitability and further investment in growth. Over four years of implementation, Sonova X has delivered significant gains across all our businesses, such as increasing productivity, reducing emissions, retaining and promoting in-house talent, and maximizing returns from sales opportunities. In the months since the acquisition of the Sennheiser Consumer Division, applying Sonova X at its production plant in Tullamore, Ireland resulted in a more than 40% increase in audiophile headphone output, with significant savings in labor costs and material. Recent initiatives in pricing excellence show our commitment to selling value and offsetting inflationary impacts despite a challenging environment.

Consumer access: an engine of growth

Everyone in the world is on a hearing journey – but each journey is personal. Our success depends on our ability to understand, anticipate, and fulfill the individual needs and aspirations of our consumers, sustaining long-term cost-effective relationships through whatever channels they choose.

All relationships must have a beginning, and increasingly their starting point is digital. Over the past years, our Audiological Care business has developed a sophisticated in-house digital marketing capability for online lead generation, qualification, and conversion. In the five major markets where it has been rolled out so far, the results have been very encouraging, with significantly higher conversion rates and better selling prices, and a full ten-year reduction in the average age of the consumer at first sale in the new channel. This combination of a broader market with more precise targeting also creates opportunities for new offerings, including medicalized services.

Our Consumer Hearing business already has around 60% of its sales originated online, and aims to significantly increase this proportion. An online consumer base that is already loyal to the Sennheiser brand for its uncompromising dedication to excellent sound quality can now choose early-entry hearing support solutions developed with Sonova expertise, opening up a whole new market segment and establishing a potential market entry point for providing over-the-counter hearing instruments.

Reaching consumers globally requires increasing our access channels – and in China, one of our highest growth potential markets, we are extending the scope of our sales and marketing capabilities. We have long-established Hearing Instruments and Cochlear Implants businesses in China, as well as a strong direct-to-consumer digital presence, with multiple online sales channels on all the major platforms. We are expanding our own successful AudioNova store network and have opened the first World of Hearing store in the Shanghai area. To further increase our reach, we acquired the HYSOUND Group in December 2022. HYSOUND is a highly professional national hearing care network with medical expertise and strong value creation across its more than 200 clinics, providing a strong platform for further expansion in this high-growth market.

Innovation that enriches life

Technological innovation is at the heart of Sonova – but not innovation just for its own sake. Our research and development efforts are dedicated to making real and significant improvements in the life of our consumers. That is why it is gratifying to see that our Phonak Audéo Fit, the world’s first commercially available hearing aid with heart rate tracking, was included in TIME magazine’s Best Inventions of 2022: inventions, as the editors said, “that are changing how we live, work, play, and think about what’s possible.”

This financial year saw the launch of the Phonak Lumity technology platform. Building on the foundations of the successful Marvel and Paradise platforms, Lumity enhances consumers’ active participation in all moments of life by its sophisticated monitoring of the listening environment and direction of speech, improving understanding and ease of conversation in the most challenging situations.

Our Consumer Hearing business has taken innovation further by establishing an entirely new product category: the speech-enhanced hearable, launched with the Sennheiser Conversation Clear Plus earbuds. These provide all the features of our acclaimed true wireless premium earbuds with the added benefit of Phonak-developed technology to improve speech understanding in noisy environments. This hearing support capability helps bridge the gap between consumer audio products and prescription hearing aids.

Tinnitus affects between 10 – 15% of the adult population, many of whom report that it negatively affects their quality of life. Our Audiological Care business has therefore introduced SilentCloud™, an app-based mobile solution that optimally combines accessibility with advanced tinnitus management, including assessment, sound therapies, cognitive behavioral therapy, and counseling. SilentCloud™ helps to establish a strong consumer relationship, which (since tinnitus is often linked with a degree of hearing loss) can also give us the opportunity to offer one of our hearing aids.

ESG: an integral part of our business success

Sonova's long-standing commitment to good environmental, social, and governance (ESG) practice is based on straightforward business logic: we remain convinced that continuous and verifiable improvement in ESG performance is an essential contributor to long-term market success. In an uncertain global environment – one that includes climate change, talent scarcity, public health risks, macroeconomic instability, and armed conflict – it becomes even more important to accelerate action on sustainability, because, in our view, sustainable practice also sustains our business. Sonova continues to apply the same rigor and intensity to the improvement, measurement, analysis, and reporting of our ESG performance indicators as we apply to our financial ones.

We have made good progress in implementing IntACT, our ESG strategy, which specifies goals and concrete actions for key sustainability topics, including climate change, diversity & inclusion, employee health & well-being, human rights, and a responsible supply chain.

As one example, we have initiated further actions to reduce our global carbon footprint and have established ambitious climate targets that commit us to significantly reducing CO_2 emissions across our whole value chain in line with the standards set by the Science Based Targets initiative (SBTi). By 2032, Sonova aims to reduce its Scope 1+2 emissions by 78.3%, and Scope 3 emissions by 32.5% from their respective 2019 levels.

Major sustainability indices and rating agencies confirm Sonova's strong ESG performance: the 2022 Dow Jones Sustainability Index ranked Sonova second out of 268 companies in our industry. The disclosure ratings agency CDP gave us a grade of A-, in the top 12% in the healthcare equipment & supplies industry – putting us among the leaders for climate action and for transparency in reporting.

You will find detailed information and data in our ESG Report, including a section on climate-related disclosures based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Feature story

Bringing the joy of hearing to everyone

Enabling people to hear well has always been the heart of what we do at Sonova. And wherever someone's journey towards better hearing begins, we want to be there for them. From personal audio devices to audiological care, hearing instruments and cochlear implants, customers can choose what's right for them through life. Each of our brands uses the most innovative technology and approaches to bring the joy of hearing to millions of people across the world, every day.

> We want Sonova to have the best solutions for every stage of the hearing journey.
>
> Arnd Kaldowski, CEO

The best sound, anywhere

Our Consumer Hearing business offers a better hearing experience long before somebody may need a hearing aid. The Sennheiser brand[1] is recognized worldwide as "the future of audio", guaranteeing high-quality sound in its audiophile, premium true wireless headphones and earbuds.

Sennheiser headphones and hearing aids from Sonova brands such as Phonak and Unitron already have much in common, including state-of-the-art sound, comfortable fit, long battery life and noise reduction. Combining the best of both worlds opens up new possibilities for better hearing.

Early entry hearing devices such as Sennheiser's Conversation Clear Plus earbuds integrate hearing technology and audiological expertise, making conversation easier in noisy environments. This is just one example of how our personal audio devices enable people to hear the world how they want to – and with the best possible sound.

“My passion for music and Sennheiser make a great match.”

Milan Schlegel, Sennheiser customer and Sonova employee, Germany

Sound quality is all-important to Milan because music is his inspiration in life. He’s been making music since the age of 12. When he’s not recording or mixing tracks in his studio at home, Milan takes music with him wherever he goes. Milan wants to hear every detail, which is why he wears headphones from Sennheiser’s audiophile range. Milan’s Sennheiser HD 650 headphones let him tune into what he wants to hear.

He says, “I’m a sound geek. I like to deconstruct how music has been created and for that you need the best headphones.” As a lifelong fan of the brand, Milan was delighted when a job came up doing PR for Sennheiser audio products as part of Sonova’s Consumer Hearing unit. Personally and professionally, he’s living his passion for great sound.

Sennheiser headphones and speech-enhancing devices enable the wearer to hear every detail.

Truly personal hearing care

Every year, millions of people receive professional hearing care at our clinics and stores in 20 countries. AudioNova is Sonova’s best-known brand in this market.

Audiological Care at Sonova is an end-to-end service, spanning assessment, diagnosis, counselling, hearing solutions, and after-care from highly trained professionals. Every person’s hearing is different, which is why our audiologists work with each customer to find a solution that provides comfort and performance for their budget.

The relationship between customer and audiologist extends beyond diagnosis of a hearing problem. Maintenance visits and check-ups provide regular contact, often over many years. Since hearing loss can progress over time, this after-care ensures customers continue to receive personalized support and solutions.

Innovation across our brands does not only apply to products. The World of Hearing stores offer a state-of-the-art customer experience that's very different from the traditional clinic.

"My hearing aid has brightened up my life."

Hao Shen Rong, AudioNova customer, China

Hao Shen Rong had been looking forward to immersing himself in his hobbies in retirement. His passions are calligraphy and the guqin, a traditional Chinese stringed instrument of great subtlety that requires a sensitive ear to play. Having lived with worsening hearing impairment for many years, it was his struggles with learning the guqin that led him to visit his local AudioNova store to consult an audiologist.

"I realized I could not put this off any longer," he says. Hao Shen Rong was diagnosed with age-related hearing loss in both ears. His Phonak Audéo Paradise hearing aids were fine-tuned through follow-up visits and over WeChat messages with his audiologist. With the elegant sound of the guqin providing the soundtrack, he is now enjoying the retirement he always wanted.

Our clinic and store network provides local access to professional audiological care in 20 countries.

Innovation for life

Advances in connectivity and digital compatibility are driving the evolution of the hearing aid and its role in everyday life. Our Hearing Instruments business aims to provide hearing care professionals with solutions that make a positive difference to the lives of their customers.

Hearing loss should not prevent anyone from enjoying a healthy, active lifestyle, which is why our Phonak brand has a hearing aid that's waterproof and sweatproof. No-one should have to plan when and where they will be able to hear either. The Blu family of hearing aids from our Unitron brand adjust automatically to changes of environment to provide amazing sound in every situation.

Innovations like these help increase adoption of hearing technology. Many people diagnosed with hearing loss are reluctant to wear a hearing aid immediately, and it can take years of living with hearing loss before they do. We want to help remove that stigma so more people can live their lives to the full.

"Phonak's innovation makes it easier for my customers to accept hearing aids."

Steve Reinshuttle, hearing care professional, US

As well as supplying hearing aids, we help hearing care professionals serve their customers through training, education, marketing and business support.

Having tried lots of hearing aid brands across his chain of 16 clinics in Florida, Michigan and Minnesota, Steve Reinshuttle knows what works best for his customers and for his business.

The quality of the hearing aids from Sonova's Phonak brand eases customers' concerns about living with hearing loss – and when they choose Phonak, Steve finds he doesn't have to deal with many product returns.

Steve says Phonak's commitment to innovation in audiology is second to none. And since his field of expertise is audiology rather than marketing, he really appreciates the business support that Phonak provides. He says, "I've been able to grow my business considerably thanks to Phonak's products and their commercial experience. That's why I love doing business with Phonak."

Experience every moment

For children and adults whose hearing loss is beyond what a hearing aid can help with, cochlear implant technology can be life-changing. Our Advanced Bionics brand is a pioneer and leader in this field. Their implants use the latest breakthroughs in hearing technology and draw on skills in sound quality and processing to exceed what most hearing aids can do.

Advanced Bionics was the first to introduce a sound processor especially for children. In addition to providing clear sound in classrooms, playgrounds and other noisy environments, the Sky CI™ Marvel supports children's learning and development by connecting with tablets, laptops and other digital devices via Bluetooth®.

> "Imani's hearing allows us to connect in such a beautiful way."

Imani Fair, Advanced Bionics customer, US

Imani was just nine years old when she was diagnosed with severe hearing loss. Her mother was worried Imani would not be able to have all the experiences a young girl should have. But getting a cochlear implant from Advanced Bionics has enabled Imani to live the life she wants.

Little triumphs – like visiting the nail salon and getting her nails done just how she wants them – have helped her grow into an independent young woman who's studying for a college degree. Her cochlear implant hasn't stopped Imani from being a cheerleader, or working in a day care center. Her mother tells her, "I'm so grateful you can hear me say how proud I am of you. You are super amazing. You are unstoppable."

1) Sennheiser is a registered trademark of Sennheiser electronic GmbH & Co. KG and is used under license by Sonova

The Bluetooth® word mark is a registered trademark owned by the Bluetooth SIG, Inc. and any use of such marks by Sonova AG is under license.

Strategy and businesses

Hearing Instruments business

We excel in an evolving marketplace through seamless delivery of services to our customers and innovation inspired by consumer needs.

Our Hearing Instruments business is a leading global developer and manufacturer of hearing aids marketed through our well-known Phonak and Unitron brands. We sustain continuous innovation through regularly-launched new technology platforms that support significant performance improvements across our broad product spectrum and through a wide range of distribution channels. Our emphasis is on providing the hearing performance that consumers demand: a clear, rich sound experience and speech understanding even in the most challenging environments. Our recent innovations in connectivity, digital applications, and sensor technology give us the opportunity to deliver fundamental improvements along each consumer's hearing journey and contribute to their overall health and well-being.

The Hearing Instruments strategy for market leadership builds on strong fundamental capabilities: our emphasis on hearing experience and ease-of-use, combined with ever closer consumer engagement, delivers an excellent consumer experience. Our long-standing and close relationships with hearing care professionals across the globe, supported by the breadth and quality of our product portfolio and value-creating services, help us to become the partner of choice for audiologists. Our commitment to audiological research, supported by focused investments in leading-edge areas such as chip technology, miniaturization, and artificial intelligence, gives us the innovation advantage to grow into the future while advancing hearing health and medical benefits. Our expertise in reaching the market through a broad range of precisely segmented and targeted channels provides a sustainable basis to expand the market and our market share.

Consumer-centered innovation

Hearing Instruments innovation is inspired directly by consumer needs: we evaluate each potential advancement by testing how it will directly improve the consumer's experience. Will it enhance hearing performance, increase speech understanding and reduce noise, like our AutoSense OS™ 5.0 technologies? Will it boost ease-of-use, like our Made for All™ connectivity solutions or our integrated app ecosystem? Or will it smooth the consumer's seamless buying journey, like our try-before-you-buy program, omnichannel purchase options, or 24/7 remote support services?

These market-leading innovations are brought together and further enhanced by Phonak's ground-breaking Lumity platform, launched in August 2022. Building on the highly successful Marvel and Paradise platforms, Lumity sets new standards in ease of communication and reduced listening effort[1,2,3,4].Consumer studies reveal how important speech understanding is to them, especially in noisy environments. Being able to understand speech without effort – even when the speaker is beside, behind, or across the room from the wearer[5]– is essential for the experience of fully immersive, natural conversation in real-life situations.

To achieve this, Lumity opens a new dimension in directional microphone technology: the sophisticated StereoZoom 2.0 beam former assures a continually adapting, smooth, and unobtrusive focus on each conversation partner, while the new SpeechSensor capability provides 360-degree speech detection. The result is 16% better speech understanding from the front[6]and an average of 15% better speech intelligibility from the back and side[7]. Beyond these, the SpeechEnhancer feature makes it easier to communicate with someone across a room. Like the other aspects of Phonak's SmartSpeech™ technology, these capabilities are fully adjustable by the consumer through the myPhonak app. All in all, Lumity offers a solution for every challenging communication environment in daily life.

Lumity has launched successfully in over 40 countries, and is initially available in the Audéo rechargeable RIC form factor – including Audéo Lumity Life, the second generation of the world's first rechargeable and waterproof hearing aid, which enables a healthy, active lifestyle without limitations. New charger case designs combine reliable recharging with versatility, including inductive charging. All Lumity hearing aids include our unique universal Bluetooth® connectivity with multiple connections, hands-free calling, and Tap Control for easy control of streaming functions, and now add the ability to monitor well-being data such as activity levels and step count. Over the next two years, we will extend these capabilities across our whole range of hearing aids, with new features added to the platform throughout our regular innovation cycle.

This year has been one of macroeconomic challenge in countries around the world, increasing input costs for manufacturers and reducing household spending. Despite this, we achieved a successful launch for Lumity through a disciplined approach to commercial excellence with a particular emphasis on value capture to offset some of these headwinds. Important launch metrics for Lumity such as penetration and repurchase rates are on track to match the outstanding performance of its predecessors.

Sonova is very active in researching hearing care in the broader context of healthy living. We regularly collaborate with prominent independent research institutions and universities on clinical studies investigating the relationship of hearing loss to other health problems such as cognitive decline, balance, and reduced physical activity. Several studies on the possible impact of hearing aids in slowing cognitive decline are expected to be published during 2023. We also support studies that investigate the impact of hearing aids on social interaction and networks, as well as on physical activity and overall health. As a market leader, we welcome the opportunity to help advance the science of hearing health and medical solutions: the knowledge gained helps to drive our innovation, deepen our consumer understanding, and expand our commercial horizons.

Striving for excellence in the customer experience

Originating with the Phonak brand, our Hearing Instruments business has worked to deliver an excellent experience to its wholesale customers for more than 75 years: providing continuous innovation and market-leading hearing performance across a broad solutions portfolio backed by services, software, and trusted relationships in more than 100 countries. We understand how customer needs differ across our various markets, which include independent audiological practices, ENTs, managed care providers, government agencies, retail chains, and buying groups. An end-to-end integrated sales and marketing process, backed by our proprietary segmentation and sales channel alignment initiative, allows us to approach each customer through the appropriate channel with the right value proposition, enabling us to win over competitive accounts. We support our customers with bespoke marketing and training, along with a range of hardware and software solutions, including remote fitting, that speed audiology workflow and add value for their consumers.

The Sonova X business system, now rolled out in 80% of our key markets, gives us a powerful range of tools to enhance customer satisfaction and profitable growth; these have led to marked improvement in key metrics over the past three years, including a 40% rise in sales productivity. It has also given us methodologies to capture the value of the outstanding proposition that we make to our market through higher prices: in a year of inflationary challenges, we have taken the lead with a lifecycle pricing strategy that also gives our customers the support they need to secure the appropriate return for the premium solutions they provide.

1) Appleton, J. (2020) AutoSense OS 4.0 – significantly less listening effort and preferred for speech intelligibility. Phonak Field Study News retrieved from www.phonakpro.com/evidence, accessed February, 2022.
2) Latzel, M & Hobi, S (2022) ActiveVent™ Receiver provides benefit of open and closed acoustics for better speech understanding in noise and naturalness of own voice perception. Phonak Field Study News retrieved from www.phonakpro.com/evidence, accessed May 2022.
3) Thibodeau L. M. (2020) Benefits in Speech Recognition in Noise with Remote Wireless Microphones in Group Settings. Journal of the American Academy of Audiology, 31(6), 404–411.
4) Latzel, M., Lesimple, C. & Woodward, J. (2022). New implementation of directional beamforming configurations show improved speech understanding and reduced listening effort. Phonak Field Study News retrieved from www.phonak.com/evidence.
5) Latzel, M., Lesimple, C., & Woodward, J. (2023). Speech Enhancer significantly reduces listening effort and increases intelligibility for speech from a distance. Phonak Field Study News. retrieved from www.phonak.com/evidence.
6) Compared to fixed directional.
7) Compared to conventional acoustic coupling.

Consumer Hearing business

Creating early, meaningful engagement with consumers through extraordinary audio and hearing experiences, while expanding the market for all of our businesses.

We emphasize our vital role throughout each consumer's individual, life-long hearing journey. The joy of catching every nuance in a musical performance; the excitement of being swept up in a film soundtrack; the happiness of shared, clear conversation around a table, without distracting noise… these are all pleasures that can be extended and sharpened by our solutions long before a hearing loss is recognized.

For more than 75 years, the Sennheiser brand has stood for uncompromising commitment to sound quality. In acquiring the Sennheiser Consumer Division, the Group has added its own expertise in enhancing speech clarity, comfortable fit, and miniaturization. Under the Sennheiser brand, our Consumer Hearing business pursues the vision of extending its leadership in premium consumer audio – while becoming a go-to brand for situational hearing solutions.

Consumer Hearing has four product categories: premium headphones, audiophile products, hearing solutions, and soundbars for an immersive audio experience. Our strategic product priorities include a focus on the premium audiophile segment, building on Sennheiser's strong brand and state-of-the-art transducer technology; extending our offering in premium True Wireless in-ear headphones that match superior sound quality with custom fit and sensor expertise; and shaping the emerging consumer hearing market with early-entry hearing solutions that bridge the gap between audio products and hearing aids.

Sonova and Sennheiser: coming together, moving forward

The acquisition of the Sennheiser Consumer Division closed in March 2022, and since then the transition into a combined business has proceeded quickly and smoothly. The joint senior leadership team is in place and has successfully integrated our teams supporting consumer hearing solutions in product development, operations, and sales organizations worldwide. Sonova's vision and culture have proven to be a close and natural fit with the Sennheiser brand and people. The Sonova X business system of continuous improvement, including process optimization, lean manufacturing, and growth tools, has started to generate meaningful productivity gains, supporting our planned margin expansion for the Consumer Hearing business.

A combined innovation roadmap has generated an impressive 12 product launches in this financial year, four of which represent significant steps forward in key business areas and are described below. Despite global supply chain challenges shared with other electronics industries at the beginning of the year, all Consumer Hearing products are fully available in all significant markets, and sales have grown year-on-year well beyond the consumer audio industry growth average. This outperformance is due both to our innovative product portfolio and to our emphasis on high growth sales channels and regions.

Among the seven strategic initiatives defined by the Consumer Hearing team, three focus on our go-to-market priorities, aiming to secure the advantages that have helped to generate this year's sales performance. We aim to increase the proportion of online sales from 50% to 75% over time, allowing us to get ever closer to our consumers and control our brand and pricing destinies. We are investing in data analytics and CRM automation to optimize our digital marketing, performance insights, and digital consumer experience, extending each contact into a full hearing journey. We are also continuing to build our audiophile leadership positions in key growth markets, specifically the US and China, increasing brand awareness along with our online sales activities.

A step forward in every category

Our consumers, like us, take sound seriously: they expect each new Sennheiser branded product to extend the boundaries of their audio experience. The market response to our product launches in this financial year – covering all our strategic product categories – shows that we have achieved this goal.

In True Wireless, a particularly high-growth segment, we introduced in April 2022 the MOMENTUM True Wireless 3 earbuds, which set new standards for sound quality, adaptive noise cancelation, and wearing comfort – along with long battery life, wireless charging, and a splash-resistant design that makes them the perfect companion for an active life. They are rated "Best True Wireless Headphones" by Trusted Reviews and have boosted our share of the True Wireless market in all key countries.

The MOMENTUM 4 wireless noise-canceling headband headphones, launched in August 2022, are an audiophile's dream, defining – once again – the standard for sophisticated listening with superior sound. An entire acoustic system in a compact, beautifully-designed package, they feature brilliant dynamics and clarity, user-controllable sound modes, supreme comfort, and effortless phone and voice assistant interaction, coupled with an unprecedented battery life of more than 60 hours. The audiophile press regularly rates them as top in their class.

Our AMBEO soundbar range harnesses sophisticated signal processing and self-calibration to create the sensation of a vast 3D soundscape in a compact package, turning the smallest room into a concert hall, a stadium – or a savannah. Launched in October 2022, the AMBEO Soundbar Plus and AMBEO Sub extend this remarkable performance in two directions: a smaller format and, thanks to the AMBEO Sub's clear and powerful bass response, a deep and immersive sound experience "designed to give you goosebumps."

Entering the early entry hearing solutions market

The first Sonova-developed product launched under the Sennheiser brand was the TV Clear Set, which reached the market in May 2022. Building on Sennheiser's leading position in the television listener market, TV Clear Set adds enhanced speech clarity, easy connectivity with multiple devices, extra wearing comfort, and a straightforward but powerful app that allows users to personalize their experience.

Watching television, however, is only one situation where enhanced speech clarity can enrich the consumer's sound world. We therefore launched in January 2023 our first speech-enhanced hearable device: the Sennheiser Conversation Clear Plus. These compact earbuds establish a new category of early entry hearing solutions: devices that support and enhance hearing in specific situations, such as busy restaurants or noisy worksites, while at the same time providing an excellent sound experience. They can be used whenever the user wants to enjoy effortless clear conversations, by detecting and analyzing the sound scene, adjusting their response, and activating adaptive noise cancelation. An independent study shows that 95% of users experienced significant speech enhancement in noisy situations when using the product[1].

One year in, the Consumer Hearing business is off to a good start, delighting consumers with a great sound and hearing experience, and pursuing the aim of reaching consumers wherever their hearing journey starts.

1) Conversation Clear Plus performance study, FORCE Technology, 2022.

Strategy and businesses

Audiological Care business

We continuously expand consumer access and engagement, offering the highest level of expert service and technology through an integrated omnichannel experience.

As the world’s second-largest hearing care provider, our Audiological Care business employs over 8,600 people in more than 3,900 clinics, operating in 20 countries across five continents. We provide each consumer with the closest individual attention, understanding their needs and supplying expert professional advice and services along with best-in-class customized hearing solutions. Our strategic priorities are to expand consumer access and achieve profitable, above-market growth through a combination of organic initiatives and network expansion.

A fundamental driver for profitable growth in Audiological Care is the continuous improvement of our processes and optimization of our clinic network, embodied in the Sonova X business system. Each year, we aim to provide faster and better services for our consumers, maximize the value-generating time that our audiologists spend with their customers, and sharpen the precision of our lead generation. Building on this foundation, we pursue further digitalization of the consumer journey, deepening engagement through our omnichannel sales approach and making effective use of the contacts generated through our consumer apps. We are extending our consumer proposition with new product categories, including the Sennheiser branded offerings from our Consumer Hearing business, and new medical services, such as our SilentCloud™ tinnitus management app, promoting the connection between good hearing and good overall health. Finally, we continue to increase the density of our presence in key markets through targeted acquisitions and new greenfield openings.

Expanding market access

This year, we have continued to get closer to consumers by expanding our physical presence in tandem with our digital ecosystem. We added over 400 locations to the previous year's gain of more than 500 clinics and around 900 employees, including expert hearing care and digital marketing professionals. In the US, our March 2022 acquisition of Alpaca, one of the country's largest independent networks, contributed to doubling the number of clinics in this strategic market, adding a strongly complementary footprint in regions with high sales growth potential. The transition has progressed very smoothly, with a combined leadership team in place and strong progress on our growth initiatives. It is clear that we have highly similar visions for audiological care, emphasizing expert service and premium solutions coupled with a high degree of medicalization and value creation. The transition to products from our own brands in the network was completed in the last quarter of the financial year.

In China, a key growth market for us, our strategy has been to first establish a strong digital presence, hosting our branded app and digital ecosystem on TenCent's popular WeChat platform. We now have multiple branded sales channels across all major online platforms, including online Phonak flagship stores on JD and Alibaba's T-Mall. This broad and deep digital presence has given us significant brand recognition and provided us with valuable understanding of the needs and preferences of Chinese consumers, enabling further consumer-centered expansion.

We initially supplemented our digital presence by developing a successful network of fifteen AudioNova stores in the Shanghai region, joined by a full service World of Hearing store, which sets a new standard for audiological care in China. Additionally, in December 2022, we completed the acquisition of HYSOUND, a highly professional national network of more than 200 clinics in 70 cities across China, employing 600 experts in audiology. HYSOUND is an excellent fit for our Audiological Care business, strong on medical expertise and with a level of price, sales, and audiologists per clinic similar to European networks. We welcome our new colleagues and look forward to supporting them through our omnichannel proposition.

Augmenting the hearing journey

Over the past three years we have created an integrated digital ecosystem that gives consumers full freedom in how they access our range of products and services, and allows us to address their needs in a comprehensive, efficient, and personalized way. In-store, in-app, online, or on the phone – booking an appointment, buying an accessory, accessing a service – consumers can interact with us wherever and whenever they wish, confident in the knowledge that we will respond with the combined power of our digitally-linked expertise.

State-of-the-art lead generation is a vital function that brings consumers into this digital ecosystem. Started in 2019, the Audiological Care in-house Lead Generation Hub has the mission to engage new consumer segments more cost-efficiently, while building up our proprietary consumer database and digital competencies. The ultimate aim is to provide each prospective consumer with personalized marketing information, so that they know what we can do for them before they even walk into a store. In the five markets where the Lead Generation Hub has been implemented, this initiative has produced excellent results: sales conversion rate is up by double digits compared to external lead acquisition. The average sales basket value is higher than the country average, while the average new consumer age is approximately ten years younger – significantly increasing the life-long value of each consumer. Moreover, the brand familiarity generated by effective marketing gives us an opening to propose further targeted solutions, including medicalized services or other audio and hearing devices.

Broadening the consumer proposition

The Audiological Care business deepens its relationship with each consumer by opening further channels for interaction and service, bringing our expertise into play at every point of the hearing journey. This increasingly allows us to make the connection between hearing health and health in general – both through new sensors and capabilities in our solutions and through the digital services with which we support them.

In February 2023, we announced the launch of our SilentCloud™ app, a powerful medically-regulated tool for self-paced tinnitus management that offers therapies, education, and counseling. Tinnitus affects 10 – 15% of the adult population; other than hearing loss, tinnitus is the condition that our consumers most want us to address. Consolidating a range of proven therapies recommended in well-established clinical guidelines, SilentCloud™ enables users to actively manage their tinnitus from home while being guided by one of our trained audiological care experts. The app's content has been validated in numerous clinical trials and showed significantly positive outcomes. SilentCloud™ is currently available in Belgium and Italy; a rollout in further countries will follow later this year.

The MyAudioNova app, launched in April 2023, is the easy-to-use but powerful access key to the digital universe of Audiological Care. Thanks to our unique universal connectivity, the app links to the consumer's hearing instrument, enabling remote connection to our audiologists for expert advice and adjustment, along with hearing education and training programs such as SilentCloud™. The app also gives the consumer full access to our omnichannel eCommerce and service capabilities, including booking an appointment or getting in contact with an audiologist for technical or medical support.

Strategy and businesses

Cochlear Implants business

We extend the hearing journey, connecting consumers with the most significant hearing loss to our innovation, and supporting a life without limitations.

Our Cochlear Implants business, operating under the Advanced Bionics brand, is founded on our firm conviction that the journey to better hearing applies to everyone, including consumers with severe or profound hearing loss. Our range of innovative cochlear implants, drawing on Phonak's deep expertise in sound processing, speech enhancement, and connectivity, offer adults and children worldwide a powerful, rich hearing experience with effortless comfort and convenience.

A cochlear implant differs from a hearing aid in that it bypasses the middle ear, converting sound into an electrical signal delivered directly to the hearing nerve. This signal conversion takes place in a sound processor mounted behind the ear, and it is here that the Sonova advantage is apparent: close R&D cooperation between our Cochlear Implants and Hearing Instruments businesses means that the advanced features and capabilities that we develop for our leading hearing aids are made available for our cochlear implant recipients. Noise-environment sensing sound processing, directional speech enhancement, seamless connection with our hearing aids for two-ear hearing, remote fitting, sophisticated adjustment apps, universal connection with phones and other streaming devices – the full range of our innovation is there to enrich the consumer's hearing experience.

Cochlear implants are a lifelong solution. For all our consumers – especially the families of children with significant hearing loss – the choice to go ahead with one brand needs the support of clear information and sympathetic counseling. We think of our recipients and potential recipients as a community; we work closely with them, offering online forums and mentorship, webinars, and events: ensuring that they know that we, together with the audiologists and surgeons who support them, are by their side to accompany them on their journey.

Marvel rolling out globally

The introduction of our Naída™ CI Marvel and Sky CI™ Marvel systems has received an overwhelmingly positive response from recipients and audiologists alike; the benefits of Phonak's Marvel platform – automatic adjustment to the listening environment, universal Bluetooth® connectivity, hands-free phone calling, integrated RogerDirect™ wireless communication – redefined the experience of using a cochlear implant system. More than three-quarters of consumers reported significantly improved hearing performance, while audiologists valued the wireless connection to the Target CI fitting software. We were the first cochlear implant company to remove the wire between patient and computer during programming, which is especially useful with pediatric patients. The Target CI fitting software itself is a sophisticated but easy-to-use tool that closely resembles Phonak's hearing-aid fitting technology in look and feel, thus making life easier for audiologists who fit both products.

Cochlear implants are sophisticated medical devices that undergo rigorous and time-consuming regulatory approval in each new market. New technology platforms therefore roll out over a longer innovation cycle than in the Hearing Instruments business. We are pleased that the Marvel CI systems have launched in 32 countries by the end of this financial year – eight more than in the previous year. We are also expanding the digital ecosystem for our Marvel systems, adding further apps and support channels to give recipients ever more control of their hearing experience. Marvel-related sales now represent a significant share of overall revenue for the Cochlear Implants business – a share that we expect to increase and fuel further growth.

We are also pleased to announce the approval of our HiRes™ Ultra implant by China's regulators. Featuring our thinnest profile for easier insertion, HiRes™ Ultra is the only device with 16 independent current sources, combining the fastest stimulation rate with the widest input dynamic range a for the most natural hearing experience possible[1]. Its circuitry provides nearly unlimited ways to deliver hearing nerve stimulation, which means that it can accommodate every current and future advance in sound processor performance. China represents a high-growth market for all Sonova businesses, and we are excited about the potential created by this new opening for our innovation.

A cochlear implant is not a product that can simply be bought off the shelf; the business of providing them necessarily requires many points of personal contact and a substantial commitment of time. Typically, a recipient will need to see the specialist audiologist for adjustments at least six times in the year following surgery – and cochlear implant clinics are few and far between in even the best-served markets. The cost in time and travel for recipients and hearing care professionals alike is a burden on them and on the industry, reducing audiologist efficiency and market penetration. Marvel's Made For All™ connectivity, however, allows the sound processor to be programmed remotely through an online connection to the audiologist's practice. This might seem merely nice-to-have to a hearing-aid user, but for cochlear implant recipients it is a liberating capability, given the far lower availability of trained audiologists for cochlear implants. In a market study, 88% of consumers said that they would use such a service, and 84% of audiologists agreed. Remote programming is just part of our vision of self-sufficient consumers, in full control of their hearing experience. The solution is under development and has completed its clinical trial.

Operating excellence supporting increased customer access

The momentum of the cochlear implant industry has been held back in the past three years by the difficulty of securing surgical appointments, supply shortages, and hospital staffing challenges. In response, our Cochlear Implants business has put significant effort into implementing the Sonova X business system for continuous improvement, analyzing our markets and processes and securing the foundation for consistent and repeatable success. This involves a rigorous review of costs and operating expenses – materials, manufacturing, supplier relationships, warranties – and also our sales approach to potential consumers and the clinics who refer them.

Repeatable success depends on product reliability: it is the single most important factor affecting the consumer’s choice of implant. Our emphasis in recent years on uncompromising quality control in manufacturing along with comprehensive testing has yielded a cumulative product survival rate for our HiRes™ Ultra 3D V2 implant that is higher than any other in our history. We have seen a more than 20% improvement in our product return rate for external devices, such as our sound processors, every year for the past three years: a clear demonstration of our commitment to quality.

We have applied the same Sonova X principles that we use in securing operating efficiency to achieve commercial excellence through increased access to the market. Based on dedicated kaizen workshops in which we mapped the customer experience and value streams, we defined global sales practices and applied dedicated client segmentation to capture growth opportunities. Nearly a quarter of our new system sales were brought in through the commercial excellence initiative, which we will extend and further refine during the coming financial year. We also plan to launch a similar initiative in the business-to-consumer sales area, with the aim to increase the conversion of potential candidates by building brand contact and interaction to help consumers in making their choice – through social media, conversation with existing recipients, and other contact points. This type of approach will be extended to new recipients as well, to keep them informed and interested in further developments, capabilities, and accessories as they explore the new hearing world opened up by their cochlear implant.

In approaching audiologists and consumers, we are fully aware of the advantages of working in cooperation with the other Sonova businesses. In the 2021/22 financial year in Germany, 30% of our system sales were generated by partnering with Sonova’s Hearing Instruments customers and our Audiological Care business – ten years ago, that share was zero. We are now extending this partnership to important markets including the US, China, Korea, Australia, Brazil, and Italy. In the US, we launched in late 2022 a co-branded pilot between Phonak and Advanced Bionics to approach audiologists and explore the options for consumers in their databases with significant hearing loss. The response has been positive, as audiology clinics look to differentiate their market profile by offering more medicalized services.

---

1) Koch DB, Osberger MJ, Segel P, Kessler DK. (2004) HiResolution and conventional sound processing in the HiResolution Bionic Ear: using appropriate outcome measures to assess speech-recognition ability. Audiology and Neurotology, 9:214-223. Spahr A, Dorman MF, Loiselle LH. 2007. Performance of Patients Using Different Cochlear Implant Systems: Effects of Input Dynamic Range. Ear and Hearing. 28:260-275. Firszt JB, Holden L, Reeder R, Skinner MW. (2009) Speech recognition in cochlear implant recipients: comparison of standard HiRes and HiRes 120 sound processing. Otology and Neurotology 30:146–152.

Corporate governance

Good governance supports responsible corporate behavior, transparency, and sustainable business practices.

Sonova's mission is to have a positive effect on our consumers' lives. This closely aligns with our aspiration to have a positive impact on society as a whole by running our business in a sustainable, responsible manner. "We take accountability" is one of our core values: Continuously improving our Environmental, Social, and Governance (ESG) performance is embedded throughout our business and we strive to optimize these factors with the same level of dedication as we do our financial objectives. We see good corporate governance as an essential pillar of our ESG strategy, ensuring that the company is managed in the long-term interests of its key stakeholders. The details of what constitutes good corporate governance continue to evolve, and the Board of Directors as well as the CEO and the Group Management Board constantly monitor developments to ensure that our commitments keep pace with expectations.

At Sonova, we uphold a strong foundation of corporate governance that adheres to established standards and practices. The company meets its legal duties under the Swiss Code of Obligations, the SIX Swiss Exchange Directive on Information relating to Corporate Governance, and the standards defined in the Swiss Code of Best Practice for Corporate Governance. This report describes the principles of corporate governance for the Sonova Group and provides background information on the Group's executive officers and bodies as of March 31, 2023. All relevant documents can be accessed at the corporate governance section of the Sonova website: www.sonova.com/en/regulations-principles. For clarity and transparency, the Compensation Report is presented as a separate chapter of the annual report.

Group structure

Operational group structure

The Sonova Group is headquartered in Stäfa, Switzerland, and is active in over 100 countries. Sonova has subsidiaries in over 30 countries and a network of independent distributors serving additional markets. Details of its business segments can be found in Note 2.2 to the consolidated financial statements.

Listed companies

Sonova Holding AG is listed on the SIX Swiss Exchange. Of all the companies in the Sonova Group, only the ultimate parent company of the consolidated Sonova Group, Sonova Holding AG, is listed on any stock exchange.

Key data for the shares of Sonova Holding AG as of March 31, 2023:

	2023	2022	2021
Market capitalization in CHF million	16,428	24,486	16,125
In % of equity	736%	1,007%	582%
Share price in CHF	268.60	387.60	250.40

Registered office	8712 Stäfa, Switzerland
Listed on	SIX Swiss Exchange
Security number	1254978
ISIN	CH0012549785
Ticker symbol	SOON
Par value	CHF 0.05

Non-listed companies

Note 7.7 to the consolidated financial statements provides a list of the significant companies of the Sonova Group as of March 31, 2023.

Shareholders

Registered shareholders

As of March 31, 2023, the shareholdings of registered shareholders were distributed as follows:

Number of shares	Registered shareholders 31.3.2023	Registered shareholders 31.3.2022
1 – 100	17,198	13,177
101 – 1,000	9,728	8,174
1,001 – 10,000	1,321	1,260
10,001 – 100,000	178	219
100,001 – 1,000,000	18	31
> 1,000,000	3	7
Total registered shareholders	**28,446**	**22,868**

Significant shareholders

The following overview shows the significant shareholders as of March 31, 2023 based on shareholdings recorded in the share register and notifications on the SIX Swiss Exchange online reporting platform. Significant shareholders may also hold non-registered shares.

	2023 [1]	**2023** [2]	**2022** [1]	**2022** [2]
	No. of shares	In %	No. of shares	In %
Beda Diethelm [3]	6,712,878	10.98	6,712,878	10.63
Family of Hans-Ueli Rihs [3] [4]	3,683,649	6.02	3,683,648	5.83
BlackRock, Inc.	3,334,293	5.10	3,334,293	5.10
MFS Investment Management [5]	1,847,415	3.02	n/a	<3
The Capital Group Companies, Inc [6]	n/a	<3	3,087,638	4.89
UBS Fund Management (Switzerland) AG	n/a	<3	1,948,684	3.03

1) Or at last reported date if shareholdings are not registered in the share register.
2) On the basis of the shares registered in the commercial register at last reported date.
3) Beda Diethelm and Hans-Ueli Rihs were already shareholders before the Initial Public Offering in November 1994. There are no shareholders’ agreements among these individuals and they can trade freely.
4) Hans-Ulrich Rihs, Gabriela Rihs and Stefan Rihs as a group jointly control 3,683,649 registered shares (corresponding to 6.02% of total Sonova share capital) pursuant to the last disclosure notice. These shares were previously controlled by Hans-Ulrich Rihs as a single shareholder.
5) MFS Investment Management, formerly known as Massachusetts Financial Services, is held by Sun Life Financial Inc which is traded on the TSX, NYSE and PSE (ticker symbol SLF)
6) The Capital Group Companies, Inc is held by (i) Capital Research and Management Company ("CRMC"), (ii) Capital Group Private Client Services, Inc. and (iii) Capital International, Inc.

For information on shareholders of Sonova Holding AG that have reported shareholdings of over 3% or a reduction of shareholdings below 3% in the FY 2022/23, please refer to the website of the Disclosure Office of the SIX Swiss Exchange.

Cross-shareholdings

Sonova Holding AG has no cross-shareholdings with other companies.

Articles of Association

The Articles of Association of Sonova Holding AG remained unchanged in FY 2022/23 except for (i) article 3, 5, 6 (share capital and authorized capital) as well as (ii) article 16 (number of members of the Board of Directors): (i) Article 3, 5 6: The share capital as stipulated by the previous version of article 3 was reduced according to the resolution of the 2022 Annual General Shareholders' Meeting (AGM) and this resolution triggered amendments on article 5 and 6 (for details see section capital structure below). (ii) Article 16: The minimum number of members of the Board of Directors was increased from 3 to 5 in order to be able to comply with good governance practice and the maximum number of members of the Board of Directors was increased from 9 to 10 in order to facilitate the long-term succession planning within the Board of Directors; both changes have been resolved at the 2022 AGM. The Articles of Association are available here.

The Swiss corporate law reform which became effective January 1, 2023, triggers several mandatory and voluntary amendments to the Articles of Association which will be discussed and put to a vote of the shareholders at the 2023 AGM.

Capital structure

Share capital

As of March 31, 2023, the ordinary share capital of Sonova Holding AG was CHF 3,057,985.95 fully paid up and divided into 61,159,719 registered shares with a par value of CHF 0.05 each.

Sonova Holding AG has issued neither participation certificates nor profit-sharing certificates.

With the exception of the treasury shares held by the company itself, each share represents one vote at the Annual General Shareholders' Meeting and is entitled to dividend payments. As of March 31, 2023, the company held 1,566,263 treasury shares (1,532,910 in the previous year).

More information on the share capital can be found in Art. 3 of the Articles of Association available here.

Conditional and authorized share capital

Conditional share capital

The conditional share capital may be increased by a maximum amount of CHF 266,107 by issuing 5,322,133 registered shares with a par value of CHF 0.05 per share which equates to 8.70% of the existing share capital. Out of this conditional share capital an amount of (i) CHF 101,050.65 (equaling 2,021,013 registered shares) may be used for distribution to key employees of the Sonova Group through an equity participation program and (ii) CHF 165,056 (equaling to 3,301,120 registered shares) may be used for exercising option and conversion rights granted in connection with bonds or similar debt instruments issued by the company to finance the acquisition of companies, parts of companies or shareholdings.

More information on the conditional share capital can be found in Art. 4 of the Articles of Association, available here.

Authorized share capital

The Board of Directors shall be authorized to increase the share capital at any time until June 15, 2024 by a maximum amount of CHF 305,798.59 by issuing a maximum of 6,115,971 registered shares that are to be fully paid up, each with a nominal value of CHF 0.05 and which equates to 9.99% of the existing share capital. Increases in partial amounts shall be permissible. The Board of Directors did not make use of this authorization in FY 2022/23.

More information on the conditional share capital can be found in Art. 5 of the Articles of Association, available here.

Limitations on exercising the conditional and/or authorized share capital

In case the conditional and/or authorized share capital may be exercised and subscription or advance subscription rights may be excluded, the total of the capital increase shall not exceed an amount in total of CHF 305,798.55 by issuing 6,115,971 registered shares which corresponds to 9.99% of the currently issued share capital.

More information on the conditional share capital can be found in Art. 6 of the Articles of Association, available here.

Options

In FY 2022/23, a total of 138,302 options and Stock Appreciation Rights (SARs) were granted as part of the Sonova Executive Equity Award Plan (EEAP). In FY 2021/22, the number of options and SARs granted totaled 112,656. As of March 31, 2023, there were 960,106 options, performance options and SARs outstanding (compared with 985,697 in the previous year). Each of the options entitles the holder to purchase one registered share in Sonova Holding AG with a par value of CHF 0.05 at the respective exercise price and upon meeting certain performance criteria, while the SAR entitles to receive a cash settlement equal to the option value. The EEAP is described in greater detail in the Compensation Report and in Note 7.4 to the consolidated financial statements.

Convertible bonds

Sonova Holding AG has not issued any convertible bonds.

Changes in capital

As of March 31, 2023, the capital of Sonova Holding AG comprised the following (CHF amounts in this schedule are rounded up to whole numbers):

	2023	2022	2021
Ordinary capital (in CHF)	3,057,986	3,158,608	3,219,907
Total shares	61,159,719	63,172,157	64,398,137
Authorized Capital (in CHF)	305,799	321,991	321,991
Authorized shares	6,115,971	6,439,813	6,439,813
Conditional capital (in CHF)	266,108	266,108	266,108
Conditional shares	5,322,133	5,322,133	5,322,133

The 2022 AGM approved a reduction of the share capital by CHF 100,621.90 through cancellation of 2,012,438 registered shares. This capital reduction was the result of the share buyback program, announced on May 18, 2021, in which the company repurchased 2,012,438 registered shares between June 4, 2021 and March 31, 2022. More information to this share buyback program is available here.

The Board of Directors did not make use of the conditional or authorized share capital in FY 2022/23.

Share buyback program 2022 – 2025

On March 29, 2022 Sonova announced that its Board of Directors approved a share buyback program for the purpose of a capital reduction that started on April 19, 2022. The program allows to buy back shares worth up to CHF 1.5 billion and will end on April 18, 2025 (details available here).

The transactions connected with this program are conducted via a separate trading line on the SIX Swiss Exchange.

The Board of Directors will propose cancelling the shares repurchased until March 31, 2023 under this buyback program at the 2023 AGM.

Limitations on transferability and nominee registrations

Limitations on transferability for each share category

To be recognized as a shareholder with full voting rights, the acquirer of shares must submit a written application for registration in the share register. The company may refuse registration in the share register if applicants do not explicitly declare that they have acquired and will hold the shares in their own name and for their own account. The company may further refuse entry of the acquirer as a shareholder or usufructuary with a voting right to the extent that the shares held would exceed 5% of the overall number of shares shown in the Commercial Register (Art. 8 para. 6 of the Articles of Association, available here). Linked parties are considered as one person. This registration restriction does not apply to the founding shareholders. The Board of Directors may grant exceptions where there is justified cause, in which case no special quorum is required.

More information on the limitations on transferability and registrations can be found in Art. 8 of the Articles of Association, available here.

Exceptions granted in the year under review

No exceptions were granted by the Board of Directors during the reporting period.

Admissibility of nominee registrations

The Board of Directors can issue regulations specifying the conditions under which trustees/nominees are recognized as shareholders with voting rights (Art. 8 para. 5 of the Articles of Association, available here).

Procedure and conditions for cancelling statutory privileges and limitations on transferability

A resolution of the General Shareholders' Meeting approved by a relative majority of the votes cast is sufficient for cancellation (Art. 15 para. 4 no. 3 of the Articles of Association, available here).

Board of Directors

Introduction

The Board of Directors of Sonova Holding AG sets the overall direction and supervision of the management (see Art. 716a para. 1 of the Swiss Code of Obligations). Its working methods are reflected in the Organizational Regulations (available here) and the Board Committee Charters (available here for the Audit Committee and here for the Nomination and Compensation Committee).

As determined in Art. 1 of the Organizational Regulations, the Board of Directors plans the succession of its members and defines the criteria for selecting candidates so that the composition is well-balanced in terms of size, professional skills, international experience, and diversity. Sonova ensures that newly elected members receive appropriate introduction and orientation and that the members of the Board of Directors receive continuing training with respect to their responsibilities.

Board of Directors independence

Members of the Board of Directors are considered to be independent, according to Art. 14 of the Swiss Code of Best Practice for Corporate Governance and Art. 6 lit. c of the Organizational Regulations, if they personally or in association with related persons have not been a member of the Management Board during the last three years, and have no or only comparatively minor business relations with the company. According to these rules all members of Sonova's Board of Directors are considered to be independent.

Board of Directors fees

Fees for members of the Board of Directors are structured to be consistent with the principle of independence; members therefore only receive fixed fees paid in the form of a cash retainer and non-discounted shares with a blocking period of five years and four months (Chair of the Board of Directors) or four years and four months (all other members of the Board of Directors). The allocation of shares strengthens alignment with shareholders' interests. In addition, members of the Board of Directors receive committee retainers for their services on Sonova's committees. Members of the Board of Directors do not receive performance-related compensation, severance payments, or benefits.

Executive management positions

No member of the Board of Directors holds an executive management position with Sonova Holding AG or any of its subsidiaries.

Business connections of Board members with Sonova Holding AG or its subsidiaries

In the FY 2022/23, there were no business connections between individual members of the Board of Directors, including companies or organizations represented by them, and Sonova Holding AG or its subsidiaries.

Other activities and vested interests

Except as disclosed in the biographies of the members of the Board of Directors, no member of the Board of Directors holds any position in a governing or supervisory body of any important private or public sector organization, institution, or foundation; none holds any permanent management or consultancy position with an important interest group, or any public or political office.

Mandates outside Sonova Holding AG

No member of the Board of Directors may hold more than four additional mandates in listed companies and in total no more than six additional mandates. The following mandates are not subject to these limitations:

- Mandates in companies which are controlled by Sonova or in companies which control Sonova;
- Up to ten mandates held at the request of Sonova or companies controlled by Sonova; and
- Up to six mandates in associations, charitable organizations, foundations, trusts, and employee welfare foundations.

For further details please see Art. 30 of the Articles of Association, available here.

Board of Directors competence and evaluation

The Nomination and Compensation Committee and the Board of Directors evaluate current and prospective members of the Board according to a skills and experience competency matrix to ensure that an appropriate mix of relevant skills and experience is represented in the Board of Directors. The matrix includes criteria relating to executive management expertise, board experience, relevant industry know-how, strategic thinking (including M&A), international/regional experience, technology/product development experience (hardware and software), digital expertise, IT expertise, Supply Chain Management expertise, financial expertise, sales/marketing expertise, retail and service expertise, HR expertise, and expertise in ESG. By following the matrix criteria in the nomination and evaluation processes, the Nomination and Compensation Committee and the Board of Directors are committed to consider characteristics including but not limited to, gender, age, nationalities or country of origin, ethnicity, cultural background, ways of believing and mindsets, in order to establish balance in terms of diversity and inclusion.

The Nomination and Compensation Committee and the Board of Directors make use of this information to identify potential gaps, and to help create profiles for new director searches.

The Board of Directors also conducts an annual self-assessment to:

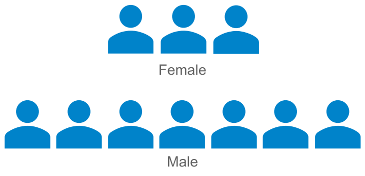
- Ensure and enhance its comprehensive understanding of the business and the company;
- Evaluate the work of the Board of Directors, its committees, the individual board members and the Chair;
- Make the best use of the human capital represented on the Board of Directors; and
- Optimize efficiency, effectiveness of working methods, and cooperation among members of the Board of Directors and members of the Management Board.

The Chair of the Board of Directors initiates the annual Board of Directors self-assessment by distributing an evaluation questionnaire, previously approved by the Board of Directors. The Chair of the Board of Directors is responsible for collecting the assessments and for initiating the review of the consolidated results by the Nomination and Compensation Committee and subsequently the full Board of Directors.

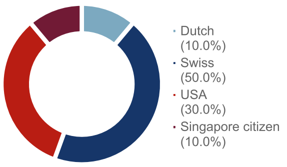
Composition of the Board of Directors

As of March 31, 2023, the composition of the Board of Directors is as follows:

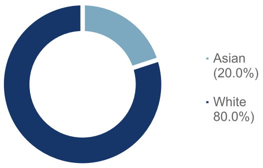
Gender



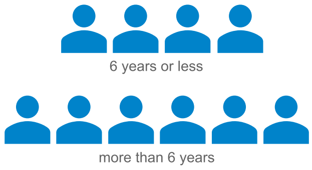
Nationality



Ethnicity



Board Tenure



Elections, terms of office and biographies

Election procedure and limits on the terms of office

Art. 16 para. 1 of the Articles of Association of Sonova Holding AG states that the Board of Directors must consist of a minimum of five and a maximum of ten members. The members of the Board of Directors are elected by the shareholders at the General Shareholders' Meeting (Art. 10 no. 2 of the Articles of Association, available here).

Re-elections for successive terms are possible. Members of the Board of Directors shall retire automatically at the first General Shareholders' Meeting following their seventieth birthday. In justified individual cases, the Board of Directors may make an exemption. For further details please see Art. 16 of the Articles of Association, available here, and Art. 6 of the Organizational Regulations, available here.

First election and remaining term of office

The following table shows the date of first election for each member of the Board of Directors. The Articles of Association require that the term of office of a Board member ends after completion of the next Annual General Shareholders' Meeting. As a consequence, each Board member will have to be re-elected annually at the General Shareholders' Meeting. All previous Board members were re-elected by the 2022 Annual General Shareholders' Meeting. . Julie Tay was elected to the Board of Directors for the first time at the 2022 AGM. (the Articles of Association are available here).

Name	Position	First elected
Robert F. Spoerry	Chair	2003
Stacy Enxing Seng	Vice Chair	2014
Gregory (Greg) Behar	Member	2021
Lynn Dorsey Bleil	Member	2016
Lukas Braunschweiler	Member	2018
Roland Diggelmann	Member	2021
Julie Tay	Member	2022
Ronald van der Vis	Member	2009
Jinlong Wang	Member	2013
Adrian Widmer	Member	2020

Robert F. Spoerry

(born 1955, Swiss citizen) has been Chair of the Board of Directors of Sonova Holding AG since March 30, 2011, and a non-executive member of the Board of Directors since 2003.

Robert F. Spoerry is also the non-executive Chair of the Board of Directors of Mettler Toledo International Inc., a leading global manufacturer and marketer of precision instruments and related services for use in laboratory, manufacturing, and food retailing applications. He joined Mettler Toledo in 1983 and was CEO from 1993 to 2007. He led the buyout of Mettler-Toledo from Ciba-Geigy in 1996, and the company's subsequent Initial Public Offering on the New York Stock Exchange (NYSE) in 1997. In 1998, he was nominated as Chair of the Board of Directors.

His long-standing experience in the technology sector, his deep knowledge of Sonova and his strong technical background with innovation-driven companies provides a substantial benefit to the Group and its shareholders. Robert F. Spoerry devotes a substantial amount of his time to his service as Chair of the Board of Directors.

Robert F. Spoerry graduated in mechanical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland, and holds an MBA from the University of Chicago.

Outside mandates:

- Member of the Board of Directors of Bystronic Holding AG (former Conzzeta Holding AG)
- Non-executive Chair of the Board of Directors of Mettler Toledo International Inc.

Stacy Enxing Seng

(born 1964, US citizen) has been a non-executive member of the Board of Directors since 2014 and serves on the Nomination and Compensation Committee. She became Vice Chair of the Board of Directors at the Annual General Shareholders' Meeting in June 2021.

She previously served as President of Covidien's Vascular Therapies division. Stacy Enxing Seng joined Covidien in July 2010 through its acquisition of ev3 where she was a founding member and executive officer responsible for leading ev3's Peripheral Vascular Division from inception. She has also held various positions at Boston Scientific, SCIMED Life Systems Inc., Baxter Healthcare, and American Hospital Supply.

With her broad experience in the medical technology sector and her strong track record in growing startups and leading multinational companies, she brings further important perspectives to the Group. Her expertise in working with regulatory agencies around the globe brings valuable insight to the Board of Directors.

Stacy Enxing Seng received a Master of Business Administration from Harvard University and has a Bachelor of Arts in Public Policy from Michigan State University.

Outside mandates:

- Member of the Board of Directors of LivaNova, Inc.
- Member of the Board of Directors of Corza, Inc.
- Operating Partner, Lightstone Ventures

Gregory Behar

Gregory Behar (born in 1969, Swiss citizen) has been a non-executive member of the Board of Directors since 2021.

He has been the CEO of Nestlé Health Science, a global leader in the science of nutrition, since 2014 and a member of the Nestlé Executive Board since 2017. From 2011 to 2014, he was President & CEO of Boehringer Ingelheim Pharmaceuticals Inc. (USA). Prior to that, he held various leadership positions with Boehringer Ingelheim GmbH (Germany), Novartis AG, and Nestlé SA.

Besides this and on behalf of his employer, Nestlé Health Science, he holds a board seat at Seres Therapeutics Inc. which is a strategic investment of Nestlé. This is therefore not considered to be an additional external mandate since managing the strategic collaboration with this investment – such as joint product development, license agreements etc. – forms part of Gregory Behar's day-to-day activities as the responsible executive at Nestlé.

With his broad international business and executive experience in the healthcare industry as well as his strong track record in leading successful global businesses, Gregory Behar brings valuable insight to the Board of Directors.

Gregory Behar earned 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.

Outside mandates:

- CEO of Nestlé Health Science
- Member of the Board of Directors of Seres Therapeutics, Inc. (mandate held at the direction of Nestlé as part of his role as CEO of Nestlé Health Science and thus, shall not be considered as an additional external mandate)
- Member of the Board of Directors of Amazentis SA (mandate held at the direction of Nestlé as part of his role as CEO of Nestlé Health Science and thus, shall not be considered as an additional external mandate)

Lynn Dorsey Bleil

(born in 1963, US citizen) has been a non-executive member of the Board of Directors since 2016. She serves on the Audit Committee.

She retired as Senior Partner (Director) from McKinsey & Company in the US in 2013 after more than 25 years of advising senior management and boards of leading healthcare companies on corporate and business unit strategy, mergers and acquisitions, and public policy across all segments of the healthcare value chain. She was also a member of the Board of Directors of Auspex Pharmaceuticals until its sale to Teva in March 2015, and DST Systems until its sale to SS&C in April 2018.

With her extensive experience in advising North American healthcare companies across the entire value chain and through her various board mandates in this sector, she brings very valuable strategic perspectives to the Group and contributes her broad knowhow as a Board member.

Lynn Dorsey Bleil holds a Bachelor’s degree in Chemical Engineering from Princeton University and a Master’s degree in Business Administration from the Stanford University Graduate School of Business.

Outside mandates:
- Member of the Board of Directors of Alcon Inc.
- Member of the Board of Directors of Stericycle, Inc.
- Member of the Board of Directors of Amicus Therapeutics, Inc.
- Chair of the Intermountain Healthcare Wasatch Back Hospitals Community Board

Lukas Braunschweiler

(born 1956, Swiss citizen) was the CEO of the Sonova Group from November 2011 until March 31, 2018 and has been a non-executive member of the Board of Directors since 2018 and serves as member and chair on the Nomination and Compensation Committee.

Before joining the company, Lukas Braunschweiler was CEO of the Swiss technology group RUAG. From 2002 to 2009, as President and CEO, he headed the Dionex Corporation. The California-based company, active in the life sciences industry, was listed on the Nasdaq stock exchange. Previously, from 1995 to 2002, he held various group executive positions in Switzerland and the US for Mettler Toledo, a precision instruments manufacturer.

Lukas Braunschweiler brings broad CEO experience from a variety of tech-oriented companies and industries in an international environment. Having served as CEO of Sonova from 2011 to 2018, he has not only a comprehensive knowledge of Sonova as a company and its business but also a broad experience in the global hearing aid industry.

Lukas Braunschweiler received a Master of Science in analytical chemistry (1982) and was awarded a Ph.D. in physical chemistry (1985) from the Swiss Federal Institute of Technology (ETH) in Zurich.

Outside mandates:
- Chair of the Board of Directors of Tecan Group AG
- Member of the Board of Directors of BURU Holding AG

Roland Diggelmann

(born in 1967, Swiss citizen) has been a non-executive member of the Board of Directors since 2021and serves on the Nomination and Compensation Committee.

From 2019 until March 31, 2022, 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. From 2008 to 2018 he was managing director for the Asia / Pacific region and later CEO of Roche Diagnostics. 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).

With more than 20 years of executive experience in the medical device industry across many parts of the world and as an active CEO, Roland Diggelmann provides valuable input to the implementation of Sonova’s strategy.

Roland Diggelmann studied Business Administration at the University of Bern, Switzerland.

Outside mandates:

- Member of the Board of Directors of HeartForce AG

Julie Tay

(born in 1966, Singapore citizen) has been a non-executive member of the Board of Directors since 2022.

She has served for nine years in various senior leadership roles at Align Technology, Inc. (Nasdaq: ALGN), including most prominently as Senior Vice President and Managing Director Asia Pacific. Align Technology is a leading global medical device company that designs, manufactures, and sells the Invisalign system of clear aligners, iTero intraoral scanners, and exocad CAD/CAM software for digital orthodontics and restorative dentistry.

Prior to that she held various management positions at Bayer Healthcare, JohnsonDiversey and Johnson & Johnson Medical. With her broad executive experience in the medical device industry and her executive experience, Julie brings valuable insight to the Board of Directors.

Julie Tay holds an MBA in International Marketing from Curtin University of Technology in Australia.

Outside mandates:

- n.a.

Ronald van der Vis

(born 1967, Dutch citizen) has been a non-executive member of the Board of Directors since 2009 and Chair of the Audit Committee from 2019 to 2021.

Ronald van der Vis was Executive Director of the Board and Group CEO of Esprit Holdings Limited, a global fashion and lifestyle company listed on the Hong Kong Stock Exchange, from 2009 until November 2012. Prior to this, since 1998, he held various general management positions at GrandVision NV, the world's leading optical retailer. He was group CEO at GrandVision NV from 2004 to 2009.

With his extensive international expertise in the retail sector and his broad M&A, corporate finance and strategic experience, Ronald van der Vis provides valuable input to the Group's vertically integrated business strategy.

Ronald van der Vis graduated from the Nyenrode Business University in the Netherlands and received his Master's degree in business administration from the Alliance Manchester Business School in the UK. He has gained significant financial expertise both through his education and through his business experience as CEO and private equity partner.

Outside mandates:

- Operating Partner, Co-Investor and Industry Advisor
- Chair of the Supervisory Board of European Dental Group
- Chair of the Supervisory Board of Equipe Zorgbedrijven
- Chair of the Supervisory Board of United Veterinary Care
- Member of the Supervisory Board of HEMA

Jinlong Wang

(born 1957, US citizen) has been a non-executive member of the Board of Directors since 2013; he will not stand for re-election at the 2023 AGM.

He served as operating partner at Hony Capital while he was Chair and CEO at PizzaExpress Group Holdings Limited from July 2017 to September 2020. Previously he held a number of senior positions at Starbucks including Senior Vice President of Starbucks Corp., President of Starbucks Asia Pacific Region, as well as Chair and President of Starbucks Greater China Region. He started his career as a government official in the Ministry of Foreign Economic Relations and Trade in China.

With his broad business and legal background, particularly in the retail sector with a strong network both in China and in the United States, Jinlong Wang brings valuable insights to the Board of Directors. Thanks to his extensive operational and business development expertise he has made tangible contributions to the Group's strategy in Asia and in particular in China.

Jinlong Wang graduated with a Bachelor's degree in International Economics and Trade from the University of International Economics and Trade in Beijing in 1982 and received his Juris Doctor degree at Columbia Law School, Columbia University, in 1988.

Outside mandates:

- Independent non-executive director of Swire Properties Limited
- Independent non-executive director of Kerry Group PLC.

Adrian Widmer

(born 1968, Swiss citizen) has been a non-executive member of the Board of Directors since 2020 and serves as a member and Chair on the Audit Committee.

Since 2014 he is Group CFO of Sika AG, a global specialty chemical company based in Switzerland. He previously served as Head Group Controlling and M&A at Sika from 2007 to 2014. Prior to joining Sika, he held various management positions at BASF, Degussa and Textron Inc. in the areas of finance and controlling, business development and general management.

With his broad management background, his experience in M&A and business development and particularly his financial expertise as active CFO, Adrian Widmer is well qualified to serve on the Audit Committee as a financial expert and is an ideal sparring partner for Sonova's CFO.

Adrian Widmer holds a Master of Science degree in Business and Economics from the University of Zurich, Switzerland and completed the Advanced Management Program of INSEAD Fontainebleau in France.

Outside mandates:

- Group CFO of Sika AG

Internal organizational structure

Allocation of tasks within the Board of Directors

As specified in Art. 17 para. 1 of the Articles of Association, the Board of Directors constitutes itself, except for the Chair and the members of the Nomination and Compensation Committee, who must be elected by the shareholders. If the office of the Chair or a member of the Nomination and Compensation Committee is vacant, pursuant to Art. 16 para. 4 of the Articles of Association the Board of Directors appoints a replacement from among its members for the remaining term of office (the Articles of Association are available here).

In accordance with Art. 13 para. a of the Organizational Regulations which supplement the Articles of Association, the Board of Directors appoints an Audit Committee (the Organizational Regulations are available here).

Tasks and areas of responsibility of Board of Directors' committees

The duties and authorities of the committees are defined in the Articles of Association (available here), the Organizational Regulations (available here), and the Board Committee Charters (available here for the Audit Committee and here for the Nomination and Compensation Committee). The committees usually meet before the Board of Directors meetings, report regularly on activities and make proposals to the Board of Directors based on their findings. The overall responsibility for duties delegated to the committees remains with the Board of Directors.

Audit Committee

The members of the Audit Committee are Adrian Widmer (Chair), Lynn Dorsey Bleil and Ronald van der Vis.

The duties of the Audit Committee include reviewing the performance and effectiveness of external and internal audit on behalf of the entire Board of Directors; evaluating the company's financial control systems, financial structure, and risk management control mechanisms; and verifying the interim and annual accounts and financial statements of the Sonova Group. The Audit Committee is also kept regularly informed on the company's compliance program. The Audit Committee Charter is available here.

The Audit Committee meets as often as required but no fewer than four times per year. During the reporting period, the Audit Committee met six times. The Chair of the Board of Directors was invited to, and attended, every Audit Committee meeting as a guest.

Nomination and Compensation Committee

The members of the Nomination and Compensation Committee are Lukas Braunschweiler (Chair), Stacy Enxing Seng and Roland Diggelmann.

As part of the long-term succession plan, the Board of Directors intends to propose to put Julie Tay to become a new member of the Nomination and Compensation to a vote at the 2023 AGM and, thereafter, to appoint Roland Diggelmann as Chair of the Nomination and Compensation Committee.

The Nomination and Compensation Committee supports the mission of the Board of Directors to attract, retain, and motivate people with outstanding professional and human capabilities at the Board of Directors and top management levels. In the selection and nomination processes, the committee considers independence, expertise, experience, and skills (including those related to economic, environmental and social aspects) needed for the respective corporate body's tasks, seeking where possible to establish balance in diversity terms including but not limited to: gender, age, nationalities or country of origin, ethnicity, competencies, experiences, ways of believing and mindsets. The Nomination and Compensation Committee also supports the Board of Directors in preparing the Compensation Report, establishing and reviewing the Company's compensation principles, guidelines, and performance metrics, and preparing proposals to the Annual General Shareholders' Meeting on the compensation of the Board of Directors and Management Board. The committee may also submit proposals and recommendations to the Board of Directors on other compensation-related issues. The Nomination and Compensation Committee Charter is available here.

The Nomination and Compensation Committee meets as often as required but no fewer than three times per year. During the reporting period, the committee met seven times.

The Chair of the Board of Directors was invited to, and attended, every Nomination and Compensation Committee meeting as a guest.

Working methods of the Board of Directors and its committees

During the reporting period, the Board of Directors held five regular meetings and one additional conference call on relevant subject matters. The table below shows the individual members' attendance at Board of Directors and committee meetings, as well as the average length of the meetings:

	Reg. BoD meetings 1)	BoD add. calls 2)	AC meetings 3)	NCC meetings 4)	NCC calls 4)
No. of meetings in 2022/23	5	1	4	5	1
Robert F. Spoerry	5	1	4 5)	5 5)	1 5)
Stacy Enxing Seng	5	1		5	1
Gregory (Greg) Behar	5	1			
Lynn Dorsey Bleil	5	1	4		
Lukas Braunschweiler	5	1		5	1
Roland Diggelmann	5	1		5	1
Julie Tay 6)	3	1			
Ronald van der Vis	5	1	4		
Jinlong Wang	5	1			
Adrian Widmer	5	1	4		
Average meeting length	7 h	1 h	3 h	2 h	1 h

1) Regular Board of Directors meetings in person.
2) Additional calls of the Board of Directors.
3) Regular Audit Committee meetings.
4) Regular Nomination and Compensation Committee meetings and calls.
5) As guest.
6) New member of the Board of Directors since June 2022.

Urgent business matters were discussed in various telephone conferences. In addition to formal meetings at which minutes were taken, members of the Board of Directors or of the committees also frequently met informally for other topics and discussions that required additional time. These included but were not limited to, preparations for formal meetings, interviews and nomination of key individuals, and reviewing M&A projects.

The agenda for a meeting of the Board of Directors or of a Board committee is set by its respective Chair. Any member of the Board of Directors or a committee may request a meeting or ask that an item be put on the agenda. Members of the Board of Directors and the committees are provided in advance of meetings with all relevant documents that enable them to prepare for the discussion of the agenda items during the meeting. The Board of Directors and its committees constitute a quorum if at least half of the members are present. The Board of Directors and its committees approve resolutions by a majority of members present at the meeting. In the event of an equal number of votes, the Chair has the casting vote.

The Board of Directors works closely with the Management Board. In general, the meetings of the Board of Directors and its committees are also attended by the CEO and the CFO and, depending on the agenda, other members of the Management Board. The Board of Directors and the committees meet in executive session after every Board and committee meeting, respectively. The Board of Directors consults external experts in connection with specific tasks when necessary.

During the 2022/23 business year, the five regular meetings of the Board of Directors were attended by the CEO, the CFO, and other members of the Management Board to review, amongst other topics, performance against plan, key initiatives, and strategic matters. The additional conference call of the Board of Directors was attended by the CEO and the CFO. If necessary, the Board of Directors also consults with other internal experts (such as the Group General Counsel) or external advisors.

All four meetings of the Audit Committee were attended by the Chair as guest. The CEO, the CFO, and the Head of Internal Audit and Risk participated in all four meetings of the Audit Committee. Representatives of the auditors have been invited to three out of four of these meetings.

All five meetings of the Nomination and Compensation Committee were attended by the Chair as a guest, and were held in the presence of the CEO and the Group Vice President Corporate Human Resources.

Definition of areas of responsibility

The Board of Directors of Sonova Holding AG is responsible for the overall direction of the company, except in matters reserved by law to the Annual General Shareholders' Meeting. The Board of Directors decides on all matters that have not been reserved for or conferred upon another governing body of the company by law, by the Articles of Association, or by the company's Organizational Regulations. The division of responsibility between the Board of Directors and the Management Board is set out in detail in the company's Organizational Regulations (available here).

Information and control instruments vis-à-vis the Management Board

The Management Board reports regularly to the Board of Directors and its committees. At each Board meeting, the Management Board informs the Board of Directors of the status of current business matters and financial results, and presents relevant strategic initiatives as well as major business transactions such as M&A. Each year a Board of Directors' meeting is reserved for presentation and discussion of the company's strategy and long-term financial plan. The Board of Directors is provided with monthly consolidated sales reports providing data on revenue, average selling prices, and units for each major product, subsidiary, and market. The Board of Directors also receives, on a monthly basis, the financial report with the full profit and loss statement, the balance sheet, and the cash flow statement, as well as the CEO's report on business performance, the competitive situation, updates on various initiatives, and an outlook. Telephone conferences are held as required between Board members and the CEO or CFO. Furthermore, each member of the Board of Directors may request information on all matters concerning the company.

Internal audit, risk, and compliance

The mandates of the Internal Audit and Risk Management functions, along with their reporting lines and scope of activities, are defined in the Internal Audit & Risk Charter approved by the Audit Committee and the Board of Directors. Internal Audit carries out compliance and operational audits and assists the business units in attaining their goals by providing assurance from independent evaluation of the effectiveness of internal control processes. The Management is responsible for the control of business risks and for compliance with laws and regulations. The Audit Committee approves the annual work plans of Internal Audit and ensures that the relevant Group companies are adequately reviewed according to their risk scoring. The Audit Committee also reviews and discusses the reports on completed audits submitted by Internal Audit. Internal Audit, together with Business Controlling, monitors the implementation by Group companies of any measures necessary to address findings from previous audits, and regularly reports progress to the Audit Committee. The Head of Internal Audit & Risk reports to the Chair of the Audit Committee. In addition, the Chair of the Board of Directors is invited to the Audit Committee as a guest and is thus kept fully informed but has no voting rights.

The Group has implemented an efficient and comprehensive system to identify and assess strategic, operational, financial, legal, and compliance risks related to the Group’s business activities. Risk management and mitigation proposals are prepared by the Management Board, reviewed by the Audit Committee and subsequently approved by the entire Board of Directors. The risk management function categorizes risks by severity and probability and supports the Management Board in determining the measures necessary to address or mitigate them.

The Board of Directors approves the risk assessment and provides guidance from a strategic point of view. To continuously monitor key risks and their mitigation, Risk Management prepares risk status reports which are presented to the Audit Committee on an ad hoc basis.

Risk Management also assumes responsibility for the internal control system (ICS) for financial reporting risks. The Board of Directors receives annual updates on the Group companies’ compliance with the ICS guidelines.

The Group compliance program supports Sonova’s core values of ethical behavior and unquestionable integrity. The program is administered by the Head Group Compliance & Data Privacy and ultimately overseen by the Group General Counsel. Among other activities, the program administers the Ethics Hotline and other reporting channels and ensures that reports are adequately addressed; structures the policy framework for ethical business conduct and trains the businesses on it; counsels and advises on proposed business approaches; and supports the businesses in their vetting of business partners. Quarterly compliance reports are provided to the Audit Committee and an annual compliance report is addressed to the Board of Directors. The Group General Counsel has an activity-specific or “dotted-line” reporting relationship to the Chair of the Audit Committee with respect to Compliance responsibilities.

Environmental, Social and Governance Management (ESG)

Sonova's environmental, social and governance (ESG) strategy is integrated into its overall strategy and is an essential part of Sonova's way of doing business. "We take accountability" is one of our core values: ESG improvement indicators are therefore embedded throughout our business and we strive to optimize them with the same intensity as we do our financial ones, making significant efforts and setting ambitious targets.

Sonova has established an ESG Council, which oversees and further develops the Group's ESG strategy, including commitments and targets, and monitors progress on key performance indicators and initiatives. The ESG Council meets at least on a quarterly basis and consists of the Group CEO, selected members of the Management Board, the Group General Counsel, and the Corporate Responsibility team. Progress on ESG targets is also regularly reviewed by the full Management Board and ESG targets are an element of each Management Board member's variable compensation. The Board of Directors approves the ESG strategy, initiatives, and targets, and regularly receives progress updates from the Management Board (see the comprehensive ESG Report).

Some of the key ESG topics at Sonova include climate change, diversity & inclusion (D&I), talent development & employee engagement, responsible supply chain management, data privacy and digital ethics. Among other reports, a comprehensive D&I report including initiatives and specific targets is prepared by the CEO and Corporate Human Resource Management and reviewed annually by the entire Board of Directors.

Responsible behavior also includes full compliance with tax laws and regulations at all times. Sonova's tax principles (available here) provide high level information on procedures and internal guidelines for tax compliance throughout the Sonova Group (see the relevant chapters in the ESG Report for more information on the specific ESG topics).

Good governance is supported by a regular dialogue on ESG topics with proxy advisors, investors, and rating agencies, and by Sonova's continuously active risk management and our compliance functions.

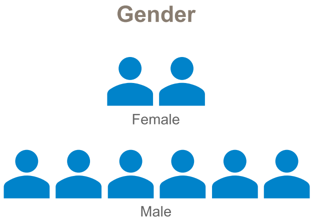
Management Board

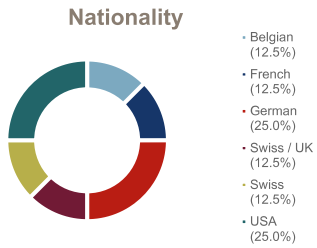
The Management Board is responsible for the business and affairs of the company and the preparation, implementation, and monitoring of Sonova's strategy, the management of the members' respective Group functions, and the preparation, implementation, and delivery of the annual plan and budget. The Management Board also prepares for and executes decisions made by the Board of Directors. In accordance with the Organizational Regulations of Sonova Holding AG (available here), the Management Board is chaired by the CEO and comprises at least the CFO, plus such additional members as appropriately reflect the company's structure and activities. The members of the Management Board are proposed by the CEO and are appointed by the Board of Directors based on the recommendation of the Nomination and Compensation Committee (NCC).

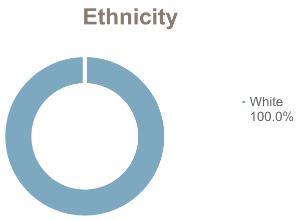
The yearly evaluation of the CEO is based on the input of each member of the Board of Directors addressed to the Chair. The consolidated input is reviewed first by the NCC and subsequently finalized by the entire Board of Directors. Finally, the results are reviewed and discussed between the Chair and the CEO.

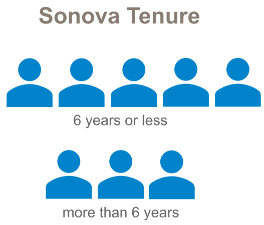
Composition of the Management Board

As of March 31, 2023, the composition of the Management Board is as follows:









Arnd Kaldowski

(born 1967, German citizen) joined the Sonova Group in October 2017 as Chief Operating Officer and became CEO as of April 1, 2018.

He joined Sonova from Danaher Corporation, where he served in various leadership capacities since 2008, most recently as Group Executive of the Diagnostics Platform and President Beckman Coulter Diagnostics. Arnd Kaldowski led significant sales growth, innovation and productivity initiatives. He also brings significant experience and a successful track record in M&A, commercial excellence, and new product introduction, which he gained in the course of his career at Danaher and as SVP Point-of-Care Solutions at Siemens Medical, following his previous assignments as Investment Director of Atila Ventures and as a Manager with the Boston Consulting Group.

Arnd Kaldowski holds a Master of Science in Physics from the Technical University Darmstadt, Germany, and an MBA from INSEAD in Fontainebleau, France.

Birgit Conix

(born in 1965, Belgian citizen) joined the Sonova Group in May 2021 and assumed the CFO position mid-June of the same year

She was previously Chief Financial Officer and member of the Executive Board of TUI AG, a global leader in tourism, from 2018 to 2021. Before joining TUI AG, she was Chief Financial Officer of the Belgian media, cable and telecommunications group Telenet Group NV. Prior to that, she held various top-level positions in finance, strategy and business operations in the pharmaceuticals and medical devices business units at Johnson & Johnson, and in finance at Heineken, Tenneco and Reed Elsevier.

Birgit Conix holds an MBA from University of Chicago, Booth School of Business, USA and a Master of Science in Business Economics from the University of Tilburg, Netherlands.

Outside mandates:

- Supervisory Board member at ASML Holding N.V.

Ludger Althoff

(born 1964, German citizen) joined the Sonova Group in January 2019 as Vice President (VP) Operations and became Group Vice President Operations as of April 1, 2019.

Before joining Sonova, he was Senior VP Quality and Operations at ABB Power Grids where he held functional responsibility for all factories and engineering centers of the business. Before that, he held various key operation leadership positions within the Danaher Corporation, including the role of VP Global Operations of Danaher’s Dental Group and the role of VP Global Operations of Leica Microsystems. Ludger Althoff brings with him over 25 years of international management experience in operations, global sourcing and logistics as well as continuous improvement.

Ludger Althoff completed his education at the City of Mönchengladbach Technical School and was certified Quality Manager (EOQ) by the European Organization for Quality.

Claudio Bartesaghi

(born in 1973, Swiss citizen) was appointed Group Vice President Corporate Human Resources Management (HRM) & Communications of Sonova in October 2017.

He gained international experience in his long-time career at Sonova, not least in his positions as Head of HRM of Sonova North America, based in the US, and as Head of HRM Sonova APAC, based in Singapore. Before joining Sonova in 2010, Claudio Bartesaghi was Deputy Head of HRM at Jelmoli Holding AG in Zürich.

Claudio Bartesaghi holds a Bachelor of Science in Business Administration and Management from the Zurich University of Applied Sciences (ZHAW) and a Master of Advanced Studies in HRM from the University of Applied Sciences and Arts Northwestern Switzerland (FHNW).

As publicly announced on March 2, 2023, Claudio Bartesaghi will leave the company in mid-May of this year and, after an immersion and transition period, he will be succeeded by Katya Kruglova.

Victoria Carr-Brendel

(born 1964, US citizen) was appointed Group Vice President Cochlear Implants and President of Advanced Bionics in April 1, 2019.

She is an accomplished medical device executive with vast experience across several therapeutic areas, in both 510K and PMA devices. She started her career as a scientist in research and development, and took on increasingly larger business and management roles throughout her career. Before joining Sonova, she worked for JenaValve Technology Inc., a global and innovative transcatheter heart valve company, where she became CEO in mid-2015. Prior to that, she worked at Boston Scientific in roles spanning R&D, project management, franchise general manager/general manager for the neurovascular, electrophysiology, and peripheral interventions divisions, and the Bayer acquisition.

Victoria Carr-Brendel holds a Ph.D. in microbiology and immunology from University of Illinois at Chicago.

Outside mandates:

- Board member at MDMA (Medical Device Manufacturers Association)
- Independent Board member of Vicarious Surgical, Inc.

Christophe Fond

(born 1966, French citizen) joined the Sonova Group in February 2017 as Group Vice President Retail.

Before joining Sonova, he held the role of President Latin America and was a member of the Executive Board at GrandVision, a global leader in optical retailing. In the course of his career, he gained extensive experience in global retail management, leading transformational growth of large-scale retail enterprises, including acquisitions, mergers, and integrations.

Prior to joining GrandVision he held various roles of international responsibility at Pearle, Bata, and FNAC.

Christophe Fond received a Master of Business Administration from IMD-Switzerland and graduated from the Superior School of Military Engineering (ESAG) in France.

Martin Grieder

(born 1965, Swiss and British citizen) has been Group Vice President Phonak since August 2014. Between September 2016 and March 2022 he was Group Vice President Hearing Instruments Marketing. In April 2022 he was appointed Groupe Vice President Consumer Hearing.

He joined Sonova from Nestlé, where he was Vice President and Global Head of Nestlé BabyNes. Martin Grieder joined Nestlé in 1992 and brings over 20 years of experience in senior management roles within the company. His diversified cross-functional work experience in 18 countries ranges from leading the global Nespresso professional division to managing Nestlé Nespresso North America. Further senior roles at Nestlé included Vice President, Head of Finance for the Americas and Head Nestlé Group Audit as well as R&D Head for Food & Beverage systems solutions for the Nestlé Group.

Martin Grieder received a Master of Business Administration degree from IMD-Switzerland and a Bachelor's degree in business and economics from the University of Applied Science and Arts (FHNW) in Basel.

Robert Woolley

(born in 1976, US citizen) joined the Sonova Group in January 2022 and was appointed GVP Hearing Instruments in April 2022.

He previously held the position of Executive Vice President for North America and then became Executive Vice President Western Europe, both as member of the Management Board at Straumann Group. He has longstanding experience in leadership roles in the medical device and healthcare sector, both in the USA and Switzerland, among others at Stryker, Trivascular and Medtronic. Robert has a broad range of functional experiences including roles with increasing responsibility in general management, sales and marketing, product portfolio management and business development.

Robert Woolley is an engineer by training with a BSc in Mechanical Engineering from Brigham Young University and holds an MBA from Harvard Business School.

Other activities and vested interests

Except as disclosed in the biographies of the members of the Management Board, no member of the Management Board holds any position in a governing or supervisory body of any important private or public sector organization, institution, or foundation; none holds any permanent management or consulting position with an important interest group, or any public or political office.

Mandates outside Sonova Holding AG

According to Art. 30 of the Articles of Association, no member of the Management Board may hold more than one additional mandate in a listed company and in total no more than five additional mandates (all such mandates are subject to approval by the Board of Directors). Just as stipulated for the Board of Directors, some mandates are not subject to these limitations. The Articles of Association are available here.

Management contracts

The Board of Directors and the Management Board conduct business directly and have not delegated any management tasks to companies outside the Group.

Compensation, shareholdings and loans

Details of Board and Management compensation are contained in the Compensation Report. In accordance with the Articles of Association, no loans were granted to the members of the Board of Directors or the members of the Management Board.

Shareholders' participation rights

Voting rights and representation restrictions

Voting rights restrictions

When exercising voting rights, no shareholder can combine, with their own and represented shares, more than 10% of the total number of shares as shown in the Commercial Register (Art. 14 para. 2 of the Articles of Association, available here). Linked parties are considered as one person. This voting rights restriction does not apply to founding shareholders. The Board of Directors may approve other exceptions if it has good reason to do so, in which case no special quorum is required.

Exceptions granted in the year under review

During the reporting period, no exceptions to the above-listed rules were granted.

Statutory rules on participation in the General Shareholders' Meeting

According to Art. 14 para. 4 of the Articles of Association, every shareholder entered in the share register with voting rights may have its shares represented by a person with written authorization from him who does not need to be a shareholder, or by the Independent Proxy. All the shares owned by a shareholder can only be represented by one person.

The Articles of Association are available here.

Independent Proxy and electronic voting

The Law Office Keller AG (formerly Law Office KLG), Zurich was elected as the Independent Proxy by the 2022 AGM for the period until completion of the 2023 AGM.

Sonova Holding AG offers shareholders the option of using an online platform and of granting proxy and providing voting instructions to the Independent Proxy electronically.

Statutory quorums

According to Art. 15 of the Articles of Association, resolutions and elections by the Annual General Shareholders' Meeting require the approval of a relative majority of the votes cast, taking voting right restrictions into account, except as otherwise provided by law or the Articles of Association (available here).

Convocation of the General Shareholders' Meeting

The ordinary Annual General Shareholders' Meeting is held within six months following the close of the financial year.

Extraordinary General Shareholders' Meetings may be called as often as necessary, especially if required by law.

General Shareholders' Meetings are convened by the Board of Directors and, if necessary, by the auditors. Shareholders with voting rights, who together represent at least 10% of the share capital, may request that the Board of Directors convene an Extraordinary General Shareholders' Meeting, provided that they do so in writing and set forth the reason for the meeting (Art. 11 of the Articles of Association, available here).

Inclusion of items on the agenda

According to Art. 12 para. 3 of the Articles of Association (available here) shareholders with voting rights who represent at least 1% of the share capital may request that an item be put on the agenda for discussion by indicating the proposal or motion. Such requests must be addressed in writing to the Chair of the Board of Directors no later than 60 days before the meeting.

Registration in the share register

For administrative reasons, the share register is closed approximately one week prior to the date of the General Shareholders' Meeting (the exact date is communicated in the invitation to the General Shareholders' Meeting). Admission cards and voting forms are sent to shareholders during this period. The shares can be traded at any time and are not blocked.

Changes of control and defense measures

Duty to make an offer

The Articles of Association of Sonova Holding AG do not contain provisions for opting out or opting up. The result is that an investor who directly, indirectly, or in concert with third parties acquires shares in the company and, together with the shares he/she/it already possesses, thereby exceeds the 33⅓% threshold of voting rights in the company is required to submit an offer for all shares outstanding, according to Swiss stock exchange law. The Articles of Association are available here.

Clauses on changes of control

In case of a change of control and a related termination of employment (double trigger), unvested equity instruments granted under the Sonova Executive Equity Award Plan (EEAP) vest on a pro-rata basis only.

Auditors

Duration of the mandate and term of office of the lead auditor

At the Annual General Meeting on June 15, 2022, Ernst & Young AG, Zurich, was re-elected as auditor for Sonova Holding AG and the Sonova Group for the 2022/23 financial year. Martin Mattes has served as lead auditor for the auditing mandate.

Fees

The auditors charged the following fees during FY 2022/23 and 2021/22:

1,000 CHF	Ernst & Young 2022/23	Ernst & Young 2021/22
Audit services	2,644	2,342
Audit-related services	232	298
Tax services	17	27
Other non-audit services	1,511	212
Total	**4,404**	**2,879**

Audit services are defined as the standard audit work performed each year in order to issue an audit opinion on the parent company and consolidated financial statements of the Sonova Group, as well as opinions on the local statutory financial accounts or statements. Also included is extra work within the audit that can only be provided by the Sonova Group auditor, such as auditing of non-recurring transactions or the implementation of new accounting policies, as well as consents and comfort letters in relation to regulatory filings.

Audit-related services consist of support to the audit, such as providing advice on new accounting rules; this could be provided by sources other than the auditor who signs the audit report.

Tax services consist of services in connection with compliance with tax laws.

Other non-audit services mainly consisted of development services rendered by Digital Detox Ventures Limited, a third party company unrelated to Sonova. Due to the acquisition of the said company by an Ernst & Young affiliate, Sonova has to disclose all fees paid subsequent to the effective date of the acquisition (August 1, 2022). This led to a significant increase in the disclosed fees for non-audit services. In order to continue to ensure Ernst & Young's independence as Auditors while at the same time trying to minimize the impact on the timeline of Sonova's project, Sonova swiftly initiated the mutual termination of the development agreement with effect still during the FY 2022/23, avoiding any spillover to the FY 2023/24.

The values of audit, audit-related, tax, and non-audit services are in line with ratios suggested by commonly applied good practice standards that relate to the independence of auditors. A formal policy issued by the Audit Committee is in place that regulates all non-audit assignments of the auditors.

Informational instruments pertaining to the external audit

The external auditors report their findings semi-annually directly to the Audit Committee of the Board of Directors. In FY 2022/23, the external auditors attended 3 out of 4 Audit Committee meetings physically or by telephone conference. The Audit Committee of the Board of Directors reviews the performance, compensation, and independence of the external auditors on a regular basis. The Audit Committee reports its findings to the Board of Directors on a quarterly basis.

Information policy

The Sonova Group pursues an open and active information policy. A governing principle of this policy is to treat all stakeholders alike and to inform them at the same time. It is our aim to inform our shareholders, employees, and business partners in the most direct, open, and transparent way possible about our strategy, our global activities, and the current state of the company.

All publications are made available to all shareholders, the media, and the stock exchange at the same time. All shareholders entered in the share register automatically receive the summary report and an invitation to the AGM of Sonova Holding AG. Sonova uses a news service that delivers press releases to interested stakeholders.

The website of the Sonova Group, www.sonova.com, contains information on the company results and the financial calendar as well as current investor presentations. The Investor Relations function includes presentations of annual and interim results, investor presentations, and presentations held at other events.

On the www.sonova.com/en/registration-sonova-news-alert website, it is possible to subscribe to news alerts about Sonova via email. Messages are sent in English and German, and it is possible to state theme preferences for the alerts received. All Sonova media releases can be found at www.sonova.com/en/media/news.

More information tools, permanent sources of information, and contact addresses are shown at the end of this annual report.

Securities trading policy and black-out periods

The Board of Directors maintains a policy that prohibits the use of confidential information by corporate insiders. It institutes blocking periods to prevent insiders from trading in securities of Sonova Holding AG during sensitive time periods and requires pre-trading clearance for members of the Board of Directors, the Management Board, and selected employees.

This policy defines general trading blackout periods, during which the members of the Board of Directors and the Management Board as well as certain employees of Sonova Group are prohibited from trading in securities of Sonova Holding AG and/or related financial instruments, subject to exemptions provided by Swiss law (e.g., for share buyback programs). The recurring trading blackout periods begin one month prior to the end of any half year or full year reporting period of Sonova and ending two full trading days following the respective public release. The exact dates are communicated by email to all persons involved. Sonova may impose additional special trading blackout periods at any time for any reason.

In cases of personal hardship, the CEO and the CFO, acting jointly and following consultation with the Group General Counsel, may allow exceptions to a Black-out Period upon reasoned request by the employee concerned. In case options or warrants granted under any employment compensation plan falls within a black-out period and if the applicable plan provides for the automatic exercise or sale of such options or warrants during the black-out period, such options or warrants may be automatically exercised or sold during the black-out period by the plan administrator and as provided for in the relevant plan.

Compensation report

At Sonova, employees help people to hear the world, thus changing their lives. 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. Thus, we team up. We grow talent. We collaborate with people of diverse backgrounds to win with the best team in the marketplace. 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 2023 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.

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

Dear Shareholders,

I am pleased to share with you Sonova's 2022/23 compensation report.

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).

Further enhancing transparency and clarity of disclosures

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.

Supporting the corporate strategy implementation

Closely aligned with and in strong support of the Sonova strategy the NCC put special emphasis on the following three corporate initiatives in fiscal year 2022/23:

To support Sonova's corporate sustainability 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. The ESG targets are based on IntACT, our ESG strategy outlined in Sonova's corporate sustainability report. IntACT operates in four key areas: serving society, advancing our people, acting with integrity, and protecting the planet. – As part of our ESG strategy, we strongly believe that a balanced gender representation on the Board of Directors and in the Management Board is in the best interests of the Sonova Group. We have achieved a proportion of 30% women on the Board of Directors, and 25% on the Management Board in fiscal year 2022/23.

The continuous improvement strategy and approach pursued across all Sonova businesses and functions is particularly important in the search for and development of talent, and thus in our comprehensive and continuous recruitment process. The company has invested substantial time, effort, and resources in the development of the middle management for the last three years in order to strengthen the Sonova top management pipeline. – As a result, 67% of all people managers have been recruited internally for 3 years in a row. In a strategic effort to further enhance retention of key talent the eligibility to participate in the EEAP program was expanded to the Sonova middle management, adding 40 managers (increase of participants by 6%) to this successful long-term incentive program.

We strive for diversity and inclusion and have put significant effort into improving our workplace over the past few years. Based on the annual global employee survey we are perceived as best in class in the eyes of our employees. We have further improved our gender team composition. 54.4% of all people managers roles and 34.5% of key positions were filled with female talent at the end of fiscal year 2022/23. In comparison, women represented 51.2% of all people manager roles and 35.2% of key positions across the global Sonova organization at the end of fiscal year 2021/22.

Changes in the Board of Directors

The NCC and the Board of Directors have continued to focus on succession planning to ensure a balanced overall board composition long-term. Relevant criteria include the breadth and depth of competencies and experiences required to govern the Sonova business and support the implementation of our strategies.

We welcomed Julie Tay as a new member of the Board of Directors at the AGM 2022. Following the election of three new members of the Board of Directors in the last two AGMs, there will be no new additions to the Board proposed at the AGM 2023. Julie Tay is proposed for election to the NCC. As announced earlier, Jinlong Wang will step down as a member of the Board of Directors after 10 years of highly valued service.

Changes in the Management Board

Robert Woolley was appointed to the Management Board as GVP Hearing Instruments and Martin Grieder within the Management Board as GVP Consumer Hearing effective on April 1, 2022.

2023 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 2022 AGM. The compensation awarded to the members of the Management Board for the reporting year is also well within the limit approved by the 2021 AGM.

At the 2023 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 2024 AGM, and for the Management Board for the 2024/25 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

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.

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.

Annual retainer	Cash (CHF)	Shares (CHF)
Board chair	430,000	370,000
Board member	100,000	160,000
Aditional fees	**Chair (CHF)**	**Member (CHF)**
Vice-chair	15,000	n/a
AC/NCC	40,000	20,000

Members of the Board of Directors are subject to minimum share ownership rquirements of CHF 200,000.

The expected compensation paid for the period from the 2022 AGM until the 2023 AGM of CHF 3,320,000 is within the amount of CHF 3,450,000 approved by shareholders.

The effective 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 the shareholders.

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

Total compensation	Approved	Effective
in CHF 1,000		
2022 AGM–2023 AGM	**3,450**	**3,320[2)]**
2021 AGM–2022 AGM	**3,140**	**3,070**
2020 AGM–2021 AGM	**2,600**	**2,425**

[2)] this compensation period is not completed yet, estimated amount

Management Board compensation

The compensation of the Management Board consists of fixed and variable performance-based compensation and is based on the following principles:

- Pay for performance
- Alignment with shareholder interestes
- Market competitiveness
- Alignment with company's values

Management Board	Fixed salary	Short-term cash incentive (VCC)	Long-term equity incentive (EEAP)
CEO	900,000	89% of fixed salary (at target)	231% of fixed salary (at target)
MB members	461,000 on average	up to 50% of fixed salary (at target)	up to 105% of fixed salary (at target)

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.

The compensation awarded for the 2022/23 financial year of CHF 11,300,000 is within the amount of CHF 15,800,000 approved by the shareholders.

Approved versus effective total compensation for the members of the Management Board

Total compensation	Approved	Effective
in CHF 1,000		
2022/23 financial year	**15,800**	**11,300**
2021/22 financial year	**15,200**	**12,800**
2020/21 financial year	**15,300**	**11,300**

The STI payout amounts to 35.5% for the CEO and 35.25% for the other members of the Management Board on average.

The LTI vesting level amounts to:

- 100% for the options awarded between 2019-2021 and 56.5% for the options awarded in 2022
- 62.8% for the PSUs

Governance

- 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:

Sonova's compensation principles

Pay for performance

Compensation rewards best-in-class performance. A large portion of compensation depends on the company's performance and individual contributions. We recognize both short-term success and long-term value creation through a well-balanced combination of incentive plans.

Market competitiveness

To be able to attract, motivate, and retain talented executives and employees, compensation is periodically benchmarked and is in line with competitive market practice.

Alignment with shareholders' interests

A substantial portion of the compensation of the Board of Directors and the Management Board is delivered in company equity. We also apply share ownership guidelines to foster the long-term commitment and alignment of their interests with those of our shareholders.

Alignment with company's values

Compensation incentivizes behaviour that is in line with our high standards of integrity and our values: we care, we drive innovation, we strive for excellence, we take accountability and we build the best team. We are committed to diversity, inclusion and to the principle of equal pay for equal work. ESG considerations are integrated in the compensation of the Management Board.

We are committed to the principle of equal pay for equal work and are taking all necessary steps in our job evaluation and leveling 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.

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 fulfillment of its duties and responsibilities in the area of compensation and personnel related matters. Its tasks and responsibilities include, among others:

- Periodical review of Sonova's compensation principles
- 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
- 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 2022/23 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	June	September	November	February End of the financial year
Compensation policy & process	– Review of equal pay considerations			– Preview of group wide salary review for the following financial year	– 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) – Approval of group wide EEAP grant size – Approval of EEAP plan regulations
Management Board (MB) & Board of Directors (BoD) matters	– Approval of payout of VCC for the previous financial year and vesting of EEAP for the previous EEAP cycle	– Approval of VCC performance targets for the new financial year incl. individual targets		– Preview of target compensation review for the following financial year (incl. EEAP grant)	– Review of target compensation for the following financial year (incl. EEAP grant) – Setting of EEAP performance targets for the next EEAP cycle – Approval of VCC performance scheme for following financial year
Governance	– Approval of corporate governance and compensation report as well as compensation part of the AGM invitation – Proposal of maximum aggregate ammount of compensation of MB and BoD to be submittet to AGM vote – Share ownership status review of the MB and BoD – Review and approval of NCC charter		– Review of proxy advisor/ shareholder feedback on compensation report – Board evaluation	– Review of BoD skills matrix	– Review of draft compensation report – NCC agenda for the following financial year
Nomination		– Succession planning for the BoD	– Succession planning for the BoD	– 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 2022/23 reporting year, Aon was tasked with the performance share unit (PSU) valuation and performance measurement under the EEAP; Algofin performed the option valuation. Support and expertise are also provided by internal compensation experts such as the GVP HRM and the VP Total Reward.

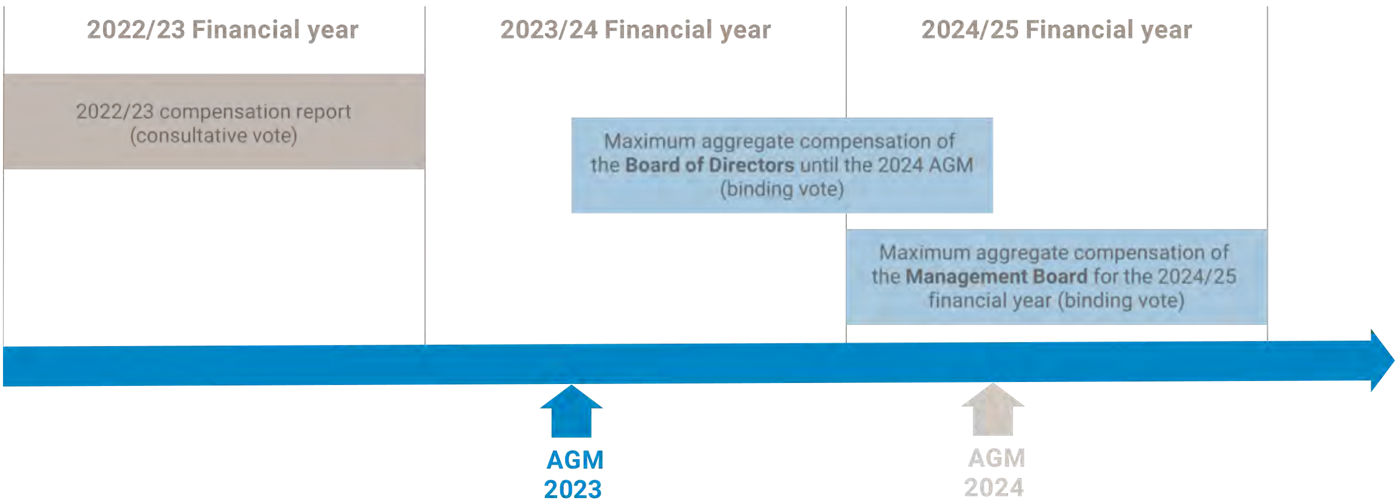
The external advisors had no other mandates for Sonova during the reporting year.

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 2023 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 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 for 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.

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]		
Pension benefits		
Pension Fund		
Variable compensatin components (performance related)		
Short-term cash incentive award VCC		
Long-term equity incentive award [6] EEAP		
Social and other benefits		
Other benefits		

[1] Mandatory social security constributions (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] 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

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).

Compensation structure 2022 AGM to 2023 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

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

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

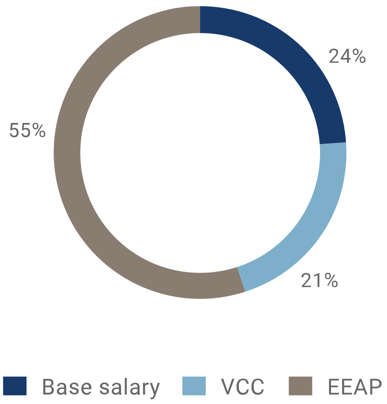
As outlined in the introduction to this compensation report, the compensation system of the Management Board is linked to the company's strategy and business results, and aligns with the interests of our shareholders, rewarding performance in the context of the business and the market. This compensation 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:

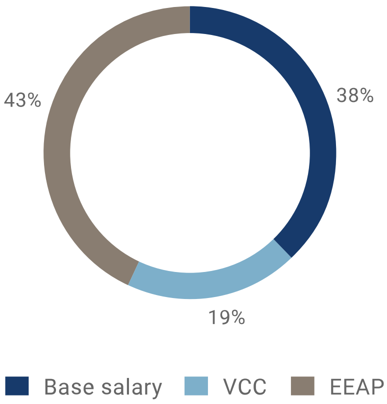
- A fixed base salary;
- A short-term cash incentive award (VCC);
- A long-term equity incentive award (EEAP); and
- Employee benefits, such as pension benefits, flat rate cash car allowance, expense allowance, relocation benefits for certain affected members, as well as social security contributions.

The charts below illustrate the compensation mix excluding employee benefits at target for the CEO, Arnd Kaldowski, and the Management Board in the 2022/23 financial year:

Compensation mix of the CEO, Arnd Kaldowski



Compensation mix of the other members of the Management Board[1]



[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 2022/23 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: 231%** **Range of fixed base salary: 0 % – 317%**	
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 105%** **Range of fixed base salary: 0 % – 158%**	

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 basis, 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 are 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 sustainability and sustainable business approach, business relevant ESG targets are formally reflected in the Variable Cash Compensation (VCC) of the Management Board. These targets are drawn from IntACT, our ESG strategy 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: in general, 5% allocated to two objectives that are consistent for all Management Board members, and 5% to one to three individual objectives for each member.

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.

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 objectives[3]					
Sales		0% –25%	0%	100%	250%
EBITA		0% –20%			200%
ASP		0% –10%			
Margin		0% –15%			
C – ESG objectives					
ESG objectives	10%	10%	0%	100%	100–200%
D – Individual objectives[4]					
Initiatives / Projects	15%	15%	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. 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 2022/23 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 its 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 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 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, 2023	February 1, 2023
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 233.40** (Sonova closing SIX share price on February 1, 2023)	n.a.
Vesting Date	25% vests on June 1, 2024 25% vests on June 1, 2025 25% vests on June 1, 2026 25% vests on June 1, 2027	3 years + 4 months cliff vesting 100% vest on June 1, 2026
Vesting multiple	0%–100% of grant (ROCE)	0%–200% of grant (capped at 100% if the absolute TSR is negative) Floor: 20th percentile TSR (multiple = 0%) Target: 50th percentile TSR (multiple = 100%) Cap: 80th 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, 2028)	Five years from the grant date (January 31, 2028)
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 noted below. Vested options must be exercised within a period of three months (commencing with the expiry of the Restriction Period or, if the Restriction Period has already expired on the Date of Termination.

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 excercise 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	Immediat 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. However in order to increase transparency of our reward plans, we came to decision to disclose target achievements under the short-term cash incentive award (Variable Cash Compensation).

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 2022/23 financial year (10 members from the 2022 AGM) and for the 2021/22 financial year (9 members). The total compensation in the 2022/23 financial year was CHF 3.3 million (2021/22: CHF 2.9 million).

Board of Directors compensation

in CHF						**2022/23**
	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	430,000	1,000	431,000	369,939	800,939	45,214
Stacy Enxing Seng Vice-Chair of the Board of Directors Member of the Nomination and Compensation Committee	135,000	–	135,000	159,879	294,879	19,094
Gregory (Greg) Behar Member of the Board	100,000	500	100,500	159,879	260,379	16,661
Lynn Dorsey Bleil Member of the Audit Committee	120,000	500	120,500	159,879	280,379	18,051
Lukas Braunschweiler Chair of the Nomination and Compensation Committee	140,000	1,000	141,000	159,879	300,879	437,627
Roland Diggelmann Member of the Nomination and Compensation Committee	120,000	1,000	121,000	159,879	280,879	18,051
Julie Tay [4] Member of the Board	79,178	500	79,678	159,879	239,557	14,942
Ronald van der Vis Member of the Audit Committee	120,000	–	120,000	159,879	279,879	18,051
Jinlong Wang Member of the Board	100,000	–	100,000	159,879	259,879	13,851
Adrian Widmer Chair of the Audit Committee	140,000	1,000	141,000	159,879	300,879	19,441
Total	**1,484,178**	**5,500**	**1,489,678**	**1,808,850**	**3,298,528**	**620,983**

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

1) Travel expenses are paid only for attended meetings. The travel allowance was discontinued from the 2022 AGM
2) Employer social security contributions on cash retainer, restricted shares granted during the financial year as well as stock options exercised during the financial year
3) Including NCC and AC work and attendance.
4) Member of the Board of Directors since June 2022

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
Gregory (Greg) Behar [4]	79,178	1,500	80,678	159,794	240,472	15,006
Lynn Dorsey Bleil Member of the Audit Committee	115,003	500	115,503	159,794	275,297	17,813
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

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 2022 AGM to the 2023 AGM is expected to be CHF 3.3 million. The total compensation is within the limit of CHF 3.5 million approved by the 2022 AGM.

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

in CHF 1,000	Approved for AGM 2021 – AGM 2022	Effective for AGM 2021 – AGM 2022	Approved for AGM 2022 – AGM 2023	Expected for AGM 2022 – AGM 2023
AGM approval year		**2021**		**2022**
Total compensation	**3,140**	**3,068**	**3,450**	**3,320**
Breakdown total compensation:				
Fixed fees including expenses	1,456	1,420	1,566	1,510
Market value of restricted shares	1,684	1,648	1,883	1,810
Number of members of the Board of Directors	**9**	**9**	**10**	**10**

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 2022/23 financial year, and no such loans were outstanding as of March 31, 2023. 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 2022/23 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 2022/23 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 2022/23 financial year (8 members) and for the 2021/22 financial year (9 members).

Management Board compensation

in CHF									2022/23
	Fixed base salary	Variable compensation [1]	Fringe benefits	Employer's pension contribution	Total cash compen-sation	Value of PSUs [2]	Value of options [3]	Total compensation	Employer's social security contribution
Arnd Kaldowski, CEO	900,000	284,170	55,200	115,575	1,354,945	778,125	1,296,875	3,429,945	225,722
Other members of the MB	3,114,138	558,171	433,123	538,087	4,643,519	1,604,500	1,604,500	7,852,519	630,933
Total	**4,014,138**	**842,341**	**488,323**	**653,662**	**5,998,464**	**2,382,625**	**2,901,375**	**11,282,464**	**856,655**

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 243.35. 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 2026 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 59.40. The options are blocked after vesting to arrive at the total mandatory restriction period of five years.

in CHF									2021/22
	Fixed base salary	Variable compensation [1]	Fringe benefits	Employer's pension contribution	Total cash compen-sation	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.

Explanatory comments to the compensation tables

The total compensation of CHF 11.3 million for the 2022/23 financial year is below the total of CHF 12.8 million for the previous year. This is explained by the following main contributing factors:

- The fixed compensation is lower compared to the previous year driven by the reduction of one Management Board member from 9 in 2021/22 financial year to 8 in 2022/23 financial year.
- Overall VCC payout ratio decreased from 85.7% in 2021/22 financial year to 35.3% in 2022/23 financial year

Variable Cash Compensation performance outcomes 2022/23

The system of the VCC is outlined in more detail in section 5.3 of this report. The table below (not audited by the external auditor) shows the target achievement ranges for the VCC for the 2022/23 financial year.

Category	Measures	Achievement percentage[1)] (0% – Target = 100% – 300%)
Group objectives	Sales (in LC)[2)]	95%
	EBITA (in CHF)	86%
	EPS[3)] (in CHF)	91%
	FCF[4)] (in CHF)	73%
Businesses objectives	Sales	92% 96%
	Profitability	76% 102%
	Margin	90% 99%
	ASP	98% 101%
Group **ESG** objectives[5)]:		218% 258%
Individual **ESG** objectives[5)]		32% 133%
Indiviual objectives[5)]		88% 128%

1) Individual target achievement can be above 200%. However, maximum payout is capped at 200% except for Sales at 250%
2) Local Currency
3) Earning Per Share
4) Free cash flow – cash consideration for acquisitions and from divestments, net of cash acquired/divested – cash consideration for associates
5) Individual objectives not disclosed. Each MB Member considered as a single data point (weighted average per category)

Despite the successful launch of the Phonak Lumity platform in August 2022 as well as price increases implemented to offset inflationary pressures, sales were held back by a slower than anticipated momentum in certain key hearing care markets and by the non-renewal of a large contract with a single US customer. Overall, all the businesses achieved between 92% and 96% of the annual sales target.

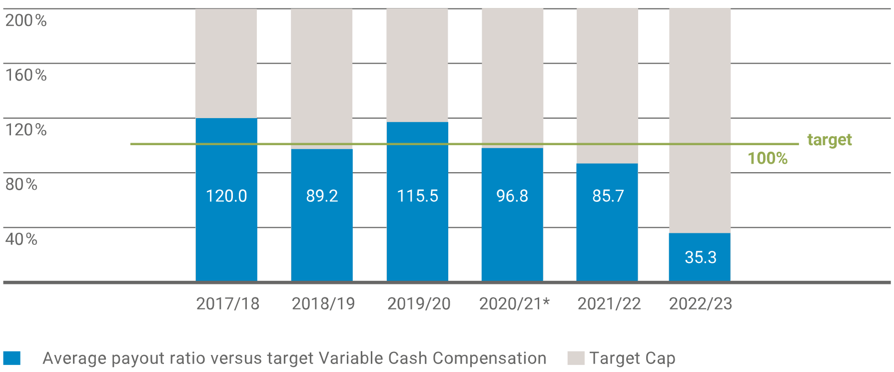
The lower than targeted achievement was mainly driven by the sales target miss, major adverse currency exchange impact and continued headwind from the supply chain and component cost. The EPS target achievement was at 91.5%.The assessment of these targets was undertaken based on the adjusted metrics as disclosed in the financial review of this Annual Report. The Operating Free Cash Flow achievement was 72.7% only, mainly driven by the weaker than targeted business performance for most of the financial year, by maintaining higher safety stock after the build up in the PY and by the additional net working capital required after the successful acquisition of the Sennheiser Consumer Division largely without receivables and payables.

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, employee engagement, customer satisfaction, product quality, safety & reliability and responsible supply chain. On average, ESG targets for management were achieved at 109.5%.

Individual qualitative objectives for management were, on average, slightly overachieved at 105.8%.

The overall payout for the 2022/23 financial year for the CEO was 35.5% (2021/22: 89.0%) and between 28.3% and 53.2% (2021/22: 66.9% – 134.8%) for the other members of the Management Board.

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



* VCC FY 2020/21 capped at target due to Corona

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 2022/23 financial year was CHF 11.3 million. This figure is below the maximum aggregate compensation amount of CHF 15.8 million approved at the 2021 AGM for the 2022/23 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 into account 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 2023 AGM.

6.2.4 Executive Equity Award Plan performance outcomes 2022/23

Options

The vesting of the options is subject to a pre-defined ROCE target. In the 2022/23 financial year, the ROCE target was exceeded for the option tranches awarded between 2019 – 2021. Since there is no provision for over-achievement in the EEAP, the vesting of the options is capped at target, namely at 100%. The target for the option tranche awarded in 2022 was not fully met and the vesting level equals 56.5%.

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 actual TSR was 7.95%, which corresponds to a 38.84% percentile rank relative to the peer group, and results in a 62.8% vesting in June 2023. For the PSUs awarded under the EEAP 2019 vesting in June 2022, the actual TSR was 107.8%, which corresponded to a 82.4% percentile rank relative to the peer group and resulted in a 200% 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 2022/23 financial year, and no such loans were outstanding as of March 31, 2023. 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.

	31.03.2023				31.03.2022			
	Total Shares	of which Restricted Shares 1)	**RSUs**	**Options**	**Total Shares**	of which Restricted Shares 2)	**RSUs**	**Options**
Robert F. Spoerry, Chair	58,214	10,812			56,629	12,261		
Stacy Enxing Seng, Vice-Chair	9,748	3,652			9,063	4,319		
Gregory (Greg) Behar, Member	1,164	1,164			479	479		
Lynn Dorsey Bleil, Member	6,547	3,652			5,862	4,319		
Lukas Braunschweiler, Member	17,842	3,652		65,228	29,457	2,967	700	96,016
Roland Diggelmann, Member	1,164	1,164			479	479		
Julie Tay, Member 3)	685	685						
Ronald van der Vis, Member	6,517	3,652			5,832	4,319		
Jinlong Wang, Member	11,163	3,652			10,478	4,319		
Adrian Widmer, Member	1,895	1,895			1,210	1,210		
Total	**114,939**	**33,980**		**65,228**	**119,489**	**34,672**	**700**	**96,016**

1) These shares are subject to a restriction period which varies from June 1, 2023 to June 1, 2028 depending on the grant date.
2) These shares are subject to a restriction period which varies from June 1, 2022 to June 1, 2027 depending on the grant date.
3) New member of the Board of Directors since June 2022.
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.

				31.03.2023				31.03.2022
	Shares [1]	PSUs	RSUs	Options	Shares [1]	PSUs	RSUs	Options
Arnd Kaldowski	19,191	10,527		211,720	14,597	9,627		189,888
Birgit Conix	195	2,388		10,378	195	991		4,655
Ludger Althoff	1,447	3,058	264	21,771	1,183	2,241	528	18,421
Claudio Bartesaghi	2,047	1,926		12,435	911	2,494		23,227 [2]
Vicky Carr-Brendel	628	3,068	237	21,138 [3]	474	2,206	474	17,603 [3]
Christophe Fond		3,855	162	40,779	776	3,855	323	40,187
Martin Grieder	1,370	3,521	158	50,989	1,506	3,567	316	47,160
Robert (Rob) Woolley [4]		842	1,350	9,730				
Total (active members)	**24,878**	**29,185**	**2,171**	**378,940**	**19,642**	**24,981**	**1,641**	**341,141**
Claude Diversi [5]					655	2,977	817	21,724
Andi Vonlanthen [5]					21,292	3,462	316	54,558
Total (including former members)	**24,878**	**29,185**	**2,171**	**378,940**	**41,589**	**31,420**	**2,774**	**417,423**

1) Shares are dividend entitled with full voting rights.
2) includes SARs (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
3) SARs were granted instead of options (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
4) Member of the Management Board since April 2022.
5) Member of the Management Board until March 2022.
For further details see also Note 7.4 in the consolidated financial statements.

As of March 31, 2023 the shareholding requirements set by the share ownership guideline are met by all members of the Management Board except for one member, who re-committed to meet the requirements by June 30, 2023.

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	5,154,703	515	5.7
Other members of the MB [3]	412,957	200,000	295,030	148	0.7

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, 2023.
3) Average of other members of the MB with shareholding requirements (excluding members of the MB that are still in build-up phase for 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.

31.03.2023	Options EEAP 23 [1]	Options EEAP 22 [2]	Options EEAP 21 [3]	Options EEAP 20 [4]	Options EEAP 19 [5]	Options EEAP 18 [6]	Options EEAP 17 [7]	Total options
Arnd Kaldowski	21,832	16,871	25,454	28,119	32,901	86,543 [8]		211,720
Birgit Conix	5,723	4,655						10,378
Ludger Althoff	3,350	2,734	4,736	5,668	5,283			21,771
Claudio Bartesaghi		2,355	4,210	4,649	1,221			12,435
Vicky Carr-Brendel	3,535 [9]	2,769 [9]	4,699 [9]	5,398 [9]	4,737 [9]			21,138 [9]
Christophe Fond	4,292	3,505	5,889	7,048	8,996	8,127	2,922	40,779
Martin Grieder	3,829	3,085	5,513	6,598	8,422	10,594	12,948	50,989
Robert (Rob) Woolley [10]	3,451	6,279						9,730
Total	**46,012**	**42,253**	**50,501**	**57,480**	**61,560**	**105,264**	**15,870**	**378,940**

1) Exercise price CHF 233.40, vesting period 1.2.2023–1.6.2027 whereas one tranche being vested each year, end of restriction period 31.1.2028, exercise period 1.2.2028–31.1.2033.
2) 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.
3) 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.
4) 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.
5) 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.
6) 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.
7) 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.
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 – 1.4.2025, exercise period 1.4.2025 – 30.9.2027.
9) SARs were granted instead of options (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
10) Member of the Management Board since April 2022.

								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.

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
Sonova Excellence Sonova Excellence System
VCC Variable Cash Compensation

Building a better working world

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 2023. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked "audited" of the compensation report.

In our opinion, the information on remuneration, loans and advances in the compensation report complies with Swiss law and Art. 14-16 VegüV.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the compensation report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked "audited" in the compensation report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the compensation report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the compensation report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the compensation report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the compensation report

The Board of Directors is responsible for the preparation of a compensation report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a compensation report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibilities for the audit of the compensation report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this compensation report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the compensation report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Zurich, 10 May 2023

Ernst & Young Ltd

Martin Mattes Licensed audit expert (Auditor in charge)	Pascal Solèr Licensed audit expert

Financial reporting

Financial report

Financial review

In the 2022/23 financial year, Sonova generated sales of CHF 3,738.4 million, up 14.6% in local currencies and 11.1% in Swiss francs. The development was significantly affected by a slowing market momentum due to the challenging macroeconomic environment. Adjusted Group EBITA reached CHF 840.4 million, up 6.1% in local currencies and down 0.5% in Swiss francs, representing a margin of 22.5%.

Sales development driven by acquisitions and solid organic growth

Sonova Group sales reached CHF 3,738.4 million in the 2022/23 financial year, an increase of 14.6% in local currencies and 11.1% in Swiss francs. Sales were supported by the successful launch of the Phonak Lumity platform in August 2022, as well as by price increases implemented to offset inflationary pressures. The development was held back by a slower than anticipated momentum in certain key hearing care markets, and the non-renewal of a large contract with a single US customer. Groupwide organic growth was 2.3%, or 4.5% excluding the previously mentioned non-renewal of a large contract. Acquisitions, including the significant expansion of Sonova's audiological care network with the acquisition of Alpaca Audiology in the United States and of HYSOUND in China, and the addition of the Sennheiser Consumer Division, contributed 12.3% to sales growth. Exchange rate fluctuations had a significant negative impact, reducing reported sales by CHF 116.3 million or 3.5%.

Sales by regions

in CHF m	2022/23			2021/22	
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	1,868.2	50%	13.1%	1,775.9	53%
USA	1,150.0	31%	9.5%	1,009.8	30%
Americas (excl. USA)	274.0	7%	11.2%	244.6	7%
Asia/Pacific	446.2	12%	40.3%	333.6	10%
Total sales	**3,738.4**	**100%**	**14.6%**	**3,363.9**	**100%**

Slowing market momentum affecting growth

Sales in Europe, Middle East and Africa (EMEA) were up 13.1% in local currencies. Despite macroeconomic headwinds, the development in some countries, including the Netherlands and Austria, and in distributor markets, remained robust. Growth was further lifted by the acquisition of the Sennheiser Consumer Division as well as the continued expansion of the audiological care network. Regional growth was dampened, however, by weak sales development in France after increased prior-year market volumes resulting from a change in the reimbursement system in 2021, along with softness in the UK private market and slowing momentum in Germany in the second half of the financial year.

In the United States, sales increased by 9.5% in local currency. Growth was driven by the expansion of the audiological care network, in particular through the acquisition of Alpaca Audiology. The country's relatively high proportion of out-of-pocket spending to meet hearing care costs meant that the US private market was negatively impacted by the macroeconomic headwinds in the 2022 calendar year, although it showed signs of recovery in the final quarter of the 2022/23 financial year. The non-renewal of a large hearing instruments contract with a single customer in the US also weighed significantly on sales in the second half of the 2022/23 financial year. This could only be partly offset by positive growth in deliveries to the US Department of Veterans Affairs (VA), where Sonova continues to hold a leading position.

Sales in the rest of the Americas (excluding the US) rose by 11.2% in local currencies, helped by acquisitions and the solid performance of the audiological care network in Canada and Brazil. Sales in the Asia Pacific (APAC) region increased by 40.3% in local currencies, driven by the acquisition of the Sennheiser Consumer Division, and further lifted by the acquisition of HYSOUND in China, which was completed in December 2022. Sales development also benefited from a low comparison base, due to pandemic-related lockdowns in the prior year.

Sonova Group key figures

in CHF m unless otherwise specified	2022/23	2021/22	Change in Swiss francs	Change in local currencies
Sales	3,738.4	3,363.9	11.1%	14.6%
Gross profit	2,637.4	2,460.7	7.2%	11.6%
EBITA [1]	801.6	802.9	(0.2%)	6.7%
EBIT [1]	746.7	760.0	(1.7%)	5.2%
Basic earnings per share (CHF)	10.75	10.42	3.2%	11.4%
Operating free cash flow [1]	535.6	763.7	(29.9%)	
ROCE [1]	20.8%	24.1%		
Gross profit (adjusted) [1]	2,645.1	2,463.7	7.4%	11.8%
EBITA (adjusted) [1]	840.4	844.4	(0.5%)	6.1%
EBITA margin (adjusted)	22.5%	25.1%		
Basic earnings per share (CHF) (adjusted) [1]	11.14	10.76	3.5%	11.5%

1) For details see table “Reconciliation of non-GAAP financial measures”.

Stable organic margin development – Currency headwinds and dilution from acquisitions

In response to the macroeconomic challenges, Sonova accelerated its structural optimization initiatives over the course of the reporting period, resulting in restructuring costs of CHF 15.6 million (2021/22: CHF 13.5 million). The focus of these initiatives was on supply chain safety, including the new operations facility in Mexico serving the entire Americas region, and further network optimization in the Audiological Care business. The initiatives are expected to yield annual cost savings of around CHF 25 million once fully implemented. The acquisition of the Sennheiser Consumer Division, Alpaca Audiology, and HYSOUND resulted in transaction and integration costs of CHF 17.0 million (2021/22: CHF 12.0 million). In addition, the Group incurred legal costs of CHF 6.2 million, mainly related to ongoing patent litigation (2021/22: CHF 16.0 million, including a settlement agreement in principle with the US Department of Justice). Income taxes were positively affected by CHF 9.2 million as a result of tax reforms (2021/22: CHF 17.5 million).

Adjusted figures and growth rates in this financial review exclude the items in the foregoing paragraph. For more details, please refer to the “Reconciliation of non-GAAP financial measures” table at the end of the financial review.

Reported gross profit amounted to CHF 2,637.4 million. Adjusted gross profit rose by 11.8% in local currencies or 7.4% in Swiss francs to CHF 2,645.1 million. Pressure on the global average selling price (ASP) due to subdued volume growth in higher-price hearing care markets was offset by the previously mentioned price increases. Profit development was also affected by continued headwinds from high transport and component costs, although these eased towards the end of the financial year. The expected dilutive effect from the acquisition of the Sennheiser Consumer Division, coupled with adverse currency exchange rate effects, made for a 2.4 percentage point decline in the adjusted gross profit margin in Swiss francs, to 70.8%. In local currencies, the gross profit margin was down 1.8 percentage points from the prior year, but showed a significant sequential improvement in the second half-year.

Excluding acquisition-related amortization, reported operating expenses were CHF 1,835.8 million (2021/22: CHF 1,657.7 million). Adjusted operating expenses before acquisition-related amortization increased 14.7% in local currencies or 11.5% in Swiss francs to CHF 1,804.7 million (2021/22: CHF 1,619.2 million). Over 80% of the increase was driven by acquisitions. The Group continued to invest in innovation, with adjusted research and development (R&D) expenses before acquisition-related amortization up by 6.2% in local currencies to CHF 242.9 million.

Adjusted sales and marketing costs before acquisition-related amortization increased by 19.1% in local currencies to CHF 1,250.6 million or 33.5% of sales (2021/22: 32.4%). This was largely driven by a shift in the business mix due to the continued expansion of the Audiological Care business, which has a higher ratio of sales and marketing costs to sales than the rest of the Group, as well as the acquisition of the Sennheiser Consumer Division. Adjusted general and administration costs before acquisition-related amortization rose by 6.3% in local currencies, reaching CHF 311.9 million or 8.3% of sales (2021/22: 8.9%). This rise was almost exclusively driven by acquisitions, partly offset by the benefit from structural optimization initiatives. In addition, costs in the 2021/22 financial year were affected by a negative one-time impact from provisions related to the business in Russia. Adjusted other income was CHF 0.6 million (2021/22: zero).

Adjusted operating profit before acquisition-related amortization (EBITA) rose by 6.1% in local currencies and declined by 0.5% in Swiss francs to CHF 840.4 million (2021/22: CHF 844.4 million). The adjusted EBITA margin reached 22.5%, down 2.6 percentage points compared to the prior year but up 0.3 percentage points in local currencies excluding acquisitions. Exchange rate developments reduced the adjusted EBITA by CHF 55.5 million and the margin by 0.7 percentage points. Reported EBITA grew by 6.7% in local currencies but declined by 0.2% in Swiss francs to CHF 801.6 million. Acquisition-related amortization amounted to CHF 54.9 million (2021/22: CHF 42.9 million), reflecting recent acquisitions. Reported operating profit (EBIT) reached CHF 746.7 million (2021/22: CHF 760.0 million), down 1.8% in Swiss francs.

Solid increase in EPS

Net financial expenses, including the result from associates, were largely unchanged at CHF 31.0 million (2021/22: CHF 31.8 million). Income taxes amounted to CHF 57.4 million (2021/22: CHF 64.5 million). Income taxes were reduced by CHF 9.2 million due to effects related to tax reforms (2021/22: CHF 17.5 million), and by CHF 0.5 million from the release of tax provisions (2021/22: CHF 26.6 million). The underlying tax rate stood at 9.7% (2021/22: 14.5%). This reflects the temporary impact of the later than expected implementation of the global minimum tax (Pillar 2), as well as considering the temporary initial safe harbor exemptions and related impact on deferred tax balances. Basic earnings per share (EPS) reached CHF 10.75, up 11.4% in local currencies or 3.2% in Swiss francs. Adjusted EPS rose 11.5% in local currencies or 3.5% in Swiss francs to CHF 11.14, compared to CHF 10.76 in the prior year.

Hearing Instruments segment – Growth mainly driven by acquisitions

Sales in the Hearing Instruments segment reached CHF 3,451.5 million, an increase of 15.7% in local currencies and 11.9% in Swiss francs compared to the prior year. Organic development was held back by slower than anticipated momentum in certain key hearing care markets, and the non-renewal of a contract with a large US customer, partly offset by price increases. Organic sales growth reached 2.3%, while the contribution from acquisitions in the reporting period (including the full-year effect of prior year acquisitions) lifted sales by 13.4% or CHF 412.9 million. Key contributors were the acquisitions of the Sennheiser Consumer Division and Alpaca Audiology, which were only consolidated in the final month of the 2021/22 financial year. Exchange rate fluctuations reduced reported sales by CHF 115.4 million or 3.7% in Swiss francs.

The Hearing Instruments business generated sales of CHF 1,809.3 million, up by 0.2% in local currencies. Sales development was supported by a favorable market response to the new Phonak Lumity platform launched at the end of August 2022, but was held back in the second half of the financial year by the previously mentioned non-renewal of a contract with a large US customer. Excluding the latter, organic growth of the business reached 4.1%. Pressure on the global ASP from a shift in the country mix was compensated by price increases, resulting in a positive ASP development for the year.

The recently formed Consumer Hearing business generated sales of CHF 284.3 million. Despite a challenging consumer devices market, the recently acquired Sennheiser Consumer Division delivered on plan, supported by a series of successful product launches, including the MOMENTUM True Wireless 3 earbuds and the MOMENTUM 4 wireless noise-canceling headphones. With the introduction of the Sennheiser Conversation Clear Plus, the Consumer Hearing business established a new category of early-entry hearing solutions, a key strategic rationale for acquiring the Sennheiser Consumer Division.

Sales in the Audiological Care business were CHF 1,357.8 million, up 15.7% in local currencies. Organic growth reached 4.5%, supported by good growth in Canada, the Netherlands, the Nordic countries, and Austria. Bolt-on acquisition activity remained high throughout the year, with a particular focus on the United States, Canada, Germany, and France. A key highlight was the acquisition of HYSOUND, completed in December 2022; this added around 200 clinics in the fast-growing China market and provides a strong platform for further expansion. In total, acquisitions lifted sales by 11.2%, primarily from the acquisition of Alpaca Audiology in the United States. Including new store openings, the number of points of sale rose by over 300 to more than 3,900.

Sales by business – Hearing Instruments segment

in CHF m			2022/23		2021/22
	Sales	Share	Growth in local currencies	Sales	Share
Hearing Instruments business	1,809.3	53%	0.2%	1,838.4	60%
Consumer Hearing business	284.3	8%	n/m	8.8	<1%
Audiological Care business	1,357.8	39%	15.7%	1,236.8	40%
Total Hearing Instruments segment	**3,451.5**	**100%**	**15.7%**	**3,084.0**	**100%**

Reported EBITA for the Hearing Instruments segment amounted to CHF 771.4 million, up 4.8% in local currencies. Adjusted EBITA increased by 5.7% in local currencies to CHF 804.5 million, corresponding to an EBITA margin of 23.3% (2021/22: 26.2%). The margin decline was driven exclusively by acquisitions and the adverse impact from exchange rate fluctuations.

Cochlear Implants segment – Solid growth in system sales

Sales in the Cochlear Implants business reached CHF 286.9 million, an increase of 2.8% in local currencies or 2.5% in Swiss francs. This was achieved despite supply constraints and hospital staffing shortages. System sales were up by 5.1% in local currencies, reflecting strong growth in North America, but were held back by an injunction, which prevented Advanced Bionics from selling its HiRes™ Ultra 3D cochlear implant in and from Germany (until the temporary suspension of the enforcement of the injunction in October 2022). Sales of upgrades and accessories were supported by the continued global rollout of the Naída™ CI Marvel and Sky CI™ Marvel sound processors. Against a high comparison base, sales declined by 1.0% in local currencies.

Sales by product groups – Cochlear Implants segment

in CHF m			2022/23		2021/22
	Sales	Share	Growth in local currencies	Sales	Share
Cochlear implant systems	185.4	65%	5.1%	175.8	63%
Upgrades and accessories	101.5	35%	(1.0%)	104.1	37%
Total Cochlear Implants segment	**286.9**	**100%**	**2.8%**	**279.9**	**100%**

Reported EBITA for the Cochlear Implants segment was CHF 30.1 million. The adjusted EBITA reached CHF 35.9 million (2021/22: CHF 36.8 million), representing a margin of 12.5% (2021/22: 13.2%). The margin development was adversely impacted by the strength of the US dollar. Excluding currency developments, the margin improved by 1.5 percentage points.

Cash flow

Cash flow from operating activities reached CHF 783.9 million (2021/22: CHF 941.1 million). The development was in part due to higher tax payments, cash outflows related to product liabilities, and stable trade payables (these had increased in 2021/22). It also reflects the build-up of trade receivables related to the acquisition of the Sennheiser Consumer Division. Net purchase of tangible and intangible assets increased to CHF 152.3 million (2021/22: CHF 104.8 million), driven by investments in infrastructure, including the new operations facility for the Americas region in Mexico, which will expand Sonova's global manufacturing capabilities for the Hearing Instruments and Cochlear Implants businesses, and in IT projects. This resulted in an operating free cash flow of CHF 535.6 million (2021/22: CHF 763.7 million).

Reflecting the continued expansion of the Group's audiological care network, the cash consideration for acquisitions, including HYSOUND in China, amounted to CHF 261.1 million. This is down from CHF 596.2 million in the prior year, which included the acquisition of the Sennheiser Consumer Division and Alpaca Audiology. In summary, this resulted in a free cash flow of CHF 274.4 million (2021/22: CHF 167.6 million). The cash outflow from financing activities of CHF 545.2 million reflects the dividend payment of CHF 267.6 million and net share repurchases of CHF 486.5 million, mainly related to the share buyback program, partly offset by net proceeds from borrowings of CHF 319.2 million.

Balance sheet

Cash and cash equivalents stood at CHF 413.9 million compared to CHF 610.5 million at the end of the 2021/22 financial year. Net working capital was CHF 89.5 million (end of 2021/22: CHF – 15 million). Receivable collection continued to be strong while the Group maintained higher safety stock to address supply shortages of microelectronic components. The increase mainly reflects the previously mentioned build-up of trade receivables related to the acquisition of the Sennheiser Consumer Division, along with lower accruals. Driven mainly by the higher M&A activity, capital employed increased to CHF 3,727.3 million compared to CHF 3,439.1 million at the end of the 2021/22 financial year.

The Group's equity of CHF 2,231.4 million represents an equity ratio of 40.2%, down from 43.5% at end of the 2021/22 financial year. The decrease mainly reflects share purchases under the share buyback program, dividend payments, and negative currency effects. Purchases of CHF 421.5 million under the new share buyback program also impacted the net debt position, which increased to CHF 1,495.9 million compared to CHF 1,006.3 million at the end of March 2022. The net debt/EBITDA ratio stood at 1.5x, which is at the upper end of Sonova's target range of 1.0 – 1.5x. The return on capital employed (ROCE) reached 20.8% compared to 24.1% in the prior year.

Outlook 2023/24

The fundamentals of Sonova's business remain strong despite ongoing macroeconomic volatility. With its proven strategy and continued innovation, the Group is well prepared to capture growth opportunities in the attractive hearing care market. This market has shown signs of recovery in recent months, although uncertainty remains in the short term. For the 2023/24 financial year, Sonova expects consolidated sales to increase by 3% – 7% and adjusted EBITA to grow in the range of 6% – 10%, measured at constant exchange rates.

Reconciliation of non-GAAP financial measures

April 1 to March 31, CHF million — 2022/23

	Income statement as reported	Acquis. related amortization	Income statement EBITA separation	Restructuring costs	Tax reforms	Transaction and integration costs	Litigation costs	Income statement adjusted
Sales	**3,738.4**		**3,738.4**					**3,738.4**
Cost of sales	(1,101.0)		(1,101.0)	7.6		0.2		(1,093.3)
Gross profit	**2,637.4**		**2,637.4**	**7.6**		**0.2**		**2,645.1**
Research and development	(244.6)	1.6	(243.0)	0.2				(242.9)
Sales and marketing	(1,316.4)	53.3	(1,263.1)	6.4		6.2		(1,250.6)
General and administration	(330.2)		(330.2)	1.5		10.6	6.2	(311.9)
Other income/(expenses), net	0.6		0.6					0.6
Operating profit before acquisition-related amortization (EBITA) [1]			**801.6**	**15.6**		**17.0**	**6.2**	**840.4**
Acquisition-related amortization		(54.9)	(54.9)					(54.9)
Operating profit (EBIT) [2]	**746.7**		**746.7**	**15.6**		**17.0**	**6.2**	**785.5**
Basic earnings per share (CHF)	**10.75**		**10.75**	**0.20**	**(0.15)**	**0.24**	**0.10**	**11.14**

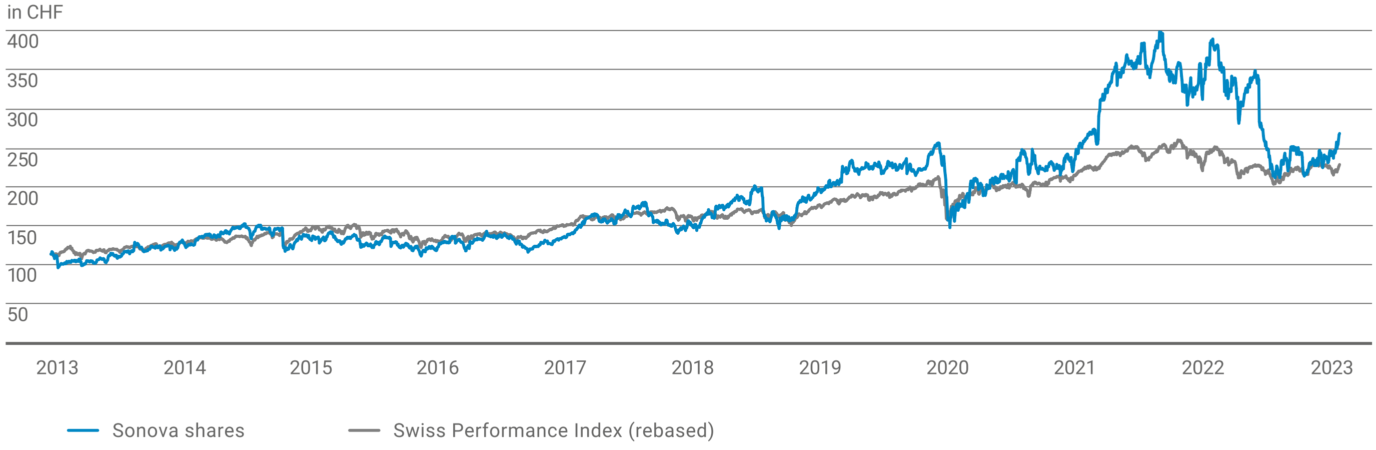
1) Earnings before financial result, share of profit/(loss) in associates/joint ventures, taxes and acquisition-related amortization (EBITA).
2) Earnings before financial result, share of profit/(loss) in associates/joint ventures and taxes (EBIT).

April 1 to March 31, CHF million — 2021/22

	Income statement as reported	Acquis. related amortization	Income statement EBITA separation	Restructuring costs	Tax reforms	Transaction and integration costs	Settlement agreement in principle and patent litigation	Income statement adjusted
Sales	**3,363.9**		**3,363.9**					**3,363.9**
Cost of sales	(903.3)		(903.3)	3.0				(900.3)
Gross profit	**2,460.7**		**2,460.7**	**3.0**				**2,463.7**
Research and development	(230.5)	0.6	(230.0)	0.6				(229.4)
Sales and marketing	(1,137.6)	42.4	(1,095.3)	4.8		0.4		(1,090.1)
General and administration	(320.9)		(320.9)	5.1		11.7	4.4	(299.8)
Other income/(expenses), net	(11.5)		(11.5)				11.6	0.0
Operating profit before acquisition-related amortization (EBITA) [1]			**802.9**	**13.5**		**12.0**	**16.0**	**844.4**
Acquisition-related amortization		(42.9)	(42.9)					(42.9)
Operating profit (EBIT) [2]	**760.0**		**760.0**	**13.5**		**12.0**	**16.0**	**801.5**
Basic earnings per share (CHF)	**10.42**		**10.42**	**0.18**	**(0.28)**	**0.17**	**0.26**	**10.76**

1) Earnings before financial result, share of profit/(loss) in associates/joint ventures, taxes and acquisition-related amortization (EBITA).
2) Earnings before financial result, share of profit/(loss) in associates/joint ventures and taxes (EBIT).

Share price development – Sonova versus Swiss Performance Index (rebased)



Share price performance history[1)]

	10 years	5 years	3 years	2 years	1 year
Sonova shares	135.8%	76.9%	54.0%	7.3%	(30.7%)
Swiss Performance Index (SPI) [2)]	100.8%	42.8%	28.5%	3.8%	(6.4%)
Sonova shares relative to the SPI	35.0%	34.2%	25.5%	3.5%	(24.3%)

1) Performance of the Sonova shares and SPI refers to the respective period prior to the last trading day of the 2022/23 financial year.
2) The Swiss Performance Index (SPI) is considered Switzerland's overall stock market index. It comprises practically all of the SIX Swiss Exchange-traded equity securities of companies that are domiciled in Switzerland or the Principality of Liechtenstein.

5 year key figures

April 1 to March 31, in CHF million unless otherwise specified	2022/23	2021/22	2020/21	2019/20	2018/19
Sales	**3,738.4**	**3,363.9**	**2,601.9**	**2,916.9**	**2,763.2**
change compared to previous year (%)	11.1	29.3	(10.8)	5.6	4.4
Gross profit	**2,637.4**	**2,460.7**	**1,873.5**	**2,083.6**	**1,966.2**
in % of sales	70.5	73.1	72.0	71.4	71.2
Gross profit (adjusted) [1]	**2,645.1**	**2,463.7**	**1,880.2**	**2,106.9**	**1,975.1**
in % of sales (adjusted)	70.8	73.2	72.3	72.0	71.5
Research & development costs	**243.0**	**230.0**	**203.9**	**166.1**	**148.4**
in % of sales	6.5	6.8	7.8	5.7	5.4
Sales & marketing costs	**1,263.1**	**1,095.3**	**881.2**	**1,030.8**	**970.3**
in % of sales	33.8	32.6	33.9	35.3	35.1
Operating profit before acquisition-related amortization (EBITA)	**801.6**	**802.9**	**663.3**	**554.3**	**582.5**
in % of sales	21.4	23.9	25.5	19.0	21.1
Operating profit before acquisition-related amortization (EBITA) (adjusted) [1]	**840.4**	**844.4**	**603.0**	**620.8**	**594.0**
in % of sales (adjusted)	22.5	25.1	23.2	21.2	21.5
Operating profit (EBIT)	**746.7**	**760.0**	**619.5**	**510.0**	**536.2**
in % of sales	20.0	22.6	23.8	17.5	19.4
Income after taxes	**658.3**	**663.6**	**585.3**	**489.5**	**460.2**
in % of sales	17.6	19.7	22.5	16.8	16.7
Income after taxes (adjusted) [1]	**681.5**	**684.4**	**489.6**	**475.5**	**468.5**
in % of sales (adjusted)	18.2	20.3	18.8	16.2	17.0
Basic earnings per share	**10.75**	**10.42**	**9.23**	**7.61**	**6.98**
Basic earnings per share (CHF) (adjusted) [1]	**11.14**	**10.76**	**7.71**	**7.39**	**7.11**
Dividend/distribution per share (CHF)	**4.60** [2]	**4.40**	**3.20**	**Stock Div.**	**2.90**
Net cash/(debt) [3]	**(1,495.9)**	**(1,006.3)**	**(83.3)**	**(663.0)**	**(253.9)**
Net working capital [4]	89.5	(15.0)	29.6	(18.9)	163.0
Capital expenditure (tangible and intangible assets) [5]	154.3	106.6	89.3	128.8	117.9
Capital employed [6]	3,727.3	3,439.1	2,855.7	2,692.5	2,630.0
Total assets	5,552.5	5,588.2	5,925.6	4,486.5	4,292.5
Equity	2,231.4	2,432.8	2,772.5	2,029.4	2,376.1
Equity financing ratio (%) [7]	40.2	43.5	46.8	45.2	55.4
Free cash flow [8]	274.4	167.6	571.9	563.7	346.9
Operating free cash flow [9]	**535.6**	**763.7**	**602.4**	**638.5**	**411.8**
Return on capital employed (%) [10]	**20.8**	**24.1**	**22.3**	**18.2**	**20.6**
Number of employees (end of period)	**17,608**	**16,733**	**14,508**	**15,184**	**14,740**

1) Non-GAAP financial measure adjusted for nonrecurring items; for details see the table "Reconciliation of non-GAAP financial measures" in the financial review or refer to the respective annual report.
2) Proposal to the Annual General Shareholders' Meeting of June 12, 2023.
3) Cash and cash equivalents + other current financial assets (without loans) – current financial liabilities – current lease liabilities – non-current financial liabilities – non-current lease liabilities.
4) Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – short-term contract liabilities – other short-term liabilities – short-term provisions.
5) Excluding goodwill and intangibles relating to acquisitions.
6) Equity – net cash/(debt).
7) Equity in % of total assets.
8) Cash flow from operating activities + cash flow from investing activities + payments for lease liabilities.
9) Free cash flow – cash consideration for acquisitions and from divestments, net of cash acquired/divested – cash consideration for associates.
10) EBIT in % of capital employed (average).

Consolidated financial statements

Consolidated income statement

April 1 to March 31, in CHF million	Notes	2022/23	2021/22
Sales	2.2,2.3	**3,738.4**	**3,363.9**
Cost of sales		(1,101.0)	(903.3)
Gross profit		**2,637.4**	**2,460.7**
Research and development [1]		(244.6)	(230.5)
Sales and marketing [1]		(1,316.4)	(1,137.6)
General and administration		(330.2)	(320.9)
Other income	2.4	0.6	0.1
Other expenses	2.4	(0.0)	(11.6)
Operating profit (EBIT) [2]		**746.7**	**760.0**
Financial income	4.2	15.0	1.7
Financial expenses	4.2	(49.9)	(36.5)
Share of profit/(loss) in associates/joint ventures, net	6.2	3.9	3.0
Income before taxes		**715.6**	**728.2**
Income taxes	5.1	(57.4)	(64.5)
Income after taxes		**658.3**	**663.6**
Attributable to:			
Equity holders of the parent		647.5	649.0
Non-controlling interests		10.7	14.7
Basic earnings per share (CHF)	2.5	10.75	10.42
Diluted earnings per share (CHF)	2.5	10.72	10.35

1) Includes acquisition-related amortization of CHF 1.6 million (previous year: CHF 0.6 million) in “Research and development” and CHF 53.3 million (previous year: CHF 42.4 million) in “Sales and marketing”. EBITA (Earnings before financial result, share of profit/(loss) in associates/joint ventures, taxes and acquisition-related amortization) amounts to CHF 801.6 million (previous year: CHF 802.9 million). Refer to Note 2.1

2) Earnings before financial result, share of profit/(loss) in associates/joint ventures and taxes (EBIT).

The Notes are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

April 1 to March 31, in CHF million	Notes	2022/23	2021/22
Income after taxes		**658.3**	**663.6**
Other comprehensive income			
Actuarial (loss)/gain from defined benefit plans, net	7.3	(36.9)	55.7
Tax effect on actuarial result from defined benefit plans, net		6.5	(9.1)
Total items not to be reclassified to income statement in subsequent periods		**(30.4)**	**46.6**
Currency translation differences		(121.9)	(113.1)
Tax effect on currency translation items		4.9	7.6
Total items to be reclassified to income statement in subsequent periods		**(117.0)**	**(105.5)**
Other comprehensive income, net of tax		**(147.4)**	**(58.9)**
Total comprehensive income		**510.8**	**604.8**
Attributable to:			
Equity holders of the parent		501.6	591.6
Non-controlling interests		9.3	13.2

The Notes are an integral part of the consolidated financial statements.

Consolidated balance sheet

Assets CHF million	Notes	31.3.2023	31.3.2022
Cash and cash equivalents	4.1	413.9	610.5
Other current financial assets	4.4	11.0	8.4
Trade receivables	3.1	524.7	474.3
Current income tax receivables		5.8	4.8
Inventories	3.2	419.1	412.7
Other current operating assets	3.6	138.3	148.9
Total current assets		**1,512.9**	**1,659.7**
Property, plant and equipment	3.3	371.1	358.9
Right-of-use assets	3.4	288.4	273.8
Intangible assets	3.5	3,057.9	2,948.9
Investments in associates/joint ventures	6.2	18.7	22.3
Other non-current financial assets	4.4	46.9	36.2
Other non-current operating assets	3.6	5.7	5.8
Retirement benefit asset	7.3		39.7
Deferred tax assets	5.1	250.9	242.9
Total non-current assets		**4,039.6**	**3,928.5**
Total assets		**5,552.5**	**5,588.2**

Liabilities and equity CHF million	Notes	31.3.2023	31.3.2022
Current financial liabilities	4.5	22.2	374.2
Current lease liabilities	3.4	73.4	68.8
Trade payables		192.9	189.2
Current income tax liabilities		171.9	177.6
Short-term contract liabilities	2.3	115.8	106.7
Other short-term operating liabilities	3.8	373.9	437.5
Short-term provisions	3.7	154.0	151.6
Total current liabilities		**1,104.2**	**1,505.7**
Non-current financial liabilities	4.5	1,591.6	959.9
Non-current lease liabilities	3.4	223.5	215.5
Long-term provisions	3.7	91.2	132.6
Long-term contract liabilities	2.3	184.0	187.3
Retirement benefit obligation	7.3	12.8	15.7
Deferred tax liabilities	5.1	113.9	138.8
Total non-current liabilities		**2,217.0**	**1,649.8**
Total liabilities		**3,321.1**	**3,155.4**
Share capital	4.6	3.1	3.2
Treasury shares		(429.0)	(721.0)
Retained earnings and reserves		2,638.4	3,128.2
Equity attributable to equity holders of the parent		**2,212.4**	**2,410.5**
Non-controlling interests		18.9	22.3
Equity		**2,231.4**	**2,432.8**
Total liabilities and equity		**5,552.5**	**5,588.2**

The Notes are an integral part of the consolidated financial statements.

Consolidated cash flow statement

April 1 to March 31, in CHF million	Notes		2022/23		2021/22
Income before taxes			**715.6**		**728.2**
Depreciation, amortization and impairment of tangible and intangible assets and right-of-use assets	3.3,3.4,3.5	239.7		211.1	
Loss on sale of tangible and intangible assets, net		1.9		0.3	
Share of (profit)/loss in associates/joint ventures, net	6.2	(3.9)		(3.0)	
Decrease in long-term provisions and long-term contract liabilities		(33.6)		(3.2)	
Financial (income)/expenses, net excl. cash flow from management of foreign currencies and exchange (gains)/losses		14.6		34.9	
Share based payments	7.4	21.0		33.5	
Other non-cash items		(11.0)		5.0	
Income taxes paid		(86.8)	141.9	(46.7)	231.9
Cash flow before changes in net working capital			**857.5**		**960.1**
Increase in trade receivables		(67.3)		(36.2)	
Decrease/(increase) in other receivables and prepaid expenses		6.9		(22.6)	
Increase in inventories		(7.7)		(55.2)	
Increase in trade payables		5.2		74.5	
(Decrease)/increase in other payables, accruals, short-term provisions and short-term contract liabilities		(10.7)	(73.7)	20.7	(18.9)
Cash flow from operating activities			**783.9**		**941.1**
Purchase of tangible and intangible assets	3.3,3.5	(154.3)		(106.6)	
Proceeds from sale of tangible and intangible assets		2.0		1.9	
Cash consideration for acquisitions, net of cash acquired	6.1	(261.1)		(594.1)	
Cash consideration for associates	6.2			(2.1)	
Payments for other financial assets		(27.8)		(19.8)	
Repayments of other financial assets		11.7		13.6	
Interest received		1.2		1.1	
Cash flow from investing activities			**(428.3)**		**(705.9)**
Proceeds from borrowings	4.5	649.2			
Repayment of borrowings	4.5	(330.0)		(360.0)	
Repayment of lease liabilities	3.4	(75.9)		(64.0)	
Share buyback program	4.6	(446.2)		(678.1)	
Sale of treasury shares	4.6	16.2		26.3	
Purchase of treasury shares	4.6	(56.5)		(79.8)	
Dividends paid by Sonova Holding AG		(267.6)		(201.6)	
Dividends to non-controlling interests		(12.7)		(15.4)	
Interest paid		(21.7)		(19.7)	
Cash flow from financing activities			**(545.2)**		**(1,392.4)**
Exchange losses on cash and cash equivalents			(7.0)		(4.5)
Decrease in cash and cash equivalents			**(196.6)**		**(1,161.7)**
Cash and cash equivalents at the beginning of the financial year			610.5		1,772.2
Cash and cash equivalents at the end of the financial year			**413.9**		**610.5**

The Notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

CHF million

	Attributable to equity holders of Sonova Holding AG					
	Share capital	Retained earnings and other reserves	Translation adjustment	Treasury shares	Non-controlling interests	Total equity
Balance April 1, 2021	**3.2**	**3,370.2**	**(318.6)**	**(306.9)**	**24.5**	**2,772.5**
Income for the period		649.0			14.7	663.6
Actuarial gain/(loss) from defined benefit plans, net		55.7				55.7
Tax effect on actuarial result		(9.1)				(9.1)
Currency translation differences			(111.7)		(1.5)	(113.1)
Tax effect on currency translation			7.6			7.6
Total comprehensive income		**695.6**	**(104.0)**		**13.2**	**604.8**
Capital decrease – share buyback program	(0.1)	(277.5)		277.5		
Share-based payments		5.4		23.5		28.9
Sale of treasury shares [1]		(41.2)		67.5		26.3
Purchase of treasury shares [2]				(782.6)		(782.6)
Dividend paid		(201.6)			(15.4)	(217.0)
Balance March 31, 2022	**3.2**	**3,550.8**	**(422.6)**	**(721.0)**	**22.3**	**2,432.8**
Balance April 1, 2022	**3.2**	**3,550.8**	**(422.6)**	**(721.0)**	**22.3**	**2,432.8**
Income for the period		647.5			10.7	658.3
Actuarial (loss)/gain from defined benefit plans, net		(36.9)				(36.9)
Tax effect on actuarial result		6.5				6.5
Currency translation differences			(120.5)		(1.4)	(121.9)
Tax effect on currency translation			4.9			4.9
Total comprehensive income		**617.2**	**(115.6)**		**9.3**	**510.8**
Capital decrease – share buyback program	(0.1)	(702.7)		702.8		
Share-based payments		8.1		21.1		29.2
Sale of treasury shares [1]		(29.2)		46.0		16.7
Purchase of treasury shares [2]				(477.9)		(477.9)
Dividend paid		(267.6)			(12.7)	(280.3)
Balance March 31, 2023	**3.1**	**3,176.6**	**(538.2)**	**(429.0)**	**18.9**	**2,231.4**

1) In relation to long-term equity incentive plans.
2) Further information on the share buyback program is disclosed in Note 4.6.
The Notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements as of March 31, 2023

1. Basis for preparation

1.1 Corporate information

The Sonova Group (the "Group") is a global leader in innovative hearing care solutions: from personal audio devices and wireless communication systems to audiological care services, hearing aids and cochlear implants. The Group's globally diversified sales and distribution channels serve an ever growing consumer base in more than 100 countries. The ultimate parent company is Sonova Holding AG, a limited liability company incorporated in Switzerland. Sonova Holding AG's registered office is located at Laubisrütistrasse 28, 8712 Stäfa, Switzerland.

1.2 Basis of consolidated financial statements

The consolidated financial statements of the Group are based on the financial statements of the individual Group companies at March 31, which are prepared in accordance with uniform accounting policies. The consolidated financial statements were prepared under the historical cost convention except for the revaluation of certain financial assets at market value, which were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The consolidated financial statements were approved by the Board of Directors of Sonova Holding AG on May 10, 2023 and are subject to approval by the Annual General Shareholders' Meeting on June 12, 2023.

The consolidated financial statements are presented in millions of Swiss Francs (CHF) and rounded to the nearest hundred thousand. Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amounts.

The consolidated financial statements include Sonova Holding AG as well as the domestic and foreign subsidiaries over which Sonova Holding AG exercises control. A list of the significant consolidated companies is given in Note 7.7.

Accounting policies of relevance for an understanding of the consolidated financial statements are set out in the specific notes to the financial statements.

1.3 Significant accounting judgments and estimates

Preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. This includes estimates and assumptions in the ordinary course of business as well as non-recurring events such as the outcome of pending legal disputes. The estimates and assumptions are continuously evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable. Actual results may differ from these estimates and assumptions.

The main estimates and assumptions with a significant risk of resulting in a material adjustment are described in the following notes:

Description	Further information
Allocation of the transaction price to performance obligations	Note 2.3: Revenue
Renewal options in leases	Note 3.4: Leases
Capitalization of development costs	Note 3.5: Intangible assets
Impairment test	Note 3.5: Intangible assets
Provisions for warranty, returns and product liabilities	Note 3.7: Provisions
Fair value of financial liabilities at fair value through profit or loss	Note 4.8: Financial instruments
Deferred tax assets	Note 5.1: Taxes
Business combinations	Note 6.1: Acquisitions/disposals of subsidiaries
Defined benefit plans	Note 7.3: Employee benefits

1.4 Changes in accounting policies

In 2022/23 the Group adopted the following amendments to existing standards and interpretations, without having a significant impact on the Group's result and financial position:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- *Onerous Contracts – Costs of Fulfilling a Contract* – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018 – 2020

The Group has assessed the expected impacts of the various new and revised standards and interpretations that will be effective for the financial year starting April 1, 2023 and beyond. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. Operating result

2.1 Income statement reconciliation

The Group presents the "Consolidated income statement" based on a classification of costs by function and is continuously amending its business portfolio with acquisitions, resulting in acquisition-related intangibles (see section "Intangible assets" in Note 3.5) and related amortization charges. To calculate EBITA[1)], which is the key profit metric for internal (refer to Note 2.2) as well as external purposes, acquisition-related amortization is separated from the individual functions as disclosed below.

April 1 to March 31, CHF million			2022/23
	Income statement as reported	Acquis. related amortization	**Income statement EBITA separation**
Sales	**3,738.4**		**3,738.4**
Cost of sales	(1,101.0)		(1,101.0)
Gross profit	**2,637.4**		**2,637.4**
Research and development	(244.6)	1.6	(243.0)
Sales and marketing	(1,316.4)	53.3	(1,263.1)
General and administration	(330.2)		(330.2)
Other income/(expenses), net	0.6		0.6
Operating profit before acquisition-related amortization (EBITA) [1)]			**801.6**
Acquisition-related amortization		(54.9)	(54.9)
Operating profit (EBIT) [2)]	**746.7**		**746.7**

1) Earnings before financial result, share of profit/(loss) in associates/joint ventures, taxes and acquisition-related amortization (EBITA).
2) Earnings before financial result, share of profit/(loss) in associates/joint ventures and taxes (EBIT).

April 1 to March 31, CHF million			2021/22
	Income statement as reported	Acquis. related amortization	**Income statement EBITA separation**
Sales	**3,363.9**		**3,363.9**
Cost of sales	(903.3)		(903.3)
Gross profit	**2,460.7**		**2,460.7**
Research and development	(230.5)	0.6	(230.0)
Sales and marketing	(1,137.6)	42.4	(1,095.3)
General and administration	(320.9)		(320.9)
Other income/(expenses), net	(11.5)		(11.5)
Operating profit before acquisition-related amortization (EBITA) [1)]			**802.9**
Acquisition-related amortization		(42.9)	(42.9)
Operating profit (EBIT) [2)]	**760.0**		**760.0**

1) Earnings before financial result, share of profit/(loss) in associates/joint ventures, taxes and acquisition-related amortization (EBITA).
2) Earnings before financial result, share of profit/(loss) in associates/joint ventures and taxes (EBIT).

2.2 Segment information

Information by business segments

The Group is active in the two business segments, hearing instruments and cochlear implants, which are reported separately to the Group's chief operating decision maker (Chief Executive Officer). The financial information that is provided to the Group's chief operating decision maker, which is used to allocate resources and to assess the performance, is primarily based on sales analysis as well as consolidated income statements and other key financial metrics for the two segments. The Group uses EBITA as a key metric to measure profit or loss for both segments (refer to Note 2.1). Transactions between segments are based on market terms.

Hearing instruments:

This operating segment includes the activities of the design, development, manufacture, distribution and service of hearing instruments and related products, as well as wireless headsets, speech-enhanced hearables and audiophile headphones. Research and development is centralized in Switzerland while some supporting activities are also performed in Canada, Sweden and Germany. Production of hearing instruments is concentrated in three production centers located in Switzerland, China and Vietnam – with technologically advanced production processes being performed in Switzerland and standard product assembly being located in Asia -, whereas the production of consumer hearing devices is based in Germany, Ireland, Romania and the USA. Most of the marketing activities are steered by the brand marketing departments in Switzerland, Canada, the United States, Germany and Sweden. The execution of marketing campaigns lies with the sales organizations in each market. Product distribution is done through sales organizations in the individual markets for hearing instruments and through 21 sales subsidiaries and long-established trading partners for consumer hearing products. The distribution channels of the Group vary in the individual markets depending on the sales strategy and the characteristics of the countries. The distribution channels can be split broadly into a retail business where Sonova operates its own store network and sells directly to end consumers and a hearing instruments business, reflecting the wholesale sales to independent audiologists, 3rd party retail chains, multinational and government customers.

Cochlear implants:

This operating segment includes the activities of the design, development, manufacture, distribution and service of hearing implants and related products. The segment consists of Advanced Bionics and the related sales organizations. Research and development as well as marketing activities of Advanced Bionics are centralized predominantly in the United States and Switzerland while production resides in the United States. The distribution of products is effected through sales organizations in the individual markets.

CHF million	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	Hearing Instruments		Cochlear Implants		Corporate/ Eliminations		Total	
Segment sales	3,461.4	3,089.5	293.0	282.3			3,754.4	3,371.7
Intersegment sales	(10.0)	(5.4)	(6.1)	(2.4)			(16.0)	(7.8)
Sales	**3,451.5**	**3,084.0**	**286.9**	**279.9**			**3,738.4**	**3,363.9**
Timing of revenue recognition								
At point in time	3,289.0	2,949.3	274.2	268.0			3,563.2	3,217.4
Over time	162.5	134.7	12.7	11.9			175.2	146.5
Total sales	**3,451.5**	**3,084.0**	**286.9**	**279.9**			**3,738.4**	**3,363.9**
Operating profit before acquisition-related amortization (EBITA)	**771.4**	**782.9**	**30.1**	**19.7**	**0.0**	**0.4**	**801.6**	**802.9**
Depreciation, amortization and impairment	(206.7)	(173.2)	(33.0)	(37.8)			(239.7)	(211.1)
Segment assets	**4,976.1**	**4,831.4**	**578.8**	**568.2**	**(686.0)**	**(686.9)**	**4,869.0**	**4,712.6**
Unallocated assets [1]							683.5	875.6
Total assets							**5,552.5**	**5,588.2**

1) Unallocated assets include cash and cash equivalents, other current financial assets (excluding loans), investments in associates/joint ventures and deferred tax assets.

Reconciliation of reportable segment profit CHF million	2022/23	2021/22
EBITA	801.6	802.9
Acquisition-related amortization	(54.9)	(42.9)
Financial costs, net	(34.9)	(34.9)
Share of profit/(loss) in associates/joint ventures, net	3.9	3.0
Income before taxes	**715.6**	**728.2**

Entity-wide disclosures

Sales by business CHF million	**2022/23**	**2021/22**
Hearing Instruments business	1,809.3	1,838.4
Consumer Hearing business	284.3	8.8
Audiological Care business	1,357.8	1,236.8
Total Hearing Instruments segment	**3,451.5**	**3,084.0**
Cochlear Implant systems	185.4	175.8
Upgrades and accessories	101.5	104.1
Total Cochlear Implants segment	**286.9**	**279.9**
Total sales	**3,738.4**	**3,363.9**

Sales and selected non-current assets by regions CHF million	**2022/23**	**2021/22**	**2022/23**	**2021/22**
Country/region	Sales [1]		Selected non-current assets [2]	
Switzerland	44.0	30.8	231.5	238.4
EMEA (excl. Switzerland)	1,824.2	1,745.1	1,708.2	1,765.9
USA	1,150.0	1,009.8	1,052.7	1,021.5
Americas (excl. USA)	274.0	244.6	241.3	217.5
Asia/Pacific	446.2	333.6	502.3	360.6
Total Group	**3,738.4**	**3,363.9**	**3,736.1**	**3,603.9**

1) Sales based on location of customers.
2) Total of property, plant & equipment, right-of-use assets, intangible assets and investments in associates/joint ventures.

As common in this industry, the Sonova Group has a large number of customers. There is no single customer who accounts for more than 10% of total sales.

2.3 Revenue

The Group generates revenue primarily from the sale of audio devices, hearing instruments, cochlear implants and related services. A disaggregation of revenue from contracts with customers is included in Note 2.2. The following provides information about the Group's revenue recognition policies, performance obligations and related contract assets and liabilities.

The following table summarizes the contract assets and contract liabilities related to contracts with customers:

Contract balances CHF million	**31.3.2023**	**31.3.2022**
Contract assets	9.5	8.8
Contract liabilities	299.8	294.1

Contract liabilities relate to advance consideration received from customers for the Group's various services, such as extended warranties, loss and damage and battery plans. In addition to the contract liabilities, the Group also recognizes contract assets that relate to loss and damage services. Contract assets are presented within other operating assets (refer to Note 3.6) in the consolidated balance sheet.

Significant changes in the contract liabilities during the period are as follows:

Movement in contract liabilities CHF million	**2022/23**	**2021/22**
Balance April 1	294.1	302.0
Changes through business combinations		9.3
Increase due to advance consideration received in the period	191.6	143.4
Decrease due to revenue recognized in the period that,		
– was included in the contract liabilities at the beginning of the period	(136.8)	(102.6)
– relates to consideration received in the period	(39.1)	(41.7)
Reversals	(0.1)	(2.3)
Exchange differences	(9.9)	(14.1)
Balance March 31	**299.8**	**294.1**
Expectation on timing of revenue recognition:		
Within 1 year	115.8	106.7
Within 2 years	93.6	88.4
Within 3 years	49.8	52.3
Within 4 years	19.1	21.9
More than 4 years	21.5	24.7

No material revenue was recognized in the current period from performance obligations satisfied in previous periods.

Accounting policies

The Group recognizes revenue at point in time when control of the products is transferred to the buyer, mainly upon delivery. The transaction price is adjusted for any variable elements, such as rebates and discounts. For audiological care customers, revenue recognition usually occurs after fitting of the device or when the trial period lapses. For hearing instruments sold in bundled packages (i.e. including accessories and services), the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling price of all performance obligations in the contract.

For cochlear implants, sales are generally recognized at point in time when control of the products is transferred to the buyer (mainly hospitals), either at delivery or after surgery.

When the customer has a right to return the product within a given period, the amount of revenue is adjusted for expected returns, which are estimated based on historical product return rates. A return provision for the expected returns is recognized as an adjustment to revenue. In addition, an asset for the right to recover returned goods is recognized, measured by reference to the carrying amount, which is presented as part of other current operating assets.

The Group also offers various services, such as extended warranties, loss and damage and battery plans. Revenue for these services is predominantly recognized on a straight-line basis over the service period. In the majority of countries in which the Group operates, the standard warranty period is two years and the extended warranty covers periods beyond the second year. Loss and damage is offered in some, but not all countries, in which the Group operates. This service assures replacement of hearing instruments that are not covered by the warranty. In some countries, the Group reinsures loss and damage. Insurance costs are capitalized as contract assets and are recognized as cost of sales over the loss and damage service period.

Payment terms vary significantly across countries and also depend on whether the customer is a private or public customer.

Accounting judgements and estimates
In order to allocate the transaction price to each performance obligation in a contract, management estimates the standalone selling price of the products and services at contract inception. Mostly, the standalone selling price is based on established price lists. For loss and damage services, management considers the likelihood of a customer claim in the calculation of the standalone selling price.

If the sum of the standalone selling prices of a bundle of goods or services exceeds the consideration in a contract, the discount is allocated proportionally to all of the performance obligations in the contract unless there is observable evidence that the discount relates to only one or some of the performance obligations.

2.4 Other income/expenses

In the 2022/23 financial year, the net result of other income and expense amounts to CHF 0.6 million (previous year: CHF – 11.5 million).

In the prior year, the expense primarily related to costs in relation to a settlement agreement in principle with the US Department of Justice and ongoing patent litigation in the Cochlear Implants segment. For further information refer to Note 3.9 “Contingent assets and liabilities”.

2.5 Earnings per share

Basic earnings per share	2022/23	2021/22
Income after taxes (CHF million)	647.5	649.0
Weighted average number of outstanding shares	60,224,264	62,270,275
Basic earnings per share (CHF)	**10.75**	**10.42**

Diluted earnings per share	2022/23	2021/22
Income after taxes (CHF million)	647.5	649.0
Weighted average number of outstanding shares	60,224,264	62,270,275
Adjustment for dilutive share awards	208,862	440,731
Adjusted weighted average number of outstanding shares	60,433,126	62,711,006
Diluted earnings per share (CHF)	**10.72**	**10.35**

Accounting policies

Basic earnings per share is calculated by dividing the income after taxes attributable to the ordinary equity holders of the parent company by the weighted average number of shares outstanding during the year.

In the case of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming all outstanding dilutive awards from share participation plans will be exercised. For the option plans, the weighted average number of shares is adjusted for all dilutive options issued under the stock option plans which have been granted in 2016 through to 2023 and which have not yet been exercised. Options that are out-of-the-money (compared to average share price) are not considered. The calculation of diluted earnings per share is based on the same income after taxes for the period as is used in calculating basic earnings per share.

3. Operating assets and liabilities

3.1 Trade receivables

CHF million	31.3.2023	31.3.2022
Trade receivables	556.1	505.6
Loss allowance for doubtful receivables	(31.5)	(31.3)
Total	**524.7**	**474.3**

As is common in this industry, the Sonova Group has a large number of customers. There is no significant concentration of credit risk.

For further information on the aging of the trade receivables and related allowances, please refer to Note 4.7.

During 2022/23, the Group utilized CHF 1.7 million (previous year CHF 3.1 million) of the loss allowance for doubtful receivables to write-off receivables.

The carrying amounts of trade receivables are denominated in the following currencies:

CHF million	31.3.2023	31.3.2022
BRL	19.0	19.1
CAD	21.5	17.5
CHF	14.0	19.4
EUR	217.5	182.8
GBP	19.6	15.6
USD	155.3	144.2
Other	77.7	75.7
Total trade receivables, net	**524.7**	**474.3**

Accounting policies

Trade receivables are initially recorded at the transaction price and subsequently measured at amortized cost using the effective interest method, less loss allowance. The Group applies the IFRS 9 simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for trade receivables. This approach considers historical credit loss experience as well as forward-looking factors (see Note 4.7). The charges to the income statement are included in general and administration costs. Due to the short-term nature of trade receivables, their carrying amount is considered to approximate their fair value.

3.2 Inventories

CHF million	31.3.2023	31.3.2022
Raw materials and components	93.9	64.2
Work-in-process	124.3	147.0
Finished products	252.7	254.0
Allowances	(51.7)	(52.5)
Total	**419.1**	**412.7**

The “cost of sales” corresponding to the carrying value of inventory (which excludes freight, packaging, logistics as well as certain overhead cost) amounted in 2022/23 to CHF 887.7 million (previous year CHF 736.2 million). The Group recognized write-downs of CHF 18.0 million (previous year CHF 25.9 million) on inventories in cost of sales.

Accounting policies

Purchased raw materials, components and finished goods are valued at the lower of cost or net realizable value. To evaluate cost, the standard cost method is applied, which approximates historical cost determined on a first-in first-out basis.

Manufactured finished goods and work-in-process are valued at the lower of production cost or net realizable value. Standard costs take into account normal levels of materials, supplies, labor, efficiency, and capacity utilization. Standard costs are regularly reviewed and, if necessary, revised in the light of current conditions. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion (where applicable) and selling expenses.

Allowances are established for slow moving, phase out and obsolete stock.

3.3 Property, plant and equipment

CHF million					2022/23
	Land & buildings	Machinery & technical equipment	Room installations & other equipment	Advance payments & assets under construction	Total
Cost					
Balance April 1	221.4	315.9	381.3	21.7	940.3
PPA finalization [1]		0.1			0.1
Changes through business combinations		0.6	2.3	0.0	2.9
Additions	2.7	25.5	45.7	23.0	96.9
Disposals		(12.4)	(22.6)		(35.0)
Transfers		3.5	10.7	(14.6)	(0.4)
Exchange differences	(2.8)	(7.4)	(15.4)	(0.4)	(26.0)
Balance March 31	**221.3**	**325.7**	**402.1**	**29.7**	**978.8**
Accumulated depreciation					
Balance April 1	(96.2)	(238.8)	(246.4)		(581.4)
Additions	(6.9)	(28.6)	(37.8)		(73.3)
Disposals		12.0	19.3		31.3
Transfers		0.2	(0.2)		0.0
Exchange differences	1.4	5.1	9.3		15.7
Balance March 31	**(101.7)**	**(250.2)**	**(255.8)**		**(607.7)**
Net book value					
Balance April 1	125.2	77.0	134.9	21.7	358.9
Balance March 31	**119.6**	**75.4**	**146.3**	**29.7**	**371.1**

1) Relates to finalization of purchase price allocation Sennheiser Consumer Division (refer to Note 6.1).

CHF million					**2021/22**
	Land & buildings	Machinery & technical equipment	Room installations & other equipment	Advance payments & assets under construction	Total
Cost					
Balance April 1	218.9	290.9	355.1	14.4	879.4
Changes through business combinations	2.9	7.8	9.3	1.8	21.9
Additions	1.9	23.6	37.3	16.7	79.5
Disposals	(0.3)	(6.0)	(11.7)		(18.0)
Transfers		3.5	7.1	(10.6)	
Exchange differences	(2.0)	(3.9)	(15.8)	(0.6)	(22.3)
Balance March 31	**221.4**	**315.9**	**381.3**	**21.7**	**940.3**
Accumulated depreciation					
Balance April 1	(90.4)	(218.9)	(234.8)		(544.1)
Changes through business combinations		(0.4)	(0.6)		(1.0)
Additions	(6.9)	(27.0)	(31.8)		(65.7)
Disposals	0.1	4.9	10.9		15.9
Exchange differences	1.0	2.6	9.9		13.5
Balance March 31	**(96.2)**	**(238.8)**	**(246.4)**		**(581.4)**
Net book value					
Balance April 1	128.5	72.0	120.3	14.4	335.3
Balance March 31	**125.2**	**77.0**	**134.9**	**21.7**	**358.9**

Accounting policies

Property, plant and equipment is valued at purchase or manufacturing cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the expected useful lifetime of the individual assets or asset categories. Where an asset comprises several parts with different useful lifetimes, each part of the asset is depreciated separately over its applicable useful lifetime.

The applicable useful lifetimes are 25 – 40 years for buildings and 3 – 10 years for production facilities, machinery, equipment, and vehicles. Land is not depreciated. Leasehold improvements are depreciated over the shorter of useful life or lease term.

Subsequent expenditure on an item of tangible assets is capitalized at cost only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure for repair and maintenance, which does not increase the estimated useful lifetimes of the related assets are recognized as an expense in the period in which they are incurred.

The Group assesses at each reporting date, whether there is any indication, that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. If the recoverable amount is lower than carrying amount, an impairment loss is recognized.

3.4 Leases

Right-of-use assets CHF million				**2022/23**
	Properties	Vehicles	Other assets	Total
Cost				
Balance April 1	352.1	9.3	1.7	363.1
Changes through business combinations	13.5			13.5
Additions	95.4	3.0	0.2	98.6
Disposals	(117.1)	(3.7)	(0.3)	(121.1)
Exchange differences	(15.7)	(0.5)	(0.0)	(16.3)
Balance March 31	**328.2**	**8.1**	**1.6**	**337.9**
Accumulated depreciation				
Balance April 1	(84.6)	(3.5)	(1.3)	(89.4)
Additions	(71.0)	(2.3)	(0.2)	(73.4)
Disposals	117.1	3.7	0.3	121.1
Exchange differences	(7.5)	(0.2)	(0.0)	(7.8)
Balance March 31	**(46.0)**	**(2.2)**	**(1.2)**	**(49.5)**
Net book value				
Balance April 1	267.5	5.8	0.4	273.8
Balance March 31	**282.2**	**5.8**	**0.4**	**288.4**

Right-of-use assets CHF million				**2021/22**
	Properties	Vehicles	Other assets	Total
Cost				
Balance April 1	365.5	10.4	2.0	377.9
Changes through business combinations	30.7			30.7
Additions	58.4	1.5	0.4	60.3
Disposals	(84.5)	(2.1)	(0.5)	(87.2)
Exchange differences	(18.0)	(0.5)	(0.1)	(18.6)
Balance March 31	**352.1**	**9.3**	**1.7**	**363.1**
Accumulated depreciation				
Balance April 1	(110.7)	(4.1)	(1.5)	(116.3)
Additions	(63.0)	(1.6)	(0.4)	(65.0)
Disposals	84.5	2.1	0.5	87.2
Exchange differences	4.6	0.1	0.0	4.7
Balance March 31	**(84.6)**	**(3.5)**	**(1.3)**	**(89.4)**
Net book value				
Balance April 1	254.8	6.3	0.5	261.6
Balance March 31	**267.5**	**5.8**	**0.4**	**273.8**

Lease liabilities CHF million	**2022/23**	**2021/22**
Balance April 1	284.3	271.3
Changes through business combinations	13.5	30.7
Additions	99.0	60.1
Interest expense	5.2	3.6
Payments	(81.1)	(67.7)
Exchange differences	(24.0)	(13.7)
Balance March 31	**296.9**	**284.3**
thereof short-term	73.4	68.8
thereof long-term	223.5	215.5

The maturity analysis of lease liabilities is disclosed in Note 4.7

Lease disclosures CHF million	**2022/23**	**2021/22**
Expenses relating to short-term leases	16.7	11.2
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	0.5	0.3
Expenses relating to variable lease payments	6.8	5.7

The total cash outflow for leases in the financial year 2022/23 amounted to CHF 105.1 million (prior year CHF 84.9 million).

The Group has various lease contracts that as of March 31, 2023 have not yet commenced. The future lease payments for these non-cancellable lease contracts amount to CHF 3.0 million (prior year CHF 1.7 million). The future lease payments relating to variable lease payments amount to CHF 6.8 million (prior year CHF 5.7 million).

Accounting policies

The group leases properties for retail stores as well as for office, laboratory, manufacturing and storage use. The leasing terms vary significantly across countries. The leases of office space typically run for a period of up to 10 years, and leases of retail stores typically for a period of 3 to 5 years. Leases of vehicles and other assets have an average lease term of 3.4 years. Some leases include an option to renew the lease for an additional period after the end of the contract term.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and, subsequently at cost less accumulated depreciation and impairment losses and also includes adjustments for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and are discounted using the Group's incremental borrowing rate if the interest rate implicit in the lease is not readily determinable. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Accounting judgements and estimates

The Group uses judgement to determine the lease term for some lease contracts which include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term which significantly affects the amount of lease liabilities and right-of-use assets recognized. Extension options and termination options are re-assessed only when a significant event or change in circumstances occurs that is within the control of the Group and affects whether it is reasonably certain to exercise an option.

3.5 Intangible assets

CHF million					2022/23
	Goodwill	Intangibles relating to acquisitions [1]	Capitalized development costs	Software and other intangibles	Total
Cost					
Balance April 1	2,440.6	892.7	224.2	117.9	3,675.5
PPA finalization [2]	(14.9)	9.8		(0.2)	(5.3)
Changes through business combinations	198.5	49.3		1.2	249.0
Additions			18.0	39.3	57.4
Disposals		(0.3)		(1.2)	(1.5)
Transfers				0.4	0.4
Exchange differences	(82.0)	(31.9)	(1.2)	(1.7)	(116.8)
Balance March 31	**2,542.2**	**919.6**	**241.1**	**155.7**	**3,858.5**
Accumulated amortization and impairments					
Balance April 1	(142.2)	(386.4)	(115.6)	(82.4)	(726.6)
Additions		(54.9) [3]	(26.4)	(11.7)	(92.9)
Disposals		0.1		1.2	1.3
Exchange differences	1.4	14.7	0.2	1.3	17.6
Balance March 31	**(140.8)**	**(426.5)**	**(141.8)**	**(91.5)**	**(800.7)**
Net book value					
Balance April 1	2,298.4	506.3	108.6	35.6	2,948.9
Balance March 31	**2,401.3**	**493.1**	**99.3**	**64.2**	**3,057.9**

1) Intangibles relating to acquisitions consists of customer relationships (CHF 295.3 million), trademarks (CHF 185.3 million) and technology (CHF 12.5 million).
2) Relates to finalization of purchase price allocation Sennheiser Consumer Division (refer to Note 6.1).
3) Relates to research and development (CHF 1.6 million) and sales and marketing (CHF 53.3 million).

CHF million					**2021/22**
	Goodwill	Intangibles relating to acquisitions [1]	Capitalized development costs	Software and other intangibles	Total
Cost					
Balance April 1	2,143.3	642.8	214.1	102.4	3,102.6
Changes through business combinations	393.8	295.4		1.5	690.8
Additions			10.7	16.4	27.1
Disposals	0.0	(13.2)		(0.7)	(13.9)
Exchange differences	(96.4)	(32.4)	(0.6)	(1.7)	(131.1)
Balance March 31	**2,440.6**	**892.7**	**224.2**	**117.9**	**3,675.5**
Accumulated amortization and impairments					
Balance April 1	(145.2)	(373.2)	(88.3)	(74.1)	(680.8)
Changes through business combinations		(0.6)	0.0	(0.0)	(0.7)
Additions		(42.9) [2]	(27.4)	(10.2)	(80.5)
Disposals		13.2		0.6	13.9
Exchange differences	3.0	17.1		1.3	21.4
Balance March 31	**(142.2)**	**(386.4)**	**(115.6)**	**(82.4)**	**(726.6)**
Net book value					
Balance April 1	1,998.0	269.7	125.9	28.2	2,421.8
Balance March 31	**2,298.4**	**506.3**	**108.6**	**35.6**	**2,948.9**

1) Intangibles relating to acquisitions consists of customer relationships (CHF 298.8 million), trademarks (CHF 193.0 million) and technology (CHF 14.5 million).
2) Relates to research and development (CHF 0.6 million) and sales and marketing (CHF 42.4 million).

Based on the impairment tests performed, there was no need for the recognition of any impairment of goodwill for the 2022/23 and 2021/22 financial years.

The cash flow projections used for impairment testing, were based on the most recent business plan. The business plan was projected over a five year period.

Hearing instruments

As of March 31, 2023, the carrying amount of goodwill, expressed in various currencies, amounted to an equivalent of CHF 2,106.5 million (prior year CHF 2,000.7 million) and for intangible assets with indefinite useful lives to CHF 102.7 million (prior year: CHF 100.6 million). The intangible assets with indefinite useful lives relates to the brand value that was acquired as part of the acquisition of the Consumer Division from Sennheiser in financial year 2021/22 as disclosed in Note 6.1. It has been determined to have an indefinite useful life as there is no intention to abandon the brand name. It has existed for many years and the Group has the ability to maintain its brand value for an indefinite period of time. Thus, the brand is not amortized but is assessed for impairment annually.

Cash flows beyond the projection period were extrapolated with a long-term growth rate of 1.9% (prior year 2.0%) which represents the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 10.8% (prior year 9.4%) was used. The Group performed a sensitivity analysis, which shows that changes to the main input parameters (increase of discount rate +1%, or long-term growth rate – 1%) would not result in an impairment of goodwill.

Cochlear implants

As of March 31, 2023, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 294.8 million (prior year CHF 297.7 million).

Cash flows beyond the projection period were extrapolated with a long-term growth rate of 2.0% (prior year 2.1%) which represents the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 11.7% (prior year 10.2%) was used. The Group performed a sensitivity analysis, which shows that changes to the main input parameters (increase of discount rate +1%, or long-term growth rate – 1%) would not result in an impairment of goodwill.

The capitalized development costs are reviewed on a regular basis. In the current financial year this review did not lead to any valuation adjustments. The capitalized development costs are included in the reportable segment "cochlear implants" disclosed in Note 2.2.

Accounting policies

Goodwill

Goodwill is recognized for any difference between the cost of the business combination and the net fair value of the identifiable assets, liabilities, and contingent liabilities (refer to accounting policies in Note 6.1). Goodwill is not amortized, but is assessed for impairment annually, or more frequently if events or changes in circumstances indicate that its value might be impaired. For the purpose of impairment testing, goodwill is allocated to the cash-generating unit, which is expected to benefit from the synergies of the corresponding business combination. For the Group, a meaningful goodwill allocation can only be done at the level of the segments, hearing instruments and cochlear implants. This also reflects the level that the goodwill is monitored by management. For both of the two cash-generating units, the recoverable amount is compared to the carrying amount. The carrying amount is determined based on a value-in-use calculation considering a five-year cash flow projection period and extrapolated using a terminal value for cash flows beyond the planning period. The cash flow projections are estimated on the basis of the strategic plan approved by the Board of Directors. Future cash flows are discounted with the Weighted Average Cost of Capital (WACC) including the application of the Capital Asset Pricing Model (CAPM).

Intangibles, excluding goodwill

Purchased intangible assets such as software, licenses and patents are measured at cost less accumulated amortization (applying the straight-line method) and any impairment in value. Software is amortized over a useful lifetime of 3 – 5 years. Intangibles relating to acquisitions of subsidiaries (excluding goodwill) consist generally of technology, client relationships, customer lists, and brand names, and are amortized over a period of 3 – 20 years (except for the Sennheiser brand name as disclosed above). Other intangible assets are generally amortized over a period of 3 – 10 years. For capitalized development costs in the cochlear implants segment, amortization starts when the capitalized asset is ready for use, which is generally after receipt of approval from regulatory bodies. These assets are amortized over the estimated useful lifetime of 2 – 7 years applying the straight-line method. For in-process capitalized development costs, these capitalized costs are tested annually for impairment. Except for goodwill, the Sonova Group has no intangible assets with an indefinite useful life.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

Research costs are expensed as incurred. Development costs are capitalized only if the identifiable asset is commercially and technically feasible, can be completed, its costs can be measured reliably and will generate probable future economic benefits. Group expenditures, which fulfill these criteria are limited to the development of tooling and equipment as well as costs related to the development of cochlear implants. All other development costs are expensed as incurred. In addition to the internal costs (direct personnel and other operating costs, depreciation on research and development equipment and allocated occupancy costs), total costs also include externally contracted development work. Such capitalized intangibles are recognized at cost less accumulated amortization and impairment losses.

Accounting judgements and estimates

Goodwill

The recoverable amount of cash-generating units is measured on the basis of value-in-use calculations and as such is significantly impacted by the projected cash flows, the discount rate, and the long-term growth rate, which are subject to management judgment. Actual cash flows as well as other input parameters could vary significantly from these estimates.

Capitalized development costs

The Group capitalizes costs relating to the development of cochlear implants. The capitalized development costs are reviewed on a regular basis as a matter of a standard systematic procedure. In determining the commercial as well as the technical feasibility, management judgment may be required.

3.6 Other operating assets

Other current operating assets CHF million	**31.3.2023**	**31.3.2022**
Other receivables	73.9	98.1
Prepaid expenses	48.5	37.7
Contract assets	3.8	3.0
Right to recover products	12.2	10.2
Total	**138.3**	**148.9**

Other non-current operating assets CHF million	**31.3.2023**	**31.3.2022**
Contract assets	5.7	5.8
Total	**5.7**	**5.8**

The largest individual items included in other receivables are recoverable value added taxes and deposits. Prepaid expenses mainly consist of advances to suppliers. Contract assets relate to reinsurance of loss and damage services and rights to recover returned goods relate to hearing instrument sales with a right of return (refer to Note 2.3).

3.7 Provisions

CHF million					2022/23
	Warranty and returns	Reimbursement to customers	Product liabilities	Other provisions	Total
Balance April 1	135.3	4.1	94.4	50.4	284.2
PPA finalization [1]				(0.1)	(0.1)
Changes through business combinations				1.3	1.3
Amounts used	(39.5)	(4.9)	(36.5)	(33.9)	(114.7)
Reversals	(9.7)	(0.2)	(0.5)	(10.8)	(21.1)
Increases	59.2	11.9		30.1	101.1
Present value adjustments			0.5	(0.0)	0.5
Exchange differences	(5.7)	(0.2)	0.6	(0.7)	(5.9)
Balance March 31	**139.7**	**10.7**	**58.5**	**36.3**	**245.2**
thereof short-term	101.5	10.7	17.4	24.5	154.0
thereof long-term	38.1		41.2	11.9	91.2

1) Relates to finalization of purchase price allocation Sennheiser Consumer Division (refer to Note 6.1).

CHF million					2021/22
	Warranty and returns	Reimbursement to customers	Product liabilities	Other provisions	Total
Balance April 1	125.9	2.8	111.9	52.3	292.8
Changes through business combinations	9.0	1.3		5.2	15.5
Amounts used	(62.6)	(1.4)	(15.3)	(25.7)	(105.0)
Reversals	(13.5)	(1.7)	(0.3)	(9.1)	(24.6)
Increases	81.7	3.2		30.8	115.6
Present value adjustments			0.5		0.5
Transfers				(1.3)	(1.3)
Exchange differences	(5.2)	(0.1)	(2.4)	(1.6)	(9.3)
Balance March 31	**135.3**	**4.1**	**94.4**	**50.4**	**284.2**
thereof short-term	98.3	4.1	11.8	37.5	151.6
thereof long-term	37.0		82.6	12.9	132.6

Warranty and returns

The provision for warranty and returns considers any costs arising from the warranty given on products sold. In general, the Group grants a 12 to 24 months warranty period for audio devices, hearing instruments and related products and up to 10 years on cochlear implants. The calculation is based on turnover, past experience and projected number and costs of warranty claims and returns.

Reimbursement to customers

The provision for reimbursement to customers considers commitments to provide volume rebates. The provision is based on expected volumes. The large majority of the cash outflows are expected to take place within the next 12 months.

Product liabilities

The provisions for product liabilities consider the expected cost for claims in relation to the voluntary recall of cochlear implant products of Advanced Bionics in 2006 and Advanced Bionics voluntary field corrective action regarding cochlear implant products, as announced on February 18, 2020.

The provision for product liabilities are reassessed on a regular and systematic basis and follow a financial model which is consistently applied. The calculation of the provision is based on past experience regarding the number and cost of current and future claims. In the 2022/23 financial year, changes in the assessment of the expected number and cost of current and future claims led to reversals of CHF 0.5 million (previous year reversals of CHF 0.3 million). The impact of the reassessment of the legal provisions are considered in the income statement in the lines "Other income" or "Other expenses". As per March 31, 2023 the provision for product liabilities amount to CHF 58.5 million (previous year CHF 94.4 million). The timing of future cash outflows is uncertain since it will largely depend on the outcome of administrative and legal proceedings. In the case of the voluntary recall of AB products in 2006, considering periods of limitation, claims will have until 2026 to be filed in most jurisdictions. However, depending on the length of proceedings and negotiations, further years may pass until all claims are settled. We expect the main cash outflow relating to the provision for product liabilities to occur within the next 6 years.

Other provisions

Other provisions include provisions for specific business risks such as litigation CHF 5.7 million (prior year CHF 21.2 million) and restructuring costs CHF 5.0 million (prior year CHF 11.3 million) which arose during the normal course of business. While the timing of the cash outflow from the restructuring provisions is expected to take place within the next 12 months, the cash outflows for the remainder of the other provisions is expected to take place within the next two years.

Accounting policies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

Accounting judgements and estimates

Provisions are based upon management's best estimate, taking into consideration past experience regarding the number and cost of claims. Management believes that the provisions are adequate based upon currently available information. However, given that judgment has to be applied, the actual costs and results may differ from these estimates.

3.8 Other operating liabilities

Other short-term operating liabilities CHF million	**31.3.2023**	**31.3.2022**
Other payables	92.9	111.5
Accrued expenses	279.9	325.2
Deferred income	1.1	0.8
Total	**373.9**	**437.5**

Other payables include amounts to be remitted for withholding taxes, value added taxes, social security payments and employees' income taxes deducted at source. Accrued expenses include salaries, social expenses, vacation pay, bonus and incentive compensation as well as accruals for outstanding invoices from suppliers.

3.9 Contingent assets and liabilities

Guarantees

At March 31, 2023 and 2022, there were no pledges given to third parties other than in relation to bank loans and mortgages.

Deposits in the amount of CHF 1.6 million (previous year CHF 1.6 million) were pledged in relation to bank guarantees. Open purchase orders as of March 31, 2023 and 2022, were related to recurring business activities.

Lawsuits and disputes

On October 4, 2018 MED-EL Elektronische Geräte GmbH and MED-EL Corporation, US, filed a complaint against Advanced Bionics LLC in the US federal court for the district of Delaware for alleged patent infringement of two MED-EL patents related to products launched in 2018. While the ultimate outcome of the dispute remains open, Advanced Bionics continues to believe the complaint has no merit and is vigorously defending its position and intellectual property. In a very recent opinion the US court has granted a summary judgment of non-infringement of the asserted MED-EL patents. On March 8, 2022, the Regional Court of Mannheim in Germany has reached a judgment in the first instance in a patent infringement lawsuit brought by MED-EL Elektromedizinische Geräte GmbH (“Med-El”) against its German subsidiary Advanced Bionics GmbH and Swiss subsidiary Advanced Bionics AG (“AB”) based on the German part of a respective EP patent of MED-EL. AB believes the complaint has no merit and has therefore appealed the judgment with the Higher Regional Court of Karlsruhe. The first instance Mannheim judgment included an injunction. Med-El enforced the injunction, thus prevented further sales of the HiRes Ultra 3D cochlear implant in and from Germany. On September 29, 2022 the Technical Board of Appeal at the European Patent Office ruled that Med-El’s European patent is maintained only in a very restricted version. The Higher Regional Court of Karlsruhe then suspended the enforcement until its decision on AB’s appeal. A hearing in the appeal proceedings is not yet scheduled. In related proceedings in the Netherlands, the non-infringement of Med-El’s narrowed patent has been confirmed by the first instance court and is now under appeal. In the UK, MED-EL’s UK part of the EP patent has been revoked and is now also under appeal.

Advanced Bionics LLC (“AB”) entered into settlement agreements (“Agreements”) with the U.S. Department of Justice in December 2022 and with various state Medicare agencies in March 2023. AB also entered into a Corporate Integrity Agreement (“CIA”) with the Office of the Inspector General at the U.S. Department of Health and Human Services (the “HHS-OIG”). The Agreements, pursuant to which AB agreed to pay USD 12.6 million, and the CIA concluded the government investigation, which began with a January 2020 HHS-OIG subpoena and stemmed from a False Claims Act (“FCA”) action filed by a former employee. The FCA action was dismissed in March 2023 by the court as part of the settlement. AB has denied the allegations made in the FCA action and investigation.

4. Capital structure and financial management

4.1 Cash and cash equivalents

CHF million	31.3.2023	31.3.2022
Cash on hand	1.3	1.2
Current bank accounts	412.1	458.9
Term deposits	0.5	150.4
Total	**413.9**	**610.5**

Bank accounts and term deposits are mainly denominated in CHF, EUR and USD. The assessment on the credit risk related to cash and cash equivalents is disclosed in Note 4.7.

Accounting policies
Cash and cash equivalents includes cash on hand and cash at banks, bank overdrafts, term deposits and other short-term highly liquid investments with original maturities of three months or less. The consolidated cash flow statement summarizes the movements in cash and cash equivalents.

4.2 Financial income/expenses, net

CHF million	2022/23	2021/22
Interest income	1.5	1.4
Other financial income	13.5	0.3
Total financial income	**15.0**	**1.7**
Interest expenses	(16.9)	(17.4)
Interest expenses on lease liabilities	(5.2)	(3.6)
Interest and present value adjustments	(1.3)	(0.6)
Other financial expenses	(26.4)	(14.9)
Total financial expenses	**(49.9)**	**(36.5)**
Total financial income/expenses, net	**(34.9)**	**(34.9)**

Other financial income includes primarily fair value adjustments of financial instruments of CHF 10.9 million (previous year: none). Other financial expenses includes foreign exchange gains and losses from the management of foreign currencies as well as net losses from the hedging of foreign exchange exposures of CHF 20.3 million (previous year CHF 1.4 million) and valuation adjustments on financial instruments of CHF 5.2 million (previous year CHF 13.4 million).

4.3 Dividend per share

The Board of Directors of Sonova Holding AG proposes to the Annual General Shareholders' Meeting, to be held on June 12, 2023, that a dividend of CHF 4.60 per share shall be distributed (previous year CHF 4.40).

4.4 Other financial assets

Other current financial assets

CHF million			31.3.2023			31.3.2022
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total
Marketable securities		0.2	0.2		0.2	0.2
Positive replacement value of forward foreign exchange contracts		0.7	0.7		1.3	1.3
Loans to third parties	10.1		10.1	6.9		6.9
Total	**10.1**	**0.9**	**11.0**	**6.9**	**1.5**	**8.4**

The Group regularly hedges its net exposure from foreign currency balance sheet positions with forward contracts. Such contracts are not qualified as cash flow hedges and are, therefore, not accounted for using hedge accounting principles. Gains and losses on these transactions are recognized directly in the income statement (refer to Note 4.7).

Other non-current financial assets

CHF million			31.3.2023			31.3.2022
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total
Loans to associates	1.4		1.4	3.8		3.8
Loans to third parties	39.9		39.9	25.6		25.6
Rent deposits	2.8		2.8	2.8		2.8
Other non-current financial assets		2.8	2.8		4.0	4.0
Total	**44.1**	**2.8**	**46.9**	**32.2**	**4.0**	**36.2**

The loans are primarily denominated in CAD, CHF, EUR, GBP, JPY, PLN and USD. Loans to third parties consist mainly of loans to customers. As of March 31, 2023, the respective repayment periods vary between one and nine years and the interest rates vary generally between 1% and 5%.

Other non-current financial assets mainly consist of certain minority interests in patent and software development companies specific to the hearing aid industry.

Accounting policies

Financial assets are classified into the following categories:

- *Financial assets at amortized cost*
- *Financial assets at fair value through profit or loss (FVPL)*
- *Financial assets at fair value through other comprehensive income (FVOCI).*

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded either in the income statement or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model changes for managing those assets.

At initial recognition, the Group measures a financial asset at its fair value. In the case of financial assets at amortized cost and FVOCI the fair value includes transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the income statement.

Financial assets at fair value through profit or loss (FVPL)

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in the income statement in the period in which it arises.

Financial assets at fair value through other comprehensive income (FVOCI) and equity instruments

The Group currently holds no financial assets at fair value through other comprehensive income (FVOCI) and has not elected to account for equity instruments in this category.

4.5 Financial liabilities

As of March 31, 2023, the Group has the following bonds/US Private Placement outstanding:

Financial liabilities	Currency	Nominal value	Interest rate	Maturity
US Private Placement	USD	180	2.84%	July 14, 2025
Fixed-rate bond	CHF	200	0.50%	October 6, 2025
Fixed-rate bond	CHF	300	0.75%	October 6, 2028
Fixed-rate bond	CHF	200	1.05%	February 19, 2029
Fixed-rate bond	CHF	100	0.00%	October 11, 2029
Fixed-rate bond	CHF	200	1.95%	December 12, 2030
Fixed-rate bond	CHF	250	1.40%	February 19, 2032
Fixed-rate bond	CHF	100	0.40%	October 11, 2034

The Group maintains uncommitted credit facilities from various lenders. The credit facilities are denominated in CHF and can be cancelled at short notice. As of March 31, 2023 the Group did not make use of these credit facilities.

Current financial liabilities

CHF million			31.3.2023			31.3.2022
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Bank debt	0.4		0.4	0.4		0.4
Bond	4.8		4.8	334.7		334.7
Deferred payments	1.1		1.1	23.8		23.8
Contingent considerations		13.8	13.8		13.8	13.8
Other current financial liabilities		2.1	2.1		1.6	1.6
Total	**6.3**	**15.9**	**22.2**	**358.8**	**15.3**	**374.2**
Unused borrowing facilities			365.7			366.1

Non-current financial liabilities

CHF million			31.3.2023			31.3.2022
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Bonds/US Private Placement	1,512.7		1,512.7	864.9		864.9
Deferred payments	2.4		2.4	2.6		2.6
Contingent considerations		72.1	72.1		81.5	81.5
Other non-current financial liabilities	0.0	4.4	4.4	0.1	10.8	10.9
Total	**1,515.1**	**76.5**	**1,591.6**	**867.5**	**92.4**	**959.9**

Besides the bonds, financial liabilities mainly consist of contingent considerations (earn-out agreements) and deferred payments from acquisitions.

Other non-current financial liabilities mainly consist of amounts due in relation to the share appreciation rights (SARs) (refer to Note 7.4).

Analysis of non-current financial liabilities by currency

Analysis by currency CHF million				31.3.2023				31.3.2022
	Bonds/US Private Placement	Deferred payments and contingent considerations	Other non-current financial liabilities	Total	Bonds/US Private Placement	Deferred payments and contingent considerations	Other non-current financial liabilities	Total
CHF	1,347.4		4.0	1,351.4	699.1		10.4	709.5
USD	165.3	1.0		166.3	165.8	4.0	0.0	169.8
EUR		63.5		63.5		76.4		76.4
CNY		7.0		7.0				
AUD		2.1		2.1		2.1		2.1
BRL		0.3		0.3		1.3		1.3
Other		0.6	0.4	1.0		0.3	0.5	0.8
Total	**1,512.7**	**74.5**	**4.4**	**1,591.6**	**864.9**	**84.1**	**10.9**	**959.9**

Reconciliation of liabilities arising from financing activities

Liabilities from financing activities CHF million						**2022/23**
	Bank debt	Bonds/US Private Placement	Deferred payments and contingent considerations	Lease liabilities	Other financial liabilities	Total
Balance April 1	**0.4**	**1,199.6**	**121.6**	**284.3**	**12.5**	**1,618.4**
PPA finalization [1)]			(1.3)			(1.3)
Changes through business combinations			(22.8)	13.5		(9.3)
Additions to lease liabilities				99.0		99.0
Proceeds from borrowings		649.2				649.2
Repayment of borrowings		(330.0)				(330.0)
Repayment of lease liabilities – principal portion				(75.9)		(75.9)
Repayment of lease liabilities – interest portion				(5.2)		(5.2)
Exchange differences		(1.7)	(3.8)	(24.0)		(29.5)
Other	0.0	0.4	(4.3)	5.2	(5.9)	(4.6)
Balance March 31	**0.4**	**1,517.5**	**89.4**	**296.9**	**6.5**	**1,910.7**
thereof short-term	0.4	4.8	14.9	73.4	2.1	95.6
thereof long-term		1,512.7	74.5	223.5	4.4	1,815.1

1) Relates to finalization of purchase price allocation Sennheiser Consumer Division (refer to Note 6.1).

Liabilities from financing activities CHF million						**2021/22**
	Bank debt	Bonds/US Private Placement	Deferred payments and contingent considerations	Lease liabilities	Other financial liabilities	Total
Balance April 1	**0.1**	**1,562.4**	**14.2**	**271.3**	**7.9**	**1,856.0**
Changes through business combinations			108.9	30.7		139.5
Additions to lease liabilities				60.1		60.1
Repayment of borrowings	0.0	(360.0)				(360.0)
Repayment of lease liabilities – principal portion				(64.0)		(64.0)
Repayment of lease liabilities – interest portion				(3.6)		(3.6)
Exchange differences		(3.5)	0.2	(13.7)		(17.0)
Other	0.3	0.7	(1.6)	3.5	4.6	7.5
Balance March 31	**0.4**	**1,199.6**	**121.6**	**284.3**	**12.5**	**1,618.4**
thereof short-term	0.4	334.7	37.5	68.8	1.6	443.0
thereof long-term		864.9	84.1	215.5	10.9	1,175.4

Accounting policies

Financial liabilities are classified as measured at amortized cost, at fair value through profit or loss (FVPL) or at fair value through other comprehensive income (FVOCI). A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the income statement. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the income statement.

Derivative financial instruments are initially recognized in the balance sheet at fair value and are remeasured as to their current fair value at the end of each subsequent reporting period.

Bonds are initially measured at fair value and direct transaction costs included. In subsequent accounting periods, they are remeasured at amortized costs applying the effective interest method.

Accounting policies for lease liabilities are included in Note 3.4.

4.6 Movement in share capital

Issued registered shares	Issued registered shares	Treasury shares [1]	Outstanding shares
Balance April 1, 2021	64,398,137	(1,355,464)	63,042,673
Purchase of treasury shares		(250,000)	(250,000)
Sale/transfer of treasury shares		307,451	307,451
Cancellation of treasury shares [2]	(1,225,980)	1,225,980	
Purchase of treasury shares from share buyback		(2,012,438)	(2,012,438)
Balance March 31, 2022	**63,172,157**	**(2,084,471)**	**61,087,686**
Purchase of treasury shares		(180,000)	(180,000)
Sale/transfer of treasury shares		218,680	218,680
Cancellation of treasury shares [3]	(2,012,438)	2,012,438	
Purchase of treasury shares from share buyback		(1,532,910)	(1,532,910)
Balance March 31, 2023	**61,159,719**	**(1,566,263)**	**59,593,456**

Nominal value of share capital CHF million	Share Capital	Treasury shares [1]	Outstanding share capital
Balance March 31, 2023	**3.1**	**(0.1)**	**3.0**

Each share has a nominal value of CHF 0.05.

1) Treasury shares are purchased on the open market and are not entitled to dividends.

2) The Annual General Shareholder's Meeting of June 15, 2021, approved the proposed cancellation of 1,225,980 treasury shares, resulting in a reduction of share capital of 61,299 Swiss francs, retained earnings and other reserves of CHF 277.5 million offset by changes in treasury shares of CHF 277.5 million. This cancellation was executed on September 2, 2021.

3) The Annual General Shareholder's Meeting of June 15, 2022, approved the proposed cancellation of 2,012,438 treasury shares, resulting in a reduction of share capital of 100,621.90 Swiss francs, retained earnings and other reserves of CHF 702.7 million offset by changes in treasury shares of CHF 702.8 million. This cancellation was executed on September 2, 2022.

Share buyback program

On March 29, 2022, Sonova Holding AG announced that its Board of Directors approved a share buyback program of up to CHF 1.5 billion. The program started in April 2022 and is expected to run over a period of up to 36 months. During financial year 2022/23, 1,532,910 treasury shares were bought under the share buyback program and are intended to be cancelled (proposal to the Annual Shareholders' Meeting June 12, 2023).

In the financial year 2022/23, transaction costs related to the share buyback program in the amount of CHF 1.7 million (prior year CHF 3.5 million) were deducted from equity.

Authorized capital

The 2022 Annual General Shareholders' Meeting authorized the Board of Directors to increase the share capital at any time until June 15, 2024 by a maximum amount of CHF 305,798.59 by issuing a maximum of 6,115,971 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 Board of Directors did not make use of this authorized capital in financial year 2022/23.

Conditional capital

At the Annual General Shareholders' Meeting on July 7, 2005, the conditional share capital of CHF 264,270 (5,285,400 shares) has been increased by CHF 165,056 (3,301,120 shares) to CHF 429,326 (8,586,520 shares). Consistent with the prior year, 5,322,133 shares remain unissued as of March 31, 2023. These shares are reserved for long-term incentive plans (2,021,013 shares) as well as for initiatives to increase the company's financial flexibility (3,301,120 shares).

Accounting policies

Ordinary shares are classified as equity. Dividends on ordinary shares are recorded in equity in the period in which they are approved by the parent companies' shareholders.

In case any of the Group companies purchase shares of the parent company, the consideration paid is recognized as treasury shares and presented as a deduction from equity. Any consideration received from the sale of own shares is recognized in equity.

4.7 Risk management

Group risk management

Risk management at Group level is an integral part of business practice and supports the strategic decision-making process. The assessment of risk is derived from both "top-down" and "bottom-up" and covers corporate, all business segments, and all consolidated Group companies. This approach allows for the Group to examine all types of risk exposures caused by internal and external impacts and events, from financial, operational processes, customer and products, management and staff. The risk exposures are managed by specific risk mitigating initiatives, frequent re-evaluations, communication, risk consolidation and prioritization.

The responsibility for the process of risk assessment and monitoring is allocated to the corporate risk function. The Management Board, in addition to Group companies and functional managers, supports the annual risk assessment and is responsible for the management of the risk mitigating initiatives. The risk mitigation progress is reviewed by the Audit Committee on a quarterly basis. The Board of Directors discusses and analyzes the Group's risks at least once a year in the context of a strategy meeting.

Financial risk management

Due to Sonova Group's worldwide activities, the Group is exposed to a variety of financial risks such as market risks, credit risks and liquidity risks. Financial risk management aims to limit these risks and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses selected financial instruments for this purpose. They are exclusively used as hedging instruments for cash in- and outflows and not for speculative positions. The Group does not apply hedge accounting.

The fundamentals of Sonova Group's financial risk policy are periodically reviewed by the Audit Committee and carried out by the Group finance department. Group finance is responsible for implementing the policy and for ongoing financial risk management.

Market risk

Exchange rate risk

The Group operates globally and is exposed to foreign currency fluctuations, mainly with respect to the US dollar and the Euro. As the Group uses Swiss francs as presentation currency and holds investments in different functional currencies, net assets are exposed to foreign currency translation risk. Additionally, a foreign currency transaction risk exists in relation to future commercial transactions, which are denominated in a currency other than the functional currency.

To minimize foreign currency exchange risks, forward currency contracts are entered into. The Group hedges its net foreign currency exposure based on future expected cash in- and outflows. The hedges have a duration of between 1 and 6 months.

Positive replacement values from forward contract hedges are recorded as financial assets at fair value through profit or loss whereas negative replacement values are recorded as financial liabilities at fair value through profit or loss.

As of March 31, 2023, the Group engaged in forward currency contracts amounting to CHF 422.9 million (previous year CHF 296.6 million). The open contracts on March 31, 2023 as well as on March 31, 2022 were all due within one year.

Notional amount of forward contracts CHF million		**31.3.2023**		**31.3.2022**
	Total	Fair value	Total	Fair value
Positive replacement values	115.7	0.7	111.4	1.3
Negative replacement values	307.2	(2.1)	185.2	(1.5)
Total	**422.9**	**(1.4)**	**296.6**	**(0.3)**

Exchange rate risk CHF million	**2022/23**	**2021/22**	**2022/23**	**2021/22**
	Impact on income after taxes [1]		Impact on equity	
Change in USD/CHF +5%	(7.3)	(5.9)	7.6	7.8
Change in USD/CHF –5%	7.3	5.9	(7.6)	(7.8)
Change in EUR/CHF +5%	6.2	2.6	14.8	18.4
Change in EUR/CHF –5%	(6.2)	(2.6)	(14.8)	(18.4)

1) Excluding the impact of forward currency contracts.

Interest rate risk

The Group has only limited exposure to interest rate changes. The most substantial interest exposure on assets relates to cash and cash equivalents with an average interest-bearing amount for the 2022/23 financial year of CHF 317.1 million (previous year CHF 1,298.7 million). If interest rates during the 2022/23 financial year had been 1% higher, the positive impact on income before taxes would have been CHF 2.0 million. If interest rates had been 1% lower, the income before taxes would have been negatively impacted by CHF 2.0 million. The Group's long-term financial liabilities are fixed rate instruments and thus not subject to interest rate risk.

Other market risks

Risk of price changes of raw materials or components used for production is limited. A change in those prices would not result in financial effects being above the Group's risk management tolerance level. Therefore, no sensitivity analysis has been conducted.

The Group aims to ensure cost effective sourcing, while at the same time managing the risk of supply shortages that could lead to a failure to deliver certain products at the quantities required. Wherever feasible, critical components are sourced from multiple suppliers in order to mitigate this risk.

The relationship with suppliers is governed by Sonova's Group Supplier Principles (SGSP). We regularly audit and visit suppliers and inspect their management capabilities through employee interviews and on-site inspections. Suppliers have to follow all applicable laws and regulations, ensure a healthy and safe working environment and are prohibited from using child labor.

Through its multiple manufacturing sites around the globe, the Group maintains effective options to rebalance its production capacity between different facilities and to shift production where necessary to avoid delivery shortages and to adapt to potential changes of the operating or general environment.

Credit risk

Financial assets, which could expose the Group to a potential concentration in credit risk, are principally cash and bank balances, receivables from customers and loans.

Core banking relations are maintained with at least "BBB-" rated (S & P) financial institutions. As of March 31, 2023, the largest balance with a single counterparty amounted to 17% (previous year 29%) of total cash and cash equivalents.

The Group performs frequent credit checks on its receivables. Due to customer diversity, there is no single credit limit for all customers, however, the Group assesses its customers based on their financial position, past experience, and other factors. Due to the fragmented customer base (no single customer balance is greater than 10% of total trade accounts receivable), the Group is not exposed to any significant concentration risk. The same applies to loans to third and related parties. As part of the normal process, management held the regular Expected Credit Loss (ECL) Committee meeting to review the expected credit loss rates on an annual basis in January 2023.

Impairment of financial assets

Impairment losses on financial assets are calculated based on the expected credit loss (ECL) model of IFRS 9. The Group's loss allowances on financial assets other than trade receivables are not material.

Accounting policies

The Group applies the IFRS 9 simplified approach for measuring expected credit losses (ECLs) for trade receivables, which uses a lifetime expected loss allowance for trade receivables at each reporting date. To measure ECLs, trade receivables are grouped based on regions and the days past due. ECLs are calculated separately for state and non-state customers considering historical credit loss experience as well as forward-looking factors. Data sources in determining ECLs include actual historical losses, credit default swaps, country specific risk ratings, development of the customer structure and change in market performance and trends.

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

CHF million				31.3.2023				31.3.2022
State customers	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Not overdue	0.3%	106.4	(0.3)	106.2	0.4%	96.6	(0.4)	96.3
Overdue 1–90 days	1.2%	7.8	(0.1)	7.7	0.9%	9.1	(0.1)	9.0
Overdue 91–180 days	4.0%	2.7	(0.1)	2.6	4.1%	3.5	(0.1)	3.4
Overdue 181–360 days	24.2%	1.6	(0.4)	1.2	28.2%	2.3	(0.6)	1.6
Overdue more than 360 days	98.6%	2.9	(2.9)	0.0	98.9%	3.9	(3.8)	0.0
Total	**3.1%**	**121.4**	**(3.8)**	**117.7**	**4.4%**	**115.4**	**(5.1)**	**110.3**

CHF million				31.3.2023				31.3.2022
Non-state customers	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Not overdue	1.0%	342.1	(3.5)	338.5	1.3%	294.3	(3.9)	290.5
Overdue 1–90 days	7.9%	56.6	(4.5)	52.1	3.6%	57.3	(2.0)	55.2
Overdue 91–180 days	20.4%	11.2	(2.3)	8.9	16.2%	12.4	(2.0)	10.4
Overdue 181–360 days	36.3%	11.6	(4.2)	7.4	34.8%	12.1	(4.2)	7.9
Overdue more than 360 days	99.6%	13.3	(13.3)	0.1	99.9%	14.1	(14.1)	0.0
Total	**6.4%**	**434.8**	**(27.8)**	**407.0**	**6.7%**	**390.2**	**(26.2)**	**364.0**

The closing loss allowance for trade receivables as at March 31, 2022 reconciles to the closing loss allowance as at March 31, 2023 as follows:

CHF million	2022/23	2021/22
Loss allowance for doubtful receivables, April 1	**(31.3)**	**(34.5)**
Utilization	1.7	3.1
Reversal	2.5	2.7
Additions	(5.3)	(3.8)
Exchange differences	0.9	1.1
Loss allowance for doubtful receivables, March 31	**(31.5)**	**(31.3)**

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables and subsequent recoveries are included in general and administration costs.

Liquidity risk

Group finance is responsible for centrally managing the net cash/debt position and to ensure that the Group's obligations can be settled on time. The Group aims to grow further and wants to remain flexible in making time-sensitive investment decisions. This overall objective is included in the asset allocation strategy. A rolling forecast based on the expected cash flows is conducted and updated regularly to monitor and control liquidity.

Visibility over the majority of bank accounts is provided by central treasury organization. Cash pools are automated and daily SWIFT balance tracking is applied where feasible.

The following table summarizes the Group's financial liabilities as of March 31, 2023 and 2022 based on contractual undiscounted payments. Bonds include the notional amount as well as interest payments.

CHF million				**31.3.2023**
	Due less than 1 year	Due 1 year to 5 years	Due more than 5 years	Total
Bank debt	0.4			0.4
Trade payables	192.9			192.9
Lease liabilities	73.4	138.2	85.3	296.9
Bonds/US Private Placement	17.8	420.8	1,179.8	1,618.4
Deferred payments	1.1	2.4		3.5
Contingent considerations	13.8	41.8	63.1	118.7
Other financial liabilities	2.1	4.4		6.5
Total financial liabilities	**301.5**	**607.6**	**1,328.2**	**2,237.3**

CHF million				**31.3.2022**
	Due less than 1 year	Due 1 year to 5 years	Due more than 5 years	Total
Bank debt	0.4			0.4
Trade payables	189.2			189.2
Lease liabilities	68.8	140.4	75.0	284.3
Bonds/US Private Placement	338.4	390.2	506.4	1,235.0
Deferred payments	23.8	2.6		26.4
Contingent considerations	13.8	39.5	69.8	123.1
Other financial liabilities	0.0	10.8		10.9
Total financial liabilities	**634.4**	**583.5**	**651.2**	**1,869.1**

Capital management

It is the Group's policy to maintain a strong equity base and to secure a continuous "investment grade" rating. The Group's strong balance sheet and earnings tracking provides for additional debt capacity.

The company aims to return excess cash to shareholders as far as not required for organic and acquisition related growth, and amortization of debt.

4.8 Financial instruments

This note discloses the categorization of financial instruments measured at fair value based on the fair value hierarchy.

Accounting policies

Financial instruments measured at fair value are allocated to one of the following three hierarchical levels:

Level 1:

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

Level 2:

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques are based on observable market data, where applicable. If all significant inputs required to value an instrument are observable, the instrument is included in level 2.

Level 3:

If a significant amount of inputs is not based on observable market data, the instrument is included in level 3. For this level, other techniques, such as discounted cash flow analysis, are used to determine fair value.

During the reporting period, there were no reclassifications between the individual levels.

The following table summarizes the financial instruments of the Group and the valuation method for financial instruments at fair value through profit and loss.

CHF million						31.3.2023
	Notes	Carrying amount	Fair value [1)]	Level 1	Level 2	Level 3
Financial assets at amortized cost						
Cash and cash equivalents	4.1	413.9				
Other financial assets	4.4	54.2				
Trade receivables	3.1	524.7				
Total		**992.8**				
Financial assets at fair value through profit or loss						
Other financial assets	4.4	3.7	3.7	1.0		2.6
Total		**3.7**	**3.7**	**1.0**		**2.6**
Financial liabilities at amortized cost						
Bank debt	4.5	0.4				
Bonds/US Private Placement	4.5	1,517.5	1,418.3	1,418.3		
Deferred payments	4.5	3.5				
Other financial liabilities	4.5	0.0				
Trade payables		192.9				
Total		**1,714.3**	**1,418.3**	**1,418.3**		
Financial liabilities at fair value through profit or loss						
Contingent considerations	4.5	85.9	85.9			85.9
Negative replacement value of forward foreign exchange contracts	4.7	2.1	2.1			2.1
Other financial liabilities	4.5	6.5	6.5			6.5
Total		**94.5**	**94.5**			**94.5**

1) For financial assets and financial liabilities measured at amortized cost, fair value information is not provided if the carrying amount is a reasonable approximation of fair value.

CHF million						31.3.2022
	Notes	Carrying amount	Fair value [1]	Level 1	Level 2	Level 3
Financial assets at amortized cost						
Cash and cash equivalents	4.1	610.5				
Other financial assets	4.4	39.1				
Trade receivables	3.1	474.3				
Total		**1,124.0**				
Financial assets at fair value through profit or loss						
Other financial assets	4.4	5.5	5.5	2.3		3.3
Total		**5.5**	**5.5**	**2.3**		**3.3**
Financial liabilities at amortized cost						
Bank debt	4.5	0.4				
Bonds/US Private Placement	4.5	1,199.6	1,170.5	1,170.5		
Deferred payments	4.5	26.4				
Other financial liabilities	4.5	0.1				
Trade payables		189.2				
Total		**1,415.6**	**1,170.5**	**1,170.5**		
Financial liabilities at fair value through profit or loss						
Contingent considerations	4.5	95.3	95.3			95.3
Negative replacement value of forward foreign exchange contracts	4.7	1.5	1.5			1.5
Other financial liabilities	4.5	10.9	10.9			10.9
Total		**107.7**	**107.7**			**107.7**

1) For financial assets and financial liabilities measured at amortized cost, fair value information is not provided if the carrying amount is a reasonable approximation of fair value.

The following table presents the changes in level 3 financial instruments for the year ended March 31, 2023 and 2022:

Financial assets at fair value through profit or loss CHF million	**2022/23**	**2021/22**
	Total	Total
Balance April 1	3.3	2.3
(Disposals)/additions, net	(0.6)	1.0
Gain recognized in profit or loss	0.0	0.0
Balance March 31	**2.6**	**3.3**

Financial liabilities at fair value through profit or loss CHF million			**2022/23**	**2021/22**
	Contingent considerations	Other financial liabilities	Total	Total
Balance April 1	(95.3)	(12.4)	(107.7)	(12.1)
PPA finalization [1)]	1.3		1.3	
Changes through business combinations	(13.3)		(13.3)	(93.3)
Cash outflow for contingent considerations	12.6		12.6	2.2
(Additions)/disposals, net		(1.2)	(1.2)	4.8
Gains/(losses) recognized in profit or loss	5.3	5.0	10.3	(9.4)
Exchange differences	3.4		3.4	
Balance March 31	**(85.9)**	**(8.6)**	**(94.5)**	**(107.7)**

1) Relates to finalization of purchase price allocation Sennheiser Consumer Division (refer to Note 6.1)

Financial liabilities at fair value through profit or loss mainly consist of contingent consideration arrangements arising from business combinations (refer to Note 6.1). The fair values are determined by considering the possible scenarios of the future performance of the acquired companies, contractual obligations and milestone achievements, the amount to be paid under each scenario and the probability of each scenario. The significant unobservable inputs are the forecast sales and other performance criteria. As at March 31, 2023 and 2022, the maximum potential payments under contingent considerations do not differ significantly from the amounts provided.

The increase in contingent considerations in the financial year 2021/22 mainly related to a license agreement for the Sennheiser brand for which a liability was recognized for the expected future licensing payments (refer to Note 6.1). The amount of the liability is determined based on a discounted cash flow calculation over a licensing period of 15 years considering five possible payment scenarios. Significant unobservable inputs used in the fair value measurement include the probability of each scenario, projected revenues, the brand licensing fee and the discount rate.

As of March 31, 2023 the fair value of the license liability amounts to CHF 64.2 million. The valuation model remained unchanged to the prior year. Significant unobservable inputs were updated based on the latest strategic plan. For the calculation a licensing fee of 2.5% for the first 8 years, 1.3% for the subsequent years and a discount rate of 2.9% was used. The gain on the fair value change of the financial liability is considered in the income statement in line “Financial income”. The Group performed a sensitivity analysis, which shows that a decrease in the discount rate of 1% would increase the licence liability as of March 31, 2023 and negatively impact income before taxes by CHF 4.0 million.

4.9 Exchange rates

The following main exchange rates were used for currency translation:

	31.3.2023	31.3.2022	2022/23	2021/22
	Year-end rates		Average rates for the year	
AUD 1	0.61	0.69	0.65	0.68
BRL 1	0.18	0.19	0.19	0.17
CAD 1	0.68	0.74	0.72	0.73
CNY 1	0.13	0.15	0.14	0.14
EUR 1	1.00	1.03	0.99	1.07
GBP 1	1.13	1.21	1.15	1.26
JPY 100	0.69	0.76	0.71	0.82
USD 1	0.91	0.92	0.96	0.92

Accounting policies

The consolidated financial statements are expressed in Swiss francs (“CHF”), which is the Group’s presentation currency. The functional currency of each Group company is based on the local economic environment to which an entity is exposed, which is normally the local currency.

Transactions in foreign currencies are accounted for at the rates prevailing on the dates of the transactions. The resulting exchange differences are recorded in the local income statements of the Group companies and included in net income.

Monetary assets and liabilities of Group companies, which are denominated in foreign currencies are translated using year-end exchange rates. Exchange differences are recorded as an income or expense. Non-monetary assets and liabilities are translated at historical exchange rates. Exchange differences arising on intercompany loans that are considered part of the net investment in a foreign entity are recorded in other comprehensive income in equity.

When translating foreign currency financial statements into Swiss francs, year-end exchange rates are applied to assets and liabilities, while average annual rates are applied to income statement accounts. Translation differences arising from this process are recorded in other comprehensive income in equity. On disposal of a Group company, the related cumulative translation adjustment is transferred from equity to the income statement.

5. Taxes

5.1 Taxes

CHF million	2022/23	2021/22
Current taxes	85.9	98.6
Deferred taxes	(28.5)	(34.0)
Total income taxes	**57.4**	**64.5**
Reconciliation of tax expense		
Income before taxes	715.6	728.2
Group's expected average tax rate	19.7%	20.0%
Tax at expected average rate	**141.1**	**145.6**
+/– Effects of		
Non-taxable income/non-tax-deductible expenses	0.9	(0.7)
Changes of unrecognized loss carryforwards/deferred tax assets	(19.8)	8.6
Local actual tax rate different to Group's expected average tax rate	(48.7)	(49.9)
Change in tax rates on deferred tax balances	0.1	5.4
Transitional effect of tax reforms [1)]	(9.2)	(17.5)
Prior year adjustments and other items, net [2)]	(7.1)	(27.0)
Total income taxes	**57.4**	**64.5**
Weighted average effective tax rate	8.0%	8.9%

1) Considering impact from annual assessment.
2) Other items include changes in uncertain tax positions.

The Group's expected average tax rate is the rate obtained by applying the expected tax rate for each jurisdiction to its respective result before taxes, adjusted for significant one-time effects. The expected tax rate might vary on a year-over-year basis depending on changes in tax regulations and where the results are achieved.

Deferred tax assets and (liabilities) CHF million			**31.3.2023**			**31.3.2022**
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Inventories	30.4	(8.3)	22.1	22.9	(6.3)	16.6
Property, plant & equipment	3.4	(6.8)	(3.4)	2.7	(8.2)	(5.4)
Intangible assets		(140.4)	(140.4)		(148.0)	(148.0)
Right-of-use assets and lease liabilities	66.6	(66.0)	0.6	66.2	(65.2)	1.0
Other assets and liabilities [1]	262.5	(51.9)	210.7	263.1	(58.2)	204.9
Tax loss carryforwards	47.6		47.6	35.1		35.1
Total tax assets (liabilities)	**410.5**	**(273.4)**	**137.1**	**390.0**	**(285.9)**	**104.1**
Offset of assets and liabilities	(159.6)	159.6		(147.1)	147.1	
Amounts in the balance sheet						
Deferred tax assets	250.9		250.9	242.9		242.9
Deferred tax liabilities		(113.9)	(113.9)		(138.8)	(138.8)
Total deferred taxes, net			**137.1**			**104.1**

1) Deferred tax assets mainly relate to provisions and contract liabilities, deferred tax liabilities mainly relate to provisions, contract assets and trade and other receivables. Including deferred tax assets in the amount of CHF 138.0 million (2021/22: CHF 128.8 million) related to tax reforms as described below.

Movement of deferred tax assets and (liabilities) CHF million							**2022/23**
	Inventories	Property, plant & equipment	Intangible assets	Right-of-use assets and lease liabilities	Other assets and liabilities	Tax loss carryforwards	Total
Balance April 1	16.6	(5.4)	(148.0)	1.0	204.9	35.1	104.1
PPA finalization [1]			9.3		1.6		10.8
Changes through business combinations			(12.4)		1.4		(11.1)
Deferred taxes recognized in the income statement [2]	6.0	2.5	3.9	(0.4)	5.8	10.6	28.5
Deferred taxes recognized in OCI [3]					6.5		6.5
Exchange differences	(0.4)	(0.6)	6.9	(0.0)	(9.5)	1.9	(1.8)
Balance March 31	**22.1**	**(3.4)**	**(140.4)**	**0.6**	**210.7**	**47.6**	**137.1**

1) Relates to finalization of purchase price allocation Sennheiser Consumer Division (refer to Note 6.1).
2) Deferred taxes recognized in the income statement include the impact from tax reforms as described below.
3) Other comprehensive income.

Movement of deferred tax assets and (liabilities) CHF million							**2021/22**
	Inventories	Property, plant & equipment	Intangible assets	Right-of-use assets and lease liabilities	Other assets and liabilities	Tax loss carryforwards	Total
Balance April 1	19.4	(4.9)	(96.9)	0.8	163.8	26.9	109.2
Changes through business combinations			(63.4)		18.5	5.5	(39.4)
Deferred taxes recognized in the income statement [1]	(2.6)	(1.2)	5.4	(0.2)	31.0	1.7	34.0
Deferred taxes recognized in OCI [2]					(9.1)		(9.1)
Exchange differences	(0.2)	0.7	6.8	0.4	0.7	1.0	9.4
Balance March 31	**16.6**	**(5.4)**	**(148.0)**	**1.0**	**204.9**	**35.1**	**104.1**

1) Deferred taxes recognized in the income statement include the impact from tax reforms as described below.
2) Other comprehensive income.

Deferred tax assets have been capitalized based on the projected future performance of the Group companies.

The gross values of unused tax loss carryforwards, which have not been capitalized as deferred tax assets, with their expiry dates are as follows:

CHF million	**31.3.2023**	**31.3.2022**
Within 1 year	10.6	24.4
Within 2–5 years	46.2	36.1
More than 5 years or without expiration	421.1	434.4
Total	**478.0**	**494.9**

Tax loss carryforwards, which have not been capitalized also include tax losses from acquired entities with limitation of use and losses that do not qualify for capitalization. The inherent uncertainty regarding the level and use of the tax losses and changes in tax regulations and laws can impact the annual assessment of these unused tax loss carryforwards.

Tax reforms

On January 1, 2020 the Federal Act on Tax Reform and AHV Financing (TRAF) entered into force. The tax reform abolished the tax regimes for holding, domiciliary and mixed companies and introduced new tax incentives with a focus to promote innovation as well as transition measures in line with the OECD principles.

In the framework of the OECD's BEPS 2.0 initiatives, over 135 jurisdictions agreed in October 2021 to implement Global Anti-Base Erosion Rules (GloBE – Pillar 2) that aim to achieve that large multinational enterprises pay at least 15% income tax in each jurisdiction they operate. In December 2021, the OECD released the respective GloBE Model Rules that provide for a coordinated system to ensure that the 15% tax on the basis of a globally harmonized tax base, considered taxes as well as a system to levy top-up tax, if required. Enactment is expected on 1 January 2024. Sonova analyzes and prepares for the additional layer of compliance.

Accounting policies

Income taxes include current and deferred income taxes. The Group is subject to income taxes in numerous jurisdictions and significant judgment is required in determining the worldwide provision for income taxes. The multitude of transactions and calculations implies the use of certain estimates and assumptions. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and outcome is uncertain. Management establishes provisions, where appropriate, on the basis of amounts expected to be at risk to be paid to the tax authorities.

Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax is recorded on the valuation differences (temporary differences) between the tax bases of assets and liabilities and their carrying values in the consolidated balance sheet. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences and tax losses can be offset. Deferred income tax liabilities are provided for non-taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Accounting judgements and estimates

The consolidated balance sheet includes deferred tax assets of CHF 112.9 million (previous year CHF 114.1 million) related to deductible differences and, in certain cases, tax loss carry forwards, provided that their utilization is considered probable. The recoverable value is based on forecasts of the corresponding taxable Group company over a period of several years. As actual results may differ from these forecasts, the deferred tax assets may need to be adjusted accordingly.

Deferred tax assets further include CHF 138.0 million (previous year: CHF 128.8 million) related to tax reforms as described above. The calculation of the deferred tax assets required management to make significant estimates and assumptions. Some of these estimates are based on interpretations of existing tax laws or regulations. Whenever circumstances have changed or there is new information that affects these judgements, the estimates will be reassessed.

6. Changes in Group structure

6.1 Acquisitions/disposals of subsidiaries

Acquisitions financial year 2022/23

On December 5, 2022, Sonova Holding AG completed the acquisition of 100% of Hubei Hysound Health Technology Corp. Ltd, Wuhan (China) and Shanghai Chengting Technology Corp. Ltd, Shanghai (China) (HYSOUND Group). The HYSOUND Group is one of the leading nationwide chains of audiological care clinics in China with around 200 clinics in over 20 provinces and more than 70 cities across China.

In addition to the acquisition above, during the financial year 2022/23 several small businesses were acquired in EMEA, USA, Americas and Asia/Pacific. All of these companies acquired are in the business of producing and/or distributing and servicing hearing instruments. Due to the size of these transactions, they had no material impact on the financial statements.

Acquisitions/disposals financial year 2021/22

On March 1, 2022, Sonova Holding AG completed the acquisition of 100% of the Consumer Division from Sennheiser electronic GmbH & Co. KG, Wedemark (Germany). The Sennheiser Consumer division concentrates on the business of headphones and hearables for private customers and operates with around 600 employees worldwide through a broad online and in-store distribution network. As part of the acquisition, Sonova secured a perpetual license for the Sennheiser brand, under which both existing and new consumer hearing devices will be marketed.

On March 1, 2022, Sonova Holding AG completed the acquisition of 100% of Alpaca Group Holdings LLC, Delaware (USA). Alpaca Audiology is one of the largest independent networks of audiological clinics in the US. The company has over 500 employees and operates around 220 clinics across the country.

In addition to the acquisitions above, during the financial year 2021/22 several small businesses were acquired in EMEA, North America and Asia/Pacific and one small business was divested in Asia.

Assets and liabilities resulting from the acquisitions are as follows:

CHF million	2022/23				2021/22
	Total	Sennheiser Consumer Division	Alpaca Audiology	Others	Total
Cash and cash equivalents	10.1	65.4	0.6	16.7	82.8
Trade receivables	2.8	8.3	2.8	3.3	14.5
Inventories	3.9	49.5	2.9	3.0	55.5
Other current operating assets	4.0	32.5	2.7	0.9	36.1
Total current assets	**20.8**	**155.8**	**9.1**	**24.0**	**188.8**
Property, plant and equipment	2.9	13.3	2.7	4.9	20.9
Right-of-use assets	13.5	3.5	9.7	17.4	30.7
Intangible assets	50.5	175.4	83.2	47.3	306.0
Other non-current assets	0.0	0.1		0.7	0.8
Deferred tax assets	1.4	14.3		3.0	17.4
Total non-current assets	**68.3**	**206.7**	**95.7**	**73.4**	**375.8**
Current financial liabilities	(1.2)	(0.0)	(1.4)	(0.8)	(2.2)
Current lease liabilities	(3.4)	(0.9)	(2.4)	(4.4)	(7.7)
Trade payables	(4.2)	(4.5)	(4.4)	(4.1)	(13.0)
Short-term contract liabilities			(6.9)	(2.4)	(9.3)
Other short-term operating liabilities	(11.2)	(23.5)	(1.4)	(7.1)	(32.0)
Short-term provisions	(1.2)	(8.7)	(0.6)	(2.1)	(11.4)
Total current liabilities	**(21.2)**	**(37.6)**	**(17.1)**	**(20.8)**	**(75.5)**
Non-current financial liabilities	0.0	(0.0)	(1.5)	(0.4)	(1.9)
Non-current lease liabilities	(10.1)	(2.6)	(7.3)	(13.1)	(23.0)
Long-term provisions	(0.1)	(2.3)		(1.6)	(4.0)
Other long-term operating liabilities		(6.9)			(6.9)
Deferred tax liabilities	(12.4)	(30.5)	(3.0)	(12.6)	(46.0)
Total non-current liabilities	**(22.6)**	**(42.3)**	**(11.7)**	**(27.7)**	**(81.8)**
Net assets	**45.3**	**282.6**	**75.9**	**48.9**	**407.3**
Goodwill	198.5	47.9	210.4	120.5	378.9
Purchase consideration	**243.8**	**330.6**	**286.3**	**169.4**	**786.2**
Liabilities for contingent considerations and deferred payments [1]	(13.7)	(98.0)		(14.4)	(112.4)
Cash and cash equivalents acquired	(10.1)	(65.4)	(0.6)	(16.7)	(82.8)
Cash outflow for contingent considerations and deferred payments	35.2		0.3	8.7	8.9
Cash consideration for acquisitions, net of cash acquired	**255.2**	**167.1**	**286.0**	**146.9**	**600.0**

1) Contingent considerations (earn-out payments) are dependent on the future performance of the acquired companies as well as contractual conditions. The liability for contingent considerations is based on the latest estimate of the future performance.

The initial accounting for the acquisitions completed in the current financial year is provisional and the fair values assigned to the identifiable assets acquired and liabilities assumed are still subject to change.

Liabilities for contingent considerations amount to CHF 13.2 million and deferred payments amount to CHF 0.5 million. Contingent considerations are dependent on the future performance of the acquired companies as well as contractual obligations and milestone achievements. Goodwill is attributed mainly to economies of scale and expected synergies such as favorable sales growth potential, increase in share of Sonova products within acquired distribution companies and cost reductions in administrative and corporate functions as well as to the labor force. Recognized goodwill is not expected to be deductible for income tax purposes.

Acquisition-related intangible assets in the amount of CHF 50.5 million for the acquisitions in the current financial year relate to customer relationships (CHF 47.4 million) and trademarks (CHF 3.1 million). The assigned lifetime range is between 10 and 15 years for customer relationships and 3 years for trademarks. On these intangibles deferred taxes have been considered.

Acquisition-related transaction costs in the amount of CHF 8.3 million (previous year CHF 9.0 million) were expensed and are included in the line "General and administration".

April 1 to March 31, CHF million	**2022/23**				**2021/22**
	Total	Sennheiser Consumer Division	Alpaca Audiology	Others	Total
Contribution of acquired companies from date of acquisition					
Sales	38.3	8.8	8.2	40.4	57.4
Net income	8.0	(8.0)	(0.0)	2.1	(5.9)
Contribution, if the acquisitions had occurred on April 1					
Sales	80.3	245.7	97.0	70.2	412.9
Net income	15.6	1.7	0.1	8.8	10.6

Finalization of purchase price allocation Sennheiser Consumer Division

During the financial year 2022/23, the purchase price allocation (PPA) of the acquisition of the Sennheiser Consumer Division was finalized, resulting in some fair value adjustments to the identifiable assets acquired and liabilities assumed. Adjustments compared to the provisional PPA relate to intangible assets and deferred tax liabilities and resulted in a decrease in the goodwill of CHF 14.9 million. As a result of adjusting mechanism in the share purchase agreement, the final purchase price increased by CHF 5.0 million and an additional cash consideration of CHF 5.9 million was made during the financial year 2022/23. Liabilities for contingent considerations include a liability in connection with a license agreement (for further information refer to Note 4.8). As the effect on the financial statements 2021/22 is not material, the prior year information has not been restated.

The final fair values of the net assets acquired are as follows:

CHF million

	Final Fair Values disclosed 2022/23	PPA finalization	Provisional values disclosed 2021/22
Inventories	49.5	(1.2)	50.8
Other current assets	106.3	0.0	106.2
Total current assets	**155.8**	**(1.2)**	**157.0**
Intangible assets	175.4	9.6	165.8
Deferred tax assets	14.3	1.6	12.8
Other non-current assets	16.9	(0.1)	17.1
Total non-current assets	**206.7**	**11.0**	**195.7**
Short-term provisions	(8.7)	1.6	(10.2)
Other current liabilities	(28.9)	0.7	(29.6)
Total current liabilities	**(37.6)**	**2.3**	**(39.9)**
Long-term provisions	(2.3)	(1.4)	(0.9)
Deferred tax liabilities	(30.5)	9.3	(39.7)
Other non-current liabilities	(9.5)		(9.5)
Total non-current liabilities	**(42.3)**	**7.8**	**(50.1)**
Net assets	**282.6**	**20.0**	**262.6**
Goodwill	47.9	(14.9)	62.9
Purchase consideration	**330.6**	**5.0**	**325.5**
Liabilities for contingent considerations and deferred payments	(98.0)	1.3	(99.3)
Cash and cash equivalents acquired	(65.4)	(0.4)	(65.0)
Cash consideration for acquisitions, net of cash acquired	**167.1**	**5.9**	**161.2**

Accounting policies

Business combinations are accounted for using the acquisition method of accounting. The cost of a business combination is equal to the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Sonova Group, in exchange for control over the acquired company. Any difference between the cost of the business combination and the net fair value of the identifiable assets, liabilities, and contingent liabilities recognized is treated as goodwill. Goodwill is not amortized, but is assessed for impairment annually, or more frequently if events or changes in circumstances indicate that its value might be impaired (Refer to Note 3.5). Acquisition-related costs are expensed. For each business combination, the Group recognizes the non-controlling interests in the acquiree at fair value or at the non-controlling interests proportionate share in the recognized amounts of the acquiree's identifiable net assets.

If a business combination is achieved in stages (control obtained over an associate), the previously held equity interest in an associate is remeasured to its acquisition date fair value and any resulting gain or loss is recognized in "financial income/expenses" in profit or loss.

Accounting judgements and estimates

Business combinations

In the course of recognizing assets and liabilities from business combinations, management judgments might be required for the following areas:

- Acquisition-related intangibles resulting from technology, customer relationships, client lists, or brand names.
- Contingent consideration arrangements.

Liabilities for contingent considerations

Contingent considerations are dependent on the future performance of the acquired companies as well as contractual obligations. If the future performance is not achieved or the estimate needs to be revised, the liability is adjusted accordingly, with a resulting change in the income statement. At the end of the 2022/23 financial year, such liabilities contingent on future events amount to CHF 85.9 million (previous year CHF 95.3 million) and are disclosed under other financial liabilities (Note 4.5).

6.2 Investments in associates/joint ventures

The Group's share in the results as well as in assets and liabilities of associates/joint ventures, all unlisted enterprises, is as follows:

CHF million	2022/23	2021/22
Current assets	4.6	4.7
Non-current assets	4.4	4.7
Total assets	**9.0**	**9.4**
Current liabilities	(2.1)	(1.2)
Non-current liabilities	(1.3)	(0.9)
Total liabilities	**(3.4)**	**(2.0)**
Net assets	**5.6**	**7.4**
Income for the year	9.2	7.6
Expenses for the year	(5.3)	(4.6)
Profit for the year	**3.9**	**3.0**
Net book value at year-end	18.7	22.3
Share of profit/(loss) recognized by the Group	3.9	3.0

In the financial year 2022/23, no associates were acquired/divested.

In the financial year 2021/22, the Group acquired a 27% interest in an associate for a total consideration of CHF 1.6 million. In addition, the Group acquired four associates with interests between 25% and 50% as part of an acquisition in the Asia/Pacific region. All associates are in the business of selling hearing instruments.

Sales to associates in the 2022/23 financial year amounted to CHF 12.2 million (previous year CHF 10.9 million). At March 31, 2023, trade receivables towards associates amounted to CHF 2.8 million (previous year CHF 2.6 million).

At the end of the 2022/23 and 2021/22 financial years, no unrecognized losses existed.

Investments with a net book value of CHF 18.7 million (previous year CHF 22.2 million) have a business year different than the Sonova Group. The latest available information for the respective companies are as per December 2022.

Accounting policies

Investments in associates and joint ventures are accounted for using the equity method of accounting. Investments in associates are entities in which Sonova has a significant influence but no control (usually 20% – 50% of voting rights). Joint ventures are joint arrangements whereby two or more parties have rights to the net assets of the arrangement.

Under the equity method, the investment in an associate/joint venture is recognized initially at cost (including goodwill on acquisition) and the carrying amount is increased or decreased to recognize Sonova's share of profit or loss of the associate/joint venture after the acquisition date. When the Group's share of losses in an associate/joint venture equals or exceeds its interest in the associate/joint venture, no further losses are recognized, unless there is a legal or constructive obligation. In order to apply the equity method the most recent available financial statements of an associate/joint venture are used, however, due to practicability reasons the reporting dates might vary up to three months from the Group's reporting date.

7. Other disclosures

7.1 Number of employees

On March 31, 2023, the Sonova Group employed the full time equivalent (FTE) of 17,608 people (previous year 16,733). They were engaged in the following regions and activities:

By region	31.3.2023	31.3.2022
Switzerland	1,482	1,445
EMEA (excl. Switzerland)	7,311	7,238
Americas	4,409	4,285
Asia/Pacific	4,406	3,765
Total	**17,608**	**16,733**
By activity		
Research and development	1,211	1,100
Operations	4,397	4,668
Sales and marketing, general and administration	12,000	10,965
Total	**17,608**	**16,733**

The average number of employees (full time equivalents) of the Sonova Group for the year was 17,191 (previous year 15,114). Total personnel expenses for the 2022/23 financial year amounted to CHF 1,255.4 million (previous year CHF 1,131.9 million).

7.2 Transactions and relations with members of the Management Board and the Board of Directors

CHF million	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	Management Board		Board of Directors		Total	
Short-term employee benefits	6.2	9.6	2.1	1.5	8.3	11.1
Post-employment benefits	0.7	0.7			0.7	0.7
Share based payments	5.3	5.0	1.8	1.6	7.1	6.6
Total	**12.1**	**15.2**	**3.9**	**3.1**	**16.1**	**18.4**

The total compensation to the Management Board for the 2022/23 reporting period, as shown above, relates to eight active members (2021/22: nine active members and one former member).

The total compensation to the Board of Directors for the 2022/23 reporting period, as shown above, relates to 10 active members (2021/22: nine active members and two former members).

Transactions between the Group and the various post-employment benefit plans for the employees of the Group are described in Note 7.3.

Further information in accordance with Swiss law relating to remuneration and ownership of shares and options of the Board of Directors and the Management Board can be found in the Note 3.6 of the financial statements of Sonova Holding AG.

7.3 Employee benefits

Defined benefit plans

Sonova Group's retirement plans include defined benefit pension plans in Switzerland, Austria, Belgium, Canada, France, Germany and Israel. These plans are both funded and unfunded and governed by local regulations using independent actuarial valuations according to IAS 19. Sonova Group's major defined benefit plan is located in Switzerland, which in total accounts for CHF 438.6 million or 98.6% (previous year CHF 471.0 million or 98.7%) of Sonova's defined benefit obligation.

Pension plans in Switzerland

The current pension arrangement for employees in Switzerland is made through a plan governed by the Swiss Federal Occupational Old Age, Survivors and Disability Pension Act (BVG). The plan of Sonova's Swiss companies is administered by a separate legal foundation, which is funded by regular employer and employee contributions as defined in the pension fund rules. The Swiss pension plan contains a cash balance benefit which is, in essence, contribution-based with certain minimum guarantees. Due to these minimum guarantees, the Swiss plan is treated as a defined benefit plan for the purposes of these IFRS financial statements, although it has many of the characteristics of a defined contribution plan. The plan is invested in a diversified range of assets in accordance with the investment strategy and the common criteria of asset and liability management. A potential under-funding may be remedied by various measures such as increasing employer and employee contributions or reducing prospective benefits. Above a set insured salary, the savings capital will be split into pension-accumulating and capital-accumulating savings capital. The pension-accumulating savings capital will generate a life-long retirement pension upon retirement. The capital-accumulating savings capital will generate a one-off capital payment upon retirement. An annuity rate of 5.4% to the individual accumulated retirement savings capital was applied for the financial years 2022/23 and 2021/22.

As of March 31, 2023, 1,514 employees (previous year 1,476 employees) and 165 beneficiaries (previous year 154 beneficiaries) are insured under the Swiss plan. The defined benefit obligation has a duration of 14.3 years (previous year 15.7 years).

The results of all defined benefit plans are summarized below:

Amounts recognized in the balance sheet CHF million	**31.3.2023**	**31.3.2022**
Present value of funded obligations	(444.9)	(477.3)
Fair value of plan assets	512.3	516.2
Net present value of funded plans	**67.4**	**39.0**
Present value of unfunded obligations	(12.5)	(15.0)
Total assets (liabilities), net	**54.9**	**24.0**
Asset ceiling	(67.8)	
(Liabilities)/assets in the balance sheet, net	**(12.8)**	**24.0**
Amounts in the balance sheet:		
Retirement benefit obligation	(12.8)	(15.7)
Retirement benefit asset		39.7
(Liabilities)/assets in the balance sheet, net	**(12.8)**	**24.0**

Remeasurements recognized in equity CHF million	**2022/23**	**2021/22**
Balance April 1	(34.4)	21.4
Actuarial losses/(gains) from		
– changes in demographic assumptions	(0.0)	3.6
– changes in financial assumptions	(63.6)	(53.8)
– changes in experience adjustments	2.3	27.7
Return on plan assets excluding interest income	30.4	(33.1)
Change in asset ceiling	67.8	
Balance March 31	**2.5**	**(34.4)**

Amounts recognized in the income statement CHF million	**2022/23**	**2021/22**
Current service cost [1]	18.4	20.0
Net interest cost	(0.3)	0.1
Total employee benefit expenses [2]	**18.0**	**20.1**

1) Excluding Participants' contributions.
2) The amount recognized in the consolidated income statement 2022/23 has been charged to:
– cost of sales CHF 2.5 million (previous year CHF 2.8 million);
– research and development CHF 7.4 million (previous year 6.8 million);
– sales and marketing CHF 3.9 million (previous year 3.7 million);
– general and administration CHF 4.6 million (previous year CHF 6.6 million);
– financial income CHF -0.3 million (previous year financial expenses CHF 0.1 million).

Movement in the present value of the defined benefit obligations CHF million	**2022/23**	**2021/22**
Beginning of the year	492.2	495.5
Interest cost	6.0	1.6
Current service cost	18.4	20.0
Participants' contributions	15.1	13.8
Benefits paid, net	(12.3)	(23.2)
Actuarial loss on obligations	(61.3)	(22.6)
Changes through business combinations		6.8
Transfers		1.3
Exchange differences	(0.7)	(0.9)
Present value of obligations at end of period	**457.4**	**492.2**

Movement in the fair value of the plan assets CHF million	**2022/23**	**2021/22**
Beginning of the year	516.2	474.1
Interest income on plan asset	6.2	1.5
Employer's contributions paid	17.3	16.4
Participants' contributions	15.1	13.8
Benefits paid, net	(11.8)	(22.4)
Return on plan assets excluding interest income	(30.4)	33.1
Exchange differences	(0.2)	(0.2)
Fair value of plan assets at end of period	**512.3**	**516.2**

The plan assets consist of:	**31.3.2023**	**31.3.2022**
Cash	1.7%	2.9%
Domestic bonds	19.0%	17.3%
Foreign bonds	7.8%	7.7%
Domestic equities	11.0%	12.3%
Foreign equities	29.1%	29.9%
Real estates	15.1%	14.6%
Alternative investments	16.3%	15.4%

All of the plan assets have quoted market prices. The actual return on plan assets amounted to CHF –24.3 million (previous year CHF 34.6 million). The expected employer's contributions for the Swiss retirement benefit plan to be paid in the 2023/24 financial year amount to CHF 17.0 million.

Principal actuarial assumptions Swiss retirement benefit plan (weighted average)	**2022/23**	**2021/22**
Discount rate	2.10%	1.20%
Future salary increases	1.00%	1.00%
Future pension increases	0%	0%
Fluctuation rate	BVG 2020	BVG 2020
Demography	BVG 2020GT	BVG 2020GT

The following sensitivity analysis shows how the present value of the benefit obligation for the Swiss retirement benefit plan would change if one of the principal actuarial assumptions was changed. For the analysis, changes in the assumptions were considered separately and no interdependencies were taken into account.

Sensitivity analysis – impact on defined benefit obligation CHF million	**31.3.2023**	**31.3.2022**
Discount rate		
Discount rate +0.25%	(14.1)	(16.8)
Discount rate –0.25%	16.0	19.2
Salary growth		
Salary growth +0.25%	0.8	1.0
Salary growth –0.25%	(0.7)	(1.0)
Pension growth		
Pension growth +0.5%	15.4	18.5
Fluctuation rate		
Fluctuation rate +5%	(1.8)	(15.0)
Fluctuation rate –5%	3.2	21.4

Defined contribution plans

Several of the Group's entities have a defined contribution plan. The employer's contributions amounted to CHF 26.4 million in the year ended March 31, 2023 (previous year CHF 22.1 million) and are recognized directly in the income statement.

Accounting policies

Most employees are covered by post-employment plans sponsored by corresponding Group companies in the Sonova Group. Such plans are mainly defined contribution plans (future benefits are determined by reference to the amount of contributions paid) and are generally administered by autonomous pension funds or independent insurance companies. These pension plans are financed through employer and employee contributions. The Group's contributions to defined contribution plans are charged to the income statement in the year to which they relate.

The Group also has several defined benefit pension plans, both funded and unfunded. Accounting and reporting of these plans are based on annual actuarial valuations. Defined benefit obligations and service costs are assessed using the projected unit credit method, with the cost of providing pensions charged to the income statement so as to spread the regular cost over the service lives of employees participating in these plans. The pension obligation is measured as the present value of the estimated future outflows using interest rates of high quality corporate bonds, which have terms to maturity approximating the terms of the related liability. Service costs from defined benefit plans are charged to the appropriate income statement heading within the operating results.

A single net interest component is calculated by applying the discount rate to the net defined benefit asset or liability. The net interest component is recognized in the income statement in the financial result.

Actuarial gains and losses, resulting from changes in actuarial assumptions and differences between assumptions and actual experiences, are recognized in the period in which they occur in "Other comprehensive income" in equity.

Accounting judgements and estimates

The Sonova Group has various employee benefit plans. Most of its salaried employees are covered by these plans, of which some are defined benefit plans. The present value of the defined benefit obligations at the end of the 2022/23 financial year amounts to CHF 457.4 million (previous year CHF 492.2 million). This includes CHF 438.6 million (previous year CHF 471.0 million) from the Swiss pension plan. With such plans, actuarial assumptions are made for the purpose of estimating future developments, including estimates and assumptions relating to discount rates, and future wage as well as pension trends. Actuaries also use statistical data such as mortality tables and staff turnover rates with a view to determining employee benefit obligations. If these factors change due to a change in economic or market conditions, the subsequent results could deviate considerably from the actuarial reports and calculations. In the medium term, such deviations could have an impact on the equity.

7.4 Equity plans

Equity plans are offered annually to the members of the Board of Directors (BoD), to the members of the Management Board (MB) as well as to other management and senior employees of the Group, entitling them to receive long-term incentives in the form of equity plans free of charge. Equity plans are settled either with Sonova Holding AG shares (equity-settled share-based payment) or for certain US employees with an equivalent amount in cash (cash-settled share-based payment). The amount granted varies depending on the degree of management responsibility held.

In the 2022/23 and 2021/22 financial years, as part of the Executive Equity Award Plan (EEAP) Sonova granted restricted shares, restricted share units (RSUs), performance share units (PSUs), options, and for US employees, share appreciation rights (SARs). Options as well as PSUs granted to the Management Board in 2022/23 and 2021/22 include a performance criterion.

The following share-based payment costs have been recognized in the financial years:

CHF million	**2022/23**	**2021/22**
Equity-settled share-based payment costs	21.5	19.9
Cash-settled share-based payment costs	(0.4)	13.6
Total share-based payment costs	**21.0**	**33.5**

The following table shows the outstanding options and/or SARs, granted as part of the EEAP 2017 to 2023. All of the equity instruments listed below (except for the non-recurring performance options granted to the COO (now CEO) in 2017/18) vest in 4 equal tranches, annually over a period of 4 years. The non-recurring performance options granted to the CEO vest earliest on April 1, 2023, subject to the achievement of the performance criteria.

Summary of outstanding options and SARs granted until March 31, 2023:

Financial year granted	Instruments granted	First vesting date/ expiry date	Granted	Exercise price (CHF)	Outstanding	Average remaining life (years)	Exercisable
2016/17	Options/SARs [1]	1.6.2018 31.1.2024	378,652	130.00	83,219	0.8	83,219
2017/18	Options/SARs [2]	1.4.2023 30.9.2027	47,415	147.85	47,415	4.5	
2017/18	Options [3]	1.6.2019 31.1.2028	341,943	147.85	146,413	5.8	146,413
2018/19	Options/SARs [4]	1.6.2020 31.1.2029	249,760	182.40	144,288	5.8	97,648
2019/20	Options/SARs [5]	1.6.2021 31.1.2030	208,245	241.80	152,242	6.8	72,299
2020/21	Options/SARs [6]	1.6.2022 31.1.2031	170,694	218.70	143,931	7.8	34,280
2021/22	Options/SARs [7]	1.6.2023 31.1.2032	112,656	333.60	105,310	8.8	
2022/23	Options/SARs [8]	1.6.2024 31.1.2033	138,302	233.40	137,288	9.8	
Total			**1,647,667**		**960,106** [9]	**6.5**	**433,859** [10]
Thereof:							
Equity-settled			1,464,258		885,588		407,780
Cash-settled			183,409		74,518		26,079

1) Including 147,948 performance options, granted to the CEO and MB members.
2) Non-recurring performance options, granted to the COO (now CEO). Terms have been amended in the financial year 2020/21 – for further details refer to section "Options" in this note.
3) Including 150,114 performance options, granted to the CEO and MB members.
4) Including 80,850 performance options, granted to the CEO and MB members.
5) Including 77,574 performance options/SAR, granted to the CEO and MB members.
6) Including 61,779 performance options/SAR, granted to the CEO and MB members.
7) Including 38,252 performance options/SAR, granted to the CEO and MB members.
8) Including 46,012 performance options/SAR, granted to the CEO and MB members.
9) Weighted average exercise price of outstanding options/SARs amounts to CHF 209.62.
10) Weighted average exercise price for exercisable options/SARs amounts to CHF 173.46.

The fair value of options and/or SARs is calculated at the grant date by using an "Enhanced American Pricing Model". The expected volatility is based on historical measures. The main valuation assumptions used for the options and/or SARs granted in the current and in the previous financial year are as follows:

Assumptions for valuation at grant date	EEAP 2023 – Management Board Options/SARs	EEAP 2023 Options/SARs	EEAP 2022 – Management Board Options/SARs	EEAP 2022 Options/SARs
Valuation date	1.2.2023	1.2.2023	1.2.2022	1.2.2022
Expiry date	31.01.2033	31.01.2033	31.01.2032	31.01.2032
Restriction period	5 years		5 years	
Share price on grant date	CHF 233.40	CHF 233.40	CHF 333.60	CHF 333.60
Exercise price	CHF 233.40	CHF 233.40	CHF 333.60	CHF 333.60
Volatility	31.0%	31.0%	26.8%	26.8%
Expected dividend yield	2.0%	2.0%	1.4%	1.4%
Weighted risk free interest rate	1.7%	1.6%	0.3%	0.2%
Weighted average fair value of options/SARs issued	**59.40**	**57.96**	**71.31**	**69.27**

Options

The exercise price of options is equal to the market price of Sonova Holding AG shares on the SIX Swiss Exchange at grant date. The fair value of the options granted is estimated at grant date and recorded as an expense over the corresponding vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period (including adjustments due to re-assessments of the likely ROCE targets achievements for performance options granted to the CEO and the other members of the MB) to ensure that only a charge for vested amounts occur. Options may be exercised after the vesting date, until their expiry date. If options are exercised, one share per option from the conditional share capital is issued, or treasury shares are used for fulfillment. In the financial year 2022/23 and 2021/22 the options granted to the CEO and the members of the MB include a restriction period of 5 years, which was considered in the fair value of the options at grant date.

Changes in outstanding options:		**2022/23**		**2021/22**
	Number of options	Weighted average exercise price (CHF)	Number of options	Weighted average exercise price (CHF)
Outstanding options at April 1	903,075	198.29	1,005,440	175.89
Granted [1)]	123,258	233.40	101,860	333.60
Exercised [2)]	(114,480)	149.16	(177,606)	148.03
Forfeited	(26,265)	252.17	(26,619)	205.45
Outstanding options at March 31	**885,588**	**207.93**	**903,075**	**198.29**
Exercisable at March 31	**407,780**	**171.89**	**347,871**	**154.48**

1) 2022/23 includes 42,477 performance options (previous year 35,483 performance options), granted to the CEO and MB members.
2) The total consideration from options exercised amounted to CHF 32.5 million (previous year CHF 44.2 million). The weighted average share price of the options exercised during the year 2022/23 was CHF 314.62 (previous year CHF 299.17).

Share appreciation rights (SARs)

The exercise price of SARs is generally equal to the market price of Sonova Holding AG shares on the SIX Swiss Exchange at grant date. Upon exercise of SARs, an employee shall be paid an amount in cash equal to the number of shares for which the employee exercised SARs, multiplied by any surplus, of the per share market price at the date of exercise versus the per share exercise price (determined at the date of grant of SARs). The initial fair value of the SARs is in line with the valuation of the options of the respective period and recorded as an expense over the corresponding vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period (including adjustments due to re-assessments of the likely ROCE targets achievements for performance options/SARs granted to the members of the MB) to ensure that only a charge for vested amounts occur. Until the liability is settled, it is revalued at each reporting date recognizing changes in fair value in the income statement. The SARs may be sold after the vesting date, until they expire, except for the SARs granted to members of the MB in the financial year 2022/23 and 2021/22, which include a restriction period of 5 years.

Changes in outstanding SARs:		**2022/23**		**2021/22**
	Number of SARs	Weighted average exercise price (CHF)	Number of SARs	Weighted average exercise price (CHF)
Outstanding SARs at April 1	82,622	215.19	114,028	184.84
Granted [1)]	15,044	233.40	10,796	333.60
Exercised	(17,165)	159.87	(33,286)	150.16
Forfeited	(5,983)	238.17	(8,916)	213.24
Outstanding SARs at March 31 [2)]	**74,518**	**229.76**	**82,622**	**215.19**
Exercisable at March 31 [3)]	**26,079**	**197.98**	**24,558**	**172.19**

1) 2022/23 includes 3,535 performance SARs granted to an MB member (previous year 2,769).
2) The carrying amount of the liability relating to the SARs at March 31, 2023 is CHF 3.9 million (previous year CHF 10.4 million).
3) The intrinsic value of the SARs exercisable at March 31, 2023 amounts to CHF 1.8 million (previous year CHF 5.3 million).

Performance share units (PSUs)

In 2023, as well as in the previous year, grants made to the members of the Management Board under the EEAP consist of PSUs. The PSUs are measured on relative TSR (rTSR) against the constituents of a recognized index. The fair value of a PSU at grant date was based on a “Monte-Carlo valuation”. PSUs entitle the holder up to two shares per PSU, subject to the achievement of the performance criterion. PSUs granted are subject to a restriction period, which was considered in the fair value of the PSU at grant date. Upon vesting of the PSUs, the respective shares are either created out of the conditional share capital or treasury shares are used. The cost of the PSUs granted is expensed over their vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period, to ensure that only vested amounts are expensed.

Assumptions for valuation at grant date	PSU 2023	PSU 2022
Valuation date	1.2.2023	1.2.2022
Date of grant	1.2.2023	1.2.2022
Share price on grant date	CHF 233.40	CHF 333.60
Fair value	CHF 243.35	CHF 334.87
End of restriction period	31.1.2028	31.1.2027
Performance conditions	Total shareholder return (TSR)	Total shareholder return (TSR)
TSR performance period	1.2.2023 – 31.3.2026	1.2.2022 – 31.3.2025
TSR comparator group	Swiss Leader Index (SLI)	Swiss Leader Index (SLI)

Restricted share units (RSUs)

Under the EEAP grants 2018 to 2023, entitled employees have been granted RSUs. The value of an RSU is equal to the market price of Sonova Holding AG shares on the SIX Swiss Exchange on the grant date, adjusted for the fair value of expected dividends, as RSUs are not entitled to dividends. RSUs entitle the holder to one share per RSU after the vesting period. In the case of RSUs granted to the CEO (2014 to 2018) and the other members of the MB (EEAP 2014 to 2017), vesting of these shares is dependent on the fulfillment of the performance criteria which remains the achievement of a pre-defined minimum return on capital employed (ROCE) target. Upon vesting of the RSUs, the respective shares are either created out of the conditional share capital or treasury shares are used. The cost of the RSUs granted is expensed over their vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period to ensure that only vested amounts are expensed.

Restricted shares

In addition to the PSUs granted in respect to the EEAP 2023 and 2022, restricted shares have been granted to the Chairman of the Board of Directors as well as to the other members of the Board of Directors in the financial year 2022/23 and 2021/22. These shares are entitled to dividends and are restricted for a period of 64 months (Chairman), respectively 52 months (other members of the Board of Directors).

The costs for the restricted shares granted to the members of the Board of Directors have been fully expensed in the 2022/23 financial year as these shares have no vesting period.

Changes in outstanding PSUs/RSUs/Restricted shares:				2022/23				2021/22
	Number of PSUs	Number of RSUs	Number of restricted shares	Total	Number of PSUs	Number of RSUs	Number of restricted shares	Total
Balance April 1	31,420	197,664	44,800	273,884	40,244	233,157	53,591	326,992
Granted	15,992	73,489	7,750	97,231	20,676	49,758	4,941	75,375
Settled	(13,792)	(59,714)	(12,498)	(86,004)	(29,500)	(69,799)	(13,732)	(113,031)
Forfeited		(17,608)		(17,608)		(15,452)		(15,452)
Balance March 31	**33,620**	**193,831**	**40,052**	**267,503**	**31,420**	**197,664**	**44,800**	**273,884**

In addition to the plans described above a cash-settled share based payment arrangement exists in relation to an acquisition entered in the financial year 2019/20. A portion of the deferred payments of that transaction can be settled in Sonova shares (number of shares granted 102,421) or in cash at the discretion of the counterparties and represent share-based payments as the payment is linked to employment conditions. The fair value of the shares granted of CHF 21.3 million was calculated at grant date (July 8, 2019) representing the share price on that date and considering that the shares are not entitled to dividends. The associated cost is expensed over the vesting period (four equal tranches vesting equally over four years). Until the liability is settled, it is revalued at each reporting date recognizing changes in the fair value in the income statement. Due to the discretion of the counterparties to request cash payments, the equity plan is classified as a “cash-settled share based payment plan”. For this cash-settled share based payment plan, the corresponding liability is recorded under “Other short-term operating liabilities” in the balance sheet. As per March 31, 2023 the liability amounts to CHF 6.4 million (previous year CHF 15.7 million). The third tranche vested in the financial year 2022/23 and a liability of CHF 8.4 million (previous year CHF 9.0 million) was transferred to equity as the beneficiaries opted for settlement in Sonova shares.

Accounting policies

The Board of Directors of Sonova Holding AG, the Management Board, and certain management and senior employees of other Group companies participate in equity compensation plans. The fair value of all equity compensation awards granted to employees is determined at the grant date and recorded as an expense over the vesting period. The expense for equity compensation awards is charged to the appropriate income statement heading within the operating result and an equivalent increase in equity (for equity-settled compensation) or financial liability (for cash-settled compensation) is recorded. In the case of cash-settled compensation, until the liability is settled, it is revalued at each reporting date, recognizing changes in the fair value in the income statement.

7.5 Government grants

The Group's result for the financial year 2022/23 includes government support received worldwide in connection with the COVID–19 pandemic in the amount of CHF 1.9 million (prior year: CHF 1.1 million). Most of the government grants relate to compensation of salary costs (furlough) and is recognized as a deduction from the costs in the following functional line items of the consolidated income statement:

April 1 to March 31, CHF million	2022/23	2021/22
Cost of sales	0.0	0.3
Research and development	0.0	0.1
Sales and marketing	0.4	0.6
General and administration	1.4	0.1
Total	**1.9**	**1.1**

Accounting policies

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Government grants are presented as a deduction from the relevant functional cost line item in the income statement.

7.6 Events after the balance sheet date

There have been no material events after the balance sheet date.

7.7 List of significant companies

Company name	Activity	Domicile (country)	Share/paid-in capital [1] Local currency 1,000		Shares held
Switzerland					
Sonova Holding AG	A	Stäfa	CHF	3,058	100%
Sonova AG	A, B, C, D	Stäfa	CHF	2,500	100%
Advanced Bionics AG	A, B	Stäfa	CHF	4,350	100%
EMEA (excluding Switzerland)					
Boots Hearing Care Ltd.	B	Conwy (UK)	GBP	0 [2]	51%
SOD Invest SAS	A	Cahors (FR)	EUR	58,600	100%
Sonova Audiological Care Austria GmbH	B	Wals-Himmelreich (AT)	EUR	450	100%
Sonova Audiological Care France SAS	B	Cahors (FR)	EUR	58,800	100%
Sonova Audiological Care Italia S.r.l	B	Milan (IT)	EUR	1,166	100%
Sonova Audiological Care Nederland B.V.	B	Rotterdam (NL)	EUR	19	100%
Sonova Audiological Care Polska Sp.z.o.o.	B	Lodz (PL)	PLN	678	100%
Sonova Consumer Hearing GmbH	A, B	Wedemark-Hannover (DE)	EUR	26,000	100%
Sonova Deutschland GmbH	B	Fellbach (DE)	EUR	41	100%
Sonova France S.A.S.	B	Bron-Lyon (FR)	EUR	1,000	100%
Sonova Ibérica S.A.U.	B	San Vicente del Raspeig (ES)	EUR	7,000	100%
Sonova Retail Belgium NV	B	Groot-Bijgaarden(BE)	EUR	3,686	100%
Sonova Retail Deutschland GmbH	B	Dortmund (DE)	EUR	1,000	100%
Sonova UK Ltd.	B	Warrington (UK)	GBP	2,500	100%

Activities:
A Holding/Finance: The entity is a holding or finance company.
B Sales: The entity performs sales and marketing activities.
C Production: This entity performs manufacturing for the Group.
D Research: This entity performs research and development activities for the Group.
1) Share/paid-in capital may not reflect the taxable share/paid-in capital amount and does not include any paid-in surplus.
2) GBP 133

Company name	Activity	Domicile (country)	Share/paid-in capital 1) Local currency 1,000		Shares held
Americas					
Advanced Bionics Corp.	A	Valencia (US)	USD	1	100%
Advanced Bionics LLC	B, C, D	Valencia (US)	USD	0 2)	100%
Alpaca Group Holdings, LLC	A	Delaware (US)	USD	298,893	100%
Connect Hearing Inc.	B	Aurora (US)	USD	0 3)	100%
Development Finance Inc.	A	Aurora (US)	USD	0 4)	100%
National Hearing Services Inc.	B	Kitchener (CA)	CAD	0 2)	100%
Sonova Canada Inc.	B	Mississauga (CA)	CAD	0 2)	100%
Sonova Consumer Hearing USA LLC	B	Old Lyme (US)	USD	20,000	100%
Sonova do Brasil Produtos Audiológicos Ltda.	B	Sao Paulo (BR)	BRL	120,379	100%
Sonova United States Hearing Instruments, LLC	A	Aurora (US)	USD	0 2)	100%
Sonova USA, Inc.	B	Aurora (US)	USD	46,608	100%
Asia/Pacific					
Hubei Hysound Health Technology Corp. Ltd.	B	Wuhan (CN)	CNY	1,000	100%
Shanghai Chengting Technology Corp. Ltd	B	Shanghai (CN)	CNY	18,871	100%
Sonova (Shanghai) Co., Ltd.	B	Shanghai (CN)	CNY	20,041	100%
Sonova Audiological Care Australia Pty. Ltd	B	NSW (AU)	AUD	58,000	100%
Sonova Audiological Care New Zealand Ltd	B	Auckland (NZ)	NZD	20,450	100%
Sonova Australia Pty Ltd	B	Norwest (AU)	AUD	10,475	100%
Sonova Hearing (Beijing) Co., Ltd	B	Beijing (CN)	CNY	44,932	100%
Sonova Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY	46,249	100%
Sonova Operation Center Vietnam Co., Ltd.	C	Binh Duong (VN)	VND	36,156,000	100%

Activities:
A Holding/Finance: The entity is a holding or finance company.
B Sales: The entity performs sales and marketing activities.
C Production: This entity performs manufacturing for the Group.
D Research: This entity performs research and development activities for the Group.
1) Share/paid-in capital may not reflect the taxable share/paid-in capital amount and does not include any paid-in surplus.
2) Without par value
3) USD 1
4) USD 10

7.8 Other accounting policies

Investments in subsidiaries

Investments in subsidiaries are fully consolidated. These are entities over which Sonova Holding AG directly or indirectly exercises control. Control exists when the Group is exposed, or has rights, to variable returns from its relationship with an entity and has the power to affect those returns. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can clearly demonstrate that such ownership does not constitute control. For the consolidated entities, 100% of assets, liabilities, income, and expenses are included. Non-controlling interests in equity and net income or loss are shown separately in the balance sheet and income statement. Changes in the ownership interest of a subsidiary that do not result in a loss of control will be accounted for as an equity transaction. Hence, neither goodwill nor any gains or losses will result.

Group Companies acquired during the year are included in the consolidation from the date on which control over the company transferred to the Group. Group companies divested during the year are excluded from the consolidation as of the date the Group ceased to have control over the company. Intercompany balances and transactions (including unrealized profit on intercompany inventories) are eliminated in full.

Related parties

A party is related to an entity if the party directly or indirectly controls, is controlled by, or is under common control with the entity, has an interest in the entity that gives it significant influence over the entity, has joint control over the entity or is an associate or a joint venture of the entity. In addition, members of the Board of Directors and the Management Board or close members of their families are also considered related parties as well as post-employment plan organizations (pension funds) for the benefit of Sonova employees. No related party exercises control over the Group.

Building a better working world

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

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Sonova Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Goodwill

Area of focus	Our audit response
As of 31 March 2023, the Group has goodwill of CHF 2,401.3 million representing 43% of the Group’s total assets and 108% of the Group’s total equity. Per note 3.5, goodwill is tested for impairment at least annually. In performing the impairment analysis, management applies considerable judgment in respect of future market and economic conditions, such as economic growth, expected inflation rates, demographic developments, expected market share, revenue and margin development of the cash generating units (CGUs) to which goodwill has been allocated. Changes in these assumptions might lead to a change in the carrying value of goodwill. We focused on this area given the significant judgment applied in the assessment process.	We assessed and tested the assumptions, including weighted average cost of capital (WACC), methodologies and technical input parameters for the valuation model applied by the Group. We involved our internal valuation specialists to assist us with these audit procedures. In addition, we evaluated the cash flow projections for the CGUs by performing a retrospective assessment of the accuracy of management’s past projections and analyzing management’s business forecasts. In particular, we focused on the sensitivity in the available headroom of the CGUs and whether reasonably possible changes in assumptions could cause the carrying amount of the CGUs to exceed its recoverable amount. Our audit procedures did not lead to any reservations regarding the carrying value of goodwill.

Provisions for product liabilities

Area of focus	Our audit response
As of 31 March 2023, the Group has provisions for product liabilities of CHF 58.5 million. Per note 3.7, provisions for product liabilities consider the expected cost for claims in relation to the voluntary recall of cochlear implant products of Advanced Bionics in 2006 and Advanced Bionics voluntary field corrective action regarding cochlear implant products in 2020. Cost includes replacement products, medical expenses, compensation for actual damages as well as legal fees. We focused on this area given the uncertainty in the assumptions and estimates of the provision, as it largely depends on the outcome of administrative and legal proceedings.	We assessed management’s process for the identification and evaluation of claims and analyzed the calculation models to determine the amount of the provisions for product liabilities. We tested the mathematical accuracy of the model, assessed key input factors such as number of devices in the market, failure rates, claim rates and costs per case. We enquired with the Group’s legal counsel about disputes in relation to product liabilities and analyzed responses from legal letters obtained from third-party legal representatives. We also reviewed the Group’s disclosures made in the consolidated financial statements. Our audit procedures did not lead to any reservations regarding the provision for product liabilities.

Other information in the annual report

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors’ responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse’s website at: http://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 10 May 2023

Ernst & Young Ltd

Martin Mattes
Licensed audit expert
(Auditor in charge)

Pascal Solèr
Licensed audit expert

Financial statements of Sonova Holding AG

Income statement

CHF million	Notes	2022/23	2021/22
Income			
Investment income		326.8	270.4
Financial income	2.1	17.9	20.0
Total income		**344.6**	**290.4**
Expenses			
Administration expenses		(10.7)	(11.8)
Other expenses		(0.8)	(0.9)
Depreciation and amortization		0.0	(8.6)
Financial expenses	2.1	(62.5)	(79.1)
Direct taxes		(0.5)	(0.2)
Total expenses		**(74.5)**	**(100.5)**
Net profit for the year		**270.1**	**189.9**

Balance sheet

Assets CHF million	Notes	31.3.2023	31.3.2022
Cash and cash equivalents		4.8	152.3
Other receivables			
– Third parties		0.1	0.0
– Group companies		24.4	5.4
Prepaid expenses		0.3	2.3
Total current assets		**29.6**	**160.1**
Financial assets	2.2		
– Third parties		2.0	1.5
– Group companies		1,539.8	1,567.9
Investments	2.3	498.4	477.4
Total non-current assets		**2,040.2**	**2,046.8**
Total assets		**2,069.8**	**2,206.9**

Liabilities and shareholders' equity CHF million	Notes	31.3.2023	31.3.2022
Trade account payables			
– Third parties		0.1	0.0
Short-term interest-bearing liabilities			
– Third parties		4.8	4.7
– Group companies			18.7
Bond	2.4		330.0
Other short-term liabilities to third parties		1.2	24.8
Accrued liabilities		8.9	8.2
Total short-term liabilities		**15.0**	**386.5**
Bonds	2.4	1,514.6	866.2
Other long-term liabilities to third parties		0.1	0.2
Total long-term liabilities		**1,514.8**	**866.4**
Total liabilities		**1,529.8**	**1,252.9**
Share capital		3.1	3.2
Legal reserves			
– General reserves		1.8	1.8
– Legal reserves for treasury shares held by subsidiaries		5.7	11.4
Voluntary retained earnings			
– Balance carried forward		682.7	1,457.3
– Net profit for the year		270.1	189.9
Treasury shares			
– Treasury shares	2.5	(423.3)	(709.6)
Total shareholders' equity		**540.0**	**954.0**
Total liabilities and shareholders' equity		**2,069.8**	**2,206.9**

Notes to the financial statements of Sonova Holding AG as of March 31, 2023

1. General information

The financial statements of Sonova Holding AG, with registered office in Stäfa, comply with the requirements of Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations, 'SCO'). The company does not have any employees (previous year: none).

2. Accounting principles

2.1 Financial income/expenses

Financial income/expenses consists of gains and losses from sale/transfer of shares in relation to long-term incentive plans, realized/unrealized foreign exchange gains and losses as well as interest income/expenses.

2.2 Financial assets

Financial assets contain loans to third parties as well as to Group companies and are recognized at cost less adjustments for foreign currency losses and impairment of value. Loans granted in foreign currency are translated at balance sheet date.

2.3 Investments

Investments consist mainly of participations in fully consolidated Group companies. They are subject to individual valuation.

2.4 Bonds

Bonds are valued at nominal value. Any bond premium/discount is accrued/capitalized and released/amortized linearly over the term.

2.5 Treasury shares

Treasury shares are recognized at cost and deducted from shareholders' equity. The gain or loss from sale is recognized in the income statement as financial gain or financial loss.

3. Information on income statement and balance sheet items

3.1 Bonds

As of March 31, 2023, the Group has the following bonds/US Private Placement outstanding:

Financial liabilities	Currency	Nominal value	Interest rate	Maturity
US Private Placement	USD	180	2.84%	July 14, 2025
Fixed-rate bond	CHF	200	0.50%	October 6, 2025
Fixed-rate bond	CHF	300	0.75%	October 6, 2028
Fixed-rate bond	CHF	200	1.05%	February 19, 2029
Fixed-rate bond	CHF	100	0.00%	October 11, 2029
Fixed-rate bond	CHF	200	1.95%	December 12, 2030
Fixed-rate bond	CHF	250	1.40%	February 19, 2032
Fixed-rate bond	CHF	100	0.40%	October 11, 2034

3.2 Treasury shares

On March 29, 2022, Sonova Holding AG announced that its Board of Directors approved a share buyback program of up to CHF 1.5 billion. The program started in April 2022 and is expected to run over a period of up to 36 months. During financial year 2022/23, 1,532,910 treasury shares were bought under the share buyback program and are intended to be cancelled (proposal to the Annual Shareholders' Meeting June 12, 2023).

Treasury shares held by Sonova Holding AG Number/CHF million

	Number	Treasury shares at cost
Balance April 1, 2022	2,033,260	709.6
Purchase of treasury shares from share buyback	1,532,910	421.5
Purchase of treasury shares	180,000	56.4
Sale/Transfer of treasury shares	(193,075)	(32.1)
Cancellation of treasury shares	(2,012,438)	(702.8)
Loss from sale of treasury shares		(29.2)
Balance March 31, 2023	**1,540,657**	**423.3**

Treasury shares held by subsidiaries Number/CHF million

	Number	Legal reserves for treasury shares held by subsidiaries
Balance April 1, 2022	51,211	11.4
Sale/Transfer of treasury shares	(25,605)	(5.7)
Balance March 31, 2023	**25,606**	**5.7**

3.3 Contingent liabilities

CHF million	**31.3.2023**	**31.3.2022**
Letters of comfort given on behalf of Group companies	9.7	9.6
Guarantees given in respect of rental obligations of Group companies	3.1	4.1

The Swiss Sonova entities form a VAT group and, hence, every company participating in the group is jointly and severally liable for VAT debt of other group participants. Further Sonova Group companies participating in the cash pool are jointly and severally liable for any debit position or outstanding overdraft in connection with them.

3.4 List of investments

Company name	Activity	Domicile	Share/paid-in capital [1] Local currency 1,000		Shares held by Sonova Holding
Switzerland					
Sonova AG	A,B,C,D	Stäfa	CHF	2,500	100%
Phonak AG	A	Stäfa	CHF	1,000	100%
Sonova Communications AG	B, C, D	Murten	CHF	500	100%
Verve Hearing Systems AG	A	Stäfa	CHF	100	100%
EMEA (excluding Switzerland)					
Sonova Audiological Care Austria GmbH	B	Wals-Himmelreich (AT)	EUR	450	100%
Sonova Belgium NV	A, B	Asse Zellik (BE)	EUR	15,311	100%
Sonova Holding GmbH	A	Fellbach-Oeffingen (DE)	EUR	153	85% [2]
Sonova Denmark A/S	B	Middelfart (DK)	DKK	14,182	78% [2]
Sonova Ibérica S.A.U.	B	San Vincente del Raspeig (ES)	EUR	7,000	100%
Sonova Audiological Care France SAS	B	Cahors (FR)	EUR	58,800	1% [2]
Sonova France SAS	B	Bron-Lyon (FR)	EUR	1,000	30% [2]
SCI Du Triangle De Bron	A	Bron-Lyon (FR)	EUR	46	100%
Sonova Hungary KFT	B	Budapest (HU)	HUF	5,000	100%
Sonova Italia S.R.L.	B	Milan (IT)	EUR	1,040	100%
Sonova Nederland B.V.	B	Vianen (NL)	EUR	227	100%
Sonova Norway AS	B	Oslo (NO)	NOK	1,854	49% [2]
Sonova Polska Sp. Z o.o.	B	Warsaw (PL)	PLN	100	100%
Sonova Warsaw Service Center Sp.Z.o.o.	A	Warsaw (PL)	PLN	100	100%
Sonova RUS LLC	B	Moscow (RU)	RUB	4,000	100%
Sonova Nordic AB	B	Solna (SE)	SEK	200	100%
Sonova Sweden AB	B	Solna (SE)	SEK	100	100%
Sonova UK Ltd.	B	Warrington (UK)	GBP	2,500	100%
Boots Hearing Care Ltd.	B	Llandudno (UK)	GBP	0 [3]	51%

For significant indirect investments refer to Note 7.7 of the consolidated financial statements of Sonova Holding AG.
Description:

A Holding/Finance: The entity is a holding or finance company.
B Sales: The entity performs sales and marketing activities for the group.
C Production: This entity performs manufacturing for the group.
D Research: This entity performs research and development activities for the group.
1) Share/paid in capital may not reflect the taxable share/paid-in capital amount and does not include any paid-in surplus.
2) The remaining shares are held by a subsidiary of Sonova Holding AG.
3) GBP 133

Company name	Activity	Domicile	Share/paid-in capital [1] Local currency 1,000		Shares held by Sonova Holding
Americas					
CAS Argosy Participações Ltda.	B	São Paulo (BR)	BRL	22,014	100%
Sonova Canada Inc.	B	Mississauga (CA)	CAD	0 [3]	85% [2]
Sonova Mexico Soluciones S.A. de C.V.	B	Ciudad de Mexico (MX)	MXN	94,050	85% [2]
AudioNova Mexico S.A. de C.V.	B	Ciudad de Mexico (MX)	MXN	66,050	99% [2]
Sonova United States Hearing Instruments, LLC	B	Aurora (US)	USD	0 [3]	73% [2]
Sound Pharmaceuticals, Inc.	A	Seattle (US)	USD	13,105	31%
Asia/Pacific					
Sonova Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY	46,249	100%
Sonova (Shanghai) Co., Ltd	B	Shanghai (CN)	CNY	20,041	80% [2]
Sonova India Private Limited	B	Mumbai (IN)	INR	459	56% [2]
Sonova Japan Co., Ltd.	B	Tokyo (JP)	JPY	10,000	100%
Sonova Korea Ltd.	B	Seoul (KR)	KRW	50,000	100%
Sonova New Zealand (Wholesale) Ltd.	B	Auckland (NZ)	NZD	250	100%
Sonova Singapore Pte. Ltd.	B	Singapore (SG)	SGD	250	100%
Sonova Taiwan Pte. Ltd.	B	Zhonge City (TW)	TWD	3,100	100%
Sonova Operation Center Vietnam Co., Ltd.	C	Thuan An (VN)	VND	36,156,000	100%
Sonova Vietnam Company Limited	B	Ho Chi Minh City (VN)	VND	2,088,000	70% [2]

For significant indirect investments refer to Note 7.7 of the consolidated financial statements of Sonova Holding AG.
Description:
A Holding/Finance: The entity is a holding or finance company.
B Sales: The entity performs sales and marketing activities for the group.
C Production: This entity performs manufacturing for the group.
1) Share/paid in capital may not reflect the taxable share/paid-in capital amount and does not include any paid-in surplus.
2) The remaining shares are held by a subsidiary of Sonova Holding AG.
3) Shares without par value

3.5 Significant shareholders

The following overview shows the significant shareholders as of March 31, 2023 based on shareholdings recorded in the share register and notifications on the SIX Swiss Exchange online reporting platform. Significant shareholders may also hold non-registered shares.

	2023 [1]	2023 [2]	2022 [1]	2022 [2]
	No. of shares	In %	No. of shares	In %
Beda Diethelm [3]	6,712,878	10.98	6,712,878	10.63
Family of Hans-Ueli Rihs [3] [4]	3,683,649	6.02	3,683,648	5.83
BlackRock, Inc.	3,334,293	5.10	3,334,293	5.10
MFS Investment Management [5]	1,847,415	3.02	n/a	<3
The Capital Group Companies, Inc [6]	n/a	<3	3,087,638	4.89
UBS Fund Management (Switzerland) AG	n/a	<3	1,948,684	3.03

1) Or at last reported date if shareholdings are not registered in the share register.
2) On the basis of the shares registered in the commercial register at last reported date.
3) Beda Diethelm and Hans-Ueli Rihs were already shareholders before the Initial Public Offering in November 1994. There are no shareholders' agreements among these individuals and they can trade freely.
4) Hans-Ulrich Rihs, Gabriela Rihs and Stefan Rihs as a group jointly control 3,683,649 registered shares (corresponding to 6.02% of total Sonova share capital) pursuant to the last disclosure notice. These shares were previously controlled by Hans-Ulrich Rihs as a single shareholder.
5) MFS Investment Management, formerly known as Massachusetts Financial Services, is held by Sun Life Financial Inc which is traded on the TSX, NYSE and PSE (ticker symbol SLF)
6) The Capital Group Companies, Inc is held by (i) Capital Research and Management Company ("CRMC"), (ii) Capital Group Private Client Services, Inc. and (iii) Capital International, Inc.

3.6 Shareholdings and participations of the Board of Directors and the Management Board

	31.03.2023				31.03.2022			
	Shares	Restricted Shares [1] [3]	PSUs/RSUs [3]	Options (incl. SARs) [3]	Shares	Restricted Shares [2] [3]	PSUs/RSUs [3]	Options (incl. SARs) [3]
Board of Directors	114,939	33,980	–	65,228	84,817	34,672	700	96,016
Management Board	24,878		31,356	378,940	41,589		34,194	417,423
Total	**139,817**	**33,980**	**31,356**	**444,168**	**126,406**	**34,672**	**34,894**	**513,439**

1) These shares are subject to a restriction period which varies from June 1, 2023 to June 1, 2028 depending on the grant date.
2) These shares are subject to a restriction period which varies from June 1, 2022 to June 1, 2027 depending on the grant date.
3) For further details see also Note 7.4 in the consolidated financial statements.

For further details to shareholdings in the company by members of the Board of Directors and by members of the Management Board, in accordance with Swiss Code of Obligation article 663c, refer to the compensation report of Sonova Holding AG.

3.7 Events after the balance sheet date

There have been no material events after the balance sheet date.

Appropriation of available earnings

As proposed by the Board of Directors to the Annual General Shareholders' Meeting of June 12, 2023:

CHF million	**31.3.2023**
Balance carried forward from previous year	682.7
Net profit for the year	270.1
Voluntary retained earnings	**952.8**
Cancellation of treasury shares [1]	(421.5)
Dividend distribution [2]	(274.1)
Balance to be carried forward	**257.2**

1) Subject to approval at the Annual General Shareholders' Meeting of Agenda Item 6 (Capital Reduction Through Cancellation of Shares).

2) If the Annual General Shareholders' Meeting approves the proposed appropriation of available earnings, a gross dividend of CHF 4.60 per registered share of CHF 0.05 will be paid out (previous year: CHF 4.40).

Building a better working world

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

Report of the statutory auditor on the financial statements

Opinion

We have audited the financial statements of Sonova Holding AG, which comprise the statement of financial position as at 31 March 2023 and the statement of income for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of investments in subsidiaries

Area of focus	Our audit response
As of 31 March 2023, investments in subsidiaries of the Company amounted to CHF 498.4 million and represent 24 % of total assets. Investments in subsidiaries are valued at historical cost less any impairment of value. The Company values investments in subsidiaries individually (single-asset-valuation principle). Refer to note 2.3 (Investments) in the financial statements for further details.	Our audit procedures included understanding the Company's investment in subsidiaries impairment testing process and the determination of key assumptions. We evaluated the Company's impairment testing model and key assumptions. We further corroborated the Company's key assumptions applied based on internally and externally available evidence and underlying data. Our audit procedures did not lead to any reservations relating to the valuation of investments in subsidiaries.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, 10 May 2023

Ernst & Young Ltd

Martin Mattes Licensed audit expert (Auditor in charge)	Pascal Solèr Licensed audit expert

Investor information

Financial calendar

June 12, 2023
General Shareholders' Meeting of Sonova Holding AG

November 21, 2023
Publication of Semi-Annual Report as of September 30, 2023

May 14, 2024
Publication of Annual Report as of March 31, 2024

June 11, 2024
General Shareholders' Meeting of Sonova Holding AG

Financial information
Corporate & ad hoc news
Annual Reports
Semi-Annual Reports
IR presentations
www.sonova.com/en/investors

Information on the General Shareholders' Meeting
Invitation and agenda
General Shareholders' Meeting presentations
General Shareholders' Meeting minutes
www.sonova.com/en/AGM

IR online news service
IR News Service
www.sonova.com/en/services-and-contacts

Capital structure and shareholder rights

Share data
www.sonova.com/en/investors/share-data

Shareholder structure
www.sonova.com/en/investors/shareholder-structure

Shareholder participation rights
www.sonova.com/en/investors/shareholder-participation-rights

Regulations and principles
Articles of Association
Organizational Regulations
Rules on Board Operations and Procedures
Committee Charters
Code of Conduct
Supplier Principles
www.sonova.com/en/regulations-principles

Contact form

www.sonova.com/en/services-and-contacts

Sonova Headquarters

Sonova Holding AG
Investor Relations
Laubisrütistrasse 28
CH-8712 Stäfa
Switzerland
Phone: +41 58 928 33 33
Fax: +41 58 928 33 99
Email: ir@sonova.com
Internet: www.sonova.com

Senior Director Group Investor Relations

Thomas Bernhardsgrütter

Director Investor Relations

Jessica Grassi

Investor Relations Associate

Nicole Jenni

Share register

ShareCommService AG
Europastrasse 29
CH-8152 Glattbrugg
Switzerland
Phone: +41 44 809 58 53
Fax:+41 44 809 58 59

ESG Report 2022/23

Sonova ESG Report 2022/23

Message from the CEO

Dear readers,

Sonova's long-standing commitment to good environmental, social, and governance (ESG) practice is based on straightforward logic: we are convinced that verifiable improvement in sustainability performance is the right thing to do based on our values, and that it is also an essential contributor to long-term market success. An uncertain global environment – one that includes climate change, talent scarcity, public health risks, macroeconomic instability, and geopolitical conflict – makes it even more important to accelerate our actions in this regard. Sustainable practice sustains our business as well as customer and employee engagement.

Through our businesses, we make a positive impact on the quality of life of millions of people every day, enabling them to enjoy the delight of hearing using our innovative solutions. We aspire just as much to have a positive effect on our employees, society in general, and the environment. Our *IntACT* ESG strategy, launched two years ago, puts this aspiration into specific targets and concrete actions. Throughout the 2022/23 financial year, we have made good progress in further implementing this strategy.

Progress on Sonova's *IntACT* ESG strategy

On the environmental side we have further reduced our global carbon footprint. Including our Consumer Hearing business and Alpaca for all years, we have been cutting our greenhouse gas emissions by 22% across our value chain since 2019. We are also carbon neutral in our own production facilities and 100% of our electricity consumption now comes from renewable sources. In 2022/23, we established ambitious climate targets that commit us to reducing greenhouse gas emissions across our value chain in line with the standards set by the Science Based Targets initiative (SBTi). These targets, currently in validation by SBTi, commit us to significantly reduce our scope 1-3 emissions, while continuing to grow our business substantially.

In the midst of difficult global circumstances, we were proud to be able to maintain consistently high levels of employee engagement, including a stable 82% employee engagement rate in the last financial year. We are also happy to report that 97% of non-production or assembly employees now have a personal development plan – overachieving our 2022/23 target. Employee health and wellbeing remains a key priority for us: we launched a global wellbeing framework and program that puts particular focus on mental health, including the training of around 200 leaders in the first year on how to recognize and address early signs of mental challenges.

We have long been determined to improve local hearing care access by helping to train hearing care professionals (HCPs) to the highest international standards. Our Swiss International Hearing Academy (SIHA) offers a pioneering blended-learning program in audiology for aspiring HCPs worldwide, making training viable in countries where vocational education facilities are limited or non-existent. We overachieved our target to train and certify 250 HCPs in low- and middle-income countries through the SIHA program by 2022/23: 270 HCPs were certified over the past two years, and over 250 additional people were actively enrolled in the program at the end of this financial year.

We continued implementing our human rights due diligence framework, created in alignment with international standards such as the United Nations Guiding Principles on Business and Human Rights. We launched a Human Rights Policy, conducted our second human rights risk assessment, and kicked off further on-site assessments to evaluate our actual human rights impacts. We also launched a tool to assess sustainability risks for our suppliers and engage with them to improve their own practices.

Ambitious ESG targets

Our ESG targets are ambitious, and we have not achieved all of them. Although we initiated a program to reduce the environmental footprint of our packaging, our overall absolute weight of packaging increased in 2022/23, mostly due to strong business growth; we are therefore unlikely to reach our target of a 20% reduction in packaging by the end of the 2023/24 financial year. On the social side, we increased the share of women in key positions over the past two years to 34.5%, getting us closer to our ambitious target of 40%. However, a challenging talent hiring market has slowed progress. We will also continue to intensify our strong focus on advancing product reliability in our hearing instruments to achieve our target of a 20% year-on-year improvement. We set ambitious targets as a spur to immediate and sustained action; not achieving some of them is, for us, a further incentive to strengthen our execution and continue to strive for significant progress.

External recognition and transparent ESG reporting

Major sustainability indices and rating agencies confirm Sonova’s strong ESG performance: the 2022 Dow Jones Sustainability Index ranked Sonova second out of 268 companies in the healthcare equipment and supplies industry. The disclosure ratings agency CDP gave us a grade of A- and put us in the top 12% in the medical equipment and supplies industry – ranking us among the leaders for climate action and for transparency in reporting. Sonova strives to apply the same rigor and intensity to the improvement, measurement, analysis, and reporting of our ESG performance indicators as we apply to our financial ones. ESG objectives remain part of the variable cash compensation of each member of the Management Board.

As part of our commitment to transparent stakeholder dialogue, we have been publishing this dedicated ESG Report for over ten years. Its form and content are guided by international reporting frameworks, including GRI, SASB, and TCFD. Sonova has been a signatory of the UN Global Compact since 2016, and we fully endorse its ten principles governing human rights, labor, environment, and anti-corruption. GRI 2-22

There is still a lot of work to be done. Together with more than 17,000 colleagues all over the world, we will continue to strive for improvement, driving impactful actions for our society and our planet.

Arnd Kaldowski
Chief Executive Officer

ESG Report 2022/23

2022/23 highlights and recognitions

2022/23 sustainability highlights

Sonova has made significant achievements and progress on its targets during the 2022/23 financial year.

More than **17,600** employees worldwide (FTEs)	**– 22%** scope 1, 2 and 3 greenhouse gas (CO_2e) emissions vs. 2019[1]	**270** hearing care professionals trained in low- and middle-income countries through the SIHA program since 2021/22
100% renewable electricity in our own operations worldwide	More than **54%** of our people managers are women	**82%** employee engagement score in the annual HearMe survey
2/3 of our leaders are recruited internally	Submitted **SBTi** science-based reduction targets for scope 1, 2, and 3 CO_2e emissions (pending validation)	More than **2,880** hearing aids fitted through Hear the World Foundation projects
10% of the variable cash compensation of the Management Board is linked to ESG performance	We launched a new tool to assess sustainability risks for our suppliers and engage with them to improve their practices	More than **1,800** active granted patent and design rights owned by Sonova

1) Including Sennheiser, our Consumer Hearing business and Alpaca for all years.

2022/23 recognitions, frameworks and initiatives supported

Sonova has been regularly and continuously recognized by various leading ESG rating agencies, and included in sustainability indices, including during the 2022/23 financial year. Sonova's reporting on its ESG performance is made in accordance with several global reporting frameworks to enhance transparency and comparability.

ESG ratings & indices

Member of the Dow Jones Sustainability Indices since 2014; ranked 2nd out of 268 companies in the health care equipment and supplies industry in 2022.

Awarded the second-highest CDP score of 'A-' in 2022, placing Sonova in the top 12% of the medical equipment and supplies industry.

Rated "Prime" with a score of B in the 2022 ISS ESG Corporate Rating, placing Sonova in the top 2% of the health care equipment and supplies industry.

Included as a constituent company in the FTSE4Good Index Series since 2014, ranked in the top 10% of the health care sector.

Rated AA (on a scale of AAA-CCC) in the 2022 MSCI ESG Ratings assessment[1].

Frameworks and initiatives supported

Sonova's ESG Report has been prepared in accordance with Global Reporting Initiative (GRI) Standards since 2012/13.

Sonova has applied the Task Force on Climate-related Financial Disclosures (TCFD) framework for climate-related risk reporting since 2021/22.

Sonova has used the Sustainability Accounting Standards Board (SASB) standard for the medical equipment and supplies industry since 2020/21.

Since 2016, Sonova has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labor, environment and anti-corruption.

1) The use by Sonova of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Sonova by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

Sonova ESG Report 2022/23

Vision, values and business model

We strive to improve the lives of millions of people with our hearing solutions. Beyond serving our customers and consumers across all our business areas, we aspire to create benefits for the economy, the environment, and society as a whole.

Vision, values and business model

Sonova's vision is the foundation of all our activities: We envision a world where everyone enjoys the delight of hearing and therefore lives a life without limitations. Our core values are shared throughout the organization. These values drive our daily actions and foster the corporate culture that defines and unites us as a company across all brands and regions. Several recent acquisitions– including the Sennheiser Consumer Division, Alpaca and HYSOUND Group – have given us the opportunity to share our vision and values with new colleagues around the globe.

GRI 2-6

- **We care:** We care for our employees, customers, and consumers, as well as our shareholders and society.
- **We drive innovation:** We courageously pioneer new ideas and approaches to come up with impactful innovations, to delight customers and consumers.
- **We strive for excellence:** We act with agility. We aim to excel. We are continuously working on improving products, services, processes, and skills, to realize growth.
- **We take accountability:** We deliver on our commitments. We take accountability to provide outcomes in agreed quality and time, always acting with integrity.
- **We build the best team:** We team up. We grow talent. We collaborate with people of diverse backgrounds to win with the best team in the marketplace.

Our commitment to act responsibly and create long-term value for all our stakeholders is embodied in the Sonova Group Code of Conduct and is deeply rooted in our corporate vision, values, and culture. Sonova's business model serves and supports people in need of hearing services and devices with excellence, innovation, and the use of technology at its best. Sonova is a global leader in innovative hearing care solutions: from personal audio devices and wireless communication systems to audiological care services, hearing aids and cochlear implants. The Group serves an ever-growing consumer base in more than 100 countries. More information about our four businesses can be found in the Strategy and businesses section of our Annual Report 2022/23.

Sonova ESG Report 2022/23

Stakeholder engagement

Sonova strives to keep an open and transparent dialog and seeks meaningful exchanges with its stakeholders. We actively engage through a broad range of communication channels to promote participative and integrated decision-making.

SDG 17.16

Stakeholder groups

GRI 2-29

Sonova recognizes the importance of stakeholder engagement in promoting our long-term success. We regularly interact with our stakeholders to identify their specific interests in our business activities, products, and services, as well as to obtain valuable input to aid our decision-making process. We have defined five key groups of stakeholders:

- Customers and consumers
- Employees
- Shareholders
- Suppliers
- Academia and opinion leaders

Further stakeholder groups that are important to Sonova include: the financial community, media, regulators, insurers, competitors, and industry bodies.

Approach to stakeholder engagement

Customers and consumers

At Sonova, our business model is founded on fostering business-to-business (hearing care professionals, clinics, retailers) and business-to-consumer (end users, patients) relationships. To ensure effective communication, Sonova has established specific channels of engagement tailored to the differing needs.

We greatly value dialog with our business-to-business customers and facilitate this through our knowledgeable sales representatives, brand tracker surveys, customer satisfaction surveys, advisory network, knowledge management and sharing, customer hotline and support, audiology conferences, online customer communities, and complaint management channels. We provide a broad range of professional training and courses that address the various specializations in the hearing care industry. We also organize e-learning seminars, road shows, face-to-face in-clinic training, and provide marketing materials to help transfer our knowledge and train hearing care specialists.

We engage with end users and patients through satisfaction surveys and communities such as the Phonak Pediatric Advisory Board. The Phonak Pediatric Advisory Board helps steer Phonak's pediatric product development and establish best practice to support the needs of children with hearing loss. Members of the Pediatric Advisory Board include parents of children with hearing loss, researchers and professors in pediatric audiology, and master pediatric clinicians. HearingLikeMe.com is an online community for people whose lives are affected by hearing loss. For our Consumer Hearing business, the Explorers Community unites activities such as surveys, customer interviews, and forums to seek customer feedback and insights that are used for new innovative products. In addition, the Sennheiser Smart Control app enables customer surveys at the launch of each product.

Employees

We regularly interact with our employees through e.g. "HearMe," the annual employee engagement survey; "Pulse" monthly surveys; and the annual appraisal and development process. We also interact via townhall meetings and our OneSonova intranet. The annual employee appraisal meeting is essential for assessing satisfaction, providing feedback, and defining expectations for both behavior and performance. The annual development meeting supports each employee's personal and professional development and helps to build trustful relationships by providing a platform for open dialog. These exchanges are often accompanied by quarterly follow-up meetings, and line managers are encouraged to hold regular one-on-one exchanges with their team members.

Shareholders

Sonova has 28,446 registered shareholders, who together own 61.33% of the total shares. Shareholders' interests are represented by the Board of Directors, which sets and oversees the general direction of Sonova. The Annual Report is published for our shareholders and other stakeholders, and we hold an Annual General Shareholders' Meeting, which provides a forum for discussion and debate as well as an opportunity to vote on compensation for the Management Board and the Board of Directors.

Suppliers

Our relationship with our suppliers is governed by Sonova's Group Supplier Principles (SGSP), which are based on a range of international standards, customer requirements, and industry characteristics. We have a regular exchange with our key suppliers, and we assess our high ESG risk suppliers using EcoVadis, a global value-chain performance assessment and monitoring tool. Suppliers and other parties can raise concerns through our anonymous whistleblowing platform SpeakUp.

Academia and opinion leaders

We collaborate with multiple universities such as the University of Zurich (Switzerland), the University of Hannover (Germany), the University of Oldenburg (Germany), Vanderbilt University in Nashville (United States), the University of Melbourne (Australia), the University of Queensland (Australia), the University of Western Ontario in Waterloo (Canada), the Swiss Federal Institutes of Technology (ETH) in Zurich and Lausanne, Switzerland and the University of Manchester (United Kingdom). We foster close cooperation with these partners by offering support towards diploma theses for Master's degree or PhD students. We financially support numerous studies and, when appropriate, participate in the actual work by closely collaborating on research projects. Sonova experts also actively engage in the scientific community by participating in seminars and conferences as well as by co-authoring scientific studies in journals.

Financial community

As a publicly listed company on the SIX Swiss exchange, Sonova pursues an open and active information policy. A governing principle of this policy is to treat all our stakeholders alike and share information at the same time. We interact extensively with the financial community at roadshows and conferences as well as through investor meetings and conference calls. Sonova regularly holds an Investor and Analyst Day: more than 80 investors attended last year’s event in person at our headquarters in Stäfa, Switzerland and an additional 140 participants joined the live webcast. We also hold regular exchanges regarding ESG topics with investors and rating agencies.

Media

Sonova initiates and maintains strong relationships with a broad range of media representatives to ensure transparency, ongoing dialog, and accountability for its activities. The media relations team works globally with top-tier public interest media, financial and economic media, the major newswire services, consumer and technology media, as well as trade and specialist media to ensure fair disclosure of information to all stakeholders, creating – among other topics – awareness of hearing loss and its implications, as well as informing on key aspects of Sonova’s business and sustainability performance. We proactively publish and distribute press releases (including on our corporate website), organize press conferences, and respond extensively to requests from journalists on developing stories.

Regulators

Sonova’s products include hearing instruments that qualify as medical devices. This requires us to adhere to stringent patient safety standards and provide evidence to support our performance claims. We recognize our responsibility to share our specialist knowledge in external working groups to help define the regulatory principles that will ensure high quality standards for both hearing instruments and cochlear implants.

Insurers

Governments and social institutions such as the Veterans Affairs in the United States and the National Health Service in the United Kingdom, as well as public and private insurance providers, all contribute to improving access to hearing care. Sonova regularly participates in various tender processes and offers its products and services to help insurers receive the best hearing value for their money.

Competitors and industry

At Sonova, we believe that healthy competition breeds innovation and drives us to constantly improve. We are committed to upholding the principles of fair competition, as defined in detail in Sonova’s Global Competition Law Policy. This commitment covers all business practices.

Material ESG topics

GRI 3-1

Sonova's most recent materiality assessment and update of the Sonova materiality matrix was conducted in 2019/20. For this, we drew on a number of sources to compile a broad initial list of ESG topics that could be considered relevant to Sonova's impact or could be influential for our stakeholders' views and decisions. These sources included:

- Global frameworks and standards, such as Global Reporting Initiative (GRI) Standards; the Sustainability Accounting Standards Board (SASB) industry standards; and the UN Sustainable Development Goals (SDGs)
- Existing and upcoming international, governmental, and industry regulations, standards, and agreements
- Best-practice peer benchmarking and best-in-class-rated reporting practices
- Investor, analyst, and proxy advisor reports and feedback
- Public media reports
- Customer and employee surveys
- In-depth stakeholder interviews

We reviewed the results and consolidated the topics into a list of 21. We defined material topics using personal interviews and online surveys with key internal and external stakeholders, through which we ranked the list in terms of three dimensions:

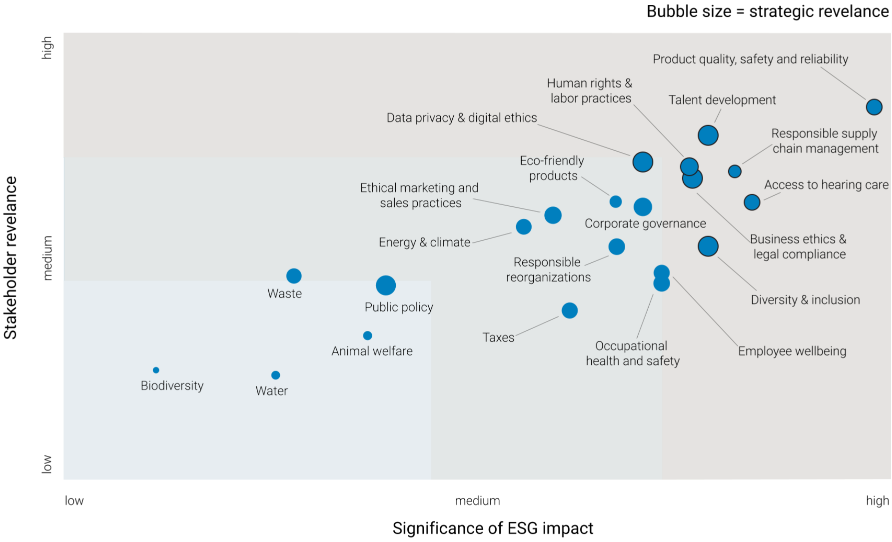
1. **Relevance of the topic to the stakeholders:** To determine the relevance of each topic, we first identified internal and external representatives of each stakeholder group. When selecting the representatives, we took into account a balanced representation of the different geographical regions and Sonova businesses. The selected stakeholders then ranked the 21 topics according to their personal perceptions of importance.
2. **Significance of Sonova's impact on the topic:** The significance of Sonova's impact on each topic was assessed by external experts with relevant experience in the respective fields.
3. **Strategic relevance to Sonova:** The strategic relevance of each topic was assessed in individual internal interviews, including the Group CEO, the Vice President Corporate Strategy, and the Senior Director Internal Audit & Risk.

GRI 3-2

The 2019/20 materiality assessment identified eight ESG topics with the highest relevance for Sonova, which are listed below. The stakeholder groups which assigned a comparatively high relevance to the specific topic are indicated in brackets.

- Product quality, safety, and reliability (customers and consumers, regulators and governments, industry and competitors, investors, public)
- Business ethics and legal compliance (regulators and governments, industry and competitors, investors)
- Responsible supply chain (suppliers, industry and competitors, regulators, and governments)
- Human rights and labor practices (regulators and governments, industry bodies and competitors, public)
- Access to hearing care (customers and consumers, regulators and governments, employees)
- Talent development (employees, industry and competitors, investors)
- Diversity and inclusion (employees, regulators and governments, public)
- Data privacy and digital ethics (customers and consumers, public, investors)

The result of the materiality assessment is visualized in the materiality matrix:



We used the insights of the materiality assessment to prompt further discussions with key internal and external stakeholders around risks and opportunities. We further clustered the 21 ESG topics identified in the materiality assessment into the four strategic areas of *IntACT*, our ESG strategy. Our ESG Report is organized according to these areas.

At the end of the 2022/23 financial year, we started to prepare to conduct a new materiality assessment. The updated assessment will be based on a “double materiality” concept, examining both financial and impact materiality.

Sonova’s ESG strategy is relevant to the entire Sonova Group, including the upstream and downstream value chains of our four businesses. Sonova assigns the impact of each material ESG topic to its appropriate stage or stages in the value-creation process, from raw materials supply to after-sales refurbishing or recycling. Impacts occurring outside the organization relate either to upstream activities (under topic headings including: responsible supply chain; human rights and labor practices; energy and climate) or to downstream activities, such as the utilization of our products and services (topic headings including: access to hearing care; product quality, safety and reliability; data privacy and digital ethics; ethical marketing and sales practices; eco-friendly products).

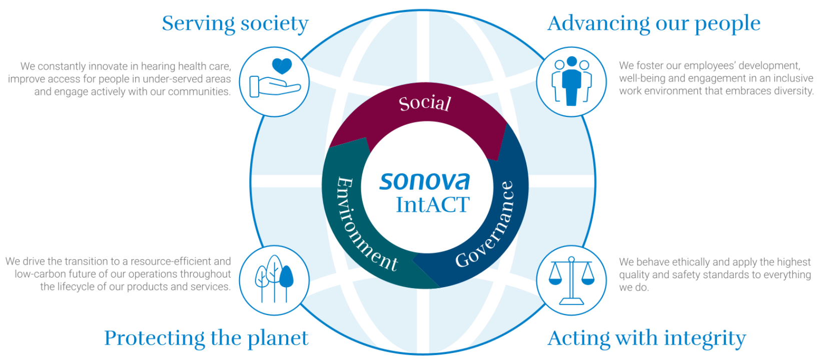
Sonova ESG Report 2022/23

ESG strategy and governance

ESG strategy and targets

IntACT, Sonova's ESG strategy, defines our sustainability commitments by building on four key areas: protecting the planet, serving society, advancing our people, and acting with integrity. The name *IntACT* emphasizes the ultimate goal – keeping our planet and people *intact* – and underlines the urgency to *ACT*.

SDG 12.6



- **Protecting the planet:** We drive the transition to a resource-efficient and low-carbon future of our operations throughout the life cycle of our products and services.
- **Serving society:** We constantly innovate in hearing health care, improve access for people in under-served areas, and engage actively with our communities.
- **Advancing our people:** We foster our employees' development, wellbeing, and engagement in an inclusive work environment that embraces diversity.
- **Acting with integrity:** We behave ethically and apply the highest quality and safety standards to everything we do.

Our sustainability management approach centers around tangible and measurable targets with firm dates for achievement and regularly measured performance indicators. In the table below, we list our key targets and progress covering the four areas of our ESG strategy. More information on performance indicators, targets, policies, processes, programs, and actions is provided in the corresponding sections of this ESG Report:

Progress on key ESG targets

ESG target	ESG topic	Progress	2022/23 performance
Protecting the planet			
We reduce greenhouse gas emissions relative to revenue by 50% compared to 2017 by 2022. [1]	Climate action	Achieved	-64% CO_2e emissions relative to revenue vs. base year 2017
We aim to reduce scope 1 and 2 greenhouse gas emissions by 78.3% vs. 2019 by 2032.	Climate action	On track	-63% scope 1 and 2 CO_2e emissions vs. 2019
We aim to reduce scope 3 greenhouse gas emissions by 32.5% vs. 2019 by 2032.	Climate action	On track	-18% scope 3 CO_2e emissions vs. 2019
We reduce packaging waste by 20% vs. 2019 by 2023.	Eco-friendly products	Behind schedule	15% packaging increase vs. base year 2019
Serving society			
We increase unit sales of hearing instruments in low- and middle-income countries by 50% vs. 2018/19 by 2023/24.	Access to hearing care	On track	48.5% increase of HI sold vs. base year 2018/19
We train and certify 250 hearing care professionals (HCPs) in low- and middle-income countries through the Swiss International Hearing Academy (SIHA) 12-month HCP program by 2022/23.	Access to hearing care	Achieved	270 HCPs trained and certified in 2021/22 and 2022/23
We increase lives impacted by the Hear the World Foundation (HTWF) by 10% year-over-year – focusing on children with hearing loss in low- and middle-income countries.	Access to hearing care	Achieved	27% increase of fitted devices in 2022/23 (2,880 fitted devices vs. 2,260 in previous year)
Advancing our people			
We achieve the employee engagement rate level of high performing companies by 2022/23.	Employee engagement	Not achieved	82% employee engagement rate vs. 88% benchmark in 2022/23
We aim for >95% of employees to have a development plan by 2022/23. [2]	Talent development	Achieved	97.4% employees with development plan in 2022/23
We strive for 40% women in key positions by 2025/26.	Diversity and inclusion	Behind schedule	34.5% women in key positions in 2022/23 vs. previous year 35.2%
We aim to implement an enhanced global employee health & wellbeing program by 2022/23.	Employee wellbeing	Achieved	Health & wellbeing program implemented
Acting with integrity			
We improve the product reliability rate >20% year-over-year for hearing instruments (HI). [3]	Product quality, safety and reliability	Not achieved	HI reliability rate declined by 2%
We improve the product reliability rate >20% year-over-year for cochlear implants (CI). [4]	Product quality, safety and reliability	Achieved	CI reliability rate improved by 27%
We implement human rights due diligence (HRDD) aligned with international frameworks and train all relevant employees by 2022/23.	Human rights and labor practices	Achieved	HRDD framework launched, Human Rights Policy published, employees trained
We achieve an annual on-time employee Code of Conduct training completion rate of >95%.	Business ethics and legal compliance	Not achieved	93.8% on-time completion of annual Code of Conduct training
We aim to conduct assessments of >90% of direct material suppliers with potential high ESG risk by 2023/24.	Responsible supply chain	On track	78% of identified potential high ESG risk suppliers assessed

1) Scope 1 and 2 and air-travel related scope 3 emissions.
2) Excluding employees on leave, external temporary workers, interns and employees in production/assembly for whom other skill-related growth paths are established.
3) The HI product reliability rate includes Receiver-In-Canal (RIC), Custom In-The-Ear (ITE) and Behind-The-Ear (BTE) hearing instruments.
4) The CI product reliability includes Naìda pediatric and adult processors/externals.

Key ESG targets as of 2023/24

ESG target	ESG topic
Protecting the planet	
We aim to reduce scope 1 and 2 greenhouse gas emissions by 78.3% vs. 2019 by 2032.	Climate action
We aim to reduce scope 3 greenhouse gas emissions by 32.5% vs. 2019 by 2032.	Climate action
We reduce energy consumption per FTE by -10% by 2027 vs. 2022.	Climate action
We reduce packaging waste by 20% vs. 2019 by 2023.	Eco-friendly products
We reduce operational waste per FTE by -5% by 2027 vs. 2022.	Waste
We reduce water withdrawal per FTE by -5% by 2027 vs. 2022.	Water
Serving society	
We increase unit sales of HI in low- and middle-income countries by +50% by 2023/24 vs. 2018/19.	Access to hearing care
We increase lives impacted by the Hear the World Foundation (HTWF) by 10% year-over-year.	Access to hearing care
Advancing our people	
We increase the share of women in senior management to 35% by 2028/29.	Diversity and inclusion
We increase the share of women in middle management to 50% by 2028/29.	Diversity and inclusion
We aim to maintain or improve our annual employee engagement score year-over-year.	Employee engagement
We aim to train >1,000 line managers on “Mental Health First Aid Conversations for Managers” by 2024/25.	Employee wellbeing
Acting with integrity	
We improve product reliability rate by >20% year-over-year for HI.	Product quality, safety and reliability
We improve product reliability rate by >20% year-over-year for CI (externals).	Product quality, safety and reliability
We conduct at least one human rights impact assessment per year.	Human rights and labor practices
We achieve an annual on-time employee Code of Conduct training completion rate of >95%.	Business ethics and legal compliance
We aim to conduct assessments of >90% of direct material suppliers with potential high ESG risk by 2023/24.	Responsible supply chain

ESG governance

GRI 2-9, GRI 2-12, GRI 2-13, GRI 2-14, GRI 2-16, GRI 2-17

Sonova has a defined governance structure to manage, improve, and report on our ESG performance. The ESG governance structure involves our highest governance body – the Board of Directors –, the Management Board and ESG Council, the Corporate Sustainability team, ESG topic owners and experts at Group level, as well as local Group company representatives.

The Board of Directors bears the overarching responsibility for Sonova's strategic direction – which includes the ESG strategy, key targets, and performance. The Board of Directors is also responsible for the approval of critical business policies, such as the Code of Conduct and the Human Rights Policy; as of the 2021/22 financial year, it also reviews and approves the annual ESG Report. The Board of Directors receives a monthly ESG update from the CEO, and ESG topics were on the agenda and discussed at most of the regular Board of Directors and committee meetings during 2022/23. Critical ESG topics of specific relevance during the 2022/23 financial year were for example greenhouse gas emissions reduction progress and target setting in line with the Science Based Targets initiative, diversity and inclusion, human rights, ESG reporting and assurance, as well as regulatory developments.

The two sub-committees of the Board of Directors – Audit Committee and Nomination and Compensation Committee – have specific responsibilities related to ESG. The Audit Committee reviews the performance and effectiveness of external and internal audit, which includes the external limited assurance of the ESG Report. The Audit Committee is informed quarterly about critical concerns raised via SpeakUp, our internal and external anonymous whistleblowing platform. The Nomination and Compensation Committee considers ESG capabilities as part of the process for selecting potential Board candidates, and also reviews and approves ESG related targets in the compensation for Management Board members. Sonova ensures that newly elected members of the Board of Directors are given appropriate introduction and orientation and that the members receive continuing training about their responsibilities.

The Management Board is responsible for oversight of Sonova's ESG activities across all material ESG topics; and individual responsibilities per ESG topic are assigned to respective members of the Management Board. Progress on various ESG topics and target is regularly reviewed and discussed at Management Board meetings. ESG targets have been an integrated element of each member's variable cash compensation (VCC) since the 2020/21 financial year. ESG performance objectives represent 10% of the overall VCC for each Management Board member: in general, 5% is allocated to two objectives that are consistent for all Management Board members, and 5% to one to three individual objectives for each member. The performance objectives that must be met to achieve the target VCC are mutually agreed upon at the beginning of the financial year.

The ESG Council consists of the Sonova Group CEO, CFO, GVP Operations, GVP Human Resources Management & Communications, Group General Counsel & Compliance Officer, and the Director Corporate Sustainability. The ESG Council met on a quarterly basis during 2022/23; it reviewed the monthly development and implementation of the Group's ESG strategy, including its commitments and targets, and monitored progress on ESG key performance indicators and initiatives, defining measures and assigning responsibility for actions. In addition to the quarterly meetings, the ESG Council members received frequent updates on key ESG targets and performance development.

Sonova's Corporate Sustainability team, led by the Director Corporate Sustainability, provides expertise to the Management Board on relevant ESG topics, implements and further develops the ESG strategy and initiatives across Sonova, monitors progress, prepares quarterly ESG Council meetings, regularly engages with relevant internal and external stakeholders, and closely collaborates with ESG topic owners and functional/business experts at Group level, as well as local Group company representatives. These local representatives report data on ESG progress and performance to the Corporate Sustainability team and drive relevant ESG initiatives locally within a specified country or region.

We drive the transition to a resource-efficient and low-carbon future of our operations throughout the life cycle of our products and services.

SDG 12.2

Sonova has made an explicit commitment to protecting the planet by pursuing environmentally friendly practices throughout the whole life cycle of products and services and across all business activities. We set the priorities and provide the resources needed to reduce our environmental impact through responsible and efficient management of our buildings and infrastructure, processes, products, and services. Since 2021/2022, our commitment has been reflected in Sonova's revised Corporate Environmental Policy, which has become effective as of April 1, 2022 and substantiates our dedication to environmentally proactive behavior and defines the company's environmental management organization and responsibilities. As in previous years, no fines or non-monetary sanctions were levied against Sonova in 2022/23 for non-compliance with environmental laws or regulations.

GRI 3-3

Among other tools, we use environmental management systems (EMS) to ensure that environmental considerations are taken into account when designing, manufacturing, and servicing products. Key manufacturing and distribution centers for our Hearing Instruments and Cochlear Implants business have ISO 14001 certified EMS:

- Sonova AG and Advanced Bionics AG (Stäfa, Switzerland)
- Sonova Communications AG (Murten, Switzerland)
- Sonova Operations Center Vietnam Co., Ltd. (Binh Duong, Vietnam)
- Sonova Hearing (Suzhou) Co., Ltd. (Suzhou, China)
- Sonova USA Inc. manufacturing and distribution centers (Warrenville/Aurora, USA)
- Advanced Bionics LLC (Valencia, United States)

For non-manufacturing sites, Sonova has adapted the environmental management systems to ensure that environmental factors are integrated into decision-making and that environmental performance continues to improve.

This "Protecting the planet" chapter comprises the following sections:

- Climate action
- Climate-related risks and opportunities (TCFD)

Climate action

GRI 3-3

At Sonova, we acknowledge our responsibility to combat climate change. We recognize that a science-based approach and equitable transition to a zero-carbon economy are essential: for the planet, for the wellbeing of our employees and value chain partners, and for the continued success of our business. Our climate strategy addresses both mitigation of the causes of climate change and resilience to its effects, combining effective near-term actions to secure important long-term results.

Strategy and action plan

In 2022, we announced our commitment to the Science Based Targets initiative (SBTi) and submitted our near-term science-based targets. Our commitment is to reduce our combined absolute scope 1 and 2 greenhouse gas (GHG) emissions by 78.3% and 32.5% in scope 3 by 2032 compared to 2019, thereby aligning with the 1.5°C scenario for scope 1 and 2, and with the “well below 2°C” scenario for scope 3. These targets are currently under validation by the SBTi and are expected to be approved in the first half of the 2023/24 financial year. Sonova’s climate strategy defines our overall approach to reducing GHG emissions through actions of four types:

- **Measure** emissions and continuously improve the data quality.
- **Avoid** emissions by progressively adopting low-impact solutions.
- **Replace** energy sources with renewable ones.
- **Engage** and collaborate with value chain actors to drive actions.

Sonova’s action plan to address scope 1 and 2 emissions includes key measures such as further adopting energy efficient practices in our buildings, conducting energy studies across key sites, increasing the share of low-emissions vehicles in our company car fleet, and further incentivizing the use of renewable energy for electricity, vehicles, and heating wherever possible. We developed site-specific action plans for key locations. Sonova’s action plan for scope 3 emissions focuses on purchased goods and services, transport and distribution, and business travel. These categories make up over 80% of Sonova’s total scope 3 emissions across our value chain. Stakeholder engagement is key to drive emissions reductions, and we plan to work closely together with our suppliers toward a shared goal of a less impactful supply chain. Further priority tasks for the 2023/24 financial year are optimization of shipments, an increased shift from air to sea freight, and further development of internal travel policies.

GEERS environmental sustainability forum

In June 2022, approximately 20 GEERS employees ran a two-day brainstorming event in Dortmund, Germany to identify ways in which the German Audiological Care business could reduce climate impact and increase resource efficiency. They came up with suggestions that conserve energy, reduce packaging waste, and decrease paper consumption and marketing materials by digitalizing processes across the store network. The implementation of some of these actions began in October 2022 and is expected to generate noticeable reductions in energy consumption and related greenhouse gas emissions in 2023.

Energy

GRI 3-3, GRI 302-1

The total energy consumption of the Sonova Group in 2022 was 121,178 MWh. 51% was electricity consumption (for buildings and vehicles), 31% was for heating (using fuel oil, natural gas, biogas, and district heating), and 18% represented vehicle fuel (diesel, gasoline, liquefied petroleum gas, ethanol). Our Audiological Care business (AC) represented 56% of Sonova's overall energy consumption, while shared business functions (e.g. headquarters, operation and repair centers, and other Group companies that perform tasks for multiple business units) and the Hearing Instrument business (HI) accounted for 17% each. Smaller proportions, 8% and 3% respectively, were attributable to the Cochlear Implants business (CI) and Consumer Hearing business. Total energy consumption increased by 21% in 2022 compared to 2021, with electricity consumption up 18% compared to 2021, heating consumption up 25%, and vehicle fuels consumption up 21%. The overall energy consumption increase was mainly driven by the addition of Alpaca stores and the Consumer Hearing business, which were included in our environmental data for the first time in 2022, as well as the opening of new Audiological Care clinics and increased mileage of our corporate car fleet.

SDG 7.3

Our Audiological Care business consumed the most electricity, together with shared business functions, mainly due to the large building footprint of the clinics network, along with shared business functions' corporate buildings and operation centers. The increase in electricity consumption mostly stems from the addition of Alpaca and the Consumer Hearing business. Over 80% of heating energy consumption can be attributed to the Audiological Care business. This is due to the larger presence in Europe and Northern America, where cold winters make heating more necessary. The increase compared to the previous year is largely driven by the addition of Alpaca stores and the opening of new Audiological Care clinics. All the other business units and shared functions recorded a reduction in heating energy consumption, due to a comparatively warm winter and a series of efficiency measures. For example, in our corporate headquarters in Stäfa, Switzerland, heating energy use was reduced by 20% compared to 2021 by setting thermostats to slightly lower temperatures. The Hearing Instruments business accounts for 50% of the vehicle fuel consumption, followed by Audiological Care (41%). The Hearing Instruments business saw a 43% increase in vehicle fuel consumption compared to the previous year, mainly due to the increased mileage driven as sales representatives increased the number of customer visits. Shared business functions reduced their use of fuels by 58% compared to 2021, due to the change from diesel shuttle buses to new electric ones at our operation center in Suzhou, China.

Energy consumption

✓ Data externally assured (limited assurance)

MWh

	2022	2021	2020
Total energy consumption [1]	121,178	100,447 [2]	104,162 [3]

1) Includes energy consumption onsite (scope 1–2) and outside (scope 3, category 8) to maintain reporting boundaries as per previous years reporting. Energy consumption within scope 1–2 represents 97% of total energy consumption, and energy within scope 3 – cat. 8 represents 3% of total energy consumption for all reported years. Total energy consumption includes vehicle fuels, heating and electricity. Cooling and steam consumption are not included as not relevant.

2) 2021 value does not include Consumer Hearing business and Alpaca; value restated for methodological improvements: extrapolation factors adjusted to adapt to most recent information available from Group companies, resulting in 2021 value increasing by <1%.

3) 2020 value does not include Consumer Hearing business and Alpaca; value restated for methodological improvements: extrapolation factors adjusted to adapt to most recent information available from Group companies, resulting in 2020 value increasing by 3%.

Energy consumption by business

MWh

	2022			2021 [2,3]			2020 [2,3]		
	Vehicle Fuels [4]	Heating [5]	Electricity	Vehicle Fuels [6]	Heating [7]	Electricity	Vehicle Fuels [8]	Heating [9]	Electricity
Total [1]	**21,915**	**37,687**	**61,576**	**18,055 [3]**	**30,245 [3]**	**52,147 [3]**	**19,522 [3]**	**31,516 [3]**	**53,124 [3]**
Hearing Instruments business	10,860	1,993	7,408	7,603	2,194	8,260	8,975	2,424	9,073
Cochlear Implants business	1,315	1,527	6,590	1,114	1,672	6,944	947	1,640	6,887
Consumer Hearing business	359	615	2,168	n/a	n/a	n/a	n/a	n/a	n/a
Audiological Care business	9,090	30,621	28,296	8,646	22,908	20,884	8,362	24,294	21,361
Shared business functions [10]	291	2,932	17,114	693	3,471	16,059	1,238	3,156	15,802

1) Includes energy consumption onsite (scope 1–2) and outside (scope 3, category 8) to maintain reporting boundaries as per previous years reporting. Energy consumption within scope 1–2 represents 97% of total energy consumption, and energy within scope 3 – cat. 8 represents 3% of total energy consumption for all reported years. Total energy consumption includes vehicle fuels, heating and electricity. Cooling and steam consumption are not included as not relevant. Rounding effect might impact totals in table when cut-off rounding applies. Includes extrapolation where only partial data is available. Breakdown by Business based on FTEs.
2) 2020 and 2021 total energy consumption values restated for methodological improvements: extrapolation factors adjusted to adapt to most recent information available from Group companies. 2021 total energy consumption increased by <1%; 2020 total energy consumption increased by 3%.
3) 2021 and 2020 values do not include Consumer Hearing business or Alpaca.
4) 2022 vehicle fuels consumption sources: 61% gasoline, 38% diesel, 1% liquefied propane gas, <1% ethanol.
5) 2022 heating consumption sources: 83% natural gas (79% within scope 1, 4% within scope 3 – cat. 8), 11% district heating (scope 2), 4% biogas (scope 1), 1% Fuel oil (scope 1).
6) 2021 vehicle fuels consumption sources: 70% diesel, 29% gasoline, 1% liquified propane gas, <1% ethanol.
7) 2021 heating consumption sources: 78% natural gas (72% within scope 1, 6% within scope 3 – cat. 8), 14% district heating (scope 2), 6% biogas (scope 1), 2% fuel oil (scope 1).
8) 2020 vehicle fuels consumption sources: 55% diesel, 44% gasoline, 1% liquefied propane gas.
9) 2020 heating consumption sources: 90% natural gas (85% within scope 1, 5% within scope 3 – Cat. 8), 8% district heating (scope 2), 2% fuel oil (scope 1).
10) Shared business functions consist of headquarters, operation and repair centers, and other Group companies that perform tasks for multiple business units.

Sonova's energy intensity (energy consumption relative to revenues) increased by 8% in 2022 compared to 2021, but remained 19% lower than 2020. The main reason for the lower increase in energy intensity compared to absolute energy consumption is the lower energy intensity of the newly added Consumer Hearing business compared to the other Sonova businesses, as it has a relatively small vehicle fleet and most of the manufacturing activities are executed by third parties.

GRI 302-3

Energy intensity

✓ Data externally assured (limited assurance)

MWh relative to million CHF revenue

	2022	2021 [1]	2020 [1]
Total energy consumption [2,3]	121,178	100,447 [1]	104,162 [1]
Revenues [4]	3,738	3,364 [1]	2,602 [1]
Energy intensity [5]	**32.4**	**29.9 [1]**	**40.0 [1]**

1) 2020 and 2021 figures do not include Consumer Hearing business or Alpaca.
2) 2020 and 2021 total energy consumption values adjusted for methodological improvements: extrapolation factors adjusted to adapt to most recent information available from Group companies. 2021 value increased by <1%; 2020 value increased by 3% (+2,777 MWh).
3) Includes energy consumption onsite (scope 1–2) and outside (scope 3, category 8) to maintain reporting boundaries as per previous years reporting. Energy consumption within scope 1–2 represents 97% of total energy consumption, and energy within scope 3 – cat. 8 represents 3% of total energy consumption for all reported years. Total energy consumption includes vehicle fuels, heating and electricity. Cooling and steam consumption are not included as not relevant.
4) Revenues provided for financial year.
5) Energy intensity figures restated to reflect adjustments in total energy consumption: 2021 value increased by <1%; 2020 value increased by 3% (+1.0).

As part of our continuous improvement approach, we are committed to reducing our energy consumption. We have therefore set the new target to reduce Sonova's energy consumption per employee by 10% from 2022 levels by the end of 2027. The 2022 baseline value is 7.1 MWh/FTE; the target value is therefore 6.4 MWh/FTE.

Energy consumption reduction target:
We aim to reduce our energy consumption per employee by 10% by 2027 vs. 2022.

SDG 7.2, SDG 9.4

Sonova's overall share of renewable energy remained essentially stable at 51% in 2022 (52% in 2021). Sonova is committed to sustained efforts to increase the share of renewable energy in the total energy consumption. Sonova uses 100% electricity from renewable sources. We follow a three-fold approach to achieve this. Firstly, we invest in onsite electricity generation. In 2022, onsite-produced solar electricity consumption more than doubled (1,603 MWh in 2022 compared to 786 MWh in 2021), mainly due to new installations in our operation center in Vietnam and at our headquarters in Switzerland. Secondly, Group companies where onsite generation is not yet feasible are prompted to locally source certified renewable electricity. Lastly, for all those Group companies where renewable energy is not yet used or available, Sonova purchases unbundled Energy Attribute Certificates (EACs).

Energy mix

✓ Data externally assured (limited assurance)

MWh

	2022	2021 [1]	2020 [1]
Total energy consumption [2,3]	**121,178**	**100,447 [1]**	**104,162 [1]**
Non-renewable energy consumption [4]	59,813	48,108 [1]	84,964 [1]
Renewable energy consumption [5]	61,365	52,340 [1]	19,198 [1]
Share of renewable energy [6]	51%	52% [1]	18% [1]

1) 2020 and 2021 figures do not include Consumer Hearing business or Alpaca.
2) Includes energy consumption onsite (scope 1–2) and outside (scope 3, category 8) to maintain reporting boundaries as per previous years reporting. Energy consumption within scope 1–2 represents 97% of total energy consumption, and energy within scope 3 – cat. 8 represents 3% of total energy consumption for all reported years. Total energy consumption includes vehicle fuels, heating and electricity. Cooling and steam consumption are not included as not relevant.
3) 2020 and 2021 total energy consumption values adjusted for methodological improvements: extrapolation factors adjusted to adapt to most recent information available from Group companies. 2021 value increased by <1%; 2020 value increased 3% (+2,777 MWh).
4) 2020 and 2021 values restated due to adjustments as per 2). 2021 value increased by 4% (+1,751 MWh); 2020 value increased by 3% (+2,777 MWh).
5) 2021 value restated due to adjustments as per 2). 2021 value decreased by 2% (-1,338 MWh).
6) 2021 and 2020 values restated to reflect adjustments as per 4) and 5). 2021 value decreased by 2%, 2020 value decreased by 1%.

Greenhouse gas (GHG) emissions

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4

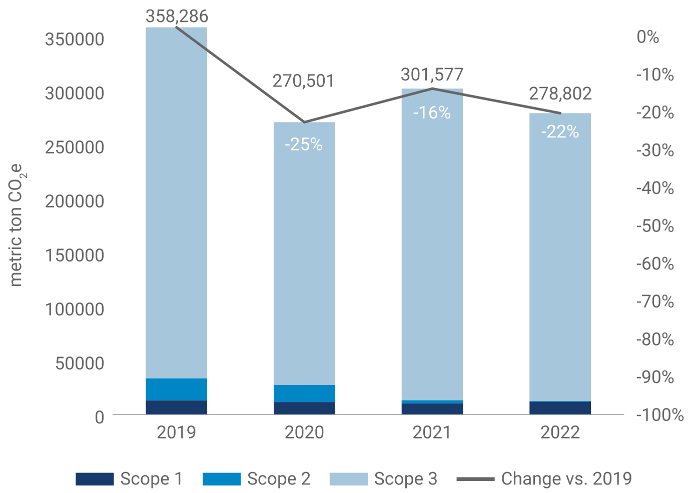
TCFD-MET-a, TCFD-MET-b, TCFD-MET-c

We continued to make progress during the 2022/23 financial year on our journey towards decarbonization of our operations and value chain. We surpassed our five-year target of a 50% reduction in GHG emissions intensity from 2017 levels, which focused on scope 1, scope 2, and scope 3 air travel emissions. At the end of 2022, our GHG emission intensity stood at 6.7 tons of CO_2e per million CHF revenues, compared with 18.6 in 2017, a 64% decrease. The main reason for this achievement is the switch to 100% renewable electricity in our operations.

As 2019 is the base year for our science-based scope 1-3 emissions reduction targets (currently pending validation), we recalculated our GHG emissions back to 2019, integrating the Consumer Hearing business and Alpaca data into the Sonova Group GHG accounting from 2019 – 2022. 2019 was selected as a base year as 2020 and 2021 scope 1-3 emissions were impacted by the Covid-19 pandemic. We also implemented various data quality and methodological improvements. As a consequence, our total 2022 scope 1-3 emissions amounted to 278,802 tons CO_2e, a decrease of 8% from 2021.

Overall, total emissions dropped by 22% compared to 2019. Compared to 2019, scope 1 emissions in 2022 declined by 10%, scope 2 emissions by 96%, and scope 3 emissions by 18%. Over 95% of our emissions are scope 3 emissions across Sonova's value chain.

Total GHG emissions 2019 - 2022



GHG emissions – Scope 1-3[1]

✓ Data externally assured (limited assurance)

t CO_2e

	2022	2021 [2]	2020 [3]	2019 [4]
Scope 1–3	**278,802**	**301,577**	**270,501**	**358,286**
Scope 1–2	**12,467**	**13,137**	**27,298**	**33,369**
Scope 1 [5,6]	**11,729**	**10,159**	**11,429**	**12,999**
Scope 2 [7]	**739**	**2,977**	**15,869**	**20,370**
Scope 3 [8]	**266,335**	**288,440**	**243,203**	**324,916**

1) Includes Consumer Hearing business and Alpaca for all years.
2) 2021 values restated: scope 1 decreased by 1% (-132 t CO2e), of which 848 t CO2e derived from acquisitions and -980 t CO2e from methodological improvements; scope 2 increased by >1000% (+2,746 t CO2e), of which 2,110 t CO2e derived from acquisitions and 635 from methodological improvements; scope 3 increased by 94% (139,526 t CO2e), of which 100,719 t CO2e derived from acquisitions and 38,807 t CO2e from methodological improvements.
3) 2020 values restated: scope 1 increased by 3% (+343 t CO2e), of which 806 t CO2e derived from acquisitions and -463 t CO2e from methodological improvements. scope 2 increased by 15% (+2,049 t CO2e), of which 1,919 t CO2e derived from acquisitions and 130 t CO2e from methodological improvements. scope 3 increased by 104% (+123,789 t CO2e), of which 93,793 t CO2e derived from acquisitions and 29,996 t CO2e from methodological improvements.
4) 2019 values restated: scope 1 decreased by <1%; scope 2 increased by 13% (+2,326 t CO2e), of which 2,153 t CO2e derived from acquisitions and 173 t CO2e from methodological improvements; scope 3 increased by 106% (+166,946 t CO2e), of which 119,979 t CO2e derived from acquisitions and 46,967 t CO2e from methodological improvements.
5) Methodological improvements implemented for 2021, 2020 and 2019 figures include: heating consumption figures review, heating sources re-mapping, and extrapolation factors enhancement.
6) Outside-of-scope CO2 emissions from biogenic sources (biogas consumption) amounted to 296 tons CO2 in 2022, 367 t CO2 in 2021, and 0 t CO2 in 2020 & 2019.
7) Methodological improvements implemented for 2021, 2020 and 2019 figures include: review of district heating usage.
8) For details about methodological improvements applied to scope 3 categories please refer to the specific scope 3 table.

In the table below, you find scope 1-3 emissions data for 2021 and 2020 that do not include the emissions from the Consumer Hearing business and Alpaca. The integration in 2022 is the main reason for the substantial increase of over 40% in scope 1-3 emissions compared to the prior year. The Consumer Hearing business is also more emission intensive than Sonova's other businesses: high sales volumes of products that are significantly heavier than e.g. hearing instruments. Due to the addition of the Consumer Hearing business and Alpaca, the overall Sonova Group scope 1-3 emissions intensity increased from 58.8 to 74.6 tons CO_2e per million CHF revenues in 2022.

GHG emission intensity

✓ Data externally assured (limited assurance)

t CO_2e relative to million CHF revenue

	2022	2021 [1]	2020 [1]
Revenues [2]	3,738	3,364 [1]	2,602 [1]
Total scope 1–2 GHG emissions [3]	12,467	10,178 [1]	24,573 [1]
Scope 1–2 GHG emission intensity	**3.3**	**3.0** [1]	**9.4** [1]
Total scope 1–3 GHG emissions [4]	278,802	197,899 [1]	173,983 [1]
Scope 1–3 GHG emission intensity	**74.6**	**58.8** [1]	**66.9** [1]

1) 2020 and 2021 figures do not include Consumer Hearing business or Alpaca.
2) Revenues provided for financial year.
3) 2020 and 2021 figures restated. 2021 figure decreased by 3% (-345 t CO2e) and 2020 figure decreased by 1% (-333 t CO2e) due to methodological improvements mainly linked to the inclusion of increasing number of Group companies using district heating.
4) 2020 and 2021 figures restated. 2021 figure increased by 24% (+38,463 t CO2e) and 2020 figure increased by 21% (+29,663 t CO2e) due to methodological improvements encompassing mainly the inclusion of more spent-based data in category 1.

Scope 1 and 2 GHG emissions

Scope 1 emissions are direct CO_2e emissions related to company vehicles, stationary combustion (e.g. heating), and fugitive emissions (e.g. from refrigerants), while scope 2 emissions relate to indirect GHG emissions (e.g. from electricity consumption and district heating). Sonova Group's absolute CO_2e footprint of scope 1 and 2 emissions for 2022 decreased by 5% compared to the previous year.

In 2022, overall scope 1 GHG emissions increased by 15%, or 1,569 tons CO_2e, compared to 2021, originating from a rise in emissions from both heating of buildings (+17%) and the corporate car fleet (+16%). The increase in heating mostly stems from the opening of new Audiological Care clinics. We also implemented various energy conservation actions, including lower temperatures and activities to drive behavioral change of employees at audiological care clinics. The higher emissions from Sonova's owned and leased corporate vehicle fleet were mostly due to increased mileage. Our global car policy limits the CO_2e per km emitted to 95 grams for newly purchased or leased cars. Hybrid and electric vehicles now constitute more than 20% of Sonova's car fleet, compared with less than 8% last year.

In scope 2, our GHG emissions declined by 75%, or 2,238 tons CO_2e, from 2021. We further increased our onsite generation of renewable electricity in Vietnam and Switzerland, switched various local electricity contracts to 100% renewable sources, and sourced the remaining electricity through unbundled Energy Attribute Certificates (EACs). Since 2022, we also source renewable electricity for our global vehicle fleet. The remaining 739 tons CO_2e emissions in our scope 2 derive from the use of district heating mainly in northern European countries.

Sonova's own operations (scope 1 and 2) have been carbon-neutral since 2021. In 2022, Sonova offset its remaining scope 1 and 2 emissions of 12,467 tons CO_2e through three projects: hydro power in China, solar power in Vietnam, and forest protection in the Brazilian Amazon. All three projects are either verified by the Gold Standard or VCS (Verified Carbon Standard), two of the world's most widely used verifying bodies for carbon credits.

We continue to develop local carbon footprint reduction measures to improve energy efficiency in our infrastructure and production processes. Examples include identifying heat leakage, consolidating facilities, installing charging stations for electric vehicles, and further improvements in building automation to optimize electricity use in heating, ventilation, and air conditioning.

Scope 1 and 2 GHG emissions[1]

t CO_2 e

	2022			2021 [2]			2020 [3]		
	Scope 1–2	Scope 1	Scope 2	Scope 1–2	Scope 1	Scope 2	Scope 1–2	Scope 1	Scope 2
Total	**12,467**	**11,728**	**739**	**13,136**	**10,159**	**2,977**	**27,298**	**11,429**	**15,869**
Hearing Instruments business	3,047	3,025	22	2,417	2,383	34	4,670	2,718	1,952
Cochlear Implants business	657	651	5	649	644	5	2,268	587	1,681
Consumer Hearing business	210	207	4	1,199	261	938	1,079	271	808
Audiological Care business	8,131	7,512	618	8,169	6,393	1,776	17,114	6,854	10,260
Shared business functions [4]	422	332	90	703	478	225	2,167	999	1,168

1) Includes Consumer Hearing business and Alpaca for all years. Rounding effect might impact totals in table when cut-off rounding applies. Breakdown by Business Unit based on FTE numbers.
2) 2021 values restated: scope 1 decreased by 1% (-132 t CO2e), of which 848 t CO2e derived from acquisitions and -980 t CO2e from methodological improvements; scope 2 increased by >1000% (+2,746 t CO2e), of which 2,110 t CO2e derived from acquisitions and 635 from methodological improvements.
3) 2020 values restated: scope 1 increased by 3% (+343 t CO2e), of which 806 t CO2e derived from acquisitions and -463 t CO2e from methodological improvements. scope 2 increased by 15% (+2,049 t CO2e), of which 1,919 t CO2e derived from acquisitions and 130 t CO2e from methodological improvements.
4) Shared business functions consist of headquarters, operation and repair centers and other Group companies that perform tasks for multiple business units.

Scope 3 GHG emissions

Sustaining a sharp focus on reducing scope 3 emissions is crucial for Sonova, as our value chain accounts for 96% of our total GHG emissions in 2022. More than 90% of our total scope 3 GHG emissions derive from the following scope 3 categories: purchased goods and services, transport and distribution, employee commuting, business travel, and use of sold products. Of the 15 scope 3 categories defined by the GHG Protocol, 13 are applicable to Sonova. Those not currently applicable are downstream leased assets and franchises.

Sonova's scope 3 emissions decreased by 22,105 tons CO_2e or 8% in 2022 compared to the previous year, when including the Consumer Hearing business and Alpaca in both years. This decrease mainly stems from purchased goods and services, use of sold products, and transportation and distribution.

Scope 3 GHG emissions[1]

✓ Data externally assured (limited assurance)

t CO_2 e

	2022	2021 [2]	2020 [3]	2019 [4]
Scope 3	**266,335**	**288,440**	**243,203**	**324,916**
Category 1: Purchased goods and services	155,902	175,992	144,160	181,643
Category 2: Capital goods	2,124	2,353	1,352	3,073
Category 3: Fuel- and energy-related activities (not included in scope 1 + 2)	9,055	8,265	6,762	7,609
Categories 4 and 9: Upstream and downstream transportation and distribution	49,987	54,695	44,982	57,232
Category 5: Waste generated in operations	406	500	1,066	1,222
Category 6: Business travel [5]	12,232	4,445	6,109	24,021
Category 7: Employee commuting [6]	21,348	21,136	18,045	26,761
Category 8: Upstream leased assets [7]	873	1,177	1,326	1,474
Category 10: Processing of sold products	210	236	200	207
Category 11: Use of sold products	11,581	16,829	16,725	19,024
Category 12: End-of-life of sold products	2,340	2,716	2,383	2,563
Category 15: Investments	276	97	93	87

1) Includes Consumer Hearing business and Alpaca for all years.
2) 2021 values restated: total scope 3 increased by 94% (139,526 t CO2e), of which 100,719 t CO2e derived from acquisitions and 38,807 t CO2e from methodological improvements.
3) 2020 values restated: total scope 3 increased by 104% (+123,789 t CO2e), of which 93,793 t CO2e derived from acquisitions and 29,996 t CO2e from methodological improvements.
4) 2019 values restated: total scope 3 increased by 106% (+166,946 t CO2e), of which 119,979 t CO2e derived from acquisitions and 46,967 t CO2e from methodological improvements.
5) In order to align with the SBTi's GHG emission boundaries, emissions related to hotel stays were removed for all years.
6) In order to align with the SBTi's GHG emission boundaries, work from home emissions were removed for all years.
7) Category 8 is now applicable to Sonova due to the acquisition of our Consumer Hearing business. In addition, the Shop-in-Shop presence from Boots Hearingcare in the United Kingdom and Ireland has been moved from scope 1 and 2 to scope 3 – category 8.

Category 1: Purchased goods and services

The largest source of Sonova's GHG emissions derives from the procurement of direct and indirect materials and services. In 2022, 59% of scope 3 emissions arose from purchased goods and services. Compared to 2021, these emissions decreased by 11% in 2022. The majority of the reduction stems from the Consumer Hearing business, where sales of more CO_2e intensive products declined. In the Hearing Instruments business, these emissions mainly originate from the procurement of electronic components, accessories, packaging, and batteries. Sonova has started to actively engage with key suppliers on GHG emission reductions during the 2022/23 financial year, and we are committed to further extend this engagement. We will also continue to improve the granularity and availability of data on our direct and indirect materials and services purchased across our business units.

Category 4 and 9: Transportation and distribution

Categories 4 and 9 include GHG emissions arising from the transport from supplier facilities to our operation centers, intercompany transportation, and from our distribution centers to audiological care clinics (owned and third-party) or other customers. Air freight in product distribution is the main contributor to our GHG emission footprint, accounting for around 88% of CO_2e emissions from transportation and distribution. While overall shipping volumes (by weight) increased slightly during 2022, Sonova's GHG emissions from transport and distribution decreased by 9% compared to 2021. In the Consumer Hearing business, freight transported by air decreased by 30% and was instead transported by sea. For the Hearing Instruments and Cochlear Implants businesses, air freight transportation remained unchanged. Sonova remains committed to switch to lower-polluting modes of transportation where this is feasible. We continue to work towards further reductions in packaging weight and volume, and are revisiting our global distribution network to shift towards more regional sourcing to reduce transportation distances.

Category 6: Business travel

Air travel accounts for more than 90% of business travel emissions. Compared to 2021, our GHG emissions from business travel have significantly increased after the easing of COVID-19 related restrictions. However, business travel emissions still remain 49% below pre-pandemic levels. In the coming financial year, we will identify systematic measures, guidelines, and rules for more responsible business travel.

Category 7: Employee commuting

Sonova's GHG emissions from employee commuting remained stable compared to 2021. Sonova launched a hybrid working guideline for office-based employees in August 2021, which was rolled out across the Group in the 2022/23 financial year. Local commuting options differ greatly from region to region, so localized solutions are essential for minimizing commuting related GHG emissions. Several Sonova Group companies have launched mobility programs to promote environmentally friendly commuting. These include financial incentives for public transport, installment of charging stations for electric vehicles, or provision of electric shuttle buses.

Category 11: Use of sold products

Almost 80% of emissions in this category stem from the Consumer Hearing business product portfolio, as audiophile and other headphones and soundbars require more energy over their life cycle than do hearing aids. The CO_2e emissions related to Sonova's hearing instruments and cochlear implants during their use phase are low, as these devices generally use little energy. GHG emissions compared to 2021 decreased by 31%, mostly due to changes in the Sennheiser product portfolio.

Climate-related risks and opportunities (TCFD)

The implications of a changing climate are far-reaching and complex, posing risks and opportunities to societies and businesses. These risks and opportunities can be broadly sorted into two categories:

- **Physical risks from impacts of climate change on the environment:** chronic, such as sea level rise; or acute, such as more frequent and severe weather events. These risks can lead to significant economic and social impacts, such as property damage and disruptions to supply chains.
- **Transition risks and opportunities:** the changes needed to move to a low-carbon economy (e.g. on legal, policy, market, or technology level), which can have negative or positive effects on businesses, investors, and governments.

Governance

TCFD-GOV-a, TCFD-GOV-b

The Sonova Board of Directors has ultimate oversight and responsibility for climate-related risks and opportunities. The Board of Directors and its committees receive updates on climate change topics at most of their regular meetings, and also receive a monthly written update from the CEO on overall progress in selected ESG topics, including climate-related matters.

On the Management Board level, responsibility for environmental sustainability is assigned to the GVP Operations, who monitors progress on a monthly basis. The regional leads are responsible for implementation of measures. The ESG Council reviews progress on climate action in the quarterly meetings.

Strategy and risk management

TCFD-STR-a, TCFD-RMA-a

Sonova recognizes that an effective climate strategy requires systematic climate change scenario analysis. We initiated this during 2021/22 with a pilot scenario analysis project across seven countries where Sonova has a larger footprint: Vietnam, United States, China, Switzerland, Germany, United Kingdom, and Canada. During the 2022/23 financial year we extended the assessment to include an additional two countries – Australia and Brazil – and also performed a business impact assessment of one physical and one transition risk. The analysis comprised two scenarios: a "high-mitigation" below 2°C scenario, which is relevant to assess risks related to the transition to a low-carbon future, and a "business as usual" 4°C scenario, which helps to comprehend the physical risks associated with the intensification of widespread climate hazards. The high-mitigation scenario covered the short-term horizon (next 5 years) and both scenarios included a medium-term (2030) and a long-term horizon (2050). We are guided by the following four-steps approach:

1. Screening and prioritization of risks and opportunities
2. Hotspot analysis
3. Deep-dive analysis of physical risks
4. Identification of financial impacts

1. Screening and prioritization of risks and opportunities

Based on interviews with relevant internal stakeholders in the countries of focus, we conducted an assessment identifying a broad set of physical and transition risks that could potentially affect Sonova's current business and value chain. This extends from our supply base all the way to our end-consumers. For potential physical risks, we used the EU Taxonomy's classification of climate-related hazards (2021) to generate a list of seven risks to which Sonova would be most vulnerable.

TCFD – Potential physical risks

Physical risk type	Physical risk identified	Explanation
Acute	Heatwaves and extreme temperatures	Prolonged periods of abnormally hot weather
Acute	Wildfires	a large, destructive fire that spreads quickly over woodland or brush
Acute	Extreme cold	a spell of cold weather over a wide area
Acute	Heavy precipitation & flooding	the covering or submerging of normally dry land with a large amount of water
Acute	Heavy winds & storms	a violent disturbance of the atmosphere with strong winds and usually rain, lightning, thunder, or snow.
Acute	Tropical cyclones	a localized, very intense low-pressure wind system, forming over tropical oceans accompanied by strong rainfall and winds.
Chronic	Sea level rise and coastal flooding	an increase in the level of the world's oceans due to the effects of global warming

Five areas were screened to identify transitional risks and opportunities: policy, litigation, technology, market, and reputation – all in the context of the transition to a low-carbon economy. Four key transition risks and two opportunities were identified:

TCFD – Potential transition risks

Transition risk type	Transition risk identified	Explanation
Policy & legal	Carbon pricing schemes	Carbon pricing schemes for the building sector
Policy & legal	Net zero retrofit requirements	Net zero retrofit requirements for commercial buildings (incl. rented facilities)
Policy	Scope 3 reductions	Lack of stringent policies to constrain suppliers to use low-carbon energy sources, thereby putting our scope 3 target potentially at risk
Policy	Increase in airfares	Potential cost increases for air travel resulting from carbon schemes and more stringent policy requirements

TCFD – Potential transition opportunities

Transition opportunity type	Transition opportunity identified	Explanation
Market	Energy savings due to net zero retrofits	Energy savings due to net zero retrofits and consumption of energy from low-carbon sources
Market	Electrification of transport sector	Cost savings due to the electrification of transportation sector as fuel costs increase

2. Hotspot analysis

For the physical risks, a literature review was conducted on the latest climate-science and relevant climate policies on a country-by-country base. This hotspot analysis gave us insights on the expected conditions and change of underlying risks and opportunities in the medium-term (2030) and long-term (2050) compared to the baseline period[1] for each country considered. The expected change compared to the baseline period risks were classified as follows:

TCFD – Risk classification

Risk classification	Projected change (vs. baseline) [1]
Not relevant	deemed as not relevant during the prioritization phase
Low	below 10%
Moderate	10–20%
High	20–30%
Very high	above 30%

1) The baseline period 1976 – 2005 was derived from the Coupled Model Intercomparison Project Phase 5 (CMIP5) data set. Where the supporting literature used different baselines or different future timeframes, we adjusted the baselines and/or the relative change accordingly.

The assessment results of nine countries showed that the physical hazards in the long-term (2050) represent a higher risk than in the medium-term (2030). The table below therefore highlights the long-term identified changes (2050 vs. baseline).

TCFD – Hotspot analysis of physical risks (2050 scenario)

Country	Heatwaves and extreme temperatures	Wildfires	Extreme cold	Heavy precipitation & flooding	Heavy wind and storms	Tropical cyclones	Sea level rise and coastal flooding
Vietnam	Not relevant	Not relevant	Not relevant	Very high	Not relevant	Low	Very high
United States	Very high	Very high	Low	Not relevant	High	Not relevant	Not relevant
China	Not relevant	Not relevant	Not relevant	High	Low	Low	Not relevant
Switzerland	Very high	Not relevant	Low	Not relevant	Low	Not relevant	Not relevant
Germany	Very high	Not relevant	Low	Not relevant	Low	Not relevant	Not relevant
United Kingdom	Very high	Not relevant	Low	Not relevant	Low	Not relevant	Not relevant
Canada	Very high	Not relevant	Low	Not relevant	Not relevant	Not relevant	Not relevant
Australia	Not relevant	High	Not relevant	Moderate	Not relevant	High	High
Brazil	Not relevant	Not relevant	Not relevant	Moderate	Not relevant	Not relevant	High

On the transition risks and opportunities, we determined their likelihood of materializing and affecting Sonova in the short-term (2025), medium-term (2030) and long-term (2050). The scenarios considered in this analysis are: the International Energy Agency's (IEA) Stated Policies Scenario (STEPS), which projects a temperature increase of approximately 3°C by 2100 based on the current GHG emissions growth rate, and the Sustainable Development Scenario (SDS) that predicts global warming to be 1.75°C as strong international policy supports the transition to a low-carbon economy. In addition, national scenarios, policies and long-term strategies were reviewed for each of the assessed countries. The risks and opportunities were assigned a qualitative rating based on Sonova's footprint within the respective jurisdiction and the likelihood that the identified topics would materialize. The matrix below shows the highest risks that were identified across all timeframes (2025, 2030, and 2050) and scenarios. The 2025 timeframe was included because transition risks and opportunities could materialize within a relatively short period.

TCFD – Hotspot analysis of transition risks (2025, 2030, and 2050 scenarios)

Country	Carbon pricing schemes	Net zero retrofit requirements	Scope 3 reduction	Increases in airfares	Energy savings due to net zero retrofits or electrification of transport sector
Vietnam	Not relevant	Low	Not relevant	Not relevant	Low
United States	Not relevant	Low	Not relevant	Not relevant	High
China	Not relevant	Low	High	Not relevant	Medium
Switzerland	Low	Low	Not relevant	High	High
Germany	Low	Low	Low	High	Low
United Kingdom	Low	Low	Not relevant	High	Low
Canada	Not relevant	Low	Not relevant	Not relevant	Low
Australia	Very High	Very High	Not relevant	Not relevant	Very High
Brazil	Very High	Not relevant	Not relevant	Not relevant	Not relevant

The results show a low risk in most cases, except for 1) challenges that Sonova may face in reducing scope 3 emissions, especially for suppliers in China, due to relatively underdeveloped regulatory frameworks failing to stimulate emissions reductions at the desired rate; 2) potential increases in Sonova's operating costs from stricter aviation sector policies resulting in higher air-transportation fares and 3) the risks related to carbon pricing schemes in Australia and Brazil. The assessment also identified governmental incentives and support to reduce emissions in the building sector to be further potential opportunities.

3. Deep-dive analysis of physical risks

To better understand how physical climate related risks could affect Sonova's operations and business in the long-term (2050), we performed a data-driven in-depth analysis for the four physical risks that scored very high in the hotspot analysis. The deep-dive focuses at risks at facility level, not only at country level as in the hotspot analysis. For Australia, Brazil, and China no physical risks emerged as being material to Sonova.

TCFD – Summary deep-dive analysis results[1]

Potential risk	Potential threat	Country
Heatwaves and extreme temperatures	The frequency and duration of heatwaves are projected to increased significantly, especially in the south and east of the US. Heatwaves may cause higher cooling costs and increase heat stress conditions for employees and customers. As elderly people are the most common demographic that experiences hearing loss and are also most affected by heat stress during heatwaves, they may not come to the stores, thereby affecting sales.	United States, United Kingdom, Germany, Canada
Wildfires	Average and maximum temperatures during wildfire season are projected to increase significantly, which leads to an increased risk in wildfires that may affect our production sites in California.	United States
Heavy precipitation and flooding	Heavy precipitation is expected to increase substantially in the Ho Chi Minh City region, which may cause supply chain and operational interruptions in our operation center due to flash and sustained flooding.	Vietnam
Sea-level rise and coastal flooding	As our operation center in Vietnam is located far inland, the projected sea-level rise and coastal flooding is expected to pose no substantial risk.	Vietnam

1) For this assessment, we used various datasets derived from General Circulation Model (GCM) and runs conducted under the CMIP5.

The continued execution of Sonova's omnichannel strategy, which includes increased online sales and service presence, can help to mitigate some of the identified physical climate risks. Physical climate risks are also considered when opening new facilities and in the design of our supply chain.

SDG 13.1

4. Identification of financial impacts

TCFD-STR-b, TCFD-STR-c

During 2022/23, we started to assess the potential financial impacts of two specific climate-related risks:

- Increasing heavy precipitation and flooding risks in the vicinity of our operation centers in Vietnam and China that could cause supply chain and operational interruptions (physical risk)
- Increasing carbon prices impact on air-transportation fares (transition risk)

The "business as usual" 4°C scenario is likely to see heavy precipitation and substantially increased flooding risks around our operation center in Vietnam and, to a slightly lower extent, at our operation center in China. Such flooding events could potentially directly impact our production sites and indirectly lead to production interruptions, as flooded road networks, airports, or ports could prevent delivery of input materials to our operation centers. The in-depth analysis however showed, that the flood risk at the locations of our operation centers in Vietnam and China is not increasing, and local teams already have precautions in place for potential adverse weather events. The focus of the analysis was therefore extended to assess the potential flooding risk at the locations of critical suppliers, not just our own operation centers. We assessed the most critical suppliers for each operation center and determined criticality of suppliers by the ease of replacing them and by their sourcing volumes per operation center. The results showed that four supplier locations are at risk for river flooding and two supplier locations are at risk of coastal flooding. Under the applied scenarios, flood risk increased for one supplier that provides components for less than 1% of our manufactured products in China and Vietnam. For suppliers whose components are integrated in a large share of our Hearing Instruments, river flooding risks are expected to even decrease due to climate change. To calculate the potential financial impact on Sonova, we estimated the supplier's forced operational downtime, impact of supply shortage on our stock levels of key components, and revenue impact based on number of days the operation centers would not be able to produce goods. The assessment showed that there is a low risk today, in 2030, and in 2050 – in both the 2°C "high mitigation" and 4°C "business as usual" scenarios. The findings will feed into Sonova's activities related to supply chain and inventory management as well as supplier engagement.

The second risk we analyzed was a transition risk: the potential financial impact of increasing carbon prices on air-transportation cost in Switzerland, Germany and the United Kingdom, as we had identified the highest potential risk in these three countries. We included both business-related air travel and air freight in our analysis. To calculate the financial impact, we modelled different scenarios, which were based various assumptions related to regional carbon price developments, aviation sector decarbonization path, development of global warming, Sonova business growth and our own greenhouse gas reduction pathway. The analysis showed that potential financial impacts from air freight are higher than those related to air travel. We further found that achieving our current science-based target (under validation) would lower potential carbon costs by 70% compared to a business as usual trajectory. As part of our climate strategy, Sonova aims to decrease its proportion of shipments by air freight relative to road or sea freight. Furthermore, Sonova is reviewing current travel policies to drive reductions in business-related air travel.

In the coming financial year, Sonova will continue to align closely with TCFD recommendations and increase the number of countries assessed to identify climate-related risks and opportunities in other geographies where Sonova is represented, as well as further advance on quantifying the financial impacts from climate-related risks and opportunities.

Eco-friendly products

We are committed to minimizing the impact on the environment and human health of our products and packaging throughout their entire life cycle, and to fostering the transition to a more circular economy. Our environmental actions cover different life cycle stages of our products, ranging from materials processing, to procurement and manufacturing, packaging and distribution, consumer use, and end-of-life handling.

Product materials

SASB HC-MS-410a.1, SASB HC-MS-430a.3

Sonova aims to reduce the use of hazardous substances, avoid other environmental risks, minimize consumption of resources, and design for recycling and easy end-of-life treatment. As a medical and consumer device manufacturer, Sonova takes a proactive approach to evaluating materials in products and components to assess environmental, health, or safety risks. This evaluation process is continuous and applies to all stages of production. Employees who work with chemicals and hazardous substances, or come into contact with them, are trained annually in their safe handling.

SDG 12.4

Sonova complies with the EU directive on Restriction of Hazardous Substances (RoHS 2015/863/EU), which governs the use of heavy metals and halogenated compounds in electrical and electronic equipment, and with the EU regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH EC 1907/2006) for the safe manufacture and use of chemical substances throughout their life cycle. Sonova's suppliers are also required to prove their compliance with the RoHS directive and the REACH regulation in their respective processes and supply chains.

In accordance with REACH regulation, Sonova continuously updates the list of substances of very high concern (SVHC) that may be present in products above the regulatory threshold level of 0.1% by weight of the article. By the end of 2022 there were three SVHC substances requiring communication in accordance with the REACH regulation: 1,3-propanesultone, lead titanium trioxide, and lead. We had set a target to have zero SVHCs present in Sonova products by the end of 2022, which has not been achieved. Additional substances were added to the REACH SVHC candidate list after the target was set, and it remains challenging to replace these with alternative materials that provide equivalent properties. Sonova will continue to ensure compliance with the necessary reporting requirements under the REACH regulation and the Waste Framework Directive (EU) 2018/851 whenever the use of SVHC compounds exceeds the 0.1% threshold.

Procurement and manufacturing

We insist on environmentally friendly business practices throughout our value chain. The Sonova Group Supplier Principles recommend that suppliers use the international ISO 14001 standard as the starting point for their work. Since a large share of our environmental impact stems from our supply chain, we have started to engage with the most significant suppliers on such topics as greenhouse gas emissions accounting and setting emission reduction targets.

Packaging and distribution

Sonova is committed to reduce the environmental impact of our packaging. That is why we set the target to reduce product and transport packaging waste by 20% in terms of weight, compared to our 2019 baseline by 2023.

Packaging reduction target:
We aim to reduce packaging waste by 20% by weight by the end of 2023 (vs. 2019 baseline)*
*Includes transport packaging (excl. external distribution centers) and hearing instruments product packaging

Overall packaging weight increased by 4% in 2022 compared to 2021, and by 15% compared to 2019. This increase is mostly due to strong business growth. We are therefore unlikely to reach our target of a 20% reduction in packaging by the end of 2023. Despite challenges to achieving our target, we made progress on product and transport packaging during the 2022/23 financial year: we reduced the weight of several types of transport packaging box, resulting in overall savings of approximately 12 tons, and initiated further improvement actions. To accelerate the transition to eco-design principles for our packaging, we have appointed a Senior Packaging Designer.

Packaging

✓ Data externally assured (limited assurance)

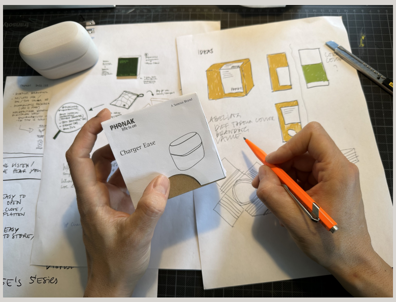
metric tons

	2022	2021 [2]	2020 [2]	2019 [2]
Packaging weight [1]	1,382	1,324	1,033	1,201

1) Includes transport packaging (excl. external distribution centers) and hearing instruments product packaging.
2) 2019 – 2021 values restated, as some corrections on a variety of packaging articles weights were performed. 2021 value increased by 1% (+14 t); 2020 value increased by 1% (+10 t), and 2019 value increased by 1% (+14 t).

The Sustainable Product Packaging Policy, effective since 2021/22 and covering our Hearing Instruments business, provides general guidance on use of fully recyclable materials, the minimization of weight, volume, and hazardous materials, and suitability for reuse and recyclability.

To better understand the potential environmental impact of packaging choices, we commissioned a team of external experts to make an in-depth analysis of representative product packaging systems, focusing on environmental indicators over the whole packaging life cycle and including GHG footprint, plastic leakage, recyclability, water footprint, and land use. The results of the assessment inform Sonova's efforts toward a lower-impact packaging approach.



Packaging workshop focused on environmental sustainability
A three-day cross-functional packaging improvement workshop at the end of the 2022/23 financial year brought together participants from Sonova headquarters in Switzerland, and our operation centers in the United States and Vietnam. Focusing on both product and transport packaging, the team developed a roadmap of actions aimed at reducing packaging waste across Sonova's value chain in 2023/24 and beyond. The actions proposed include packaging simplification and harmonization among operation and distribution centers, better process definition, enhanced data management, and eco-design guidelines.

Consumer use

Rechargeable batteries help to reduce the use of disposable batteries, increasing the lifetime of the product and reducing often hard-to-recycle waste. Since 2016, Sonova's Phonak, Unitron, and Hansaton brands have continuously expanded their portfolios of hearing aids with a lithium-ion rechargeable battery. In the 2022/23 financial year, 59% of total sold behind-the-ear and receiver-in-canal hearing instruments were rechargeable, representing an 80% increase compared to 2020/21. Advanced Bionics also offers rechargeable battery options for cochlear implant sound processors.

We also provide a broad range of repair and refurbishment services to lengthen the life cycle of our products and their components. In 2022/23, we further improved our processes related to testing of used devices at the repair centers of our Hearing Instruments business. This is expected to have a positive impact on reuse of devices and reduce electronic waste in the 2023/24 financial year.

Product end-of-life

SASB HC-MS-410a.2

Sonova complies with the EU directive on Waste Electrical and Electronic Equipment (WEEE), which requires such equipment to be returned to the manufacturer for recycling or environmentally friendly disposal.

Selected Sonova Group companies in the Audiological Care business offer battery collection programs, in which customers can bring their used hearing aid batteries back to the store. The batteries collected are disposed of through officially authorized disposal agents. In 2022, more than four metric tons of batteries were collected at different stores worldwide, doubling the results of the previous year.

Waste

GRI 3-3, GRI 306-2

At Sonova, we support the transition towards a circular economy by optimizing the way we use materials, minimizing the extraction of natural resources, generation of waste, and related disposal costs. Sonova is committed to avoiding and reducing operational waste wherever possible, separating materials to enable recycling, and disposing of hazardous waste in environmentally compatible ways. Sonova complies with legal requirements in countries where we operate to transport and dispose of hazardous waste solely through officially authorized disposal agents. The main categories of hazardous waste substances are solvents, washing fluids, acids, oil emulsions, paints, adhesives, soldering paste, and filters.

SDG 12.5

Our five-year target from 2017 to 2022 was to increase the operational waste recycling rate to 60%. Due to data availability, the scope of the target was limited to headquarters, operation, distribution and repair centers, as well as larger Group companies. In 2022, the recycling rate remained unchanged from 2021 at 53%. We did not reach the target within the expected timeline, but group-wide efforts continue to be deployed to achieve better waste separation and establish new collaborations with waste management suppliers to increase the recycled share of various waste streams.

Waste – limited scope[1]

metric tons

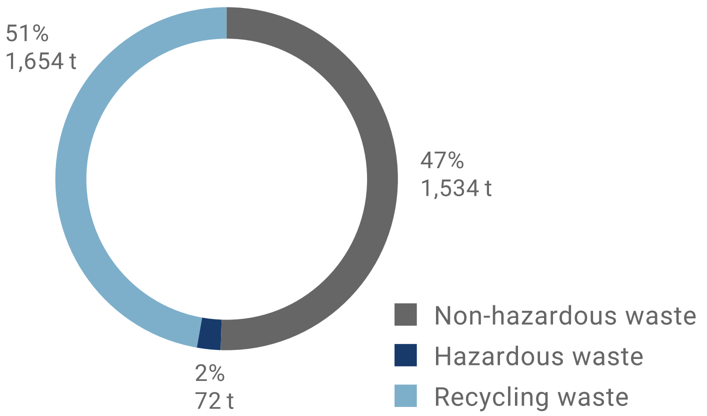
	2022	2021 [2]	2020
Total waste	**1,720**	**1,793**	**2,013**
Non-hazardous waste	747	783	894
Hazardous waste	66	66	56
Recycling waste	908	944	1,063
Recycling rate	**53%**	**53%**	**53%**

1) Limited scope includes headquarters, operation, distribution and repair centers as well as other Group companies with more than 50 full-time equivalent employees (FTEs) but excludes our Consumer Hearing business and Alpaca. As the recycling ratio target was only applicable to the limited scope, we will only report on full scope starting in the 2023/24 financial year.

2) 2021 figures restated due to data quality improvements. Non-hazardous waste increased by 2% (+12 t), recycling waste increased by <1%. Total waste figures adjusted as per waste components values changed as mentioned.

We further enhanced the scope of 2021 and 2022 waste data collection to the full Sonova Group and improved data granularity, especially a more detailed breakdown of prevalent disposal methods. Total waste increased by 11% to 3,260 tons during 2022 compared to the previous year, primarily due to the data integration of the Consumer Hearing business and Alpaca, and secondarily because of the progressive relaxation of COVID-19 restrictions (especially remote work). While hazardous waste remained stable, the overall waste increase was driven by the 14% growth of recycling waste, and by the 8% growth of non-hazardous waste compared to 2021.

Type of Waste in 2022 (in tons)



Waste – full scope[1]

✓ Data externally assured (limited assurance)

metric tons

	2022	2021 [2]
Total waste [1]	**3,260**	**2,931** [2]
Non-hazardous waste [3]	**1,534**	**1,415** [2]
Incineration with and without energy recovery	758	514
Landfill	776	900
Hazardous waste [4]	**72**	**71** [2]
Recycling [5]	16	16
Incineration with and without energy recovery	34	34
Landfill	14	13
Other treatments	8	8
Recycling waste	**1,654**	**1,445** [2]
Recycling rate	**51%**	**49%**

1) Includes waste produced onsite (scope 3 – cat. 5) and outside (scope 3 – cat. 8) to maintain reporting boundaries as per previous years reporting.
2) 2021 does not include Consumer Hearing business or Alpaca.
3) 2021 figures restated due to data quality improvements. Non-hazardous waste increased by <1%, recycling waste increased by 10% (+130 t).
4) Not extrapolated for Audiological Care as no hazardous waste is generated. FTEs considered: 9,191 in 2022, 8,473 in 2021.
5) Not included in recycling rate.

Sonova is committed to reducing the amount of waste that is generated by our operations. We have therefore set ourselves the new target to reduce our operational waste intensity by 5% by 2027 compared to 2022. The 2022 baseline value is 191.7 kg/FTE; the target value is therefore 182.1 kg/FTE. We intend to achieve this by optimizing and digitalizing processes, reducing packaging in transit between our operation, distribution and repair centers, and reusing materials where possible.

Operational waste reduction target:
We aim to reduce our operational waste per employee by 5% by 2027 vs. 2022.

Environmental Kaizen at Repair Center
In September 2022, employees in our Repair Center for Southern Europe in Alicante, Spain, conducted an environmental Kaizen (a continuous improvement workshop) focused on reducing waste by optimizing packaging size, minimizing repair byproducts, and switching to recyclable packaging materials whenever possible. The actions identified by the team are expected to significantly reduce plastic and foam waste from the repair center.

Water

GRI 3-3, GRI 303-1, GRI 303-3

Although we do not require significant amounts of water in our manufacturing processes, we are committed to reducing our withdrawal of fresh water, especially in water-stressed regions. We use water primarily for sanitary services, building automation systems, kitchens, and garden areas – and therefore focus our conservation efforts on our office buildings, monitoring per-capita consumption to identify potential areas for improvement. The sources of all water withdrawal are municipal water supplies or other public or private water utilities.

Our five-year target from 2017 to 2022 was to reduce water consumption by 5% per full-time equivalent employee (FTE). Due to data availability, the scope of the target was limited to headquarters, operation, distribution and repair centers, as well as larger Group companies. Sonova achieved the target: water consumption decreased by 7%, from 18.2 m^3/FTE in 2017 to 16.9 m^3/FTE in 2022.

Water withdrawal - limited scope[1]

m^3

	2022	2021 [2]	2020 [2]
Total water withdrawal	136,771	126,116	113,395
Water withdrawal per full-time employee (FTE) [3]	16.9	15.9	15.4

1) Limited scope includes headquarters, operation, distribution and repair centers as well as other Group companies with more than 50 FTEs but excludes our Consumer Hearing business and Alpaca. As the recycling ratio target was only applicable to the limited scope, we will only report on full scope starting in the 2023/24 financial year.
2) 2020 and 2021 values restated due to data quality improvements. Water withdrawal for 2021 and 2020 decreased by <1%.
3) FTE numbers considered per December 31 of each calendar year.

We further enhanced the scope of 2021 and 2022 water data collection to the full Sonova Group. Overall water withdrawal increased by 17% compared to 2021, primarily due to the data integration of the Consumer hearing business and Alpaca, and secondarily due to the progressive relaxation of COVID-19 measures (especially remote work).

Water withdrawal – full scope[1]
✓ Data externally assured (limited assurance)

m^3

	2022	2021 [2,3]
Total water withdrawal [1]	235,075	201,710 [2]
Water withdrawal per full-time employee (FTE)	13.8	13.2 [2]

1) Includes water withdrawal onsite (scope 3 – cat. 1 Water) and outside (scope 3 – cat. 8) to maintain reporting boundaries as per previous years reporting.
2) 2021 does not include Consumer Hearing business or Alpaca.
3) 2021 values restated due to data quality improvements. Water withdrawal for 2021 and 2020 increased by <1%. Water withdrawal per FTE increased by 1% (+0.1 m3/FTE).

Freshwater withdrawal remains an increasing concern for the world's ecosystems and the human societies that rely on them. We therefore remain committed to reducing our water withdrawal. Over the next five years, we aim to decrease our water withdrawal intensity across the entire Group by 5% per employee, aiming at reaching 13.1 m^3/FTE in 2027 from a baseline of 13.8 m^3/FTE in 2022. The main focus will be on upgrading our infrastructure and setting up rainwater recycling systems where appropriate – especially at sites that are located in areas with high or very high water stress.

Water withdrawal reduction target:
We aim to reduce our water withdrawal per employee by 5% by 2027 vs. 2022.

SDG 6.3, SDG 6.4

During the 2022/23 financial year, we further extended our physical water risk analysis for selected Sonova sites, using the WWF Water Risk Filter. The baseline water stress analysis (based on geographic water-catchment area – basin level) reported 24 sites out of the 57 assessed as being located in high or very high water stress risk areas. These 24 sites withdrew 52,641 m^3 water during 2022, accounting for 22% of the overall Group water withdrawal. The sites with the highest water withdrawal in these areas are located in China, the United States, Germany, Spain, Israel, and Brazil. Primary sources of water withdrawn were groundwater (40,668 m^3) and surface water (6,796 m^3). Figures were partially extrapolated due to limited data availability.

Biodiversity

Over past years, the nature of our global activities, products, and services has not shown to significantly influence biological diversity directly. Nevertheless, in light of the rapid global decline of biodiversity and the threats imposed on natural ecosystems by climate change, we recognize the importance of formally assessing Sonova's biodiversity dependencies and impacts. In the 2023/24 financial year, we are planning to further analyze Sonova's biodiversity-related risk and to mapping potential impact hotspots across our operations, using a location-specific approach. The aim of the assessment is to support future identification of key measures to mitigate Sonova's potential biodiversity dependencies and impacts, building on the "avoid, reduce, regenerate, restore, and transform" AR^3T Action Framework presented by the Science-based Targets Network (SBTN). Sonova is monitoring the development of recommendations from SBTN and the Taskforce on Nature-related Financial Disclosures (TNFD).

Third-party stakeholders along our value chain are also deemed material to Sonova's potential biodiversity impacts; we are currently re-evaluating our procurement practices to ensure our value-chain partners' commitment to the protection of ecosystems and biological diversity.

Environmental reporting and system boundaries

GRI 302-1, GRI 305-1, GRI 305-2, GRI 305-3

Sonova's environmental data monitoring and reporting includes energy consumption, CO_2e footprint, materials, waste disposal, and water consumption, and is based on the calendar year. Sonova reports environmental performance to the limits of the available data. Actual data is collected whenever possible, and estimated if data collection is not feasible given the decentralized organizational structure of these businesses and their small, often rented, facilities.

The tables in the section 'Protecting the planet' show environmental data from Sonova Group companies that operate as headquarters, operation, distribution or repair centers, wholesale distributors, as well as Group companies with audiological care activities. CO_2e footprint, energy consumption, waste, and water data are provided for all entities in the 2022 environmental data reporting. Data from the Consumer Hearing business and Alpaca Group Holdings LLC (Alpaca), which became part of the Audiological Care business in the 2021/22 financial year, are included in the figures from 2022 onwards. Sonova's science-based target base year for greenhouse gas (GHG) emissions is 2019, so the Consumer Hearing business's and Alpaca's GHG emissions are included for the years prior to their acquisition, unless otherwise stated. HYSOUND Group, acquired in the 2022/2023 financial year, is not yet included in the environmental reporting. Acquired businesses are only included in the Group environmental reporting after a full calendar year within Sonova.

Sonova differentiates between direct GHG emissions (scope 1) deriving from the combustion of fossil fuels; indirect GHG emissions (scope 2) from sources such as using electricity or district heating; and indirect emissions (scope 3) that arise from our value chain. 13 out of the 15 scope 3 categories defined by the GHG Protocol are currently applicable to Sonova. Sonova monitors scope 1 and 2 GHG emissions arising from consumption of heating oil, natural gas, biogas, vehicle fuels such as diesel and gasoline, refrigerants, as well as district heating and electricity. N_2O and CH_4 emissions from biogenic sources, e.g. biogas, are included in scope 1, while the related CO_2 emissions are excluded in accordance with the GHG Protocol. Outside-of-scope CO_2 emissions from biogenic sources amounted to 296 tons CO_2 in 2022.

We measure our electricity-related footprint using country-specific grid emission factors. scope 2 emissions were calculated using the 'market-based' approach in accordance with the GHG Protocol scope 2 Guidance. When reported according to the 'location-based' approach, the scope 2 emissions were 18,973 tons CO_2e. Sonova purchased 34,463 MWh as unbundled Energy Attribute Certificates (EACs), which were accounted for under the market-based approach for scope 2. Scope 3 Categories 4 and 9 (Transportation and distribution) as well as 6 (Business travel) include non-CO_2-related emissions deriving from aviation. A radiative forcing multiplier of 1.9 is currently applied as recommended by the UK Department for Business, Energy & Industrial Strategy (BEIS).

The measurement methodology and reporting format for the carbon footprint are based on the standards and guidance of the Greenhouse Gas (GHG) Protocol. Sonova follows the financial control consolidation approach for setting organizational boundaries. Global warming potentials (GWP) from the IPCC's fourth assessment report (AR4) are applied to calculate CO_2 equivalents. Relevant gases included are CO_2, CH_4 and N_2O. Key emission factor sources for calculating GHG emissions can be found in the table below:

Emission factor sources for environmental reporting

Scope and category	Main emission factor sources
Scope 1	- BEIS Department for Business, Energy & Industrial Strategy
Scope 2	- Association of Issuing Bodies (European Residual Mix) - IEA International Energy Agency (Emissions Factors) - EPA Environmental Protection Agency (eGRID) - Environment and Climate Change Canada (Electricity Can Prov Terr)
Category 1: Purchased goods and services	- EcoInvent (version 3.7 and version 3.7.1) - BEIS Department for Business, Energy & Industrial Strategy - CEDA Comprehensive Environmental Data Archive (version 5.05) - Exiobase (version 3.3.18) - Quantis World Food LCA Database (version 3.5) - World Bank (Inflation, consumer prices [annual %] 2022 vs 2021)
Category 2: Capital goods	- Dell Carbon Footprints
Category 3: Fuel- and energy-related activities (not included in scope 1 and 2)	- BEIS Department for Business, Energy & Industrial Strategy - IEA International Energy Agency (Emissions Factors)
Categories 4 and 9: Transportation and distribution	- BEIS Department for Business, Energy & Industrial Strategy
Category 5: Waste generated in operations	- BEIS Department for Business, Energy & Industrial Strategy
Category 6: Business travel	- BEIS Department for Business, Energy & Industrial Strategy - CEDA Comprehensive Environmental Data Archive (version 5.05)
Category 7: Employee commuting	- BEIS Department for Business, Energy & Industrial Strategy - IEA International Energy Agency (Energy Efficiency Indicators)
Category 8: Upstream Leased Assets	- BEIS Department for Business, Energy & Industrial Strategy - Association of Issuing Bodies (European Residual Mix) - IEA International Energy Agency (Emissions Factors)
Category 10: Processing of sold products	- IEA International Energy Agency
Category 11: Use of sold products	- IEA International Energy Agency
Category 12: End-of-life of sold products	- BEIS Department for Business, Energy & Industrial Strategy
Category 15: Investments	- Estimate based on Bloomberg & CDP data

All conversion factors are presented to convert 1 input unit. The source for all conversation factors is BEIS Department for Business, Energy & Industrial Strategy.

	Conversion Factor	Conversion Unit
Distance		
Miles	1.6093	km
Energy		
Therm	0.0293	MWh
Fuel oil liter	0.0100	MWh
Natural gas m3	0.0103	MWh
Gigajoule (GJ)	0.2778	MWh
Mass		
Pound (lb)	0.4535	kg
Ton (US, short ton)	907.2	kg
Volume		
US Gallon	3.7854	L
Imperial Gallon	4.5461	L
Megaliter	1,000	m^3

Sonova ESG Report 2022/23

Serving society

We constantly innovate in hearing health care, improve access for people in under-served areas and engage actively with our communities.

Serving society is the core of Sonova's vision; to improve the quality of life for millions of people around the world who are experiencing hearing loss. We achieve this by developing and continuously enhancing innovative solutions and making sure that our broad portfolio is accessible and affordable to people in an ever-growing number of locations and at all income levels.

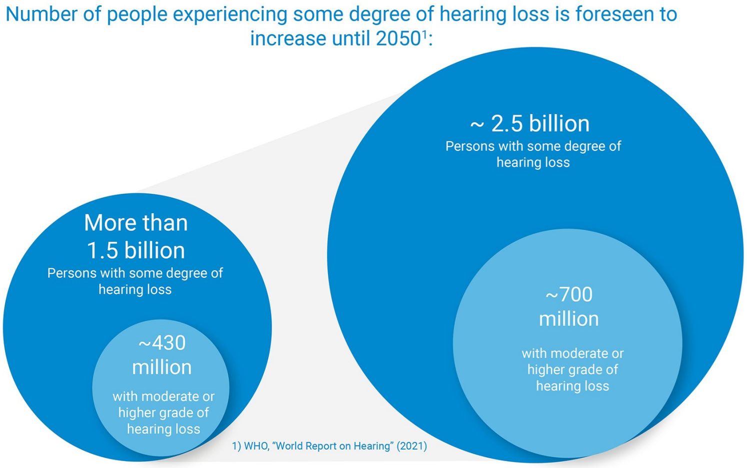
SDG 10.2

The sections that follow provide an overview of our approach in the 'Serving society' pillar of *IntACT*, our ESG strategy:

- Innovative hearing solutions
- Accessibility and affordability
- Training and education
- Philanthropy

The importance of good hearing and the consequences of hearing loss continue to be underestimated. Unaddressed hearing loss is among the three largest causes of years lived with disability (YLD) around the globe, and yet it remains an "invisible disability" despite approximately 20% of the global population experiencing some degree of hearing loss, according to World Health Organization (WHO) statistics[1]. Over 5% of the world's population experience moderate or higher grades of hearing loss[2]; nearly 30 million have profound or complete hearing loss in both ears. The number of people with hearing loss is expected to rise significantly rise beyond these 2021 statistics due to the aging of populations and continued noise pollution. The WHO estimates that by 2050, 2.5 billion people will experience hearing loss and over 700 million people will require hearing care due to a moderate or higher grade of hearing loss[1].

GRI 3-3



Untreated hearing loss can have serious consequences for the individuals who suffer from it and for those around them. These range from negative effects on personal relationships to disadvantages at work and social isolation, which can lead to depression. Especially severe are the consequences for children with untreated hearing loss, as the development of speech and language is fundamentally dependent on the sense of hearing. Untreated hearing loss also is often associated with academic underachievement, which can lead to lower job performance and fewer employment opportunities later in life. In addition to the impact of hearing loss at an individual level, untreated hearing loss puts a heavy cost burden on society. Direct and indirect costs related to unaddressed hearing loss are estimated at USD 980 billion annually, of which more than 50% are borne by low- and middle-income countries in direct health costs, loss of productivity, and societal costs[1]. Today's hearing solutions offer the opportunity to reduce this burden significantly.

The fundamental need for hearing solutions is further influenced by long-term socioeconomic factors. The number of people on our planet will continue to increase. Although populations in low- and middle-income countries are expected to grow the most, even high-income countries with stable populations will face a growing proportion of elderly citizens, who are likely to experience hearing loss. These developments increase demand for hearing care: a large unmet need remains. According to WHO statistics, approximately 80% of people with moderate or higher grades of hearing loss live in low- and middle-income countries, with the most affected regions being the Western Pacific, South-East Asia, and the Americas[1]. People in such countries often have little or no access to audiological services, and the hearing care market is still relatively underserved. The WHO estimates that total current hearing aid production worldwide would meet only around 3% of the need in low- and middle-income countries[3]. This situation presents substantial opportunities to increase access to hearing care.

1) WHO, "World Report on Hearing" (2021)
2) In 2021, the WHO has adapted its grading system on the severity of hearing loss. The threshold for moderate hearing loss is 35dB in the better hearing ear.
3) WHO, "Factsheet: deafness and hearing loss" (2020)

Innovative hearing solutions

Broad product portfolio

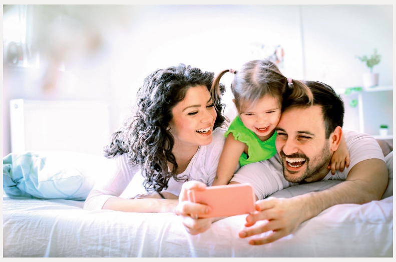
SDG 9.5

The hearing care market is highly diverse, requiring a broad range of technologically advanced solutions and versatile customer service channels. Our declared goal is to offer the most innovative hearing solutions and services available to consumers worldwide, continuously improving speech intelligibility, sound resolution and quality, and ease of use. With our Consumer Hearing business, we have expanded our product portfolio to include wireless headsets and speech-enhanced hearables. We are vertically integrated: our four businesses cover the full hearing care industry, from research and manufacturing of products such as hearing instruments and cochlear implants to expert hearing services delivered through our Audiological Care business.

In 2022/23, around 60 new patent applications were filed across the Sonova Group. By the end of the financial year, Sonova owned in total over 1,800 active granted patent and design rights.

Digital solutions

Sonova continuously extends the digital solutions that bring together healthcare providers and consumers through different stages of the hearing journey, while improving the audiological quality and ease of operation of our products. Our various apps include advancements such as health measurements, continuous data monitoring, and statistical analysis of listening situations to enable user-specific fine tuning of the hearing experience, as well as more targeted advice to our consumers.



Helping kids to own their journey to better hearing
The myPhonak Junior app complements our hearing instruments with a specific focus on the needs of children with hearing loss and their parents. Designed with kids in mind, it covers the key steps that they can follow to take control of their journey to better hearing. The app can be also used in cooperation with the hearing care professional for remote service sessions, and by the child’s parents to help them understand what their child is experiencing.

To complement our strong research and development hubs in Switzerland and around the world, we announced in November 2019 the opening of the Sonova Innovation Lab in Waterloo, Ontario, Canada, where we explore new digital capabilities in one of the leading consumer app development centers in North America, bringing together experts from our various specialties with people from the mobile industry. In Singapore, we have a innovative development center focused on consumer hearing.

Partnerships and collaborations

Sonova continuously collaborates with partners such as leading research institutions, hospitals, and companies to progress towards our goal to improving life quality with our hearing solutions. We strive for long-term partnership and open exchange, and we collaborate with over fifty top-class universities and centers of excellence and technology. Our recent collaborations included work in broadening the understanding of auditory perception and cognitive processing, refining digital signal processing and the miniaturization of electronics, improving material and implantation technologies, and researching the potential of bionics. We work especially closely with international groups of experts from the Phonak Pediatric Advisory Board to develop hearing solutions that counteract hearing loss in early childhood. Members of the Pediatric Advisory Board include parents of children with hearing loss, researchers and professors in pediatric audiology, and master pediatric clinicians.

Customer satisfaction

Sonova is committed to regularly collect feedback from both our customers, including hearing care professionals (HCPs), and from our end-consumers. Feedback is vital for both process and product improvements. Our end-consumers have the opportunity to share feedback through different mobile applications and to their HCP or retail customer service. For hearing instruments, we conduct several types of surveys regarding customer satisfaction. The customer satisfaction index (CSI) is calculated on a scale from 0 – 100 and based on a yearly survey in 25 countries for our brand Phonak. In 2022/23 the CSI remained stable at 75 compared to 74 in 2021/22. We are also collecting monthly feedback from our customers, through a survey in four countries for our brand Phonak. There we look at the Net Promoter Score (NPS) as the key metric. The NPS is a widely used market research metric that is based on a single survey question asking respondents to rate the likelihood that they would recommend a company, product, or a service. NPS tends to be more reactive to market dynamics than the CSI. The 2022/23 12-month average NPS was 30, down 10 percentage points compared to the 2021/22 12-month average NPS of 40. Root causes has been analyzed and actions are developed to enhance customer satisfaction.

Customer satisfaction[1]

✓ Data externally assured (limited assurance)

Customer satisfaction index

	2022/23	2021/22
Customer satisfaction index [2]	75	74

1) Combined external assurance of 2021/22 and 2022/23 data during 2022/23 assurance.
2) Customer satisfaction index is conducted annually via an online survey in 25 countries to hearing care professionals to understand their satisfaction. The customer satisfaction index only covering the Phonak brand.

Accessibility and affordability

SDG 3.8

Sonova offers a wide range of products and services, and our solutions are present in over 100 countries. We provide hearing care services through our Audiological Care business, innovative headphones and early entry hearing solutions through our Consumer Hearing business, as well as hearing instruments, wireless communication devices, and cochlear implants. Access to hearing care is a topic closely aligned with our corporate values, and we aim to ensure that our full product range is available at appropriate price levels through a wide variety of channels.

Distribution network

SDG 3.8

Innovation is not limited to the products we produce and offer – innovation also drives the way we approach the market, both through our wholesale companies, through distributors, and through our omni-channel audiological care network. Operating through many channels multiplies the potential paths to hearing for consumers, even in parts of the world where hearing care has been in short supply. Sonova's Audiological Care business is currently the second largest hearing care provider in the world, with more than 3,900 stores and clinics in 20 markets, employing over 8,600 people.

Access in remote areas

For many years, Sonova has developed innovative digital solutions, both built into and supporting our products, to improve access to expert hearing care, especially in remote areas. We enable remote hearing screenings in numerous countries, which are conducted either online or via one of our dedicated apps. We also support remote hearing aid fittings and adjustments, linking consumers to their hearing care professional without requiring a face-to-face consultation.

Underserved markets

Hearing care that both is accessible and affordable is still a challenge for many people in low- and middle-income countries, as it is for underprivileged social groups in high-income regions. Sonova has set the following target to increase the number of hearing aids sold in low- and middle-income countries.

Serving society target: We aim for a 50% increase in the number of hearing aids sold in low- and middle-income countries by 2023/24, compared to 2018/19.

During the 2022/23 financial year, we continued our efforts in this area and achieved a 48.5% increase compared to 2018/19 and almost achieving our 50% increase target.

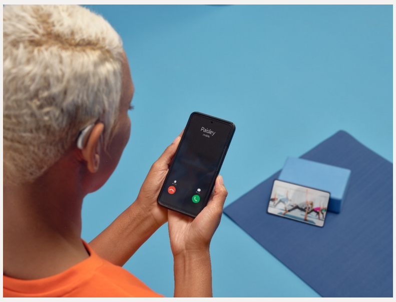
Sales growth in low- and middle-income countries

vs. 2018/19

	2022/23	2021/22	2020/21
Increase in number of HI sold in low-and middle-income countries vs. 2018/19	+48.5%	+44.1%	+0.4%

Customized solutions

We develop dedicated products and services for specific markets, including underserved markets. For people speaking a Sinitic language such as Mandarin or Cantonese, Sonova worked with China's largest hospital, the Tongren Hospital in Beijing to better understand the specific needs when it comes to hearing loss. The result was a specific prescription formula for the amplification/frequency curve shapes of tonal languages – or, to put it more simply, hearing aids offering significantly better speech clarity.



Flexible product offering
Our Unitron brand gives our consumers the flexibility to upgrade the technology in their hearing aids without having to change them for a new pair. This enables hearing care professionals to continue to support the consumer's changing hearing needs and also gives consumers a wider choice of initial product price level, as they can easily upgrade in the future.

Training and education

SDG 3.C

One of the challenges in supporting the large population of people living with hearing loss is ensuring that there are enough trained hearing care professionals (HCPs). The lack of educational infrastructure in many countries hinders efforts to raise the proportion of people who can receive hearing care. Sonova is determined to build local capacity and capabilities by helping to train hearing care professionals to the highest standards.

The Swiss International Hearing Academy (SIHA), is a Sonova Group initiative that offers a pioneering blended-learning program in audiology for aspiring HCPs worldwide. The program makes training viable in countries where vocational education facilities are thin on the ground or non-existent. Delivered over six or twelve months, the SIHA program involves more than 1,350 hours of study and includes instructor-led lectures, online modules, self-study, and clinical work.

SIHA training program target:
Sonova's target, set in 2020/21, was to train and certify 250 HCPs in low- and middle-income countries through the SIHA program by 2022/23.

This has been achieved: 270 HCPs have been certified since 2021/22, 186 of whom graduated during the 2022/23 financial year. At the end of the financial year, a further 253 people were enrolled in the program.

SIHA program enabled Renae to become a hearing care professional
Renae Farrington has been living with hearing loss since early childhood: she started wearing hearing aids from an early age. Motivated to help others who are in the same situation as herself, she changed careers from the construction industry to start work at Connect Hearing in Geraldton, a city serving a large and remote area in Western Australia. After two years as a client care representative, she grasped the opportunity to boost her skills through the SIHA program, gaining a broad base of audiological knowledge through self-study and practical studies. Renae is now a member of the Australian College of Audiology and is providing in-person and remote care to people across a wide stretch of Australia's West coast.

Sonova has established additional training and education efforts in local markets, including in China, where the challenge of a rapidly growing number of people with hearing loss (due to an aging population) has put strain on an already under-resourced hearing care system. In 2022/23, Sonova acquired HYSOUND, an audiological care company with branches in cities across China, expanding Sonova's footprint in the country. We launched a new one-month training program for local HCPs and more than 2,300 have enrolled. We also offer advanced audiology knowledge and practical skills training to HCPs from our wholesale customers in China through the Sonova Grand Hearing Institute, a dedicated audiology training center. It features soundproof rooms for hearing tests, a fully functioning pediatric diagnostic clinical room, workstations for fitting and evaluating hearing aids, a dedicated lab for ear-molds, repairs, state-of-the-art video otoscopy and otoscopy training tools, cerumen removal, and middle ear analysis testing. In addition, Sonova provides technical support to help address the significant lack of practical knowledge about hearing aid fitting among hearing care professionals. In 2022/23, the Sonova Audiology team provided monthly technical and training support sessions for its wholesale customers in China to a total of 95,000 attendees.

Since 2019, the Sonova Academy in Dortmund, Germany has provided comprehensive training and development opportunities to future HCPs at the cutting edge of science and technology in modern training facilities. The program's in-person and eLearning modules complement Germany's existing training offerings in hearing acoustics, and the Sonova Academy cooperates closely with the German Academy for Hearing Acoustics and the German Vocational School for Hearing Acoustics. Participants are trained on theory and practice in hearing studios, seminar rooms, and an earmold laboratory. In 2022/23, our teams trained around 1,600 participants through online training courses and 780 participants in onsite training courses. The participants completed a total of over 27,500 individual training modules.

Philanthropy

Hear the World Foundation

Sonova's philanthropic efforts aim to increase access to hearing care for children in low- and middle-income countries. We launched the Hear the World Foundation (HTWF) in 2006 to support this aim by providing funding, expertise, and hearing solutions. The mission of the HTWF is to improve the quality of life of people in need with hearing loss worldwide and to create equal opportunities by giving them access to holistic and sustainable hearing healthcare. The HTWF operates in two areas: providing quality hearing care to children and building hearing care capacity in low-and middle-income countries to create lasting positive social impact.

Hear the World Foundation target:
We aim to increase lives impacted by the Hear the World Foundation (HTWF) by 10% year-over-year – focusing on children with hearing loss in low- and middle-income countries.

This target has been surpassed in 2022/23: 2,880 hearing aids were fitted in projects supported by the HTWF, compared to 2,260 devices in the previous year. In the same year, the HTWF rolled out a new impact measurement and management system that allows it to better monitor its achievements through key performance indicators, such as the number of children screened, diagnosed, and fitted, as well as the extent of aftercare and auditory habilitation. The system also tracks training of qualified professionals, and local capacity building.

The HTWF supported 14 projects worldwide in 2022/23: these provided 68,750 hearing screenings for newborns and children, fitted hearing aids for 1,760 children, and invested in hearing loss prevention, holistic audiological care, and caregiver support. The Foundation also enabled basic and advanced audiological training for a total of 2,820 hearing care professionals and volunteers. Sonova employees work voluntarily for the Foundation and contributed 1,320 hours of their time. Detailed data is published in the annual Activity Report on the HTWF website; it also provides further information on the Foundation's activities, goals, and impact.

Hear the World Foundation activities

	2022/23	2021/22
Fitted hearing aids	2,880	2,260
Number of screenings	68,750	39,190
Number of hearing care professionals and volunteers trained	2,820	1,630

Long-term project engagement in Peru
Since 2016, the Hear the World Foundation has supported the Oír Para Crecer (OPC) project in Peru. OPC aims to increase access to hearing care for the country's lower-income people and further improve that care's quality. The project builds capacity, progressively extending services from the capital in Lima to outlying provinces. It also systematically collects and analyzes data in support of its efforts to integrate hearing care better into the public health system. Since 2017, more than 800 children have been fitted with hearing aids, and more than 260 people have been trained by OPC in Peru.

Philanthropic contributions

The total monetary value of Sonova's contribution to corporate citizenship and philanthropic activities in the 2022/23 financial year amounted to more than CHF 7.1 million. The majority of this monetary value was in the form of contributions to community partner organizations through the HTWF, along with various sponsored research projects related to the topic of hearing. Sonova also made contributions to international organizations providing humanitarian support to the people of Ukraine.

Monetary value of philanthropic contributions by type of activities

CHF [1]

	2022/23	%	2021/22	%	2020/21	%
Total	**7,126,937**	**100%**	**5,904,994**	**100%**	**3,615,086**	**100%**
Community investments	6,010,434	84%	4,802,068	81%	3,550,680	98%
Charitable donations	1,021,255	14%	1,034,570	18%	30,990	1%
Commercial initiatives	95,249	1%	68,356	1%	33,416	1%

1) Only contributions at Sonova Group level included, does not include contributions at brand level.

Monetary value of philanthropic contributions by type of contribution

CHF [1]

	2022/23	%	2021/22	%	2020/21	%
Total	**7,126,937**	**100%**	**5,904,994**	**100%**	**3,615,086**	**100%**
Cash contributions	1,584,503	22%	1,952,926	33%	583,416	16%
Time	88,814	1%	55,986	1%	36,239	1%
In-kind contributions	4,585,620	64%	3,074,082	52%	2,406,431	67%
Management costs	868,000	12%	822,000	14%	589,000	16%

1) Only contributions at Sonova Group level included, does not include contributions at brand level.

Sonova ESG Report 2022/23

Advancing our people

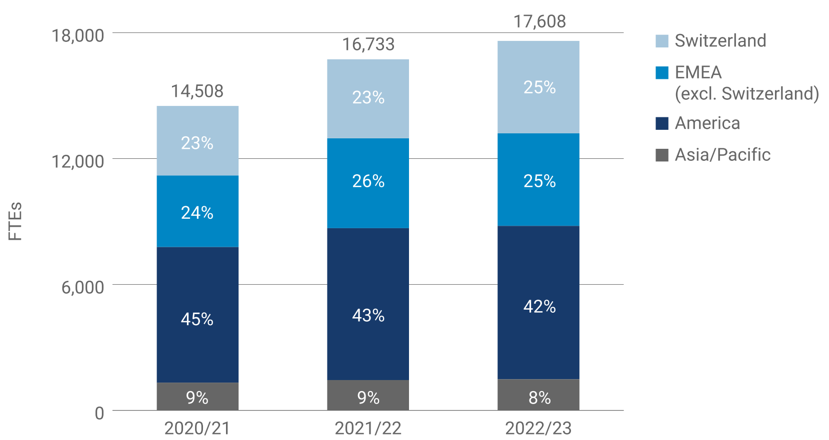
We foster our employees' development, wellbeing and engagement in an inclusive work environment that embraces diversity.

Our employees are vital to the success of Sonova: our people create innovative solutions, care for our consumers, and drive our business forward. We aim to build a secure foundation for our employees' wellbeing and enable our people to develop personally and professionally. The sections that follow describe the various aspects of the 'Advancing our people' pillar:

GRI 3-3

- Employee engagement
- Talent development
- Diversity and inclusion
- Occupational health and safety
- Employee wellbeing
- Responsible reorganizations

Number of employees



As of the end of the 2022/23 financial year, Sonova had 17,608 employees (FTE), 5.2% more than in the previous year. During this year, 682 employees joined Sonova through the acquisition of HYSOUND in China; several smaller businesses were also acquired in EMEA, United States, Americas and Asia/Pacific. All of these businesses produce or distribute and service hearing instruments.

GRI 2-7

Employees by region

✓ Data externally assured (limited assurance)

FTE (end of period) [1]

	2022/23	2021/22	2020/21
Total (regular and fixed-term)	**17,608**	**16,733**	**14,508**
Switzerland	1,482	1,445	1,321
EMEA (excl. Switzerland)	7,311	7,238	6,443
America	4,409	4,285	3,415
Asia/Pacific	4,406	3,765	3,329

1) Employee numbers do not show any seasonal or other temporary fluctuation. Includes regular and fixed-term employees and excluding employees on long-term leave.

Headcount (end of period) [1]

	2022/23 [2]	2021/22 [2]	2020/21 [2]
Total (regular, fixed-term and interns)	**18,692**	**17,303**	**15,712**
Switzerland	1,585	1,574	1,445
EMEA (excl. Switzerland)	8,175	8,190	7,457
America	4,433	3,767	3,370
Asia/Pacific	4,499	3,772	3,440

1) Employee numbers do not show any seasonal or other temporary fluctuation. Includes regular, fixed-term and interns and excluding employees on long-term leave.
2) Combined external assurance of 2020/21, 2021/22 and 2022/23 data during 2022/23 assurance.

Employees by gender

✓ Data externally assured (limited assurance)

% of employee headcount [1]

	2022/23	2021/22	2020/21
Women			
Share of total workforce	67.3	65.6	66.5
Part-time employees	13.5	13.5	14.1
Men			
Share of total workforce	32.7	34.4	33.5
Part-time employees	2.7	2.8	2.6

1) Includes regular, fixed-term and interns and excluding employees on long-term leave for the first time in 2022/23. The 2021/22 and 2020/21 data has been recalculated accordingly. Impact of the recalculations mainly impacted the percentage of part time employees.

GRI 2-8

Of the total workforce, 83.3% of the total workforce is employed directly by Sonova Group companies; the remaining 16.8% comprises of external temporary workers contracted as external consultants, via service agreements or staff leasing. The main functions with non-employee workers are IT (31% out of all external temporary), sales (26%), marketing (13%), and finance (10%).

Employees by employment contract
✓ Data externally assured (limited assurance)

% of employee headcount [1]

	2022/23	2021/22	2020/21
Regular	79.1	79.8	82.4
Fixed-term [2]	2.3	2.6	2.0
External temporary [3]	16.8 [4]	15.1 [4]	12.5 [4]
Interns	1.9	2.4	3.2

1) Excluding employees on long-term leave for the first time in 2022/23. The 2021/22 and 2020/21 data has been recalculated accordingly.
2) Employees on fixed-term contract.
3) Agency temps and contingent workers.
4) Increase in external temporary employees compared to previous years due to increased number of time-critical projects that required external support.

GRI 2-30

Sonova has put in place a comprehensive set of global human resource processes, standards, and policies, which are implemented locally in line with country-specific regulations and customs. The majority of our employees are directly supported by a local human resources manager. We assess the impact of our activities on a monthly basis through a set of key performance indicators such as employee turnover rate, internal leadership recruitment rate, and the availability of internal talent for potential succession to management positions. Sonova conducts regular internal audits at Group level and Group company level to ensure compliance with internal regulations and local labor law, to monitor progress in all our locations, and to monitor that we provide excellent working conditions. As of 2022/23, 26% of Sonova's global workforce is represented by an independent trade union or covered by collective bargaining agreements.

Various global challenges in recent years – macroeconomic instability, geopolitical conflicts, market volatility, and cost of living increases – have had a significant impact on our employees and potential talents. In the past financial year, rising costs for basic necessities have increased financial constraints on individuals and families. Sonova has introduced various measures in 2022/23, both on a global and local level, to ease financial pressure on our employees. One global measure was implemented during the yearly salary review: Sonova set a higher compensation increase rate for employees below senior and middle management, a definition that covers more than 90% of our employees. This helps our employees with lower incomes, who are most impacted by cost of living increases caused by price inflation.

Employee engagement

Maintaining employee engagement and inviting suggestions for possible improvement are vital activities for our continued success. Disengagement among employees presents a real business risk; by soliciting feedback from our global workforce, we can take timely and effective measures to mitigate problems, thus helping to create a better working environment with a focus on our employees' productivity and wellbeing.

HearMe, Sonova's annual confidential employee engagement survey, was conducted for the fifth time, and included feedback from our new colleagues at Alpaca and our Consumer Hearing business. The survey is managed in cooperation with an external provider and consists of 63 questions covering 13 topics, such as strategy and leadership, operational excellence, collaboration, diversity and inclusion, and sustainable engagement. With more than 17,000 eligible[1] employees invited to the latest survey, a participation rate of 93% was reached.

Sonova calculates the sustainable engagement rate based on nine questions that ask employees to assess how much they are engaged, enabled, and energized to achieve their goals. Typically, an engagement rate above 70% is considered to represent an engaged workforce. This year's survey revealed that 82% of Sonova respondents reported feeling actively engaged by their work, a decrease of one percentage point compared to previous year. Sonova's engagement rate was, however, two percentage points higher than the medical devices industry average of 80% (based on the benchmark data prepared by our external survey provider).

Employee engagement target:
We achieve the employee engagement rate level of high performing companies by 2022/23.

The definition of this benchmark was provided by our external partner: it consists of companies across various industries worldwide that combine excellent return on capital employed (ROCE) with top-tier ranking in independent employee engagement surveys over several years. In 2022/23, the engagement rate for these benchmark high performing companies was 88%, while Sonova's was 82%. However, in two of the topics of the survey, diversity and inclusion and talent development, improvements in our score in recent years helped us reach the level of high performing companies for those topics. Despite not having achieved our very ambitious target, we are proud to have maintained employee engagement at a high level over the past five years, and aim to continue our improvement in this area.

Each year, Sonova conduct workshops with teams around the world to analyze and discuss the HearMe survey results, agree necessary actions, implement them, and monitor their success. Concrete initiatives inspired by this year's HearMe results have already been implemented, aiming to release untapped potential, identify key drivers of employee engagement, encourage effective leadership at all levels, and thereby stimulate professional growth and business success. Two further key topics of global focus, recognition and employee wellbeing, have also been established, with designated members of the Management Board assigned as sponsors for each.

Participation rate

✓ Data externally assured (limited assurance)

% of survey eligible [1] employee headcount

	2022/23	2021/22	2020/21
Employee engagement survey participation rate	93	92	94

1) Employees eligible to take the survey are defined as: Regular employees, working at least 20% of full time; employees who joined Sonova no later than two months before the HearMe survey; and fixed-term employees leaving later than two months after the survey.

Employee engagement

✓ Data externally assured (limited assurance)

Favorable answers as % of survey eligible employee headcount

	2022/23	2021/22	2020/21
Employee engagement rate	**82**	**83**	**83**
Women	84	84	84
Men	80	81	81

Since 2021 we have conducted a monthly Pulse survey, in addition to the yearly HearMe survey, to assess employees' perception continuously. The Pulse survey consists of 13 questions covering a range of global focus topics and actions, and is sent to a regularly-changed sample group of employees worldwide. The feedback is analyzed monthly to identify development areas and the results are combined into quarterly reports that are shared across the organization.

Talent development

GRI 3-3, GRI 404-3

The limited availability of specialist talent in Sonova's industry is a continuing challenge: we therefore follow a proactive strategy to attract, develop, and retain that talent, adapting swiftly as employment markets shift. We aim to be an employer of choice and regularly gather feedback from employees and job candidates to refine our overall employment propositions. We are committed to offering an environment where employees can develop, and encourage internal succession to keep exceptional talent within the Group – thus sustaining our competitive advantage and long-term success.

Development plan target:
Over 95% of employees should have a development plan by the end of the 2022/23 financial year.

This target applies to all employees except external temporary workers, interns, and employees in production/assembly roles, for whom other skill-related growth paths are established. In addition, employees on long-term leave (such as maternity or sick leave) are excluded. We achieved our target in 2022/23: 97.4% of our employees had a development plan.

Development objectives

✓ Data externally assured (limited assurance)[2]

% of employees with development objectives of development objective eligible [1] employee headcount

	2022/23 [2]	2021/22 [2]
Development objectives rate [1]	97.4	97.4

1) Eligible employees are defined as regular and fixed-term employees. Exceptions are employees on long-term leave, external temporary workers, interns and employees in production/assembly for whom other skill-related growth paths are established. More than 10,000 employees were eligible and the development plans are documented in the HR system.

2) Only data from financial year 2022/23 part of the external assurance.

GRI 401-1

Sonova's annual performance appraisal process includes setting individual, measurable goals and conducting appraisal meetings to discuss progress towards those goals. Line and HR managers annually review the competencies, performance, and potential of our employees. The results support our global succession planning process, whereby we reduce the risk of losing specialist knowledge, skills, and experience in vital positions by identifying and developing promising candidates for internal succession. This process also enables our employees to take on new career opportunities – in a new role or a new location – within the company. During 2022/23, 66% of job openings for all leadership positions (people and project managers) were filled by existing Sonova employees.

As part of HearMe, our annual employee engagement survey, we calculated and benchmarked Sonova's talent development score. The talent development topic covers three questions focusing on development opportunities and development processes. During the past few years, we have improved our score for the topic of talent development continuously. As of 2022/23, our external survey provider rated Sonova's talent development score best-in-class among top performing companies.

Internal leadership recruitment rate (ILRR)

✓ Data externally assured (limited assurance)

% of employee headcount [1]

	2022/23	2021/22	2020/21
Total (% of total internal hires to leadership positions) [2]	**66.0**	**63.8**	**69.7**
Women (% of women of internal hires to leadership positions)	60.3	57.6	47.1
Men (% of men of internal hires to leadership positions)	39.7	42.4	52.9

1) Audiological Care Germany fully included in 2022/23 and 2021/22, but only included in the total statistics for 2020/21.
2) Leadership positions are defined as people managers or project managers.

New hire rate

✓ Data externally assured (limited assurance)

% of new hired headcount [1]

	2022/23 [2]	2021/22 [2]	2020/21 [2]
Region			
Switzerland	5.9	8.1	8.6
EMEA (excl. Switzerland)	48.0	44.4	34.9
America	30.7	33.3	28.5
Asia/Pacific	15.4	14.2	28.0
Gender			
Women	67.7	65.5	67.9
Men	32.3	34.5	32.1
Age			
under 30 years old	39.5	40.3	44.8
30–50 years old	47.7	46.7	44.1
over 50 years old	12.8	13.1	11.1

1) Combined external assurance of 2020/21, 2021/22 and 2022/23 data during 2022/23 assurance.
2) Includes regular, fixed-term and interns and excluding employees on long-term leave for the first time in 2022/23 and data improvement during 2022/23 related to age data. The 2021/22 and 2020/21 data has been recalculated accordingly. Impact of the methodology improvements and expanding the scope of employees mainly for 2021/22 for gender and region categories and for the age categories for 2021/22 and 2020/21.

In the 2022/23 financial year, the overall employee turnover rate decreased from 17.4% to 14.7%, and the voluntary employee turnover rate from 13.1% to 11.3%. During the last financial year, efforts to retain talent included our wellbeing framework implementation, focus on diversity and inclusion and employee development. It is these initiatives that we believe are the reasons for the decrease in turnover. We still aim to improve the employee experience even further so that we can continue to retain our top talent. Comparing our total and voluntary employee turnover rates with our most recent benchmark data from an external provider covering over 50 medical devices industry peers, Sonova is ranked better than the median. The average tenure of our people managers in 2022/23 was 9.6 years, while the average workforce tenure was 7.1 years.

Employee turnover rates

✓ Data externally assured (limited assurance)

% of FTE [1]

	2022/23	2021/22	2020/21
Total	**14.7**	**17.4**	**15.1**
Region			
Switzerland	8.2	9.5	6.2
EMEA (excl. Switzerland)	14.6	15.3	12.2
America	21.5	23.6	21.7
Asia/Pacific	10.4	18.1	17.6
Gender			
Women	14.8	17.8	15.7
Men	14.0	16.9	13.1
Age [2]			
under 30 years old	23.1	20.0	21.2
30–50 years old	13.1	17.7	13.3
over 50 years old	10.6	14.1	12.3

1) The employee turnover rate is the percentage of the employees who left Sonova during the financial year; this includes continuing and discontinued operations (excl. leaves following company sale). In 2020/21, Audiological Care Germany is only included in total turnover and EMEA (excl. Switzerland).
2) Data improvement during 2022/23 related to age data, 2021/22 and 2020/21 recalculated accordingly. Impact of the recalculation mainly on age categories.

Voluntary employee turnover

✓ Data externally assured (limited assurance)

% of FTE [1]

	2022/23	2021/22	2020/21
Total	**11.3**	**13.1**	**8.6**
Region			
Switzerland	6.9	7.3	3.3
EMEA (excl. Switzerland)	11.4	11.1	8.0
America	15.5	18.1	11.1
Asia/Pacific	8.4	14.1	11.1
Gender			
Women	11.4	13.9	9.5
Men	10.4	11.9	7.2
Age [2]			
under 30 years old	18.0	16.6	12.9
30–50 years old	10.2	13.5	8.6
over 50 years old	7.5	8.8	4.3

1) The employee voluntary turnover rate is the percentage of the employees who left Sonova voluntarily during the financial year. In 2019/20 and 2020/21, Audiological Care Germany is only included in total turnover and EMEA (excl. Switzerland).
2) Data improvement during 2022/23 related to age data, 2021/22 and 2020/21 recalculated accordingly. Impact of the recalculation for 2021/22 mainly impacted the age categories for 2021/22.

Tenure

✓ Data externally assured (limited assurance)

Average tenure in years [1]

	2022/23 [3]	2021/22 [3]	2020/21 [3]
People managers [2]	9.6	10.1	9.8
Employees without direct report [2]	6.6	6.8	7.0
All employees [2]	7.1	7.3	7.4

1) Only includes regular employees.
2) Improved data quality during 2022/23. 2021/22 and 2020/21 has been recalculated accordingly.
3) Combined external assurance of 2020/21, 2021/22 and 2022/23 data during 2022/23 assurance.

Leadership development programs

Sonova offers a wide range of leadership development and training programs, which use feedback, coaching, and experiential learning to give participants an opportunity to reflect on their personal style, to understand and to increase the impact they have on their performance, and to plan how they will continue to develop as leaders at Sonova. In the 2022/23 financial year, 1,500 employees received a total of 15,607 hours of leadership development training.

Training program	Audience	Description
Aspiring Leaders	• Employees with leadership aspirations • 12–24 participants per cohort	The Aspiring Leaders program is a two-day program that encourages participants to start thinking about their own leadership brand and about how they can best fulfill and contribute to Sonova's future.
Leadership Foundations I	• Virtual program aimed at all new and mid-level people managers • 16–24 participants per cohort	This virtual program, delivered in three four-hour sessions over six weeks, focuses on the basics of essential managerial and leadership skills, such as feedback, coaching, accountability, and delegation.
Leadership Foundations II	• Aimed at all new people managers • Recommended for all people managers • 12–24 participants per cohort	The Leadership Foundations program is a two and a half-day intensive experiential program focusing on some managerial tools, importance of mindsets, motivation drivers, and awareness that will impact engagement, trust, and change. It also covers how to implement the learning into daily business.
Executive Leadership Orientation	• Aimed at all new MB-1 and key positions	This three day orientation program is designed to provide participants with a holistic overview of Sonova, and understanding of its strategy and processes, as well as to have direct interaction with MB members.
S.T.A.R.S leadership program	• Targeting leaders in the Audiological Care business • 10 day program	The S.T.A.R.S leadership program is focused on commercial performance, excellence in our commercial execution and operations and boost leadership capabilities.
Power Sessions & Webinars for Leaders	• Targeting all leaders • 2–4h workshops or 1–2h webinars • Recommended for all people managers • 8–24 participants per cohort	Power Sessions & Webinars for Leaders are focused workshops or virtual sessions covering specific leadership topics to support our leaders in their daily challenges and responsibilities (such as Writing Effective Performance Objectives, Performance Appraisal for Managers, Remote Leadership, Unconscious Bias, Mental Health First Aid Conversations).

Learning and development programs

SonovaLearning is our group-wide learning and development platform for all employees with access to a personal work-related computer. Mandatory training courses are available on the platform which ensures that our employees have what they need to do their work correctly and in compliance with relevant rules and regulations. In 2022/23, 151,817 trainings were completed. In addition, SonovaLearning grants access to Mindtools. This app offers content that supports our employees to enhance their personal and professional competencies. In 2022/23, more than 2,600 employees accessed over 20,000 pages and articles.

Sonova offers various onsite and online training for hearing care professionals, such as the Sonova Academy in Germany, the SIHA program and other local trainings to further develop their skills in delivering best-in-class service and customer experience.

Traineeship programs

Sonova collaborates with various leading universities around the world, where students can participate in joint studies. We also offer opportunities to work as a member of one of our own research and development teams, either in an internship, or as a part of Bachelor's, Master's, or PhD thesis work.

Apprenticeship program in Stäfa, Switzerland
Sonova supports and invests in Switzerland's dual training system, which links formal education with in-company training, providing both theory and practical experience. During 2022/23, we trained 45 apprentices at our headquarters. They represented twelve professions, from polytechnician through logistics clerk to cook. We also rolled out a new one-week induction training program for new apprentices, covering such topics as accident prevention, occupational health and safety, first aid, and IT. Sonova supports education and training for young people with disabilities: in recent years, several apprentices with disabilities have successfully completed their apprenticeships with us.

Diversity and inclusion

Strategy, governance and relevance

GRI 3-3

Sonova fosters a work culture that reflects the principles of diversity and inclusion (D&I) and represents the full spectrum of stakeholders and communities that we engage with, in terms of language, background, ethnic origin, disability, beliefs, gender identity, and sexual orientation. Sonova is committed to providing equal and equitable opportunities in its hiring, development, and advancement policies. We are convinced that building a more diverse organization improves our employee engagement, our performance and productivity, as well as our customer engagement. We strive to create an environment in which all employees feel safe, valued, included, and empowered to do their best work and realize their full potential.

SDG 8.5

Sonova's global D&I strategy is built around six pillars:

- **Governance:** We have a global D&I Council, chaired by Sonova's CEO with representatives from the main regions in which we operate and from key diversity dimensions. The Council sets targets, establishes accountability for target achievements, ensures that the necessary resources are in place, and regularly monitors progress. We have a global Senior Manager Diversity and Inclusion, several regional D&I councils as well as employee resource groups.

- **Targets:** We set D&I objectives and measure our progress toward achieving them, while ensuring their alignment with other strategic business objectives. We monitor the composition of our workforce, where appropriate and legally permitted, along various diversity dimensions such as age, gender, nationality, or ethnic origin.
- **Hiring and development:** We stand for equity, equal opportunity, diversity, and inclusion in the workplace – in all our operations. We foster an environment that attracts and retains the best talent, mitigates biases, and encourages the contribution of diverse ideas, backgrounds, and perspectives to build the best team. We create opportunities for training, development, and progression.
- **Training:** We train our employees and leaders on general topics in diversity, inclusion, and bias mitigation. We also train colleagues on how to embrace diversity and contribute to an inclusive Sonova culture in their specific functional roles.
- **Communication:** We drive active and transparent communication about D&I to foster an inclusive culture, encourage role model behavior, and emphasize the high relevance of diverse and inclusive teams as a core element of our values and business strategy.
- **Supportive environment:** We strive to make our physical, technical, and cultural work environment inclusive and equitable, and give everyone who works with Sonova a sense of belonging.

Sonova’s D&I actions at Group level are governed by the Global D&I Council, which meets once each quarter; it is chaired by CEO Arnd Kaldowski and includes council members from each region (EMEA, Asia, Oceania, and Americas). Regional D&I councils established in 2020/21 tailor their actions to local circumstances, including region-specific training and celebration of certain culturally relevant days. National councils have also been established, which bring a local focus to global D&I initiatives.

Policies, targets and actions

Sonova’s commitment to D&I is based on our global Code of Conduct, which requires zero tolerance of discrimination and harassment.

The principal D&I target that Sonova has set is in the area of gender diversity: to achieve a 40% proportion of women in key positions (defined as leadership positions identified as business-critical) by 2025/26. At the end of the 2022/23 financial year, 34.5% of these positions were held by women; in 2021/22, the figure was 35.2%. After good progress in the previous years, one of the main headwinds this year was largely due to a challenging talent hiring market. There is currently strong competition to attract and retain the best talent, which is essential for us in building the best teams.

In 2022/23, Sonova implemented a new Group-wide job level hierarchy to enable easier global data collection and improve comparability between locations. We have therefore decided to replace the current target for women in key positions with two targets that are based on the newly defined job levels: women in senior management and women in middle management. This will help us to ensure we are making progress equitably across the organization. At the end of 2022/23, the total senior management population was around 200 people and the total middle management population around 1,400. The new targets are:

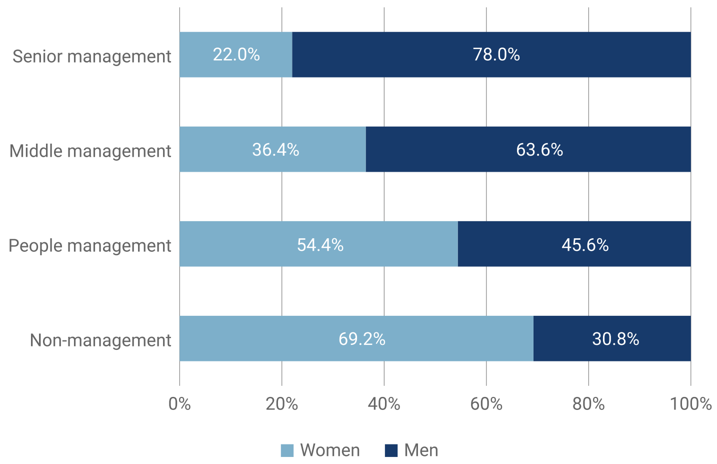
Diversity and inclusion targets:
We want to achieve a 35% proportion of women in senior management by 2028/29.
We want to achieve a 50% proportion of women in middle management by 2028/29.

In the 2022/23 financial year, the share of women in senior management was 22.0%, and was 36.4% in middle management. For comparison, the proportion of women among people leaders – those who manage a team of at least one person – was 54.4% across all our businesses. In recruitment for all leadership positions (people managers and project managers) during 2022/23, 65.3% of successful candidates were women. These

GRI 2-7, GRI 405-1

broader measures suggest good conditions to reach our gender diversity targets through professional succession planning, individual development plans, and gender-balanced representation in filling open positions.

Gender diversity across the organization 2022/23



On the Sonova Board of Directors, three of the ten members are women (30%); as are two of the eight members (25%) of the Sonova Group Management Board. Jinlong Wang, non-executive member of the Board of Directors will not stand for re-election at the Annual General Shareholder's Meeting (AGM) in June 2023. Thus the total number of Board members will be reduced from ten to nine. The changes in Board membership proposed for the AGM Meeting would result in a proportion of 33% women (three out of nine members) on the Board of Directors, while the appointment of Katya Kruglova as GVP Human Resources & Communications in May 2023 raises the share of women on the Management Board to 37.5% (three out of eight members).

We conduct regular D&I training programs across our organization, including specific regions, worksites, departments, and job functions. Training on unconscious bias is an integral part of our onboarding program for new employees, and of training for all people managers. Senior leader training includes D&I topics along with our Code of Conduct.

Employee resource groups provide platforms where employees can connect and learn from one another, including a global women's network and the global OutLoud network, which brings together employees from the LGBTQ+ community. A global Hearing Loss Network supports the message that hearing loss should definitely not stop anyone from thriving at Sonova, and provides input for making our processes and workspaces more inclusive. These networks held more than ten events in 2022/23 where diversity was celebrated, including International Women's Day, Pride month, World Hearing Day, and International Sign Language Day.

Sonova promotes a range of work-life balance models such as working from home, flexible hours, and part-time work. It provides breastfeeding rooms at facilities in the larger Group companies for female employees returning from maternity leave, a discounted day care center at our headquarters in Stäfa, Switzerland, and extended maternity and paternity leave (in Switzerland, for example, Sonova offers maternity leave of 16 instead of 14 legally-mandated weeks and paternity leave of four instead of two weeks).

Inclusive meeting culture and enabled meeting rooms
Our goal is to have equal access to meetings, where everyone can contribute to the conversation. In larger meeting rooms in Switzerland, we have installed our Roger devices. These devices connect directly to hearing aids and allow for more clarity of sound. In addition, Sonova has internally and externally communicated tips on how to make meetings more inclusive for employees with hearing loss, such as having a clear meeting agenda prepared, clear audio and video technology, using recording and transcription, lighting considerations to enable better visuals, and using live participation functionalities.

Sonova is committed to equal pay for our employees, regardless of gender, ethnicity, disabilities or other factors. We are compliant with all local requirements regarding equal pay, and we review pay equality in job evaluations and grading processes to ensure fair compensation. We evaluate relative compensation between women and men, and take corrective action if needed. In Switzerland, an externally verified equal pay analysis resulted in Sonova receiving the Fair-ON-Pay certification. In United Kingdom, we published the legally required gender pay gap report for our local companies.

As part of HearMe, our annual employee engagement survey, we calculated and benchmarked Sonova's D&I index. This index is based on eight questions that focus, among other topics, on whether people feel the company supports diversity in the workplace, whether they feel it is safe to speak up, or whether they feel that they can be themselves in the organization without worrying about how they will be accepted. During the past three years, we have improved our D&I index from 80% in 2020/21 to 84% in 2022/23. Compared to the medical devices industry, we score 4% points higher than our peers. Our external survey provider rates Sonova's D&I index as best-in-class among top performing companies across all industries. In the survey, employees also have the opportunity to voluntarily self-identify as belonging to a minority group within their team or organization – in terms of age, gender, language, ethnic origin, religion, sexual orientation, health status, or any other dimension. Employees firstly agree that they want to see the self-identification questions. Once they agree, they can choose from three answer options: yes, no, prefer not to say, or decide to skip the question. Out of all employees who chose to answer the question, 24% of employees self-identified as belonging to a minority group, representing 20% of all survey respondents. This is an indication that minority groups feel safe to self-identify at Sonova, and enables us to receive diverse feedback, to create an even more inclusive environment.

Performance measurements

D&I in HearMe

✓ Data externally assured (limited assurance)

Favorable answers as % of survey eligible employee headcount

	2022/23	2021/22	2020/21
HearMe diversity and inclusion score	84	83	80
HearMe self-identification as belonging to a minority group	24	25	17

Women in management positions

✓ Data externally assured (limited assurance)

% of employee headcount within respective management position [1]

	2022/23
Women in senior management [2]	**22**
Switzerland	23.8
EMEA (excl. Switzerland)	6.3
America	37.1
Asia/Pacific	25.0
Women in middle management [3]	**36.4**
Switzerland	30.0
EMEA (excl. Switzerland)	37.0
America	40.7
Asia/Pacific	42.6
Women in non-management [4]	**69.2**
Switzerland	45.3
EMEA (excl. Switzerland)	67.8
America	71.9
Asia/Pacific	76.2

1) Includes employee categories regular, fixed-term and interns. Recently acquired HYSOUND is not included in the data.
2) Senior management include employees in level category A, B and Management Board members.
3) Middle management include employees in level category C and D.
4) Non-management include employees in level category E to J.

Women in positions with staff responsibilities and in key positions

✓ Data externally assured (limited assurance)

% of employee headcount

	2022/23	2021/22	2020/21
Share of women in people manager positions [1]	54.4	51.2	50.8
Share of women in key positions [2]	34.5	35.2	33.3

1) Includes regular, fixed-term and interns and excluding employees on long-term leave for the first time in 2022/23. The 2021/22 and 2020/21 data has been recalculated accordingly. Impact is <1% for 2021/22 and 2020/21.
2) Key positions are those leadership positions identified as business-critical.

Leadership recruitment rate (LRR) for women

✓ Data externally assured (limited assurance)

% of employee headcount [1]

	2022/23	2021/22	2020/21
Share of women in total hires to leadership positions [2]	**65.3**	**54.7**	
Share of women in internal hires to leadership positions	60.3	57.6	47.1

1) Audiological Care Germany fully included in 2022/23 and 2021/22, but only included in the total statistics for 2020/21.
2) Percent of women hired in leadership positions (people managers or project managers).

Women in STEM positions and revenue generating functions

✓ Data externally assured (limited assurance)

% of employee headcount [1]

	2022/23	2021/22	2020/21
Share of women in STEM-related positions [2]	24.8	26.4	26.0
Share of women in revenue-generating functions [3]	67.7	65.6	66.4

1) Includes regular, fixed-term and interns and excluding employees on long-term leave for the first time in 2022/23. The 2021/22 and 2020/21 data has been recalculated accordingly.
2) STEM positions are functions where the primary skills required are related to science, technology, engineering, or mathematics.
3) Revenue-generating positions are all positions excluding support functions such as HR, IT, legal, finance and facilities management.

Women in STEM positions and revenue generating functions and as people managers

% of employee headcount in people management [1]

	2022/23	2021/22	2020/21
Share of women in STEM-related positions and as people managers [2]	17.1	18.4	14.6
Share of women in revenue-generating functions and as people managers [3]	56.5	53.0	52.7

1) Includes regular, fixed-term and interns and excluding employees on long-term leave.
2) STEM positions are functions where the primary skills required are related to science, technology, engineering, or mathematics.
3) Revenue-generating positions are all positions excluding support functions such as HR, IT, legal, finance and facilities management.

Number of nationalities of all employees

✓ Data externally assured (limited assurance)

Number [1]

	2022/23	2021/22	2020/21
Number of nationalities	99	95	86

1) Includes regular, fixed-term and interns and excluding employees on long-term leave. Improved data quality achieved in 2022/23. The 2021/22 and 2020/21 data has been recalculated accordingly.

Employees by nationality (top 5)

✓ Data externally assured (limited assurance)

% of headcount [1]

	2022/23	2021/22	2020/21
United States	16.9	14.9	14.8
Germany	15.3	17.0	18.0
China	10.4	7.4	7.0
Vietnam	8.0	9.1	10.5
Switzerland	5.3	5.8	6.4

1) Includes regular, fixed-term and interns and excluding employees on long-term leave for the first time in 2022/23. The 2021/22 and 2020/21 data has been recalculated accordingly. Data covers more than 93% of all employees globally.

People managers by nationality (top 5)

✓ Data externally assured (limited assurance)

% of people manager headcount [1]

	2022/23	2021/22	2020/21
Germany	27.7	31.3	31.8
China	12.7	6.0	5.4
United States	11.9	11.3	11.2
Poland [2]	6.3	7.3	7.3
Switzerland	5.5	6.3	7.3

1) Includes regular, fixed-term and interns and excluding employees on long-term leave for the first time in 2022/23. The 2021/22 and 2020/21 data has been recalculated accordingly.
2) Due to data improvements during 2022/23, the top 5 nationalities for people managers for 2021/22 and 2020/21 has been recalculated. Poland is included in the top 5 people managers in 2022/23, as well as in 2021/22 and 2020/21.

Employees by age

✓ Data externally assured (limited assurance)

% of employee headcount [1]

	2022/23 [2]	2021/22 [2]	2020/21 [2]
All employees			
under 30 years old	20.5	22.5	23.1
30–50 years old	58.4	56.9	56.4
over 50 years old	21.2	20.6	20.5
Women			
under 30 years old	22.0	24.5	24.6
30–50 years old	58.4	56.5	56.5
over 50 years old	19.6	19.1	18.9
Men			
under 30 years old	17.5	19.0	20.2
30–50 years old	58.4	57.6	56.2
over 50 years old	24.2	23.4	23.6

1) Includes regular, fixed-term and interns and excluding employees on long-term leave for the first time in 2022/23 and data improvement during 2022/23 regarding age data. The 2021/22 and 2020/21 data has been recalculated accordingly.
2) Combined external assurance of 2020/21, 2021/22 and 2022/23 data during 2022/23 assurance.

Occupational health and safety

GRI 3-3, GRI 403-2, 403-9, 403-10

Sonova fosters an occupational health and safety culture that supports and protects our employees. We lay a foundation of safe behavior and provide the right tools to limit the risks of accidents and injuries at our workplace. We regularly monitor and analyze the potential health and safety risks of our operations and implement both legally required and voluntary occupational health and safety programs. Safety is the topic of daily meetings at our operation sites. Sonova's production has a relatively low exposure to health and safety risk. Most injuries and lost work days are not caused by the manufacturing processes; they are more likely to be sustained during activities such as movement of goods. Employees who work with chemicals and hazardous substances, or come into contact with them, are regularly trained in their safe handling.

We have included both our newly-acquired Consumer Hearing business and our Cochlear Implants business in our health and safety measurements for the 2022/23 financial year. We recorded a lost day rate (LDR) of 63.8 and lost-time injury frequency rate (LTIFR) of 3.7. The LDR increased by 26% compared to 2021/22, partially from the increased number of operation sites, but more importantly because of an increase in days lost after injuries. The LTIFR increased slightly compared to the previous year. The absolute number of injuries at Sonova is generally low, and small changes have a significant impact on the key performance indicators. For example, in the 2022/23 data, two accidents were responsible for 44% of the total lost days. We investigate the root causes of each work-related injury, perform regular local internal health and safety audits, and implement action plans, such as intensified local training and awareness-raising activities to further reduce exposure to work-related health and safety risks. We carry out regular safety walks at our operation sites to help prevent accidents. We also discuss KPIs such as accidents and observed safety infractions during daily meetings at the operation sites.

Occupational health and safety

✓ Data externally assured (limited assurance)

	2022/23	2021/22	2020/21
Lost day rate (LDR) [1]	63.8	50.7	32.5
Lost-time injury frequency rate (LTIFR) [2]	3.7	3.4	2.4
Occupational illness frequency rate (OIFR) [3]	0.0	0.0	0.0
Work-related fatalities [4]	0	0	0

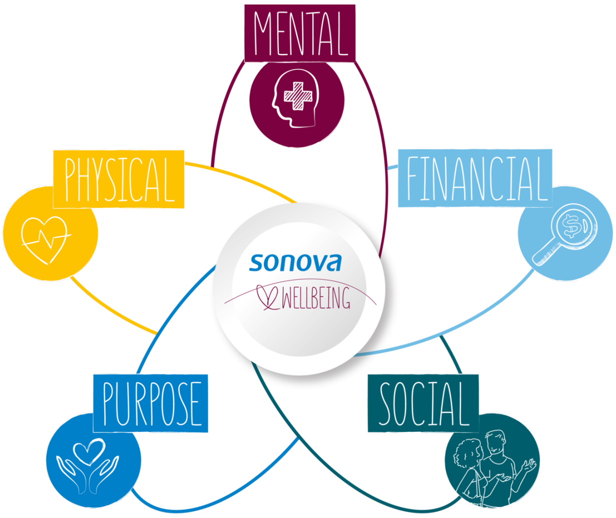
1) LDR = total number of lost days due to injuries/total hours worked x 1,000,000
2) LTIFR = total number of lost-time injuries/total hours worked x 1,000,000.
3) OIFR = total number of occupational illness or diseases cases/total hours worked x 1,000,000.
4) Work-related fatalities is defined as death of a worker arising from an occupational disease or injury sustained or contracted while performing work.

The LDR, LTIFR, OIFR and work-related fatality figures reported in the table above cover around 20% of our global workforce, focused on employees in manufacturing, and operation and distribution roles. The measurements cover all of our manufacturing sites in Switzerland, Vietnam, China, Ireland, and the United States, our operation and distribution center in the United States, and our service centers in Spain and the United Kingdom. In each of these sites, a designated person is responsible for local implementation of the health and safety program. Any incident that requires external medical health care is considered a work-related injury: first-aid level injuries are not included. Any work-related injury that results in the company employee not being able to return to work the next scheduled workday/shift is considered a lost-time injury. Lost days refer to working days, not calendar days, and begin right after the accident.

Employee wellbeing

GRI 3-3

Sonova is committed to foster employee health and wellbeing, at work and beyond. People spend more active time at work than anywhere else: their wellbeing is therefore heavily influenced by conditions and culture in the workplace. By implementing a holistic wellbeing program, Sonova can realize significant benefits: increased productivity, more innovation, higher employee engagement, and attract talent – because its employees can enjoy a beneficial work environment.



- **Physical:** nutrition, exercise, sleep, medical care, ergonomics
- **Mental:** relaxation, mindfulness, stress management, resilience, mental health
- **Financial:** financial security, retirement, ancillary benefits
- **Social:** healthy relationships, team spirit, leadership
- **Purpose:** purpose in life and work, beliefs & values, charitable activities.

Employee wellbeing at Sonova is led by a Corporate Health Manager and is managed through a cross-functional global health team, supported by local wellbeing champions in our Group companies. These are responsible for implementing global initiatives, complemented by local programs, which cover the five dimensions of our wellbeing strategy.

Wellbeing target:
We aim to implement an enhanced global employee health & wellbeing program by 2022/23.

We achieved the target in 2022/23 with the implemented measures in the financial year across our Group companies. As a next step, we aim to train more than 1,000 line managers on "Mental Health First Aid Conversations for Managers" by 2024/25.

Sonova launched a global hybrid working policy in 2021/22, which gives office-based employees the option to work part of their time from home. This allows people to balance their work tasks efficiently with their other life commitments: by the end of 2022/23, more than 98% of Group companies with employees eligible for hybrid work had implemented the policy. There has also been an increase in the number of Group companies offering our Employee Assistance Program (EAP), and in overall program usage. EAP offers anonymous counseling services for employees and immediate family members with personal concerns – whether at work or at home – that effect their wellbeing. Two further global wellbeing measures launched the previous year, were continued in 2022/23: shortening standard meeting duration to avoid back-to-back scheduling and provide regular recovery breaks; and a weekly global four-hour focus time to work with no meetings and no interruptions. Surveys confirmed that both measures were highly appreciated by employees across all job levels.

New wellbeing measures introduced in 2022/23 focus on mental health, increasing awareness through global online events and regular communication on the Sonova intranet, along with events specifically for team leaders featuring external experts. A new leadership training program, “Mental Health First Aid Conversations for Managers,” teaches leaders how to recognize early signs of mental challenges and address them in conversation. About 200 leaders completed the training during this financial year.

In the coming financial year, we plan to further expand the number of leaders trained in mental health first aid, continuously raise awareness on wellbeing, and implement further local wellbeing measures in our Group companies across all five dimensions of the wellbeing framework.

Responsible reorganizations

At Sonova, we are committed to treating our workforce responsibly. In the event of major reorganizations, such as restructuring, relocation, outsourcing, or mergers and acquisitions, we strive to reduce negative impact on our employees by ensuring job security, minimizing compulsory redundancies, and mitigating the consequences for those made redundant. In such cases, a local implementation plan is developed to minimize negative impact, containing a variety of measures that can be adapted to the local situation and needs of the individual employees. At our headquarters in Stäfa, Switzerland, for example, the applicable measures include early retirements, internal mobility, financial compensation, re-training or outplacement services, case management, extended notice periods, and hardship funds.

In the past three financial years, there were no significant job cuts at Sonova – that is, none affecting more than 1,000 employees or more than 5% of the total global workforce annually.

We behave ethically and apply the highest quality and safety standards to everything we do. We engage with stakeholders throughout our value chain to maintain integrity and foster ethical behavior.

Ethical business conduct applies across all our business areas and along our whole value chain. Sonova operates internationally in a broad range of business areas, so we are familiar with the complexities of supply methods and regulatory frameworks. We recognize our responsibility to ensure that all our business processes are run with integrity.

The following sections describe the different aspects of the 'Acting with integrity' pillar of our *IntACT* ESG strategy:

- Product quality, safety and reliability
- Responsible supply chain
- Human rights and labor practices
- Business ethics and legal compliance
- Data privacy and digital ethics
- Corporate governance
- Ethical marketing and sales practices
- Taxes
- Public policy
- Animal welfare

Product quality, safety and reliability

Regulatory and standards

GRI 3-3, GRI 416-1

Sonova's hearing instruments and cochlear implants are regulated globally by government agencies, healthcare authorities, and other regulatory bodies who verify that we are complying with applicable health and safety regulations throughout the products' life cycle. We work to maintain transparent, constructive, and professional relationships with all applicable regulatory authorities on matters of policy, product submission, compliance, and product performance. The requirements we meet include design controls, marketing approvals, good manufacturing practices, vigilance systems, clinical studies, and other relevant product regulations, standards, and normative documents specified by these agencies.

Each national healthcare authority has specific requirements for products that are made available in its national territory. Requirements for hearing instruments in Europe are mostly centered around European legislation, including the Medical Device Regulation 2017/745, the Radio Equipment Directive 2014/53/EU, and requirements for conformity to other applicable international standards. In the US, hearing aids are regulated by the United States Food and Drug Administration (FDA) and classified as class I (hearing aids) and class II (wireless hearing aids) medical devices. Both categories are exempt from the requirement to submit premarket notification and can be introduced into commercial distribution without prior FDA clearance. In August 2022, the FDA established a category for over-the-counter (OTC) hearing aids. OTC hearing aids are intended to address perceived mild to moderate hearing loss in people aged 18 or older. A submission to the FDA and subsequent 510(k) clearance are required before placing these products into commercial distribution in the US.

In Europe, cochlear implants and their respective accessories from Advanced Bionics are also regulated by the Medical Device Regulation (MDR) 2017/745, and are subject to technical documentation review before CE marking, the European Union's (EU) mandatory conformity marking, and being placed on the market. In the US, they are classified as Class III medical devices and subject to premarket approval, where the FDA conducts an evaluation of the safety and effectiveness of these devices before commercialization. Sonova carefully monitors changes in the relevant worldwide regulatory environment to ensure that its products conform at all times.

Product quality and safety management: Hearing instruments and cochlear implants

SASB HC-MS-430a.1, SASB HC-MS-430a.3

In line with the scope of their activities, our operation centers for hearing aids and cochlear implants and major Group companies are certified according to the ISO 13485 standard and fulfill the requirements for quality management systems of the US FDA Quality System Regulation, Title 21 CFR Part 820. Third-party audits are conducted at all ISO 13485 certified operation centers and major Group companies annually to assure that the quality of manufacturing, management, and products (including materials and components) is in line with the standard.

In addition to external audits, Sonova conducts internal audits of its established systems to determine the effectiveness of the quality management system and its conformance to the requirements of ISO standards, FDA regulations, relevant European legislation, other country-specific and Medical Device Single Audit Program (MDSAP) requirements. Procedures have been established to define the responsibilities and requirements for planning and conducting audits, and for reporting results and maintaining records. We plan each audit program based on past audit results, along with the significance and status of processes and areas to be audited; these determine the audit criteria, scope, frequency, and methods. Qualified personnel, who are independent of the task being audited, conduct the audits, and management, at its discretion, may also bring in outside resources to assist. Audit findings are documented and reported to the responsible topic owner, who ensures that action is taken promptly to eliminate any noted instances and causes of non-compliance. We document and file reports on the corrective actions, their review, and other follow-up activities. After each audit is completed, its data is reviewed to identify possible trends.

We evaluate potential product-related risks using a systematic method to estimate, evaluate, control, and monitor risks; this is governed by the ISO 14971 standard, which specifies the application of risk management to medical devices. We ensure up-to-date knowledge of regulatory and statutory requirements through initial and maintenance training programs. Employees, independent of their employment contract, are qualified to perform their tasks based on their education, training, and experience. General requirements are established based on job responsibilities and are identified in position descriptions. We provide employees with general training on the quality management system and on health, environment, and safety as applicable, and supplement this with any in-depth training needed to perform the work. We systematically identify and document the need for any training and verify its effectiveness.

Product safety is an integrated element of research, design, and development processes. Design and development inputs are documented and include, but are not limited to, functionality, performance, and safety requirements – based on the intended use, applicable statutory and regulatory requirements, environmental impact, and clinical, user, and patient needs. Changes to the design inputs are approved in the same manner as the original design input. We conduct regular in-house product testing to validate design, and external third-party testing to ensure compliance with standards and regulatory requirements.

All products brought into commercial distribution by Sonova Group companies are continuously assessed to improve safety and effectiveness. Sonova uses tools such as complaint handling, post-market surveillance, vigilance reporting, reliability and trending analysis, and post-launch engineering to achieve and maintain regulatory compliance. We comply with the requirements for unique device identification, which provides unambiguous identification of specific devices and facilitates their traceability, as mandated by local regulations in various regions and countries across the globe.

Customer complaints are documented and reviewed for product safety and product performance trends through a system that complies with applicable regulatory and legal requirements. Early warnings of quality problems become an input for the corrective and preventive action processes. We maintain records of customer complaints and resulting investigations. If the investigation determines that activities outside Sonova contributed to the customer complaint, we exchange relevant information with the contributing organization. If a customer complaint is not followed by corrective or preventive action, the reason is authorized and documented. We have established documented procedures to assure that regulatory authorities are notified according to national or regional regulations whenever advisory notes or recalls are necessary and/or adverse events occur that meet specified reporting criteria. Our decisions are made based on risk analysis and health hazard evaluation, as applicable. Sonova has established a process for assessing and reporting to the FDA (and other countries' regulatory agencies) those customer complaints which resulted in an adverse event.

SASB HC-MS-430a.2

In 2022/23, there were no listings associated with the Sonova Group that appear in the "Medical Devices" category of the FDA's MedWatch Safety Alerts for Human Medical Products database. To ensure compliance with current Good Manufacturing Practice (GMP), Sonova global facilities have been inspected by several regulatory agencies during the reporting year. There have been no FDA enforcement actions in 2022/23, such as FDA Form 483 Observations or FDA Warning Letters (or equivalent notices from other regulatory agencies). There was no new Class I or Class II (or equivalent) product recalls at Sonova during the 2022/23 financial year. For Advanced Bionics, the safety and hearing experience of recipients and the quality and reliability of our products are prime concerns, and we are committed to continuous improvement, for example by adopting more stringent test standards, sometimes more stringent than those required by regulatory authorities. Further information can be found in the publicly available annual Global AB 2022 Implant Reliability Report.

SASB HC-MS-250a.1, SASB HC-MS-250a.2, SASB HC-MS-250a.3, SASB HC-MS-250a.4

Hearing instruments: Product quality and safety indicators

	2022/23	2021/22	2020/21
Number of Class I recalls (or equivalent)	0	0	0
Number of Class II recalls (or equivalent)	0	0	0
Number of regulatory agency inspections [1]	26	20	21
Number of Form 483 Observations (or equivalent)	0	0	0
Number of FDA Warning Letters (or equivalent)	0	0	0
Number of products listed in the FDA's MedWatch Safety Alerts for Human Medical Products database	0	0	0
Number of fatalities related to products as reported in the FDA Manufacturer and User Facility Device Experience	0	0	0

1) Regulatory inspections performed by competent authorities, regulators or notified bodies at our sites, including e.g. ISO 13485, MDSAP, ISO 14001, MDR 2017/745, NMPA China, or US FDA audits.

Cochlear implants: Product quality and safety indicators

	2022/23	2021/22	2020/21
Number of Class I recalls (or equivalent)	0	0	0
Number of Class II recalls (or equivalent)	0	0	0
Number of regulatory agency inspections [1]	5	2	4
Number of Form 483 Observations (or equivalent)	0	0	0
Number of FDA Warning Letters (or equivalent)	0	0	0
Number of products listed in the FDA's MedWatch Safety Alerts for Human Medical Products database	0	0	0
Number of fatalities related to products as reported in the FDA Manufacturer and User Facility Device Experience	0	0	0

1) Regulatory inspections performed by competent authorities, regulators or notified bodies at our sites, including e.g. ISO 13485, MDSAP, ISO 14001, MDR 2017/745, NMPA China, or US FDA audits.

Product quality and safety management: consumer hearing

The regulatory environment is less stringent for our Consumer Hearing business than it is for hearing aids and cochlear implants. Nevertheless, product quality is vital for our consumer hearing products and quality monitoring is embedded in our research, product design, and production processes. Our headphones, earbuds, and soundbars are designed and developed with the mindset that every product is “made to last”, and reflects our quality mission to manufacture high-quality products that can be enjoyed longer by our customers.

Quality teams at our development site in Singapore, in Germany, and in China measure product quality, both on newly launched products and older product generations, and regularly report their findings to the product manager and other relevant stakeholders. Audits are conducted at several stages in product development; their results are monitored to ensure that any issues raised are properly addressed and closed prior to release for production.

To track product quality in the market, we have established a customer complaints mechanism: all customer complaints are tracked and the data is used for root cause analysis and trend analysis. We document any quality issue revealed, along with follow-up actions and feedback to the relevant topic owner for future product improvements. Product quality information is also part of supplier evaluation and discussion when relevant: using a risk based approach, we initiate additional measures – such as process and product validation procedures for battery suppliers – to ensure consistently high quality.

Product reliability: Hearing instruments and cochlear implants

We strive to continuously improve product reliability and reduce repairs, so that our consumers can enjoy the delight of hearing without interruption.

Product reliability targets:
To improve the average product reliability rate for cochlear implant (CI) externals/processors by more than 20% year-over-year.
To improve the average product reliability rate for hearing instruments (HI) by more than 20% year-over-year.

The CI product reliability rate is defined as the annualized three-month rolling average of Naìda pediatric and adult system product returns, divided by the number of registered processors used by pediatric and adult recipients– that is, the proportion of returns to users. In 2022/23, the reliability rate for CI externals improved again, by 27% compared to the previous year: we therefore achieved our annual target. Our strong results are based on our analysis of complaints at the component level to identify potential root causes, and our prompt actions to improve those components.

We define the HI product reliability rate as the ratio between the annualized number of in-warranty product returns over the past three months and the number of hearing instruments in the market and within warranty (installed base). We regret that the reliability rate for hearing instruments declined by 2% compared to the previous year: we did not achieve our ambitious annual improvement target. We identified root causes and took a range of improvement measures, including hardware and software improvements, product design adjustments, manufacturing process refinements, and agreements with critical suppliers to improve the quality and reliability of components. We also significantly increased resources and established a cross-functional reliability organization, improved the performance monitoring processes, and launched new, more reliable products. However, these actions did not immediately raise the HI reliability rate, because overall service results are still strongly influenced by the large installed base of older products. Our commitment to significantly improve the reliability of new product generations has borne fruit and we see first improvements in service rates of newly launched products compared to previous generations. Product reliability will continue to be a top priority for Sonova also for the coming financial year.

Product reliability rates year-over-year improvements

✓ Data externally assured (limited assurance)[1]

Improvement vs. previous year

	2022/23 [1]	2021/22 [1]	2020/21 [1]
Improvement of HI product reliability rate [2]	(2%)	(3%)	21%
Improvement of CI product reliability rate (externals/processors) [3]	27%	19%	32%

1) Only data from financial year 2022/23 part of the external assurance.
2) The HI product reliability rate includes Receiver-In-Canal (RIC), Custom In-The-Ear (ITE) and Behind-The-Ear (BTE) hearing instruments and covers more than 90% of the HI product portfolio.
3) CI reliability rate for 2022/23 and 2021/22 is not comparable to 2020/21. 2022/23 and 2021/22 values include CI processors/externals for the Naìda pediatric as well as adult systems. 2020/21 values include Naìda pediatric systems only. More than 95% of the CI product portfolio covered.

Product reliability: consumer hearing

As with Hearing Instruments and Cochlear Implants, product reliability for consumer hearing products is measured by comparing the number of product returns with the number of products within warranty. We measure product reliability on a product model level to take necessary actions for current and future models. As well as closely monitoring our market, we also emphasize design for reliability (DFR) in our development process to ensure that product quality is built in from the design to the manufacturing phase.

Responsible supply chain

Strategy, governance and relevance

GRI 2-6, GRI 3-3, GRI 308-2, GRI 412-2

Sonova manufactures hearing aids, cochlear implants, and consumer hearing devices. Over 90% of our hearing instruments are produced in the Asia/Pacific region at our own operation centers in Vietnam and China. Our cochlear implants are produced at our operation center in Valencia, United States. Production for our Consumer Hearing business takes place at our own factory in Tullamore, Ireland or at third-party facilities in China. Sonova is committed to delivering high quality products to our customers and consumers, and to do so, responsible sourcing and manufacturing is crucial.

SDG 8.7

With a large supplier base across the globe, Sonova recognizes the necessity of proper due diligence and continuous supplier engagement to reduce potential negative impacts on people and the planet. Of Sonova's total greenhouse gas (GHG) footprint, 56% is generated by purchased goods and services. The risk of potential human rights violations is also higher in our supply chain than in our own operations. We therefore choose suppliers who share our values and work closely with them from the earliest contact to prevent and mitigate environmental, social, and governance risks. We regularly question suppliers about their approach to sustainability topics and use their responses to refine our supplier selection criteria. We plan to strengthen this process further in the coming year by creating standardized questionnaires to provide consistency in scoring and weighting these criteria.

Sonova's group procurement function reports to the VP Value Chain Management. Every month, the procurement leadership team reviews the procurement risk framework, the critical supplier dashboard, and progress on the sustainability metrics framework developed by EcoVadis, a globally recognized business sustainability ratings agency. The critical supplier dashboard provides an overview of all critical suppliers, tracking their evaluations, quality documentation, and sustainability assessment status. The EcoVadis framework is used to assess the sustainability performance of our suppliers. Where necessary, actions are identified and tracked through subsequent meetings to ensure progress is being maintained. To assist in ESG supplier risk management, we established in 2022/23 a sustainable procurement governance group, which reviews suppliers assessed with high ESG risk and develops processes to increase the scope of future assessments. The group is cross-functional, including representatives from sustainability, procurement, and compliance. It reports its findings quarterly to the ESG Council.

Policies, targets and actions

Sonova's relations with suppliers are guided by the Sonova Group Supplier Principles (SGSP). The SGSP, the General Conditions of Purchase, and the Sonova Code of Conduct are all integral to our development and supply agreements. Our suppliers have to certify in writing that they will comply with these standards and principles at all times in all of their Sonova-related dealings, activities, products, and services. Sonova includes this certification in all supply agreements, and periodically requests suppliers to renew their adherence. During the 2022/23 financial year, Sonova initiated the development of a new Supplier Code of Conduct with a stronger focus on social and environmental aspects. This is planned to be introduced in the coming financial year and will replace the SGSP.

Sonova established the following target for responsible sourcing of direct materials in our Hearing Instruments business:

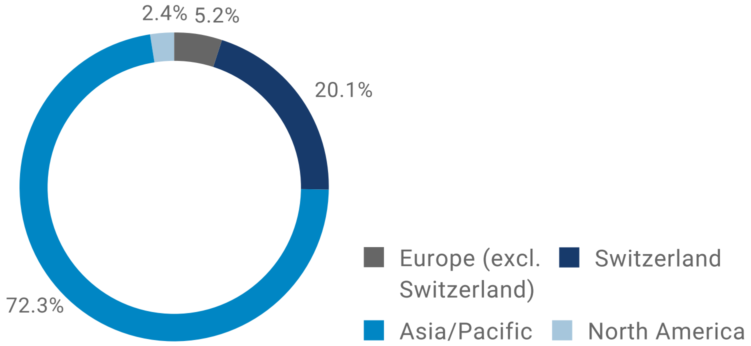
Responsible sourcing target:
We aim to conduct assessments of >90% of direct material suppliers with potential high ESG risk by 2023/24.

To enable assessment, Sonova implemented the process with EcoVadis, that evaluates the sustainability performance of our suppliers. This covers four topics: environment, labor and human rights, ethics, and sustainable procurement. To date, we have achieved a 78% completion rate, and anticipate to achieving our target ahead of schedule. For the coming year, Sonova plans to expand the range of suppliers assessed for sustainability risks across all our businesses.

Performance measurements

In the 2022/23 financial year, Sonova purchased from 837 direct material suppliers: 590 for our Hearing Instruments business, 166 for our Cochlear Implants business, and 81 for our Consumer Hearing business. In monetary terms, 72.3% of direct materials were purchased in the Asia/Pacific region, 20.1% from Switzerland, 5.2% from Europe (excluding Switzerland), and 2.4% from North America. We strive to establish longstanding business relationships with our suppliers, so that we can sustainably develop and manufacture high quality products. More than 80% of our spend is with suppliers with whom we have over 10 years of business dealings and more than 95% with over five years.

Share of purchase volume (CHF) by region 2022/23



SASB HC-MS-430a.1

During the 2022/23 financial year, over 300 suppliers were initially screened for inherent sustainability risk through the EcoVadis framework, based on the country of origin for goods and services as well as the industry sector. Suppliers rated as “high” or “very high” ESG risk were asked to perform a self-assessment of their strengths and weaknesses in sustainability performance, processes, and governance; they then received a detailed post-assessment scorecard highlighting specific areas for improvement in sustainability performance, processes, or data. Of these 300 suppliers, nine were identified as “high” ESG risk, seven of whom completed the assessment in 2022/23. Only direct suppliers to our Hearing Instruments business were screened by the EcoVadis risk assessment in this financial year. Any suppliers with low assessment scores were engaged and helped to develop an action plan to improve their practices. The assessments revealed such areas for potential improvement as lack of policies, limited transparency on ESG performance, and weak sustainability governance. Following the assessments, Sonova identified two suppliers with improvement needs; both have been engaged, with actions initiated to ensure meaningful improvement. Monitoring the progress of these actions is part of Sonova's supplier management activities.

Assessed high ESG risk suppliers

✓ Data externally assured (limited assurance)

% of high ESG risk suppliers [1] that has been assessed in EcoVadis

	2022/23
High ESG risk suppliers assessed	78.0

1) Only Hearing Instruments direct suppliers has been screened during financial year 2022/23.

GRI 308-2, GRI 414-2

Sonova tracks monthly the GHG emissions associated with the direct materials supplied to the Hearing Instruments and Cochlear Implants businesses. This allows identification of the suppliers contributing the highest proportion of GHG emissions, who are then engaged to discuss what steps they are taking to reduce GHG emissions, how this is measured and monitored, and how Sonova can support them in achieving emission reductions.

We provide our suppliers with access to the EcoVadis Academy to help them build their ESG capabilities. The Academy offers resources to develop understanding of the various sustainability topics and advice on how to manage these effectively. We also conduct training sessions for our own procurement teams to clarify their roles and responsibilities in supplier sustainability assessments. These sessions cover the importance of sustainability in the supply chain, the integral role of ESG engagement in the supplier relationship, and the EcoVadis assessment process – along with the thresholds for intervention and how to call on additional support.

GRI 308-2, GRI 414-2

In addition to the ESG risks identified through the EcoVadis framework, Sonova has also identified 63 "critical" direct material suppliers in 2022/23; this assessment covers all our businesses, with a wider application in our Hearing Instruments business. Critical suppliers include those whose materials have a direct impact on the performance of our products or come into direct contact with the skin of users (critical components); those whose items or materials are not substitutable (e.g. due to criteria related to technology, sustainability, quality, regulations); and those who supply high volumes. The classification of critical suppliers is carried out at the beginning of each new supplier relationship and is reviewed regularly. Hearing Instruments visited 10 suppliers during 2022/23. Our Consumer Hearing business conducted six onsite audits of trading partners in 2022/23; these audits covered labor, health and safety, environment, management systems, and business ethics.

Human rights and labor practices

Strategy, governance and relevance

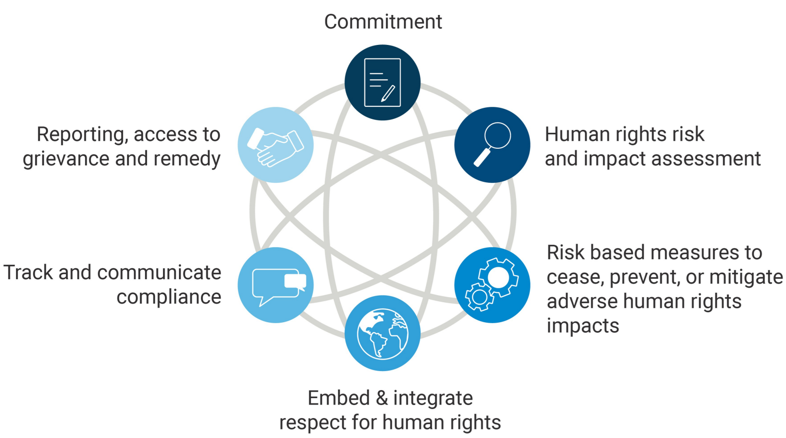
GRI 3-3

Sonova is committed to respect and support human rights; this commitment extends across our worldwide operations and along our value chain. Wherever it is conducted, Sonova's business could have potential impacts on human rights, whether through our own operations or through business relationships. We therefore work with our business partners along the value chain to prevent or mitigate human rights risks. We are committed to maintaining high standards of business ethics and integrity in accordance with the law, as well as with recognized human rights and labor standards as outlined in international human rights frameworks, such as the:

- Universal Declaration of Human Rights (UDHR)
- United Nations International Covenant on Civil and Political Rights
- United Nations International Covenant on Economic, Social and Cultural Rights
- International Labor Organization (ILO) - Core Labor Conventions
- United Nations Guiding Principles on Business and Human Rights (UNGP)
- OECD Guidelines for Multinational Enterprises
- OECD Due Diligence Guidance for Responsible Business Conduct
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
- UNICEF's Children's Rights and Business Principles (CRBP)
- ISO 45001 Occupational Health and Safety Management (OHS) Standard)
- ISO 14001 Environmental Management
- ILO-IOE Child Labour Guidance Tool for Business

Responsibility for implementing, coordinating, and monitoring human rights issues is assigned by the Board of Directors to Group Legal and Compliance. Group Compliance actions are implemented by its own dedicated resources and supported by a cross-functional working group which periodically assesses and monitors human rights risks across Sonova's value chain. The effort is guided and continuously benchmarked with support from external experts.

Sonova's human rights due diligence (HRDD) framework is aligned with the United Nations Guiding Principles on Business and Human Rights (UNGP) and covers 6 elements:



Sonova complies with the new Swiss due diligence and reporting obligation on child labor as outlined in the Indirect Counter-Proposal to the Initiative “For responsible businesses – protecting human rights and the environment.“We qualify for the exception clause provided in the law, since our human rights due diligence aligns with international frameworks.

Policies, targets and action plans

Sonova's human rights commitment is contained in our Code of Conduct and further elaborated and established in our new Human Rights Policy, which became effective as of January 1, 2023. The policy is derived from the previous Sonova People Policy but adds a specific focus on human rights principles and a framework for human rights due diligence. Human rights support and due diligence are also governed by function-specific standards, such the Sonova Group Supplier Principles (SGSP), which will be replaced during the coming financial year by a new Supplier Code of Conduct that further strengthens its human rights provisions.

Human rights target:
We aim to implement human rights due diligence (HRDD) in alignment with international frameworks and train all relevant employees by the end of the 2022/23 financial year.

We achieved the target during 2022/23 by establishing the new Human Rights Policy and providing training for all employees who has access to a computer in their daily job. The Human Rights Policy has been identified as a key policy of Sonova; this designation requires annual mandatory training on it for all Sonova employees worldwide. The training in 2022/23 focuses specifically on non-discrimination and non-harassment, including practical advice on how to identify and report actions that might be violations. The training also required to read and electronically sign the Human Rights Policy. The new Human Rights Policy provides a common foundation for Sonova's responsibility to respect human rights, and supports the key elements of the HRDD framework through: performing periodic human rights risk assessments along the value chain; conducting enhanced due diligence through impact assessments in high risk areas; and providing channels for reporting grievances and seeking remedy for violations – all using a risk based approach. The policy further outlines the key human rights risks ("salient issues") identified by Sonova within its value chain.

SDG 8.8

Sonova's commitment to human rights is based on internationally recognized standards and does not attribute more importance to one human right than to another. We do, however, assign priority to those rights that could be most salient to our business, as determined by the human rights risk assessment. In prioritizing key human rights issues according to their scale, scope and remediability, Sonova recognizes that negative impacts on human rights may be particularly severe for some people due to their vulnerability or marginalization. Sonova recognizes that the evaluation of the severity of potential impacts may change and that other issues may grow in importance over time. We therefore regularly reevaluate our human rights risks through further assessments and regular dialog with internal and external stakeholders.

GRI 408-1, GRI 409-1

In November 2022 Sonova conducted its second high-level human rights risk assessment, building on the first from 2020. It was led by the cross-functional working group, supported by external business and human rights experts. The assessment covered our global value chain and ranked potential human rights issues based on the severity of the risk to potentially affected people. It also included any potential risk arising from our Consumer Hearing business. Our initial risk assessment in 2020 used a range of methods, including value chain mapping, issue mapping, consultations and interviews, desk research, and internal workshops. In 2022, the assessment methods included desk research and internal workshops along with re-assessment of the salient human rights issues described in the table below. The overall list of salient issues list did not need to change, despite the enlargement of the business and an unsettled geopolitical environment. We did, however, institute a new human rights risk registry that includes detailed information on the severity of each issue (based on scale, scope and remediability), its likelihood of occurrence, and Sonova's ability to influence it. This provides a useful internal tool to systematically address and monitor risk based measures to prevent or mitigate Sonova's salient human rights issues.

Human rights issue	Definition of human rights & issue illustration
Access to healthcare	Access to healthcare must be non-discriminatory. Access can be physical, economic (affordability), and/or informational in its nature. According to the UN Committee on Economic, Social and Cultural Rights, "health facilities, goods and services must be within safe physical reach for all sections of the population, especially vulnerable or marginalized groups (…)" [1] .
Child labor	Child labor refers to work performed by people under 18 and is prohibited by international standards. Employment or work may be authorized as from the age of 15 years (or 14 in certain developing countries) on condition that the health, safety, and morals of the young persons concerned are fully protected and that the young persons have received adequate specific instruction or vocational training in the relevant branch of activity (special protections for young workers).
Community and land rights	This term refers to all fundamental rights pertaining to local communities, including those recognized as pertaining to indigenous people, that are impacted by business activities. Issues related to land rights are most frequently disputed between companies (and governments) and local communities, as they may have direct consequences for a wide set of fundamental rights (e.g. right to housing, right to life, right to food and water, right to social security, property access rights, cultural identity, etc.).
Contributing to conflict	A company can potentially become involved in or contribute to social or political unrest or conflicts leading to heightened tension, violence and human rights abuses. In fragile environments (e.g. conflict-affected areas), companies shall avoid by any means complicity with governmental/non-state actors' (armed groups, militia, extremists) abuses. Moreover, they shall be aware that an excessive control on key resources (e.g. food, water and electricity supply) and other abusive business decisions have potential consequences on local communities, both during conflict and in post-conflict.
Customer safety	Customer safety refers to the company's approach to preventing negative impacts of its products and services on consumers' health and safety. It includes consumers' right to be properly informed about potential hazards.
Employment practices	In the context of labor rights, this term refers to all practices that are not mentioned under other issue areas, including contracts specifying the terms of conditions for work, working hours, social security, and fair wages. Fair wages ensure workers and their families a decent standard of living (living wage). Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events.
Freedom of association and collective bargaining	Freedom of association expresses the right of workers to freely join trade unions or employee associations, while collective bargaining is defined as the "negotiation between employers or employers' organizations and workers' organizations, with a view to the regulation of terms and conditions of employment by means of collective agreements." [2] The two concepts are inextricably linked, the first being a prerequisite for the realization of the second. Moreover, they both imply the recognition of the right to strike. Each of these rights shall be guaranteed by the company and no retaliation/reprisal shall be tolerated in exercising those rights.
Information security and data protection	Information security and data protection refer to all measures implemented by the company to protect the confidentiality and integrity of personal information and data transmitted by workers, clients, suppliers, business partners, and any other stakeholders. The company shall guarantee at all times the proper use, processing and storage of data. This right is ultimately founded on the human right to privacy.
Modern slavery and forced labor	Modern slavery includes compulsory, bonded, or child labor, human trafficking, and forced labor. Forced or compulsory labor is "all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily." [3]
Non-discrimination	Discrimination in employment and occupation includes "any distinction, exclusion or preference made on the basis of race, color, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation" [4] .
Occupational health and safety	Occupational health and safety deals with all aspects of health (physical or mental) and safety in the workplace.

1) UN Committee on Economic, Social and Cultural Rights (CESCR), General Comment No. 14: The Right to the Highest Attainable Standard of Health (Art. 12 of the Covenant), 12b, 11 August 2000, E/C.12/2000/4.
2) International Labour Organization (ILO), Right to Organise and Collective Bargaining Convention, C98, 1 July 1949, C98, Art. 4.
3) International Labour Organization (ILO), Forced Labour Convention, C29, 28 June 1930, C29, Art. 2.
4) International Labour Organization (ILO), Discrimination (Employment and Occupation) Convention, C111, 25 June 1958, C111, Art. 1.

Performance measurements

Sonova assesses the effectiveness of its human rights actions by regularly monitoring the implementation status of the HRDD roadmap through impact oriented KPIs; by measuring the completion rate for the Code of Conduct trainings; and by monitoring the use of and number of cases successfully resolved through our independently operated SpeakUp compliance platform.

Sonova conducted a social audit (a complete human rights impact assessment was prevented due to the COVID-19 pandemic) during the 2021/22 financial year. Performed by independent auditors, this covered our own operations near Ho Chi Minh City, Vietnam and used ELEVATE's Responsible Sourcing Assessment (ERSA) standard. None of the findings identified by the auditors were rated as zero tolerance or critical and the facility, as assessed by external experts, performed very well in the areas of environment, business ethics, and management system. The audit findings were discussed with local management, as well as globally with key internal functions, to identify root causes. All findings were addressed through concrete actions, such as improvements in the facilities and the introducing an automated system to monitor working hours and limit overtime. In the coming financial year, we will conduct more in-depth research and consultations, including an onsite assessment at our production facility in Valencia, United States.

Sonova has an established grievance process via our independently operated SpeakUp platform. We treat all SpeakUp complaints seriously: each case is reviewed by our compliance department and results in individual communication and potential remedy measures. You can read more about SpeakUp in the Business ethics and compliance section of the 2022/23 ESG Report.

Business ethics and legal compliance

Strategy, governance and relevance

GRI 3-3, GRI 2-23, GRI 2-24

Sonova's commitment to compliance promotes ethical conduct among colleagues at all levels of the organization, and also in our dealings with our stakeholders. Compliance means that we follow applicable laws and regulations of each country in which we operate while also abiding by our own Code of Conduct and internal regulations. The ultimate oversight for business ethics and compliance lies with the Board of Directors.

Policies, targets and actions

Sonova's Code of Conduct defines general principles for ethical behavior and applies to all employees of the Sonova Group, its subsidiaries, and any contractors or vendors while they are performing work for Sonova. Written acknowledgment of the Code of Conduct is part of every new employment and third-party contract.

SDG 5.1

The Code of Conduct is approved by the Board of Directors, is reviewed regularly, and revised when necessary. It was prepared by Group Legal and Compliance in consultation with relevant stakeholders and updated in September 2019. The Code of Conduct governs all relevant aspects of Sonova's business operations including compliance with laws and regulations, conflicts of interest, and anti-competition. It also incorporates Sonova's commitment to social and environmental responsibility, covering such topics as dignity and human rights, diversity and inclusion, non-discrimination, and safety in the workplace. The Code of Conduct is available in 18 languages.

The principles of the Code of Conduct are further refined in various internal guidelines and policies, including – but not limited to – antibribery, interaction with healthcare professionals, competition law, human rights, data protection, securities trading, public disclosure, and reporting. Non-compliance with the company's Code of Conduct or Sonova's internal policies and guidelines triggers disciplinary action, up to and including termination of the employment contract.

Sonova's distributors, suppliers and vendors go through a thorough due diligence process before being contracted for their services. This helps to ensure that our upstream and downstream partners conduct their business in accordance with Sonova's Code of Conduct and in compliance with the relevant individual policies.

Sonova's mandatory Code of Conduct training is conducted annually for all employees worldwide. The training the content of the Code of Conduct and how to identify and report potential violations, such as conflict of interest, harassment, fraud, discrimination, corruption, or breach of secrecy. Third parties including distributors, agents, and suppliers are regularly instructed to ensure that they adequately understand and can comply with the Code of Conduct. The Code of Conduct training is launched through our online SonovaLearning platform and via classroom training for employees who do not have access to a computer in performing their role.

Code of Conduct training target:
We have set an ambitious Group target for on-time completion of the annual Code of Conduct training of >95% wherein employees are required to complete the training within 30 days of assignment of the course via SonovaLearning platform.

In 2022/23, the overall on-time completion rate was 93.8%, though a significant improvement compared to 2021/22 result of 86%, but still below our set target. To help achieve our target of >95% on-time completion several measures such as increased number of reminders during the course of the 30 days, escalations and follow-ups at the Management Board member level was undertaken. Sonova will further strengthen its efforts to achieve its target of >95% on-time completion during the financial year 2023/24. GRI 205-2

Sonova's Anti-Bribery Policy was updated in 2022. It prohibits all forms of corruption, and provides the framework for ethical interaction with customers, consumers, suppliers, and other business partners – with particular focus on Sonova's interactions with Health/ Hearing Care Professionals (HCPs) and Health Care Organizations (HCOs).

Key elements of Sonova's Anti-Bribery Policy:

- **Bribes:** As a matter of principle, Sonova avoids dealing with third parties known or reasonably expected to be paying bribes in any form. Potential bribery/corruption risks are therefore an integral component of our business partner due diligence, which is performed not only before entering a business relationship but also regularly thereafter, following a pre-defined process.
- **Kickbacks/gifts:** Sonova does not unduly influence HCPs and HCOs to support its business.
- **Facilitation payments:** Sonova does not permit making facilitation payments.
- **Direct or indirect political contributions:** Sonova does not allow donations to political parties.
- **Charitable contributions and sponsorship:** Sonova, its employees, and representatives may make contributions to support charitable causes, subject to appropriate due diligence (including the amount contributed, and the nature and purpose of the charity's activities). Contributions should be made for bona fide purposes and only where permitted by local law and thoroughly documented.

The Anti-Bribery Policy has been communicated to all Sonova employees worldwide and is available in 15 languages. Sonova business partners – such as distributors and suppliers – must commit to complying with the principles described in the Anti-Bribery Policy. The content of the Anti-Bribery Policy was integrated in the annual mandatory SDG 16.5

Code of Conduct training in 2022/23. A mandatory yearly training on the Anti-Bribery Policy is rolled out to employees in defined functions such as sales and marketing, finance, and Group company roles such as Managing Directors and company controllers.

GRI 206-1

At Sonova, we respect and strictly follow antitrust and competition laws. Fair competition is essential because it guarantees that customers and consumers will benefit from the most innovative products and services at the best prices and conditions. Sonova's Global Competition Law Policy describes the basic principles of fair competition in doing business: all Sonova employees worldwide must comply with the principles it sets out. The policy was revised in August 2022 and became effective as of January 1, 2023 and globally rolled-out via an online training. Both the policy and the training materials are available in 19 languages.

Sonova strongly encourages every employee or other stakeholder who knows of or suspects a violation of applicable laws, regulations, the Code of Conduct, or the company's related policies and procedures – including those relating to accounting, internal controls, and auditing matters – to report that information through the SpeakUp platform. The reporting platform is operated by an independent third-party provider and safeguards the anonymity of the reporter. Employees may report a concern to their line manager, their local HR, Compliance manager or directly via the SpeakUp platform. Employees, third parties or other external business partners can report a concern either by phone or via a secure website. All local phone numbers and websites are listed in the appendix to the Code of Conduct and further details provided in dedicated intranet page, accessible to all Sonova employees.

All reported violations are promptly investigated and treated with confidentially to the extent reasonably possible. Sonova does not tolerate any kind of retaliatory action against any employee who, in good faith, reports suspected wrongdoing, or complains about violations of the Code of Conduct or other internal policies. The Audit Committee of the Board of Directors is informed quarterly about concerns received through the SpeakUp process, the number and types of cases, and the measures taken.

Regular training programs on SpeakUp process underline the importance of reporting violations, along with the process and channels for doing so. This training has generated an increase in the number of SpeakUp messages received year-on-year. SpeakUp statistics are published on Sonova internal platforms in order to increase trust and assure employees that their concerns are addressed in a timely manner.

Performance measurements

Code of Conduct training on-time completion

✓ Data externally assured (limited assurance)[2]

% of employees [1] that completed the Code of Conduct training on time during the annual launch

	2022/23 [2]	2021/22 [2]
On-time Code of Conduct training completion rate [1]	93.8	86.0

1) The number of employees in scope of this KPI is employees who were assigned and completed the Code of Conduct training on the SonovaLearning platform. The KPI does not include employees that does not work with a computer in their daily work and took the training via classroom training.
2) Only data from financial year 2022/23 part of the external assurance.

GRI 2-25, GRI 2-26, GRI 2-27

In the 2022/23 financial year, a total of 200 SpeakUp complaints were reported to the Compliance Department. Out of the reported cases, 64% concerned human resources, diversity and workplace respect, 20% related to misuse or misappropriation of corporate assets and 14% related to business integrity. Less-reported issues included concerned environment, health and safety (2%) and accounting, auditing and finance (2%). All allegations were promptly addressed by the internal investigation team, supported by external experts as needed. 55% of the complaints were substantiated and followed up with corrective actions, ranging from written warnings or performance improvement planning up to termination of employment.

No fines or non-monetary sanctions for non-compliance were levied against Sonova in the 2022/23 financial year. During 2022/23, Sonova's Group company Advanced Bionics LLC entered into settlement agreements. Further information can be found in the note 3.9 Contingent assets and liabilities of the 2022/23 Annual Report.

SASB HC-MS-510a.1

Data privacy and digital ethics

Strategy, governance and relevance

GRI 3-3

Our explicit commitment to operate ethically and in compliance with regulation makes it vital that we act rigorously to protect the health data of our end consumers and other stakeholders. We apply both technical and organizational safeguards to maintain the confidentiality and integrity of the data we hold relating to our employees, customers, consumers, and business partners. We adhere to applicable data protection laws and regulations of the jurisdictions in which we operate, and we monitor developments in data protection law.

The threat of data breaches and cyber-attacks is increasing, and we therefore treat the protection of personal data, proprietary data, and intellectual property as a permanently high-priority task. Our data protection programs continuously evolve to meet the changing legal landscape; privacy by design and default is a central aspect of our product development and business processes. Sonova's Global Privacy Office provides training and guidance to our business functions and employees and is responsible for implementing and monitoring the Sonova Data Protection Program. It is supported by a team of over 100 Privacy Champions whose task is to embed privacy protection at the Group company level. Policy effectiveness and adherence are continuously overseen by an internal monitoring program and by internal audit.

Sonova's Compliance and Digital Ethics Committee is responsible for and has oversight of ethical use of personal data in the digital realm. It works to establish AI ethics oversight measures, frameworks, and governance structures to ensure the responsible integration of digital technologies. The 2022 Ethos survey on Corporate Digital Responsibility placed Sonova in the 94th percentile of SMI Expanded® companies. We are ranked third in our peer group, a significant improvement from the previous year's score.

Sonova appointed in 2023 an Information Security Officer for the Group, with oversight responsibility across security domains and business functions. Information Security works in cooperation with Group IT, which issues Sonova's IT and cyber security guidelines. Both functions report directly to the Group CFO. The Management Board and the Board of Directors receive regular updates on cyber security. Sonova's overall risk management system identifies and assesses risks related to IT and cyber security: further information on how Sonova monitors and mitigates those risks is provided in the Risk Management section of this chapter.

Policies, targets and actions

Sonova's Group Data Protection Policy, effective since 2018 and updated and enhanced in October 2021, covers all personal data collected or processed by Sonova, and applies to all Sonova legal entities and their employees and contractors on a worldwide basis. The policy provides transparency to our customers and gives assurance on meeting privacy requirements across the globe. The policy is complemented by standard operating procedures and guidelines to provide more detailed guidance on specific data protection and privacy topics.

Sonova deploys annual mandatory online training for all employees, complemented by on- and offline training for specific departments and teams, webinars, and communication platforms for knowledge exchange. These training courses cover essential legal principles and requirements, taking into consideration Sonova's Data Protection Policy and such legal frameworks as the EU General Data Protection Regulation (GDPR), the Health Insurance Portability and Accountability Act (HIPAA), the California Consumer Privacy Act (CCPA), the Personal Information Protection and Electronic Documents Act (PIPEDA), and relevant Chinese data protection and security laws.

Sonova maintains a set of directives and guidelines to govern cyber security on IT services for the functions and businesses controlled by Sonova. These directives define the use of IT assets, the secure use of systems and programs, and the appropriate and secure management of data, and is complemented by a set of specialized security standards. In addition to the directive, Sonova's Information Security Guideline specifies processes and responsibilities to ensure IT and cyber security, including the security of digital information processed and stored on our products. This guideline is amended and supplemented regularly to meet fast moving changes in IT and cyber security.

Sonova has a range of regularly tested business continuity/disaster recovery plans and incident response procedures. In areas with heightened exposure or security risk, penetration tests are conducted annually by qualified external providers. We perform regular internal assessments and periodic third-party vulnerability analysis, including simulated hacker attacks in selected IT security risk areas. Sonova holds an information security risk insurance policy.

Sonova has implemented a global program to maintain and inform best cyber security practice among employees worldwide. This includes initiatives for identifying and securing critical business applications, as well as refining established processes. One key measure for the program is sustained training for all employees working with a laptop. During the 2022/23 financial year, training topics included best practice for password protection, information management responsibilities, appropriate online behavior, and phishing awareness. Relevant global and local employees received additional specific training in implementing the IT and cyber security guidelines.

Performance measurements

During the 2022/23 financial year, Sonova has not experienced material information security breaches, nor has any substantiated complaint concerning breach of customer data been identified.

GRI 418-1

Breaches overview

Number

	2022/23	2021/22	2020/21
Total number of material information security breaches or other cybersecurity incidents	0	0	0
Total number of substantiated complaints concerning data breaches	0	0	0

Corporate governance

Structure

At Sonova, corporate governance is based upon, and structured to conform with, relevant standards and practices: we meet our legal duties under the Swiss Code of Obligations, the SIX Swiss Exchange Directive on Information relating to Corporate Governance, and the standards defined in the Swiss Code of Best Practice for Corporate Governance. This chapter describes the principles of corporate governance for the Sonova Group and provides background information on environment, social and governance (ESG) issues. More detailed information is available in the corporate governance chapter of the 2022/23 Annual Report and in the corporate governance section of the Sonova website.

Sonova's corporate structure includes a two-tier board, consisting of the Board of Directors and the Management Board. In accordance with the Sonova Organizational Regulations, the Board of Directors appoints an Audit Committee and a Nomination and Compensation Committee. More information on delegating authorities within the different levels of the management are available in the corporate governance chapter of the Annual Report.

Composition of the highest governance body and its committees

GRI 2-9, GRI 2-11

The composition of the Board of Directors and its committees is described in detail in the relevant section of the corporate governance chapter of the 2022/23 Annual Report: Board of Directors.

The Articles of Association of Sonova Holding AG declare that the Board of Directors must have a minimum of three and a maximum of ten members. The Board of Directors is chaired by Robert F. Spoerry and currently consists of ten non-executive members.

The Nomination and Compensation Committee and the Board of Directors evaluate current and prospective members of the Board according to a skills and experience competency matrix – including ESG expertise – to ensure that an appropriate mix of relevant skills and experience is represented in the Board of Directors. In this process, the Nomination and Compensation Committee and the Board of Directors are required to consider various personal characteristics in order to establish balance in terms of diversity and inclusion. These include, but are not limited to: gender, age, nationalities or country of origin, ethnicity, cultural background, ways of believing, and mindsets.

We strongly believe that a more balanced gender representation on the Board of Directors is in the best interests of the Sonova Group. Following the appointment of Julie Tay as new member of the Board of Directors at the 2022 General Shareholders' Meeting, the proportion of women on the Board of Directors is 30%; Sonova is committed to further increase this proportion.

Sonova has proposed several changes to the Articles of Association for approval by the Annual General Shareholders' Meeting in June 2023 as part of its adoption of the Swiss Corporate Law Reform; one of these changes acknowledges the additional responsibility of the Board of Directors to issue a report on non-financial matters.

Nomination and selection for the highest governance body and its committees

GRI 2-10, GRI 2-15

The processes for determining the composition of the Board of Directors and its committees, as well as the division of responsibility between the Board of Directors and Management Board, are detailed in the company's Organizational Regulations, the Nomination and Compensation Committee Charter and the Audit Committee Charter.

The processes for determining the composition of the Board of Directors and its committees, as well as the division of responsibility between the Board of Directors and Management Board, are detailed in the company's Organizational Regulations, the Nomination and Compensation Committee Charter and the Audit Committee Charter.

The members of the Board of Directors and of the Nomination and Compensation Committee of Sonova Holding AG are elected by the General Shareholders' Meeting for a term of office until completion of the next ordinary General Shareholders' Meeting. If a replacement is elected to the Board of Directors during a member's term, the newly elected member finishes the predecessor's term. The Audit Committee is elected by the Board of Directors according to Article 2 of the Committee Charters.

The members of the Management Board are proposed by the CEO and appointed by the Board of Directors upon the recommendation of the Nomination and Compensation Committee. More details on the Management Board are provided in the relevant section of the corporate governance chapter of the 2022/23 Annual Report: Management Board.

Article 4 of the Organizational Regulations governs how Sonova deals with potential conflicts of interest. Cross-board memberships of the Board of Directors and significant shareholders (holding more than 3% of shares) are disclosed in the corporate governance chapter of the 2022/23 Annual Report. Related party transactions, if any, are disclosed in the Annual Report notes to the Group consolidated financial statement.

Roles, policy, and strategy

GRI 2-9, GRI 2-23

The Organizational Regulations and the Committee Charters define the roles and the duties of the highest governance bodies. The Board of Directors of Sonova Holding AG is responsible for the overall direction of the company, except in matters reserved by law to the General Shareholders' Meeting. It approves policies and strategy. The CEO has the duty and authority to link the company's strategy with its operational management by preparing the corporate strategy documents, policies, and procedures for submission to the Board of Directors' review and approval. The Management Board supports the CEO's responsibility to direct the company's operations by actively participating in directing, planning, and executing the business strategy.

Competencies and performance evaluation

GRI 2-18

The Board of Directors conducts an annual self-assessment evaluating its efficiency, effectiveness, and internal cooperation. The purpose is to enhance the Board's understanding of the business and the company, evaluate and define its role, particularly in relation to management, and make best use of the human capital represented on the Board of Directors. More detailed information is available in the corporate governance report.

Consultation between stakeholders and the highest governance body

GRI 2-19, GRI 2-20

Sonova actively engages with a broad range of stakeholders on ESG topics as described in the stakeholder engagement chapter of this ESG Report. Internal reporting procedures ensure consultation between stakeholders and the highest governance body on topics deemed highly relevant.

Compensation and incentives

The compensation report is an integral part of the 2022/23 Annual Report and covers the compensation principles, system, and key components, with a focus on the Board of Directors and Management Board as the governing bodies. Sonova complies with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Corporations, which among other matters stipulates annual binding votes on the compensation of the Board of Directors and Management Board.

ESG targets are formally reflected in the Variable Cash Compensation (VCC) of the Management Board. These targets are drawn from *IntACT*, our ESG strategy. ESG performance objectives represent 10% of the overall VCC: in general, 5% allocated to two objectives that are consistent for all Management Board members, and 5% to one to three individual objectives for each member. The performance objectives that must be met to achieve the target VCC are mutually agreed upon at the beginning of the financial year. In 2022/23 the 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, employee engagement, customer satisfaction, product quality, safety & reliability and responsible supply chain.

Sonova is committed to the principle of equal pay for equal work and is taking necessary steps in its position management and grading processes to ensure a fair compensation system. The company regularly reviews its compensation in terms of relevant local legal and regulatory equal pay requirements as they continue to evolve.

Risk management and internal audit

Sonova has implemented an efficient system to identify and assess strategic, operational, financial, legal, reputational, and compliance risks related to the Group's business activities. Sonova's risk management approach is aligned with international standards, such as the Committee of Sponsoring Organizations (COSO) internal control framework. The risk management function categorizes risks by impact and likelihood and supports the Management Board in determining the measures necessary to address or mitigate the risks. In accordance with the Audit Committee Charter, the Audit Committee reviews the company's risk assessment prepared by Risk Management before it is presented to the Board of Directors. The Board of Directors approves the risk assessment and provides guidance from a strategic point of view. To continuously monitor key risks and their mitigation, Risk Management prepares risk status reports, which are discussed by the Management Board and presented to the Audit Committee on a quarterly basis. Currently, Sonova's Group Risk Map consists of 42 risks, of which 16 are designated as key risks.

ESG issues are integrated into Sonova's strategic risk management process. Topics such as climate change, human rights and labor practices, loss of key talent, infringement of data privacy, cyber security and infringement of information security, and product quality and regulatory compliance are evaluated in the regular risk assessment process together with all other business risks.

Internal Audit conducts compliance and operational audits and assists functions and Group companies in attaining their goals by providing independent evaluation of the effectiveness of internal controls in processes. Local management is responsible for the control of business risks and for compliance with laws and regulations. Internal Audit is led by the Global Head of Internal Audit & Risk, who reports to the Chair of the Audit Committee. The Audit Committee approves the annual work plans of Internal Audit and ensures that the relevant Group companies are adequately reviewed according to their risk scoring. The Audit Committee also reviews and discusses the reports on completed audits submitted by Internal Audit. Internal Audit, together with Business Controlling, monitors the implementation by Group companies of any measures necessary to address findings from previous audits, and provides quarterly reports to the Audit Committee. During the 2022/23 financial year, the Internal Audit function, supported by the Corporate Sustainability team, launched the process to conduct an internal audit on selected ESG KPIs with the purpose to further enhance high quality and reliability of sustainability data.

The Group has a comprehensive compliance program in place which is administered by the Head of Global Compliance and Data Privacy and overseen by the General Counsel & Compliance Officer. Quarterly compliance reports are provided to the Audit Committee, and an annual compliance report is addressed to the Board of Directors.

Ethical marketing and sales practices

Policies and guidelines

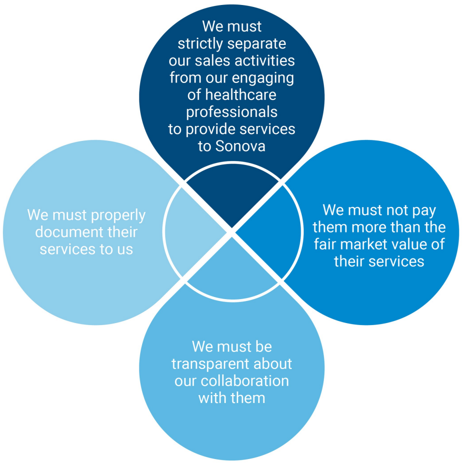
Sonova strictly adheres to ethical marketing practices across all our businesses and acts promptly to prevent any inappropriate actions or false claims. We ensure that our advertising, packaging, and promotional materials provide information that is accurate, balanced, and non-misleading. Sonova sells products and services to business customers and directly to consumers. Our commitment to ethical marketing and sales practices is laid out in our Code of Conduct and further detailed in policies, guidelines, and standard operating procedures.

SASB HC-MS-240a.2

Interactions with healthcare professionals

Sonova's Code of Conduct, Anti-Bribery Policy, and other standard operating procedures and country-specific guidelines commit us to interacting ethically with hearing care professionals (HCPs). HCPs include audiologists and acousticians, professors, surgeons, ear, nose and throat specialists, or researchers. We interact with HCPs on a daily basis, in various roles and settings; our cooperation with them is governed by our "Four-Leaf Clover Principles," below:

SASB HC-MS-510a.2



Claims management

Our policies specify that all statements declaring or implying that a Sonova product or service will provide a benefit to customers or consumers are truthful, non-misleading, and fair. Our claims management standard operating procedure sets out clearly how to assess, substantiate, and monitor safety and performance related claims for all Sonova brands. A parallel work instruction referring to the standard operating procedure is under development for our Consumer Hearing business. Before being disseminated, all safety and performance related claims go through a standardized review and approval process by dedicated stakeholders to ensure sufficient evidence, quality and compliance with global regulatory requirements. Relevant employees must complete annual training on the claims management procedure. Further training on claims in social media will be given to all employees starting in the 2023/24 financial year.

SASB HC-MS-270a.1

In 2022/23, there were no monetary losses because of legal proceedings associated with false marketing claims.

Taxes

Strategy, governance and relevance

Sonova is a Swiss-based multinational enterprise with almost all of its operations headquartered in the canton of Zurich. It operates in more than 100 countries and owns local wholesale distribution and retail audiological care subsidiaries in over 30 countries. Sonova's tax obligations encompass various direct and indirect, corporate and employee taxes, along with customs duties, making in total a significant contribution to societies around the world. Sonova is committed to tax compliance and manages its international flow of goods and services in line with all applicable tax regulations and international standards.

The responsibility for tax compliance lies with the Corporate Tax team, located in Switzerland, the US, Germany, and Brazil. The Head of the Corporate Tax team reports directly to the Group CFO. This function coordinates, educates, and supports financial controllers in all Group companies to ensure that they achieve tax compliance in line with local and international laws, rules, and regulations, along with reporting, filing, and disclosure requirements, as well as Sonova's own standards and policies.

Policies, targets and actions

Sonova's commitment to adhere strictly to tax laws, rules, regulations, and requirements for reporting, filing, and disclosure is set out in its Code of Conduct. The Sonova Group Tax Principles are publicly available and provide information on procedures and internal guidelines for tax compliance applying to all entities that are majority-owned or directly or indirectly controlled by Sonova. The Sonova Group Tax Principles were approved by the Board of Directors and published by the Group CFO in February 2019.

- **Taxes follow the business:** Sonova does not make use of offshore structures (so-called "tax havens") or other artificial structures disconnected from the actual business needs. Neither does the Group allocate functions or risks to international structures purely for tax reasons. An important step during the integration process for newly acquired companies is – to the extent required – to unwind acquired tax schemes and bring the tax structure in line with Sonova's tax policies and BEPS (Base Erosion and Profit Shifting) principles.
- **Full compliance:** Sonova fully complies with the spirit and letter of local laws and regulations in alignment and within the frame of internationally recognized standards such as the OECD-G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS and BEPS 2.0) Initiatives as well as European guidelines (ATAD). If there are multiple options that provide equivalent business solutions, and that comply with all applicable laws, the most tax efficient approach is suggested, provided that the tax planning initiatives do not adversely impact the reputation of the Sonova Group.
- **Transfer pricing:** Sonova's world-wide cross-border operations and added value chains are subject to yearly reviews to align Sonova's Transfer Pricing Processes. Arm's length profit allocation within the added value chains is granted through yearly reviews in line with multiple benchmarking analysis. Inter-company transactions are regularly monitored to ensure complete alignment with international standards and Sonova's internal Transfer Pricing Processes.
- **Cooperation with tax authorities:** Although Sonova has not entered Advanced Pricing Agreements (APAs), it highly values open and proactive cooperation with tax administrations worldwide for any kind of tax matter. We continuously engage in constructive and transparent dialogue with tax authorities as part of our tax compliance policy.

Reporting

As mandated by the BEPS initiative, Sonova prepares a Country-by-Country Report (CbCR), filed with the Swiss Federal Tax Administration and thereby shared via automatic information exchange with tax authorities worldwide. The Transfer Pricing Master File is prepared by the Corporate Tax team, along with a master Local File. Local Files are completed by the local organizations (with support from the Sonova Corporate Tax team) according to OECD guideline Action 13 and Sonova's Transfer Pricing Processes. Sonova is prepared to make its CbCR public once this becomes mandatory. As a multinational with a turnover above CHF/EUR 750 million, Sonova is also preparing for the requirements of a minimum tax under BEPS 2.0 – Pillar II.

Information on earnings before tax, reported taxes, reported tax rate, cash taxes paid, and cash tax rate is reported in the Note 5.1 Taxes in the 2022/23 Annual Report. Sonova's tax rates might be lower than industry group averages because of largely uncapitalized group-wide net operating losses as well as net operating losses from previous periods in subsidiaries of acquired groups. Furthermore, Sonova is a Swiss-based multinational enterprise with significant activities, substance, risks, and assets in Switzerland, and the Swiss tax rate is lower than the global average tax rate. Cash tax paid is largely influenced by provisional advanced as well as final adjustment payments.

Sonova has also introduced a reporting tool to monitor, collect, and – where applicable – report information under Mandatory Disclosure Reporting, as introduced under EU Council directive 218/822 (DAC-6; enacted as of 2018). During the 2022/23 financial year, 110 cases were checked; in 12 of these Sonova has opted to report, in order to comply beyond any reasonable doubt with the formal requirements of the Directive.

Public policy

Donations to political parties

As a general rule, Sonova does not allow donations to political parties. This principle is stipulated in our Global Anti-Bribery Policy.

GRI 2-28, GRI 3-3, GRI 415-1

Association memberships

Sonova is an active participant in various associations and external initiatives to share specialist knowledge and to ensure high quality standards for hearing instruments and cochlear implants. We are a member of the following organizations, amongst others:

- Hearing Instrument Manufacturers' Software Association (HIMSA)
- European Hearing Instrument Manufacturers Association (EHIMA)
- Hearing Industries Association (HIA)
- Medical Device Manufacturers Association (MDMA)
- Hearing Instrument Manufacturers' Patent Partnership (HIMPP)
- Hearing Industry Research Consortium (IRC)
- European Telecommunications Standards Institute (ETSI)

We are represented in the governance bodies of certain organizations: CEO Arnd Kaldowski is the vice president of EHIMA; Stefan Launer, VP Audiology and Health Innovation, is Chair of HIMPP's Board of Directors; Victoria Carr-Brendel, President/GVP Cochlear Implants, is a board member of MDMA; and Sandra Brandmeier, President Sonova USA, is Vice Chair of HIA's Board of Directors. We are also represented in various professional and scientific associations related to core science and technologies relevant to our business.

In 2022/23, Sonova contributed around CHF 1.2 million in membership fees to trade associations and non-commercial organizations. Amongst the largest contributions (including membership fees) are those to the Hearing Industries Association (HIA), a forum for hearing aid manufacturers, suppliers, distributors, and hearing health professionals in the United States; European Hearing Instrument Manufacturers Association (EHIMA) and SwissHoldings, the federation of Swiss-based multinational enterprises.

Since 2016, Sonova has been a signatory to the UN Global Compact. This is a United Nations initiative that focuses on corporate citizenship, dialogue with stakeholders, partnerships, and communication. Sonova is part of both the global and local Swiss networks. Sonova's CFO Birgit Conix is also a member of Accounting for Sustainability (A4S), a global network with the aim to inspire action by finance leaders to drive a fundamental shift towards resilient business models and a sustainable economy.

Animal welfare

SASB HC-MS-410a.1

As a manufacturer of medical devices. Sonova is required to demonstrate biological safety by complying with ISO 10993-1, the international standard for all medical devices with body contact. Under this standard, animal tests need to be considered in biological safety evaluations and, in some cases, cannot be completely avoided. In addition, as part of our contributions to research, Sonova provides components of cochlear implants to cochlear implant research centers and universities where they are tested on animals for basic research into, e.g., safety, feasibility, or efficacy of new technologies.

Sonova does not carry out any animal testing in-house and works with only a small number of third parties. We are committed to the "Three Rs" principle – replacement, reduction, and refinement – to limit animal testing as far as possible.

Replacement

- We use non-animal testing methods (in particular, testing with cell cultures) or chemical constituent testing where these methods are accepted by the respective regulatory bodies and can yield information as relevant as that obtained from in-vivo models.
- We promote the development and regulatory acceptance of new in-vitro methods by collaborating with test method developers and actively participating in working groups of the international standardization process.

Reduction

- We apply strategies to reduce the number of animals used in testing.
- We strive to avoid completely any unnecessary or duplicated testing by using previously evaluated or historically established biologically safe materials whenever possible and taking advantage of prior research among the various Sonova companies around the world.
- We emphasize risk assessment to clearly evaluate any need for animal testing.

Refinement

- We select whenever possible those test methods that minimize the distress caused to animals.
- We conduct all animal testing for biological safety evaluations through appropriately accredited testing laboratories in which all tests are carried out in accordance with good laboratory practice. We conduct animal testing for research collaborations only through universities and research laboratories where experiments are reviewed, approved, and overseen by the respective ethics committees.

Sonova ESG Report 2022/23

About this report

Reporting practice

GRI 2-3

Sonova's ESG Report is published on an annual basis and forms the Annual Report together with the Business Report and the Financial Report. Sub-reports such as the corporate governance report and the compensation report are also part of the Annual Report. The ESG Report follows Sonova's financial year from April 1 to March 31, except for environmental data reported in the Protecting the planet chapter, which presents its data by calendar year, due to the complexity of collecting and calculating the environmental performance measurements. This report was published on May 16, 2023, and was approved by Sonova's Board of Directors. The Sonova ESG Report for 2022/23, in combination with the 2022/23 Business Report and Financial Report, complies with the Global Reporting Initiative (GRI) 2021 Standards and forms an integral part of Sonova's UN Global Compact Communication on Progress. Please see our GRI content index for details about how the report content maps against the GRI Standards. Our TCFD index covers details to find relevant information according to the Task Force on Climate-related Financial Disclosures (TCFD). See our SASB index for details about how the report content maps against the Sustainability Accounting Standards Board (SASB) standards governing sustainability disclosure topics and accounting metrics for the medical equipment & supplies industry. Additional relevant information about economic performance and remuneration is provided in the compensation report, corporate governance report, and financial review chapters of the Annual Report.

Organizational profile and entities

GRI 2-1, GRI 2-2

Sonova is a global leader in innovative hearing care solutions: from personal audio devices and wireless communication systems to audiological care services, hearing aids and cochlear implants. The Group was founded in 1947 and is headquartered in Stäfa, Switzerland. Sonova operates through four businesses – Hearing Instruments, Audiological Care, Consumer Hearing and Cochlear Implants – and the core brands Phonak, Unitron, AudioNova, Sennheiser (under license) and Advanced Bionics as well as recognized regional brands. The Group's globally diversified sales and distribution channels serve an ever growing consumer base in more than 100 countries. Sonova Holding AG is a Swiss public limited company. More details on our products, services, brands, and activities as well as financial information, including a list of significant shareholders are provided in the 2022/23 Business Report and Financial Report.

The list of Sonova's significant Group companies can be found in note 7.7 List of significant companies in the 2022/23 Annual Report.

Restatements and significant changes

On December 5, 2022, Sonova Holding AG completed the acquisition of 100% of Hubei Hysound Health Technology Corp. Ltd, Wuhan (China) and Shanghai Chengting Technology Corp. Ltd, Shanghai (China) (HYSOUND Group). The HYSOUND Group is one of the leading nationwide chains of audiological care clinics in China with around 200 clinics in over 20 provinces and more than 70 cities across China. On March 1, 2022, Sonova Holding AG completed the acquisition of 100% of the Consumer Division from Sennheiser electronic GmbH & Co. KG, Wedemark (Germany). The Sennheiser Consumer division concentrates on the business of headphones and hearables for private customers and operates with around 600 employees worldwide through a broad online and in-store distribution network. As part of the acquisition, Sonova secured a perpetual license for the Sennheiser brand, under which both existing and new consumer hearing devices will be marketed. On March 1, 2022, Sonova Holding AG completed the acquisition of 100% of Alpaca Group Holdings LLC, Delaware (USA). Alpaca Audiology is one of the largest independent networks of audiological clinics in the US. The company has over 500 employees and operates around 220 clinics across the country.

Data from the HYSOUND Group is included in the data presented in this report (except for the data presented in the Protecting the planet, unless explicitly noted. Data from the Sennheiser Consumer Division and Alpaca Audiology (both acquired as of March 1, 2022) has been integrated into the data reported in this report unless explicitly noted. GRI 2-4

The list of material topics was last updated in 2019/20 as described in the Materiality assessment section.

Restatements in Advancing our people reflect data availability improvements and methodology changes that had minor effects on the data for 2022/23, as well as on the previous-year comparison data for 2021/22 and 2020/21. Sonova has also implemented a new job level hierarchy, which refines performance measurement and monitoring of gender diversity at various levels of management.

In Protecting the planet, the energy, waste, and water figures for 2020 and 2021 do not include data from our Consumer Hearing business (the Sennheiser Consumer Division) and Alpaca, and the restatements provided are a consequence of methodological improvements implemented to best reflect enhanced data available for local Group companies. These improvements include adjustment of extrapolation factors, improved mapping of country-level heating energy sources and waste disposal methods (where the heating source or waste disposal method is assumed), and correction of partially incomplete water figures. As for Sonova's GHG emission figures, our Consumer Hearing business has been integrated in the 2019 – 2022 data. In addition, 2020 and 2021 GHG emissions have also been restated due to higher completeness of the GHG footprint, such as inclusion of additional indirect spend categories or freight data that was previously unavailable, and changing the sources for some emission factors.

Declaration and assurance

GRI 2-5

This report has been prepared in accordance with the GRI 2021 Standards and Sonova's own developed methodology.

Sonova has selected Ernst & Young Ltd to provide limited assurance on selected KPIs in the 2022/23 ESG Report, after five consecutive years when this was provided by PwC. Ernst & Young Ltd is the external statutory auditor for the compensation report, the consolidated financial statements, and the financial statements of Sonova. Ernst & Young Ltd has provided independent assurance on selected KPIs for the reporting year 2022/23 presented in this report; for more detail, see the Independent Assurance Report. All audited figures are highlighted with ✓ Data externally assured (limited assurance) in the report. Details about the scope for the 2022/23 assurance can be found in the footnotes of each assured KPI and in the Independent Limited Assurance Report.

Contact

GRI 2-3

If you have questions regarding this ESG Report or its contents, please contact Sonova AG, Laubisrütistrasse 28, 8712 Stäfa, Switzerland. Phone: +41 58 928 01 01 | Email: sustainability@sonova.com

Building a better working world

Independent Assurance Report

on selected KPIs in the ESG Report 2022/23 to the Board of Directors of Sonova Holding AG, Stäfa.

GRI 2-4

Zurich, 10th of May 2023

We have been engaged to perform a limited assurance engagement (the engagement) on selected KPIs disclosed in Sonova Holding AG's and its consolidated subsidiaries' (the Group) ESG Report 2022/23 (the report) for the reporting period from 1 April 2022 to 31 March 2023. The KPIs in scope of the limited assurance (the KPIs) are marked with a "✓ Data externally assured (limited assurance)" in the ESG Report 2022/23.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the report, and accordingly, we do not express a conclusion on this information.

Applicable criteria

The Group defined as applicable criteria (applicable criteria):

- Global Reporting Initiative (GRI Standards). A summary of the standards is presented on the GRI homepage.
- The Group's own methodology available in the relevant sections of the ESG Report 2022/23.

We believe that these criteria are a suitable basis for our limited assurance engagement.

Responsibility of the Board of Directors

The Board of Directors is responsible for the selection of the applicable criteria and for the preparation and presentation, in all material respects, of the disclosed KPIs in accordance with the applicable criteria. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation of the KPIs that are free from material misstatement, whether due to fraud or error.

Independence and quality control

Our firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a conclusion on the above mentioned KPIs based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information and the International Standard on Assurance Engagements (ISAE) 3410 Assurance

Engagements on Greenhouse gas Statements. These standards require that we plan and perform this engagement to obtain limited assurance about whether the KPIs in the report are free from material misstatement, whether due to fraud or error.

Summary of work performed

Based on risk and materiality considerations we have undertaken procedures to obtain sufficient evidence. The procedures selected depend on the practitioner's judgment. This includes the assessment of the risks of material misstatements in the above mentioned KPIs. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in scope than, for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Although we considered the effectiveness of management's internal control when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal control. Our procedures did not include testing control or performing procedures relating to checking aggregation or calculation of data within IT systems.

The Greenhouse Gas (GHG) quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

Our limited assurance procedures included, amongst others, the following work:

- Assessment of the suitability of the underlying criteria and their consistent application
- Interviews with relevant personnel to understand the business and reporting process, including the sustainability strategy, principles and management
- Interviews with the Group's key personnel to understand the sustainability reporting system during the reporting period, including the process for collecting, collating and reporting the KPIs
- Checking that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the applicable criteria
- Analytical review procedures to support the reasonableness of the data
- Identifying and testing assumptions supporting calculations
- Testing, on a sample basis, underlying source information to check the accuracy of the data

Other Matter

The period from 1 April 2020 to 31 March 2021 and the period from 1 April 2021 to 31 March 2022 of the Group were subject to limited assurance engagements by another practitioner who expressed unmodified conclusions.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the KPIs for the reporting period from 1 April 2022 to 31 March 2023 have not been prepared, in all material respects, in accordance with the applicable criteria.

Ernst & Young Ltd

Roger Müller	Claude-Aline Dubi
Partner	Manager

GRI content index

GRI content index	
Statement of use	Sonova has reported in accordance with the GRI Standards for the period April 1, 2022 to March 31, 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	

GRI Standard	Disclosure	Reference	Omission reason and explanation	External assurance
	General Disclosures			
GRI 2: General Disclosures 2021	2-1 Organizational details	**About this report**		No
	2-2 Entities included in the organization's sustainability reporting	**About this report**		No
	2-3 Reporting period, frequency and contact point	**About this report**		No
	2-4 Restatements of information	**About this report**		No
	2-5 External assurance	**About this report**		No
	2-6 Activities, value chain and other business relationships	**Vision, values and business model**		No
	2-7 Employees	**Advancing our people**	GRI 2-7-b – Information unavailable/incomplete, breakdown by gender and region not reported.	**Yes**
	2-8 Workers who are not employees	**Advancing our people**		No
	2-9 Governance structure and composition	**ESG governance**		No
	2-10 Nomination and selection of the highest governance body	**Corporate governance**		No
	2-11 Chair of the highest governance body	**Corporate governance**		No
	2-12 Role of the highest governance body in overseeing the management of impacts	**ESG governance**		No
	2-13 Delegation of responsibility for managing impacts	**ESG governance**		No
	2-14 Role of the highest governance body in sustainability reporting	**ESG governance**		No
	2-15 Conflicts of interest	**Corporate governance**		No
	2-16 Communication of critical concerns	**ESG governance**		No
	2-17 Collective knowledge of the highest governance body	**ESG governance**		No
	2-18 Evaluation of the performance of the highest governance body	**Corporate governance**		No
	2-19 Remuneration policies	**Corporate governance**		No
	2-20 Process to determine remuneration	**Corporate governance**		No
	2-21 Annual total compensation ratio		Information unavailable/ incomplete, due to limited availability of consolidated payroll data.	No
	2-22 Statement on sustainable development strategy	**Message from the CEO**		No
	2-23 Policy commitments	**Business ethics and legal compliance**		No
	2-24 Embedding policy commitments	**Business ethics and legal compliance**		No

	2-25 Processes to remediate negative impacts	**Business ethics and legal compliance**		No
	2-26 Mechanisms for seeking advice and raising concerns	**Business ethics and legal compliance**		No
	2-27 Compliance with laws and regulations	**Business ethics and legal compliance**		No
	2-28 Membership associations	**Public policy**		No
	2-29 Approach to stakeholder engagement	**Stakeholder engagement**		No
	2-30 Collective bargaining agreements	**Advancing our people**		No
	Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	**Materiality assessment**		No
	3-2 List of material topics	**Materiality assessment**		No
	Topic standards			
	Anti-corruption			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Business ethics and legal compliance**		No
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	**Business ethics and legal compliance**		No
	Anti-competitive behavior			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Business ethics and legal compliance**		No
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	**Business ethics and legal compliance**		No
	Energy			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Climate action**		No
GRI 302: Energy 2016	302-1 Energy consumption within the organization	**Climate action**		**Yes**
	302-3 Energy intensity	**Climate action**		**Yes**
	Water and effluents			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Water**		No
GRI 303: Water and Effluents 2018	303-1 Management of water discharge-related impacts	**Water**		No
	303-3 Water withdrawal	**Water**	GRI 303-3-c – Information unavailable/incomplete, unavailable data on water categories.	**Yes**
	Emissions			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Greenhouse gas (GHG) emissions**		No
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	**Greenhouse gas (GHG) emissions**		**Yes**
	305-2 Energy indirect (Scope 2) GHG emissions	**Greenhouse gas (GHG) emissions**		**Yes**
	305-3 Other indirect (Scope 3) GHG emissions	**Greenhouse gas (GHG) emissions**		**Yes**
	305-4 GHG emissions intensity	**Greenhouse gas (GHG) emissions**		**Yes**
	Waste			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Waste**		No
GRI 306: Waste 2020	306-2 Management of significant waste-related impacts	**Waste**		No
	Supplier environmental assessment			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Responsible supply chain**		No

GRI 308: Supplier Environmental Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	**Responsible supply chain**		No
	Employment			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Talent development**		No
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	**Talent development**		**Yes**
	Occupational health and safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Occupational health and safety**		No
GRI 403: Occupational Health and Safety 2018	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	**Occupational health and safety**	Information unavailable/ incomplete, data on employees across production and operation and distribution sites. Data on external workers unavailable.	No
	403-9 Work-related injuries	**Occupational health and safety**		**Yes**
	403-10 Work-related ill health	**Occupational health and safety**		No
	Training and education			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Talent development**		No
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	**Talent development**	Information unavailable/ incomplete, gender and employee category not reported.	**Yes**
	Diversity and equal opportunity			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Diversity and inclusion**		No
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	**Diversity and inclusion**		**Yes**
	Child labor			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Human rights and labor practices**		No
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	**Human rights and labor practices**		No
	Forced or compulsory labor			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Human rights and labor practices**		No
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	**Human rights and labor practices**		No
	Supplier social assessment			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Responsible supply chain**		No
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	**Responsible supply chain**		No
	Public policy			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Public policy**		No
GRI 415: Public Policy 2016	415-1 Political contributions	**Public policy**		No
	Customer health and safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Product quality safety and reliability**		No
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	**Product quality safety and reliability**		No
	Customer privacy			

GRI 3: Material Topics 2021	3-3 Management of material topics	**Data privacy and digital ethics**		No
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	**Data privacy and digital ethics**		No
	Material topics without GRI topic standard			
	Access to hearing care			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Serving society**		No
	Employee wellbeing			
GRI 3: Material Topics 2021	3-3 Management of material topics	**Employee wellbeing**		No

All references refer to the 2021 version of the GRI Standards.

TCFD content index

TCFD disclosure	TCFD code	Disclosure description	Disclosed
Governance	TCFD-GOV-a	Describe the board's oversight of climate-related risks and opportunities.	**Yes**
	TCFD-GOV-b	Describe management's role in assessing and managing climate-related risks and opportunities.	**Yes**
Strategy	TCFD-STR-a	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	**Yes**
	TCFD-STR-b	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	**Yes**
	TCFD-STR-c	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Yes**
Risk management	TCFD-RMA-a	Describe the organization's processes for identifying and assessing climate-related risks.	**Yes**
	TCFD-RMA-b	Describe the organization's processes for managing climate-related risks.	No
	TCFD-RMA-c	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	No
Metrics and targets	TCFD-MET-a	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	**Yes**
	TCFD-MET-b	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	**Yes**
	TCFD-MET-c	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	**Yes**

SASB content index

SASB code	Metric description	Level of disclosure	Main reference	External assurance
HC-MS-240a.1	Ratio of weighted average rate of net price increases (for all products) to the annual increase in the U.S. Consumer Price Index	Omission [1]		No
HC-MS-240a.2	Description of how price information for each product is disclosed to customers or to their agents	Partial	**Ethical marketing and sales practices**	No
HC-MS-250a.1	Number of recalls issued, total units recalled	Full	**Product quality, safety and reliability**	No
HC-MS-250a.2	List of products listed in the FDA's MedWatch Safety Alerts for Human Medical Products database	Full	**Product quality, safety and reliability**	No
HC-MS-250a.3	Number of fatalities related to products as reported in the FDA Manufacturer and User Facility Device Experience	Full	**Product quality, safety and reliability**	No
HC-MS-250a.4	Number of FDA enforcement actions taken in response to violations of current Good Manufacturing Practices (cGMP), by type	Full	**Product quality, safety and reliability**	No
HC-MS-270a.1	Total amount of monetary losses as a result of legal proceedings associated with false marketing claims	Full	**Ethical marketing and sales practices**	No
HC-MS-270a.2	Description of code of ethics governing promotion of off-label use of products	Omission [2]		No
HC-MS-410a.1	Discussion of process to assess and manage environmental and human health considerations associated with chemicals in products, and meet demand for sustainable products	Full	**Eco-friendly products**	No
HC-MS-410a.2	Total amount of products accepted for takeback and reused, recycled, or donated, broken down by: (1) devices and equipment and (2) supplies	Partial	**Eco-friendly products**	No
HC-MS-430a.1	Percentage of (1) entity's facilities and (2) Tier I suppliers' facilities participating in third-party audit programs for manufacturing and product quality	Full	**Product quality, safety and reliability**	No
HC-MS-430a.2	Description of efforts to maintain traceability within the distribution chain	Partial	**Product quality, safety and reliability**	No
HC-MS-430a.3	Description of the management of risks associated with the use of critical materials	Partial	**Eco-friendly products**	No
HC-MS-510a.1	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Full	**Business ethics and legal compliance**	No
HC-MS-510a.2	Description of code of ethics governing interactions with health care professionals	Full	**Ethical marketing and sales practices**	No
HC-MS-000.A	Number of units sold by product category	Adjusted [3]		No

1 Sonova does not report detailed price information on all its products in its investor reporting. However, information related to the pricing strategy is reported in the Annual Report (Strategy and businesses, compensation report, financial review).
2 This metric is not applicable to Sonova's business model.
3 Sonova instead reports the sales volumes by business segment (Annual Report: Notes to the consolidated financial statements – 2.2 Segment information).

SDG content index

The 17 Sustainable Development Goals (SDGs) were adopted by the United Nations (UN) in 2015 as a universal call to action to address some of the world's biggest challenges by 2030. Sonova has been a signatory of the UN Global Compact since 2016 and supports the achievement of the SDGs. Our hearing solutions help to improve the lives of millions of people. Beyond serving our consumers, we aspire to create benefits for the economy, the environment, and society. Against this background, we have identified those SDGs for which we have direct or indirect impact on at least one of the 169 targets. In the index below, we provide an overview of the SDGs where Sonova has an impact, the specific targets, and links to the relevant sections of this report.

Goal	Goal description	Sonova impact on SDG	Relevant SDG sub-targets	Relevant content on Sonova's SDG impact
SDG 3	Good health & wellbeing	high	**3.8:** "Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all."	**Accessibility and affordability**
			3.C: "Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States."	**Training and education**
SDG 5	Gender equality	medium	**5.1:** "End all forms of discrimination against all women and girls everywhere."	**Business ethics and legal compliance**
			5.5: "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life."	**Diversity & inclusion**
SDG 6	Clean water and sanitation	low	**6.3:** "By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally."	**Water**
			6.4: "By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity."	**Water**
SDG 7	Affordable and clean energy	low	**7.2:** "By 2030, increase substantially the share of renewable energy in the global energy mix."	**Climate action**
			7.3: "By 2030, double the global rate of improvement in energy efficiency."	**Climate action**
SDG 8	Decent work and economic growth	medium	**8.2:** "Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors."	**Business Report**
			8.5: "By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value."	**Diversity & inclusion**
			8.7: "Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms."	**Responsible supply chain**
			8.8: "Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment."	**Human rights and labor practices**

SDG 9	Industry, Innovation and Infrastructure	medium	**9.4:** "By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities."	**Climate action**
			9.5: "Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending."	**Innovative hearing solutions**
SDG 10	Reduced inequalities	medium	**10.2:** "By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status"	**Human rights and labor practices**
SDG 12	Responsible consumption	medium	**12.2:** "By 2030, achieve the sustainable management and efficient use of natural resources."	**Climate action**
			12.4: "By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment."	**Eco-friendly products**
			12.5: "By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse."	**Waste**
			12.6: "Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle."	**ESG strategy and governance**
SDG 13	Climate action	medium	**13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	**Climate-related risks and opportunities (TCFD)**
SDG 16	Peace, justice and strong institutions	low	**16.5:** "Substantially reduce corruption and bribery in all their forms."	**Business ethics and legal compliance**
SDG 17	Partnerships for the goals	low	**17.16:** "Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries."	**Stakeholder engagement**

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

Disclaimer

This report contains forward-looking statements, which offer no guarantee with regard to future performance. These statements are made on the basis of management's views and assumptions regarding future events and business performance at the time the statements are made. They are subject to risks and uncertainties including, but not confined to, future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside Sonova's control. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual outcomes may vary materially from those forecasted or expected. Each forward-looking statement speaks only as of the date of the particular statement, and Sonova undertakes no obligation to publicly update or revise any forward-looking statements, except as required by law.

Imprint
Publishing System: ns.wow by mms solutions

Our Core Brands

Licensed Brand