

# ESG Report 2022/23

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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

# 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.

<p>More than</p> <p><b>17,600</b></p> <p>employees worldwide (FTEs)</p>	<p><b>- 22%</b></p> <p>scope 1, 2 and 3 greenhouse gas (CO<sub>2</sub>e) emissions vs. 2019<sup>1</sup></p>	<p><b>270</b></p> <p>hearing care professionals trained in low- and middle-income countries through the SIHA program since 2021/22</p>
<p><b>100%</b></p> <p>renewable electricity in our own operations worldwide</p>	<p>More than</p> <p><b>54%</b></p> <p>of our people managers are women</p>	<p><b>82%</b></p> <p>employee engagement score in the annual HearMe survey</p>
<p><b>2/3</b></p> <p>of our leaders are recruited internally</p>	<p>Submitted</p> <p><b>SBTi</b></p> <p>science-based reduction targets for scope 1, 2, and 3 CO<sub>2</sub>e emissions (pending validation)</p>	<p>More than</p> <p><b>2,880</b></p> <p>hearing aids fitted through Hear the World Foundation projects</p>
<p><b>10%</b></p> <p>of the variable cash compensation of the Management Board is linked to ESG performance</p>	<p>We launched a new tool to assess sustainability risks for our suppliers and engage with them to improve their practices</p>	<p>More than</p> <p><b>1,800</b></p> <p>active granted patent and design rights owned by Sonova</p>

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 2<sup>nd</sup> 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<sup>1</sup>.

### 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.

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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.

- **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.

GRI 2-6

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

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:

GRI 2-29

- [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.



Sonova ESG Report 2022/23

# Materiality assessment

## Material ESG topics

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:

GRI 3-1

- 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.

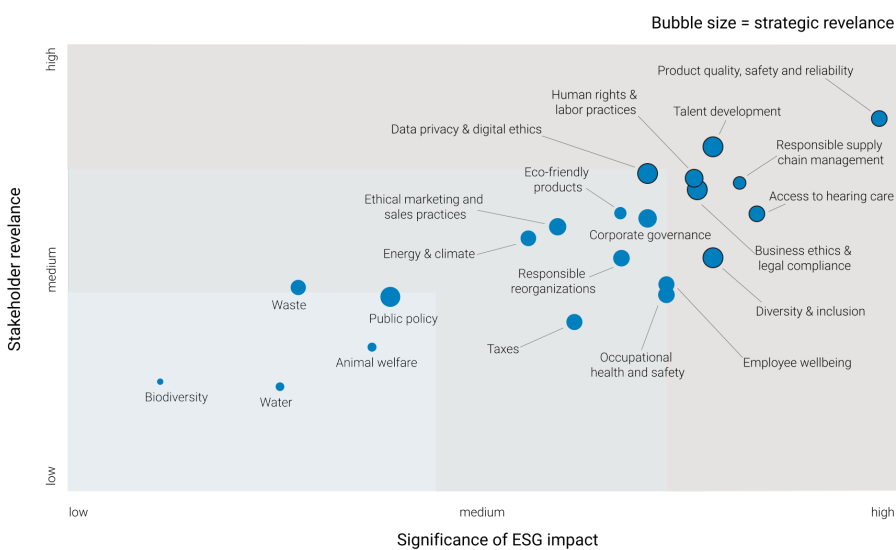
The 2019/20 materiality assessment identified eight ESG topics with the highest relevance for Sonova, which are listed below. The stakeholder groups which assigned a comparatively high relevance to the specific topic are indicated in brackets.

GRI 3-2

## MATERIALITY ASSESSMENT

- 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.

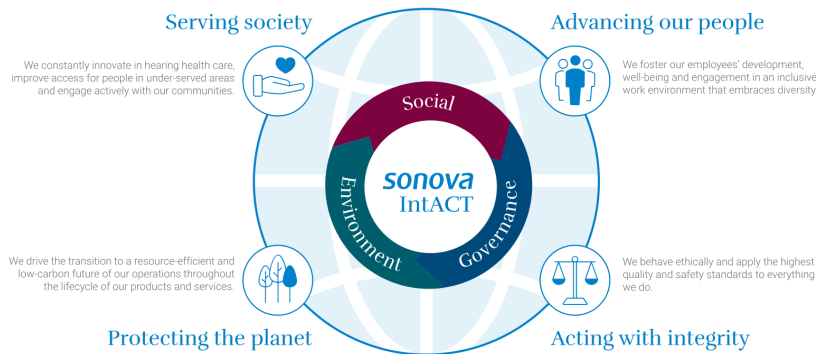
Sonova’s ESG strategy is relevant to the entire Sonova Group, including the upstream and downstream value chains of our four businesses. Sonova assigns the impact of each material ESG topic to its appropriate stage or stages in the value-creation process, from raw materials supply to after-sales refurbishing 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).

# 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
<b>Protecting the planet</b>			
We reduce greenhouse gas emissions relative to revenue by 50% compared to 2017 by 2022. <sup>1</sup>	Climate action	Achieved	-64% CO <sub>2</sub> e 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 <sub>2</sub> e 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 <sub>2</sub> e 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
<b>Serving society</b>			
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)
<b>Advancing our people</b>			
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. <sup>2</sup>	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
<b>Acting with integrity</b>			
We improve the product reliability rate >20% year-over-year for hearing instruments (HI). <sup>3</sup>	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). <sup>4</sup>	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 Naida pediatric and adult processors/externals.

Key ESG targets as of 2023/24

ESG target	ESG topic
<b>Protecting the planet</b>	
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
<b>Serving society</b>	
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
<b>Advancing our people</b>	
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
<b>Acting with integrity</b>	
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

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.

GRI 2-9, GRI 2-12, GRI 2-13, GRI 2-14, GRI 2-16, GRI 2-17



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.



Sonova ESG Report 2022/23

# 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.

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.

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:

GRI 3-3

- 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 \(TCFD\)](#)



- [Eco-friendly products](#)
- [Waste](#)
- [Water](#)
- [Biodiversity](#)
- [Environmental reporting and system boundaries](#)

## Climate action

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.

GRI 3-3

### 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

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.

GRI 3-3, GRI 302-1

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.

SDG 7.3

### Energy consumption

✓ Data externally assured (limited assurance)

MWh	2022	2021	2020
<b>Total energy consumption <sup>1</sup></b>	<b>121,178</b>	<b>100,447 <sup>2</sup></b>	<b>104,162 <sup>3</sup></b>

- 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 <sup>2,3</sup>			2020 <sup>2,3</sup>		
	Vehicle Fuels <sup>4</sup>	Heating <sup>5</sup>	Electricity	Vehicle Fuels <sup>6</sup>	Heating <sup>7</sup>	Electricity	Vehicle Fuels <sup>8</sup>	Heating <sup>9</sup>	Electricity
<b>Total <sup>1</sup></b>	<b>21,915</b>	<b>37,687</b>	<b>61,576</b>	<b>18,055 <sup>3</sup></b>	<b>30,245 <sup>3</sup></b>	<b>52,147 <sup>3</sup></b>	<b>19,522 <sup>3</sup></b>	<b>31,516 <sup>3</sup></b>	<b>53,124 <sup>3</sup></b>
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 <sup>10</sup>	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% liquefied 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 <sup>1</sup>	2020 <sup>1</sup>
Total energy consumption <sup>2,3</sup>	121,178	100,447 <sup>1</sup>	104,162 <sup>1</sup>
Revenues <sup>4</sup>	3,738	3,364 <sup>1</sup>	2,602 <sup>1</sup>
<b>Energy intensity <sup>5</sup></b>	<b>32.4</b>	<b>29.9 <sup>1</sup></b>	<b>40.0 <sup>1</sup></b>

- 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.

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).

SDG 7.2, SDG 9.4

**Energy mix**

✓ Data externally assured (limited assurance)

MWh

	2022	2021 <sup>1</sup>	2020 <sup>1</sup>
<b>Total energy consumption <sup>2,3</sup></b>	<b>121,178</b>	<b>100,447 <sup>1</sup></b>	<b>104,162 <sup>1</sup></b>
Non-renewable energy consumption <sup>4</sup>	59,813	48,108 <sup>1</sup>	84,964 <sup>1</sup>
Renewable energy consumption <sup>5</sup>	61,365	52,340 <sup>1</sup>	19,198 <sup>1</sup>
Share of renewable energy <sup>6</sup>	51%	52% <sup>1</sup>	18% <sup>1</sup>

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**

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<sub>2</sub>e 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.

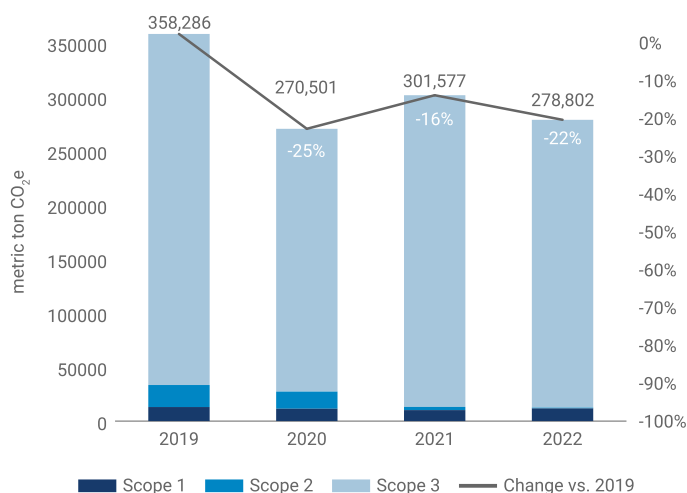
GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4

TCFD-MET-a, TCFD-MET-b, TCFD-MET-c

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<sub>2</sub>e, 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<sup>1</sup>**

✓ Data externally assured (limited assurance)

t CO<sub>2</sub>e

	2022	2021 <sup>2</sup>	2020 <sup>3</sup>	2019 <sup>4</sup>
<b>Scope 1-3</b>	<b>278,802</b>	<b>301,577</b>	<b>270,501</b>	<b>358,286</b>
<b>Scope 1-2</b>	<b>12,467</b>	<b>13,137</b>	<b>27,298</b>	<b>33,369</b>
<b>Scope 1<sup>5,6</sup></b>	<b>11,729</b>	<b>10,159</b>	<b>11,429</b>	<b>12,999</b>
<b>Scope 2<sup>7</sup></b>	<b>739</b>	<b>2,977</b>	<b>15,869</b>	<b>20,370</b>
<b>Scope 3<sup>8</sup></b>	<b>266,335</b>	<b>288,440</b>	<b>243,203</b>	<b>324,916</b>

- 1) Includes Consumer Hearing business and Alpaca for all years.
- 2) 2021 values restated: scope 1 decreased by 1% (-132 t CO<sub>2</sub>e), of which 848 t CO<sub>2</sub>e derived from acquisitions and -980 t CO<sub>2</sub>e from methodological improvements; scope 2 increased by >1000% (+2,746 t CO<sub>2</sub>e), of which 2,110 t CO<sub>2</sub>e derived from acquisitions and 635 from methodological improvements; scope 3 increased by 94% (139,526 t CO<sub>2</sub>e), of which 100,719 t CO<sub>2</sub>e derived from acquisitions and 38,807 t CO<sub>2</sub>e from methodological improvements.
- 3) 2020 values restated: scope 1 increased by 3% (+343 t CO<sub>2</sub>e), of which 806 t CO<sub>2</sub>e derived from acquisitions and -463 t CO<sub>2</sub>e from methodological improvements. scope 2 increased by 15% (+2,049 t CO<sub>2</sub>e), of which 1,919 t CO<sub>2</sub>e derived from acquisitions and 130 t CO<sub>2</sub>e from methodological improvements. scope 3 increased by 104% (+123,789 t CO<sub>2</sub>e), of which 93,793 t CO<sub>2</sub>e derived from acquisitions and 29,996 t CO<sub>2</sub>e from methodological improvements.
- 4) 2019 values restated: scope 1 decreased by <1%; scope 2 increased by 13% (+2,326 t CO<sub>2</sub>e), of which 2,153 t CO<sub>2</sub>e derived from acquisitions and 173 t CO<sub>2</sub>e from methodological improvements; scope 3 increased by 106% (+166,946 t CO<sub>2</sub>e), of which 119,979 t CO<sub>2</sub>e derived from acquisitions and 46,967 t CO<sub>2</sub>e 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 CO<sub>2</sub> emissions from biogenic sources (biogas consumption) amounted to 296 tons CO<sub>2</sub> in 2022, 367 t CO<sub>2</sub> in 2021, and 0 t CO<sub>2</sub> 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<sub>2</sub>e per million CHF revenues in 2022.

**GHG emission intensity**

✓ Data externally assured (limited assurance)

t CO<sub>2</sub>e relative to million CHF revenue

	2022	2021 <sup>1</sup>	2020 <sup>1</sup>
Revenues <sup>2</sup>	3,738	3,364 <sup>1</sup>	2,602 <sup>1</sup>
Total scope 1–2 GHG emissions <sup>3</sup>	12,467	10,178 <sup>1</sup>	24,573 <sup>1</sup>
<b>Scope 1–2 GHG emission intensity</b>	<b>3.3</b>	<b>3.0<sup>1</sup></b>	<b>9.4<sup>1</sup></b>
Total scope 1–3 GHG emissions <sup>4</sup>	278,802	197,899 <sup>1</sup>	173,983 <sup>1</sup>
<b>Scope 1–3 GHG emission intensity</b>	<b>74.6</b>	<b>58.8<sup>1</sup></b>	<b>66.9<sup>1</sup></b>

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 CO<sub>2</sub>e) and 2020 figure decreased by 1% (-333 t CO<sub>2</sub>e) 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 CO<sub>2</sub>e) and 2020 figure increased by 21% (+29,663 t CO<sub>2</sub>e) 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<sub>2</sub>e 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<sub>2</sub>e 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<sub>2</sub>e, 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<sub>2</sub>e 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<sub>2</sub>e, 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<sub>2</sub>e 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<sub>2</sub>e 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<sup>1</sup>

t CO<sub>2</sub>e

	2022			2021 <sup>2</sup>			2020 <sup>3</sup>		
	Scope 1–2	Scope 1	Scope 2	Scope 1–2	Scope 1	Scope 2	Scope 1–2	Scope 1	Scope 2
<b>Total</b>	<b>12,467</b>	<b>11,728</b>	<b>739</b>	<b>13,136</b>	<b>10,159</b>	<b>2,977</b>	<b>27,298</b>	<b>11,429</b>	<b>15,869</b>
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 <sup>4</sup>	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 CO<sub>2</sub>e), of which 848 t CO<sub>2</sub>e derived from acquisitions and -980 t CO<sub>2</sub>e from methodological improvements; scope 2 increased by >1000% (+2,746 t CO<sub>2</sub>e), of which 2,110 t CO<sub>2</sub>e derived from acquisitions and 635 from methodological improvements.
- 3) 2020 values restated: scope 1 increased by 3% (+343 t CO<sub>2</sub>e), of which 806 t CO<sub>2</sub>e derived from acquisitions and -463 t CO<sub>2</sub>e from methodological improvements. scope 2 increased by 15% (+2,049 t CO<sub>2</sub>e), of which 1,919 t CO<sub>2</sub>e derived from acquisitions and 130 t CO<sub>2</sub>e 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<sub>2</sub>e 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<sup>1</sup>

✓ Data externally assured (limited assurance)

t CO<sub>2</sub>e

	2022	2021 <sup>2</sup>	2020 <sup>3</sup>	2019 <sup>4</sup>
<b>Scope 3</b>	<b>266,335</b>	<b>288,440</b>	<b>243,203</b>	<b>324,916</b>
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 <sup>5</sup>	12,232	4,445	6,109	24,021
Category 7: Employee commuting <sup>6</sup>	21,348	21,136	18,045	26,761
Category 8: Upstream leased assets <sup>7</sup>	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 CO<sub>2</sub>e), of which 100,719 t CO<sub>2</sub>e derived from acquisitions and 38,807 t CO<sub>2</sub>e from methodological improvements.

3) 2020 values restated: total scope 3 increased by 104% (+123,789 t CO<sub>2</sub>e), of which 93,793 t CO<sub>2</sub>e derived from acquisitions and 29,996 t CO<sub>2</sub>e from methodological improvements.

4) 2019 values restated: total scope 3 increased by 106% (+166,946 t CO<sub>2</sub>e), of which 119,979 t CO<sub>2</sub>e derived from acquisitions and 46,967 t CO<sub>2</sub>e 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<sub>2</sub>e 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<sub>2</sub>e 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<sub>2</sub>e 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

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.

[TCFD-GOV-a](#), [TCFD-GOV-b](#)

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

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:

TCFD-STR-a, TCFD-RMA-a

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<sup>1</sup> 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) <sup>1</sup>
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<sup>1</sup>

Potential risk	Potential threat	Country
Heatwaves and extreme temperatures	The frequency and duration of heatwaves are projected to increase 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

During 2022/23, we started to assess the potential financial impacts of two specific climate-related risks:

TCFD-STR-b, TCFD-STR-c

- 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

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.

[SASB HC-MS-410a.1](#), [SASB HC-MS-430a.3](#)

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.

[SDG 12.4](#)

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 <sup>2</sup>	2020 <sup>2</sup>	2019 <sup>2</sup>
Packaging weight <sup>1</sup>	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

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.

SASB HC-MS-410a.2

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

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.

GRI 3-3, GRI 306-2

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.

SDG 12.5

### Waste – limited scope<sup>1</sup>

metric tons

	2022	2021 <sup>2</sup>	2020
<b>Total waste</b>	<b>1,720</b>	<b>1,793</b>	<b>2,013</b>
Non-hazardous waste	747	783	894
Hazardous waste	66	66	56
Recycling waste	908	944	1,063
<b>Recycling rate</b>	<b>53%</b>	<b>53%</b>	<b>53%</b>

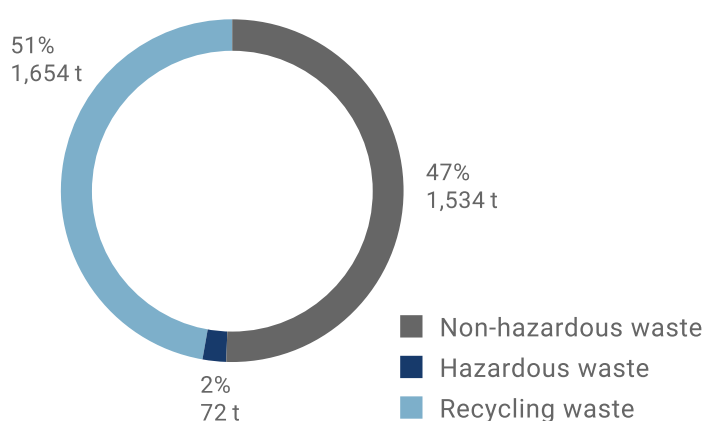
1) Limited scope includes headquarters, operation, distribution and repair centers as well as other Group companies with more than 50 full-time equivalent employees (FTEs) but excludes our Consumer Hearing business and Alpaca. As the recycling ratio target was only applicable to the limited scope, we 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<sup>1</sup>

✓ Data externally assured (limited assurance)

metric tons

	2022	2021 <sup>2</sup>
<b>Total waste<sup>1</sup></b>	<b>3,260</b>	<b>2,931<sup>2</sup></b>
Non-hazardous waste <sup>3</sup>	<b>1,534</b>	<b>1,415<sup>2</sup></b>
Incineration with and without energy recovery	758	514
Landfill	776	900
Hazardous waste <sup>4</sup>	<b>72</b>	<b>71<sup>2</sup></b>
Recycling <sup>5</sup>	16	16
Incineration with and without energy recovery	34	34
Landfill	14	13
Other treatments	8	8
Recycling waste	<b>1,654</b>	<b>1,445<sup>2</sup></b>
<b>Recycling rate</b>	<b>51%</b>	<b>49%</b>

- 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

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.

GRI 3-3, GRI 303-1, GRI 303-3

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<sup>3</sup>/FTE in 2017 to 16.9 m<sup>3</sup>/FTE in 2022.

**Water withdrawal - limited scope<sup>1</sup>**

m<sup>3</sup>

	2022	2021 <sup>2</sup>	2020 <sup>2</sup>
Total water withdrawal	136,771	126,116	113,395
Water withdrawal per full-time employee (FTE) <sup>3</sup>	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<sup>1</sup>

✓ Data externally assured (limited assurance)

m<sup>3</sup>

	2022	2021 <sup>2,3</sup>
Total water withdrawal <sup>1</sup>	235,075	201,710 <sup>2</sup>
Water withdrawal per full-time employee (FTE)	13.8	13.2 <sup>2</sup>

- 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 m<sup>3</sup>/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<sup>3</sup>/FTE in 2027 from a baseline of 13.8 m<sup>3</sup>/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.

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<sup>3</sup> 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<sup>3</sup>) and surface water (6,796 m<sup>3</sup>). Figures were partially extrapolated due to limited data availability.

SDG 6.3, SDG 6.4

## 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<sup>2</sup>T 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

Sonova's environmental data monitoring and reporting includes energy consumption, CO<sub>2</sub>e 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.

GRI 302-1, GRI 305-1, GRI 305-2, GRI 305-3

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<sub>2</sub>e 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<sub>2</sub>O and CH<sub>4</sub> emissions from biogenic sources, e.g. biogas, are included in scope 1, while the related CO<sub>2</sub> emissions are excluded in accordance with the GHG Protocol. Outside-of-scope CO<sub>2</sub> emissions from biogenic sources amounted to 296 tons CO<sub>2</sub> 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<sub>2</sub>e. 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<sub>2</sub>-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<sub>2</sub> equivalents. Relevant gases included are CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O. 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
<b>Scope 1</b>	- BEIS Department for Business, Energy & Industrial Strategy
<b>Scope 2</b>	- 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)
<b>Category 1: Purchased goods and services</b>	- EcolInvent (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)
<b>Category 2: Capital goods</b>	- Dell Carbon Footprints
<b>Category 3: Fuel- and energy-related activities (not included in scope 1 and 2)</b>	- BEIS Department for Business, Energy & Industrial Strategy - IEA International Energy Agency (Emissions Factors)
<b>Categories 4 and 9: Transportation and distribution</b>	- BEIS Department for Business, Energy & Industrial Strategy
<b>Category 5: Waste generated in operations</b>	- BEIS Department for Business, Energy & Industrial Strategy
<b>Category 6: Business travel</b>	- BEIS Department for Business, Energy & Industrial Strategy - CEDA Comprehensive Environmental Data Archive (version 5.05)
<b>Category 7: Employee commuting</b>	- BEIS Department for Business, Energy & Industrial Strategy - IEA International Energy Agency (Energy Efficiency Indicators)
<b>Category 8: Upstream Leased Assets</b>	- BEIS Department for Business, Energy & Industrial Strategy - Association of Issuing Bodies (European Residual Mix) - IEA International Energy Agency (Emissions Factors)
<b>Category 10: Processing of sold products</b>	- IEA International Energy Agency
<b>Category 11: Use of sold products</b>	- IEA International Energy Agency
<b>Category 12: End-of-life of sold products</b>	- BEIS Department for Business, Energy & Industrial Strategy
<b>Category 15: Investments</b>	- Estimate based on Bloomberg & CDP data

All conversion factors are presented to convert 1 input unit. The source for all conversion factors is BEIS Department for Business, Energy & Industrial Strategy.

	Conversion Factor	Conversion Unit
<b>Distance</b>		
Miles	1.6093	km
<b>Energy</b>		
Therm	0.0293	MWh
Fuel oil liter	0.0100	MWh
Natural gas m3	0.0103	MWh
Gigajoule (GJ)	0.2778	MWh
<b>Mass</b>		
Pound (lb)	0.4535	kg
Ton (US, short ton)	907.2	kg
<b>Volume</b>		
US Gallon	3.7854	L
Imperial Gallon	4.5461	L
Megaliter	1,000	m <sup>3</sup>



## 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

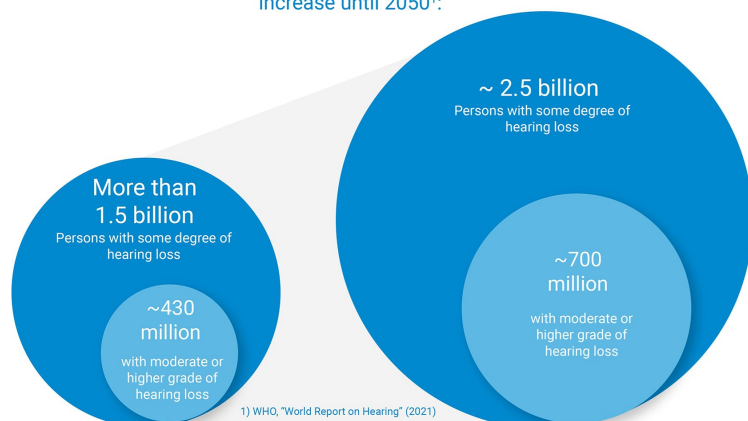
The sections that follow provide an overview of our approach in the 'Serving society' pillar of *IntACT*, our ESG strategy:

- [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<sup>1</sup>. Over 5% of the world's population experience moderate or higher grades of hearing loss<sup>2</sup>; nearly 30 million have profound or complete hearing loss in both ears. The number of people with hearing loss is expected to rise significantly 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<sup>1</sup>.

GRI 3-3

Number of people experiencing some degree of hearing loss is foreseen to increase until 2050<sup>1</sup>:



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<sup>1</sup>. 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<sup>1</sup>. 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<sup>3</sup>. 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

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,

SDG 9.5

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<sup>1</sup>

✓ Data externally assured (limited assurance)

Customer satisfaction index

	2022/23	2021/22
Customer satisfaction index <sup>2</sup>	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

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.

SDG 3.8

### Distribution network

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.

SDG 3.8

### 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.

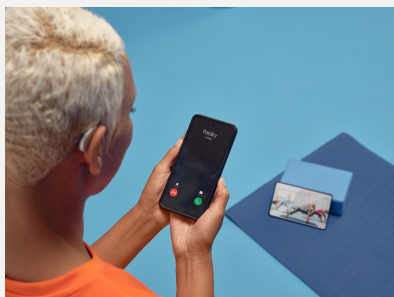
**Sales growth in low- and middle-income countries**

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**

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.

SDG 3.C

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 <sup>1</sup>

	2022/23	%	2021/22	%	2020/21	%
<b>Total</b>	<b>7,126,937</b>	<b>100%</b>	<b>5,904,994</b>	<b>100%</b>	<b>3,615,086</b>	<b>100%</b>
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 <sup>1</sup>

	2022/23	%	2021/22	%	2020/21	%
<b>Total</b>	<b>7,126,937</b>	<b>100%</b>	<b>5,904,994</b>	<b>100%</b>	<b>3,615,086</b>	<b>100%</b>
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

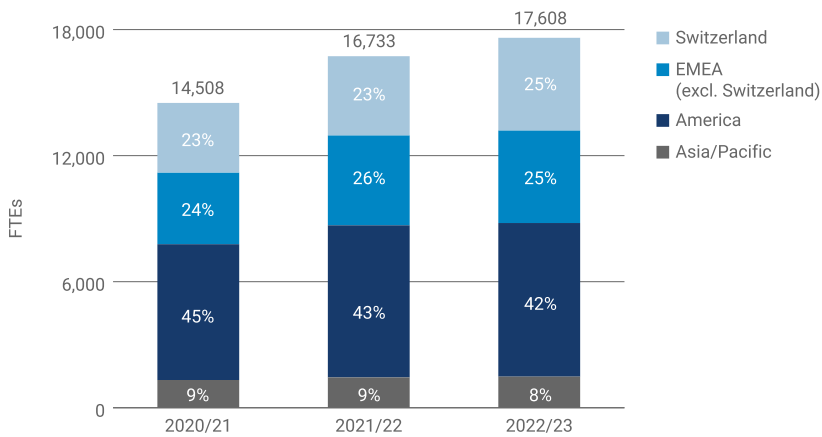
We foster our employees' development, wellbeing and engagement in an inclusive work environment that embraces diversity.

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) <sup>1</sup>

	2022/23	2021/22	2020/21
<b>Total (regular and fixed-term)</b>	<b>17,608</b>	<b>16,733</b>	<b>14,508</b>
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) <sup>1</sup>

	2022/23 <sup>2</sup>	2021/22 <sup>2</sup>	2020/21 <sup>2</sup>
<b>Total (regular, fixed-term and interns)</b>	<b>18,692</b>	<b>17,303</b>	<b>15,712</b>
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 <sup>1</sup>

	2022/23	2021/22	2020/21
<b>Women</b>			
Share of total workforce	67.3	65.6	66.5
Part-time employees	13.5	13.5	14.1
<b>Men</b>			
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.

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%).

GRI 2-8

Employees by employment contract

✓ Data externally assured (limited assurance)

% of employee headcount <sup>1</sup>

	2022/23	2021/22	2020/21
Regular	79.1	79.8	82.4
Fixed-term <sup>2</sup>	2.3	2.6	2.0
External temporary <sup>3</sup>	16.8 <sup>4</sup>	15.1 <sup>4</sup>	12.5 <sup>4</sup>
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.

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.

GRI 2-30

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<sup>1</sup> 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<sup>1</sup> employee headcount

	2022/23	2021/22	2020/21
Employee engagement survey participation rate	93	92	94

<sup>1)</sup> 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
<b>Employee engagement rate</b>	<b>82</b>	<b>83</b>	<b>83</b>
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

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.

GRI 3-3, GRI 404-3

**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)<sup>2</sup>

% of employees with development objectives of development objective eligible <sup>1</sup> employee headcount

	2022/23 <sup>2</sup>	2021/22 <sup>2</sup>
Development objectives rate <sup>1</sup>	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.

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

GRI 401-1

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 <sup>1</sup>

	2022/23	2021/22	2020/21
<b>Total (% of total internal hires to leadership positions) <sup>2</sup></b>	<b>66.0</b>	<b>63.8</b>	<b>69.7</b>
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 <sup>1</sup>

	2022/23 <sup>2</sup>	2021/22 <sup>2</sup>	2020/21 <sup>2</sup>
<b>Region</b>			
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
<b>Gender</b>			
Women	67.7	65.5	67.9
Men	32.3	34.5	32.1
<b>Age</b>			
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 <sup>1</sup>

	2022/23	2021/22	2020/21
<b>Total</b>	<b>14.7</b>	<b>17.4</b>	<b>15.1</b>
<b>Region</b>			
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
<b>Gender</b>			
Women	14.8	17.8	15.7
Men	14.0	16.9	13.1
<b>Age <sup>2</sup></b>			
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 <sup>1</sup>

	2022/23	2021/22	2020/21
<b>Total</b>	<b>11.3</b>	<b>13.1</b>	<b>8.6</b>
<b>Region</b>			
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
<b>Gender</b>			
Women	11.4	13.9	9.5
Men	10.4	11.9	7.2
<b>Age <sup>2</sup></b>			
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 <sup>1</sup>

	2022/23 <sup>3</sup>	2021/22 <sup>3</sup>	2020/21 <sup>3</sup>
People managers <sup>2</sup>	9.6	10.1	9.8
Employees without direct report <sup>2</sup>	6.6	6.8	7.0
All employees <sup>2</sup>	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
<b>Aspiring Leaders</b>	<ul style="list-style-type: none"> <li>• Employees with leadership aspirations</li> <li>• 12–24 participants per cohort</li> </ul>	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.
<b>Leadership Foundations I</b>	<ul style="list-style-type: none"> <li>• Virtual program aimed at all new and mid-level people managers</li> <li>• 16–24 participants per cohort</li> </ul>	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.
<b>Leadership Foundations II</b>	<ul style="list-style-type: none"> <li>• Aimed at all new people managers</li> <li>• Recommended for all people managers</li> <li>• 12–24 participants per cohort</li> </ul>	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.
<b>Executive Leadership Orientation</b>	<ul style="list-style-type: none"> <li>• Aimed at all new MB-1 and key positions</li> </ul>	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.
<b>S.T.A.R.S leadership program</b>	<ul style="list-style-type: none"> <li>• Targeting leaders in the Audiological Care business</li> <li>• 10 day program</li> </ul>	The S.T.A.R.S leadership program is focused on commercial performance, excellence in our commercial execution and operations and boost leadership capabilities.
<b>Power Sessions &amp; Webinars for Leaders</b>	<ul style="list-style-type: none"> <li>• Targeting all leaders</li> <li>• 2–4h workshops or 1–2h webinars</li> <li>• Recommended for all people managers</li> <li>• 8–24 participants per cohort</li> </ul>	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

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.

GRI 3-3

Sonova's global D&I strategy is built around six pillars:

SDG 8.5

- **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.

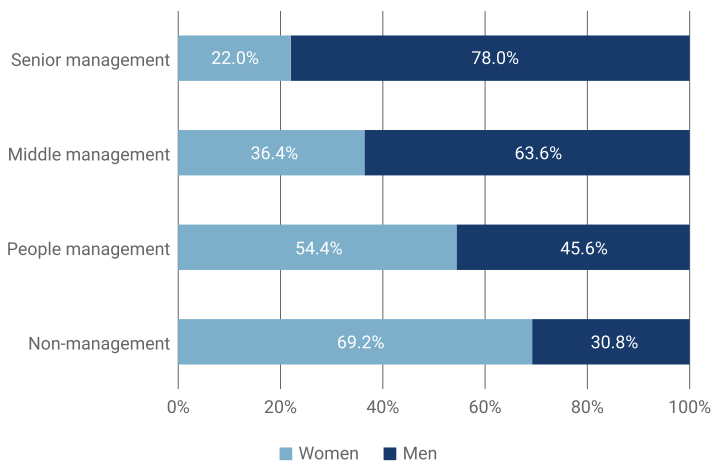
We want to achieve a 50% proportion of women in middle management by 2028/29.

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 <sup>1</sup>

	2022/23
<b>Women in senior management <sup>2</sup></b>	<b>22</b>
Switzerland	23.8
EMEA (excl. Switzerland)	6.3
America	37.1
Asia/Pacific	25.0
<b>Women in middle management <sup>3</sup></b>	<b>36.4</b>
Switzerland	30.0
EMEA (excl. Switzerland)	37.0
America	40.7
Asia/Pacific	42.6
<b>Women in non-management <sup>4</sup></b>	<b>69.2</b>
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 <sup>1</sup>	54.4	51.2	50.8
Share of women in key positions <sup>2</sup>	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 <sup>1</sup>

	2022/23	2021/22	2020/21
<b>Share of women in total hires to leadership positions <sup>2</sup></b>	<b>65.3</b>	<b>54.7</b>	
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 <sup>1</sup>

	2022/23	2021/22	2020/21
Share of women in STEM-related positions <sup>2</sup>	24.8	26.4	26.0
Share of women in revenue-generating functions <sup>3</sup>	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 <sup>1</sup>

	2022/23	2021/22	2020/21
Share of women in STEM-related positions and as people managers <sup>2</sup>	17.1	18.4	14.6
Share of women in revenue-generating functions and as people managers <sup>3</sup>	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 <sup>1</sup>

	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 <sup>1</sup>

	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 <sup>1</sup>

	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 <sup>2</sup>	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 <sup>1</sup>

	2022/23 <sup>2</sup>	2021/22 <sup>2</sup>	2020/21 <sup>2</sup>
<b>All employees</b>			
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
<b>Women</b>			
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
<b>Men</b>			
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

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.

GRI 3-3, GRI 403-2, 403-9, 403-10

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) <sup>1</sup>	63.8	50.7	32.5
Lost-time injury frequency rate (LTIFR) <sup>2</sup>	3.7	3.4	2.4
Occupational illness frequency rate (OIFR) <sup>3</sup>	0.0	0.0	0.0
Work-related fatalities <sup>4</sup>	0	0	0

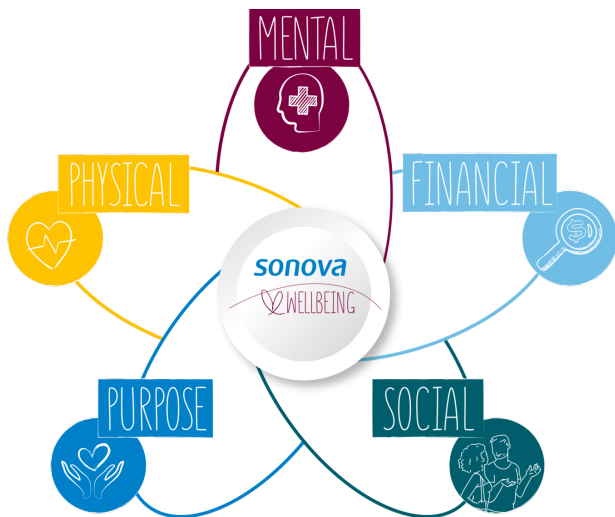
- 1) LDR = total number of lost days due to injuries/total hours worked x 1,000,000
- 2) LTIFR = total number of lost-time injuries/total hours worked x 1,000,000.
- 3) OIFR = total number of occupational illness or diseases cases/total hours worked x 1,000,000.
- 4) Work-related fatalities is defined 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

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.

GRI 3-3



- **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 affect 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.



Sonova ESG Report 2022/23

## Acting with integrity

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

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

GRI 3-3, GRI 416-1



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

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.

SASB HC-MS-430a.1, SASB HC-MS-430a.3

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 <sup>1</sup>	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 <sup>1</sup>	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 Naida 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)<sup>1</sup>

Improvement vs. previous year

	2022/23 <sup>1</sup>	2021/22 <sup>1</sup>	2020/21 <sup>1</sup>
Improvement of HI product reliability rate <sup>2</sup>	(2%)	(3%)	21%
Improvement of CI product reliability rate (externals/processors) <sup>3</sup>	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 Naida pediatric as well as adult systems. 2020/21 values include Naida 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

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.

GRI 2-6, GRI 3-3, GRI 308-2, GRI 412-2

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.

SDG 8.7

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:**

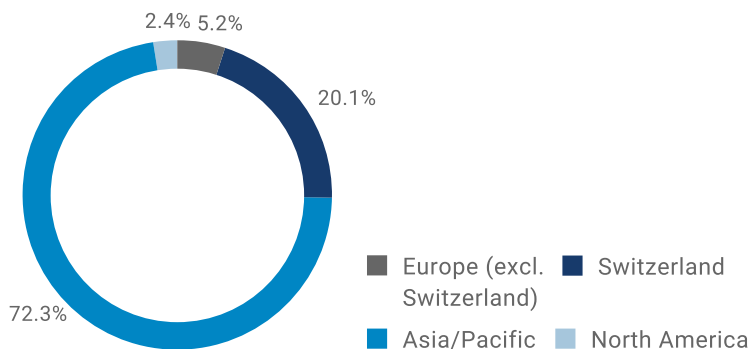
We aim to conduct assessments of >90% of direct material suppliers with potential high ESG risk by 2023/24.

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**



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

SASB HC-MS-430a.1

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 <sup>1</sup> that has been assessed in EcoVadis

	2022/23
High ESG risk suppliers assessed	78.0

<sup>1)</sup> Only Hearing Instruments direct suppliers has been screened during financial year 2022/23.

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.

GRI 308-2, GRI 414-2

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.

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.

GRI 308-2, GRI 414-2

## Human rights and labor practices

### Strategy, governance and relevance

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

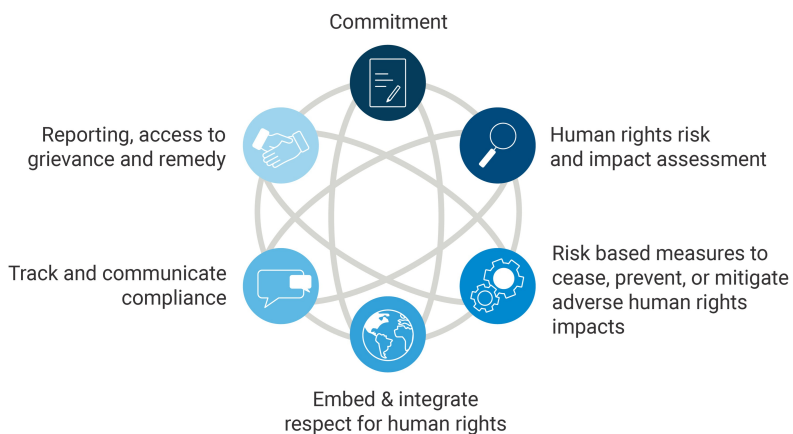
GRI 3-3

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 (UNGPs)
- 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 (UNGPs) 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.

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.

[SDG 8.8](#)

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.

[GRI 408-1, GRI 409-1](#)

Human rights issue	Definition of human rights & issue illustration
<b>Access to healthcare</b>	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 (...)" <sup>1</sup> .
<b>Child labor</b>	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).
<b>Community and land rights</b>	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.).
<b>Contributing to conflict</b>	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.
<b>Customer safety</b>	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.
<b>Employment practices</b>	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.
<b>Freedom of association and collective bargaining</b>	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." <sup>2</sup> 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.
<b>Information security and data protection</b>	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.
<b>Modern slavery and forced labor</b>	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." <sup>3</sup>
<b>Non-discrimination</b>	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" <sup>4</sup> .
<b>Occupational health and safety</b>	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

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.

GRI 3-3, GRI 2-23, GRI 2-24

## 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.

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.

SDG 5.1

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.

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.

GRI 206-1

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 confidentiality 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)<sup>2</sup>

% of employees<sup>1</sup> that completed the Code of Conduct training on time during the annual launch

	2022/23 <sup>2</sup>	2021/22 <sup>2</sup>
On-time Code of Conduct training completion rate <sup>1</sup>	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.

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

GRI 2-25, GRI 2-26, GRI 2-27

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

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.

GRI 3-3

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 94<sup>th</sup> percentile of SMI Expanded<sup>®</sup> 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

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](#).

GRI 2-9, GRI 2-11

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

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](#).

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 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

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.

GRI 2-9, GRI 2-23

### Competencies and performance evaluation

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](#).

GRI 2-18

### Consultation between stakeholders and the highest governance body

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.

GRI 2-19, GRI 2-20

### 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

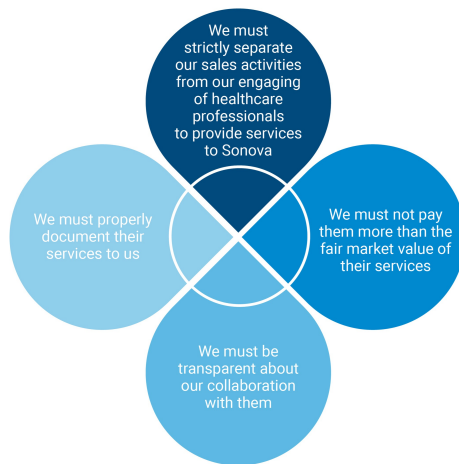
Sonova strictly adheres to ethical marketing practices across all our businesses and acts promptly to prevent any inappropriate actions or false claims. We ensure that our advertising, packaging, and promotional materials provide information that is accurate, balanced, and non-misleading. Sonova sells 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

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.

[SASB HC-MS-410a.1](#)

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

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](#).

GRI 2-3

## Organizational profile and entities

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](#).

GRI 2-1, GRI 2-2

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

This report has been prepared in accordance with the GRI 2021 Standards and Sonova's own developed methodology.

GRI 2-5

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

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](mailto:sustainability@sonova.com)

GRI 2-3



**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, 10<sup>th</sup> 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  
Partner

Claude-Aline Dubi  
Manager

# GRI content index

<b>GRI content index</b>	
<b>Statement of use</b>	Sonova has reported in accordance with the GRI Standards for the period April 1, 2022 to March 31, 2023.
<b>GRI 1 used</b>	GRI 1: Foundation 2021
<b>Applicable GRI Sector Standard(s)</b>	

GRI Standard	Disclosure	Reference	Omission reason and explanation	External assurance
	<b>General Disclosures</b>			
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	<a href="#">About this report</a>		No
	2-2 Entities included in the organization's sustainability reporting	<a href="#">About this report</a>		No
	2-3 Reporting period, frequency and contact point	<a href="#">About this report</a>		No
	2-4 Restatements of information	<a href="#">About this report</a>		No
	2-5 External assurance	<a href="#">About this report</a>		No
	2-6 Activities, value chain and other business relationships	<a href="#">Vision, values and business model</a>		No
	2-7 Employees	<a href="#">Advancing our people</a>	GRI 2-7-b – Information unavailable/incomplete, breakdown by gender and region not reported.	<b>Yes</b>
	2-8 Workers who are not employees	<a href="#">Advancing our people</a>		No
	2-9 Governance structure and composition	<a href="#">ESG governance</a>		No
	2-10 Nomination and selection of the highest governance body	<a href="#">Corporate governance</a>		No
	2-11 Chair of the highest governance body	<a href="#">Corporate governance</a>		No
	2-12 Role of the highest governance body in overseeing the management of impacts	<a href="#">ESG governance</a>		No
	2-13 Delegation of responsibility for managing impacts	<a href="#">ESG governance</a>		No
	2-14 Role of the highest governance body in sustainability reporting	<a href="#">ESG governance</a>		No
	2-15 Conflicts of interest	<a href="#">Corporate governance</a>		No
	2-16 Communication of critical concerns	<a href="#">ESG governance</a>		No
	2-17 Collective knowledge of the highest governance body	<a href="#">ESG governance</a>		No
	2-18 Evaluation of the performance of the highest governance body	<a href="#">Corporate governance</a>		No
	2-19 Remuneration policies	<a href="#">Corporate governance</a>		No
	2-20 Process to determine remuneration	<a href="#">Corporate governance</a>		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	<a href="#">Message from the CEO</a>		No
	2-23 Policy commitments	<a href="#">Business ethics and legal compliance</a>		No
	2-24 Embedding policy commitments	<a href="#">Business ethics and legal compliance</a>		No

	2-25 Processes to remediate negative impacts	<b>Business ethics and legal compliance</b>	No
	2-26 Mechanisms for seeking advice and raising concerns	<b>Business ethics and legal compliance</b>	No
	2-27 Compliance with laws and regulations	<b>Business ethics and legal compliance</b>	No
	2-28 Membership associations	<b>Public policy</b>	No
	2-29 Approach to stakeholder engagement	<b>Stakeholder engagement</b>	No
	2-30 Collective bargaining agreements	<b>Advancing our people</b>	No
	<b>Material Topics</b>		
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	<b>Materiality assessment</b>	No
	3-2 List of material topics	<b>Materiality assessment</b>	No
	<b>Topic standards</b>		
	<b>Anti-corruption</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Business ethics and legal compliance</b>	No
<b>GRI 205: Anti-corruption 2016</b>	205-2 Communication and training about anti-corruption policies and procedures	<b>Business ethics and legal compliance</b>	No
	<b>Anti-competitive behavior</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Business ethics and legal compliance</b>	No
<b>GRI 206: Anti-competitive Behavior 2016</b>	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	<b>Business ethics and legal compliance</b>	No
	<b>Energy</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Climate action</b>	No
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	<b>Climate action</b>	<b>Yes</b>
	302-3 Energy intensity	<b>Climate action</b>	<b>Yes</b>
	<b>Water and effluents</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Water</b>	No
<b>GRI 303: Water and Effluents 2018</b>	303-1 Management of water discharge-related impacts	<b>Water</b>	No
	303-3 Water withdrawal	<b>Water</b>	<b>Yes</b> GRI 303-3-c – Information unavailable/incomplete, unavailable data on water categories.
	<b>Emissions</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Greenhouse gas (GHG) emissions</b>	No
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	<b>Greenhouse gas (GHG) emissions</b>	<b>Yes</b>
	305-2 Energy indirect (Scope 2) GHG emissions	<b>Greenhouse gas (GHG) emissions</b>	<b>Yes</b>
	305-3 Other indirect (Scope 3) GHG emissions	<b>Greenhouse gas (GHG) emissions</b>	<b>Yes</b>
	305-4 GHG emissions intensity	<b>Greenhouse gas (GHG) emissions</b>	<b>Yes</b>
	<b>Waste</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Waste</b>	No
<b>GRI 306: Waste 2020</b>	306-2 Management of significant waste-related impacts	<b>Waste</b>	No
	<b>Supplier environmental assessment</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Responsible supply chain</b>	No

<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-2 Negative environmental impacts in the supply chain and actions taken	<b>Responsible supply chain</b>	No
	<b>Employment</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Talent development</b>	No
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	<b>Talent development</b>	<b>Yes</b>
	<b>Occupational health and safety</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Occupational health and safety</b>	No
<b>GRI 403: Occupational Health and Safety 2018</b>	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<b>Occupational health and safety</b>	Information unavailable/incomplete, data on employees across production and operation and distribution sites. Data on external workers unavailable.
	403-9 Work-related injuries	<b>Occupational health and safety</b>	<b>Yes</b>
	403-10 Work-related ill health	<b>Occupational health and safety</b>	No
	<b>Training and education</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Talent development</b>	No
<b>GRI 404: Training and Education 2016</b>	404-3 Percentage of employees receiving regular performance and career development reviews	<b>Talent development</b>	Information unavailable/incomplete, gender and employee category not reported.
	<b>Diversity and equal opportunity</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Diversity and inclusion</b>	No
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	<b>Diversity and inclusion</b>	<b>Yes</b>
	<b>Child labor</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Human rights and labor practices</b>	No
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	<b>Human rights and labor practices</b>	No
	<b>Forced or compulsory labor</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Human rights and labor practices</b>	No
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	<b>Human rights and labor practices</b>	No
	<b>Supplier social assessment</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Responsible supply chain</b>	No
<b>GRI 414: Supplier Social Assessment 2016</b>	414-2 Negative social impacts in the supply chain and actions taken	<b>Responsible supply chain</b>	No
	<b>Public policy</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Public policy</b>	No
<b>GRI 415: Public Policy 2016</b>	415-1 Political contributions	<b>Public policy</b>	No
	<b>Customer health and safety</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Product quality safety and reliability</b>	No
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	<b>Product quality safety and reliability</b>	No
	<b>Customer privacy</b>		

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Data privacy and digital ethics</b>	No
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	<b>Data privacy and digital ethics</b>	No
	<b>Material topics without GRI topic standard</b>		
	<b>Access to hearing care</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Serving society</b>	No
	<b>Employee wellbeing</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>Employee wellbeing</b>	No

All references refer to the 2021 version of the GRI Standards.

# TCFD content index

TCFD disclosure	TCFD code	Disclosure description	Disclosed
<b>Governance</b>	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
<b>Strategy</b>	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
<b>Risk management</b>	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
<b>Metrics and targets</b>	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 <sup>1</sup>		No
HC-MS-240a.2	Description of how price information for each product is disclosed to customers or to their agents	Partial	<a href="#">Ethical marketing and sales practices</a>	No
HC-MS-250a.1	Number of recalls issued, total units recalled	Full	<a href="#">Product quality, safety and reliability</a>	No
HC-MS-250a.2	List of products listed in the FDA's MedWatch Safety Alerts for Human Medical Products database	Full	<a href="#">Product quality, safety and reliability</a>	No
HC-MS-250a.3	Number of fatalities related to products as reported in the FDA Manufacturer and User Facility Device Experience	Full	<a href="#">Product quality, safety and reliability</a>	No
HC-MS-250a.4	Number of FDA enforcement actions taken in response to violations of current Good Manufacturing Practices (cGMP), by type	Full	<a href="#">Product quality, safety and reliability</a>	No
HC-MS-270a.1	Total amount of monetary losses as a result of legal proceedings associated with false marketing claims	Full	<a href="#">Ethical marketing and sales practices</a>	No
HC-MS-270a.2	Description of code of ethics governing promotion of off-label use of products	Omission <sup>2</sup>		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	<a href="#">Eco-friendly products</a>	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	<a href="#">Eco-friendly products</a>	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	<a href="#">Product quality, safety and reliability</a>	No
HC-MS-430a.2	Description of efforts to maintain traceability within the distribution chain	Partial	<a href="#">Product quality, safety and reliability</a>	No
HC-MS-430a.3	Description of the management of risks associated with the use of critical materials	Partial	<a href="#">Eco-friendly products</a>	No
HC-MS-510a.1	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Full	<a href="#">Business ethics and legal compliance</a>	No
HC-MS-510a.2	Description of code of ethics governing interactions with health care professionals	Full	<a href="#">Ethical marketing and sales practices</a>	No
HC-MS-000.A	Number of units sold by product category	Adjusted <sup>3</sup>		No

<sup>1</sup> 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).

<sup>2</sup> This metric is not applicable to Sonova's business model.

<sup>3</sup> 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	<b>3.8:</b> "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."	<a href="#">Accessibility and affordability</a>
			<b>3.C:</b> "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."	<a href="#">Training and education</a>
SDG 5	Gender equality	medium	<b>5.1:</b> "End all forms of discrimination against all women and girls everywhere."	<a href="#">Business ethics and legal compliance</a>
			<b>5.5:</b> "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life."	<a href="#">Diversity &amp; inclusion</a>
SDG 6	Clean water and sanitation	low	<b>6.3:</b> "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."	<a href="#">Water</a>
			<b>6.4:</b> "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."	<a href="#">Water</a>
SDG 7	Affordable and clean energy	low	<b>7.2:</b> "By 2030, increase substantially the share of renewable energy in the global energy mix."	<a href="#">Climate action</a>
			<b>7.3:</b> "By 2030, double the global rate of improvement in energy efficiency."	<a href="#">Climate action</a>
SDG 8	Decent work and economic growth	medium	<b>8.2:</b> "Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors."	<a href="#">Business Report</a>
			<b>8.5:</b> "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."	<a href="#">Diversity &amp; inclusion</a>
			<b>8.7:</b> "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."	<a href="#">Responsible supply chain</a>
			<b>8.8:</b> "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."	<a href="#">Human rights and labor practices</a>

<b>SDG 9</b>	Industry, Innovation and Infrastructure	medium	<b>9.4:</b> "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."	<b>Climate action</b>
			<b>9.5:</b> "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."	<b>Innovative hearing solutions</b>
<b>SDG 10</b>	Reduced inequalities	medium	<b>10.2:</b> "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"	<b>Human rights and labor practices</b>
<b>SDG 12</b>	Responsible consumption	medium	<b>12.2:</b> "By 2030, achieve the sustainable management and efficient use of natural resources."	<b>Climate action</b>
			<b>12.4:</b> "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."	<b>Eco-friendly products</b>
			<b>12.5:</b> "By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse."	<b>Waste</b>
			<b>12.6:</b> "Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle."	<b>ESG strategy and governance</b>
<b>SDG 13</b>	Climate action	medium	<b>13.1:</b> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	<b>Climate-related risks and opportunities (TCFD)</b>
<b>SDG 16</b>	Peace, justice and strong institutions	low	<b>16.5:</b> "Substantially reduce corruption and bribery in all their forms."	<b>Business ethics and legal compliance</b>
<b>SDG 17</b>	Partnerships for the goals	low	<b>17.16:</b> "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."	<b>Stakeholder engagement</b>