sonova
HEAR THE WORLD

FINANCIAL REPORT

Annual Report 2021/22

Table of content

Letter to shareholders	3
Our products and service offering	8
Strategy and businesses	13
Corporate governance	32
Compensation report	60
Financial review	99
5 year key figures	108
Consolidated financial statements	109
Financial statements of Sonova Holding AG	189
Investor Information	200
ESG Report	203

Dear shareholders,

Having entered the 2021/22 financial year in a position of strength, the Sonova Group continued to make significant progress on its growth strategy, deepening consumer access by expanding sales channels organically and through acquisitions, as well as by advancing its innovative portfolio of hearing solutions. The recovery in the global hearing care market from the impact of the pandemic was sustained, despite some regional differences and residual challenges, and shows that the fundamentals of our industry remain solid. Through the year, consumer behavior was increasingly resilient in the face of varying COVID-19 infection rates, and we expect that trend to continue.

We continue to build on our well proven strategy, delivering solid results.

Robert Spoerry

We committed significant capital during this financial year to our strategic effort to get ever closer to the consumer. In March 2022, we completed the acquisition of the Sennheiser Consumer Division, which has a long-established successful business in high-end consumer audio products, including headphones and earbuds. The strong Sennheiser brand and its dedicated sales channels provide a solid foundation for our newly created Consumer Hearing business and advance our strategy to reach consumers wherever their journey to better hearing begins. At the same time, we are attracting ever more consumers through our Audiological Care business, where we have significantly accelerated the expansion of our network.

To ensure that we continue to provide our growing markets with the innovation they expect from us, we have further increased our R&D investments, which rose at a double-digit rate for the third year in a row. We are committed to sustain our technology leadership by establishing skills in new and developing areas. We have kept up our speed of innovation with successful product introductions throughout the year and will launch further significant innovations in the year to come.

The fundamental message this year is the same as it was before: our strategy is sound and continues to bear fruit. Our commitment to operational and commercial excellence gives us the resources to make meaningful and timely investments to secure further sustainable growth, bringing ever closer connection to the needs and hopes of our consumers. You will see this described in more detail in the Strategy & Business section of this report.

Each year, we like to bring you the story of one consumer who has discovered the power of our hearing solutions to transform their daily life. This year, we meet Amanda Storkey, a Canadian teacher who uses her own experience of dealing with hearing loss to help, encourage, and inspire others.

Hearing Instruments segment

Sonova's Hearing Instruments segment saw a rise in sales of 27.2% in local currencies, driven by organic growth and acquisitions. The segment's hearing instruments and audiological care businesses each contributed to the good performance, despite residual pandemic-related market challenges. Their contribution is now complemented by the newly created Consumer Hearing business, strongly augmented by the successful acquisition of the Sennheiser Consumer Division in March 2022.

The continuing success of the Phonak Paradise platform was a key contributor to the sustained performance of the Hearing Instruments business. Over 2.5 million Paradise-based hearing aids were sold in the 2021/22 financial year: a new record for a single platform. We further expanded the Paradise product portfolio in August 2021 by introducing Audéo Life, the world's first rechargeable and fully waterproof hearing aid, and ActiveVent™, the world's first intelligent hearing aid receiver, which self-adjusts based on the listening environment. In February 2022, the benefits of Paradise technology, including outstanding sound quality and universal connectivity, became available in the Virto line of custom-made hearing aids. Further adding to the strong performance was the successful launch of the Unitron BLU platform In April 2021, powered by the same Sonova PRISM™ chip as Phonak's Paradise platform.

The Audiological Care business also made significant progress in executing its strategy, expanding its network with a double-digit percentage increase in the number of stores globally. This was achieved both by opening additional stores and through acquisitions, the largest of which, completed in March 2022, was Alpaca Audiology, which doubled the business' footprint in the US.

We expanded our digital lead generation expertise as part of our omni-channel sales and marketing approach, which gives consumers full control over how they interact with us through a seamless combination of face-to-face, remote, and online interactions. We also embarked on a planned expansion of our range of solutions, starting to roll out additional medical services such as tinnitus care and cognitive training.

The new Consumer Hearing business contributed to the segment for one month of the financial year, following the successful completion of the acquisition of the Sennheiser Consumer Division. We are confident that the business will open up unique paths to growth, allowing Sonova to reach consumers earlier in their hearing journey. It is an exciting prospect, combining Sonova's deep audiological expertise with the strong Sennheiser brand based on many decades of delivering audiophile sound experience through a broad in-store and online distribution network.

The new business provides a strong platform for expanding our offering into early entry speech enhancing "hearable" devices. The first such solution from Sonova will be launched in 2022, and also gives us the option to enter the emerging market for over-the-counter hearing aids. Moreover, establishing close contact with consumers earlier in their hearing journey will ultimately benefit our Hearing Instruments business by gathering the data to establish leads for when consumers seek a medical solution.

Cochlear Implants segment

The Cochlear Implants segment, which operates under the Advanced Bionics brand, saw a welcome return to profitable growth in the 2021/22 financial year, with sales up by 51.7% in local currencies. This was partly due to a recovery in the number of elective surgeries performed worldwide, although these are still below pre-pandemic levels. The more important growth driver was the successful launch of two new sound processors – Naída™ CI Marvel for adults and Sky CI™ Marvel, the first sound processor designed specifically for children.

The strongly positive market response to these latest products also helped to now recapture market share lost after the voluntary field corrective action in February 2020. We continue to work closely with affected customers and clinics, and remain adequately provisioned for product liabilities. The revised versions of the HiRes™ Ultra and Ultra 3D implants launched in February 2020 have shown excellent reliability. Separately, Advanced Bionics has appealed a recent first-instance judgment in a patent dispute brought by MED-EL Elektromedizinische Geräte GmbH related to one of our implants in Germany.

Strong revenue development, coupled with good progress on productivity and commercial excellence measures, resulted in an adjusted operating margin in the double-digits for the first time in the history of the segment. We confidently expect continued sustainable growth in sales and profitability over the years to come.

Financial performance

Group consolidated sales for the 2021/22 financial year were CHF 3,364 million, up 29.3% in Swiss francs and 29.0% in local currencies. Relative growth figures, particularly for the first half-year, reflect a favorable comparison base from the prior year. Compared to pre-pandemic levels from the 2019/20 financial year, sales were up by 20.4% in local currencies, representing a two-year compound annual growth rate (CAGR) of 9.7%.

Reported operating profit before acquisition related amortization (EBITA) reached CHF 802.9 million, a rise of 21.0% in Swiss francs and 20.3% in local currencies. Adjusted for restructuring costs, acquisition-related transaction costs as well as certain legal costs, EBITA was CHF 844.4 million, up 40.0% in Swiss francs and 39.3% in local currencies. In the 2020/21 financial year, adjusted EBITA excluded restructuring costs, an impairment of previously capitalized development costs, and a one-time income item from a successful patent-infringement lawsuit. Adjusted earnings per share (EPS) were CHF 10.76, a rise of 38.7% in local currencies and 39.6% in Swiss francs.

Sonova achieved a strong cash flow and ended the year with a net debt position of CHF 1,006.8 million. The balance sheet remains solid with an equity ratio of 43.5% and a Net Debt/EBITDA ratio of 1.0x.

Returning cash to shareholders

In June 2021, Sonova initiated a new share buyback program for the 2021/22 financial year. At its conclusion in March 2022, the value of repurchased shares was CHF 699.3 million; these shares will be proposed for cancelation to the June 2022 Annual General Shareholders' Meeting (AGM). Following the conclusion of the program, the Board of Directors approved a new share buyback program of up to CHF 1.5 billion, which is expected to run for up to 36 months.

The Board of Directors will propose to the 2022 AGM a dividend of CHF 4.40 per share, an increase of 37.5% and representing a payout ratio of 41%.

Environmental, social, and governance (ESG)

Sonova's mission is to make a positive impact on our consumers' lives and on our wider society and environment. We are convinced that good environmental, social, and governance (ESG) performance is a cornerstone of our business and of its continued success in the medium to long-term. We therefore aim to continuously improve our ESG performance indicators with the same focus and intensity as we do our financial ones. Major rating agencies and sustainability indices such as the Dow Jones Sustainability Index and FTSE4Good continue to confirm our industry-leading performance in the area of ESG.

We have made important progress on our ESG indicators during the 2021/22 financial year. In the environmental sphere, we achieved carbon neutrality in our own operations (Scope 1 and 2 emissions) through energy efficiency measures, strongly increasing our renewable energy ratio, and investing in certified offset projects. We are committed to setting science based emissions targets for Scope 1, 2, and 3 emissions in alignment with the Science Based Targets initiative (SBTi). And we are advancing on our diversity and inclusion goals, increasing the share of women in key positions from 33.5% to 35.2% – closing in on our target of 40% by the end of 2025/26.

These are just a few examples and there is still a lot of work to be done. We will continue to drive tangible, measurable actions in all aspects of our ESG strategy during the coming year. You can find more information about our activities and performance in the ESG Report, which is part of the Sonova Annual Report.

Changes to the Management Board and to the Board of Directors

Sonova announced in July 2021 its intention to strengthen the business unit leadership on its Management Board. Robert Woolley joined the Management Board as Group Vice President Hearing Instruments from April 1, 2022. Starting with the 2022/23 financial year, all Hearing Instruments business functions are combined under his leadership. Rob brings us a broad range of experience including key roles in general management, sales and marketing, product portfolio management, and business development in the medical technology sector. Most recently, he was a member of the Management Board of Straumann, a global leader in esthetic dentistry, where he held the position of Executive Vice President Western Europe.

Martin Grieder, who has been leading the Hearing Instruments Marketing function and has extensive consumer experience from his previous business-leading positions at Nestlé, will now represent the newly formed Consumer Hearing business on the Management Board.

The Board of Directors has nominated Julie Tay as a new independent Board member for election at the 2022 AGM. Ms. Tay has over 20 years of management experience in the medical device sector, most recently as Senior Vice President and Managing Director Asia Pacific for Align Technology. She has a successful track record of driving sustainable profitable growth in the Asia Pacific region, and is a valuable addition to the Board of Directors. Her nomination forms part of the Board's medium-term succession planning and also represents a further step in advancing the Board's diversity.

In connection with the nomination of Ms. Tay, the Board will propose to the 2022 AGM to increase the maximum number of Board members from nine to ten; this should be considered as a temporary measure, as Jinlong Wang intends not to stand for reelection at the 2023 AGM.

If the 2022 AGM elects Julie Tay to the Board of Directors, this – along with the new structure of the Management Board – will mean that Sonova is in compliance with the Swiss gender diversity standards for corporate leadership well before these become legally binding in 2026.

Our thanks

A year of strongly delivering on our strategy – of accelerating innovation and deepening consumer interaction – clearly demonstrates that our employees have risen to the challenge of the global pandemic and its aftermath; we sincerely thank them and congratulate them on their success. We are also grateful to our hearing care customers for the drive and versatility they show in serving a fast-changing market. We feel a deep obligation to our own consumers for their enthusiastic willingness to engage with us and for letting us help them find the best individual solutions. And we thank our shareholders for their trust and support throughout an eventful couple of years and are happy that the results reflect their confidence in us.

Outlook

Global consumer demand for hearing care has shown its resilience in the aftermath of the pandemic. Despite certain supply chain constraints and variation in recovery rates, and barring a further significant deterioration of the geopolitical situation, healthy demand will continue to support market resurgence, which will be further bolstered by the opening of new channels and market segments. Sonova's growth focus, founded on innovation, targeted investments, and ever closer consumer contact, puts it in an excellent position both to expand the overall market and to increase its market share.

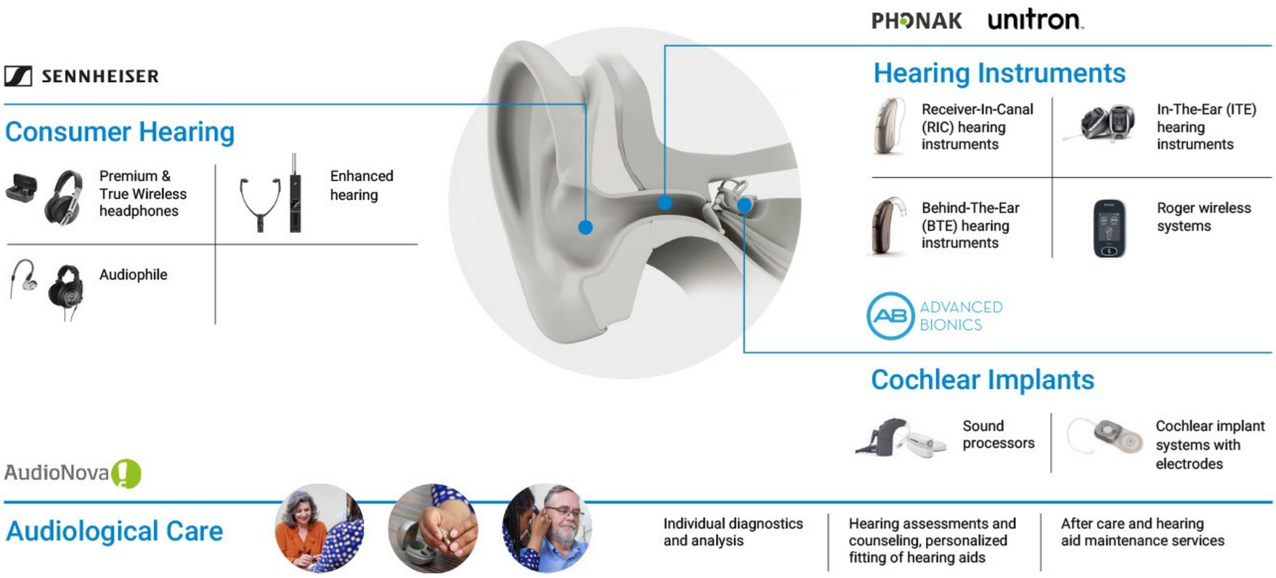
Robert Spoerry
Chair of the Board of Directors

Arnd Kaldowski
CEO

> By further expanding our strong growth platforms, we are well placed to benefit from the market recovery.
>
> Arnd Kaldowski

Our product and service offering

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



Phonak

Phonak Audéo Life

Phonak's Audéo Life hearing aid introduced in August 2021 is the world's first rechargeable hearing aid that is waterproof [1], showerproof and sweatproof. Audéo Life is another addition to the company's industry-leading Paradise line of hearing aid technology, now the best-selling [2] platform in Phonak history. Paradise delivers crisp, natural sound in any environment for excellent sound quality. On the inside, Audéo Life hearing aids are powered by proven Paradise technology including universal connectivity with multiple active Bluetooth® connections, truly hands-free conversations, Tap Control for easy access to voice assistants, and more.

Audéo Life hearing aids feature a unique housing and special coating that seals the device. In addition, they are the first Phonak hearing aids designed with a new induction charger called the Phonak Charger Case Go™. When a consumer places their Audéo Life hearing aids into the new charger case, the hearing aids are magnetically held into place for hassle-free charging at home and on the go.

1) Up to 50cm
2) Compared to Marvel, Belong, Venture and Quest in first 12 months

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

Unitron

Blu platform

Unitron's new Blu platform introduced in April 2021 provides next-generation sound performance. Powered by the new Sonova PRISM™ (Processing Real-Time Intelligent Sound Management) chip, Blu delivers an adaptable, personalized and freeing experience. It starts with Integra OS, the new signal processing system, that optimizes the listening experience to each wearers specific situation from highly complex to very quiet. Furthermore, with five new hearing aids, three Receiver-In-Canal (RIC) and two Behind-The-Ear (BTE) products that offer Made-For-All technology, plus enhanced personalization capabilities and seamless connectivity, Unitron Blu is designed to keep up with the complexity of everyday life wherever the day may take them.

Unitron's Moxi B-R hearing aid was recognized in 2021 with the prestigious Red Dot: Product Design award, Unitron's 7th award since 2014. The Moxi family and Stride family of products on the Blu platform are Unitron's next generation of hearing instruments, thoughtfully designed to meet the needs of real people.

Sennheiser

MOMENTUM True Wireless 3

Sennheiser's [1] MOMENTUM True Wireless 3 was introduced in April 2022 and transforms every listen with best-in-class audio and next generation Adaptive Noise Cancellation (ANC).

Delivering unrivalled high-fidelity sound thanks to Sennheiser's acclaimed TrueResponse transducer system and aptX™ Adaptive, the MOMENTUM True Wireless 3 also features advanced Adaptive Noise Cancellation (ANC) that automatically adjusts to one's environment for an immersive listening experience without distractions. Transparency Mode lets the consumer hear the surroundings at a touch, while the personalized sound feature and built-in EQ let you experience audio on your terms. For impressively natural communication, the MOMENTUM True Wireless 3 features an advanced six-microphone system for noise free voice pick-up.

The latest generation of Sennheiser's acclaimed true wireless earbuds takes ease-of-use to the next level with wireless charging and customizable touch controls. IPX4 splash resistance and improved ergonomic design ensure outstanding versatility and all day wearing comfort.

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

Advanced Bionics

Naída CI Marvel

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

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

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

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

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Strategy and businesses

We work to provide a solution to every hearing loss and to bring the delight of hearing to consumers worldwide.

Hearing is universal, yet deeply individual. Hearing loss is a worldwide issue, yet also an intensely personal challenge. Sonova's mission is to apply the expertise, resources, and commitment of a leading global hearing-care company to address each person's specific needs, providing innovative, targeted solutions to help ever more people enjoy a life without limitations.

The Sonova Group

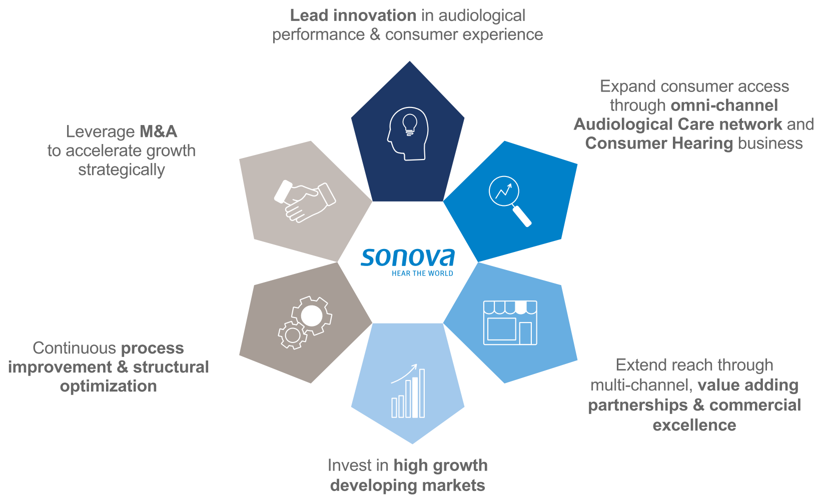
The Sonova Group is a vertically integrated hearing health business, focused on building, expanding, and sustaining relationships with consumers – and the hearing care professionals who support them – throughout their hearing journey. The Group's range of products, solutions, and services addresses every type of hearing loss at all ages, and is provided through a broad spectrum of marketing and sales channels. Our innovation cycle continuously matches evolving consumer needs with technology advances, ensuring that each new product provides a significant improvement in the quality of hearing experience.

Our four core businesses share their expertise, innovation, and market knowledge to deliver this comprehensive offering. Hearing Instruments regularly sets new benchmarks in sound quality, comfort, and convenience through a succession of technology platforms, harnessing major step-changes in chip design, sensors and electronics, software, and connectivity to power new generations of hearing aids, wireless communication devices, and healthy living solutions. Audiological Care serves consumers in key markets around the world directly, meeting their needs through our full range of products, supported by deep professional expertise and delivered through multiple points of interaction, in-store, online, and by phone. Cochlear Implants extends our reach to include people with the most significant hearing loss, putting our skills in sound quality and processing at the service of those for whom a hearing aid is not enough.

The fourth core business, launched this past financial year, is Consumer Hearing, which was established through combining the consumer division of Sennheiser with our own consumer hearing activities. This Consumer Hearing Business supports an essential element of Sonova's strategy: to reach ever more consumers, wherever their journey towards better hearing begins. Sennheiser's strong, globally-recognized brand, established consumer sales channels, and proven track record in audiophile-quality headphones and True Wireless hearables combine seamlessly with Sonova's comprehensive expertise in audiological performance and miniaturization, enabling exciting new product families that combine the key functionalities of headphones and hearing aids to meet the needs of consumers who want to continue to enjoy the best of hearing.

A strategy that delivers

We continuously review our strategy, and see that it still serves our purpose well. Despite the disruptions of a global pandemic and a recovery at varying speeds, our initiatives to support organic growth – leading innovation in audiological performance, expanding our omni-channel audiological care network, extending our reach through value-adding partnerships, and investing in high-growth markets – continue to bear fruit both in terms of revenue and profitability. Our structural optimization projects are largely completed and our emphasis on continuous process improvement – now ingrained in Sonova's culture as the Sonova X Business System of improvement principles, initiatives, and tools – is delivering the year-on-year efficiencies that free up funds to invest into further growth initiatives.



Driving growth through consumer relationships

Our growth investments are concentrated in five broad areas: advancing our innovation leadership, expanding our consumer and medical solutions, broadening our consumer access, delivering sales-and marketing excellence, and accelerating in high-growth markets. Each of these investments – whether it is in the acquisition of what is now our Consumer Hearing business, or rolling out our new IT infrastructure in Audiological Care, or strengthening our sales presence in China – brings us closer to more consumers, generating valuable relationships, market knowledge, and data that will help to drive our business forward, not just this year but for the years to come.

We have therefore committed significant capital in this financial year to support this strategic focus: we spent a total of around CHF 600 million on acquisitions, adding an expected 15% to our annual sales and increasing the number of our employees by around 10%. This included not only the Sennheiser consumer division, but Alpaca Audiology, a major audiological care network that doubles the footprint of our Audiological Care business in the US market, and a variety of bolt-on acquisitions to expand the geographic footprint of our Audiological Care business.

Driving innovation in our products and solutions

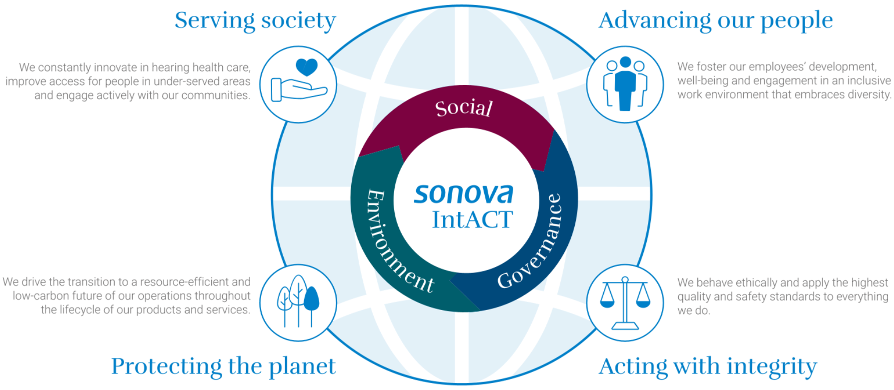
As part of our growth investments, we are continuing to step up our R&D spending, expanding our mobile app capabilities, building our competence in artificial intelligence and sensors, and continuing the development of our proprietary processing and connectivity chip technology.

This financial year saw the continued worldwide success of the family of hearing instruments based on Phonak's Paradise platform, which has set new standards for listening comfort, speech intelligibility, and ease of use. We have sustained its sales momentum with Paradise 2.0, a range of innovative enhancements including Audéo Life, the world's first waterproof rechargeable hearing aid, and ActiveVent™, the first intelligent hearing aid receiver, which automatically adjusts to provide significantly better sound and understanding in noisy environments. Our Naída™ Marvel CI and Sky CI™ Marvel sound processors have delivered a new level of sound quality to cochlear implant patients, driving substantial consumer demand.

In our Audiological Care network, we are expanding the services we offer to address more medical needs beyond better hearing, including tinnitus support and cognitive as well as balance training. These services complement the increasing use of sensors in our products, such as the soon-to-be-launched Audéo Fit, the world's first hearing aid with heart rate tracking, which allows all the cardiac fitness features of a smart watch to be included in our myPhonak hearing app.

ESG: an integral part of our business success

We are convinced that a good environmental, social, and governance (ESG) performance is an important cornerstone of our business and our continued success. We intend to continuously improve our ESG performance indicators with the same focus and intensity as we do our financial ones, and are therefore pleased that major rating agencies and sustainability indices continue to confirm our leading performance in these areas. For example, Sonova ranked third in our category in the 2021 Dow Jones Sustainability Index and received a score of ‘A-‘ in the 2021 CDP assessment, which puts us in the top 10% of our industry.



Sonova’s enhanced ESG strategy, IntACT, was launched in early 2021, incorporating a new range of measurable commitments. Such ESG metrics continue to be included in the targets for the Management Board’s variable cash compensation. We have made good progress in many areas, but know that there is still a lot of work to be done; we therefore have plans to take tangible, measurable actions in all four aspects of our ESG strategy during the coming year. These are described in our extensive annual ESG Report which you can read here, and which is published as part of our commitment to transparency and data-driven disclosure in this field.

Feature story

"I want to blaze a trail"

Losing her hearing in her early 20s proved to be the beginning of a life-changing journey for educator and advocate Amanda Storkey, who wears hearing aids from Sonova's Unitron brand. Hearing loss has not limited Amanda — in fact, it has added new dimensions to her life.

When she is not teaching high school students in Ontario, Canada, you can find Amanda Storkey out on the water with family and friends. Sports fishing has been her passion since she was very young, a love passed from father to daughter – and her confidence in this environment is evident in the nimble way she moves about the boat. Amanda feels at peace when she is immersed in nature. From the soothing notes of birdsong and waves meeting shore to the sudden zipping of reels when there are fish on the line, sound is integral to her experience.

When she learned she was losing her hearing, Amanda, who is now 34, was afraid she would not be able to get the same enjoyment from being outdoors and many other activities that were part of her lifestyle. She also feared the career she had always dreamed of might be over before it had really begun. Today, she would love to be able to go back in time and talk to her younger self about what life will be like with hearing loss. Her message would carry the conviction that has helped Amanda overcome her own struggles and which motivates her now to speak up for others. "This is not going to limit you. It's going to be okay," she would say.

"I was turning up the volume on everything"

Amanda was taking her first steps in her teaching career when she realized she was having problems with her hearing. "I was having a lot of challenges understanding my students when they were asking questions," she says. Amanda was encountering issues at home, too: "Day to day, I was turning up the volume on everything. I couldn't hear sounds I was accustomed to, like the noise of the engine when driving. Everything was becoming a struggle."

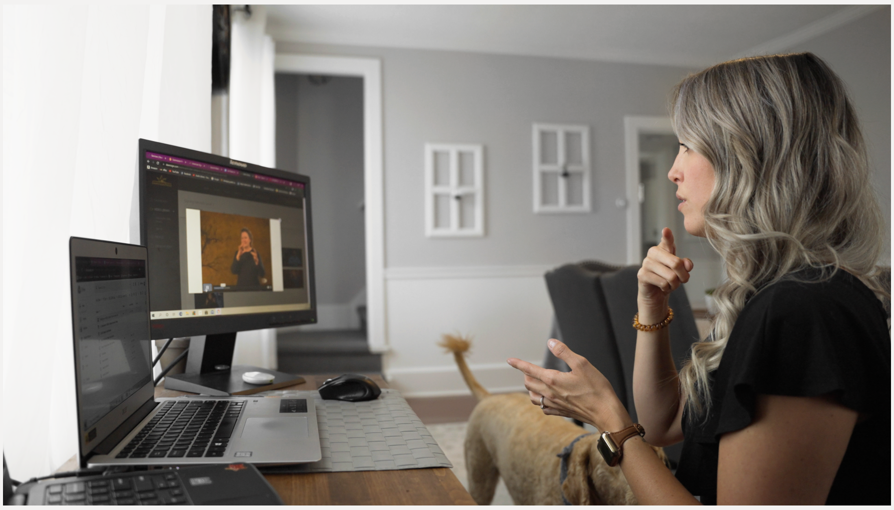
It took multiple visits to her doctor and hearing care specialists to confirm this was not a temporary problem. Amanda was experiencing gradual hearing loss due to a genetic condition – she was 23 years old. From her difficulties in getting a diagnosis to the emotional impact of the news, the experience marked the beginning of a parallel journey, as an advocate for people with hearing loss. Due to her age and good health, Amanda had to be persistent to get access to the right medical attention. “I had to push to see the hearing care practitioners over and over again,” she says with a frown, as she recalls the frustration she felt during that time. A year of hearing tests, with worsening results, removed all doubt.

Amanda knew what she was dealing with at last, but the diagnosis also brought new uncertainties: “I didn’t know anybody else my age who had hearing loss. I was frightened as to what it would mean for my career, my ability to parent one day, to socialize. I had a stigma about it. I was worried what people would think.”

"Don’t see this as something that will inhibit your next steps in life”

Amanda’s audiologist helped her work through her fears and feelings of isolation. One of their first conversations has stayed with Amanda, as it was a turning point in her perspective on hearing loss: “He told me, don’t see this as something that will inhibit your next steps in life.” She began talking about her condition beyond her circle of family and friends. Her school principal was one of the first people that Amanda told, and she found that sharing what she was going through made it feel less of a burden, and even empowering.

Her lived experience of hearing loss led Amanda to make some big changes in her career and her life. She realized that while she loved teaching, the sensory demands of her working environment were overwhelming. The number of students rotating through her classroom alone created an exhausting hubbub of voices and general noise. Today Amanda works with smaller classes providing alternative education for students who require intensive support. After going back to school herself to learn American Sign Language, she is also bilingual. Her face lights up when she describes being able to speak with the deaf community through sign language. The next step is to work with people of all ages who are deaf, hearing impaired or have disabilities.



“Hearing loss is not the same for everybody”

Having found her voice, Amanda started to look for ways to use it. “I had to learn how to speak up because I need accommodations and I deserve to be heard,” she says. “It was challenging for me and I want others to have an easier time of it. I want to blaze that trail for them.” It is a mission that has extra meaning for Amanda since the progression of the genetic condition within her family makes it likely that her children will be born deaf. She says: “If I have a daughter who experiences hearing loss, I want her to know she can do whatever she wants, just like mom.”

Characteristically, Amanda’s strategy is to educate and social media is her platform. She has gained a following on Instagram through her sports fishing prowess — her handle is al87_outdoors. “People are interested in the things I enjoy and I use that interest to share different ideas about hearing impairment,” she says. “I think it helps to see how hearing technology has improved the quality of my life.” Amanda wants to do more than change perceptions for people with hearing loss though, and her goals include improving access to hearing care and technology. “People should have access to professional advice because it will make their experience so much better,” she explains. “Hearing loss is not the same for everybody. You need to be able to ask questions and give feedback, which was a huge part of how I was supported.”

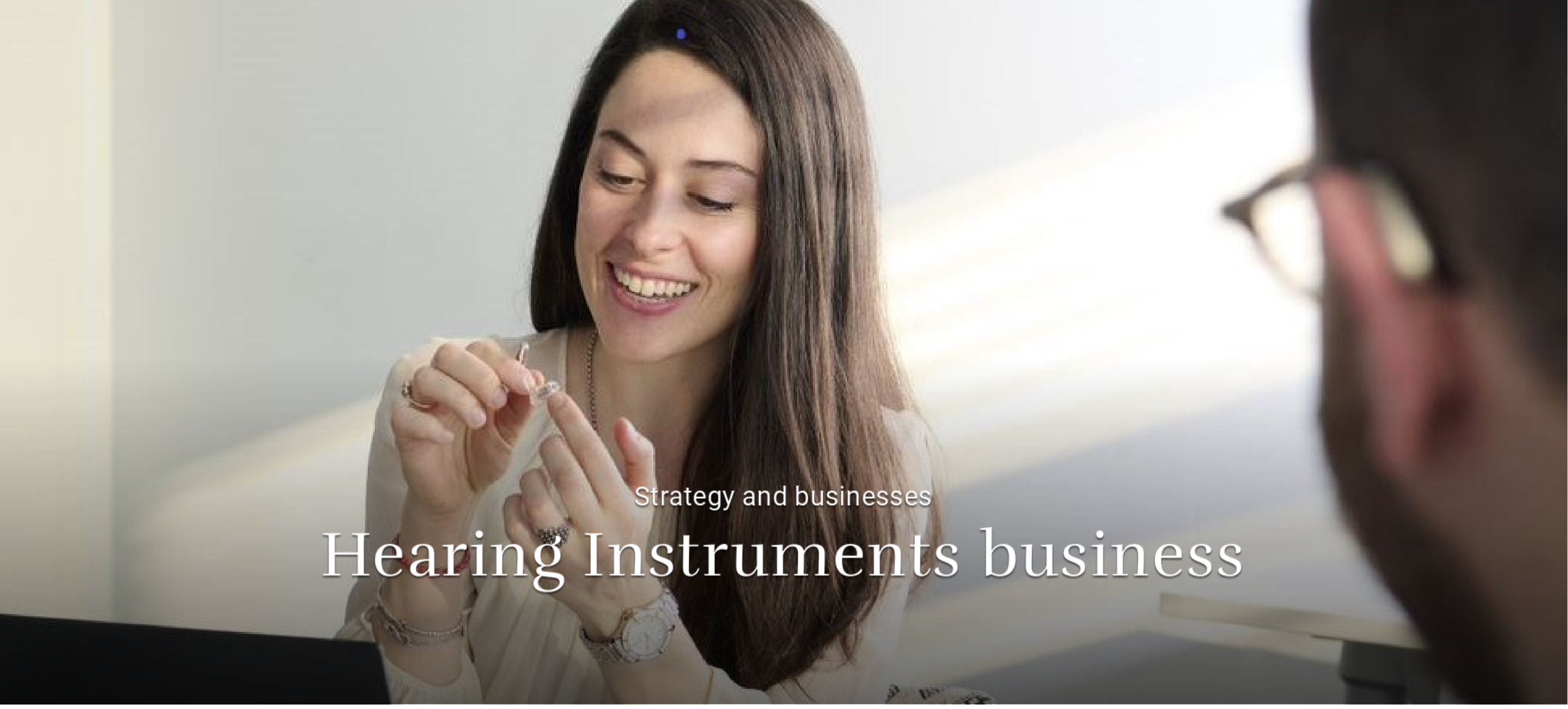
“I got better at understanding my hearing needs”

With bilateral hearing loss, Amanda must be able to rely on her hearing aids – and she is very candid about the difficulties she experienced with getting used to wearing them and finding the right fit. She laughs as she remembers her initial priorities. “I was young and vain, so I started out with these teeny hearing aids because I didn’t want anyone to know this was happening,” she says. Even though she would keep her hair down to conceal them, those hearing aids brought joy by returning all the sounds that had been missing from Amanda’s life. As her hearing deteriorated, an upgrade was needed: “I got better at understanding my hearing needs over time and that gave me more confidence. I trialed three or four pairs before I found something comfortable to wear every day.”

Amanda wears her current hearing aids, Unitron Blu BTEs, from the time she gets up to when she goes to sleep. They are part of her life now. She has seen unimaginable advances in technology since that first pair of hearing aids. “These are like regular headphones or earbuds I can control from my cell phone,” she says. “I can take phone calls and listen to music on them. And when I’m in the classroom or a restaurant, if go to see live music or I’m outdoors, I can modify them to those environments.” There are other benefits too: “I’ve got capabilities other people don’t have. I can adjust the volume of a conversation or turn my ears off.”

“Obstacles often lead to opportunities”

Back when she was coming to terms with losing her hearing, in the rare quiet moments at school between classes, or gazing at the water while waiting for the fish to bite, Amanda would think about the future — a future she now realized was going to be very different from the one she had imagined for herself. She knew hearing loss would be life-changing. What she did not expect was that it would lead to new skills, new dreams, and a new sense of self. It's a journey she describes with her typical positivity. “This has made life that much more deep and colorful. It’s only enriched my life,” she says. “That’s why I want to share my story. I want people to know that obstacles often lead to opportunities.”



Strategy and businesses

Hearing Instruments business

We innovate tirelessly to give consumers the best hearing experience, and provide the hearing care market with solutions to bring the delight of hearing to ever more people.

Sonova's Hearing Instruments business serves a global market through our Phonak and Unitron brands. Our goal is to maintain and extend our industry-leading position in innovation, both in technology and applications, making a substantial positive difference in the lives of our consumers. Our solutions are designed first and foremost to provide an ever-better hearing experience, with excellent sound performance, comfortable listening, and easy, intuitive use. But they also do more: through advances in sensor technology, apps, and connectivity, they are evolving into "healthy living companions," essential supporters for a full, active life long after the first appearance of a hearing loss. This evolution will bring us ever closer to our consumers: their as-yet-unmet needs and hopes will continue to shape our innovation and the way we build our business.

Innovation across the cycle

Our structured innovation process builds on successive advances in fundamental technology: each new platform supports breakthrough capabilities that transform performance and functionality across our product range. Introduced in August 2020, the Paradise technology platform offers unrivaled sound quality, universal Bluetooth® connectivity with multiple connections, hands-free calling, and Tap Control for easy control of streaming functions. Over 2.5 million Phonak Paradise hearing aids were sold in the 2021/22 financial year, despite the challenges of a global pandemic: a new record for a single platform. In surveys, 90% of consumers said they would recommend Paradise to family or friends and 92% of hearing care providers would recommend Paradise to their peers.

Midway through the innovation cycle, we extended the appeal of Paradise with several significant new capabilities. The ActiveVent™ Receiver is the world's first hearing aid receiver that automatically opens and closes based on the listening environment, intelligently balancing speech clarity with listening comfort , delivering superior sound quality for streaming media , and providing an average of 10% better speech comprehension in noisy situations .

Launched in August 2021, Phonak's Audéo Life is the world's first rechargeable hearing aid that is waterproof, showerproof and sweatproof, offering all the functionality of Paradise in a form that enables a healthy, active lifestyle without limitations.

Paradise-powered Phonak hearing aids already have a motion sensor that helps to assess hearing situations and adjust sound processing for clearer conversations on the go. Now Audéo Fit, introduced in mid-2022, adds a heart-rate sensor, allowing users to monitor their daily steps and exercise programs through the MyPhonak app, just as they would with a fitness smart watch. Audéo Fit represents another significant step toward the hearing instrument as a healthy living companion.

Meeting customer needs through commercial excellence

The wholesale customers of Sonova's Hearing Instruments business are almost as varied in their needs as the consumers they serve. They range from independent audiologists to buying groups, small and large retail chains, government agencies, and managed care providers. Giving a tailored service to each of them requires a multi-channel approach which is systematic in its planning but agile in its execution.

Our relationships with customers range from straightforward sales transactions to a more consultative partnership backed by value-added services. These can include training and education, bespoke marketing support, or help with building a stronger business including enablement for e-screening, digitalization, and omni-channel sales. As part of the Sonova X Business System, we back these relationships with a structured sales excellence program based on optimized territory design and coverage; segmentation and targeting; coordinated B2B marketing; and close integration between global and local teams. The aim is to sustain sales growth throughout the innovation cycle, gaining new customers and helping them to gain and retain new consumers.

Building presence in high growth markets

Hearing loss is a global reality, but it is treated very differently in different countries. The territories that Sonova identifies as “high-growth markets” include the most populous countries in the world, where currently only around 3% of consumers with hearing loss adopt a hearing aid, against approximately 30% in developed markets. There is huge untapped growth potential for Sonova, especially in countries such as China, where the population is aging and hearing loss is becoming more prevalent.

Realizing that potential, however, requires addressing the various issues that lead to low adoption in these markets directly. We are increasing our physical sales presence, adding new representatives and building local strategic partnerships: in China, we will expand our sales coverage by close to 30% in the next two years, moving beyond the top-tier cities. We are also in continuous dialogue with the Chinese government and institutional stakeholders to help increase access to audiological treatment.

Possibly most important, we are addressing one of the key obstacles to hearing aid adoption: the lack of trained audiologists. In the US, there is one hearing care professional for every 9,000 potential consumers; in China, the figure is one in 90,000. We therefore established in 2020 the award-winning Swiss International Hearing Academy (SIHA), which offers extensive in person and online audiology training. We are continuing to expand the number of students and courses available, with a particular emphasis on audiologists based in smaller cities. The goal is to put in place the building blocks of a vibrant hearing care industry to meet pent-up demand and realize the growth potential.

Strategy and businesses

Audiological Care business

We engage directly with ever more consumers around the world through their choice of channel, providing the highest level of technology and expert service.

Sonova’s Audiological Care business stands as the second largest hearing care provider in the world, with more than 3,600 points of sale in 20 markets, employing more than 7,600 people – the vast majority of whom work directly with our consumers to help them navigate their hearing journey in the best and most convenient way possible. Our profitable growth strategy is founded on continuously improving in-store sales execution and productivity, and supporting these with integrated systems and targeted lead generation. This systematic retail approach boosts bottom-line profitability, but more importantly releases funds for further growth investments: acquisitions and greenfield store development to expand our network and to optimize store density in new and established markets; innovation in consumer contact and lead generation; and extension of our product and service range to increase the value we offer to each consumer.

The key enabler for accelerated growth is our omni-channel approach to consumer engagement. In an increasingly digitalized and connected world, consumers expect to be able to begin or advance their interactions with us at any time, anywhere. We have therefore built our business to take a proactive role in this evolution of consumer habits, creating a seamless experience from website to store to call center to supporting apps, leveraging our global systems, unique audiology and marketing expertise – and the unrivaled connectivity of Sonova products – to provide each consumer with the appropriate blend of digital and face-to-face interactions.

Expanding and deepening our network

The Audiological Care business has pursued an active network expansion in the 2021/22 financial year, adding over 500 stores to its global portfolio, both through acquisitions (such as the Alpaca audiologist-led network in the US and the Neurosensory network in Australia) and by organic growth in the number of new store openings. Our strong balance sheet supports an increase in our capital deployment target for bolt-on acquisitions from CHF 50–70 million to CHF 70–100 million, and we are ready to surpass it when appropriate opportunities present themselves. The goal is not simply to expand into new territories, but to achieve optimum density in all the geographies where we operate, supporting our hub-and-spoke model of standard audiological care centers close to one larger store (such as our World of Hearing stores) that offers the full spectrum of Sonova products and services. The key to our efficient network expansion is that it is achieved through a systematic, sustainable process, based on uniform criteria for strategic growth markets and supported by established integration programs using Sonova's globally consistent IT systems, the Sonova X Business System, talent development, marketing, and lead generation.

In China – a highly digitalized market – we initially established our presence in the digital space, building followers through strategic online platform partnerships and engaging consumers through apps for hearing screening, appointments, and ecommerce. In less than two years since entering the market, we now have more than twice the WeChat online followers of the next five hearing care companies combined. We added a physical presence through network partners as our first in-store channel, and now have opened thirteen greenfield stores of our own with a first flagship World of Hearing store in Shanghai, providing a base for acceleration in greenfield development. This physical presence may still be small in comparison to the potential market, but it gives us the experience on the ground to expand, both organically and through strategic acquisitions.

Enriching the consumer journey

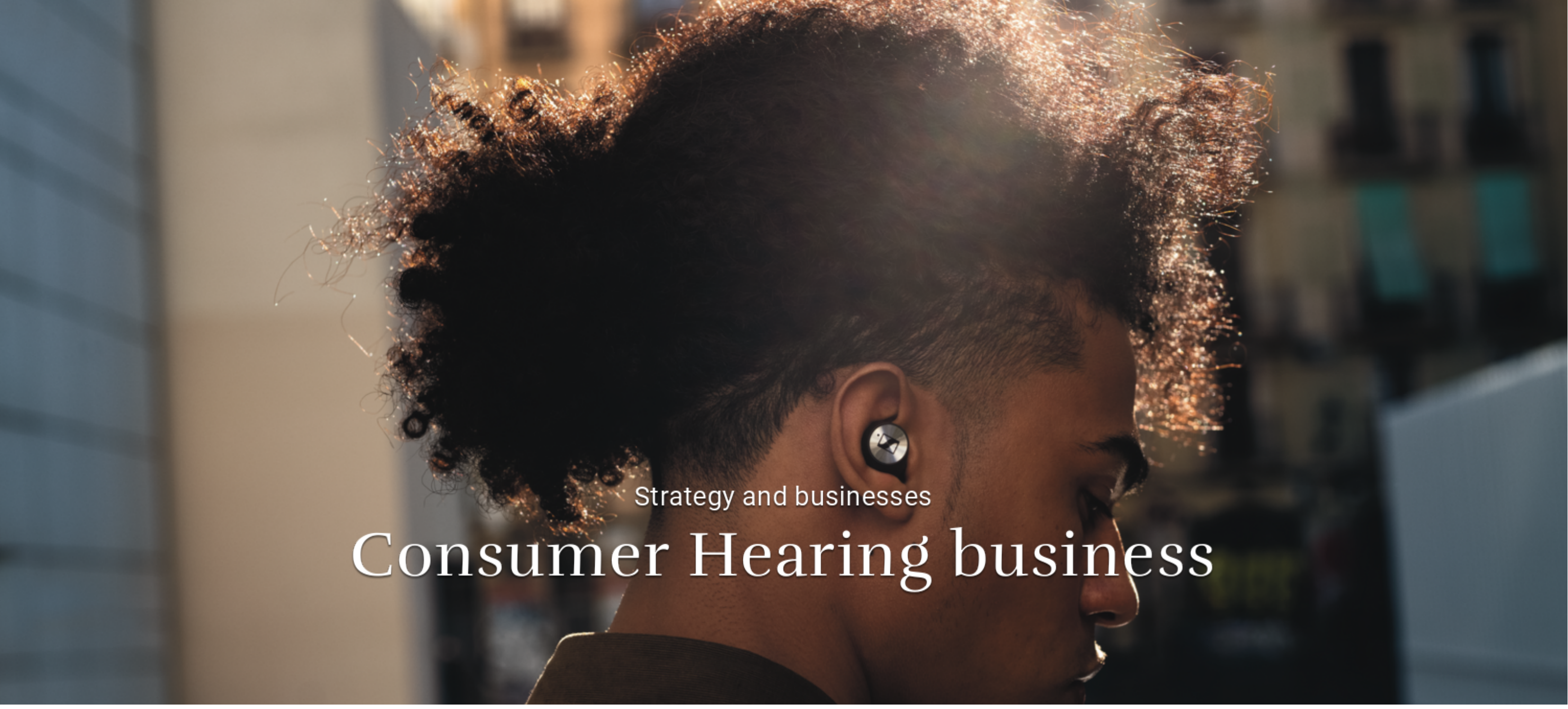
Lead generation is what opens the door to an omni-channel interaction with the consumer. It creates the profile to which all subsequent consumer data is attached and – when done right – provides the impetus that powers a long-term consumer relationship. We are convinced that such an important function should not be contracted out, so we established our own lead-generation factory in Berlin in late 2019. Its purpose is to build our in-house digital marketing platform for Europe´s strategic growth markets, linking a growing consumer database with new digital competencies to deliver a younger, more affluent consumer profile at lower cost per contact. It has achieved all this, so we are scaling up the initiative for global roll-out. Lead-generation hubs will provide us with invaluable data that we can apply, not just for targeted marketing efforts, but to store-by-store consumer contact, ensuring that however we talk to the consumer, electronically or in person, we know how to best address their needs from our full range of solutions, including Sennheiser-branded consumer hearing products.

A seamless consumer experience goes well beyond lead generation, and we have invested significantly to ensure that our in-store systems support the same deep customer engagement as our initial marketing. Our new unified Audiological Care IT system provides a consistent backbone for our global network, aligning all points of consumer contact and making sales, marketing, scheduling, orders, reporting, and finance all part of a single consumer-centered information landscape. The IT system has been rolled out in Italy and Denmark and is being launched in Germany, with further markets to follow in 2022.

Broadening consumer access

Getting ever closer to the consumer means expanding our offering beyond simply treating hearing loss. Hearing well is part of a healthy life, and research increasingly shows that hearing care overlaps with care for other significant age-related health conditions. The expansion of our in-store and app-based service offering helps our consumers gain further benefits from our product range: tinnitus and hearing loss are correlated, so we offer tinnitus therapies and support. Hearing and cognitive function are correlated, so we offer cognitive training, with a gamified experience and exercises to build cognitive skills and auditory perception. We are also exploring the correlations between hearing, balance, fall risk, and osteoporosis. Each of these efforts broadens our consumer base and expands the value we add per consumer.

These services are part of the full spectrum of Sonova solutions available through our audiological care network, including our World of Hearing stores, of which 22 now operate in markets around the world. They also represent a new channel opportunity for the products of Sonova's Consumer Hearing business. The Sennheiser name is well-known and respected in the wider audio as well as the audiology market. By carrying Sennheiser-branded products that bridge the gap between audio and hearing care – such as speech-enhanced hearables and TV listeners – our audiological care network will gain enhanced access to a younger, more affluent consumer segment.



Strategy and businesses

Consumer Hearing business

Linking the common values and complementary strengths of Sonova and Sennheiser, we can reach consumers earlier in their hearing journey, creating new paths to growth.

The consumer's desire to hear every single detail begins, for most, long before there is any hearing loss. Recorded music, phone conversation, computer games, and remote meetings all call on audio technologies – headphones or earbuds – to deliver a clear, immersive hearing and sound experience without distracting noise or loss of quality. The key difference between these technologies and Sonova's own hearing solutions comes down to the amount of amplification and the specific sound processing to deliver clear speech, but – as with hearing itself – there is a continuum of consumer needs from the pure audiophile headphone to progressively greater hearing assistance.

In May 2021, Sonova announced the acquisition of Sennheiser's consumer division; the deal was closed in March 2022, and grants Sonova an exclusive license in perpetuity to the well-respected Sennheiser brand in the consumer market. This acquisition supports a key part of Sonova's strategy: to reach ever more consumers, wherever their journey towards better hearing begins.

Personal audio is an integral part of everyday life for most people, as they increasingly interact with their digital devices through sound. Normal, age-related hearing loss can appear several years on average before a consumer will actively seek audiological help, but many would accept a non-medical solution to enhance hearing and speech comprehension in specific situations. This complementary approach can ultimately expand the hearing aid market by increasing adoption at an earlier stage of the hearing journey. Sonova has done extensive development work in this area over recent years, and the acquisition of Sennheiser's consumer division will significantly accelerate our efforts.

Sonova and Sennheiser: an excellent fit

Both companies share a passion for sound. Their history is similar in having been entrepreneur-led businesses with a culture centered on customers, innovation, and quality – respected names in their industries for more than 70 years, with strong brands and well-established consumer bases. The new business combines their strengths: Sonova's in audiological expertise and Sennheiser's in premium sound quality.

There are significant synergies, from Sonova's expertise in custom fitting and battery life to Sennheiser's in noise cancellation. Together, they address at the highest level the needs that consumers consider essential: wearing comfort, sound quality, and better hearing in noisy situations. The complementarity extends to R&D, production and distribution: Sonova's in-depth know-how in miniaturization, Sennheiser's world-leading bespoke transducer manufacturing and multiple channels for reaching the audio consumer, online and in-store – all these combine to make a business that is primed to grow profitably from day one.

The new enterprise will also benefit from Sonova's strategic strengths: consistent, proven business systems, continuous improvement through the Sonova X Business System, a growth focus, and cooperation with the other Sonova businesses to expand the consumer base.

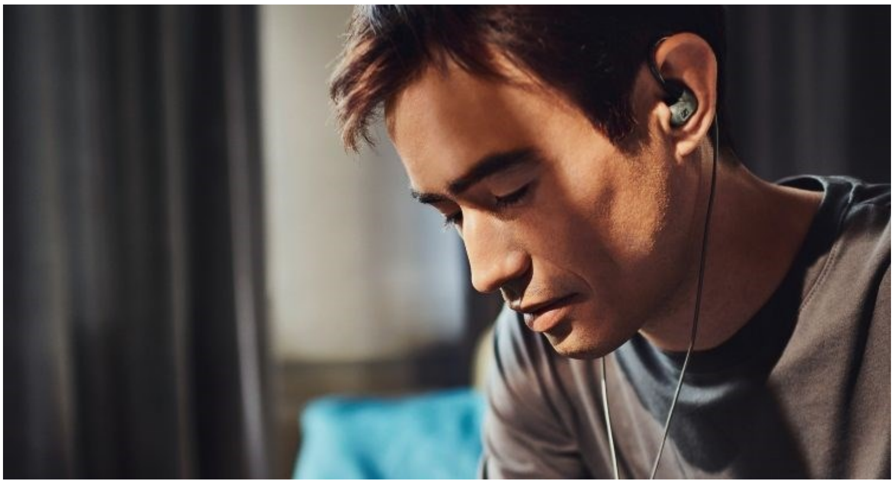
Building on strong base

The Sennheiser brand is recognized worldwide as guarantee of high-quality sound: audiophile and premium headphones contribute around 80% of its revenue. True Wireless headphones are a particularly high-growth market, expanding by 10–15% per year and expected to more than double in size.

It is in this premium segment, offering the highest sound quality and speech clarity with the best wearing comfort, where we are concentrating the joint efforts of the Consumer Hearing business. The Sennheiser True Wireless product portfolio has gained a strong competitive position in the two years since its launch, and we anticipate that the addition of Sonova expertise will further enhance that position. Our ambition for the business is to deliver double-digit sales growth with the potential to expand EBITA margins.

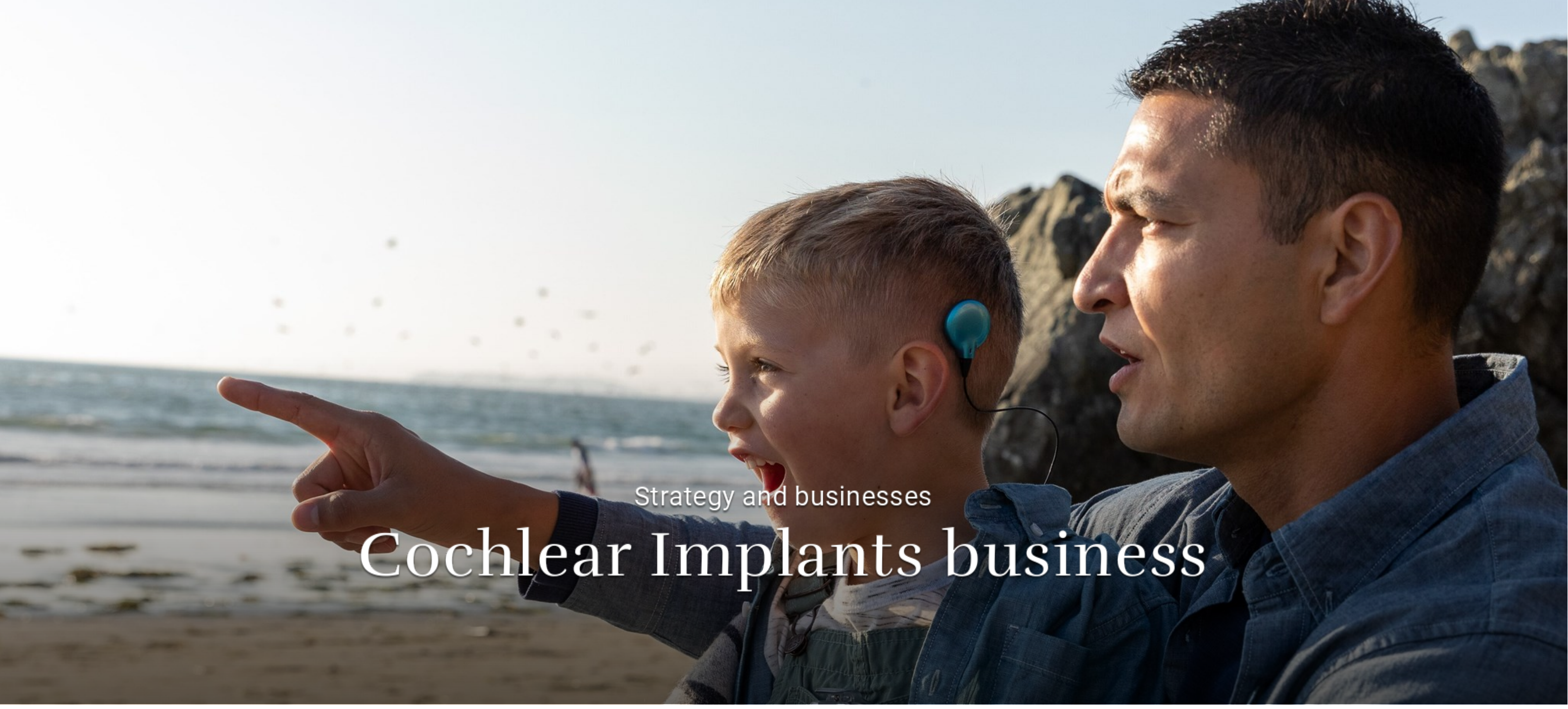
Early entry solutions: a new growth vector

The most immediate application of Sonova expertise to Sennheiser consumer products is in using our digital sound processing expertise to improve speech clarity and comprehension when using headphones. Research shows that around 7% of consumers buying True Wireless headphones are also interested in speech enhancement; given the growth of the segment, this translates into an estimated market opportunity over time of greater than EUR 3 billion in so-called “speech-enhanced hearables”. It also opens a potential market entry point for providing over-the-counter hearing instruments under the strong Sennheiser consumer brand, if Sonova concludes this to be an attractive business.



Success in grasping this opportunity depends on a range of factors that the combined Consumer Hearing business is well-placed to provide, including technological, audiological and sound knowledge from both the hearing instrument and consumer audio space, as well as established audiological and consumer audio sales channels, both online and offline.

Moreover, the Sennheiser consumer division has a an existing hearing care portfolio, including TV listeners with a leading market position, and thus is already serving Sonova’s target consumers. Add in the worldwide sales channels represented by Sonova’s wholesale Hearing Instrument and retail Audiological Care businesses, and we are well positioned to pursue this promising growth vector, with its first new solutions expected to launch in calendar year 2022.



Cochlear Implants business

We bring the full range of Sonova innovation to consumers of all ages with the most significant hearing loss.

Sonova's Cochlear Implants business, which operates through the Advanced Bionics brand, is a global provider of innovative solutions for those with severe or profound hearing loss. Some consumers have a hearing loss, appearing in childhood or later in life, that goes beyond what a hearing aid can treat; for these consumers Sonova provides its range of cochlear implants.

A hearing aid improves hearing through sophisticated, targeted amplification of the acoustic signal whereas a cochlear implant bypasses the ear and directly stimulates the hearing nerve. A sound processor behind the ear captures sound and converts it into an electronic signal transmitted to the implant: this means that we can leverage the innovations in digital sound processing and connectivity that we develop for our Hearing Instruments business to drive improved performance in our cochlear implant systems. The Cochlear Implants business therefore works in close R&D partnership with Phonak, Sonova's premium hearing instrument brand, to bring its recipients the benefits of the latest breakthroughs in hearing technology.

Deciding to have a cochlear implant is a major commitment for the recipient and the recipient's family. We therefore make every effort to establish strong relationships with our consumers, with the audiologists who serve them, and with the surgeons and clinics who perform the implantation. We have reinforced our commitment to product quality and reliability, and we have the processes in place to further raise our operational and commercial excellence.

Innovation driving strong recovery

This financial year has seen the introduction of our new Naída™ CI Marvel and Sky CI™ Marvel systems, which bring the breakthrough features of Phonak's Marvel platform – automatic adjustment to different listening environments with AutoSense™ OS 3.0, universal Bluetooth® connectivity, hands-free phone calling, integrated RogerDirect™ wireless communication – to adult and child recipients.

The response from consumers and hearing care professionals has been overwhelmingly positive. The re-order rate in North America alone has been a remarkable 95%. Among consumers, 78% report significantly improved hearing performance – always important, but even more so in times of social distancing and mask-wearing[1]. Audiologists praise the wireless connection to the Target CI fitting system, allowing touch-free adjustment in a familiar software program, very much like that which is used for Phonak hearing aids. Marvel gives existing CI users the opportunity to upgrade their technology, but has also attracted new users to Advanced Bionics, increasing consumer interaction and convincing potential recipients of the value of a cochlear implant.

Universal connectivity is particularly important for the Sky CI™ Marvel, which is the world's first dedicated pediatric cochlear implant system. Children live connected lives and need easy access to all their digital life companions – especially at a time when so many classrooms are online. Easy, hands-free connection to phones, tablets, televisions, and remote learning platforms is a vital help during these key years of speech and social development. These meaningful innovations contributed to Advanced Bionics winning the 2021 Hearing Technology Innovator Award for Sky CI™ Marvel.

Extending market and consumer reach

There are many stakeholders in the cochlear implants business, and we understand the importance of engaging closely with all of them as an essential part of our commitment to commercial excellence. In our approach to clinics and hospitals in North America, we have increased our field staff by 20% in the past two years, and have redesigned our sales territories to increase contact frequency, support and depth. As a result, sales in the new territories grew at twice the rate of the old ones.

We have always considered existing and potential recipients and their families as a community, and strive to engage with them directly to help them identify the right solution. We host a range of online events and resources covering topics from technology to aural rehabilitation, helping those dealing with severe hearing loss to explore available solutions and make an informed decision. We also work with Sonova's own Hearing Instrument and Audiological Care businesses to open new sales pathways by identifying potential recipients among our existing consumers. In Germany, 30% of new cochlear implant recipients were referred from Sonova partner businesses, and we are expanding this effort in other key markets too.

Strong operational progress

We are proud that the Cochlear Implant business has returned to profitable growth, posting not only a substantial revenue increase but double-digit EBITA margins for the first time. The structural and continuous improvements we have driven over the last three years, coupled with targeted growth initiatives, have borne fruit and will continue to do so. Our primary operational focus remains on what matters most to consumers: product quality and reliability. Over the past two years, we saw a reduction of more than 30% in processor return rates and we target a further significant reduction in the current year. The Marvel-based products have had the lowest return rates of any Advanced Bionics processor in the first year of its launch.

This reliability focus is built into the design and manufacturing process, and is complemented by a number of initiatives drawn from the Group-wide Sonova X Business System toolbox, which provides templates and metrics for a wide array of operational and commercial improvement opportunities. Having at the same time reinforced our leadership team with new members who bring strong medical device experience from various backgrounds, we are confident in our ability to earn and retain the loyalty of our consumers, offering them the highest standard of technology, service, and support.

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1) Strong D et. Al, Clinical Outcomes with a Next-Generation Sound Processor. CI2021 Cochlear Implants in Children and Adults, Orlando, FL, USA. ePoster 2349

Corporate governance

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

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

At Sonova, corporate governance is based upon, and structured to conform with, relevant standards and practices. The company meets its legal duties under the Swiss Code of Obligations, the SIX Swiss Exchange Directive on Information relating to Corporate Governance, and the standards defined in the Swiss Code of Best Practice for Corporate Governance. This report describes the principles of corporate governance for the Sonova Group and provides background information on the Group's executive officers and bodies as of March 31, 2022. All relevant documents can be accessed at the corporate governance section of the Sonova website: www.sonova.com/en/regulations-principles. For clarity and transparency, the Compensation Report is presented as a separate chapter of the annual report.

Group structure

Operational group structure

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

Listed companies

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

Key data for the shares of Sonova Holding AG as of March 31, 2022:

	2022	2021	2020
Market capitalization in CHF million	24,486	16,125	11,231
In % of equity	1,007%	582%	538%
Share price in CHF	387.60	250.40	174.40

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

Non-listed companies

Note 7.7 to the consolidated financial statements provides a list of the significant companies of the Sonova Group as of March 31, 2022.

Shareholders

Registered shareholders

As of March 31, 2022, the shareholdings of registered shareholders were distributed as follows:

Number of shares	Registered shareholders 31.3.2022	Registered shareholders 31.3.2021
1 – 100	13,177	9,321
101 – 1,000	8,174	8,201
1,001 – 10,000	1,260	1,322
10,001 – 100,000	219	216
100,001 – 1,000,000	31	34
> 1,000,000	7	8
Total registered shareholders	**22,868**	**19,102**

Significant shareholders

The following overview shows the significant shareholders as of March 31, 2022 based on shareholdings recorded in the share register and notifications on the SIX Swiss Exchange online reporting platform. Significant shareholders may also hold non-registered shares.

	2022 1)	**2022** 2)	**2021** 1)	**2021** 2)
	No. of shares	In %	No. of shares	In %
Beda Diethelm 3)	6,712,878	10.63	6,710,440	10.42
Family of Hans-Ueli Rihs 3) 4)	3,683,648	5.83	3,692,049	5.73
BlackRock, Inc.	3,334,293	5.10	3,334,392	5.10
The Capital Group Companies, Inc 5)	3,087,638	4.89	n/a	<3
UBS Fund Management (Switzerland) AG	1,948,684	3.03	1,948,684	3.03

1) Or at last reported date if shareholdings are not registered in the share register.
2) On the basis of the shares registered in the commercial register at last reported date.
3) Beda Diethelm and Hans-Ueli Rihs were already shareholders before the Initial Public Offering in November 1994. There are no shareholders' agreements among these individuals and they can trade freely.
4) Hans-Ulrich Rihs, Gabriela Rihs and Stefan Rihs as a group jointly control 3,683,648 registered shares (corresponding to 5.83% of total Sonova share capital) pursuant to the last disclosure notice. These shares were previously controlled by Hans-Ulrich Rihs as a single shareholder.
5) The Capital Group Companies, Inc is held by (i) Capital Research and Management Company ("CRMC"), (ii) Capital Group Private Client Services, Inc. and (iii) Capital International, Inc.

For information on shareholders of Sonova Holding AG that have reported shareholdings of over 3% or a reduction of shareholdings below 3% in the financial year (FY) 2021/22, please refer to the website of the Disclosure Office of the SIX Swiss Exchange.

Cross-shareholdings

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

Articles of Association

The Articles of Association of Sonova Holding AG remained unchanged in FY 2021/22 except for article 3: The share capital as stipulated by the previous version of article 3 was reduced according to the resolution of the 2021 Annual General Shareholders' Meeting (AGM) (see section capital structure below; the Articles of Association are available here).

Capital structure

Share capital

As of March 31, 2022, the ordinary share capital of Sonova Holding AG was CHF 3,158,607.85 fully paid up and divided into 63,172,157 registered shares with a par value of CHF 0.05 each.

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

With the exception of the treasury shares held by the company itself, each share represents one vote at the Annual General Shareholders' Meeting and is entitled to dividend payments. As of March 31, 2022, the company held 2,084,471 treasury shares (1,355,464 in the previous year).

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

Conditional and authorized share capital

Conditional share capital

The conditional share capital may be increased by a maximum amount of CHF 266,107 by issuing 5,322,133 registered shares with a par value of CHF 0.05 per share which equates to 8.42% of the existing share capital. Out of this conditional share capital an amount of (i) CHF 101,050.65 (equaling 2,021,013 registered shares) may be used for distribution to key employees of the Sonova Group through an equity participation program and (ii) CHF 165,056 (equaling to 3,301,120 registered shares) may be used for exercising option and conversion rights granted in connection with bonds or similar debt instruments issued by the company to finance the acquisition of companies, parts of companies or shareholdings.

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

Authorized share capital

The Board of Directors shall be authorized to increase the share capital at any time until June 11, 2022 by a maximum amount of CHF 321,990.65 by issuing a maximum of 6,439,813 registered shares that are to be fully paid up, each with a nominal value of CHF 0.05 and which equates to 10.19% of the existing share capital. Increases in partial amounts shall be permissible. The Board of Directors did not make use of this authorization in FY 2021/22.

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

Limitations on exercising of conditional and/or authorized share capital

In case the conditional and/or authorized share capital may be exercised and subscription or advance subscription rights may be excluded, the total of the capital increase shall not exceed an amount in total of CHF 321.990.65 by issuing 6,439,813 registered shares which corresponds to 10% of the currently issued share capital.

More information on the limitation of exercising conditional and/or authorized share capital under the exclusion of subscription or advance subscription rights can be found in Art. 6 of the Articles of Association, available here.

Options

In FY 2021/22, a total of 112,656 options and Stock Appreciation Rights (SARs) were granted as part of the Sonova Executive Equity Award Plan (EEAP). In FY 2020/21, the number of options and SARs granted totaled 170,694. As of March 31, 2022, there were 985’697 options, performance options and SARs outstanding (compared with 1,119,468 in the previous year). Each of the options entitles the holder to purchase one registered share in Sonova Holding AG with a par value of CHF 0.05 at the respective exercise price and upon meeting certain performance criteria, while the SAR entitles to receive a cash settlement equal to the option value. The EEAP is described in greater detail in the Compensation Report and in Note 7.4 to the consolidated financial statements.

Convertible bonds

Sonova Holding AG has not issued any convertible bonds.

Changes in capital

As of March 31, 2022, the capital of Sonova Holding AG comprised the following:

	2022	2021	2020
Ordinary capital (in CHF)	3,158,608	3,219,907	3,219,907
Total shares	63,172,157	64,398,137	64,398,137
Authorized Capital (in CHF)	321,990.65	321,990.65	
Authorized shares	6,439,813	6,439,813	
Conditional capital (in CHF)	266,107	266,107	266,107
Conditional shares	5,322,133	5,322,133	5,322,133

The 2021 AGM approved a reduction of the share capital by CHF 61,299.00 through cancellation of 1,225,980 registered shares. This capital reduction was the result of the share buyback program, announced on August 31, 2018, in which the company repurchased 1,225,980 registered shares between April 1, 2019 and March 31, 2021. More information to this share buyback program is available here.

The Board of Directors did not make use of the authorized capital in FY 2021/22.

Share buyback program 2021–22

On May 18, 2021, Sonova announced a share buyback program that started on June 4, 2021. The program was targeted to buy back shares worth up to CHF 700 million and ended on March 28, 2022 (details available here).

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

The Board of Directors intends to propose cancelling the shares repurchased under this buyback program at the 2022 AGM.

Share buyback program 2022–2025

The Board of Directors of Sonova Holding AG has initiated a further share buyback program with a duration of up to 36 months, a maximum overall value of CHF 1.5 billion, and an expected start date of April 11, 2022. This share buyback program will be conducted via a separate trading line on the SIX Swiss Exchange. The shares will be repurchased for the purpose of capital reduction, subject to approval by future Annual General Shareholders' Meetings. More information to this share buyback program is available here.

Limitations on transferability and nominee registrations

Limitations on transferability for each share category

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

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

Exceptions granted in the year under review

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

Admissibility of nominee registrations

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

Procedure and conditions for cancelling statutory privileges and limitations on transferability

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

Board of Directors

Introduction

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

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

Board of Directors independence

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

Board of Directors fees

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

Executive management positions

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

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

In the 2021/22 financial year, there were no business connections between individual members of the Board of Directors, including companies or organizations represented by them, and Sonova Holding AG or its subsidiaries.

Other activities and vested interests

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

Mandates outside Sonova Holding AG

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

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

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

Board of Directors competence and evaluation

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

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

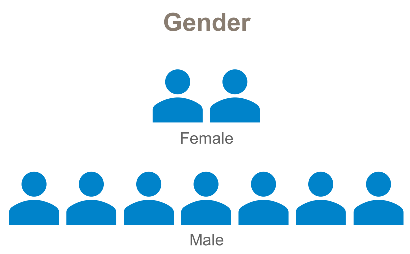
The Board of Directors also conducts an annual self-assessment to:

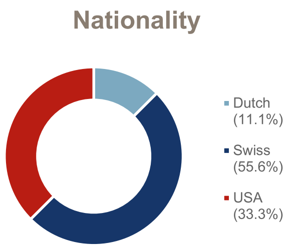
- Ensure and enhance its comprehensive understanding of the business and the company;
- Evaluate the work of the Board of Directors, its committees, the individual board members and the Chair;
- Make the best use of the human capital represented on the Board of Directors; and
- Optimize efficiency, effectiveness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

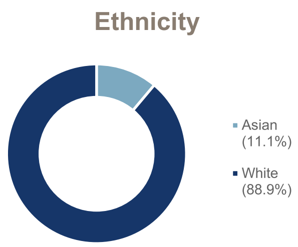
The Chair of the Board of Directors initiates the annual Board of Directors self-assessment by distributing an evaluation questionnaire, previously approved by the Board of Directors. The Chair of the Board of Directors is responsible for collecting the assessments and for initiating the review of the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

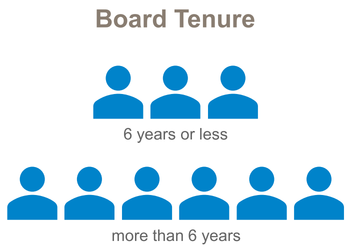
Composition of the Board of Directors

As of March 31, 2022, the composition of the Board of Directors is as follows:









Elections, terms of office and biographies

Election procedure and limits on the terms of office

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

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

First election and remaining term of office

The following table shows the date of first election for each member of the Board of Directors. The Articles of Association require that the term of office of a Board member ends after completion of the next Annual General Shareholders' Meeting. As a consequence, each Board member will have to be re-elected annually at the General Shareholders' Meeting. All previous Board members were re-elected by the 2021 Annual General Shareholders' Meeting except Beat Hess (Vice Chair) who reached Sonova's age limit for Board membership, and Michael Jacobi, who served as a member of the Board of Directors since 2003 and did not stand for re-election (the Articles of Association are available here). Gregory Behar and Roland Diggelmann were elected to the Board of Directors for the first time at the 2021 AGM.

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

Robert F. Spoerry

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

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

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

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

Outside mandates:

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

Stacy Enxing Seng

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

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

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

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

Outside mandates:
- Member of the Board of Directors of LivaNova, Inc.
- Operating Partner, Lightstone Ventures
- Independent non-executive Director, Corza Medical

Lynn Dorsey Bleil

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

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

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

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

Outside mandates:
- Member of the Board of Directors of Alcon Inc.
- Member of the Board of Directors of Stericycle, Inc.
- Member of the Board of Directors of Amicus Therapeutics, Inc.
- Vice Chair of the Governing Board of Intermountain Healthcare Park City Hospital

Gregory (Greg) Behar

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

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

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

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

Greg Behar earned an MBA from INSEAD, France, a Master of Science in mechanical engineering and manufacturing from EPFL Lausanne, Switzerland, and a Bachelor of Science in mechanical engineering from the University of California in Los Angeles, USA.

Outside mandates:

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

Lukas Braunschweiler

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

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

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

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

Outside mandates:

- Chair of the Board of Directors of Tecan Group AG
- Member of the Board of Directors of private, non-listed BURU Holding AG
- President of Swiss Management Association SMG

Roland Diggelmann

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

From 2019 until March 31, 2022, he has been CEO of Smith & Nephew plc, a UK-based leading global medical technology company active in orthopedics, sports medicine, and advanced wound management. From 2008 to 2018 he was managing director for the Asia/Pacific region and later CEO of Roche Diagnostics. He previously held senior management positions in sales and marketing as well as strategic planning at Zimmer Holdings and Sulzer Medica (later known as Centerpulse).

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

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

Outside mandates:

- CEO of Smith & Nephew plc (until March 31, 2022)
- Member of the Board of Directors of HeartForce AG

Ronald van der Vis

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

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

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

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

Outside mandates:

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

Jinlong Wang

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

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

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

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

Outside mandates:

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

Adrian Widmer

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

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

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

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

Outside mandates:

- Group CFO of Sika AG
- Member of the Board of Directors and Chair of the Audit Committee of Swiss Steel Holding AG (until its 2022 AGM on April 26, 2022)

Internal organizational structure

Allocation of tasks within the Board of Directors

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

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

Tasks and areas of responsibility of Board of Directors' committees

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

Audit Committee

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

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

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

Nomination and Compensation Committee

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

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

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

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

Working methods of the Board of Directors and its committees

During the reporting period, the Board of Directors held five regular virtual meetings and had six extraordinarily scheduled virtual meetings on additional subjects relevant to the challenges posed by COVID-19. The table below shows the individual members' attendance at Board of Directors and committee meetings, as well as the average length of the meetings:

	Reg. BoD meetings 1)	BoD add. calls 2)	AC meetings 3)	AC calls 3)	NCC meetings 4)	NCC calls 4)
No. of meetings in 2021/22	5	6	4	3	4	2
Robert F. Spoerry	5	6	4 5)	3 5)	4 5)	2 5)
Stacy Enxing Seng	5	6			4	2
Lynn Dorsey Bleil	5	6	4	3	–	–
Gregory (Greg) Behar	4	5				
Lukas Braunschweiler	5	6			4	2
Roland Diggelmann	4	5			3	2
Ronald van der Vis	5	6	4	3	–	–
Jinlong Wang	5	6	–	–	–	–
Adrian Widmer	5	6	4	3		
Average meeting length	7 h	1 h	3 h	1 h	2 h	1 h

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

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

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

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

During the 2021/22 business year, the five regular meetings of the Board of Directors were attended by the CEO, the CFO, and other members of the Management Board to review, amongst other topics, performance against plan, key initiatives, and strategic matters. Five out of six additional conference calls of the Board of Directors were attended by the CEO and four as well by the CFO. If necessary, the Board of Directors also consults with other internal experts (such as the Group General Counsel) or external advisors. One regular Board of Directors meeting was attended by an external party in the last business year.

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

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

Definition of areas of responsibility

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

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

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

Internal audit, risk, and compliance

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

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

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

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

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

Environmental, Social and Governance Management (ESG)

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

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

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

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

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

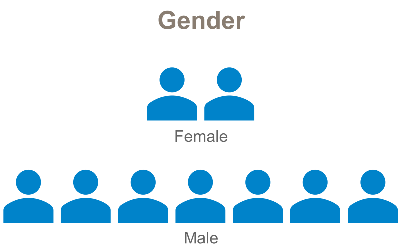
Management Board

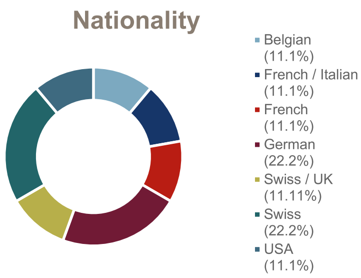
The Management Board is responsible for the business and affairs of the company and the preparation, implementation, and monitoring of Sonova's strategy, the management of the members' respective Group functions, and the preparation, implementation, and delivery of the annual plan and budget. The Management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

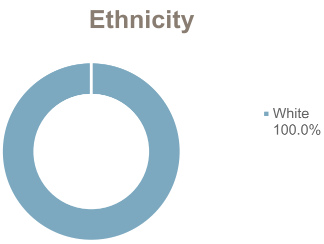
The yearly evaluation of the CEO is based on the input of each member of the Board of Directors addressed to the Chair. The consolidated input is reviewed first by the NCC and subsequently finalized by the entire Board of Directors. Finally, the results are reviewed and discussed between the Chair and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

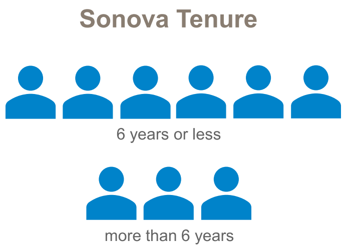
Composition of the Management Board

As of March 31, 2022, the composition of the Management Board is as follows:









Arnd Kaldowski

(born 1967, German citizen) joined the Sonova Group in October 2017 as Chief Operating Officer and became CEO as of April 1, 2018. He joined Sonova from Danaher Corporation, where he served in various leadership capacities since 2008, most recently as Group Executive of the Diagnostics Platform and President Beckman Coulter Diagnostics. Arnd Kaldowski led significant sales growth, innovation and productivity initiatives. He also brings significant experience and a successful track record in M&A, commercial excellence, and new product introduction, which he gained in the course of his career at Danaher and as SVP Point-of-Care Solutions at Siemens Medical, following his previous assignments as Investment Director of Atila Ventures and as a Manager with the Boston Consulting Group.

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

Birgit Conix

(born in 1965, Belgian citizen) joined the Sonova Group as CFO in June 2021. She was previously Chief Financial Officer and member of the Executive Board of TUI AG, a global leader in tourism, from 2018 to 2021. Before joining TUI AG, she was Chief Financial Officer of the Belgian media, cable and telecommunications group Telenet Group NV. Prior to that, she held various top-level positions in finance, strategy and business operations in the pharmaceuticals and medical devices business units at Johnson & Johnson, and in finance at Heineken, Tenneco and Reed Elsevier.

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

Outside mandates:
- Supervisory Board member at ASML Holding N.V.

Ludger Althoff

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

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

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

Claudio Bartesaghi

(born in 1973, Swiss citizen) was appointed Group Vice President Corporate Human Resources Management (HRM) & Communications of Sonova in October 2017. He gained international experience in his long-time career at Sonova, not least in his positions as Head of HRM of Sonova North America, based in the US, and as Head of HRM Sonova APAC, based in Singapore. Before joining Sonova in 2010, Claudio Bartesaghi was Deputy Head of HRM at Jelmoli Holding AG in Zürich.

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

Victoria Carr-Brendel

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

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

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

Outside mandates:

- Board member at MDMA (Medical Device Manufacturers Association)

Claude Diversi

(born 1964, French and Italian citizen) joined the Sonova Group in March 2005 as Managing Director of Phonak France. He was appointed Group Vice President Hearing Instruments Wholesale in April 2016. He was previously Vice President Hearing Instruments Phonak Wholesale for the Region Europe and South America from May 2012 until March 2016. Claude Diversi has an extensive track record as a sales executive with a broad experience in all disciplines of sales, including reporting, sales force management, and executing trade marketing strategies. Prior to joining Phonak, he worked in sales management positions in companies such as British American Tobacco, DowBrands & Melitta Europe, Pillsbury, and Kraft Foods France.

Claude Diversi majored in international business at the University of Paris Descartes in France.

Christophe Fond

(born 1966, French citizen) joined the Sonova Group in February 2017 as Group Vice President Retail. Most recently he held the role of President Latin America and was a member of the Executive Board at GrandVision, a global leader in optical retailing. In the course of his career he gained extensive experience in global retail management, leading transformational growth of large-scale retail enterprises, including acquisitions, mergers, and integrations.

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

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

Martin Grieder

(born 1965, Swiss and British citizen) has been Group Vice President Phonak since August 2014 and was appointed Group Vice President Hearing Instruments Marketing in September 2016. He joined Sonova from Nestlé, where he was Vice President and Global Head of Nestlé BabyNes. Martin Grieder joined Nestlé in 1992 and brings over 20 years of experience in senior management roles within the company. His diversified cross-functional work experience in 18 countries ranges from leading the global Nespresso professional division to managing Nestlé Nespresso North America. Further senior roles at Nestlé included Vice President, Head of Finance for the Americas and Head Nestlé Group Audit as well as R&D Head for Food & Beverage systems solutions for the Nestlé Group.

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

Andi Vonlanthen

(born 1961, Swiss citizen) has been Group Vice President Research & Development since April 2012. He started his professional career at Phonak in 1984 in the area of product development, where he contributed significantly to a large number of technological innovations and product launches. As one of many innovations, he developed the first ever multi-microphone system for hearing instruments, which revolutionized the entire industry. From 2002 to 2004, he was Vice President R&D at Unitron. As of 2004 he was responsible for the Group System Integration function.

Andi Vonlanthen received a degree in electronic engineering at the School of Engineering (HTL) Brugg Windisch, Switzerland in 1984.

Other activities and vested interests

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

Mandates outside Sonova Holding AG

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

Management contracts

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

Compensation, shareholdings and loans

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

Shareholders' participation rights

Voting rights and representation restrictions

Voting rights restrictions

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

Exceptions granted in the year under review

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

Statutory rules on participation in the General Shareholders' Meeting

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

The Articles of Association are available here.

Independent Proxy and electronic voting

The Law Office Keller Partnership, Zurich was elected as the Independent Proxy by the 2021 AGM for the period until completion of the 2022 AGM.

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

Statutory quorums

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

Convocation of the General Shareholders' Meeting

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

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

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

Inclusion of items on the agenda

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

Registration in the share register

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

Changes of control and defense measures

Duty to make an offer

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

Clauses on changes of control

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

Auditors

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

At the Annual General Meeting on June 15, 2021, Ernst & Young AG, Zurich, was re-elected as auditor for Sonova Holding AG and the Sonova Group for the 2021/22 financial year. Martin Mattes has served as lead auditor for the auditing mandate.

Fees

The auditors charged the following fees during FY 2021/22 and 2020/21:

1,000 CHF	Ernst & Young 2021/22	Ernst & Young 2020/21
Audit services	2,342	1,665
Audit-related services	298	34
Tax services	27	103
Other non-audit services	212	12
Total	**2,879**	**1,814**

The increase in audit fees for the 2021/22 financial year results from a number of additional Group companies that fall within the scope of audit following the closing of the acquisition of the Sennheiser Consumer Division, an increase in audit fees agreed with Ernst & Young for certain entities, and certain specific audits performed by Ernst & Young.

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

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

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

Non-audit services mainly consisted of consulting fees in connection with local regulatory requirements.

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

Informational instruments pertaining to the external audit

The external auditors report their findings semi-annually directly to the Audit Committee of the Board of Directors. In FY 2021/22, the external auditors attended 3 out of 4 Audit Committee meetings physically or by telephone conference and also attended one call of the Audit Committee. The Audit Committee of the Board of Directors reviews the performance, compensation, and independence of the external auditors on a regular basis. The Audit Committee reports its findings to the Board of Directors on a quarterly basis.

Information policy

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

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

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

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

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

Securities trading policy and black-out periods

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

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

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

Compensation report

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

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

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

It has the following structure:

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

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

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

Dear Shareholders,

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

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

Review of compensation framework

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

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

Environmental, social and governance (ESG)

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

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

Changes in the Board of Directors

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

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

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

Changes in the Management Board

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

2022 AGM

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

At the 2022 AGM, you will have the opportunity to express your opinion on our compensation principles and system by way of a consultative vote on this compensation report. We will also ask for your approval of the maximum aggregate compensation amounts for the Board of Directors for the next term of office, which ends at the 2023 AGM, and for the Management Board for the 2023/24 financial year. No changes to the compensation system of the Board of Directors and the Management Board are foreseen.

On behalf of the Board of Directors, I would like to thank you for your continued support. We hope that you find this report informative, and we remain confident that our compensation system rewards for performance in a balanced and sustainable manner, that aligns well with our shareholder interests. We look forward to our continued dialogue.

Yours sincerely,

Lukas Braunschweiler
Chair of the NCC

2. At a glance

Board of Directors compensation

To ensure their independence in their supervisory function, members of the Board of Directors receive a fixed compensation in form of board retainer in cash and restricted shares and committee fees in cash.

Shares are restricted for a period of 5 years and 4 months (chair) and 4 years and 4 months (members) to strengthen the alignment with shareholder interests.

Annual retainer	Cash (CHF)	Shares (CHF)
Board chair	430,000	370,000
Board member	100,000	160,000
Travel allowance [1]	500	

[1] per meeting

Aditional fees	Chair (CHF)	Member (CHF)
Vice-chair	15,000	n/a
AC/NCC	40,000	20,000

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

The expected compensation paid for the period from the 2021 AGM until the 2022 AGM of CHF 3,070,000 is within the amount of CHF 3,140,000 approved by shareholders.

The effective compensation paid for the period from the 2020 AGM until the 2021 AGM of CHF 2,425,000 is within the amount of CHF 2,600,000 approved by the shareholders.

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

Total compensation	Approved	Effective
in CHF 1,000		
2021 AGM–2022 AGM	**3,140**	**3,070**[2]
2020 AGM–2021 AGM	**2,600**	**2,425**
2019 AGM–2020 AGM	**2,900**	**2,735**

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

Management Board compensation

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

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

Management Board	Fixed salary	Short-term cash incentive (VCC)	Long-term equity incentive (EEAP)
CEO	900,000	89% of fixed salary (at target)	181% of fixed salary (at target)
MB members	450,000 on average	<50% of fixed salary (at target)	<133% of fixed salary (at target)

The CEO and members of the Management Board are subject to minimum share ownership requirements of CHF 1,000,000 and CHF 200,000 respectively.

The compensation awarded for the 2021/22 financial year of CHF 12,800,000 is within the amount of CHF 15,200,000 approved by the shareholders.

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

Total compensation	Approved	Effective
in CHF 1,000		
2021/22 financial year	**15,200**	**12,800**
2020/21 financial year	**15,300**	**11,300**
2019/20 financial year	**15,100**	**13,900**

The STI payout amounted to 89.03% for the CEO and 85.28% for the other members of the Management Board on average.

The LTI vesting level amounted to:

- 100% for the options
- 189.94% for the PSUs

Governance

- Authority for decisions related to the compensation of the Board of Directors and the Management Board is governed by the Articles of Association.
- The prospective maximum aggregate amounts of compensation of the Board of Directors and of the Management Board are subject to binding shareholder votes at the AGM.
- The compensation report is subject to a consultative shareholder vote at the AGM.

3. Compensation policy and principles

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

Sonova's compensation principles

Pay for performance

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

Market competitiveness

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

Alignment with shareholders' interests

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

Alignment with company's values

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

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

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

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

To avoid compensation for inappropriate risk taking or short-term profit maximization at the expense of the long-term health of the company, a cap applies to both the short-term and the long-term variable compensation component and claw-back provisions are applicable to the VCC.

4. Compensation governance

4.1 Nomination and Compensation Committee

As determined in the Articles of Association, the Organizational Regulations, and the NCC Charter of Sonova Holding AG, the NCC supports the Board of Directors in the fulfilment of its duties and responsibilities in the area of compensation and personnel related matters. Its tasks and responsibilities include, among others:

- Periodical review of Sonova's compensation principles
- Periodical benchmark reviews covering the compensation of the members of the Board of Directors (including the Chair of the Board of Directors), the CEO, and the other members of the Management Board
- A yearly review of the individual compensation of the CEO and of the other members of the Management Board, including the VCC and the EEAP
- Review and amendment of the target setting and related performance appraisal of the members of the Management Board (prepared by the CEO) and of the CEO (prepared by the Chair of the Board of Directors)
- Preparation of the compensation report
- Succession planning of the Management Board and the Board of Directors
- Selection and nomination of candidates for the role of the CEO, for nomination to the Management Board as proposed by the CEO, as well as pre-selection of suitable candidates for the Board of Directors; and
- Periodical review of the employment terms and policies.

Approval and authority levels on compensation matters:

Decision on	CEO	NCC	Board of Directors	AGM
Compensation principles and system for the Board of Directors and the Management Board		proposes	approves	
Maximum aggregate amount of compensation for the Board of Directors and the Management Board to be submitted to shareholders' vote		proposes	reviews and proposes to AGM	binding vote
Individual compensation, including cash components and shares, to be granted to the members of the Board of Directors [1]		proposes	approves	
Individual compensation, including fixed base salary, variable cash compensation and long-term equity incentives, of the CEO [1]		proposes	approves	
Employment terms of the CEO [1]		proposes	approves	
Individual compensation, including fixed base salary, variable cash compensation and long-term equity incentives, of the Management Board (excluding CEO) [1]	recommends	proposes	approves	
Annual total amount of long-term equity incentives to be granted to all other eligible employees	recommends	proposes	approves	
Compensation report		proposes	approves	consultative vote

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

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

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

Item	May Beginning of the financial year	July	September	November	February End of the financial year
Compensation policy & process	– Review of equal pay considerations	– Preview of benchmarking analysis BoD and MB (every 2–3 years)	– Review of benchmarking analysis BoD and MB (every 2–3 years)	– Preview of group wide salary review for the following financial year – Approval of group wide EEAP grant size – Approval of EEAP plan regulations	– Reconfirmation of group wide salary review for the following financial year – Reconfirmation of group wide EEAP grant size – Equity valuation for EEAP (options and PSU)
Management Board (MB) & Board of Directors (BoD) matters	– Approval of payout of VCC for the previous financial year and vesting of EEAP for the previous EEAP cycle – Setting of VCC performance targets for the new financial year incl. individual targets		– Appoval of performance targets for the VCC	– Preview of target compensation review for the following financial year (incl. EEAP grant)	– Review of target compensation for the following financial year (incl. EEAP grant) – Setting of EEAP performance targets for the next EEAP cycle
Governance	– Approval of corporate governance and compensation report as well as compensation part of the AGM invitation – Proposal of maximum aggregate ammount of compensation of MB and BoD to be submittet to AGM vote – Share ownership status review of the MB and BoD – Review and approval of NCC charter		– Review of proxy advisor/ shareholder feedback on compensation report – Board evaluation	– Review of BoD skills matrix	– Review of draft compensation report – NCC agenda for the following financial year
Nomination		– Succession planning for the BoD	– Succession planning for the BoD	– Succession planning for the BoD	

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

As a general rule, the Chair of the Board of Directors, the CEO, and the GVP Corporate Human Resource Management & Communications (HRM) participate in the meetings of the NCC. However, they do not participate during the sections of the meetings where their own performance and/or compensation is discussed.

There is a closed session (without participation of any executive or guest) after each NCC meeting. The Chair of the NCC reports to the Board of Directors on its activities and recommendations after each meeting and the minutes of the meetings are available to the full Board of Directors.

External advisors

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

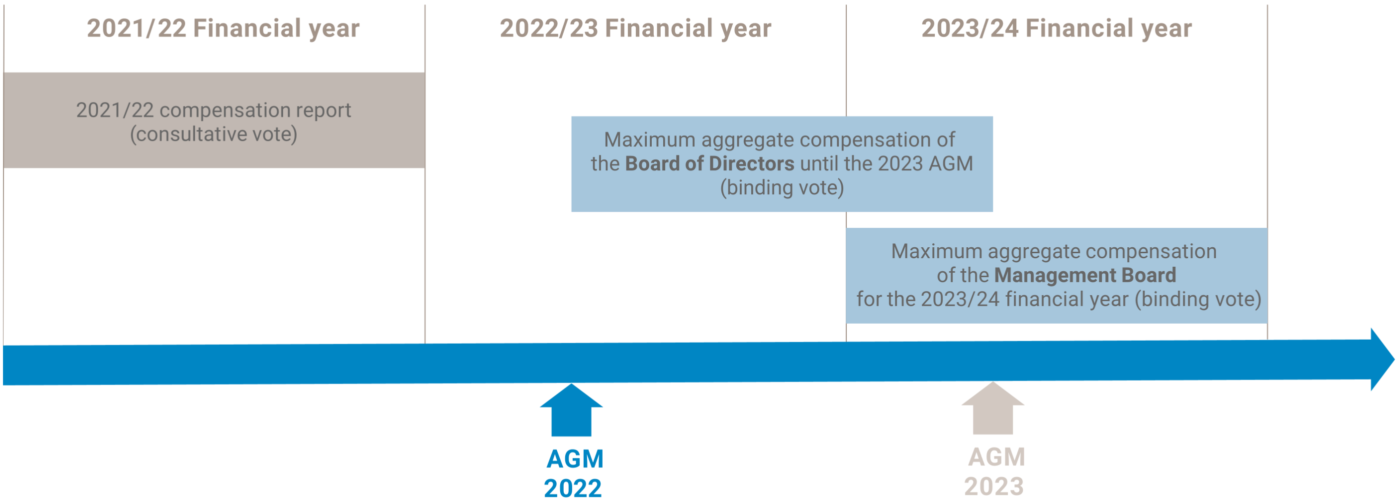
The external advisors had no other mandates for Sonova during the reporting year.

4.2 Governance and shareholder involvement

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

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

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



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

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

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

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

Variable compensation components:
- Short-term cash incentive award (VCC): maximum possible payout under the VCC, should the achievement of all performance objectives reach the cap.
- Long-term equity incentive award (EEAP): fair value of the equity awards at grant (options and PSUs).

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

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

Articles of Association

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

- Powers and duties (Art. 24)
- Approval of compensation by the General Shareholder Meeting (Art. 10 para. 5/Art. 26)
- Additional reserve amount for changes in the Management Board (Art. 27)
- General compensation principles (Art. 28)
- Maximum consideration for non-competition agreement (Art. 29 para.3)
- Prohibition on loans (Art. 31)

The Articles of Association are available in their entirety here.

4.3 Process of determining compensation

Compensation structure and components

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

Benchmarks

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

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

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

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

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

Performance management

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

5. Compensation components and system

5.1 Overview of compensation components

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

	Management Board[1]	Board of Directors[1]
	CEO/CFO/GVPs	BoD
Fixed compensation components		
Fixed base salary		
Benefits[2]		
Expense allowance[3]		
Cash car allowance[3] [4]		
Cash retainer (fixed fee)		
Restricted shares		
Committee fee[5]		
Travel allowance[6]		
Pension benefits		
Pension Fund		
Variable compensatin components (performance related)		
Short-term cash incentive award VCC		
Long-term equity incentive award[7] EEAP		
Social and other benefits		
Other benefits		

[1] Mandatory social security constributions (AHV/ALV or for the international MB the local equivalent company costs) are paid by Sonova and disclosed in the compensation report
[2] MB members under a non-Swiss employment contract receive benefits in line with local practice
[3] Only for MB members with a Swiss employment contract
[4] Flat rate cash car allowance
[5] If applicable
[6] Discontinued as from the 2022 AGM
[7] Awarded in the form of options and PSUs

5.2 Board of Directors compensation system

Role, responsibility and commitment

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

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

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

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

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

Compensation structure

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

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

Compensation structure 2021 AGM to 2022 AGM

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

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

1) Including attendance as guest in the NCC and the AC
2) Multiplied by the number of meeting attended. The travel allowance will be discontinued as from the 2022 AGM.

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

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

Sonova Share Ownership Guidelines

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

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

5.3 Management Board compensation system

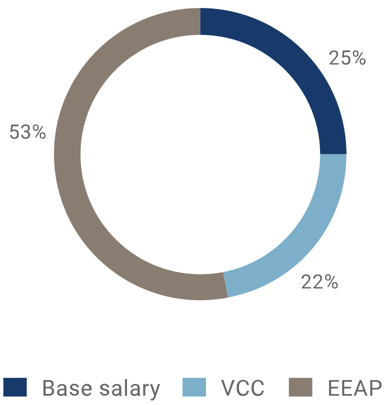
As outlined in the introduction to this compensation report, the compensation system of the Management Board is linked to the company's strategy and business results, and aligns with the interests of our shareholders, rewarding performance in the context of the business and the market. This compensation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

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

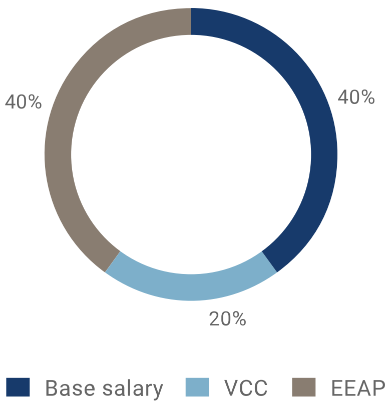
- A fixed base salary;
- A short-term cash incentive award (VCC);
- A long-term equity incentive award (EEAP); and
- Employee benefits, such as pension benefits, flat rate cash car allowance, expense allowance, relocation benefits for certain affected members, as well as social security contributions.

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

Compensation mix of the CEO, Arnd Kaldowski



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



1) Average mix

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

Compensation structure 2021/22 financial year

	Fixed compensation components		Variable compensation components		
	Fixed base salary	**Benefits**	**Short-term cash incentive award (VCC)**	**Long-term equity incentive award (EEAP)**	
Purpose	Ensures a predictable payment, depends on the market value of the role and the profile of the incumbent	Establishes level of security in line with local market practice Mandatory and voluntary benefits plans offered by the employer	Rewards performance against key performance indicators (KPIs) at Group and business unit level as well as the achievement of individual objectives	Rewards long-term value creation and reinforces alignment with shareholder interests	
Vesting Period	n.a.	n.a.	financial year	Options 16 – 52 months	PSUs 40 months
KPIs	n.a.	n.a.	**A – Group** Sales, EBITA, FCF, EPS **B – Business Unit** Sales, EBITA, ASP, OPEX **C – ESG objectives** **D – Individual objectives**	ROCE	rTSR
Delivery	Cash, regularly	Country specific	Cash	Options	PSUs
Restriction period	n.a.	n.a.	n.a.	Five years from grant date	
Cap	n.a.	n.a.	yes	yes	
CEO Ratio in % of fixed base salary:	n.a.	n.a.	**Target of fixed base salary: 89%** **Range of fixed base salary: 0 % –178%**	**Target of fixed base salary: 214%** **Range of fixed base salary: 0 % –294%**	
MB (excl. CEO) Ratio in % of fixed base salary:	n.a.	n.a.	**Target of fixed base salary: 50 %** **Range of fixed base salary: 0 % –100 %**	**Target of fixed base salary: up to 112%** **Range of fixed base salary: 0 % –167%**	

Fixed base salary
The fixed base salary ensures a recurrent payment in cash in regular instalments. The salary level is based on the scope and complexity of the position, market norms and benchmarks, and the individual's profile in terms of experience and skills. Salary progression depends primarily on the individual's performance, as well as on market developments and the economic environment.

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

The Board of Directors normally determines the target performance level for each key performance indicator (KPI) annually for the following financial year, based on the recommendation of the NCC. The targets are generally set in such a way that on an adjusted base, substantial improvements from the previous financial year's achievement are required, in line with the company's ambitious mid- and long-term financial plans.

Setting demanding and ambitious targets helps Sonova strive to deliver best-in-class performance and stay ahead of the market. Lower and upper performance thresholds are also set, below which the payout percentage is zero, and above which it is capped at 200%, with the exception of sales at 250% and certain ESG targets at 100%. Payout levels between the threshold, the target, and the maximum are calculated by linear interpolation.

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

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

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

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

The individual performance component is based on the achievement of individual objectives defined at the beginning of the financial year between the CEO and individual members of the Management Board – and, for the CEO, between the Board of Directors and the CEO. The total weight of the three to eight individual performance objectives for each member of the Management Board is generally 15% of the overall VCC. The weight can be increased up to 35% for exceptional reasons, such as supporting key strategic initiatives, including research and development.

Ranges of performance objectives for members of the Management Board

Performance Objective	CEO/CFO	Other members of the MB	Minimum payout (threshold)	Target payout (target)	Maximum payout (cap)[1]
A – Group objectives					
Sales	20%	10% –20%	0%	100%[2]	250%
EBITA	0%	10% –20%			200%
FCF	20%	10% –20%			
EPS	35%	0% –15%			
B – Business objectives[3]					
Sales		0% –25%	0%	100%	250%
EBITA		0% –20%			200%
OPEX		0% –10%			
ASP		0% –10%			
Margin		0% –15%			
C – ESG objectives					
ESG objectives	10%	10%	0%	100%	100–200%
D – Individual objectives[4]					
Initiatives/Projects	15%	15%–25%	0%	100%	200%

[1] The overall maximum payouts is capped at 200%.
[2] At target the VCC amounts to 89% of base salary for the CEO and to 50% for the other members of the Management Board.
[3] Not all of the business objectives apply to all members of the Management Board.
[4] In exceptional circumstances, up to 35% (e.g. to support key strategic initiatives).

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

The purpose of the EEAP is to ensure long-term value creation for the company, alignment of the interests between shareholders and the members of the Management Board, and the long-term retention of talent at Sonova.

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

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

Options

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

Options granted under the EEAP vest in four equal annual instalments over a period of 16–52 months, depending on ROCE achievement. The first tranche vests on June 1 of the year following the grant year (16 months after grant date). The exercise price of the options is the closing price of the Sonova share on the Swiss Stock Exchange (SIX Swiss Exchange) at the grant date, and the life of the options is 10 years.

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

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

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

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

Performance Share Units

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

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

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

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

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

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

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

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

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

Summary of the EEAP instruments

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

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

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

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

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

Disclosure of targets

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

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

Sonova Share Ownership Guidelines

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

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

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

Benefits

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

Sonova maintains defined-contribution plans under the Swiss occupational pension regulations. Pension benefits are provided through the regular pension plan. Members of the Management Board who are under a Swiss employment contract are eligible for the same benefits as all other employees in Switzerland. Members of the Management Board who are under a foreign employment contract receive benefits in line with local current regulatory practice.

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

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

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

Employment terms and conditions

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

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

Claw-back

Sonova has introduced a claw-back provision allowing the company to reclaim any VCC payment, in part or in full, in the event of an accounting/financial restatement due to non-compliance with financial reporting requirements under the Swiss laws at the time of disclosure. This provision applies to all VCC payments for a period of three years following the financial year related to which the VCC payment has been made.

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

6. Compensation for the financial year

6.1 Board of Directors compensation

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

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

Board of Directors compensation

in CHF — **2021/22**

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

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

in CHF						2020/21
	Cash retainer (fixed fee) [1]	Expenses [2]	Total cash compensation	Grant value of restricted shares	Total compensation	Employer's social insurance contribution (AHV/ALV) [3]
Robert F. Spoerry [4] [5] Chair of the Board of Directors Chair of the Nomination and Compensation Committee	15,450	1,500	16,950	369,011	385,961	17,858
Beat Hess Vice-Chair of the Board of Directors Member of the Nomination and Compensation Committee	138,162	3,500	141,662	159,519	301,181	16,460
Lynn Dorsey Bleil Member of the Audit Committee	122,529	3,000	125,529	159,519	285,048	18,425
Lukas Braunschweiler	104,219	2,500	106,719	159,519	266,238	245,809
Stacy Enxing Seng Member of the Nomination and Compensation Committee	122,529	3,500	126,029	159,519	285,548	18,460
Michael Jacobi Member of the Audit Committee	126,076	3,500	129,576	159,519	289,095	15,634
Ronald van der Vis Chair of the Audit Committee	139,318	3,000	142,318	159,519	301,837	19,610
Jinlong Wang	104,219	2,500	106,719	159,519	266,238	17,098
Adrian Widmer [6]	77,063	–	77,063	159,519	236,582	14,811
Total	**949,566**	**23,000**	**972,566**	**1,645,164**	**2,617,730**	**384,165**

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

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

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

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

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

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

Explanatory comments to the compensation tables

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

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

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

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

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

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

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

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

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

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

6.2 Management Board compensation

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

6.2.1 Compensation awarded for the 2021/22 financial year

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

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

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

Management Board compensation

in CHF									2021/22
	Fixed base salary	Variable compensation 1)	Fringe benefits	Employer's pension contribution	Total cash compen-sation	Value of PSUs 2)	Value of options 3)	Total compensation	Employer's social security contribution
Arnd Kaldowski, CEO	900,000	712,240	55,650	113,601	1,781,491	721,875	1,203,125	3,706,491	297,825
Other members of the MB	3,455,539	1,686,494	334,774	565,549	6,042,355	1,525,000	1,525,000	9,092,355	2,116,865
Total	**4,355,539**	**2,398,734**	**390,424**	**679,150**	**7,823,846**	**2,246,875**	**2,728,125**	**12,798,846**	**2,414,690**

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

1) The variable compensation will be paid out only when the Group's audited financial statements for the financial year have been publicly disclosed by the Group in its consolidated financial statements.

2) Fair value per PSU at grant date CHF 334.87. Fair Value of PSUs provided by a third party based on the Monte Carlo pricing model; this is an appropriately balanced approach, taking account of the possibility of either over- or under-achievement. The settlement will be determined based on actual performance achievement prior to the vesting in June 2025 and the PSUs are blocked after vesting to arrive at the total mandatory restriction period of five years from grant date.

3) Fair value per option at grant date provided by a third party based on the "Enhanced American Pricing Model" (including the impact of the restriction period based on a "Black-Scholes Model") of CHF 71.31. The options are blocked after vesting to arrive at the total mandatory restriction period of five years.

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

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

1) The variable compensation will be paid out only when the Group's audited financial statements for the financial year have been publicly disclosed by the Group in its consolidated financial statements.

2) Fair value per PSU at grant date CHF 198.67. Fair Value of PSUs provided by a third party based on the Monte Carlo pricing model; this is an appropriately balanced approach, taking account of the possibility of either over- or under-achievement. The settlement will be determined based on actual performance achievement prior to the vesting in June 2024 and the PSUs are blocked after vesting to arrive at the total mandatory restriction period of five years from grant date.

3) Fair value per option at grant date provided by a third party based on the "Enhanced American Pricing Model" (including the impact of the restriction period based on a "Black-Scholes Model") of CHF 39.90. The options are blocked after vesting to arrive at the total mandatory restriction period of five years.

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

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

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

1) The variable compensation will be paid out only when the Group's audited financial statements for the financial year have been publicly disclosed by the Group in its consolidated financial statements.

2) Fair value per PSU at grant date CHF 266.80. Fair Value of PSUs provided by a third party based on the Monte Carlo pricing model; this is an appropriately balanced approach, taking account of the possibility of either over- or under-achievement. The settlement will be determined based on actual performance achievement prior to the vesting in June 2023 and the PSUs are blocked after vesting to arrive at the total mandatory holding period of five years from grant date.

3) Fair value per option at grant date provided by a third party based on the "Enhanced American Pricing Model" (including the impact of the holding period based on a "Black-Scholes Model") of CHF 33.34. The options are blocked after vesting to arrive at the total mandatory holding period of five years.

Explanatory comments to the compensation tables

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

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

Variable Cash Compensation performance outcomes 2021/22

The system of the VCC is outlined in more detail in section 5.3 of this report.

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

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

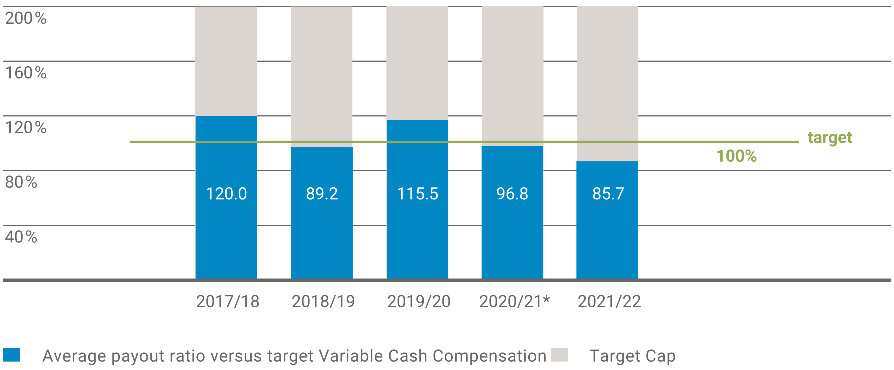
Despite the strong business performance for most of the financial year, not all envisioned improvements in working capital management could be realized to their full extent. This resulted in an Operating Free Cash Flow achievement of 96.7%.

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

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

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

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



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

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

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

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

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

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

6.2.4 Executive Equity Award Plan performance outcomes 2021/22

Options

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

Performance Share Units

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

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

Restricted Share Units

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

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

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

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

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

7. Share ownership information

7.1 Shareholdings of members of the Board of Directors

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

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

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

1) These shares are subject to a restriction period which varies from June 1, 2022 to June 1, 2027 depending on the grant date.
2) These shares are subject to a restriction period which varies from June 1, 2021 to June 1, 2026 depending on the grant date.
3) New member of the Board of Directors since June 2021.
4) Vice-Chair of the Board of Directors until June 2021.
5) Member of the Board of Directors until June 2021.
For further details see also Note 7.4 in the consolidated financial statements.

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

7.2 Shareholdings of members of the Management Board

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

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

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

1) Shares are dividend entitled with full voting rights.
2) Member of the Management Board since June 2021.
3) includes SARs (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
4) SARs were granted instead of options (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
5) Member of the Management Board until June 2021.
For further details see also Note 7.4 in the consolidated financial statements.

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

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

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

1) Share requirements to be achieved for the CEO as of December 31, 2017 and for all other members of the MB after 41 months.
2) Calculated with Sonova closing share price of March 31, 2022.
3) Average of other members of the MB with shareholding requirements.
The calculation of fulfillment and the ratio to base salary of the share ownership shown above are included for illustration purposes only.

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

								31.03.2022
	Options EEAP 22 [1)]	Options EEAP 21 [2)]	Options EEAP 20 [3)]	Options EEAP 19 [4)]	Options EEAP 18 [5)]	Options EEAP 17 [6)]	Options EEAP 16 [7)]	Total options
Arnd Kaldowski	16,871	25,454	28,119	32,901	86,543 [9)]			189,888
Birgit Conix [8)]	4,655							4,655
Ludger Althoff	2,734	4,736	5,668	5,283				18,421
Claudio Bartesaghi	2,355	4,210	4,649	4,881	4,984	2,148 [10)]		23,227
Vicky Carr-Brendel	2,769 [11)]	4,699 [11)]	5,398 [11)]	4,737 [11)]				17,603 [11)]
Claude Diversi	2,381	5,639	6,748	4,307	2,649			21,724
Christophe Fond	3,505	5,889	7,048	8,996	8,127	6,622		40,187
Martin Grieder	3,085	5,513	6,598	8,422	10,594	12,948		47,160
Andi Vonlanthen	2,278	5,639	6,748	8,614	10,594	12,948	7,737	54,558
Total (active members)	**40,633**	**61,779**	**70,976**	**78,141**	**123,491**	**34,666**	**7,737**	**417,423**
Hartwig Grevener [12)]								
Total (including former members)	**40,633**	**61,779**	**70,976**	**78,141**	**123,491**	**34,666**	**7,737**	**417,423**

1) Exercise price CHF 333.60, vesting period 1.2.2022–1.6.2026 whereas one tranche being vested each year, end of restriction period 31.1.2027, exercise period 1.2.2027–31.1.2032.
2) Exercise price CHF 218.70, vesting period 1.2.2021–1.6.2025 whereas one tranche being vested each year, end of restriction period 31.1.2026, exercise period 1.2.2026–31.1.2031.
3) Exercise price CHF 241.80, vesting period 1.2.2020–1.6.2024 whereas one tranche being vested each year, end of restriction period 31.1.2025, exercise period 1.2.2025–31.1.2030.
4) Exercise price CHF 182.40, vesting period 1.2.2019–1.6.2023 whereas one tranche being vested each year, exercise period 1.6.2020–31.1.2029.
5) Exercise price CHF 147.85, vesting period 1.2.2018–1.6.2022 whereas one tranche being vested each year, exercise period 1.6.2019–31.1.2028.
6) Exercise price CHF 130.00, vesting period 1.2.2017–1.6.2021 whereas one tranche being vested each year, exercise period 1.6.2018–31.1.2024.
7) Exercise price CHF 124.20, vesting period 1.2.2016–1.6.2020 whereas one tranche being vested each year, exercise period 1.6.2017–31.1.2023.
8) Member of the Management Board since June 2021.
9) Includes the one-time, non-recurring performance option grant (47,415 options); exercise price of CHF 147.85, vesting period of 1.2.2018 – 1.4.2025, exercise period 1.4.2023 – 30.9.2027.
10) SARs EEAP 2017 (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
11) SARs were granted instead of options (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
12) Member of the Management Board until June 2021.

	Options EEAP 21 [1]	Options EEAP 20 [2]	Options EEAP 19 [3]	Options EEAP 18 [4]	Options EEAP 17 [5]	Options EEAP 16 [6]	Options EEAP 15 [7]	31.03.2021 Total options
Arnd Kaldowski	25,454	28,119	32,901	86,543 [8]				173,017
Hartwig Grevener		1,649	4,211	5,297	6,474	2,579		20,210
Ludger Althoff	4,736	5,668	7,044					17,448
Claudio Bartesaghi	4,210	4,649	4,881	4,984	2,148 [9]	1,529		22,401
Vicky Carr-Brendel	4,699 [10]	5,398 [10]	6,316 [10]					16,413 [10]
Claude Diversi	5,639	6,748	6,461	5,297	3,127			27,272
Christophe Fond	5,889	7,048	8,996	8,127	6,622			36,682
Martin Grieder	5,513	6,598	8,422	10,594	12,948	7,737		51,812
Andi Vonlanthen	5,639	6,748	8,614	10,594	12,948	10,315	10,869	65,727
Total	**61,779**	**72,625**	**87,846**	**131,436**	**44,267**	**22,160**	**10,869**	**430,982**

1) Exercise price CHF 218.70, vesting period 1.2.2021–1.6.2025 whereas one tranche being vested each year, end of restriction period 31.1.2026, exercise period 1.2.2026–31.1.2031.
2) Exercise price CHF 241.80, vesting period 1.2.2020–1.6.2024 whereas one tranche being vested each year, end of restriction period 31.1.2025, exercise period 1.2.2025–31.1.2030.
3) Exercise price CHF 182.40, vesting period 1.2.2019–1.6.2023 whereas one tranche being vested each year, exercise period 1.6.2020–31.1.2029.
4) Exercise price CHF 147.85, vesting period 1.2.2018–1.6.2022 whereas one tranche being vested each year, exercise period 1.6.2019–31.1.2028.
5) Exercise price CHF 130.00, vesting period 1.2.2017–1.6.2021 whereas one tranche being vested each year, exercise period 1.6.2018–31.1.2024.
6) Exercise price CHF 124.20, vesting period 1.2.2016–1.6.2020 whereas one tranche being vested each year, exercise period 1.6.2017–31.1.2023.
7) Exercise price CHF 121.10, vesting period 1.2.2015–1.6.2019 whereas one tranche being vested each year, exercise period 1.6.2016–31.1.2022.
8) Includes the one-time, non-recurring performance option grant (47,415 options); exercise price of CHF 147.85, vesting period of 1.2.2018 – 1.4.2023, exercise period 1.4.2023 – 30.9.2027.
9) SARs EEAP 2017 (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
10) SARs were granted instead of options (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).

Glossary

AC Audit Committee
AGM Annual General Shareholders' Meeting
AHV Old Age and Survivors' Insurance
ALV Unemployment Insurance
Articles of Association Articles of Association of Sonova Holding AG
ASP Average Sales Price
BoD Board of Directors
CEO Chief Executive Officer
CFO Chief Financial Officer
CHF Swiss Francs
EBITA Earnings Before Interest, Taxes and Amortization
EEAP Executive Equity Award Plan
EPS Earnings Per Share
ESG Environmental, Social and Governance
FCF Free Cash Flow
GVP Group Vice President
HRM Human Resource Management
KPIs Key Performance Indicators
MB Management Board
n.a. Not applicable
NCC Nomination and Compensation Committee
OPEX Operating Expenses
PSU Performance Share Unit
ROCE Return on Capital Employed
RSU Restricted Share Unit
rTSR relative Total Shareholder Return
SLI Swiss Leaders Index
SMI Swiss Market Index
SMIM Swiss Market Index Mid
VCC Variable Cash Compensation

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

Statutory auditor’s report on the compensation report

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

Board of Directors’ responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report for the year ended 31 March 2022 of Sonova Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Zurich, 12 May 2022

Ernst & Young Ltd

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

Financial reporting

Financial review 99

5 year key figures 108

Consolidated financial statements 109

- Consolidated income statements
- Consolidated statements of comprehensive income
- Consolidated balance sheet
- Consolidated cash flow statements
- Consolidated changes in equity
- Notes to the consolidated financial statements
- Report to the statutory auditor on the consolidated financial statements

Financial statements of Sonova Holding AG 189

- Income statements
- Balance sheets
- Notes to the financial statements
- Appropriation of available earnings
- Report of the statutory auditor on the financial statements

Investor information 201

Financial report

Financial review

In the 2021/22 financial year, Sonova generated sales of CHF 3,363.9 million, up 29.0% in local currencies and 29.3% in Swiss francs. The strong increase was supported by a solid market recovery as well as a favorable comparison base due to the COVID-19 pandemic. Adjusted Group EBITA reached CHF 844.4 million, up 39.3% in local currencies and 40.0% in Swiss francs, representing a margin of 25.1%.

Strong growth – Sustained recovery despite residual challenges

Sonova Group sales reached CHF 3,363.9 million in the 2021/22 financial year, up 29.0% in local currencies and 29.3% in Swiss francs. The hearing care market continued to recover from the impacts of the COVID-19 pandemic, despite some regional differences and residual challenges. Compared to the 2019/20 financial year, which was only affected in its final weeks by the COVID-19 pandemic, sales were up 20.4% in local currencies, representing a two-year compound annual growth rate (CAGR) of 9.7%. Acquisitions, including the significant expansion of our audiological care store network and the addition of the Sennheiser Consumer Division in the final month of the financial year, contributed 2.4% to the growth. The impact from exchange rate fluctuations was minimal, adding 0.3%.

Sales by regions

in CHF m			2021/22		2020/21
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	1,775.9	53%	25.4%	1,416.6	54%
USA	1,009.8	30%	38.6%	732.2	28%
Americas (excl. USA)	244.6	7%	32.7%	178.2	7%
Asia/Pacific	333.6	10%	19.4%	275.0	11%
Total sales	**3,363.9**	**100%**	**29.0%**	**2,601.9**	**100%**

Solid recovery across all regions, led by strong growth in the United States

Sales in Europe, Middle East and Africa (EMEA) rose by 25.4% in local currencies. The rise was supported by the strong recovery of the private market in the UK, and by a change in the reimbursement system in France, which increased market volumes throughout 2021. Despite achieving significantly higher sales overall, some important markets – including Germany, Belgium and the Netherlands – were slower to recover, dampening growth in the region.

In the United States, sales increased by 38.6% in local currency. Sales growth was supported by the success of our most recent product introductions as well as by the renewal of a private label contract with a large hearing aid retailer. It was further aided by Sonova's leading position with the US Department of Veterans Affairs (VA) and the strong recovery in this market segment, which had been particularly hard hit by the pandemic in the prior year.

Sales in the rest of the Americas (excluding the US) increased by 32.7% in local currencies, helped by acquisitions but held back by a slow recovery in Canada. Sales in the Asia Pacific (APAC) region rose by 19.4% in local currencies, supported by a solid development in China but held back by temporary lockdowns in Australia and New Zealand.

Sonova Group key figures

in CHF m unless otherwise specified	**2021/22**	**2020/21**	**Change in Swiss francs**	**Change in local currencies**
Sales	3,363.9	2,601.9	29.3%	29.0%
Gross profit	2,460.7	1,873.5	31.3%	30.9%
EBITA [1]	802.9	663.3	21.0%	20.3%
EBIT [1]	760.0	619.5	22.7%	21.9%
Basic earnings per share (CHF)	10.42	9.23	13.0%	12.2%
Operating free cash flow [1]	763.7	602.4	26.8%	
ROCE [1]	24.1%	22.3%		
Gross profit (adjusted) [1]	2,463.7	1,880.2	31.0%	30.6%
EBITA (adjusted) [1]	844.4	603.0	40.0%	39.3%
EBITA margin (adjusted)	25.1%	23.2%		
Basic earnings per share (CHF) (adjusted) [1]	10.76	7.71	39.6%	38.7%

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

Further progress on profitability despite supply chain headwinds

Sonova continued to advance its profitability while increasing its growth investments. In line with measures taken in prior years, the Group implemented additional structural optimization initiatives, resulting in restructuring costs of CHF 13.5 million (2020/21: CHF 38.9 million). These steps are expected to yield annual cost savings of around CHF 15-20 million. The acquisition of the Sennheiser Consumer Division and Alpaca Audiology resulted in transaction and integration costs of CHF 12.0 million. In addition, the Group incurred costs of CHF 16.0 million related to a settlement agreement in principle with the US Department of Justice and ongoing patent litigation in the Cochlear Implants segment. As a result of tax reforms, income taxes were affected positively by CHF 17.5 million (2020/21: CHF 28.0 million).

In the 2020/21 financial year, the Group had also recorded one-time income of CHF 124.4 million related to the successful conclusion of a long-running patent infringement lawsuit.

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

Reported gross profit amounted to CHF 2,460.7 million. Adjusted gross profit rose by 30.6% in local currencies or 31.0% in Swiss francs to CHF 2,463.7 million. The adjusted gross profit margin was up 0.9 percentage points at 73.2%, reflecting the structural and continuous improvement measures as well as the increase in the sales volume. This positive development was partly offset by some pressure on average selling prices (ASPs) due to a further normalization of the channel mix and higher transportation and component costs, in part as a result of the pandemic.

Excluding acquisition-related amortization, reported operating expenses were CHF 1,657.7 million (2020/21: CHF 1,210.3 million). Adjusted operating expenses before acquisition-related amortization increased by 26.4% in local currencies or by 26.8% in Swiss francs to CHF 1,619.2 million. Adjusted research and development (R&D) expenses before acquisition-related amortization rose at a double-digit rate for the third consecutive year in a row, growing by 28.7% in local currencies to CHF 229.4 million. This clearly reflects the Group’s long-term commitment to invest continuously in innovation and to further advance Sonova’s industry leading portfolio of products and services.

Adjusted sales and marketing costs before acquisition-related amortization were CHF 1,090.1 million, an increase of 26.5% in local currencies, reflecting the higher sales volume, ongoing investments in customer-facing resources, and temporarily higher lead generation costs in the Audiological Care business. Adjusted general and administrative costs rose by 23.5% in local currencies to CHF 299.8 million or 8.9% of sales (2020/21: 9.3%). This development benefited from strong top-line growth as well as ongoing structural optimization initiatives. It also reflects ongoing investment in the new Audiological Care IT system, aimed at improving in-store and cross-business process efficiency. In addition, it was affected by a negative one-time impact from provisions related to the business in Russia. Adjusted other expenses were CHF 0.0 million (2020/21: CHF 1.4 million income).

Adjusted operating profit before acquisition-related amortization (EBITA) rose by 39.3% in local currencies or 40.0% in Swiss francs to CHF 844.4 million (2020/21: CHF 603.0 million). Compared to pre-pandemic levels in the 2019/20 financial year, adjusted EBITA was up by 48.2% in local currencies. The adjusted EBITA margin reached 25.1%, up 1.9 percentage points compared to the prior year and up 3.9 percentage points compared to the 2019/20 financial year. Exchange rate developments lifted the adjusted EBITA by CHF 4.6 million and the margin by 0.1 percentage points. Reported EBITA increased by 20.3% in local currencies and by 21.0% in Swiss francs to CHF 802.9 million. Acquisition-related amortization amounted to CHF 42.9 million (2020/21: CHF 43.8 million). Reported operating profit (EBIT) reached CHF 760.0 million (2020/21: CHF 619.5 million), up 22.7% in Swiss francs.

Strong increase in earnings per share

Driven by increased borrowings and bond issues, net financial expenses, including the result from associates, increased from CHF 19.1 million to CHF 31.8 million. Income taxes amounted to CHF 64.5 million. They were reduced by CHF 17.5 million from effects related to tax reforms and by CHF 26.6 million from the release of tax provisions. The underlying tax rate stood at 14.5% (2020/21: 12.5%). Basic earnings per share (EPS) reached CHF 10.42, up 13.0% in Swiss francs. Adjusted EPS increased by 38.7% in local currencies or 39.6% in Swiss francs to CHF 10.76, compared to CHF 7.71 in the prior year.

Employees

The Group's total workforce at the end of March 2022 was 16,733 full-time equivalents. This represents an increase of 2,225 or 15.3% and largely reflects the recent acquisitions, including of the Sennheiser Consumer Division and Alpaca Audiology, as well as continued investment in R&D and customer-facing staff to support further growth.

Hearing Instruments segment – Strong organic growth and support from acquisitions

Sales in the Hearing Instruments segment reached CHF 3,084.0 million, an increase of 27.2% in local currencies compared to the prior year. Sales were up 19.8% in local currencies compared to the 2019/20 financial year, representing a two-year CAGR of 9.4%. The global hearing care market continued its recovery, despite some regional differences and residual challenges. Organic sales growth reached 24.7%, while the contribution from acquisitions in the reporting period (including the full-year effect of prior year acquisitions) lifted sales by 2.6% or CHF 63.3 million. This includes the recently completed acquisitions of the Sennheiser Consumer Division and Alpaca Audiology, which were consolidated in the final month of the 2021/22 financial year. Exchange rate fluctuations contributed CHF 8.2 million or 0.3% in Swiss francs, resulting in a reported sales growth of 27.6%.

The Hearing Instruments business generated sales of CHF 1,838.4 million, rising by 25.4% in local currencies. Important contributors to the positive momentum were the continued strong customer response to the Phonak Paradise platform, which was further extended, as well as the successful launch of the Unitron BLU platform. Average selling prices (ASPs) were under pressure as a result of the further normalization of the channel mix.

Sales the Audiological Care business were CHF 1,236.8 million, up 29.1% in local currencies. Organic growth reached 23.4% with acquisitions adding 5.7%. Bolt-on acquisition activity accelerated throughout the year with a focus on the United States, Australia, Germany and France. Momentum in the second half was negatively affected by some capacity constraints related to the surge in the COVID-19 Omicron variant. The highlight was the acquisition of Alpaca Audiology, one of the largest independent networks of audiological care clinics in the United States with around 220 clinics. With this acquisition, Sonova has doubled its US network.

Following the successful completion of the acquisition of the Sennheiser Consumer Division on March 1, 2022, the newly formed Consumer Hearing business generated sales of CHF 8.8 million during the final month of financial year 2021/22. The new business provides a strong platform for growth by combining Sennheiser's globally-recognized brand, established consumer sales channels, and strong know-how in sound delivery with Sonova's comprehensive expertise in audiological performance and miniaturization.

Sales by business – Hearing Instruments segment

in CHF m	2021/22			2020/21	
	Sales	Share	Growth in local currencies	Sales	Share
Hearing Instruments business	1,838.4	60%	25.4%	1,463.9	61%
Audiological Care business	1,236.8	40%	29.1%	953.5	39%
Consumer Hearing business	8.8	<1%	n/a	n/a	n/a
Total Hearing Instruments segment	**3,084.0**	**100%**	**27.2%**	**2,417.3**	**100%**

Reported EBITA for the Hearing Instruments segment amounted to CHF 782.9 million, an increase of 34.2% in local currencies. Adjusted EBITA increased by 30.2% in local currencies to CHF 807.2 million, corresponding to an EBITA margin of 26.2% (2020/21: 25.5%). Exchange rate fluctuations did not have a material impact on the margin development compared to the prior year.

Cochlear Implants segment – Return to profitable growth

The Cochlear Implants business achieved sales of CHF 279.9 million, an increase of 51.7% both in local currencies and in Swiss francs versus prior year. The strong growth was driven by the success of two recently launched sound processors – Naída™ CI Marvel for adults and Sky CI™ Marvel designed for children. Elective surgeries picked up at the start of the year but volumes were negatively affected by supply shortages as well as by rising infection rates from COVID-19 variants leading to hospital staffing shortages in the second half of the 2021/22 financial year.

Sales by product groups – Cochlear Implants segment

in CHF m	2021/22			2020/21	
	Sales	Share	Growth in local currencies	Sales	Share
Cochlear implant systems	175.8	63%	35.7%	129.3	70%
Upgrades and accessories	104.1	37%	88.9%	55.2	30%
Total Cochlear Implants segment	**279.9**	**100%**	**51.7%**	**184.5**	**100%**

Reported EBITA for the Cochlear Implants segment reached CHF 19.7 million. This includes costs related to the above-mentioned settlement agreement in principle and patent litigation of CHF 16.0 million. In the prior year, the reported EBITA of CHF 82.4 million had included restructuring costs of CHF 2.3 million, a one-time income of CHF 124.4 million from the award in a patent infringement lawsuit and a CHF 25.3 million impairment of capitalized development costs. Supported by the strong revenue development as well as good progress made in our productivity improvement and efficiency enhancement measures, the adjusted EBITA reached CHF 36.8 million (2020/21: adjusted EBITA loss of CHF 14.3 million). This resulted in an adjusted EBITA margin of 13.2%, reaching double-digits for the first time in the history of the segment.

Solid cash flow

Cash flow from operating activities was CHF 941.1 million, up 23.1% compared to the prior year. Main driver for the increase was the strong operating result, supported by less tax payments (timing impacts) and positive impact from the changes in net working capital mainly in regards to trade payables. Net investments in tangible and intangible assets increased to CHF 104.8 million (2020/21: CHF 86.8 million), reflecting a normalization in capital expenditure after the reduction during the height of the pandemic. Operating free cash flow increased by 26.8% to CHF 763.7 million.

With the increase in M&A activity, including the acquisition of the Sennheiser Consumer Division and Alpaca Audiology, the cash consideration for acquisitions increased significantly to CHF 596.2 million (2020/21: CHF 30.5 million). In summary, this resulted in a free cash flow of CHF 167.6 million (2020/21: CHF 571.9 million). The cash outflow from financing activities of CHF 1,392.4 million reflects the repayment of a bond of CHF 360.0 million, the dividend payment of CHF 201.6 million and net share repurchases of CHF 731.6 million, mainly related to the share buyback program.

Sound balance sheet – Further increase in return on capital

Net working capital fell to CHF –15.0 million, compared to CHF 29.6 million at the end of the prior year. Receivable collection continued to be strong while the Group allowed for an increase in inventories related to safety stock to manage supply shortages of microelectronic components. Increase in short term assets was over-compensated by an increase in trade payables of CHF 86.0 million and additional increases mainly in regards to VAT and withholding tax payables (share buy-back program). Driven mainly by the higher M&A activity, capital employed increased to CHF 3,439.1 million compared to CHF 2,855.7 million at the end of March 2021.

The Group’s equity position amounted to CHF 2,432.8 million, down from CHF 2,772.5 million in the previous year. The result was an equity ratio of 43.5%. This was mainly driven by share purchases under the share buyback program and dividend payments. Coupled with the higher acquisition activity this resulted in an increase of the net debt position, which reached CHF 1,006.3 million compared to CHF 83.3 million at the end of the prior year. The return on capital employed (ROCE) improved significantly to 24.1% from 22.3% in the prior year.

Outlook 2022/23

Recent developments have clearly demonstrated that the attractive fundamentals of the hearing care market remain intact. Despite certain supply chain constraints and variations in market recovery rates, healthy demand will continue to support further market recovery, barring a further deterioration of the geopolitical situation. Sonova’s growth focus, founded on innovation, targeted go-to-market investments, and ever closer consumer contact, puts it in an excellent position both to expand the overall market and to increase its market share. Supported by this, Sonova expects consolidated sales to increase by 17%-21% at constant exchange rates, along with a further growth in profits.

Reconciliation of non-GAAP financial measures

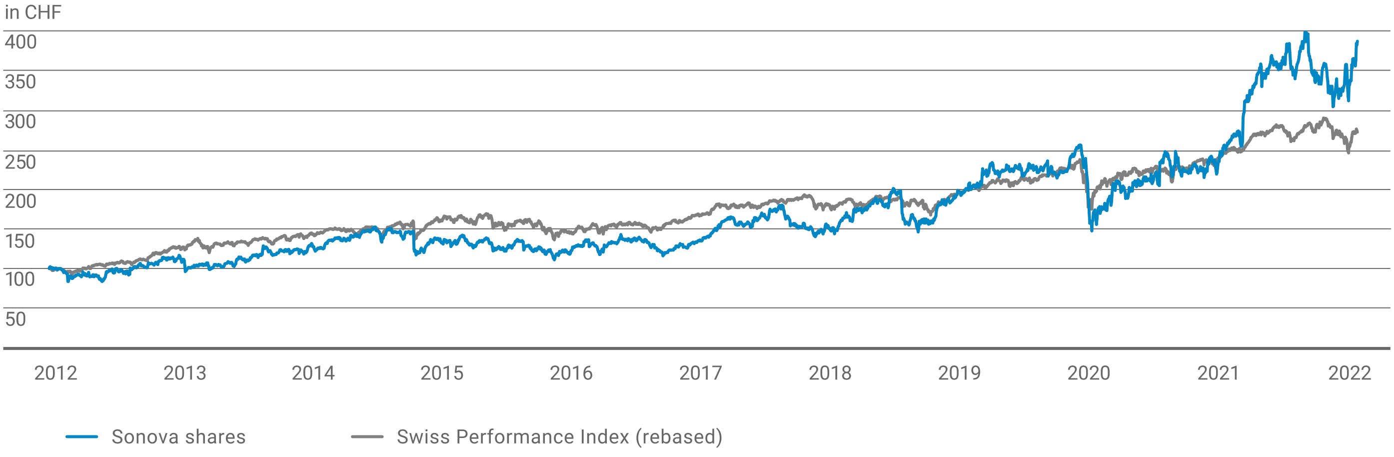
April 1 to March 31, CHF million								2021/22
	Income statement as reported	Acquis. related amortization	**Income statement EBITA separation**	Restructuring costs	Tax reforms	Transaction and integration costs	Settlement agreement in principle and patent litigation	**Income statement adjusted**
Sales	**3,363.9**		**3,363.9**					**3,363.9**
Cost of sales	(903.3)		(903.3)	3.0				(900.3)
Gross profit	**2,460.7**		**2,460.7**	**3.0**				**2,463.7**
Research and development	(230.5)	0.6	(230.0)	0.6				(229.4)
Sales and marketing	(1,137.6)	42.4	(1,095.3)	4.8		0.4		(1,090.1)
General and administration	(320.9)		(320.9)	5.1		11.7	4.4	(299.8)
Other income/(expenses), net	(11.5)		(11.5)				11.6	0.0
Operating profit before acquisition-related amortization (EBITA) [1]			**802.9**	**13.5**		**12.0**	**16.0**	**844.4**
Acquisition-related amortization		(42.9)	(42.9)					(42.9)
Operating profit (EBIT) [2]	**760.0**		**760.0**	**13.5**		**12.0**	**16.0**	**801.5**
Basic earnings per share (CHF)	**10.42**		**10.42**	**0.18**	**(0.28)**	**0.17**	**0.26**	**10.76**

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

April 1 to March 31, CHF million								2020/21
	Income statement as reported	Acquis. related amortization	**Income statement EBITA separation**	Restructuring costs	Tax reforms	Patent infringement lawsuit income	Impairment of capitalized development cost	**Income statement adjusted**
Sales	**2,601.9**		**2,601.9**					**2,601.9**
Cost of sales	(728.3)		(728.3)	6.6				(721.7)
Gross profit	**1,873.5**		**1,873.5**	**6.6**				**1,880.2**
Research and development	(204.8)	0.9	(203.9)	0.7			25.3	(177.9)
Sales and marketing	(924.1)	42.9	(881.2)	22.6				(858.6)
General and administration	(250.9)		(250.9)	8.9				(242.0)
Other income/(expenses), net	125.8		125.8			(124.4)		1.4
Operating profit before acquisition-related amortization (EBITA) [1]			**663.3**	**38.8**		**(124.4)**	**25.3**	**603.0**
Acquisition-related amortization		(43.8)	(43.8)	0.0				(43.7)
Operating profit (EBIT) [2]	**619.5**		**619.5**	**38.9**		**(124.4)**	**25.3**	**559.3**
Basic earnings per share (CHF)	**9.23**		**9.23**	**0.50**	**(0.45)**	**(1.98)**	**0.40**	**7.71**

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

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



Share price performance history[1)]

	10 years	5 years	3 years	2 years	1 year
Sonova shares	286.4%	179.0%	96.8%	122.2%	54.8%
Swiss Performance Index (SPI) [2)]	171.9%	61.2%	38.2%	37.3%	10.9%
Sonova shares relative to the SPI	114.6%	117.8%	58.5%	85.0%	43.9%

1) Performance of the Sonova shares and SPI refers to the respective period prior to the last trading day of the 2021/22 financial year.
2) The Swiss Performance Index (SPI) is considered Switzerland's overall stock market index. It comprises practically all of the SIX Swiss Exchange-traded equity securities of companies that are domiciled in Switzerland or the Principality of Liechtenstein.

5 year key figures

April 1 to March 31, in CHF million unless otherwise specified	2021/22	2020/21	2019/20	2018/19	2017/18
Sales	**3,363.9**	**2,601.9**	**2,916.9**	**2,763.2**	**2,645.9**
change compared to previous year (%)	29.3	(10.8)	5.6	4.4	10.4
Gross profit	**2,460.7**	**1,873.5**	**2,083.6**	**1,966.2**	**1,868.2**
in % of sales	73.1	72.0	71.4	71.2	70.6
Gross profit (adjusted) 1)	**2,463.7**	**1,880.2**	**2,106.9**	**1,975.1**	**1,868.2**
in % of sales (adjusted)	73.2	72.3	72.0	71.5	70.6
Research & development costs	**230.0**	**203.9**	**166.1**	**148.4**	**142.9**
in % of sales	6.8	7.8	5.7	5.4	5.4
Sales & marketing costs	**1,095.3**	**881.2**	**1,030.8**	**970.3**	**934.5**
in % of sales	32.6	33.9	35.3	35.1	35.3
Operating profit before acquisition-related amortization (EBITA)	**802.9**	**663.3**	**554.3**	**582.5**	**532.5**
in % of sales	23.9	25.5	19.0	21.1	20.1
Operating profit before acquisition-related amortization (EBITA) (adjusted) 1)	**844.4**	**603.0**	**620.8**	**594.0**	**551.6**
in % of sales (adjusted)	25.1	23.2	21.2	21.5	20.8
Operating profit (EBIT)	**760.0**	**619.5**	**510.0**	**536.2**	**483.0**
in % of sales	22.6	23.8	17.5	19.4	18.3
Income after taxes	**663.6**	**585.3**	**489.5**	**460.2**	**407.4**
in % of sales	19.7	22.5	16.8	16.7	15.4
Income after taxes (adjusted) 1)	**684.4**	**489.6**	**475.5**	**468.5**	**422.7**
in % of sales (adjusted)	20.3	18.8	16.2	17.0	16.0
Basic earnings per share	**10.42**	**9.23**	**7.61**	**6.98**	**6.13**
Basic earnings per share (CHF) (adjusted) 1)	**10.76**	**7.71**	**7.39**	**7.11**	**6.36**
Dividend/distribution per share (CHF)	**4.40** 2)	**3.20**	**Stock Div.**	**2.90**	**2.60**
Net cash/(debt) 3)	**(1,006.3)**	**(83.3)**	**(663.0)**	**(253.9)**	**(228.0)**
Net working capital 4)	(15.0)	29.6	(18.9)	163.0	190.5
Capital expenditure (tangible and intangible assets) 5)	106.6	89.3	128.8	117.9	96.3
Capital employed 6)	3,439.1	2,855.7	2,692.5	2,630.0	2,702.9
Total assets	5,588.2	5,925.6	4,486.5	4,292.5	4,302.0
Equity	2,432.8	2,772.5	2,029.4	2,376.1	2,474.9
Equity financing ratio (%) 7)	43.5	46.8	45.2	55.4	57.5
Free cash flow 8)	167.6	571.9	563.7	346.9	360.0
Operating free cash flow 9)	**763.7**	**602.4**	**638.5**	**411.8**	**419.2**
Return on capital employed (%) 10)	**24.1**	**22.3**	**18.2**	**20.6**	**18.4**
Number of employees (end of period)	**16,733**	**14,508**	**15,184**	**14,740**	**14,242**

1) Non-GAAP financial measure adjusted for nonrecurring items; for details see the table "Reconciliation of non-GAAP financial measures" in the financial review or refer to the respective annual report.
2) Proposal to the Annual General Shareholders' Meeting of June 15, 2022.
3) Cash and cash equivalents + other current financial assets (without loans) – current financial liabilities – current lease liabilities – non-current financial liabilities – non-current lease liabilities.
4) Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – short-term contract liabilities – other short-term liabilities – short-term provisions.
5) Excluding goodwill and intangibles relating to acquisitions.
6) Equity – net cash/(debt).
7) Equity in % of total assets.
8) Cash flow from operating activities + cash flow from investing activities + payments for lease liabilities.
9) Free cash flow – cash consideration for acquisitions and from divestments, net of cash acquired/divested – cash consideration for associates.
10) EBIT in % of capital employed (average).

Consolidated financial statements

Consolidated income statement

April 1 to March 31, in CHF million	Notes	2021/22	2020/21
Sales	2.2,2.3	**3,363.9**	**2,601.9**
Cost of sales		(903.3)	(728.3)
Gross profit		**2,460.7**	**1,873.5**
Research and development [1)]		(230.5)	(204.8)
Sales and marketing [1)]		(1,137.6)	(924.1)
General and administration		(320.9)	(250.9)
Other income	2.4	0.1	135.6
Other expenses	2.4	(11.6)	(9.8)
Operating profit (EBIT) [2)]		**760.0**	**619.5**
Financial income	4.2	1.7	5.0
Financial expenses	4.2	(36.5)	(26.0)
Share of profit/(loss) in associates/joint ventures, net	6.2	3.0	1.9
Income before taxes		**728.2**	**600.4**
Income taxes	5.1	(64.5)	(15.2)
Income after taxes		**663.6**	**585.3**
Attributable to:			
Equity holders of the parent		649.0	581.0
Non-controlling interests		14.7	4.3
Basic earnings per share (CHF)	2.5	10.42	9.23
Diluted earnings per share (CHF)	2.5	10.35	9.19

1) Includes acquisition-related amortization of CHF 0.6 million (previous year: CHF 0.9 million) in “Research and development” and CHF 42.4 million (previous year: CHF 42.9 million) in “Sales and marketing”. EBITA (Earnings before financial result, share of profit/(loss) in associates/joint ventures, taxes and acquisition-related amortization) amounts to CHF 802.9 million (previous year: CHF 663.3 million). Refer to Note 2.1

2) Earnings before financial result, share of profit/(loss) in associates/joint ventures and taxes (EBIT).
The Notes are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

April 1 to March 31, in CHF million	Notes	2021/22	2020/21
Income after taxes		**663.6**	**585.3**
Other comprehensive income			
Actuarial gain/(loss) from defined benefit plans, net	7.3	55.7	55.7
Tax effect on actuarial result from defined benefit plans, net		(9.1)	(6.6)
Total items not to be reclassified to income statement in subsequent periods		**46.6**	**49.1**
Currency translation differences		(113.1)	90.4
Tax effect on currency translation items		7.6	(0.2)
Total items to be reclassified to income statement in subsequent periods		**(105.5)**	**90.2**
Other comprehensive income, net of tax		**(58.9)**	**139.3**
Total comprehensive income		**604.8**	**724.6**
Attributable to:			
Equity holders of the parent		591.6	718.3
Non-controlling interests		13.2	6.3

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

Consolidated balance sheet

Assets CHF million	Notes	31.3.2022	31.3.2021
Cash and cash equivalents	4.1	610.5	1,772.2
Other current financial assets	4.4	8.4	6.8
Trade receivables	3.1	474.3	438.8
Current income tax receivables		4.8	4.7
Inventories	3.2	412.7	302.3
Other current operating assets	3.6	148.9	96.6
Total current assets		**1,659.7**	**2,621.4**
Property, plant and equipment	3.3	358.9	335.3
Right-of-use assets	3.4	273.8	261.6
Intangible assets	3.5	2,948.9	2,421.8
Investments in associates/joint ventures	6.2	22.3	19.7
Other non-current financial assets	4.4	36.2	38.9
Other non-current operating assets	3.6	5.8	6.2
Retirement benefit asset	7.3	39.7	
Deferred tax assets	5.1	242.9	220.7
Total non-current assets		**3,928.5**	**3,304.2**
Total assets		**5,588.2**	**5,925.6**

Liabilities and equity CHF million	Notes	31.3.2022	31.3.2021
Current financial liabilities	4.5	374.2	375.7
Current lease liabilities	3.4	68.8	58.9
Trade payables		189.2	103.2
Current income tax liabilities		177.6	128.1
Short-term contract liabilities	2.3	106.7	101.5
Other short-term operating liabilities	3.8	437.5	338.2
Short-term provisions	3.7	151.6	148.1
Total current liabilities		**1,505.7**	**1,253.8**
Non-current financial liabilities	4.5	959.9	1,208.9
Non-current lease liabilities	3.4	215.5	212.4
Long-term provisions	3.7	132.6	144.7
Long-term contract liabilities	2.3	187.3	200.5
Retirement benefit obligation	7.3	15.7	21.3
Deferred tax liabilities	5.1	138.8	111.5
Total non-current liabilities		**1,649.8**	**1,899.4**
Total liabilities		**3,155.4**	**3,153.1**
Share capital	4.6	3.2	3.2
Treasury shares		(721.0)	(306.9)
Retained earnings and reserves		3,128.2	3,051.6
Equity attributable to equity holders of the parent		**2,410.5**	**2,748.0**
Non-controlling interests		22.3	24.5
Equity		**2,432.8**	**2,772.5**
Total liabilities and equity		**5,588.2**	**5,925.6**

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

Consolidated cash flow statement

April 1 to March 31, in CHF million	Notes		2021/22		2020/21
Income before taxes			**728.2**		**600.4**
Depreciation, amortization and impairment of tangible and intangible assets and right-of-use assets	**3.3,3.4,3.5**	211.1		222.7	
Loss on sale of tangible and intangible assets, net		0.3		3.2	
Share of (profit)/loss in associates/joint ventures, net	**6.2**	(3.0)		(1.9)	
Decrease in long-term provisions and long-term contract liabilities		(3.2)		(9.2)	
Financial (income)/expense, net	**4.2**	34.9		21.0	
Share based payments	**7.4**	33.5		31.3	
Other non-cash items		5.0		14.5	
Income taxes paid		(46.7)	231.9	(76.3)	205.3
Cash flow before changes in net working capital			**960.1**		**805.7**
Increase in trade receivables		(36.2)		(45.7)	
(Increase)/decrease in other receivables and prepaid expenses		(22.6)		8.1	
Increase in inventories		(55.2)		(36.3)	
Increase/(decrease) in trade payables		74.5		(3.2)	
Increase in other payables, accruals, short-term provisions and short-term contract liabilities		20.7	(18.9)	35.8	(41.3)
Cash flow from operating activities			**941.1**		**764.4**
Purchase of tangible and intangible assets	**3.3,3.5**	(106.6)		(89.2)	
Proceeds from sale of tangible and intangible assets		1.9		2.4	
Cash consideration for acquisitions, net of cash acquired	**6.1**	(594.1)		(29.3)	
Cash consideration for associates	**6.2**	(2.1)		(1.2)	
Changes in other financial assets		(6.2)		(6.2)	
Interest received		1.1		1.8	
Cash flow from investing activities			**(705.9)**		**(121.8)**
Proceeds from borrowings	**4.5**			1,002.5	
Repayment of borrowings	**4.5**	(360.0)		(230.0)	
Repayment of lease liabilities	**3.4**	(64.0)		(66.7)	
Share buyback program	**4.6**	(678.1)		(25.1)	
Sale of treasury shares	**4.6**	26.3		16.8	
Purchase of treasury shares	**4.6**	(79.8)		(9.7)	
Dividends paid by Sonova Holding AG		(201.6)		(0.2)	
Dividends to non-controlling interests		(15.4)			
Interest paid		(19.7)		(11.5)	
Cash flow from financing activities			**(1,392.4)**		**676.1**
Exchange (losses)/gains on cash and cash equivalents			(4.5)		3.3
(Decrease)/Increase in cash and cash equivalents			**(1,161.7)**		**1,322.0**
Cash and cash equivalents at the beginning of the financial year			1,772.2		450.2
Cash and cash equivalents at the end of the financial year			**610.5**		**1,772.2**

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

Consolidated statement of changes in equity

CHF million

	Attributable to equity holders of Sonova Holding AG					
	Share capital	Retained earnings and other reserves	Translation adjustment	Treasury shares	Non-controlling interests	Total equity
Balance April 1, 2020	**3.2**	**2,849.0**	**(406.8)**	**(447.5)**	**18.2**	**2,016.2**
Income for the period		581.0			4.3	585.3
Actuarial gain/(loss) from defined benefit plans, net		55.7				55.7
Tax effect on actuarial result		(6.6)				(6.6)
Currency translation differences			88.4		2.0	90.4
Tax effect on currency translation			(0.2)			(0.2)
Total comprehensive income		**630.1**	**88.2**		**6.3**	**724.6**
Share-based payments		6.1		18.8		24.9
Sale of treasury shares [1]		(14.6)		31.4		16.8
Purchase of treasury shares				(9.7)		(9.7)
Dividend paid		(100.4)		100.2		(0.2)
Balance March 31, 2021	**3.2**	**3,370.2**	**(318.6)**	**(306.9)**	**24.5**	**2,772.5**
Balance April 1, 2021	**3.2**	**3,370.2**	**(318.6)**	**(306.9)**	**24.5**	**2,772.5**
Income for the period		649.0			14.7	663.6
Actuarial gain/(loss) from defined benefit plans, net		55.7				55.7
Tax effect on actuarial result		(9.1)				(9.1)
Currency translation differences			(111.7)		(1.5)	(113.1)
Tax effect on currency translation			7.6			7.6
Total comprehensive income		**695.6**	**(104.0)**		**13.2**	**604.8**
Capital decrease – share buyback program	(0.1)	(277.5)		277.5		
Share-based payments		5.4		23.5		28.9
Sale of treasury shares [1]		(41.2)		67.5		26.3
Purchase of treasury shares [2]				(782.6)		(782.6)
Dividend paid		(201.6)			(15.4)	(217.0)
Balance March 31, 2022	**3.2**	**3,550.8**	**(422.6)**	**(721.0)**	**22.3**	**2,432.8**

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

Notes to the consolidated financial statements as of March 31, 2022

1. Basis for preparation

1.1 Corporate information

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

1.2 Basis of consolidated financial statements

The consolidated financial statements of the Group are based on the financial statements of the individual Group companies at March 31, which are prepared in accordance with uniform accounting policies. The consolidated financial statements were prepared under the historical cost convention except for the revaluation of certain financial assets at market value, which were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The consolidated financial statements were approved by the Board of Directors of Sonova Holding AG on May 12, 2022, and are subject to approval by the Annual General Shareholders' Meeting on June 15, 2022.

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

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

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

1.3 Significant accounting judgments and estimates

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

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

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

Impact of the Covid-19 pandemic

The global health and economic crisis resulting from the COVID-19 pandemic is affecting the hearing care market and with it, the Group's business activities. Audiology stores, the primary consumer channel for hearing care products and services, were partially closed or operating with reduced hours during most of the financial year 2020/21 and to a lesser extent in some markets during financial year 2021/22. The Cochlear Implants business was also significantly impacted, as healthcare providers have deferred non-essential surgeries during financial year 2020/21. However, the situation mostly normalized during financial year 2021/22. In this context, Sonova implemented strict cost-saving programs, and temporary government-subsidized work time reductions in a number of countries. Refer to Note 7.5 for government support received worldwide.

1.4 Changes in accounting policies

In 2021/22 the Group adopted the following minor amendments to existing standards and interpretations, without having a significant impact on the Group's result and financial position:

- Interest Rate Benchmark Reform – Phase 2: *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The Group has assessed the expected impacts of the various new and revised standards and interpretations that will be effective for the financial year starting April 1, 2022 and beyond. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. Operating result

2.1 Income statement reconciliation

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

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

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

April 1 to March 31, CHF million			2020/21
	Income statement as reported	Acquis. related amortization	**Income statement EBITA separation**
Sales	**2,601.9**		**2,601.9**
Cost of sales	(728.3)		(728.3)
Gross profit	**1,873.5**		**1,873.5**
Research and development	(204.8)	0.9	(203.9)
Sales and marketing	(924.1)	42.9	(881.2)
General and administration	(250.9)		(250.9)
Other income/(expenses), net	125.8		125.8
Operating profit before acquisition-related amortization (EBITA) 1)			**663.3**
Acquisition-related amortization		(43.8)	(43.8)
Operating profit (EBIT) 2)	**619.5**		**619.5**

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

2.2 Segment information

Information by business segments

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

Hearing instruments:

This operating segment includes the activities of the design, development, manufacture, distribution and service of hearing instruments and related products. Research and development is centralized in Switzerland while some supporting activities are also performed in Canada, Sweden and Germany. Production of hearing instruments is concentrated in three production centers located in Switzerland, China and Vietnam. Technologically advanced production processes are performed in Switzerland, whereas standard assembly of products is conducted in Asia. Most of the marketing activities are steered by the brand marketing departments in Switzerland, Canada, the United States, Germany and Sweden. The execution of marketing campaigns lies with the sales organizations in each market. Product distribution is done through sales organizations in the individual markets. The distribution channels of the Group vary in the individual markets depending on the sales strategy and the characteristics of the countries. The distribution channels can be split broadly into a retail business where Sonova operates its own store network and sells directly to end consumers and a hearing instruments business, reflecting the wholesale sales to independent audiologists, 3rd party retail chains, multinational and government customers.

The hearing instruments segment further includes the new Consumer Hearing business in which Sonova is active in the fast-growing market for true wireless headsets, speech-enhanced hearables as well as audiophile headphones. In financial year 2021/22, Sonova acquired the consumer division from Sennheiser (refer to Note 6.1), which manufactures headphones, microphones and wireless transmission systems and has production facilities in Germany, Ireland, Romania and the USA. Product distribution is done through 21 sales subsidiaries and long-established trading partners.

Cochlear implants:

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

CHF million	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	Hearing Instruments		Cochlear Implants		Corporate/ Eliminations		Total	
Segment sales	3,089.5	2,425.8	282.3	186.2			3,371.7	2,612.0
Intersegment sales	(5.4)	(8.4)	(2.4)	(1.7)			(7.8)	(10.2)
Sales	**3,084.0**	**2,417.3**	**279.9**	**184.5**			**3,363.9**	**2,601.9**
Timing of revenue recognition								
At point in time	2,949.3	2,273.1	268.0	179.5			3,217.4	2,452.6
Over time	134.7	144.2	11.9	5.0			146.5	149.2
Total sales	**3,084.0**	**2,417.3**	**279.9**	**184.5**			**3,363.9**	**2,601.9**
Operating profit before acquisition-related amortization (EBITA)	**782.9**	**580.6**	**19.7**	**82.4**	**0.4**	**0.3**	**802.9**	**663.3**
Depreciation, amortization and impairment	(173.2)	(173.3)	(37.8)	(49.4)			(211.1)	(222.7)
Segment assets	**4,831.4**	**4,035.7**	**568.2**	**593.3**	**(686.9)**	**(716.0)**	**4,712.6**	**3,913.0**
Unallocated assets [1]							875.6	2,012.6
Total assets							**5,588.2**	**5,925.6**

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

Reconciliation of reportable segment profit CHF million	2021/22	2020/21
EBITA	802.9	663.3
Acquisition-related amortization	(42.9)	(43.8)
Financial costs, net	(34.9)	(21.0)
Share of profit/(loss) in associates/joint ventures, net	3.0	1.9
Income before taxes	**728.2**	**600.4**

Entity-wide disclosures

Sales by business CHF million	2021/22	2020/21
Hearing Instruments business	1,838.4	1,463.9
Audiological Care business	1,236.8	953.5
Consumer Hearing business	8.8	n/a
Total Hearing Instruments segment	**3,084.0**	**2,417.3**
Cochlear Implant systems	175.8	129.3
Upgrades and accessories	104.1	55.2
Total Cochlear Implants segment	**279.9**	**184.5**
Total sales	**3,363.9**	**2,601.9**

Sales and selected non-current assets by regions CHF million	2021/22	2020/21	2021/22	2020/21
Country/region	Sales [1]		Selected non-current assets [2]	
Switzerland	30.8	30.9	238.4	259.0
EMEA (excl. Switzerland)	1,745.1	1,385.7	1,765.9	1,759.8
USA	1,009.8	732.2	1,021.5	696.6
Americas (excl. USA)	244.6	178.2	217.5	193.7
Asia/Pacific	333.6	275.0	360.6	129.2
Total Group	**3,363.9**	**2,601.9**	**3,603.9**	**3,038.4**

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

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

2.3 Revenue

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

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

Contract balances CHF million	31.3.2022	31.3.2021
Contract assets	8.8	9.3
Contract liabilities	294.1	302.0

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

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

Movement in contract liabilities CHF million	**2021/22**	**2020/21**
Balance April 1	302.0	318.4
Changes through business combinations	9.3	0.4
Increase due to advance consideration received in the period	143.4	132.4
Decrease due to revenue recognized in the period that,		
– was included in the contract liabilities at the beginning of the period	(102.6)	(137.1)
– relates to consideration received in the period	(41.7)	(21.0)
Reversals	(2.3)	
Exchange differences	(14.1)	8.9
Balance March 31	**294.1**	**302.0**
Expectation on timing of revenue recognition:		
Within 1 year	106.7	101.5
Within 2 years	88.4	104.2
Within 3 years	52.3	50.9
Within 4 years	21.9	16.4
More than 4 years	24.7	29.1

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

Accounting policies

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

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

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

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

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

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

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

2.4 Other income/expenses

In the 2021/22 financial year, the net result of other income and expense amounts to CHF –11.5 million (previous year: CHF 125.8 million). The expense primarily relates to costs in relation to a settlement agreement in principle with the US Department of Justice and ongoing patent litigation in the Cochlear Implants segment. For further information refer to Note 3.9 “Contingent assets and liabilities”.

In the prior year, the income primarily related to Advanced Bionics which was awarded damages in a patent infringement lawsuit of CHF 124.4 million (for further information refer to Note 3.9 “Contingent assets and liabilities”). The remaining other income and expenses are primarily related to the regular and systematic assessment of the provision for product liabilities in the cochlear implants segment (reversal of CHF 10.8 million recorded in “Other income” and increase of CHF 9.8 million recorded in “Other expenses”). For further information refer to Note 3.7 “Provisions”.

2.5 Earnings per share

Basic earnings per share	**2021/22**	**2020/21**
Income after taxes (CHF million)	649.0	581.0
Weighted average number of outstanding shares	62,270,275	62,967,588
Basic earnings per share (CHF)	**10.42**	**9.23**

Diluted earnings per share	**2021/22**	**2020/21**
Income after taxes (CHF million)	649.0	581.0
Weighted average number of outstanding shares	62,270,275	62,967,588
Adjustment for dilutive share options	440,731	255,916
Adjusted weighted average number of outstanding shares	62,711,006	63,223,504
Diluted earnings per share (CHF)	**10.35**	**9.19**

Accounting policies

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

In the case of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming all outstanding dilutive options will be exercised. The weighted average number of shares is adjusted for all dilutive options issued under the stock option plans which have been granted in 2015 through to 2022 and which have not yet been exercised. Options that are out-of-the-money (compared to average share price) are not considered. The calculation of diluted earnings per share is based on the same income after taxes for the period as is used in calculating basic earnings per share.

3. Operating assets and liabilities

3.1 Trade receivables

CHF million	31.3.2022	31.3.2021
Trade receivables	505.6	473.3
Loss allowance for doubtful receivables	(31.3)	(34.5)
Total	**474.3**	**438.8**

As is common in this industry, the Sonova Group has a large number of customers. There is no significant concentration of credit risk. The increase compared to previous year is primarily driven by the acquisition of the Sennheiser Consumer Division and other acquisitions (refer to Note 6.1).

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

During 2021/22, the Group utilized CHF 3.1 million (previous year CHF 7.8 million) of the loss allowance for doubtful receivables to write-off receivables.

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

CHF million	31.3.2022	31.3.2021
BRL	19.1	11.1
CAD	17.5	19.4
CHF	19.4	11.2
EUR	182.8	166.3
GBP	15.6	11.2
USD	144.2	147.9
Other	75.7	71.7
Total trade receivables, net	**474.3**	**438.8**

Accounting policies

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

3.2 Inventories

CHF million	31.3.2022	31.3.2021
Raw materials and components	64.2	36.2
Work-in-process	147.0	134.8
Finished products	254.0	185.1
Allowances	(52.5)	(53.8)
Total	**412.7**	**302.3**

The increase compared to previous year is primarily driven by the acquisition of the Sennheiser Consumer Division and other acquisitions (refer to Note 6.1) and an increase in inventories related to safety stock to manage supply shortages of microelectronic components.

The “cost of sales” corresponding to the carrying value of inventory (which excludes freight, packaging, logistics as well as certain overhead cost) amounted in 2021/22 to CHF 736.2 million (previous year CHF 582.8 million). The Group recognized write-downs of CHF 25.9 million (previous year CHF 28.3 million) on inventories in cost of sales.

Accounting policies

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

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

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

3.3 Property, plant and equipment

CHF million					2021/22
	Land & buildings	Machinery & technical equipment	Room installations & other equipment	Advance payments & assets under construction	Total
Cost					
Balance April 1	218.9	290.9	355.1	14.4	879.4
Changes through business combinations	2.9	7.8	9.3	1.8	21.9
Additions	1.9	23.6	37.3	16.7	79.5
Disposals	(0.3)	(6.0)	(11.7)	0.0	(18.0)
Transfers		3.5	7.1	(10.6)	
Exchange differences	(2.0)	(3.9)	(15.8)	(0.6)	(22.3)
Balance March 31	**221.4**	**315.9**	**381.3**	**21.7**	**940.3**
Accumulated depreciation					
Balance April 1	(90.4)	(218.9)	(234.8)		(544.1)
Changes through business combinations		(0.4)	(0.6)		(1.0)
Additions	(6.9)	(27.0)	(31.8)		(65.7)
Disposals	0.1	4.9	10.9		15.9
Exchange differences	1.0	2.6	9.9		13.5
Balance March 31	**(96.2)**	**(238.8)**	**(246.4)**		**(581.4)**
Net book value					
Balance April 1	128.5	72.0	120.3	14.4	335.3
Balance March 31	**125.2**	**77.0**	**134.9**	**21.7**	**358.9**

CHF million					2020/21
	Land & buildings	Machinery & technical equipment	Room installations & other equipment	Advance payments & assets under construction	Total
Cost					
Balance April 1	205.7	300.4	383.2	15.9	905.3
Changes through business combinations		0.1	0.6		0.7
Additions	7.6	15.5	27.0	13.6	63.8
Disposals	(0.7)	(35.2)	(73.7)	(1.0)	(110.6)
Transfers	3.9	5.7	4.9	(14.5)	
Exchange differences	2.4	4.4	13.2	0.3	20.2
Balance March 31	**218.9**	**290.9**	**355.1**	**14.4**	**879.4**
Accumulated depreciation					
Balance April 1	(83.3)	(225.4)	(263.7)		(572.4)
Additions	(6.3)	(25.2)	(32.8)		(64.3)
Disposals	0.4	34.9	70.1		105.3
Exchange differences	(1.1)	(3.1)	(8.4)		(12.6)
Balance March 31	**(90.4)**	**(218.9)**	**(234.8)**		**(544.1)**
Net book value					
Balance April 1	122.4	75.0	119.6	15.9	332.8
Balance March 31	**128.5**	**72.0**	**120.3**	**14.4**	**335.3**

Accounting policies

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

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

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

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

3.4 Leases

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

Right-of-use assets CHF million				**2020/21**
	Properties	Vehicles	Other assets	Total
Cost				
Balance April 1	313.1	8.7	1.5	323.3
Changes through business combinations	0.2			0.2
Additions	60.5	2.0	0.6	63.1
Disposals	(17.7)	(0.6)	(0.2)	(18.4)
Exchange differences	9.4	0.3	0.1	9.8
Balance March 31	**365.5**	**10.4**	**2.0**	**377.9**
Accumulated depreciation				
Balance April 1	(60.7)	(1.7)	(0.3)	(62.7)
Additions	(63.7)	(2.9)	(1.3)	(67.9)
Disposals	17.7	0.6	0.2	18.4
Exchange differences	(4.0)	(0.1)	(0.0)	(4.1)
Balance March 31	**(110.7)**	**(4.1)**	**(1.5)**	**(116.3)**
Net book value				
Balance April 1	252.4	7.0	1.2	260.6
Balance March 31	**254.8**	**6.3**	**0.5**	**261.6**

Lease liabilities CHF million	**2021/22**	**2020/21**
Balance April 1	271.3	269.0
Changes through business combinations	30.7	0.2
Additions	60.1	62.2
Interest expense	3.6	4.0
Payments	(67.7)	(70.6)
Exchange differences	(13.7)	6.5
Balance March 31	**284.3**	**271.3**
thereof short-term	68.8	58.9
thereof long-term	215.5	212.4

The maturity analysis of lease liabilities is disclosed in Note 4.7

Lease disclosures CHF million	**2021/22**	**2020/21**
Expenses relating to short-term leases	11.2	5.1
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	0.3	0.4
Expenses relating to variable lease payments	5.7	5.8

The total cash outflow for leases in the financial year 2021/22 amounted to CHF 84.9 million (prior year CHF 81.9 million).

The Group has various lease contracts that as of March 31, 2022 have not yet commenced. The future lease payments for these non-cancellable lease contracts amount to CHF 1.7 million (prior year CHF 0.1 million). The future lease payments relating to variable lease payments amount to CHF 5.7 million (prior year CHF 5.8 million).

Accounting policies

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

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

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

Accounting judgements and estimates

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

3.5 Intangible assets

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

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

CHF million					2020/21
	Goodwill	Intangibles relating to acquisitions [1]	Capitalized development costs	Software and other intangibles	Total
Cost					
Balance April 1	2,064.5	615.5	223.9	100.5	3,004.3
Changes through business combinations	20.0	8.3			28.3
Additions			15.9	9.6	25.5
Disposals		(6.7)	(25.3)	(8.8)	(40.9)
Exchange differences	58.8	25.8	(0.3)	1.1	85.3
Balance March 31	**2,143.3**	**642.8**	**214.1**	**102.4**	**3,102.6**
Accumulated amortization and impairments					
Balance April 1	(148.8)	(322.7)	(75.3)	(73.0)	(619.8)
Additions		(42.5) [2]	(12.9)	(8.5)	(63.9)
Disposals		6.7	25.3	8.6	40.7
Impairment		(1.3)	(25.3)		(26.6)
Exchange differences	3.6	(13.4)		(1.3)	(11.1)
Balance March 31	**(145.2)**	**(373.2)**	**(88.3)**	**(74.1)**	**(680.8)**
Net book value					
Balance April 1	1,915.6	292.7	148.5	27.5	2,384.4
Balance March 31	**1,998.0**	**269.7**	**125.9**	**28.2**	**2,421.8**

1) Intangibles relating to acquisitions consists of customer relationships (CHF 153.6 million), trademarks (CHF 108.8 million) and technology (CHF 7.3 million).
2) Relates to research and development (CHF 0.9 million) and sales and marketing (CHF 41.6 million).

Based on the impairment tests performed, there was no need for the recognition of any impairment of goodwill for the 2021/22 and 2020/21 financial years.

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

Hearing instruments

As of March 31, 2022, the carrying amount of goodwill, expressed in various currencies, amounted to an equivalent of CHF 2,000.7 million (prior year CHF 1,694.1 million) and for intangible assets with indefinite useful lives to CHF 100.6 million (prior year: none). The increase in intangible assets with indefinite useful lives relates to a brand value that was acquired as part of the acquisition of the Consumer Division from Sennheiser as disclosed in Note 6.1.

Cash flows beyond the projection period were extrapolated with a long-term growth rate of 2.0% (prior year 2.0%) which represents the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 9.4% (prior year 9.0%) was used. The Group performed a sensitivity analysis, which shows that changes to the main input parameters (increase of discount rate +1%, or long-term growth rate –1%) would not result in an impairment of goodwill.

Cochlear implants

As of March 31, 2022, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 297.7 million (prior year CHF 303.9 million).

Cash flows beyond the projection period were extrapolated with a long-term growth rate of 2.1% (prior year 2.2%) which represents the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 10.2% (prior year 9.3%) was used. The Group performed a sensitivity analysis, which shows that changes to the main input parameters (increase of discount rate +1%, or long-term growth rate –1%) would not result in an impairment of goodwill.

The capitalized development costs are reviewed on a regular basis. Due to a revision of the Cochlear implants product roadmap in the 2020/21 financial year, Sonova identified the need of valuation adjustments on certain R&D projects. As a result, an impairment of previously capitalized development costs was recorded, resulting in a write-off amounting to CHF 25.3 million. This amount was included in the income statement in the function “Research and development” in the financial year 2020/21. The capitalized development costs are included in the reportable segment “cochlear implants” disclosed in Note 2.2.

Accounting policies

Goodwill

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

Intangibles, excluding goodwill

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

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

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

Accounting judgements and estimates

Goodwill

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

Capitalized development costs

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

3.6 Other operating assets

Other current operating assets CHF million	**31.3.2022**	**31.3.2021**
Other receivables	98.1	54.4
Prepaid expenses	37.7	28.5
Contract assets	3.0	3.1
Right to recover products	10.2	10.6
Total	**148.9**	**96.6**

Other non-current operating assets CHF million	**31.3.2022**	**31.3.2021**
Contract assets	5.8	6.2
Total	**5.8**	**6.2**

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

3.7 Provisions

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

CHF million					2020/21
	Warranty and returns	Reimbursement to customers	Product liabilities	Other provisions	Total
Balance April 1	111.6	5.0	120.4	31.5	268.6
Changes through business combinations		0.0		0.4	0.4
Amounts used	(72.8)	(4.1)	(4.8)	(19.3)	(101.0)
Reversals	(10.0)	(2.5)	(11.0)	(3.4)	(26.9)
Increases	94.4	4.4	9.8	42.1	150.6
Present value adjustments			0.5		0.5
Exchange differences	2.7		(3.0)	0.9	0.5
Balance March 31	**125.9**	**2.8**	**111.9**	**52.3**	**292.8**
thereof short-term	92.2	2.8	15.3	37.8	148.1
thereof long-term	33.7		96.6	14.5	144.7

Warranty and returns

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

Reimbursement to customers

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

Product liabilities

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

The provision for product liabilities are reassessed on a regular and systematic basis and follow a financial model which is consistently applied. The calculation of the provision is based on past experience regarding the number and cost of current and future claims. In the 2021/22 financial year, changes in the assessment of the expected number and cost of current and future claims led to reversals of CHF 0.3 million (previous year reversals/increases, net of CHF 1.0 million). The impact of the reassessment of the legal provisions are considered in the income statement in the lines “Other income” or “Other expenses”. As per March 31, 2022 the provision for product liabilities amount to CHF 94.4 million (previous year CHF 111.9 million). The timing of the cash outflows is uncertain since it will largely depend on the outcome of administrative and legal proceedings. In the case of the voluntary recall of AB products in 2006, considering periods of limitation, claims will have until 2026 to be filed in most jurisdictions. However, depending on the length of proceedings and negotiations, further years may pass until all claims are settled. We expect the main cash outflow relating to the provision for product liabilities to occur within the next 7 years.

Other provisions

Other provisions include provisions for specific business risks such as litigation CHF 21.2 million (prior year CHF 21.6 million), including provisions relating to the agreement in principle with the U.S. Department of Justice (refer to Note 3.9), and restructuring costs CHF 11.3 million (prior year CHF 15.3 million) which arose during the normal course of business. While the timing of the cash outflow from the restructuring provisions is expected to take place within the next 12 months, the cash outflows for the remainder of the other provisions is expected to take place within the next two years.

Accounting policies

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

Accounting judgements and estimates

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

3.8 Other operating liabilities

Other short-term operating liabilities CHF million	**31.3.2022**	**31.3.2021**
Other payables	111.5	54.8
Accrued expenses	325.2	282.4
Deferred income	0.8	1.0
Total	**437.5**	**338.2**

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

3.9 Contingent assets and liabilities

Guarantees

At March 31, 2022 and 2021, there were no pledges given to third parties other than in relation to bank loans and mortgages.

Deposits in the amount of CHF 1.6 million (previous year CHF 1.7 million) were pledged in relation to bank guarantees. Open purchase orders as of March 31, 2022 and 2021, were related to recurring business activities.

Lawsuits and disputes

The patent infringement lawsuit by the Alfred E. Mann Foundation for Scientific Research (AMF) and Advanced Bionics LLC (AB) v. Cochlear was concluded in 2020. As a co-plaintiff, AB was ultimately entitled to a share of the damages awarded, after deduction of certain costs for the proceedings. The verdict resulted in a total amount of CHF 124.4 million in cash for damages, pre-trial interest and attorney fees. This one-time income is reported in “other income” in the financial year 2020/21.

On October 4, 2018 MED-EL Elektronische Geräte GmbH and MED-EL Corporation, US, filed a complaint against Advanced Bionics LLC in the US federal court for the district of Delaware for alleged patent infringement of two MED-EL patents related to products launched in 2018. While the ultimate outcome of the dispute remains open, Advanced Bionics continues to believe the complaint has no merit and is vigorously defending its position and intellectual property. On March 8, 2022, the Regional Court of Mannheim in Germany has reached a judgment in the first instance in a patent infringement lawsuit brought by MED-EL Elektromedizinische Geräte GmbH (Med-El) against its German subsidiary Advanced Bionics GmbH and Swiss subsidiary Advanced Bionics AG (AB). The court’s judgment includes an injunction which, if and when enforced by Med-El, would prevent sales of the HiRes Ultra 3D cochlear implant in and from Germany. AB believes the complaint has no merit and has therefore appealed the judgment.

On January 20, 2020, Advanced Bionics Corporation (“AB”), Delaware, received a subpoena from the Office of the Inspector General at the U.S. Department of Health and Human Services, (the “HHS-OIG”). The subpoena related to AB’s testing of radio frequency emissions of certain of AB’s sound processors and AB’s reporting of those test results in submissions to the U.S. Food and Drug Administration from 2010 to the present. AB has continuously cooperated with the HHS-OIG and the U.S. Department of Justice in connection with this subpoena, and has reached an agreement in principle with the U.S. Department of Justice. AB has made appropriate financial provisions for this agreement in principle. AB is negotiating definitive agreements with the U.S. Department of Justice and expects a final settlement to be reached in the first half of FY 2022/23.

4. Capital structure and financial management

4.1 Cash and cash equivalents

CHF million	31.3.2022	31.3.2021
Cash on hand	1.2	1.3
Current bank accounts	458.9	419.8
Term deposits	150.4	1,351.1
Total	**610.5**	**1,772.2**

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

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

4.2 Financial income/expenses, net

CHF million	2021/22	2020/21
Interest income	1.4	1.8
Other financial income	0.3	3.2
Total financial income	**1.7**	**5.0**
Interest expenses	(17.4)	(13.1)
Interest expenses on lease liabilities	(3.6)	(4.0)
Unwinding of the discount on provisions	(0.6)	(0.5)
Foreign exchange hedge costs	(1.4)	(1.5)
Other financial expenses	(13.4)	(6.9)
Total financial expenses	**(36.5)**	**(26.0)**
Total financial income/expenses, net	**(34.9)**	**(21.0)**

Other financial income and financial expenses include primarily the fair value adjustments of financial instruments.

4.3 Dividend per share

The Board of Directors of Sonova Holding AG proposes to the Annual General Shareholders' Meeting, to be held on June 15, 2022, that a dividend of CHF 4.40 per share shall be distributed (previous year CHF 3.20).

4.4 Other financial assets

Other current financial assets

CHF million			31.3.2022			31.3.2021
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total
Marketable securities		0.2	0.2		0.2	0.2
Positive replacement value of forward foreign exchange contracts		1.3	1.3		0.3	0.3
Loans to third parties	6.9		6.9	6.3		6.3
Total	**6.9**	**1.5**	**8.4**	**6.3**	**0.5**	**6.8**

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

Other non-current financial assets

CHF million			31.3.2022			31.3.2021
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total
Loans to associates	3.8		3.8	3.3		3.3
Loans to third parties	25.6		25.6	22.8		22.8
Rent deposits	2.8		2.8	3.6		3.6
Other non-current financial assets		4.0	4.0		9.2	9.2
Total	**32.2**	**4.0**	**36.2**	**29.7**	**9.2**	**38.9**

The loans are primarily denominated in CAD, CHF, EUR, GBP, JPY, PLN and USD. Loans to third parties consist mainly of loans to customers. As of March 31, 2022, the respective repayment periods vary between one and nine years and the interest rates vary generally between 1% and 3%.

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

Accounting policies

Financial assets are classified into the following categories:

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

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

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

Financial assets at amortized cost

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

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

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

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

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

4.5 Financial liabilities

As of March 31, 2022, the Group has the following bonds/US Private Placement outstanding:

Financial liabilities	Currency	Nominal value	Interest rate	Maturity
Fixed-rate bond	CHF	330	0.55%	April 6, 2022
US Private Placement	USD	180	2.84%	July 14, 2025
Fixed-rate bond	CHF	200	0.50%	October 6, 2025
Fixed-rate bond	CHF	300	0.75%	October 6, 2028
Fixed-rate bond	CHF	100	0.00%	October 11, 2029
Fixed-rate bond	CHF	100	0.40%	October 11, 2034

The Group maintains uncommitted credit facilities from various lenders. The credit facilities are denominated in CHF and can be cancelled at short notice. As of March 31, 2022 the Group did not make use of credit facilities.

Current financial liabilities

CHF million			31.3.2022			31.3.2021
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Bank debt	0.4		0.4	0.1		0.1
Bond	334.7		334.7	364.6		364.6
Deferred payments	23.8		23.8	7.0		7.0
Contingent considerations		13.8	13.8		2.9	2.9
Other current financial liabilities		1.6	1.6		1.1	1.1
Total	**358.8**	**15.3**	**374.2**	**371.7**	**4.0**	**375.7**
Unused borrowing facilities			366.1			366.2

Non-current financial liabilities

CHF million			31.3.2022			31.3.2021
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Bonds/US Private Placement	864.9		864.9	1,197.8		1,197.8
Deferred payments	2.6		2.6	3.0		3.0
Contingent considerations		81.5	81.5		1.3	1.3
Other non-current financial liabilities	0.1	10.8	10.9	0.0	6.8	6.8
Total	**867.5**	**92.4**	**959.9**	**1,200.8**	**8.1**	**1,208.9**

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

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

Analysis of non-current financial liabilities by currency

Analysis by currency CHF million				31.3.2022				31.3.2021
	Bonds/US Private Placement	Deferred payments and contingent considerations	Other non-current financial liabilities	Total	Bonds/US Private Placement	Deferred payments and contingent considerations	Other non-current financial liabilities	Total
CHF	699.1		10.4	709.5	1,028.7		6.3	1,035.0
USD	165.8	4.0	0.0	169.8	169.1		0.0	169.1
EUR		76.4		76.4		2.9		2.9
AUD		2.1		2.1				
BRL		1.3		1.3		0.3		0.3
Other		0.3	0.5	0.8		1.1	0.5	1.6
Total	**864.9**	**84.1**	**10.9**	**959.9**	**1,197.8**	**4.3**	**6.8**	**1,208.9**

Reconciliation of liabilities arising from financing activities

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

Liabilities from financing activities CHF million						**2020/21**
	Bank debt	Bonds/US Private Placement	Deferred payments and contingent considerations	Lease liabilities	Other financial liabilities	Total
Balance April 1	**230.2**	**559.1**	**22.0**	**269.0**	**5.2**	**1,085.5**
Changes through business combinations			(3.7)	0.2		(3.5)
Additions to lease liabilities				62.2		62.2
Proceeds from borrowings		999.7			2.8	1,002.5
Repayment of borrowings	(230.0)					(230.0)
Repayment of lease liabilities – principal portion				(66.7)		(66.7)
Repayment of lease liabilities – interest portion				(4.0)		(4.0)
Exchange differences		(1.8)		6.5		4.7
Other	(0.1)	5.4	(4.1)	4.2	(0.1)	5.2
Balance March 31	**0.1**	**1,562.4**	**14.2**	**271.3**	**7.9**	**1,856.0**
thereof short-term	0.1	364.6	9.9	58.9	1.1	434.6
thereof long-term		1,197.8	4.3	212.4	6.8	1,421.3

Accounting policies

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

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

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

Accounting policies for lease liabilities are included in *Note 3.4**.*

4.6 Movement in share capital

Issued registered shares	Issued registered shares	Treasury shares [1]	Outstanding shares
Balance April 1, 2020	64,398,137	(1,970,548)	62,427,589
Purchase of treasury shares		(40,100)	(40,100)
Sale/transfer of treasury shares		238,074	238,074
Stock dividend [2]		417,110	417,110
Balance March 31, 2021	**64,398,137**	**(1,355,464)**	**63,042,673**
Purchase of treasury shares		(250,000)	(250,000)
Sale/transfer of treasury shares		307,451	307,451
Cancellation of treasury shares [3]	(1,225,980)	1,225,980	
Purchase of treasury shares from share buyback		(2,012,438)	(2,012,438)
Balance March 31, 2022	**63,172,157**	**(2,084,471)**	**61,087,686**

Nominal value of share capital CHF million	Share Capital	Treasury shares [1]	Outstanding share capital
Balance March 31, 2022	**3.2**	**(0.1)**	**3.1**

Each share has a nominal value of CHF 0.05.

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

2) The Annual General Shareholder's Meeting of June 11, 2020, approved the proposed distribution of a stock dividend, resulting in a reduction of retained earnings and other reserves of CHF 100.4 million and changes in treasury shares of CHF 100.2 million.

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

Share buyback program

On May 18, 2021, Sonova Holding AG announced that its Board of Directors approved a share buyback program of up to CHF 700 million. The program started in June 2021 and ended in March 2022. In total, 2,012,438 treasury shares were bought under the share buyback program and are intended to be cancelled (proposal to the Annual Shareholders' Meeting June 15, 2022). On March 29, 2022 the Board of Directors approved a new share buyback program of up to CHF 1.5 billion which is expected to run over a period of up to 36 months.

In the financial year 2021/22, transaction costs related to the share buyback program in the amount of CHF 3.5 million were deducted from equity.

Authorized capital

The 2020 Annual General Shareholders' Meeting authorized the Board of Directors to increase the share capital at any time until June 11, 2022 by a maximum amount of CHF 321,990.65 by issuing a maximum of 6,439,813 registered shares that are to be fully paid up, each with a nominal value of CHF 0.05. Increases in partial amounts shall be permissible. The Board of Directors did not make use of this authorized capital in financial year 2021/22.

Conditional capital

At the Annual General Shareholders' Meeting on July 7, 2005, the conditional share capital of CHF 264,270 (5,285,400 shares) has been increased by CHF 165,056 (3,301,120 shares) to CHF 429,326 (8,586,520 shares). Consistent with the prior year, 5,322,133 shares remain unissued as of March 31, 2022. These shares are reserved for long-term incentive plans (2,021,013 shares) as well as for initiatives to increase the company's financial flexibility (3,301,120 shares).

Accounting policies

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

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

4.7 Risk management

Group risk management

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

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

Financial risk management

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

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

Market risk

Exchange rate risk

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

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

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

As of March 31, 2022, the Group engaged in forward currency contracts amounting to CHF 296.6 million (previous year CHF 280.0 million). The open contracts on March 31, 2022 as well as on March 31, 2021 were all due within one year.

Notional amount of forward contracts CHF million	**31.3.2022**		**31.3.2021**	
	Total	Fair value	Total	Fair value
Positive replacement values	111.4	1.3	96.7	0.3
Negative replacement values	185.2	(1.5)	183.3	(0.6)
Total	**296.6**	**(0.3)**	**280.0**	**(0.3)**

Exchange rate risk CHF million	**2021/22**	**2020/21**	**2021/22**	**2020/21**
	Impact on income after taxes [1]		Impact on equity	
Change in USD/CHF +5%	(5.9)	2.7	7.8	9.6
Change in USD/CHF –5%	5.9	(2.7)	(7.8)	(9.6)
Change in EUR/CHF +5%	2.6	3.1	18.4	16.9
Change in EUR/CHF –5%	(2.6)	(3.1)	(18.4)	(16.9)

1) Excluding the impact of forward currency contracts.

Interest rate risk

The Group has only limited exposure to interest rate changes. The most substantial interest exposure on assets relates to cash and cash equivalents with an average interest-bearing amount for the 2021/22 financial year of CHF 1,298.7 million (previous year CHF 1,364.6 million). If interest rates during the 2021/22 financial year had been 1% higher, the positive impact on income before taxes would have been CHF 6.2 million. If interest rates had been 1% lower, the income before taxes would have been negatively impacted by CHF 11.9 million. The Group's long-term financial liabilities are fixed rate instruments not subject to interest rate risk.

Other market risks

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

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

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

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

Credit risk

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

Core banking relations are maintained with at least "BBB+" rated (S & P) financial institutions. As of March 31, 2022, the largest balance with a single counterparty amounted to 29% (previous year 29%) of total cash and cash equivalents.

The Group performs frequent credit checks on its receivables. Due to customer diversity, there is no single credit limit for all customers, however, the Group assesses its customers based on their financial position, past experience, and other factors. Due to the fragmented customer base (no single customer balance is greater than 10% of total trade accounts receivable), the Group is not exposed to any significant concentration risk. The same applies to loans to third and related parties. As part of the normal process, management held the regular Expected Credit Loss (ECL) Committee meeting to review the expected credit loss rates on an annual basis in January 2022.

Impairment of financial assets

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

Accounting policies

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

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

CHF million				31.3.2022				31.3.2021
State customers	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Not overdue	0.4%	96.6	(0.4)	96.3	0.3%	85.0	(0.3)	84.7
Overdue 1–90 days	0.9%	9.1	(0.1)	9.0	0.9%	14.4	(0.1)	14.3
Overdue 91–180 days	4.1%	3.5	(0.1)	3.4	3.7%	2.7	(0.1)	2.6
Overdue 181–360 days	28.2%	2.3	(0.6)	1.6	19.0%	2.9	(0.5)	2.3
Overdue more than 360 days	98.9%	3.9	(3.8)	0.0	98.5%	3.2	(3.2)	0.0
Total	**4.4%**	**115.4**	**(5.1)**	**110.3**	**3.9%**	**108.2**	**(4.2)**	**103.9**

CHF million				31.3.2022				31.3.2021
Non-state customers	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Not overdue	1.3%	294.3	(3.9)	290.5	1.2%	279.9	(3.5)	276.5
Overdue 1–90 days	3.6%	57.3	(2.0)	55.2	4.7%	43.4	(2.0)	41.3
Overdue 91–180 days	16.2%	12.4	(2.0)	10.4	21.1%	11.2	(2.4)	8.8
Overdue 181–360 days	34.8%	12.1	(4.2)	7.9	53.1%	10.2	(5.4)	4.8
Overdue more than 360 days	99.9%	14.1	(14.1)	0.0	83.2%	20.4	(17.0)	3.4
Total	**6.7%**	**390.2**	**(26.2)**	**364.0**	**8.3%**	**365.1**	**(30.3)**	**334.9**

The closing loss allowance for trade receivables as at March 31, 2021 reconcile to the closing loss allowance as at March 31, 2022 as follows:

CHF million	2021/22	2020/21
Loss allowance for doubtful receivables, April 1	**(34.5)**	**(51.9)**
Utilization	3.1	7.8
Reversal	2.7	16.5
Additions	(3.8)	(6.0)
Exchange differences	1.1	(1.0)
Loss allowance for doubtful receivables, March 31	**(31.3)**	**(34.5)**

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

At the end of financial year 2020/21, expected credit loss (ECL) rates improved due to an easing of the COVID-19 pandemic, which resulted in a significant reversal of loss allowances.

Liquidity risk

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

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

The following table summarizes the Group's financial liabilities as of March 31, 2022 and 2021 based on contractual undiscounted payments. Bonds include the notional amount as well as interest payments.

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

CHF million				**31.3.2021**
	Due less than 1 year	Due 1 year to 5 years	Due more than 5 years	Total
Bank debt	0.1			0.1
Trade payables	103.2			103.2
Lease liabilities	58.9	159.8	52.5	271.2
Bonds/US Private Placement	370.3	731.1	509.1	1,610.5
Deferred payments	7.0	3.0		10.0
Contingent considerations	2.9	1.3		4.2
Other financial liabilities	0.0	6.8		6.9
Total financial liabilities	**542.5**	**902.1**	**561.5**	**2,006.1**

Capital management

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

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

4.8 Financial instruments

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

Accounting policies

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

Level 1:

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

Level 2:

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

Level 3:

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

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

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

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

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

CHF million						**31.3.2021**
	Notes	Carrying amount	Fair value [1]	Level 1	Level 2	Level 3
Financial assets at amortized cost						
Cash and cash equivalents	**4.1**	1,772.2				
Other financial assets	**4.4**	36.1				
Trade receivables	**3.1**	438.8				
Total		**2,247.1**				
Financial assets at fair value through profit or loss						
Other financial assets	**4.4**	9.7	9.7	7.4		2.3
Total		**9.7**	**9.7**	**7.4**		**2.3**
Financial liabilities at amortized cost						
Bank debt	**4.5**	0.1				
Bonds/US Private Placement	**4.5**	1,562.4	1,590.0	1,590.0		
Deferred payments	**4.5**	10.0				
Other financial liabilities	**4.5**	0.0				
Trade payables		103.2				
Total		**1,675.7**	**1,590.0**	**1,590.0**		
Financial liabilities at fair value through profit or loss						
Contingent considerations	**4.5**	4.2	4.2			4.2
Negative replacement value of forward foreign exchange contracts	**4.7**	0.6	0.6			0.6
Other financial liabilities	**4.5**	7.3	7.3			7.3
Total		**12.1**	**12.1**			**12.1**

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

The following table presents the changes in level 3 financial instruments for the year ended March 31, 2022 and 2021:

Financial assets at fair value through profit or loss CHF million	**2021/22**	**2020/21**
	Total	Total
Balance April 1	2.3	4.2
Additions/(disposals), net	1.0	(2.0)
Gain recognized in profit or loss	0.0	0.1
Balance March 31	**3.3**	**2.3**

Financial liabilities at fair value through profit or loss CHF million			**2021/22**	**2020/21**
	Contingent considerations	Other financial liabilities	Total	Total
Balance April 1	(4.2)	(7.9)	(12.1)	(10.4)
Changes through business combinations	(93.3)		(93.3)	2.4
(Additions)/disposals, net	2.4	4.6	7.0	0.8
Losses recognized in profit or loss	(0.2)	(9.2)	(9.4)	(4.9)
Balance March 31	**(95.3)**	**(12.4)**	**(107.7)**	**(12.1)**

Financial liabilities at fair value through profit or loss mainly consist of contingent consideration arrangements arising from business combinations (refer to Note 6.1). The fair values are determined by considering the possible scenarios of the future performance of the acquired companies, contractual obligations and milestone achievements, the amount to be paid under each scenario and the probability of each scenario. The significant unobservable inputs are the forecast sales and other performance criteria. As at March 31, 2022 and 2021, the maximum potential payments under contingent considerations do not differ significantly from the amounts provided.

The increase in contingent considerations in the financial year 2021/22 mainly relate to a license agreement for the Sennheiser brand for which a liability in the amount of CHF 79.5 million was recognized. The amount was determined based on a discounted cash flow calculation over a licensing period of 15 years. Significant unobservable inputs used in the fair value measurement include the projected revenues, the brand licensing fee and the discount rate. For the calculation a licensing fee of 2.5% for the first 8 years, 1.3% for the subsequent years and a discount rate of 4.8% was used.

4.9 Exchange rates

The following main exchange rates were used for currency translation:

	31.3.2022	31.3.2021	2021/22	2020/21
	Year-end rates		Average rates for the year	
AUD 1	0.69	0.72	0.68	0.66
BRL 1	0.19	0.16	0.17	0.17
CAD 1	0.74	0.75	0.73	0.70
CNY 1	0.15	0.14	0.14	0.14
EUR 1	1.03	1.11	1.07	1.08
GBP 1	1.21	1.30	1.26	1.21
JPY 100	0.76	0.85	0.82	0.87
USD 1	0.92	0.94	0.92	0.92

Accounting policies

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

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

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

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

5. Taxes

5.1 Taxes

CHF million	2021/22	2020/21
Current taxes	98.6	61.7
Deferred taxes	(34.0)	(46.6)
Total income taxes	**64.5**	**15.2**
Reconciliation of tax expense		
Income before taxes	728.2	600.4
Group’s expected average tax rate	20.0%	15.9%
Tax at expected average rate	**145.6**	**95.7**
+/– Effects of		
Non-taxable income/non-tax-deductible expenses	(0.7)	(2.8)
Changes of unrecognized loss carryforwards/deferred tax assets [1)]	8.6	(21.6)
Local actual tax rate different to Group’s expected average tax rate	(49.9)	(27.3)
Change in tax rates on deferred tax balances	5.4	(1.8)
Transitional effect of tax reforms	(17.5)	(28.0)
Prior year adjustments and other items, net [2)]	(27.0)	0.9
Total income taxes	**64.5**	**15.2**
Weighted average effective tax rate	8.9%	2.5%

1) In 2020/21, mainly related to the use of tax loss carryforwards as a result of damages awarded in patent infringement lawsuit to Advanced Bionics as described below.
2) Other items include changes in uncertain tax positions.

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

Deferred tax assets and (liabilities) CHF million			**31.3.2022**			**31.3.2021**
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Inventories	22.9	(6.3)	16.6	22.7	(3.3)	19.4
Property, plant & equipment	2.7	(8.2)	(5.4)	2.5	(7.4)	(4.9)
Intangible assets		(148.0)	(148.0)		(96.9)	(96.9)
Right-of-use assets and lease liabilities	66.2	(65.2)	1.0	68.0	(67.2)	0.8
Other assets and liabilities [1]	263.1	(58.2)	204.9	204.3	(40.4)	163.8
Tax loss carryforwards	35.1		35.1	26.9		26.9
Total tax assets (liabilities)	**390.0**	**(285.9)**	**104.1**	**324.4**	**(215.2)**	**109.2**
Offset of assets and liabilities	(147.1)	147.1		(103.7)	103.7	
Amounts in the balance sheet						
Deferred tax assets	242.9		242.9	220.7		220.7
Deferred tax liabilities		(138.8)	(138.8)		(111.5)	(111.5)
Total deferred taxes, net			**104.1**			**109.2**

1) Deferred tax assets mainly relate to provisions and contract liabilities, deferred tax liabilities mainly relate to provisions, contract assets and trade and other receivables. Including deferred tax assets in the amount of CHF 128.8 million (2020/21: CHF 88.5 million) related to tax reforms as described below.

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

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

Movement of deferred tax assets and (liabilities) CHF million

2020/21	Inventories	Property, plant & equipment	Intangible assets	Right-of-use assets and lease liabilities	Other assets and liabilities	Tax loss carryforwards	Total
Balance April 1	24.1	(6.6)	(88.4)	0.2	109.0	35.2	73.5
Changes through business combinations			(1.8)				(1.8)
Deferred taxes recognized in the income statement [1]	(1.0)	1.8	(5.1)	0.4	58.2	(7.7)	46.6
Deferred taxes recognized in OCI [2]					(6.6)		(6.6)
Exchange differences	(3.7)	(0.1)	(1.6)	0.2	3.2	(0.6)	(2.5)
Balance March 31	**19.4**	**(4.9)**	**(96.9)**	**0.8**	**163.8**	**26.9**	**109.2**

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

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

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

CHF million	31.3.2022	31.3.2021
Within 1 year	24.4	2.2
Within 2–5 years	36.1	70.7
More than 5 years or without expiration	434.4	442.6
Total	**494.9**	**515.6**

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

Tax reforms

On May 19, 2019, the Swiss electorate passed the Federal Act on Tax Reform and AHV Financing (TRAF). The tax reform abolished the tax regimes for holding, domiciliary and mixed companies as of January 1, 2020 and introduced new tax measures. To the extent that the tax reform requires cantonal and communal tax law changes, these had to be implemented through modification of the cantonal tax law. On September 1, 2019, in a public vote, the electorate of the canton of Zurich accepted the respective revision of the cantonal tax law. The relevant changes to the Group include a decrease in the statutory income tax rate in the canton of Zurich, effective from January 1, 2021.

Following the latest international developments: the contemplated introduction of new minimum taxation under GloBe Model Rules (Global anti-Base Erosion – Pillar 2) and the enactment of ATAD 2 (Anti-Tax Avoidance Directive 2) regulations as well as the publication of final ATAD 2 guidance in certain European jurisdictions during financial year 2021/22, the Group has reassessed and revalued its Swiss deferred tax position by an overall positive income tax effect of CHF 17.5 million (prior year: positive effect of CHF 28.0 million after finalization of STAF measures).

Accounting policies

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

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

Accounting judgements and estimates

The consolidated balance sheet includes deferred tax assets of CHF 114.1 million (previous year CHF 132.2 million) related to deductible differences and, in certain cases, tax loss carry forwards, provided that their utilization is considered probable. The recoverable value is based on forecasts of the corresponding taxable Group company over a period of several years. As actual results may differ from these forecasts, the deferred tax assets may need to be adjusted accordingly.

Deferred tax assets further include CHF 128.8 million (previous year: CHF 88.5 million) related to tax reforms as described above. The calculation of the deferred tax assets required management to make significant estimates and assumptions. Some of these estimates are based on interpretations of existing tax laws or regulations. Whenever circumstances have changed or there is new information that affects these judgements, the estimates will be reassessed.

6. Changes in Group structure

6.1 Acquisitions/disposals of subsidiaries

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

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

In addition to the acquisitions above, during the financial year 2021/22 several small businesses were acquired in EMEA, North America and Asia/Pacific and one small business was divested in Asia. In the financial year 2020/21, the Group acquired several small companies in EMEA, Americas and Asia/Pacific. All of these companies acquired are in the business of producing and/or distributing and servicing hearing instruments. Due to the size of these transactions, they had no material impact on the financial statements.

Assets and liabilities resulting from the acquisitions are as follows:

CHF million				2021/22	2020/21
	Sennheiser Consumer Division	Alpaca Audiology	Others	Total	Total
Cash and cash equivalents	65.0	0.6	16.7	82.4	1.9
Trade receivables	8.7	2.8	3.3	14.8	0.5
Inventories	50.8	2.9	3.0	56.7	0.6
Other current operating assets	32.5	2.7	0.9	36.1	0.1
Total current assets	**157.0**	**9.1**	**24.0**	**190.0**	**3.2**
Property, plant and equipment	13.2	2.7	4.9	20.9	0.7
Right-of-use assets	3.5	9.7	17.4	30.7	
Intangible assets	165.8	83.2	47.3	296.4	8.3
Other non-current assets	0.3		0.7	1.0	0.2
Deferred tax assets	12.8		3.0	15.8	0.5
Total non-current assets	**195.7**	**95.7**	**73.4**	**364.7**	**9.6**
Current financial liabilities	(0.0)	(1.4)	(0.8)	(2.2)	(0.2)
Current lease liabilities	(0.9)	(2.4)	(4.4)	(7.7)	
Trade payables	(5.2)	(4.4)	(4.1)	(13.7)	(0.3)
Short-term contract liabilities		(6.9)	(2.4)	(9.3)	(0.4)
Other short-term operating liabilities	(23.5)	(1.4)	(7.1)	(32.0)	(1.1)
Short-term provisions	(10.2)	(0.6)	(2.1)	(12.9)	(0.4)
Total current liabilities	**(39.9)**	**(17.1)**	**(20.8)**	**(77.8)**	**(2.4)**
Non-current financial liabilities	(0.0)	(1.5)	(0.4)	(1.9)	(0.7)
Non-current lease liabilities	(2.6)	(7.3)	(13.1)	(23.0)	
Long-term provisions	(0.9)		(1.6)	(2.5)	(0.0)
Other long-term operating liabilities	(6.9)			(6.9)	
Deferred tax liabilities	(39.7)	(3.0)	(12.6)	(55.3)	(2.2)
Total non-current liabilities	**(50.1)**	**(11.7)**	**(27.7)**	**(89.6)**	**(2.9)**
Net assets	**262.6**	**75.9**	**48.9**	**387.4**	**7.5**
Goodwill	62.9	210.4	120.5	393.8	20.0
Purchase consideration	**325.5**	**286.3**	**169.4**	**781.2**	**27.5**
Liabilities for contingent considerations and deferred payments [1]	(99.3)		(14.4)	(113.7)	(3.2)
Cash and cash equivalents acquired	(65.0)	(0.6)	(16.7)	(82.4)	(1.9)
Cash outflow for contingent considerations and deferred payments		0.3	8.7	8.9	6.9
Cash consideration for acquisitions, net of cash acquired	**161.2**	**286.0**	**146.9**	**594.1**	**29.3**

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

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

Liabilities for contingent considerations amount to CHF 90.5 million and deferred payments amount to CHF 23.2 million. Contingent considerations are dependent on the future performance of the acquired companies as well as contractual obligations and milestone achievements. Liabilities for contingent considerations for the Sennheiser Consumer Division include a liability in connection with a license agreement in the amount of CHF 79.5 million that is dependent on future revenues (for further information refer to Note 4.8). For the Sennheiser Consumer Division, Goodwill is attributed mainly to economies of scale and expected synergies. For Alpaca and other acquisitions, Goodwill is attributed mainly to economies of scale and expected synergies such as favorable sales growth potential, increase in share of Sonova products within acquired distribution companies and cost reductions in administrative and corporate functions as well as to the labor force. Recognized goodwill is not expected to be deductible for income tax purposes.

Acquisition-related intangible assets for the Sennheiser Consumer Division mainly contain trademarks (CHF 100.6 million), customer relationships (CHF 55.6 million) and technology (CHF 8.2 million). For Alpaca Audiology acquisition-related intangibles contain customer relationships (CHF 83.2 million). For other acquisitions, acquisition-related intangibles assets mainly relate to customer relationships (CHF 47.2 million). In the previous year, acquisition-related intangibles related to customer relationships and amounted to CHF 8.3 million. The assigned lifetime is 7 years for technology and 10 to 15 years for customer relationships. On these intangible assets, deferred taxes have been considered.

As part of the acquisition of the Consumer Division from Sennheiser, the Group acquired a brand value with an indefinite useful life. It has been determined to have an indefinite useful life as there is no intention to abandon the brand name. It has existed for many years and the Group has the ability to maintain its brand value for an indefinite period of time. Thus, the brand is not amortized but is assessed for impairment annually.

Acquisition-related transaction costs in the amount of CHF 9.0 million (previous year CHF 0.3 million) were expensed and are included in the line “General and administration”.

April 1 to March 31, CHF million				**2021/22**	**2020/21**
	Sennheiser Consumer Division	Alpaca Audiology	Others	Total	Total
Contribution of acquired companies from date of acquisition					
Sales	8.8	8.2	40.4	57.4	2.6
Net income	(8.0)	(0.0)	2.1	(5.9)	0.6
Contribution, if the acquisitions had occurred on April 1					
Sales	245.7	97.0	70.2	412.9	12.4
Net income	1.7	0.1	8.8	10.6	3.6

Accounting policies

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

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

Accounting judgements and estimates

Business combinations

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

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

Liabilities for contingent considerations

Contingent considerations are dependent on the future performance of the acquired companies as well as contractual obligations. If the future performance is not achieved or the estimate needs to be revised, the liability is adjusted accordingly, with a resulting change in the income statement. At the end of the 2021/22 financial year, such liabilities contingent on future events amount to CHF 95.3 million (previous year CHF 4.2 million) and are disclosed under other financial liabilities (Note 4.5).

6.2 Investments in associates/joint ventures

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

CHF million	2021/22	2020/21
Current assets	4.7	2.9
Non-current assets	4.7	3.6
Total assets	**9.4**	**6.5**
Current liabilities	(1.2)	(0.8)
Non-current liabilities	(0.9)	(0.6)
Total liabilities	**(2.0)**	**(1.4)**
Net assets	**7.4**	**5.1**
Income for the year	7.6	5.1
Expenses for the year	(4.6)	(3.2)
Profit for the year	**3.0**	**1.9**
Net book value at year-end	22.3	19.7
Share of profit/(loss) recognized by the Group	3.0	1.9

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

In the financial year 2020/21, no associates were acquired/divested. In the case of one associate, an additional contribution of CHF 1.2 million was made, without increasing the participation rights.

Sales to associates in the 2021/22 financial year amounted to CHF 10.9 million (previous year CHF 7.8 million). At March 31, 2022, trade receivables towards associates amounted to CHF 2.6 million (previous year CHF 2.5 million).

At the end of the 2021/22 and 2020/21 financial years, no unrecognized losses existed.

Investments with a net book value of CHF 22.2 million (previous year CHF 19.7 million) have a business year different than the Sonova Group. The latest available information for the respective companies are as per December 2021.

Accounting policies

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

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

7. Other disclosures

7.1 Number of employees

On March 31, 2022, the Sonova Group employed the full time equivalent (FTE) of 16,733 people (previous year 14,508). They were engaged in the following regions and activities:

By region	31.3.2022	31.3.2021
Switzerland	1,445	1,321
EMEA (excl. Switzerland)	7,238	6,443
Americas	4,285	3,415
Asia/Pacific	3,765	3,329
Total	**16,733**	**14,508**
By activity		
Research and development	1,100	879
Operations	4,668	4,398
Sales and marketing, general and administration	10,965	9,231
Total	**16,733**	**14,508**

The acquisition of the Sennheiser Consumer Division and Alpaca Audiology (for further details on acquisition impacts refer to Note 6.1) contributed to the increase with 595 FTE's, and 486 FTE's respectively.

The average number of employees (full time equivalents) of the Sonova Group for the year was 15,114 (previous year 14,436). Total personnel expenses for the 2021/22 financial year amounted to CHF 1,131.9 million (previous year CHF 940.2 million).

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

CHF million	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	Management Board		Board of Directors		Total	
Short-term employee benefits	9.6	7.2	1.5	1.4	11.1	8.5
Post-employment benefits	0.7	0.6			0.7	0.6
Share based payments	5.0	4.5	1.6	1.6	6.6	6.2
Total	**15.2**	**12.3**	**3.1**	**3.0**	**18.4**	**15.3**

The total compensation to the Management Board for the 2021/22 reporting period, as shown above, relates to nine active members and one former member of the Management Board (2020/21: nine active members).

The total compensation to the Board of Directors for the 2021/22 reporting period, as shown above, relates to nine active members and two former members (2020/21: nine active members).

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

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

7.3 Employee benefits

Defined benefit plans

Sonova Group's retirement plans include defined benefit pension plans in Switzerland, Austria, Belgium, Canada, France, Germany and Israel. These plans are both funded and unfunded and governed by local regulations using independent actuarial valuations according to IAS 19. Sonova Group's major defined benefit plan is located in Switzerland, which in total accounts for CHF 471.0 million or 98.7% (previous year CHF 483.9 million or 98.7%) of Sonova's defined benefit obligation.

Pension plans in Switzerland

The current pension arrangement for employees in Switzerland is made through a plan governed by the Swiss Federal Occupational Old Age, Survivors and Disability Pension Act (BVG). The plan of Sonova's Swiss companies is administered by a separate legal foundation, which is funded by regular employer and employee contributions as defined in the pension fund rules. The Swiss pension plan contains a cash balance benefit which is, in essence, contribution-based with certain minimum guarantees. Due to these minimum guarantees, the Swiss plan is treated as a defined benefit plan for the purposes of these IFRS financial statements, although it has many of the characteristics of a defined contribution plan. The plan is invested in a diversified range of assets in accordance with the investment strategy and the common criteria of asset and liability management. A potential under-funding may be remedied by various measures such as increasing employer and employee contributions or reducing prospective benefits. Above a set insured salary, the savings capital will be split into pension-accumulating and capital-accumulating savings capital. The pension-accumulating savings capital will generate a life-long retirement pension upon retirement. The capital-accumulating savings capital will generate a one-off capital payment upon retirement. An annuity rate of 5.4% to the individual accumulated retirement savings capital was applied for the financial years 2021/22 and 2020/21.

As of March 31, 2022, 1,476 employees (previous year 1,363 employees) and 154 beneficiaries (previous year 143 beneficiaries) are insured under the Swiss plan. The defined benefit obligation has a duration of 15.7 years (previous year 14.0 years).

The results of all defined benefit plans are summarized below:

Amounts recognized in the balance sheet CHF million	**31.3.2022**	**31.3.2021**
Present value of funded obligations	(477.3)	(490.1)
Fair value of plan assets	516.2	474.1
Net present value of funded plans	**39.0**	**(16.0)**
Present value of unfunded obligations	(15.0)	(5.3)
Total assets (liabilities), net	**24.0**	**(21.3)**
Amounts in the balance sheet:		
Retirement benefit obligation	(15.7)	(21.3)
Retirement benefit asset	39.7	
Assets/(liabilities) in the balance sheet, net	**24.0**	**(21.3)**

Remeasurements recognized in equity CHF million	**2021/22**	**2020/21**
Balance April 1	21.4	77.1
Actuarial losses/(gains) from		
– changes in demographic assumptions	3.6	
– changes in financial assumptions	(53.8)	10.1
– changes in experience adjustments	27.7	10.8
Return on plan assets excluding interest income	(33.1)	(76.7)
Balance March 31	**(34.4)**	**21.4**

Amounts recognized in the income statement CHF million	**2021/22**	**2020/21**
Current service cost [1)]	20.0	19.3
Net interest cost	0.1	0.3
Total employee benefit expenses [2)]	**20.1**	**19.6**

1) Excluding Participants' contributions.
2) The amount recognized in the consolidated income statement 2021/22 has been charged to:
– cost of sales CHF 2.8 million (previous year CHF 3.3 million);
– research and development CHF 6.8 million (previous year 6.3 million);
– sales and marketing CHF 3.7 million (previous year 3.9 million);
– general and administration CHF 6.6 million (previous year CHF 5.8 million);
– financial expenses CHF 0.1 million (previous year CHF 0.3 million).

Movement in the present value of the defined benefit obligations CHF million	**2021/22**	**2020/21**
Beginning of the year	495.5	448.9
Interest cost	1.6	2.0
Current service cost	20.0	19.3
Participants' contributions	13.8	12.4
Benefits paid, net	(23.2)	(8.0)
Actuarial loss on obligations	(22.6)	20.9
Changes through business combinations	6.8	
Transfers	1.3	
Exchange differences	(0.9)	(0.1)
Present value of obligations at end of period	**492.2**	**495.5**

Movement in the fair value of the plan assets CHF million	**2021/22**	**2020/21**
Beginning of the year	474.1	375.4
Interest income on plan asset	1.5	1.7
Employer's contributions paid	16.4	15.3
Participants' contributions	13.8	12.4
Benefits paid, net	(22.4)	(7.6)
Return on plan assets excluding interest income	33.1	76.7
Exchange differences	(0.2)	0.2
Fair value of plan assets at end of period	**516.2**	**474.1**

The plan assets consist of:	**31.3.2022**	**31.3.2021**
Cash	2.9%	2.6%
Domestic bonds	17.3%	16.2%
Foreign bonds	7.7%	7.5%
Domestic equities	12.3%	12.8%
Foreign equities	29.9%	31.5%
Real estates	14.6%	14.8%
Alternative investments	15.4%	14.6%

All of the plan assets have quoted market prices. The actual return on plan assets amounted to CHF 34.6 million (previous year CHF 78.4 million). The expected employer's contributions to be paid in the 2022/23 financial year amount to CHF 16.0 million.

Principal actuarial assumptions (weighted average)	**2021/22**	**2020/21**
Discount rate	1.20%	0.30%
Future salary increases	1.00%	1.00%
Future pension increases	0%	0%
Fluctuation rate	BVG 2020GT	10%
Demography	BVG 2020GT	BVG 2015GT

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

Sensitivity analysis – impact on defined benefit obligation CHF million	**31.3.2022**	**31.3.2021**
Discount rate		
Discount rate +0.25%	(16.8)	(15.6)
Discount rate –0.25%	19.2	17.7
Salary growth		
Salary growth +0.25%	1.0	0.8
Salary growth –0.25%	(1.0)	(0.8)
Pension growth		
Pension growth +0.5%	18.5	18.4
Pension growth –0.5%	(18.5)	(18.4)
Fluctuation rate		
Fluctuation rate +5%	(15.0)	(19.2)
Fluctuation rate –5%	21.4	32.8

Defined contribution plans

Several of the Group's entities have a defined contribution plan. The employer's contributions amounted to CHF 22.1 million in the year ended March 31, 2022 (previous year CHF 19.6 million) and are recognized directly in the income statement.

Accounting policies

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

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

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

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

Accounting judgements and estimates

The Sonova Group has various employee benefit plans. Most of its salaried employees are covered by these plans, of which some are defined benefit plans. The present value of the defined benefit obligations at the end of the 2021/22 financial year amounts to CHF 492.2 million (previous year CHF 495.5 million). This includes CHF 471.0 million (previous year CHF 483.9 million) from the Swiss pension plan. With such plans, actuarial assumptions are made for the purpose of estimating future developments, including estimates and assumptions relating to discount rates, and future wage as well as pension trends. Actuaries also use statistical data such as mortality tables and staff turnover rates with a view to determining employee benefit obligations. If these factors change due to a change in economic or market conditions, the subsequent results could deviate considerably from the actuarial reports and calculations. In the medium term, such deviations could have an impact on the equity.

7.4 Equity plans

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

In the 2021/22 and 2020/21 financial years, as part of the Executive Equity Award Plan (EEAP) Sonova granted restricted shares, restricted share units (RSUs), performance share units (PSUs), options, and for US employees, share appreciation rights (SARs). Options as well as PSUs granted to the Management Board in 2021/22 and 2020/21 include a performance criterion.

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

CHF million	**2021/22**	**2020/21**
Equity-settled share-based payment costs	19.9	20.4
Cash-settled share-based payment costs	13.6	10.9
Total share-based payment costs	**33.5**	**31.3**

The following table shows the outstanding options and/or SARs, granted as part of the EEAP 2016 to 2022. All of the equity instruments listed below (except for the non-recurring performance options granted to the COO (now CEO) in 2017/18) vest in 4 equal tranches, annually over a period of 4 years. The non-recurring performance options granted to the CEO vest earliest on April 1, 2023, subject to the achievement of the performance criteria.

Summary of outstanding options and SARs granted until March 31, 2022:

Financial year granted	Instruments granted	First vesting date/ expiry date	Granted	Exercise price (CHF)	Outstanding	Average remaining life (years)	Exercisable
2015/16	Options/SARs [1]	1.6.2017 31.1.2023	298,520	124.20	41,425	0.8	41,425
2016/17	Options/SARs [2]	1.6.2018 31.1.2024	378,652	130.00	109,176	1.8	109,176
2017/18	Options/SARs [3]	1.4.2023 30.9.2027	47,415	147.85	47,415	5.5	
2017/18	Options [4]	1.6.2019 31.1.2028	341,943	147.85	178,498	5.8	117,727
2018/19	Options/SARs [5]	1.6.2020 31.1.2029	249,760	182.40	164,878	6.8	66,173
2019/20	Options/SARs [6]	1.6.2021 31.1.2030	208,245	241.80	169,734	7.8	37,205
2020/21	Options/SARs [7]	1.6.2022 31.1.2031	170,694	218.70	161,915	8.8	723
2021/22	Options/SARs [8]	1.6.2023 31.1.2032	112,656	333.60	112,656	9.8	
Total			**1,807,885**		**985'697** [9]	**6.6**	**372'429** [10]
Thereof:							
Equity-settled			1,604,418		903,075		347,871
Cash-settled			203,467		82,622		24,558

1) Including 126,206 performance options, granted to the CEO and MB members.
2) Including 147,948 performance options, granted to the CEO and MB members.
3) Non-recurring performance options, granted to the COO (now CEO). Terms have been amended in the financial year 2020/21 – for further details refer to section "Options" in this note.
4) Including 150,114 performance options, granted to the CEO and MB members.
5) Including 80,850 performance options, granted to the CEO and MB members.
6) Including 77,574 performance options/SAR, granted to the CEO and MB members.
7) Including 61,779 performance options/SAR, granted to the CEO and MB members.
8) Including 38,252 performance options/SAR, granted to the CEO and MB members.
9) Weighted average exercise price of outstanding options/SARs amounts to CHF 199.70
10) Weighted average exercise price for exercisable options/SARs amounts to CHF 155.65

The fair value of options and/or SARs is calculated at the grant date by using an "Enhanced American Pricing Model". The expected volatility is based on historical measures. The main valuation assumptions used for the options and/or SARs granted in the current and in the previous financial year are as follows:

Assumptions for valuation at grant date	EEAP 2022 – Management Board Options/SARs	EEAP 2022 Options/SARs	EEAP 2021 – Management Board Options/SARs	EEAP 2021 Options/SARs
Valuation date	1.2.2022	1.2.2022	1.2.2021	1.2.2021
Expiry date	31.01.2032	31.01.2032	31.01.2031	31.01.2031
Restriction period	5 years		5 years	
Share price on grant date	CHF 333.60	CHF 333.60	CHF 218.70	CHF 218.70
Exercise price	CHF 333.60	CHF 333.60	CHF 218.70	CHF 218.70
Volatility	26.8%	26.8%	25.0%	25.0%
Expected dividend yield	1.4%	1.4%	1.5%	1.5%
Weighted risk free interest rate	0.3%	0.2%	(0.4%)	(0.5%)
Weighted average fair value of options/SARs issued	**71.31**	**69.27**	**39.90**	**37.31**

Options

The exercise price of options is equal to the market price of Sonova Holding AG shares on the SIX Swiss Exchange at grant date. The fair value of the options granted is estimated at grant date and recorded as an expense over the corresponding vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period (including adjustments due to re-assessments of the likely ROCE targets achievements for performance options granted to the CEO and the other members of the MB) to ensure that only a charge for vested amounts occur. Options may be exercised after the vesting date, until their expiry date. If options are exercised, one share per option from the conditional share capital is issued, or treasury shares are used for fulfillment. In the financial year 2021/22 and 2020/21 the options granted to the CEO and the members of the MB include a restriction period of 5 years, which was considered in the fair value of the options at grant date.

Changes in outstanding options:		**2021/22**		**2020/21**
	Number of options	Weighted average exercise price (CHF)	Number of options	Weighted average exercise price (CHF)
Outstanding options at April 1	1,005,440	175.89	1,010,087	165.54
Granted [1]	101,860	333.60	149,592	218.70
Exercised [2]	(177,606)	148.03	(126,260)	133.16
Forfeited	(26,619)	205.45	(27,979)	194.12
Outstanding options at March 31	**903,075**	**198.29**	**1,005,440**	**175.89**
Exercisable at March 31	**347,871**	**154.48**	**310,167**	**139.99**

1) 2021/22 includes 35,483 performance options (previous year 57,080 performance options), granted to the CEO and MB members.
2) The total consideration from options exercised amounted to CHF 44.2 million (previous year CHF 29.9 million). The weighted average share price of the options exercised during the year 2021/22 was CHF 299.17 (previous year CHF 204.63).

Share appreciation rights (SARs)

The exercise price of SARs is generally equal to the market price of Sonova Holding AG shares on the SIX Swiss Exchange at grant date. Upon exercise of SARs, an employee shall be paid an amount in cash equal to the number of shares for which the employee exercised SARs, multiplied by any surplus, of the per share market price at the date of exercise versus the per share exercise price (determined at the date of grant of SARs). The initial fair value of the SARs is in line with the valuation of the options of the respective period and recorded as an expense over the corresponding vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period (including adjustments due to re-assessments of the likely ROCE targets achievements for performance options/SARs granted to the members of the MB) to ensure that only a charge for vested amounts occur. Until the liability is settled, it is revalued at each reporting date recognizing changes in fair value in the income statement. The SARs may be sold after the vesting date, until they expire, except for the SARs granted to members of the MB in the financial year 2021/22 and 2020/21, which include a restriction period of 5 years.

Changes in outstanding SARs:		**2021/22**		**2020/21**
	Number of SARs	Weighted average exercise price (CHF)	Number of SARs	Weighted average exercise price (CHF)
Outstanding SARs at April 1	114,028	184.84	107,966	173.87
Granted [1]	10,796	333.60	21,102	218.70
Exercised	(33,286)	150.16	(10,903)	136.57
Forfeited	(8,916)	213.24	(4,137)	198.35
Outstanding SARs at March 31 [2]	**82,622**	**215.19**	**114,028**	**184.84**
Exercisable at March 31 [3]	**24,558**	**172.19**	**30,941**	**142.38**

1) 2021/22 includes 2,769 performance SARs granted to an MB member (previous year 4,699).
2) The carrying amount of the liability relating to the SARs at March 31, 2022 is CHF 10.4 million (previous year CHF 6.8 million).
3) The intrinsic value of the SARs exercisable at March 31, 2022 amounts to CHF 5.3 million (previous year CHF 3.3 million).

Performance share units (PSUs)

In 2022, as well as in the previous year, grants made to the members of the Management Board under the EEAP consist of PSUs. The PSUs are measured on relative TSR (rTSR) against the constituents of a recognized index. The fair value of a PSU at grant date was based on a “Monte-Carlo valuation”. PSUs entitle the holder up to two shares per PSU, subject to the achievement of the performance criterion. PSUs granted are subject to a restriction period, which was considered in the fair value of the PSU at grant date. Upon vesting of the PSUs, the respective shares are either created out of the conditional share capital or treasury shares are used. The cost of the PSUs granted is expensed over their vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period, to ensure that only vested amounts are expensed.

Assumptions for valuation at grant date	PSU 2022	PSU 2021
Valuation date	1.2.2022	1.2.2021
Date of grant	1.2.2022	1.2.2021
Share price on grant date	CHF 333.60	CHF 218.70
Fair value	CHF 334.87	CHF 198.67
End of restriction period	31.1.2027	31.1.2026
Performance conditions	Total shareholder return (TSR)	Total shareholder return (TSR)
TSR performance period	1.2.2022 – 31.3.2025	1.2.2021 – 31.3.2024
TSR comparator group	Swiss Leader Index (SLI)	Swiss Leader Index (SLI)

Restricted share units (RSUs)

Under the EEAP grants 2017 to 2022, entitled employees have been granted RSUs. The value of an RSU is equal to the market price of Sonova Holding AG shares on the SIX Swiss Exchange on the grant date, adjusted for the fair value of expected dividends, as RSUs are not entitled to dividends. RSUs entitle the holder to one share per RSU after the vesting period. In the case of RSUs granted to the CEO (2014 to 2018) and the other members of the MB (EEAP 2014 to 2017), vesting of these shares is dependent on the fulfillment of the performance criteria which remains the achievement of a pre-defined minimum return on capital employed (ROCE) target. Upon vesting of the RSUs, the respective shares are either created out of the conditional share capital or treasury shares are used. The cost of the RSUs granted is expensed over their vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period to ensure that only vested amounts are expensed.

Restricted shares

In addition to the PSUs granted in respect to the EEAP 2022 and 2021, restricted shares have been granted to the Chairman of the Board of Directors as well as to the other members of the Board of Directors in the financial year 2021/22 and 2020/21. These shares are entitled to dividends and are restricted for a period of 64 months (Chairman), respectively 52 months (other members of the Board of Directors).

The costs for the restricted shares granted to the members of the Board of Directors have been fully expensed in the 2021/22 financial year as these shares have no vesting period.

Changes in outstanding PSUs/RSUs/Restricted shares:				2021/22				2020/21
	Number of PSUs	Number of RSUs	Number of restricted shares	Total	Number of PSUs	Number of RSUs	Number of restricted shares	Total
Balance April 1	40,244	233,157	53,591	326,992	31,689	259,065	60,258	351,012
Granted	20,676	49,758	4,941	75,375	10,359	68,605	7,539	86,503
Settled	(29,500)	(69,799)	(13,732)	(113,031)		(78,670)	(14,206)	(92,876)
Forfeited		(15,452)		(15,452)	(1,804)	(15,843)		(17,647)
Balance March 31	**31,420**	**197,664**	**44,800**	**273,884**	**40,244**	**233,157**	**53,591**	**326,992**

In addition to the plans described above a cash-settled share based payment arrangement exists in relation to an acquisition entered in the financial year 2019/20. A portion of the deferred payments of that transaction can be settled in Sonova shares (number of shares granted 102,421) or in cash at the discretion of the counterparties and represent share-based payments as the payment is linked to employment conditions. The fair value of the shares granted of CHF 21.3 million was calculated at grant date (July 8, 2019) representing the share price on that date and considering that the shares are not entitled to dividends. The associated cost is expensed over the vesting period (four equal tranches vesting equally over four years). Until the liability is settled, it is revalued at each reporting date recognizing changes in the fair value in the income statement. Due to the discretion of the counterparties to request cash payments, the equity plan is classified as a "cash-settled share based payment plan". For this cash-settled share based payment plan, the corresponding liability is recorded under "Other short-term operating liabilities" in the balance sheet. As per March 31, 2022 the liability amounts to CHF 15.7 million (previous year CHF 11.8 million). The second tranche vested in the financial year 2021/22 and a liability of CHF 9.0 million (previous year CHF 5.1 million) was transferred to equity as the beneficiaries opted for settlement in Sonova shares.

Accounting policies

The Board of Directors of Sonova Holding AG, the Management Board, and certain management and senior employees of other Group companies participate in equity compensation plans. The fair value of all equity compensation awards granted to employees is determined at the grant date and recorded as an expense over the vesting period. The expense for equity compensation awards is charged to the appropriate income statement heading within the operating result and an equivalent increase in equity (for equity-settled compensation) or financial liability (for cash-settled compensation) is recorded. In the case of cash-settled compensation, until the liability is settled, it is revalued at each reporting date, recognizing changes in the fair value in the income statement.

7.5 Government grants

The Group's result for the financial year 2021/22 includes government support received worldwide in connection with the COVID-19 pandemic in the amount of CHF 1.1 million (prior year: 47.4 million). Most of the government grants relate to compensation of salary costs (furlough) and is recognized as a deduction from the costs in the following functional line items of the consolidated income statement:

April 1 to March 31, CHF million	2021/22	2020/21
Cost of sales	0.3	4.9
Research and development	0.1	2.1
Sales and marketing	0.6	33.7
General and administration	0.1	6.7
Total	**1.1**	**47.4**

Accounting policies

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Government grants are presented as a deduction from the relevant functional cost line item in the income statement.

7.6 Events after the balance sheet date

On April 6, 2022, the Group repaid a CHF 330 million fixed-rate bond.

On May 2, 2022, Sonova Holding AG issued a CHF 200 million fixed-rate bond with interest rate of 1.05% and maturity on February 19, 2029 and a CHF 250 million fixed-rate bond with interest rate of 1.40% and maturity on February 19, 2032.

Besides the above mentioned transaction there have been no material events after the balance sheet date.

7.7 List of significant companies

Company name	Activity	Domicile (country)	Share/paid-in capital [1] Local currency 1,000		Shares held
Switzerland					
Sonova Holding AG	A	Stäfa	CHF	3,159	100%
Sonova AG	A, B, C, D	Stäfa	CHF	2,500	100%
Advanced Bionics AG	A, B	Stäfa	CHF	4,350	100%
EMEA (excluding Switzerland)					
Boots Hearing Care Ltd.	B	Conwy (UK)	GBP	0 [2]	51%
SOD Invest SAS	A	Cahors (FR)	EUR	58,600	100%
Sonova Audiological Care Austria GmbH	B	Wals-Himmelreich (AT)	EUR	450	100%
Sonova Audiological Care France SAS	B	Cahors (FR)	EUR	58,800	100%
Sonova Audiological Care Italia S.r.l	B	Milan (IT)	EUR	1,166	100%
Sonova Audiological Care Nederland B.V.	B	Rotterdam (NL)	EUR	19	100%
Sonova Audiological Care Polska Sp.z.o.o.	B	Lodz (PL)	PLN	678	100%
Sonova Consumer Hearing GmbH	A	Hannover (DE)	EUR	26,000	100%
Sonova Deutschland GmbH	B	Fellbach (DE)	EUR	41	100%
Sonova France S.A.S.	B	Bron-Lyon (FR)	EUR	1,000	100%
Sonova Ibérica S.A.U.	B	San Vicente del Raspeig (ES)	EUR	7,000	100%
Sonova Israel Ltd.	B	Haifa (IL)	ILS	5,150	100%
Sonova Norway AS	B	Oslo (NO)	NOK	1,854	100%
Sonova Retail Belgium NV	B	Groot-Bijgaarden (BE)	EUR	3,686	100%
Sonova Retail Deutschland GmbH	B	Dortmund (DE)	EUR	1,000	100%
Sonova UK Ltd.	B	Warrington (UK)	GBP	2,500	100%

Activities:
A Holding/Finance: The entity is a holding or finance company.
B Sales: The entity performs sales and marketing activities.
C Production: This entity performs manufacturing for the Group.
D Research: This entity performs research and development activities for the Group.
1) Share/paid-in capital may not reflect the taxable share/paid-in capital amount and does not include any paid-in surplus.
2) GBP 133

Company name	Activity	Domicile (country)	Share/paid-in capital [1] Local currency 1,000		Shares held
Americas					
Advanced Bionics Corp.	A	Valencia (US)	USD	1	100%
Advanced Bionics LLC	B, C, D	Valencia (US)	USD	0 [2]	100%
Alpaca Group Holdings, LLC	A	Deleware (US)	USD	298,893	100%
Connect Hearing Inc.	B	Aurora (US)	USD	0 [3]	100%
Development Finance Inc.	A	Aurora (US)	USD	0 [4]	100%
National Hearing Services Inc.	B	Kitchener (CA)	CAD	0 [2]	100%

Sonova Canada Inc.	B	Mississauga (CA)	CAD	0 [2]	100%
Sonova do Brasil Produtos Audiológicos Ltda.	B	Sao Paulo (BR)	BRL	120,379	100%
Sonova United States Hearing Instruments, LLC	A	Aurora (US)	USD	0 [2]	100%
Sonova USA, Inc.	B	Aurora (US)	USD	46,608	100%
Asia/Pacific					
Sonova (Shanghai) Co., Ltd.	B	Shanghai (CN)	CNY	20,041	100%
Sonova Audiological Care Australia Pty. Ltd	B	NSW (AU)	AUD	58,000	100%
Sonova Audiological Care New Zealand Ltd	B	Auckland (NZ)	NZD	20,450	100%
Sonova Australia Pty Ltd	B	Norwest (AU)	AUD	10,475	100%
Sonova Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY	46,249	100%
Sonova Operation Center Vietnam Co., Ltd.	C	Binh Duong (VN)	VND	36,156,000	100%

Activities:
A Holding/Finance: The entity is a holding or finance company.
B Sales: The entity performs sales and marketing activities.
C Production: This entity performs manufacturing for the Group.
D Research: This entity performs research and development activities for the Group.
1) Share/paid-in capital may not reflect the taxable share/paid-in capital amount and does not include any paid-in surplus.
2) Without par value
3) USD 1
4) USD 10

7.8 Other accounting policies

Investments in subsidiaries

Investments in subsidiaries are fully consolidated. These are entities over which Sonova Holding AG directly or indirectly exercises control. Control exists when the Group is exposed, or has rights, to variable returns from its relationship with an entity and has the power to affect those returns. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can clearly demonstrate that such ownership does not constitute control. For the consolidated entities, 100% of assets, liabilities, income, and expenses are included. Non-controlling interests in equity and net income or loss are shown separately in the balance sheet and income statement. Changes in the ownership interest of a subsidiary that do not result in a loss of control will be accounted for as an equity transaction. Hence, neither goodwill nor any gains or losses will result.

Group Companies acquired during the year are included in the consolidation from the date on which control over the company transferred to the Group. Group companies divested during the year are excluded from the consolidation as of the date the Group ceased to have control over the company. Intercompany balances and transactions (including unrealized profit on intercompany inventories) are eliminated in full.

Related parties

A party is related to an entity if the party directly or indirectly controls, is controlled by, or is under common control with the entity, has an interest in the entity that gives it significant influence over the entity, has joint control over the entity or is an associate or a joint venture of the entity. In addition, members of the Board of Directors and the Management Board or close members of their families are also considered related parties as well as post-employment plan organizations (pension funds) for the benefit of Sonova employees. No related party exercises control over the Group.

Building a better working world

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

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Sonova Holding AG and its subsidiaries (the Group), which comprise the consolidated income statement, the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 March 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the *International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Goodwill

Area of focus	Our audit response
As of 31 March 2022, the Group has goodwill of CHF 2'298.4 million representing 41% of the Group's total assets and 94% of the Group's total equity. Per note 3.5, goodwill is tested for impairment at least annually. In performing the impairment analysis management applies considerable judgment in respect of future market and economic conditions, such as economic growth, expected inflation rates, demographic developments, expected market share, revenue and margin development of the cash generating units (CGUs) to which goodwill has been allocated. Changes in these assumptions might lead to a change in the carrying value of goodwill. We focused on this area given the significant judgment applied in the assessment process.	We assessed and tested the assumptions, including weighted average cost of capital (WACC), methodologies and technical input parameters for the valuation model applied by the Group. We involved our internal valuation specialists to assist us with these audit procedures. In addition, we evaluated the cash flow projections for the CGUs by performing a retrospective assessment of the accuracy of management's past projections and analyzing management's business forecasts. In particular, we focused on the sensitivity in the available headroom of the CGUs and whether reasonably possible changes in assumptions could cause the carrying amount of the CGUs to exceed its recoverable amount. Our audit procedures did not lead to any reservations regarding the carrying value of goodwill.

Provisions for product liabilities

Area of focus	Our audit response
As of 31 March 2022, the Group has provisions for product liabilities of CHF 94.4 million. Per note 3.7, provisions for product liabilities consider the expected cost for claims in relation to the voluntary recall of cochlear implant products of Advanced Bionics in 2006 and Advanced Bionics voluntary field corrective action regarding cochlear implant products in 2020. Cost includes replacement products, medical expenses, compensation for actual damages as well as legal fees. We focused on this area given the uncertainty in the assumptions and estimates of the provision, as it largely depends on the outcome of administrative and legal proceedings.	We assessed management's process for the identification and evaluation of claims and analyzed the calculation models to determine the amount of the provisions for product liabilities. We tested the mathematical accuracy of the model, assessed key input factors such as number of devices in the market, failure rates, claim rates and costs per case. We enquired with the Group's legal counsel about disputes in relation to product liabilities and analyzed responses from legal letters obtained from third party legal representatives. We also reviewed the Group's disclosures made in the consolidated financial statements. Our audit procedures did not lead to any reservations regarding the provision for product liabilities.

Business combinations

Area of focus	Our audit response
As outlined in note 6.1, Sonova entered into significant business combinations during the reporting period. The Group acquired 100% of the Sennheiser Consumer division and Alpaca Audiology for a total purchase consideration of CHF 611.8 million. As a result of these acquisitions, goodwill of CHF 273.3 million, other intangibles of CHF 249.0 million and remaining assets of CHF 208.5 million were recognized and liabilities of CHF 118.8 million were assumed. We focused on these transactions because of the complexity of acquisition accounting, the level of judgment required in the identification and valuation of tangible and intangible assets acquired, and of the liabilities assumed.	As part of the audit, we assessed the provisional fair values of the identifiable assets acquired and liabilities assumed as at the acquisition date. Our audit procedures included, amongst others, reading the purchase agreements and amendments to obtain an understanding of the key terms for the transactions. We also assessed, amongst others, the accounting for the purchase consideration, audited the identified assets and liabilities acquired, assessed the valuation of other intangibles including the underlying assumptions such as discount and growth rates, and assessed the appropriateness and completeness of the disclosures made in note 6.1. We involved our internal valuation specialists to assist us with the valuation of other intangibles performed by management's external valuation experts to evaluate the methods used and assumptions made. We included internal tax specialists on our team for the assessment of current and deferred taxes. Our audit procedures did not lead to any reservations relating to the acquisitions of the Sennheiser Consumer division and Alpaca Audiology.

Other information in the annual report

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

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 12 May 2022

Ernst & Young Ltd

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

Financial statements of Sonova Holding AG

Income statement

CHF million	Notes	2021/22	2020/21
Income			
Investment income		270.4	211.8
Financial income	2.1	20.0	26.0
Total income		**290.4**	**237.7**
Expenses			
Administration expenses		(11.8)	(10.0)
Other expenses		(0.9)	(1.4)
Depreciation and amortization		(8.6)	(6.7)
Financial expenses	2.1	(79.1)	(21.2)
Direct taxes		(0.2)	(0.2)
Total expenses		**(100.5)**	**(39.5)**
Net profit for the year		**189.9**	**198.3**

Balance sheet

Assets CHF million	Notes	31.3.2022	31.3.2021
Cash and cash equivalents		152.3	935.9
Financial assets		0.0	80.0
Other receivables			
– Third parties		0.0	0.1
– Group companies		5.4	5.6
Prepaid expenses		2.3	1.6
Total current assets		**160.1**	**1,023.3**
Financial assets	2.2		
– Third parties		1.5	2.1
– Group companies		1,567.9	1,893.0
Investments	2.3	477.4	314.4
Total non-current assets		**2,046.8**	**2,209.5**
Total assets		**2,206.9**	**3,232.8**

Liabilities and shareholders' equity CHF million	Notes	31.3.2022	31.3.2021
Trade account payables			
– Third parties		0.0	0.1
Short-term interest-bearing liabilities			
– Third parties		4.7	4.7
–Group companies		18.7	
Bond	2.4	330.0	360.0
Other short-term liabilities to third parties		24.8	0.1
Accrued liabilities		8.2	4.0
Total short-term liabilities		**386.5**	**368.9**
Bonds	2.4	866.2	1,199.7
Other long-term liabilities to third parties		0.2	0.2
Total long-term liabilities		**866.4**	**1,200.0**
Total liabilities		**1,252.9**	**1,568.9**
Share capital		3.2	3.2
Legal reserves			
– Reserves from capital contribution		0.0	18.5
– General reserves		1.8	1.8
– Legal reserves for treasury shares held by subsidiaries		11.4	17.0
Voluntary retained earnings			
– Balance carried forward		1,457.3	1,714.9
– Net profit for the year		189.9	198.3
Treasury shares			
– Treasury shares to offset with reserves from capital contribution		0.0	(18.5)
– Treasury shares	2.5	(709.6)	(271.3)
Total shareholders' equity		**954.0**	**1,663.9**
Total liabilities and shareholders' equity		**2,206.9**	**3,232.8**

Notes to the financial statements of Sonova Holding AG as of March 31, 2022

1. General information

The financial statements of Sonova Holding AG, with registered office in Stäfa, comply with the requirements of Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations, 'SCO'). The company does not have any employees.

2. Accounting principles

2.1 Financial income/expenses

Financial income/expenses consists of gains and losses from sale/transfer of shares in relation to long-term incentive plans, realized/unrealized foreign exchange gains and losses as well as interest income/expenses.

2.2 Financial assets

Financial assets contain loans to third parties as well as to Group companies and are recognized at cost less adjustments for foreign currency losses and impairment of value. Loans granted in foreign currency are translated at balance sheet date.

2.3 Investments

Investments consist mainly of participations in fully consolidated Group companies. They are subject to individual valuation.

2.4 Bonds

Bonds are valued at nominal value. Any bond premium/discount is accrued/capitalized and released/amortized linearly over the term.

2.5 Treasury shares

Treasury shares are recognized at cost and deducted from shareholders' equity. The gain or loss from sale is recognized in the income statement as financial gain or financial loss.

3. Information on income statement and balance sheet items

3.1 Bonds

As of March 31, 2022, the Group has the following bonds/US Private Placement outstanding:

Financial liabilities	Currency	Nominal value	Interest rate	Maturity
Fixed-rate bond	CHF	330	0.55%	April 6, 2022
US Private Placement	USD	180	2.84%	July 14, 2025
Fixed-rate bond	CHF	200	0.50%	October 6, 2025
Fixed-rate bond	CHF	300	0.75%	October 6, 2028
Fixed-rate bond	CHF	100	0.00%	October 11, 2029
Fixed-rate bond	CHF	100	0.40%	October 11, 2034

3.2 Treasury shares

On May 18, 2021, Sonova Holding AG announced that its Board of Directors approved a share buyback program of up to CHF 700 million. The program started in June 2021 and ended in March 2022. In total, 2,012,438 treasury shares were bought under the share buyback program and are intended to be cancelled (proposal to the Annual Shareholders' Meeting June 15, 2022). On March 29, 2022 the Board of Directors approved a new share buyback program of up to CHF 1.5 billion which is expected to run over a period of up to 36 months.

Treasury shares held by Sonova Holding AG Number/CHF million

	Number	Treasury shares at cost
Balance April 1, 2021	1,278,648	289.8
Purchase of treasury shares from share buyback	2,012,438	702.8
Purchase of treasury shares	250,000	79.8
Sale/Transfer of treasury shares	(281,846)	(44.2)
Cancellation of treasury shares	(1,225,980)	(277.5)
Loss from sale of treasury shares		(41.2)
Balance March 31, 2022	**2,033,260**	**709.6**

Treasury shares held by subsidiaries Number/CHF million

	Number	Legal reserves for treasury shares held by subsidiaries
Balance April 1, 2021	76,816	17.0
Sale/Transfer of treasury shares	(25,605)	(5.6)
Balance March 31, 2022	**51,211**	**11.4**

3.3 Contingent liabilities

CHF million	**31.3.2022**	**31.3.2021**
Letters of comfort given on behalf of Group companies	9.6	4.0
Guarantees given in respect of rental obligations of Group companies	4.1	0.0

The Swiss Sonova entities form a VAT group and, hence, every company participating in the group is jointly and severally liable for VAT debt of other group participants. Further Sonova Group companies participating in the cash pool are jointly and severally liable for any debit position or outstanding overdraft in connection with them.

3.4 List of investments

Company name	Activity	Domicile	Share/paid-in capital [1] Local currency 1,000		Shares held by Sonova Holding
Switzerland					
Sonova AG	A,B,C,D	Stäfa	CHF	2,500	100%
Phonak AG	A	Stäfa	CHF	100	100%
Sonova Communications AG	B, C, D	Murten	CHF	500	100%
Verve Hearing Systems AG	A	Stäfa	CHF	100	100%
EMEA (excluding Switzerland)					
Sonova Audiological Care Austria GmbH	B	Wals-Himmelreich (AT)	EUR	450	100%
Sonova Belgium NV	A, B	Asse Zellik (BE)	EUR	15,311	100%
Sonova Holding GmbH	A	Fellbach-Oeffingen (DE)	EUR	153	85% [2]
Sonova Denmark A/S	B	Middelfart (DK)	DKK	14,182	78% [2]
Sonova Ibérica S.A.U.	B	San Vincente del Raspeig (ES)	EUR	7,000	100%
Sonova Audiological Care France SAS	B	Cahors (FR)	EUR	58,800	1% [2]
Sonova France SAS	B	Bron-Lyon (FR)	EUR	1,000	30% [2]
SCI Du Triangle De Bron	A	Bron-Lyon (FR)	EUR	46	100%
Sonova Hungary KFT	B	Budapest (HU)	HUF	5,000	100%
Sonova Italia S.R.L.	B	Milan (IT)	EUR	1,040	100%
Sonova Nederland B.V.	B	Vianen (NL)	EUR	227	100%
Sonova Norway AS	B	Oslo (NO)	NOK	1,854	49% [2]
Sonova Polska Sp. Z o.o.	B	Warsaw (PL)	PLN	100	100%
Sonova Warsaw Service Center Sp.Z.o.o.	A	Warsaw (PL)	PLN	100	100%
Sonova RUS LLC	B	Moscow (RU)	RUB	4,000	100%
Sonova Nordic AB	B	Solna (SE)	SEK	200	100%
Sonova Sweden AB	B	Solna (SE)	SEK	100	100%
Sonova UK Ltd.	B	Warrington (UK)	GBP	2,500	100%
Boots Hearing Care Ltd.	B	Llandudno (UK)	GBP	0 [3]	51%

For significant indirect investments refer to Note 7.7 of the consolidated financial statements of Sonova Holding AG.
Description:
A Holding/Finance: The entity is a holding or finance company.
B Sales: The entity performs sales and marketing activities for the group.
C Production: This entity performs manufacturing for the group.
D Research: This entity performs research and development activities for the group.
1) Share/paid in capital may not reflect the taxable share/paid-in capital amount and does not include any paid-in surplus.
2) The remaining shares are held by a subsidiary of Sonova Holding AG.
3) GBP 133

Company name	Activity	Domicile	Share/paid-in capital [1] Local currency 1,000		Shares held by Sonova Holding
Americas					
CAS Argosy Participações Ltda.	B	São Paulo (BR)	BRL	22,014	100%
Sonova Canada Inc.	B	Mississauga (CA)	CAD	0 [3]	85% [2]
Sonova Mexico Soluciones S.A. de C.V.	B	Ciudad de Mexico (MX)	MXN	94,050	85% [2]
AudioNova Mexico S.A. de C.V.	B	Ciudad de Mexico (MX)	MXN	66,050	99% [2]
Sonova United States Hearing Instruments, LLC	B	Aurora (US)	USD	0 [3]	73% [2]
Sound Pharmaceuticals, Inc.	A	Seattle (US)	USD	13,105	31%
Asia/Pacific					
Sonova Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY	46,249	100%
Sonova (Shanghai) Co., Ltd	B	Shanghai (CN)	CNY	20,041	80% [2]
Sonova India Private Limited	B	Mumbai (IN)	INR	459	56% [2]
Sonova Japan Co., Ltd.	B	Tokyo (JP)	JPY	10,000	100%
Sonova Korea Ltd.	B	Seoul (KR)	KRW	50,000	100%
Sonova New Zealand (Wholesale) Ltd.	B	Auckland (NZ)	NZD	250	100%
Sonova Singapore Pte. Ltd.	B	Singapore (SG)	SGD	250	100%
Sonova Taiwan Pte. Ltd.	B	Zhonge City (TW)	TWD	3,100	100%
Sonova Operation Center Vietnam Co., Ltd.	C	Thuan An (VN)	VND	36,156,000	100%
Sonova Vietnam Company Limited	B	Ho Chi Minh City (VN)	VND	2,088,000	70% [2]

For significant indirect investments refer to Note 7.7 of the consolidated financial statements of Sonova Holding AG.
Description:
A Holding/Finance: The entity is a holding or finance company.
B Sales: The entity performs sales and marketing activities for the group.
C Production: This entity performs manufacturing for the group.
1) Share/paid in capital may not reflect the taxable share/paid-in capital amount and does not include any paid-in surplus.
2) The remaining shares are held by a subsidiary of Sonova Holding AG.
3) Shares without par value

3.5 Significant shareholders

The following overview shows the significant shareholders as of March 31, 2022 based on shareholdings recorded in the share register and notifications on the SIX Swiss Exchange online reporting platform. Significant shareholders may also hold non-registered shares.

	2022 [1]	2022 [2]	2021 [1]	2021 [2]
	No. of shares	In %	No. of shares	In %
Beda Diethelm [3]	6,712,878	10.63	6,710,440	10.42
Family of Hans-Ueli Rihs [3] [4]	3,683,648	5.83	3,692,049	5.73
BlackRock, Inc.	3,334,293	5.10	3,334,392	5.10
The Capital Group Companies, Inc [5]	3,087,638	4.89	n/a	<3
UBS Fund Management (Switzerland) AG	1,948,684	3.03	1,948,684	3.03

1) Or at last reported date if shareholdings are not registered in the share register.
2) On the basis of the shares registered in the commercial register at last reported date.
3) Beda Diethelm and Hans-Ueli Rihs were already shareholders before the Initial Public Offering in November 1994. There are no shareholders' agreements among these individuals and they can trade freely.
4) Hans-Ulrich Rihs, Gabriela Rihs and Stefan Rihs as a group jointly control 3,683,648 registered shares (corresponding to 5.83% of total Sonova share capital) pursuant to the last disclosure notice. These shares were previously controlled by Hans-Ulrich Rihs as a single shareholder.
5) The Capital Group Companies, Inc is held by (i) Capital Research and Management Company ("CRMC"), (ii) Capital Group Private Client Services, Inc. and (iii) Capital International, Inc.

3.6 Shareholdings and participations of the Board of Directors and the Management Board

				31.03.2022				31.03.2021
	Shares	Restricted Shares [1] [3]	PSUs/RSUs [3]	Options (incl. SARs) [3]	Shares	Restricted Shares [2] [3]	PSUs/RSUs [3]	Options (incl. SARs) [3]
Board of Directors	84,817	34,672	700	96,016	84,263	49,630	2,183	96,016
Management Board	41,589		34,194	417,423	41,522		44,818	430,982
Total	**126,406**	**34,672**	**34,894**	**513,439**	**125,785**	**49,630**	**47,001**	**526,998**

1) These shares are subject to a restriction period which varies from June 1, 2022 to June 1, 2027 depending on the grant date.
2) These shares are subject to a restriction period which varies from June 1, 2021 to June 1, 2026 depending on the grant date.
3) For further details see also Note 7.4 in the consolidated financial statements.

For further details to shareholdings in the company by members of the Board of Directors and by members of the Management Board, in accordance with Swiss Code of Obligation article 663c, refer to the compensation report of Sonova Holding AG.

3.7 Events after the balance sheet date

On April 6, 2022, the Sonova Holding AG repaid a CHF 330 million fixed-rate bond.

On May 2, 2022, Sonova Holding AG issued a CHF 200 million fixed-rate bond with interest rate of 1.05% and maturity on February 19, 2029 and a CHF 250 million fixed-rate bond with interest rate of 1.40% and maturity on February 19, 2032.

Besides the above mentioned transaction there have been no material events after the balance sheet date.

Appropriation of available earnings

As proposed by the Board of Directors to the Annual General Shareholders' Meeting of June 15, 2022:

CHF million	**31.3.2022**
Balance carried forward from previous year	1,457.3
Net profit for the year	189.9
Voluntary retained earnings	**1,647.2**
Cancellation of treasury shares [1]	(702.8)
Dividend distribution [2]	(268.8)
Balance to be carried forward	**675.7**

1) Subject to approval at the Annual General Shareholders' Meeting of Agenda Item 6 (Capital Reduction Through Cancellation of Shares).

2) If the Annual General Shareholders' Meeting approves the proposed appropriation of available earnings, a gross dividend of CHF 4.40 per registered share of CHF 0.05 will be paid out (previous year: CHF 3.20).

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Sonova Holding AG, which comprise the income statement, balance sheet and notes, for the year ended 31 March 2022.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 March 2022 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibility section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of investments in subsidiaries

Area of focus	Our audit response
As of 31 March 2022, investments in subsidiaries of the Company amounted to CHF 477.4 million and represent 21.6% of total assets. Investments in subsidiaries are valued at historical cost less any impairment of value. The Company values investments in subsidiaries individually (single-asset-valuation principle). Refer to note 2.3 (Investments) in the financial statements for further details.	Our audit procedures included understanding the Company's investment in subsidiaries impairment testing process and the determination of key assumptions. We evaluated the Company's impairment testing model and key assumptions. We further corroborated the Company's key assumptions applied based on internally and externally available evidence and underlying data. Our audit procedures did not lead to any reservations relating to the valuation of investments in subsidiaries.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, 12 May 2022

Ernst & Young Ltd

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

Investor information

Financial calendar

June 15, 2022
General Shareholders' Meeting of Sonova Holding AG

November 14, 2022
Publication of Semi-Annual Report as of September 30, 2022

May 16, 2023
Publication of Annual Report as of March 31, 2023

June 12, 2023
General Shareholders' Meeting of Sonova Holding AG

Financial information

Corporate & ad hoc news
Annual Reports
Semi-Annual Reports
IR presentations
www.sonova.com/en/investors

Information on the General Shareholders' Meeting

Invitation and agenda
General Shareholders' Meeting presentations
General Shareholders' Meeting minutes
www.sonova.com/en/AGM

IR online news service

IR News Service
www.sonova.com/en/services-and-contacts

Capital structure and shareholder rights

Share data
www.sonova.com/en/investors/share-data

Shareholder structure
www.sonova.com/en/investors/shareholder-structure

Shareholder participation rights
www.sonova.com/en/investors/shareholder-participation-rights

Regulations and principles
Articles of Association
Organizational Regulations
Rules on Board Operations and Procedures
Committee Charters
Code of Conduct
Supplier Principles
www.sonova.com/en/regulations-principles

Contact form

www.sonova.com/en/services-and-contacts

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Investor Relations Associate

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ESG Report 2021/22

Message from the CEO 203

Stakeholder engagement 205

IntACT - Sonova's ESG strategy 209

- Protecting the planet
- Serving society
- Advancing our people
- Acting with integrity

About this report 274

Independent assurance report 276

Content indices 279

- GRI
- SASB
- TCFD
- SDGs

Sonova ESG Report 2021/22

Message from the CEO

Dear readers,

No business acts in a bubble. All are deeply affected by their surroundings – this world's ecological, social, and geopolitical circumstances. But the impact goes two ways: businesses, by their behavior, can also influence the world. And it is Sonova's fundamental belief that a company can only sustain success in the medium and long term, if it fully embraces its responsibilities towards all stakeholders and makes environmental, social, and governance (ESG) principles integral to its way of doing business.

Sustainability has long been anchored in Sonova's corporate values: We care. We drive innovation. We strive for excellence. We take accountability. We build the best team. Through our core business, we make a positive impact on the quality of life of millions of people every day, enabling them to enjoy the delight of hearing through our innovative solutions.

We aspire just as much to have a positive effect on our society and the environment. Our *IntACT* ESG strategy puts this aspiration into practice. It builds on four key areas: serving society, advancing our people, acting with integrity, and protecting the planet. The name *IntACT* emphasizes the ultimate goal – keeping our planet and people *intact* – and underlines the urgent need to *ACT*.

> The name of Sonova's ESG strategy *IntACT* emphasizes the ultimate goal – keeping our planet and people *intact* – and underlines the urgent need to *ACT*.

As part of our commitment to transparent stakeholder dialogue, we have published this dedicated ESG strategy and performance report for over ten years. Its form and content are guided by international reporting frameworks, including GRI, SASB, and TCFD.

Let me highlight a few achievements on our ESG journey in 2021/22. We achieved carbon neutrality in our own operations (Scope 1 and 2) through energy efficiency measures, strongly increasing our renewable energy ratio, and investing in certified offsetting projects in China, Vietnam, and Brazil. We completed our first full Scope 3 assessment to quantify all greenhouse gas emissions along our value chain. This data will enable us to identify powerful CO_2 reduction measures. We also further aligned our climate risk disclosures with the TCFD recommendations.

On the social side, employee health & wellbeing remained a key topic. We implemented global measures including new hybrid working guidelines and appointed a global health manager to further develop and implement our worldwide program. We are also proud that 97% of non-production or assembly employees now have a personal development plan (against a target of 95%). In diversity and inclusion initiatives, over 97% of employees have received training on unconscious bias. The share of women in key positions has increased over the past year from 33.5% to 35.2%, approaching our target of 40% by the end of 2025/26. In governance, we conducted Sonova's first pilot human rights impact assessment to further align our human rights due diligence with UNGP and OECD Guidelines.

Naturally, we have also faced challenges in achieving our ambitious ESG targets for this year. Although we initiated a program to reduce the environmental footprint of our packaging, our overall absolute weight of packaging increased in 2021/22, mostly due to strong business growth; we are therefore not yet on track towards our target of a 20% reduction in packaging by 2023. On the social side, the so-called "Great Resignation" in the wake of the pandemic had an impact on employee turnover, which emphasizes yet more the importance of development opportunities, health & wellbeing, and employee engagement. In governance, we need to focus even more strongly on product reliability advances in our hearing instruments and cochlear implants to achieve our ambitious target of a 20% year-over-year improvement in 2022/23.

We will continue to improve our ESG performance indicators with the same focus and intensity as we do our financial ones. ESG objectives remain part of the variable cash compensation of each member of the Management Board. Major rating agencies and sustainability indices such as the Dow Jones Sustainability Index and FTSE4Good confirmed our industry-leading ESG performance.

We will continue to improve our ESG performance indicators with the same focus and intensity as we do our financial ones.

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. We also support the Sustainable Development Goals of the United Nations, which define the global sustainable development agenda through to 2030.

There is still a lot of work to be done. Together with more than 16,000 colleagues all over the world, we will continue to strive for improvement, driving impactful actions for our society and our planet – because it is the only one we have.

Sincerely,

GRI 102-14

Arnd Kaldowski
Chief Executive Officer

Sonova ESG Report 2021/22

Stakeholder engagement

Sonova strives to engage in open and transparent dialog with its stakeholders. We actively initiate this through a broad range of channels to promote participative and integrated decision-making.

SDG 17.16

Stakeholder groups

GRI 102-40, 102-42

Sonova understands how stakeholder involvement supports our long-term success: by enhancing transparency, broadening knowledge, and generating innovative solutions. We regularly interact with our stakeholders to identify their specific interests in our business activities, products and services, and clarify their influence over our decisions. We have defined five key groups of stakeholders:

- Customers and consumers
- Employees
- Shareholders
- Suppliers
- Academia and opinion leaders

Further stakeholder groups that are important to Sonova include: the financial community, media, regulators, insurers, competitors, and industry bodies.

Approach to stakeholder engagement

GRI 102-43

Customers and consumers

Our business model is built on business-to-business (hearing care professionals, clinics, retailers) and business-to-consumer (end users, patients) relationships. Sonova establishes specific channels of engagement appropriate to the differing needs of each of these groups.

We ensure dialog with our business-to-business customers through our 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 technical marketing materials to help transfer our knowledge and train hearing care specialists. We conduct an annual worldwide online customer survey. Based on this data, the Customer Satisfaction Index (CSI) is calculated and expressed on a scale between 0 and 100, the latter being the best. In 2021/22, the CSI for the Phonak brand was 74 (2019/20: 79 and 2018/19: 80). Due to COVID-19, only a reduced version of the annual customer survey was carried out in 2020/21.

The ways we engage with end users and patients include satisfaction surveys and communities such as the Phonak Pediatric Advisory Board, HearingLikeMe.com, or Advanced Bionics' Bionic Ear Association (BEA™). The Phonak Pediatric Advisory Board helps steer Phonak's pediatric product development and establish industry-best practices 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. BEA™ is a community of hearing health professionals and cochlear implant recipients that aims to improve the quality of life of individuals with severe-to-profound hearing loss by providing information, education, and awareness on cochlear implants.

Employees

GRI 102-41

Regular interactions with our employees include "HearMe", the annual employee engagement survey, and the annual appraisal and development process. The employee appraisal and development meeting is essential for assessing satisfaction, providing feedback, and defining expectations for behavior and performance. It supports each employee's personal and professional development and helps to build trusting relationships by providing a format for open dialog.

Shareholders

Sonova has 22,868 registered shareholders, who together own 66.46% of the total shares. Shareholders' interests are represented by the Board of Directors, which sets and oversees the general direction of the company. We publish an Annual Report for shareholders and other stakeholders, and hold an Annual General Shareholders' Meeting, which provides a forum for discussion and debate as well as an opportunity to vote on compensation for management 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 assess new suppliers on their management systems and are in regular contact with key suppliers.

PDF
Sonova Group Supplier Principles (SGSP)

Academia and opinion leaders

We collaborate with such universities as the University of Zurich, the University of Hannover (Germany), the University of Oldenburg (Germany), Vanderbilt University in Nashville (US), 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, and the University of Manchester (UK). We foster a close collaboration with these partners by offering support toward diploma theses for Master's degree or PhD students. We support studies financially and also, 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, Sonova pursues an open and active information policy. A governing principle of this policy is to treat all stakeholders alike and to inform them at the same time. We interact extensively with the financial community at roadshows and conferences as well as through investor meetings and conference calls. Sonova holds an Investor and Analyst Day every year at its headquarters in Stäfa. COVID-19 related restrictions meant that last year's event once again took place in a virtual form, with a record number of around 250 attendees joining the live webcast. We also hold regular exchanges with environmental, social and governance (ESG) investors and rating agencies.

Media

Sonova initiates and maintains strong relationships with a broad range of media representatives to ensure transparency, dialog, and accountability for its activities. The media relations team works globally with top-tier public interest media, trade and special interest media, financial and economic media, and the major wire services 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, media trips, and events, and respond extensively to requests from journalists on developing stories.

Regulators

Most of Sonova's products are regulated medical devices, which means that the company must meet statutory patient safety standards and functional performance claims with clinical evidence. 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 hearing instruments and cochlear implants.

Insurers

Governments and social institutions such as the Veterans Administration 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 tender processes and offers its products and services to help insurers receive the best hearing value for their money.

Competitors and industry

Sonova's competitors aim to gain market share. This competition generates improved service for customers and drives Sonova to push yet further the limits of technology. We are committed to fair competition, defined in detail in Sonova's Global Competition Law Policy. Sonova interacts with representatives from competitors e.g. through membership in such industry associations as the European Hearing Instrument Manufacturers Association (EHIMA), which represents the major European hearing instrument manufacturers.

Key topics and concerns raised

GRI 102-44

Key topics and concerns raised through stakeholder engagement are included in our materiality analysis, ESG strategy, and respective reporting activities. The 2019 materiality assessment identified eight ESG topics with the highest relevance for Sonova, which are listed below. The stakeholder groups which assigned a comparatively high relevance to the specific topic are indicated in brackets.

- Product quality, safety, and reliability (customers and consumers, regulators and governments, industry and competitors, investors, public)
- Business ethics and legal compliance (regulators and governments, industry and competitors, investors)
- Responsible supply chain (suppliers, industry and competitors, regulators, and governments)
- Human rights and labor practices (regulators and governments, industry bodies and competitors, public)
- Access to hearing care (customers and consumers, regulators and governments, employees)
- Talent development (employees, industry and competitors, investors)
- Diversity and inclusion (employees, regulators and governments, public)
- Data privacy and digital ethics (customers and consumers, public, investors)

Sonova ESG Report 2021/22

IntACT – Sonova's ESG strategy

Sonova's purpose is inherently social: With our hearing solutions we improve the lives of millions of people. Beyond serving our consumers, we aspire to create benefits for the economy, the environment, and society as a whole.

SDG 12.6

Vision, values, and culture

GRI 102-16

Sonova's vision is straightforward and motivates 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. They drive our daily actions and reflect the corporate culture that defines and unites us as a company across all brands and regions.

- **We care:** We care for our employees, customers, and consumers, as well as our shareholders and society.
- **We drive innovation:** We courageously pioneer new ideas and approaches to come up with impactful innovations, to delight customers and consumers.
- **We strive for excellence:** We act with agility. We aim to excel. We are continuously working on improving products, services, processes, and skills, to realize growth.
- **We take accountability:** We deliver on our commitments. We take accountability to provide outcomes in agreed quality and time, always acting with integrity.
- **We build the best team:** We team up. We grow talent. We collaborate with people of diverse backgrounds to win with the best team in the marketplace.

Our commitment to act responsibly and create long-term value for all our stakeholders is embodied in the Sonova Group Code of Conduct and is deeply rooted in our corporate vision, values, and culture.

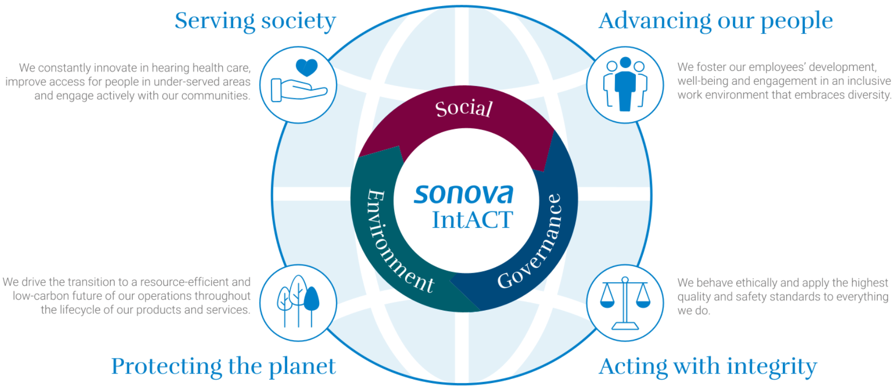
Sonova Code of Conduct

ESG strategy and targets

GRI 102-46, GRI-102-47, GRI 103-1, GRI 103-2, GRI 103-3

Sonova's ESG commitments are made clear by *IntACT*, our ESG strategy. It builds 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 urgent need to *ACT*.

- **Protecting the planet:** We drive the transition to a resource-efficient and low-carbon future of our operations throughout the lifecycle 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, well-being, 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.



Tangible and measurable performance indicators and targets with firm dates for achievement are an important element of our sustainability management approach. In the table below you find an overview of our key targets and progress covering the four areas of our ESG strategy. More information on performance indicators, goals and targets, policies, processes, programs and actions is provided in the corresponding sections of this ESG Report:

- Protecting the planet
- Serving society
- Advancing our people
- Acting with integrity

Progress on key ESG targets

ESG target	ESG topic	Progress	2021/22 performance
Protecting the planet			
We reduce greenhouse gas emissions relative to revenue by 50% compared to 2017 by 2022. [1]	Energy & climate	Achieved ahead of target year	-77% CO_2 e emissions relative to revenue vs. base year 2017
We achieve carbon-neutral operations by 2021.	Energy & climate	Achieved	Carbon-neutrality achieved for own operations (Scope 1+2 emissions).
We assess the potential effects of climate change on Sonova and define actions to improve our climate resilience by 2021.	Energy & climate	Achieved	Pilot climate risk analysis & enhanced TCFD reporting, first actions defined
We reduce packaging waste by 20% vs. 2019 by 2023.	Eco-friendly products	Behind schedule	10.4% packaging increase vs. base year 2019
Serving society			
We increase unit sales of hearing instruments in low- and middle-income countries by 50% vs. 2018/19 by 2023/24.	Access to hearing care	On track	44.1% increase 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	Behind schedule	84 HCPs trained and certified in 2021/22
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	201% increase (2,260 fitted devices vs. 750 in previous year)
Advancing our people			
We achieve the employee engagement rate level of high performing companies by 2022/23.	Talent & employee engagement	Behind schedule	83% engagement vs. 88% benchmark
We aim for >95% of employees to have a development plan by 2022/23. [2]	Talent & employee engagement	Achieved ahead of target year	97.4% employees with development plan
We strive for 40% women in key positions by 2025/26.	Diversity & inclusion	On track	Increase from 33.5% in previous year to 35.2%
We train >95% of employees on D&I by mid 2021.	Diversity & inclusion	Achieved	95.2% of employees trained
Acting with integrity			
We improve the product reliability rate >20% year-over-year for hearing instruments (HI) and cochlear implants (CI). [3]	Product quality, safety and reliability	Not achieved	CI reliability rate improved by 19%/HI reliability rate worsened by 3%
We implement human rights due diligence (HRDD) aligned with international frameworks and train all relevant employees by 2022/23.	Human rights & labor practices	On track	Human rights impact assessment conducted (social audit); People Policy launched
We achieve annual on-time mandatory employee Global Compliance training completion rate of >98%. [4]	Business ethics & legal compliance	Not achieved	86% on-time completion (95.9% overall completion)
We establish a digital ethics committee by 2021/22.	Data privacy & digital ethics	Achieved	Digital ethics committee established

1) Scope 1&2 + air-travel related Scope 3 emissions.
2) Excluding job roles in production/assembly.
3) The HI product reliability rate includes Receiver-In-Canal (RIC), Custom In-The-Ear (ITE) and Behind-The-Ear (BTE) hearing instruments. The CI product reliability includes Naìda pediatric and adult processors/externals.
4) For the coming financial year 2022/23, the target will be adjusted from >98% to >95%.

ESG governance

GRI 102-18, GRI 102-19, GRI 102-20, GRI 102-26, GRI 102-27, GRI 102-29, GRI 102-31, GRI 102-32

The governing body overseeing our ESG activities is Sonova's ESG Council. It consists of the Group CEO, CFO, GVP Operations, GVP Human Resources Management & Communications, Group General Counsel & Compliance Officer, and the Corporate Responsibility team. In its quarterly meetings the Council's responsibility is to oversee the development and implementation of the Group's ESG strategy, including its commitments and targets, and to monitor progress on ESG key performance indicators and initiatives. The full Management Board also regularly reviews progress on ESG targets, which comprise an element of each member's variable cash compensation.

The role of Sonova's Corporate Responsibility team is to provide expertise and advice to the Management Board on relevant ESG topics and, in close collaboration with internal experts, to drive the implementation of the ESG strategy and initiatives across the Group. The functional experts are drawn from Group-wide business functions or are country or regional experts representing Sonova Group companies within a given territory and driving ESG initiatives locally.

The ultimate approval of the Group's ESG strategy and key targets lies with the Board of Directors. In 2021/22, ESG topics were discussed at least quarterly, either by the full Board of Directors or one of the sub-committees. Information on selected ESG indicators was also included in monthly updates by the CEO to the Board of Directors.

Material ESG topics

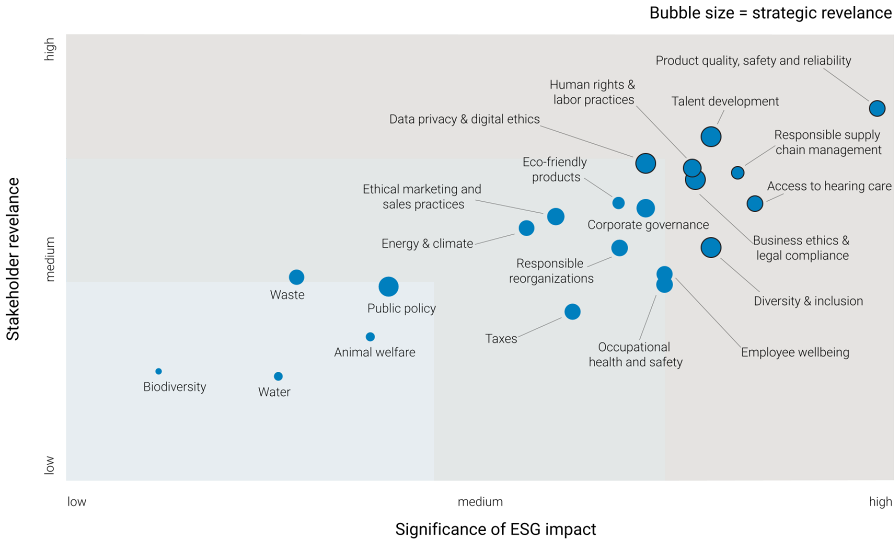
Materiality assessment

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 the following:

- Global frameworks and standards: Global Reporting Initiative (GRI) Standards and the associated SGD Targets for Business; 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. To define material topics, we used personal interviews and online surveys with key internal and external stakeholders to rank the list in terms of three dimensions:

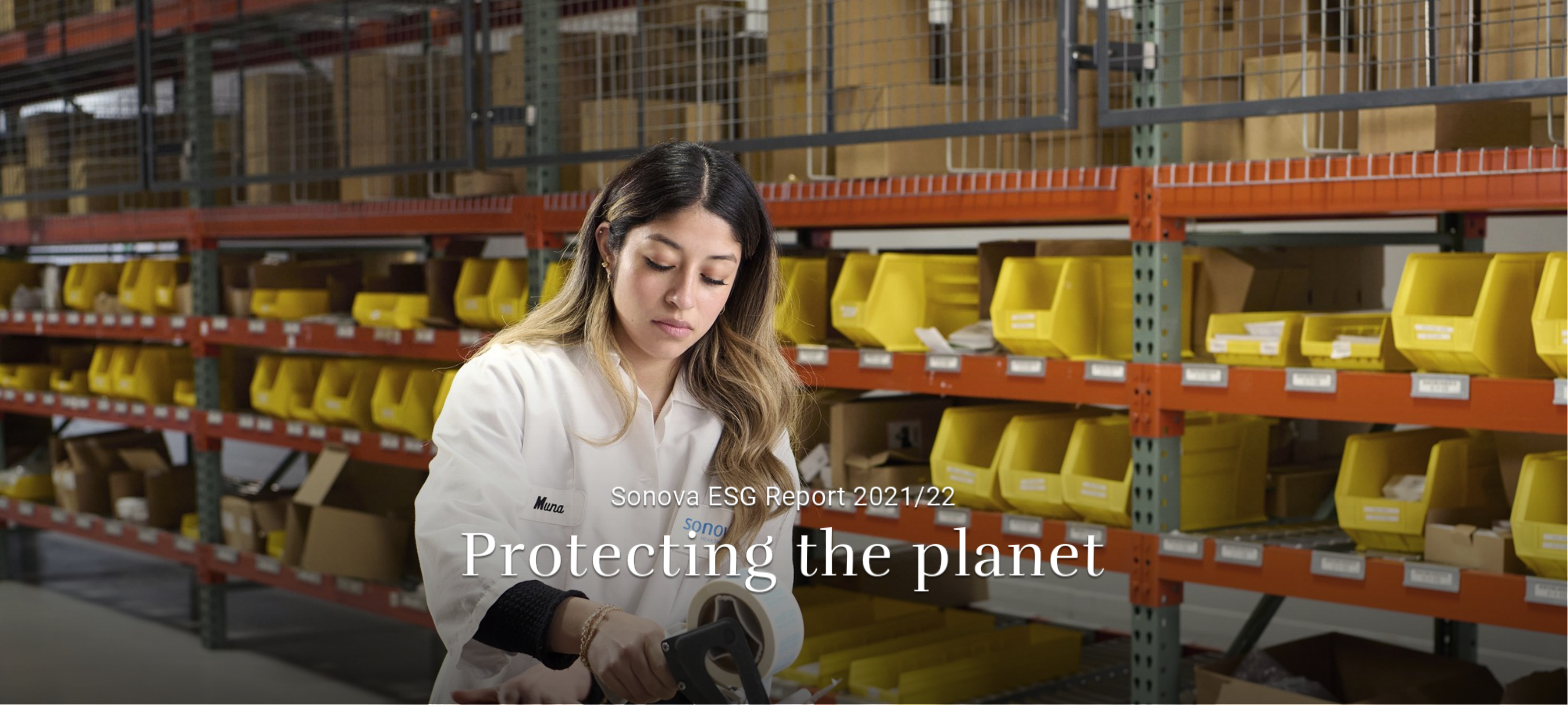
1. **Relevance of the topic to the stakeholders:** To determine the relevance of each topic, we first identified internal and external representatives of each stakeholder group. When selecting the representatives, we took into account a balanced representation of the different geographical regions and 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 result of the materiality assessment is visualized in the materiality matrix. Our analysis yielded eight focus topics, which we prioritized when evaluating our activities and identifying measures for performance improvements. We use 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.

Topic boundaries

The relevance of Sonova's ESG Strategy is rooted in its relevance to the whole Sonova Group. All defined topics are therefore considered material to nearly all of the entities covered by this report. Sonova assigns the impacts 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 which occur partly or primarily outside the organization relate either to upstream activities (under topic headings including: responsible supply chain; human rights and labor practices; energy and climate) or to downstream activities, such as the utilization of our products and services (topic headings including: access to hearing care; product quality, safety and reliability; data privacy and digital ethics; ethical marketing and sales practices; eco-friendly products).



Sonova ESG Report 2021/22

Protecting the planet

We drive the transition to a resource-efficient and low-carbon future of our operations throughout the lifecycle of our products and services.

Sonova has made an explicit commitment to protecting the planet and pursuing environmentally friendly practices throughout the whole lifecycle of its products and across all its 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. This chapter comprises the following sections:

SDG 12.2

- Energy & climate
- Eco-friendly products
- Waste
- Water
- Biodiversity
- Environmental reporting and system boundaries

The “Protecting the planet” pillar of Sonova IntACT strategy sets clearly defined goals and targets which can be found throughout this chapter. We continuously monitor progress against these targets and optimize environmental performance across the Group. In 2021/22, we updated and enhanced our corporate environmental policy to reinforce our commitment to environmentally proactive behavior and define the company’s environmental management organization and responsibilities. As in previous years, no fines or non-monetary sanctions were levied against Sonova in 2021/22 for noncompliance with environmental laws or regulations.

PDF
Sonova Corporate Environmental Policy

GRI 307-1

All Sonova key manufacturing sites and distribution centers listed below have ISO 14001-certified environmental management systems (EMS), which require our employees to take environmental considerations into account when designing, manufacturing, and servicing products.

- 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, USA)

For non-manufacturing sites, Sonova has adapted its EMS to ensure that environmental factors are integrated in decision-making and that environmental performance continues to improve.

Many of Sonova's employees are personally engaged in the topic of environmental sustainability; more local "green teams" have therefore formed during 2021/22. Our Wireless Competence Center in Murten, Switzerland has launched several green initiatives based on the voluntary engagement of our dedicated employees. This includes a collaboration with academia and other partner firms to find long-term paper-based materials to replace plastics in injection and thermoforming processes.

Energy and climate

Commitment and approach

The science is clear - climate change requires prompt, effective action from governments, industries, and individuals. Sonova acknowledges its responsibility and is committed to reducing its greenhouse gas (GHG) footprint. In the previous financial year, Sonova set the target of becoming carbon-neutral in its own operations (Scope 1+2 emissions) by the end of 2021. We are pleased to have achieved this target by reducing our energy consumption and increasing energy efficiency, switching to renewable energy sources, and offsetting unavoidable emissions. We are determined to remain carbon-neutral across our operations in 2022. We are committed to setting science based emissions targets for Scope 1, 2, and 3 emissions in alignment with the Science Based Targets initiative (SBTi). For Scope 1 and 2, we will align with the 1.5°C scenario and for Scope 3 with the well below 2°C scenario.

Since 2012, Sonova has cooperated with CDP (formerly the Carbon Disclosure Project), a non-profit organization that has established standards for companies to publish their environmental data and to score their environmental transparency and action. In 2021 Sonova improved its rating to the second highest possible ranking: A- leadership level, recognizing our transparency in environmental reporting and endeavors in climate change mitigation. The results are publicly available and accessible on the CDP website.

Energy

GRI 302-1

SDG 7.3

In 2021, the total energy consumption of the Sonova Group from heating (fuel oil, natural gas, biogas, district heating), electricity, and vehicle fuels (diesel, gasoline, liquefied petroleum gas, liquefied natural gas, ethanol) amounted to 100,035 megawatt-hours (MWh). Of this total, 47,988 MWh (48%) can be attributed to the Wholesale business and 52,047 MWh (52%) to the Audiological Care business. The Wholesale business accounts for a higher proportion of electricity consumption because of the air conditioning systems necessary in operation centers in China, Vietnam, and the US. On the other hand, the Audiological Care business accounts for a higher proportion of heating because of a stronger presence in Europe, where cold winters make heating more relevant. Compared to the previous year, total energy consumption reduced by 1%. This is due to the lower total distances covered by a more efficient car fleet. Despite the strong growth of the business, our energy consumption from heating and electricity remained stable. This development is also reflected in our energy intensity figure, which reduced by 24% from 39 MWh to 29.7 MWh per million CHF revenue compared to 2020.

Energy consumption

✔ PwC CH

MWh

	2021		2020		2019	
	Audiological Care	Wholesale	Audiological Care	Wholesale	Audiological Care	Wholesale
Total [1,2]	**52,047**	**47,988**	**51,216**	**50,169**	**55,505**	**57,984**
Heating	24,299	7,015	22,507	7,166	22,458	9,050
Electricity	20,461	31,639	20,340	31,850	22,073	35,879
Vehicle fuels	7,288	9,334	8,369	11,153	10,974	13,054

1) Includes extrapolation, where only partial data is available.
2) 2019 + 2020 values restated due to methodological improvements. Impact on Scope 1+2 MWh around 6%. Main difference originates from the change to lower heating extrapolation values for Audiological Care Group companies.

Energy intensity

✔ PwC CH

MWh relative to million CHF revenue

	2021	2020	2019
Total energy consumption (Scope 1 & 2)	100,035	101,385	113,489
Revenues	3,364	2,602	2,917
Energy intensity	**29.7**	**39.0**	**38.9**

1) 2019 + 2020 values restated due to methodological improvements. Impact on Scope 1+2 MWh around 6%. Energy intensity changed from 41.1 to 38.9 in 2019 and from 41.1 to 39.0 in 2020.

Sonova is committed to increase the share of renewable energy in its total energy consumption. In 2021, 54% came from renewable sources, surpassing our previously stated goal of a 20% renewable energy share by 2022. On-site photovoltaic panels have been installed at our operation center in Vietnam, and multiple operations have moved to sourcing bundled renewable electricity certificates, while the remaining renewable electricity was procured through unbundled renewable electricity certificates. In 2021, 53,678 MWh of energy came from renewable sources, representing an increase in the renewable energy share of total energy consumption from 19% to 54%, compared to 2020. A total of 945 MWh of renewable electricity was generated by on-site photovoltaic panels at our operation centers in China and Vietnam and our Wireless Competence Center in Switzerland (an increase of 66% over 2020). There are several projects planned for 2022/23 to build further photovoltaic panels across our locations.

SDG 7.2, SDG 9.4

Renewable energy

✔ PwC CH

MWh

	2021	2020	2019
Total energy consumption	**100,035**	**101,385**	**113,489**
Non-renewable energy consumption	46,357	82,187 [1]	99,158 [1]
Renewable energy consumption	53,678	19,198	14,331
Share of renewable energy	54%	19%	13%

1) 2019 + 2020 values restated due to methodological improvements. Due to the lower consumption of non-renewable energy, our share of renewable electricity increased from 18% to 19% in 2020. 2019 remained unchanged at 13%.

Greenhouse gas (GHG) emissions

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

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

Sonova reached important milestones during 2021/22 in the decarbonization of our operations. We achieved, a year ahead of time, our target to reduce by 50% –compared with 2017 emissions –our greenhouse gas (GHG) emissions by revenue (these are Scope 1+2 and include Scope 3 air travel-related GHG emissions). In 2021, our GHG emissions intensity further declined to 4.3 metric tons of CO_2 equivalents (t CO_2e) per million CHF revenues. This results in a total reduction of GHG emissions intensity by 77% compared to 2017 levels. The main reason for this large drop is our switch to 100% renewable electricity sourcing across our operations. Our unavoidable emissions from Scope 1 and 2 were offset through a hydro project in China, a solar project in Vietnam and a forest protection project in the Brazilian Amazon. All projects are either verified by the Gold Standard or VCS (Certified Carbon Standard), two of the world's most widely used verifying bodies for carbon credits.

In the 2021/22 financial year, Sonova measured its first full Scope 3 inventory for 2019, 2020, and 2021. As part of this extensive data collection endeavor, we also implemented methodological improvements, which led to the restatement of our 2019 and 2020 energy consumption and corresponding Scope 1 and 2 CO_2e figures. Total Scope 1, 2, and 3 absolute GHG emissions for 2021 amounted to 159,436 t CO_2e, an increase of 10% compared to 2020 (144,321 t CO_2e). However, Sonova's total GHG footprint is still 16% below its pre-COVID-19 levels in 2019, when it amounted to 189,022 t CO_2e. Our Scope 1-3 GHG intensity was 55.5 t CO_2e per million CHF revenue in 2020, but it decreased to 47.4 t CO_2e per million CHF revenue in 2021. The majority of Sonova's GHG emissions are Scope 3 (93% in 2021 vs. 83% in 2020).

GHG emissions – Scope 1 – 3

✔ PwC CH

t CO_2 e

	2021	2020	2019
Total Scope 1 – 3 [1]	**159,436**	**144,321**	**189,022**
Scope 1 [2]	10,291	11,086	13,008
Scope 2 [3]	232 [4]	13,820	18,044
Scope 3 [5]	148,914	119,414	157,970

1) Includes extrapolation, where only partial data is available.
2) 2019 + 2020 values restated due to methodological improvements and inclusion of refrigerants. Impact on Scope 1 emissions around 13%.
3) 2019 + 2020 values restated due to methodological improvements. Impact on Scope 2 emissions <1%.
4) Sonova sourced 100% renewable electricity across its sites. Remaining Scope 2 emissions derive from district heating and electricity from EVs.
5) 2019 + 2020 values restated as total Scope 3 screening was conducted in 2021/22, including all applicable Scope 3 categories for 2019 – 2021. In previous years, only categories 4 and 9 (transportation and distribution), category 6 (business-related air travel) and category 7 (employee commuting) were measured and disclosed.

GHG emission intensity

✔ PwC CH

t CO_2 e relative to million CHF revenue

	2021	2020	2019
Revenues	3,364	2,602	2,917
Total Scope 1 – 2 GHG emissions	10,523	24,906	31,052
Scope 1 – 2 GHG emission intensity	**3.1**	**9.6**	**10.6**
Total Scope 1 – 3 GHG emissions	159,436	144,321	189,022
Scope 1 – 3 GHG emission intensity	**47.4**	**55.5**	**64.8**

Scope 1 + 2 GHG emissions

Scope 1 emissions are direct CO_2e emissions related to company vehicles, stationary combustion (e.g. heating), and fugitive emissions (e.g. from refrigerants), while Scope 2 emissions relate to indirect GHG emissions (e.g. from electricity consumption). Progress and actions related to the reduction of our Scope 1 and 2 emissions are reported monthly to the Group Vice President Operations.

In 2021, overall Scope 1 emissions decreased by 7% from 11,086 t CO_2e to 10,291 t CO_2e. The total CO_2e footprint of Sonova's owned and leased corporate car fleet decreased by 15% from 4,847 t CO_2e in 2020 to 4,130 t CO_2e in 2021. The driven distances remained slightly below 2020 levels. Part of our strategy to reduce emissions is to electrify our car fleet over the coming years. In 2021, there was an initiative across Sonova Group companies to move towards electric and hybrid vehicles, and we remain committed to further increase this share over the coming years. For the second year in a row, Sonova lowered the CO_2e limit for new cars in its global car policy to 95 g CO_2/km, making fuel efficiency a core decision criterion when acquiring new vehicles that are not fully electric. GHG emissions related to heating decreased by 3% from 6,111 t CO_2e to 5,906 t CO_2e. In the 2021/22 financial year, we included for the first time the Scope 1 GHG emissions that arise from refrigerants. In 2021, CO_2e associated with refrigerants amounted to 255 t, in 2020 128 t and 2019 389 t.

In Scope 2, our market based GHG emissions declined by 98% from 2020, from 13,820 t CO_2e to 232 t CO_2e.The main reason for the absolute reduction in Scope 2 GHG emissions is the switch to 100% renewable electricity across our sites. Sonova increased the on-site generation of renewable electricity, switched towards renewable electricity contracts, and sourced the remaining electricity through unbundled Energy Attribute Certificates (EACs) to achieve a faster transition towards renewable energy. We also made Group-wide efforts to improve energy efficiency in our infrastructure and production processes. Sonova Group companies continued to develop local carbon footprint reduction measures to collectively decarbonize the organization. Examples include the installation of solar water heaters and the refurbishment of some PV panels in our operation center in China, the application of anti-heat paint in Vietnam, the installation of EV charging stations across several sites, and further improvements of building automation and optimizing electricity use for heating, ventilation, and air conditioning.

Sonova Group's absolute carbon footprint of Scope 1 and 2 emissions for 2021 amounted to 10,523 t CO_2e, down by 58% from the previous year's emissions of 24,906 t CO_2e.

Scope 1+2 GHG emissions

✔ PwC CH

t CO_2e

	2021		2020		2019	
	Audiological Care	Wholesale	Audiological Care	Wholesale	Audiological Care	Wholesale
Total Scope 1+2 [1]	**6,839**	**3,684**	**15,621**	**9,285**	**17,373**	**13,679**
Scope 1 [2]	6,814	3,477	6,747	4,339	7,599	5,409
Scope 2 [3]	25	206	8,875	4,946	9,774	8,270

1) Includes extrapolation, where only partial data is available.
2) 2019 + 2020 values restated due to methodological improvements and inclusion of refrigerants. Impact on Scope 1 emissions around 13%.
3) 2019 + 2020 values restated due to methodological improvements. Impact on Scope 2 emissions <1%.

Scope 3 GHG emissions

The full Scope 3 screening showed that 12 of the 15 categories defined by the GHG Protocol are applicable to Sonova. Those not currently applicable are category 8 (upstream leased assets), category 13 (downstream leased assets), and category 14 (franchises). Sonova's Scope 3 emissions were assessed at 119,414 t CO_2e in 2020 and 148,914 t CO_2e in 2021. The reason for the increase across our Scope 3 emissions was mainly driven by strong business growth: revenues increased by 29% compared to the previous year, but Scope 3 emissions increased by 25%.

In the next financial year, Sonova will continue to work on data collection and data quality improvements, and also assess the baseline emissions of the recently acquired Sennheiser Consumer Division and Alpaca Audiology, a network of around 220 audiological care clinics in the US. The sections below will provide a brief overview over the most material Scope 3 categories: Purchased goods and services, transportation & distribution, business travel, and employee commuting.

Scope 3 GHG emissions

✔ PwC CH

t CO_2 e

	2021	2020	2019
Total Scope 3	**148,914**	**119,414**	**157,970**
Category 1: Purchased goods and services	71,327	57,234	66,623
Category 2: Capital goods [1]	2,119	1,159	2,842
Category 3: Fuel- and energy-related activities (not included in Scope 1 + 2)	7,453	6,310	7,126
Categories 4 & 9: Upstream & downstream transportation and distribution [2]	35,968	24,339	30,451
Category 5: Waste generated in operations	915	1,132	1,272
Category 6: Business travel [2]	4,421	5,922	19,174
Category 7: Employee commuting [3]	21,841	18,382	25,462
Category 10: Processing of sold products	236	200	207
Category 11: Use of sold products	2,769	3,164	3,165
Category 12: End-of-life of sold products	1,615	1,323	1,397
Category 15: Investments	250	250	250

1) Category 2 currently only includes GHG emissions related to IT equipment.
2) 2019 + 2020 values restated due to methodological improvements. Non-CO2 emissions related to aviation were taken into account with a radiative forcing multiplier of 1.9. In previously reported figures, only direct climate change effects were taken into account.
3) 2019 + 2020 values restated due to methodological improvements. Previous 16,296t CO2e in 2020 and 21,558t CO2e in 2019.

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 2021, 48% of Scope 3 emissions arose from supplier-related activity, mostly from procurement of electronic components, accessories, packaging, and batteries. Compared to 2020, category 1 emissions rose by 24%, below the revenue growth of 29%. Sonova is committed to actively engage with its key suppliers on GHG emission reductions and other environmental topics.

Category 4 & 9: Transportation and distribution

Air freight in product distribution is the main contributor to Sonova's carbon footprint, accounting for around 99% of relevant CO_2e emissions. In 2021, Sonova's GHG emissions from transport and distribution amounted to 35,968 t CO_2e, an increase of 47% vs. 2020. This includes the GHG emissions arising from transport from the supplier's facilities to our operation centers, from our operation centers to our distribution centers, and from our distribution centers to retail stores (owned and third-party). The main reason for this increase is the rise in shipments. We made progress in 2020 towards switching to ground and ocean freight, but much had to be moved back to air due to current supply-chain dynamics and the low reliability of ocean shipping.

Sonova remains committed to reduce its GHG footprint from transportation and distribution and 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 encourage more regional sourcing to reduce transportation distances.

Category 6: Business travel

Accounting for 90% of business travel emissions, air travel is the predominant source of our business travel emissions. We are committed to reduce our GHG emissions from business-related travel by systematically using information and communications technology to substitute for air travel. Sonova's stringent travel restrictions during the pandemic accelerated the uptake of video conferencing and other technologies. In 2021, the GHG emissions from business travel on a group-wide basis declined by another 25% compared to the previous year, down to 4,422 t CO_2e (2020: 5,922 t CO_2e).

Category 7: Employee commuting

Sonova's GHG emissions from employee commuting increased compared to 2020 by 18% to 21,841 t CO_2e, yet remained below our 2019 footprint of 25,462 t CO_2e. The growth in emissions is mainly related to the increase in FTEs and the reduction in COVID-19 related restrictions (although many of our employees continue to work from home). Sonova is addressing future GHG emissions from commuting through its hybrid working guideline, which was launched in August 2021 and is currently being rolled out across the Group.

Local commuting options differ greatly from region to region, so localized solutions are essential for minimizing employee commuting related GHG emissions. In 2006, Sonova's headquarters in Stäfa established an integral mobility program, which substantially increased the proportion of employees who commute using public transportation, bicycles, or walking. In 2019, Sonova France launched a similar mobility program, with elements including installation of charging stations for electric vehicles (EVs) and financial incentives for using public transport. Since then, many other Group companies, e.g. in Germany and China, are testing local solutions to promote environmentally friendly commuting. The most widely used options include allowances for using public transport and the installment of EV chargers. In our operation center in Suzhou, China, most employees commute with free-of-charge shuttle buses to get to their workplace. During the past financial year, all buses were exchanged with electric buses. Our annual global employee commuting survey also revealed a further uptake of electric vehicles across our workforce, which highlights the necessity to install further EV charging stations over the coming years.

Climate-related risks and opportunities

Sonova recognizes that climate-related risks and opportunities are relevant and need to be systematically analyzed in order to mitigate potential impacts and improve our climate resiliency; we publicly committed to do so in the previous financial year 2020/21, as part of our IntACT strategy, and provide a progress update in this section. We have also aligned more closely our reporting with the TCFD recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) on climate-related disclosures and added tags for the specific disclosures (e.g. TCFD-GOV-a) as well as a TCFD content index to make it easier to find relevant information.

Governance

TCFD-GOV-a, TCFD-GOV-b

The ultimate oversight and responsibility for climate-related risks and opportunities lies with the Sonova Board of Directors. The Board of Directors receives a monthly written update by the CEO on the overall progress on selected ESG topics, including climate-related matters. A summary of the results of our first TCFD climate risk scenario analysis was presented to the Audit Committee of the Board of Directors in November 2021.

Our progress on climate-related actions and metrics is reviewed at least quarterly in ESG Council meetings by the CEO, CFO, GVP Operations, GVP Corporate HRM & Communication, General Counsel & Compliance Officer, as well as the Corporate Responsibility team. Progress on our Scope 1 + 2 GHG emissions is reported monthly to the GVP Operations.

Strategy & Risk Management

TCFD-RMA-a

In the 2021/22 financial year, Sonova conducted for the first time a scenario analysis, in line with the TCFD recommendations. This focused on two scenarios: a “high-mitigation” below 2°C scenario (IEA SDS and IEA ETP), which is relevant to assess risks related to the transition to a low-carbon future, and a “business as usual” 4°C scenario (RCP 8.5), which helps to comprehend the physical risks associated with the intensification of widespread climate hazards. The analysis covered two different time-horizons, a medium-term (2030) and a long-term time horizon (2050).

The focus of this first pilot assessment was on seven countries where Sonova has a significant footprint through its operations or sales: Canada, China, Germany, Switzerland, United Kingdom, United States, and Vietnam. The assessment was based on a three-step approach: Firstly, we screened, mapped, and prioritized the relevant climate-related physical and transition risks and opportunities that could impact our operations and supply chains. Secondly, we conducted a hotspot analysis based on a thorough literature review on the latest climate-science and relevant climate policies, giving us insight on the expected change of underlying risks and opportunities over the different time frames. Finally, we performed a data-driven in-depth analysis with increased spatial resolution for selected risks at the facility level, as opposed to the hotspot analysis that focused the country level.

1. Screening and prioritization of risks and opportunities

Based on interviews with relevant internal stakeholders in the countries of focus, we made a benchmark assessment identifying a broad set of physical and transition risks that could potentially be relevant for Sonova. As a basis, we took the EU Taxonomy’s classification of climate-related hazards (2021). We then screened this broad list to pinpoint the key risks to which Sonova is potentially most vulnerable. Based on this screening, we shortlisted the potentially most impactful risks for the hotspot assessment.

Physical risks

The key physical hazards identified during the screening and prioritization phase potentially pose a threat both to Sonova’s facilities and supply chain and to elderly people, who, as the most numerous demographic group that experiences hearing loss, are our main consumers. The hazards prioritized in the scoping assessment included:

- Heatwaves and extreme temperatures
- Wildfires
- Extreme cold
- Heavy precipitation and flooding
- Heavy winds and storms
- Tropical cyclones
- Sea level rise and coastal flooding

2. Hotspot analysis
To assess variations in climate patterns, and thus the risks and opportunities deriving from climate change, we conducted a hotspot analysis on a country-by-country basis, based on scientific literature. This projected conditions in the mid-term (2030) and long-term (2050), to better define potential local deviations from the baseline period. The baseline we used was 1976–2005, which is the period used in the Coupled Model Intercomparison Project Phase 5 (CMIP5). Where the supporting literature used different baselines or different future timeframes, we adjusted the baselines and/or the relative change accordingly. The identified risks were classified as follows:

- Not relevant: deemed as not relevant during the prioritization phase
- Low: below 10% change from baseline
- Medium: 10–20% change from baseline
- High: 20–30% change from baseline
- Very high: above 30% change from baseline

Based on this assessment, we concluded that the physical hazards in the long-term (2050) represented a higher risk than in the mid-term (2030), compared to the baseline and across the countries concerned. The table below therefore highlights the long-term changes (2050 vs. baseline).

TCFD - Hotspot analysis of physical risks

Country	Heatwaves and extreme temperatures	Wildfires	Extreme cold	Heavy precipitation & flooding	Heavy wind and storms	Tropical cyclones	Sea level rise and coastal flooding
Canada	Very high	Not relevant	Low	Not relevant	Not relevant	Not relevant	Not relevant
China	Not relevant	Not relevant	Not relevant	High	Low	Low	Not relevant
Germany	Very high	Not relevant	Low	Not relevant	Low	Not relevant	Not relevant
Switzerland	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
United States	Very high	Very high	Low	Not relevant	High	Not relevant	Not relevant
Vietnam	Not relevant	Not relevant	Not relevant	Very high	Not relevant	Low	Very high

3. Deep-dive analysis
Based upon the results of the hotspot scenario analysis, the risks that were scored as very high were prioritized for a deep-dive assessment. This analysis was carried out to better understand how physical climate related risks may affect Sonova's operations and business in the long-term (2050) and focused on the top physical hazards under RCP 8.5 (as shown in the table above). For this assessment, we used various datasets derived from General Circulation Model (GCM) and runs conducted under the CMIP5.

TCFD-STR-a

TCFD - Deep-dive analysis of physical risks

Potential risk	Potential threat	Country
Heatwaves and extreme temperatures	The frequency and duration of heatwaves are projected to increased significantly, especially in the south and east of the US. Heatwaves may cause higher cooling costs and increase heat stress conditions for employees and customers. As elderly people are the most common demographic that experiences hearing loss and are also most affected by heat stress during heatwaves, they may not come to the stores, thereby affecting sales.	United States, United Kingdom, Germany, Canada
Wildfires	Average and maximum temperatures during wildfire season are projected to increase significantly, which leads to an increased risk in wildfires that may affect our production sites in California.	United States
Heavy precipitation and flooding	Heavy precipitation is expected to increase substantially in the Ho Chi Minh City region, which may cause supply chain and operational interruptions in our operation center due to flash and sustained flooding.	Vietnam
Sea-level rise and coastal flooding	As our operation center in Vietnam is located far inland, the projected sea-level rise and coastal flooding is expected to pose no substantial risk.	Vietnam

Sonova is committed to mitigate these identified physical risks. The continued execution of Sonova's omni channel strategy, which includes increased online sales presence, should help us to mitigate the identified climate risks. Physical climate risks are also being taken into account when opening new facilities as well as in the design of Sonova's supply chain.

SDG 13.1

TCFD-STR-b

Transition risks

The objective of transition risk assessment is to identify the risks and opportunities that may arise for Sonova in five main areas: policy, litigation, technology, market, and reputation – all in the context of the transition to a low-carbon economy. During the screening and prioritization phase we identified four key transition risks and one opportunity, as shown in the table below:

Transition risks & opportunities

Risks	Opportunity
Carbon pricing schemes	Energy savings due to net zero retrofits
Net zero retrofit requirements	
Scope 3 reduction	
Increase in airfares	

We determined the likelihood of these risks and opportunities materializing and affecting Sonova in the short-term (next five years), medium-term (2030) and long-term (2050) based on scenario analysis (IEA SDS and IEA ETP), national scenarios, policies, strategies, and long-term projections that 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 risk that was identified across all timeframes (2025, 2030, and 2050) and scenarios.

TCFD - Hotspot analysis of transition risks

Country	Carbon pricing schemes	Net zero retrofit requirements	Scope 3 reduction	Increases in airfares	Energy savings due to net zero retrofits
Canada	Not relevant	Low	Not relevant	Not relevant	Low
China	Not relevant	Low	High	Not relevant	Medium
Germany	Low	Low	Low	High	Low
Switzerland	Low	Low	Not relevant	High	High
United Kingdom	Low	Low	Not relevant	High	Low
United States	Not relevant	Low	Not relevant	Not relevant	High
Vietnam	Not relevant	Low	Not relevant	Not relevant	Low

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; and 2) potential increases in Sonova's operating costs from stricter aviation sector policies resulting in higher air-transportation fares. The assessment also identified potential opportunities, particularly from incentives and government support to reduce emissions in the building sector.

To mitigate some of these transition risks, Sonova is committed to switch as much of its air freight as possible to less polluting modes, such as road and sea. Due to challenging supply-chain conditions in 2021/22, however, less volume could be switched to sea-freight than we had hoped.

TCFD-STR-c

Next Steps:
In the next financial year, Sonova will continue to align closely with TCFD recommendations and increase the number of countries assessed, so as to identify climate-related risks and opportunities in other geographies where Sonova is represented. We also plan to start quantifying the financial impacts from these climate-related risks and opportunities.

Eco-friendly products

Sonova is committed to minimizing the impact on the environment and human health of its products and packaging throughout their entire life cycle, and to fostering the transition toward a more circular economy. Our environmental actions cover different life-cycle stages, ranging from product materials, to procurement and manufacturing, packaging and distribution, consumer use, and end-of-life.

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 device manufacturer, Sonova takes a proactive approach to evaluating materials in its products and components to assess environmental, health, or safety risks. Sonova may restrict substances because of customer or legal requirements, or because the company believes it is appropriate, based on a precautionary approach. Evaluating alternative materials is a continuous process, relevant to all stages of production.

SASB HC-MS-410a.1

SDG 12.4

Sonova complies with the EU directive on Restriction of Hazardous Substances (RoHS 2015/863/EU), which governs the use of heavy metals and halogenated compounds in electrical and electronic equipment, and with the EU's regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH EC 1907/2006) for the

SASB HC-MS-430a.3

safe manufacture and use of chemical substances throughout their life cycle. Sonova's suppliers are also required to prove their compliance with the RoHS directive and the REACH regulation in their respective processes and supply chains.

In accordance with REACH regulation, Sonova continuously updates the list of substances of very high concern (SVHC) that may be present in its products above the regulatory threshold level of 0.1% by weight of the article. This list is made publicly available on the Phonak website. By the end of the 2021/22 financial year, there were three SVHC substances requiring communication in accordance with the REACH regulation: 1,3-propanesultone, lead titanium trioxide, and lead, down from four SVHC substances that were present in our products the previous year. It is our target to have zero SVHC present in Sonova products above the 0.1% threshold level by 2022. For example, in 2021/22, Sonova launched a project to reduce the amount of SVHCs, e.g. by pursuing lead-free (<0.1% Pb) base materials for charging contacts.

Other substances classified as hazardous – but excluded from the RoHS directive – include solder paste and wire, paint, organic solvents, oil emulsions, mineral oil, and water-based cleaning solution. Employees who work with chemicals and hazardous substances, or come into contact with them, are trained on an annual basis in their safe handling.

Procurement and manufacturing

We insist on environmentally friendly business practices throughout our supply chain. The Sonova Group Supplier Principles recommend that suppliers use the international ISO 14001 standard as the starting point and basis for their work. In the 2020/21 financial year, we had achieved our 2022 goal – to increase the share of our purchase volume from suppliers with certified environmental management systems (EMS) to 75% - ahead of schedule. During the next financial year, Sonova will increase its supplier engagement to accelerate the decarbonization of our supply chain.

PDF
Sonova Group Supplier Principles (SGSP)

Packaging and distribution

We strive to reduce the amount of waste we generate, and the carbon footprint of our product packaging and transportation. As part of the introduction of IntACT in the previous 2020/21 financial year, we raised our 2023 targets not only to increase our operational waste recycling rate, but to reduce our product and transportation packaging waste by 20% in terms of weight, compared to our 2019 baseline. While progress has been made both on our product and transport packaging, Sonova is currently not on track to achieve the 2023 ambition due to strong sales growth of 29% in the 2021/22 financial year. In 2021, the total weight of transport and product packaging stood at 1,310 metric tons, up by 28% vs. previous year and 10% vs. the base year 2019.

Packaging

metric tons

	2021	2020	2019
Packaging weight [1]	1,310	1,023	1,187

1) Includes transport packaging and hearing instruments product packaging.

During our annual Kaizen week, which is sponsored by the Management Board, one pilot project was dedicated to develop a new, more environmentally friendly packaging. The cross-functional project team, which also included external design and environmental experts, came up with an improved charger packaging solution that is 28% lighter than the previous version and consists of recycled materials. Product carbon footprint calculations reveal that it achieves a 37% lower CO_2e footprint than its predecessor. There are currently still some regulatory issues pending before the new packaging can be introduced to the market.

During 2021/22, Sonova also published a new Sustainable Product Packaging Policy, which formalizes and specifies our commitment to reduce negative impacts of packaging on the planet and people – throughout its lifecycle. The policy focuses on the packaging's use of sustainable materials, the minimization of weight, volume, and hazardous materials, and its suitability for reuse and recyclability.

An internal comparative life cycle analysis revealed that our SLIM packaging reduces the packaging size, weight, and correlated GHG footprint by almost 40% per shipped pair compared to the previous packaging concept. The largest climate change impact from our packaging arises in the transportation phase. Since SLIM packaging is lighter, the impact from transport is significantly lower. Another example of our commitment to cut waste is the packaging size reduction of our Advanced Bionics Naída sound processor: we reduced its weight by 63% and the relevant GHG emissions by 145 t CO_2e.

Consumer use

Since 2016, Sonova's Phonak, Unitron, and Hansaton brands have continuously expanded their portfolios of hearing aids with a built-in lithium-ion rechargeable battery. Compared to 2020, Sonova increased its sales of rechargeable behind-the-ear (BTE) and receiver-in-canal (RIC) hearing instruments by 30% from 42% to 55%. Our increasing focus on rechargeable hearing solutions helps us to reduce the use of disposable batteries. 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.

Product end-of-life

SASB HC-MS-410a.2

Sonova complies with the EU directive on Waste Electrical and Electronic Equipment (WEEE), which requires such equipment to be returned to the manufacturer for recycling or environmentally friendly disposal.

Selected Sonova Group companies in the Audiological Care business offer various battery collection programs, in which customers can bring their used hearing aid batteries back to the store or take home a box, collect their batteries, and bring them back to the store for recycling. The batteries collected are forwarded and disposed of through officially authorized disposal agents. In 2021, more than two metric tons of batteries were collected at different stores worldwide.

Waste

GRI 306-2

SDG 12.5

Sonova is committed to avoiding or reducing operational waste wherever possible, collecting recyclables separately, and disposing of hazardous waste in environmentally compatible ways. Our five-year target from 2017 to 2022 is to increase the recycling rate to 60% through Group-wide efforts to reduce operational waste, improve waste separation, and foster recycling.

In 2021, the recycling rate remained stable at 53% across our manufacturing sites and larger wholesale Group companies. We reduced the amount of total waste by 12% to 1,779 metric tons compared to the previous year, due to many smaller local initiatives, such as printing less, moving away from heavy wooden pallets, and improved data quality. While non-hazardous waste (both waste to energy and landfill) decreased by 14% from 894 t to 771 t, recycling waste reduced by 11% from 1,063 t to 942 t compared to previous year.

In the spirit of continuous improvement, we increased the scope of operational waste across all sites, including audiological care shops. We estimate non-hazardous waste sent to disposal in 2021 to have been 1,402 metric tons, hazardous-waste 71 metric tons, and recycled waste 1,315 metric tons.

Sonova complies with legal requirements to transport and dispose of hazardous waste solely through officially authorized disposal agents. The main categories of hazardous waste substances are solvents, oil emulsions, paints, adhesives, soldering paste, filters, petroleum, and washing fluids. During the annual data collection period, we corrected for inconsistencies in hazardous waste data collection in one manufacturing site. We therefore restated our hazardous waste figures for 2019 from 39 t to 62 t (+61%), and for 2020 from 37 t to 56 t (+54%). In 2021, the amount of hazardous waste increased by 10 metric tons compared to 2020, which is in line with the increase in production volume.

Waste - limited scope[1]

metric tons

	2021	2020	2019
Total waste	**1,779**	**2,013**	**2,203**
Non-hazardous waste	771	894	995
Hazardous waste [2]	66	56	62
Recycling waste	942	1,063	1,146
Recycling rate	**53%**	**53%**	**53%**

1) Limited scope includes HQ, manufacturing sites, distribution centers as well as wholesale Group companies (GCs) with 50+ FTEs, excl. wholesale GCs with <50 FTEs and audiological care GCs. Covered FTEs in 2019 + 2020: 51%, 2021: 52%.
2) 2019 + 2020 values restated due to data quality improvements. Hazardous waste restated from 37t to 56t in 2020, 39t to 62t in 2019.

Waste - full scope

✔ PwC CH

metric tons

	2021
Total waste	**2,788**
Non-hazardous waste	1,402
Hazardous waste	71
Recycling waste	1,315
Recycling rate	**47%**

Water

GRI 303-1

Sonova uses water provided by utilities primarily for sanitary services and kitchen and garden areas. Our manufacturing processes do not require significant amounts of water. Therefore, we mainly focus on conserving water in our office buildings, e.g. with low-volume water equipment in restrooms.

In the 2020/21 financial year, Sonova conducted a basic physical water risk analysis on the geographic water-catchment area (basin level) for its major production and manufacturing sites, using the WWF's Water Risk Filter tool. The analysis revealed that most sites are not located in water stressed regions.

The sources of all water withdrawn are municipal water supplies or other public or private water utilities. Compared to 2020, water consumption increased by 11% from 113,429 m^3 to 126,270 m^3 across our manufacturing sites and larger wholesale Group companies. This increase is mainly related to the relaxation of COVID-19 containment measures from 2020 to 2021. Compared to 2017, when water consumption per employee was 18.2 m^3, our target for 2022 was to reduce our water consumption by 5% to 17.3 m^3. Our water consumption per employee has currently decreased by 13% compared to the 2017 baseline. We are committed to continue driving actions that help us to reduce our freshwater withdrawal.

SDG 6.4

Water withdrawal - limited scope[1]

m^3

	2021	2020[2]	2019
Total municipal water supply	126,270	113,429	139,707
Municipal water supply per full-time employee (FTE)	15.9	15.3	18.1

1) Limited scope includes headquarters, manufacturing sites, distribution centers as well as Wholesale Group companies (GCs) with >50 FTEs, excluding Wholesale GCs with <50 FTEs and Audiological Care GCs. Covered FTEs in 2019 + 2020: 51%, 2021: 52%.
2) 2020 value restated due to data quality improvements. Water withdrawal increased from 112,589 m3 to 113,429 m3. Water withdrawal per FTE increased therefore to 15.1 to 15.3m3 per FTE.

In the 2021/22 financial year, Sonova also increased its water data collection scope to all sites, including smaller Wholesale and Audiological Care Group companies. Sonova's total water withdrawal was 199,951 m^3 in 2021.

Water withdrawal - full scope
✔ PwC CH

m^3

	2021
Total municipal water supply	199,951
Municipal water supply per full-time employee (FTE)	13.1

Sonova returns water to the sewage system without contamination. We have not experienced any spills from operating processes or other instances of water contamination.

SDG 6.3

Biodiversity

Sonova's global activities, products, and services have a limited direct or indirect impact on biological diversity and natural ecosystems, such as loss of biodiversity, destruction of natural habitats, and deforestation.

Environmental reporting and system boundaries

GRI 302-1, GRI 303-1, GRI 305-1, GRI 305-2, GRI 305-3, GRI 306-2

Sonova's environmental data monitoring and reporting includes energy consumption, CO_2e footprint, materials, waste disposal, and water consumption, and is based on the calendar year. The company reports and discusses environmental performance to the limits of the available data. Actual data is collected whenever possible, and estimated if data collection is not feasible given the decentralized organizational structure of these businesses and their small, often rented, facilities.

The tables in the section 'Protecting the planet' show environmental data from Sonova Group companies that operate as headquarters, manufacturing sites, or wholesale distributors, as well as Group companies with audiological care activities. The Consumer Hearing Business acquired in the 2021/22 financial year is not included in this year's ESG Report. CO_2e footprint, energy consumption, waste, and water data are provided for all entities in the 2021 environmental data reporting.

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, and indirect emissions (Scope 3) that arise from our value chain. 12 out of the 15 Scope 3 categories defined by the GHG Protocol are currently applicable to Sonova.

Sonova monitors Scope 1 + 2 GHG emissions arising from its consumption of heating oil, natural gas, biogas, vehicle fuels such as diesel and gasoline, refrigerants, as well as district heating and electricity. N_2O and CH_4 emissions from biogenic sources, e.g. biogas, are included in Scope 1, while the related CO_2 emissions are excluded as per the GHG Protocol. Outside-of-scope CO_2 emissions from biogenic sources amounted to 367 t CO_2 in 2021.

The company measures its 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 17,712 t CO_2e. Sonova purchased 35,744 MWh as unbundled Electricity Attribute Certificates (EACs), which were accounted for under the market-based approach for Scope 2.

Scope 3 categories 4 & 9 (Transportation and distribution) as well as 6 (Business travel) include non-CO_2-related emissions deriving from aviation. A radiative forcing multiplier of 1.9 is currently applied as recommended by the UK Department for Business, Energy & Industrial Strategy.

The measurement methodology and reporting format for the carbon footprint are based on the standards and guidance of the Greenhouse Gas (GHG) Protocol. Sonova follows the financial control consolidation approach for setting organizational boundaries. Global warming potentials (GWP) from the IPCC's fourth assessment report (AR4) are applied to calculate CO_2 equivalents. Relevant gases included are CO_2, CH_4 and N_2O. Key emission factor sources for calculating GHG emissions can be found in the table below:

Emission factor sources for environmental reporting

Scope & Category	Main emission factor sources
Scope 1	- BEIS Department for Business, Energy & Industrial Strategy
Scope 2	- Association of Issuing Bodies (European Residual Mix) - IEA International Energy Agency (Emissions Factors) - EPA Environmental Protection Agency (eGRID) - Environment and Climate Change Canada (Electricity Can Prov Terr)
Category 1: Purchased goods and services	- EcoInvent (version 3.7) - CEDA Comprehensive Environmental Data Archive (version 5.05) - BEIS Department for Business, Energy & Industrial Strategy - Quantis World Food LCA Database (version 3.5) - IPC (2017 cycle Price level index (World = 100))
Category 2: Capital goods	- Dell Carbon Footprints
Category 3: Fuel- and energy-related activities (not included in Scope 1 + 2)	- BEIS Department for Business, Energy & Industrial Strategy - IEA International Energy Agency (Emissions Factors)
Categories 4 & 9: Transportation and distribution	- BEIS Department for Business, Energy & Industrial Strategy
Category 5: Waste generated in operations	- BEIS Department for Business, Energy & Industrial Strategy - EcoInvent (version 3.7)
Category 6: Business travel	- BEIS Department for Business, Energy & Industrial Strategy
Category 7: Employee commuting	- BEIS Department for Business, Energy & Industrial Strategy - IEA International Energy Agency (Energy Efficiency Indicators) - Anthesis, Energy Consumption & GHG Emissions for Remote Workers (White Paper Feb. 21)
Category 10: Processing of sold products	- IEA International Energy Agency
Category 11: Use of sold products	- IEA International Energy Agency
Category 12: End-of-life of sold products	- BEIS Department for Business, Energy & Industrial Strategy
Category 15: Investments	- OECD Organisation for Economic Co-operation and Development

Sonova ESG Report 2021/22

Serving society

SDG 10.2

We constantly innovate in hearing health care, improve access for people in under-served areas and engage actively with our communities.

Serving society is at the core of Sonova's vision to improve the quality of life for millions of people around the world who suffer from 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.

The sections that follow provide an overview of our approach in the 'Serving society' pillar of 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" with approximately 1.5 billion people – 20% of the global population – experiencing some degree of hearing loss, according to World Health Organization (WHO) statistics.[1] Over 5% of the world's population – 430 million people – experience moderate or higher grades of hearing loss[2]; nearly 30 million have profound or complete hearing loss in both ears. The number of people with hearing loss continues to rise, due both to the aging of populations and to growing noise pollution in our environment. WHO estimates that by 2050, 2.5 billion people could experience hearing loss, and over 700 million people will require hearing care due to a moderate or higher grade of hearing loss by 2050[1].

People with untreated hearing loss are often faced with serious consequences. These range from adverse effects on personal relationships to disadvantages at work and social isolation, which may even lead to depression. Especially severe are the consequences for children with untreated hearing loss, as the development of speech and language is fundamentally dependent on the sense of hearing. Untreated hearing loss also is often associated with academic underachievement, which can lead to lower job performance and fewer employment opportunities later in life. In addition to the impact of hearing loss at an individual level, untreated hearing loss puts a heavy cost burden on society. Direct and indirect costs related to unaddressed hearing loss are estimated at USD 980 billion annually, of which more than 50% are borne by low- and middle-income countries in direct health costs, loss of productivity, and societal costs[1]. Today's hearing solutions offer the opportunity to reduce this burden significantly.

The fundamental need for hearing solutions is further influenced by long-term socioeconomic factors. The number of people on our planet will continue to increase. Although populations in low- and middle-income countries are expected to grow the most, even high-income countries with stable populations will face a growing proportion of elderly citizens, who are likely to experience hearing loss. These developments increase demand for hearing care: a large unmet need remains. According to WHO statistics, approximately 80% of people with moderate or higher grades of hearing loss live in low- and middle-income countries, with the most affected regions being the Western Pacific, South-East Asia, and the Americas[1]. People in such countries often have little or no access to audiological services, and the hearing care market is still relatively underserved. WHO estimates that total current hearing aid production worldwide would meet only around 3% of the need in low- and middle-income countries[3]. This situation presents substantial opportunities to increase access to hearing care.

1) WHO, "World Report on Hearing" (2021)
2) In 2021, the WHO has adapted its grading system on the severity of hearing loss. The threshold for moderate hearing loss is 35dB in the better hearing ear.
3) WHO, "Factsheet: deafness and hearing loss" (2020)

Innovative hearing solutions

Broad product portfolio

SDG 9.5

The hearing care market is highly diverse, requiring a broad range of technologically advanced solutions and versatile customer service channels. Our declared goal is to offer the most innovative hearing solutions and services available to consumers worldwide, continuously improving speech intelligibility, sound resolution and quality, and ease of use. With the acquisition of Sennheiser's consumer hearing division, we have established a fourth business unit, expanding our product portfolio from hearing instruments to true wireless headsets and speech-enhanced hearables, along with cochlear implants, hearing protection, wireless communication solutions, and audiological care services.

In 2021/22, around 60 new patent applications were filed across the Sonova Group. By the end of March 2022, Sonova owned in total over 2,000 active granted patent and design rights.

Digital solutions

As well as improving the audiological quality and ease of operation of our products, Sonova continuously extends the digital solutions that bring together healthcare providers and consumers in real time through all stages of the hearing journey. From online-based histories and customer support to remote adjustment and optimization under real-life conditions, digitally networked solutions offer consumers a higher degree of control and autonomy. Wherever users might be, their audiologist can be by their side online, directly capturing data on the specific audiological situation and providing immediate assistance. Continuous data monitoring and statistical analysis of listening situations allow user-specific fine tuning, as well as more targeted advice.

A key example is the myPhonak app, which gives wearers an enhanced and personalized hearing experience, including remote support, fitting, and control, as well as advanced customization options such as noise reduction and speech focus.

To complement our strong R&D 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.

Partnerships and collaborations

At Sonova, we consider interdisciplinary collaboration as the guarantor of progress – and essential for such a complex subject as hearing. A key area of our innovation strategy is therefore establishing and promoting international networks, which pool the expert knowledge of leading research bodies, hospitals, companies, and institutions, and bring it to fruition in new hearing solutions.

Long-term partnership and open exchange are the hallmarks of our collaboration with over fifty top-class universities and centers of excellence and technology. The focus of this interdisciplinary work is to make productive use of all potential for innovation: broadening understanding of auditory perception and cognitive processing, driving forward digital signal processing and miniaturization of electronics, improving material and implantation technologies, and researching the potential of bionics. We work especially closely with the international groups of experts from the Pediatric Advisory Board to develop hearing solutions that counteract hearing loss in early childhood and at the same time include and support the entire family.

Accessibility and affordability

Distribution network

SDG 3.8

Innovation is not limited to products – it also drives the way we approach the market, both through our wholesale companies and our audiological care network. Operating through many channels multiplies the potential paths to hearing, even in parts of the world where hearing care has been in short supply. Sonova's Audiological Care business stands as the second largest hearing care provider in the world, with more than 3,600 stores and clinics in 20 markets, employing more than 7,600 people (headcount).

Access in remote areas

One example of Sonova's efforts to increase access to hearing care for people living in rural areas is the TeleAudiology model, pioneered by Triton Hearing, a Sonova Group company in New Zealand. Despite Triton's extensive network of clinics across the country, many New Zealanders still find getting to see an audiologist difficult, especially in communities of indigenous people living in remote areas. Triton fitted out two buses with diagnostic hearing equipment and turned them into mobile hearing clinics. A hearing care professional provides the in-room support, including performing video otoscopy, positioning transducers, and handling hearing aids. Through TeleAudiology, clients are connected with audiologists over a high-definition teleconferencing system. It is possible to provide a full diagnostic assessment, hearing and communication needs assessment, impression taking, hearing aid fitting and verification, purchase, and follow-up services through a synchronous, live connection.

Customized solutions

We also develop dedicated products and services for underserved markets. For example, over 1.4 billion people[1] around the world speak a Sinitic language such as Mandarin or Cantonese. These are tonal languages, where the basic frequencies communicate the information content of words. To better understand the specific needs of Chinese people with hearing loss, Sonova worked with China's largest hospital, the Tongren Hospital in Beijing. 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 for millions of people in Asia.

1) Ethnologue: Languages of the World, 25th edition (2022)

Underserved markets

Accessible and affordable hearing care is still a challenge for many people in low- and middle-income countries and for underprivileged social groups in high-income regions. 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. The global health and economic crisis resulting from the COVID-19 pandemic severely affected the hearing care market and with it our business activities. Our supply of hearing aids to low- and middle-income countries remained flat for the two previous years, but rose significantly in 2021/22. Growth now stands at 44.1% over 2018/19, very close to our 50% target.

Sales growth in low- and middle-income countries
vs. 2018/19

	2021/22	2020/21	2019/20
Increase in number of HI sold in low-and middle-income countries vs. 2018/19	+44.1%	+0.4%	+1.1%

Training and education

Many countries lack trained health personnel, educational facilities, and necessary data to address the needs of those living with hearing problems. These factors, and the lack of hearing care professionals and infrastructure in many markets, can impede efforts to raise the proportion of people receiving hearing care. Building local capacity worldwide and training hearing care professionals to the highest standards is very important to Sonova.

As an example, China faces the challenge of a rapidly growing number of people with hearing loss due to an aging population, which will put more strain on an already under-resourced hearing care system. Sonova is providing technical support to its wholesale customers to help address the significant lack of practical knowledge available for hearing care professionals when it comes to hearing aid fittings. In 2021/22, the Sonova Audiology team provided around 32,000 technical support sessions for its customers. A dedicated center, the Sonova Grand Hearing Institute, also offers advanced audiology and practical knowledge to hearing care professionals of its wholesale customers in China; it features a soundproof room for hearing tests and workstations for fitting hearing aids and a lab for adjusting ear-molds.

SDG 3.C

Sonova's commitment to provide high-quality training for hearing care professionals applies to both developing and developed markets. The Swiss International Hearing Academy (SIHA), a Sonova Group initiative, runs a pioneering blended learning program in audiology for aspiring hearing care professionals (HCPs). The study program makes training courses viable in emerging economies where opportunities for vocational education are thin on the ground or non-existent. In 2020/21 we set a new target: to train and certify 250 HCPs in low- and middle-income countries through the SIHA 12-month

HCP program by 2022/23. In 2021/22, 84 HCPs graduated and became certified. Around 100 additional HCPs are currently enrolled in the program and working towards graduation.

We opened our first training center in Germany in 2019. Located in Dortmund, the Sonova Academy offers comprehensive training and development opportunities at the cutting edge of science and technology in ultra-modern training facilities. The program of in-person and eLearning modules complements Germany's existing training offerings in hearing acoustics: The Sonova Academy cooperates closely with the German Academy for Hearing Acoustics and the German Vocational School for Hearing Acoustics. On an area of 1,800 square meters, participants of all target groups and years are being trained in theory and practice in hearing studios, seminar rooms, and an earmold laboratory. The presence modules on-site are supplemented by eLearning modules. In 2021/22, our teams trained around 2,800 participants in online training courses and around 880 participants in on-site training courses. The participants completed a total of over 26,000 individual training modules.

Philanthropy

Hear the World Foundation

Sonova's philanthropic engagement at Group level focuses strongly on increasing access to hearing care for children in low- and middle-income countries. We achieve this primarily by supporting the charitable Hear the World Foundation – initiated by Sonova in 2006 – with funding, expertise, and hearing solutions. The mission of the Foundation 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.

Sonova has set itself the target to increase the number of people benefiting from the Hear the World Foundation's work by 10% year-over-year. This target has been surpassed in 2021/22: 2,260 hearing aids were fitted in projects supported by the Foundation, compared to 750 devices in the previous year; it is important to note, however, that the previous year's activities had been strongly affected by COVID-19. In future, the Foundation will track its achievements through a newly established impact management and measurement system, which will monitor key performance indicators for holistic hearing healthcare for children, such as the number and percentages of children screened, diagnosed, and fitted, as well as the type and extent of aftercare. As well as patient treatment, the system will track training of qualified professionals and local capacity building.

In 2021/22, the Foundation supported 16 projects globally. 39,190 hearing screenings were performed on newborns and children and 1,250 children were fitted with hearing aids. In addition to hearing loss prevention, holistic audiological care and caregiver support, the Foundation supported basic and advanced audiological training for a total of 1,630 hearing care professionals and volunteers. Sonova employees conducted around 990 hours of volunteer work for the Foundation. You can find detailed data in the Activity Report that is published annually and is available on the Foundation's website; it also provides more information on the Hear the World Foundation's activities, goals, and impact.

Philanthropic contributions

In the 2021/22 financial year, the total monetary value of Sonova's contribution to corporate citizenship and philanthropic activities amounted to around CHF 5.9 million. Broken down by type of activity (see first table below), the vast majority (81%) of the monetary value of all contributions was in the form of community investments: long-term strategic involvement with community partner organizations through the Hear the World Foundation. A total of 18% of the cost of all activities was in the form of charitable donations (mostly to humanitarian organizations supporting Ukrainian refugees), and 1% was for commercial initiatives, e.g. research projects, sponsoring of community organizations, and other initiatives supported by Sonova related to the topic of hearing. Broken down by type of contribution (see second table below), the total of around CHF 5.9 million comprises 52% in-kind contributions (mostly hearing instruments and cochlear implants), 33% direct cash contributions, 14% management costs (e.g. staff salaries and overheads), and 1% time (such as employee volunteering).

Monetary value of philanthropic contributions by type of activities

CHF [1]

	2021/22	%	2020/21	%	2019/20	%
Total	**5,904,994**	**100%**	**3,615,086**	**100%**	**4,383,826**	**100%**
Community investments	4,802,068	81%	3,550,680	98%	4,024,921	92%
Charitable donations	1,034,570	18%	30,990	1%	132,884	3%
Commercial initiatives	68,356	1%	33,416	1%	226,021	5%

1) Only contributions at Sonova Group level included, does not include contributions at brand level.

Monetary value of philanthropic contributions by type of contribution

CHF [1]

	2021/22	%	2020/21	%	2019/20	%
Total	**5,904,994**	**100%**	**3,615,086**	**100%**	**4,383,826**	**100%**
Cash contributions	1,952,926	33%	583,416	16%	676,021	15%
Time	55,986	1%	36,239	1%	200,840	5%
In-kind contributions	3,074,082	52%	2,406,431	67%	2,993,965	68%
Management costs	822,000	14%	589,000	16%	513,000	12%

1) Only contributions at Sonova Group level included, does not include contributions at brand level.

Sonova ESG Report 2021/22

Advancing our people

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

The success of Sonova stems not only from our innovative solutions, but from our people and our culture. Across our companies and brands, we all share one vision: to create a world where everyone enjoys the delight of hearing and lives a life without limitations. This unifying vision, taken together with our corporate values, forms the foundation of our culture and creates a common understanding of how we work together.

The sections that follow present a comprehensive description of the various aspects of the 'Advancing our people' pillar of our *IntACT* ESG strategy:

- Employee engagement
- Talent development
- Diversity and inclusion
- Occupational health and safety
- Employee wellbeing
- Responsible reorganizations

GRI 102-8

As of the end of the 2021/22 financial year, Sonova had 16,733 employees (full time equivalents: FTE). This represents an increase of 2,225 employees (+15.3%) over the previous year's 14,508 employees. Acquisitions made a significant contribution, as did organic business growth. Around 600 employees joined Sonova from the recent acquisition of the Sennheiser Consumer division, and around 500 employees joined from the US-based Alpaca audiological clinic network. Both acquisitions were completed on March 1, 2022. Several small businesses were also acquired during 2021/22 in EMEA, North America, and Asia/Pacific; one small business was divested in Asia. All of the acquired companies are in the business of producing and/or distributing and servicing hearing instruments.

GRI 102-41

The majority of our employees are directly supported by a local human resources (HR) manager. Sonova has developed a comprehensive set of global human resource processes, standards, and policies, which are implemented locally in line with country-specific regulations and customs. We assess the impact of our activities through a set of key performance indicators such as turnover, internal leadership recruitment rate, and the availability of internal talent for potential succession to management positions (bench strength). Regular internal audits ensure compliance with internal regulations and local labor law, with the objective to provide excellent working conditions and monitor progress in all our locations. We estimate that around 30% of Sonova's global workforce is represented by an independent trade union or covered by collective bargaining agreements.

Employees by region

✔ PwC CH

FTE (end of period) [1]

	2021/22	2020/21	2019/20
Total (Regular and Fixed-term)	**16,733**	**14,508**	**15,184**
Switzerland	1,445	1,321	1,290
EMEA (excl. Switzerland)	7,238	6,443	6,878
America	4,285	3,415	3,538
Asia/Pacific	3,765	3,329	3,478

1) Employee numbers do not show any seasonal or other temporary fluctuation.

Employees by employment contract

✔ PwC CH

% of employee headcount [1]

	2021/22	2020/21	2019/20
Regular	80.3	82.4	84.4
Fixed-term [2]	2.6	2.0	2.6
External temporary [3]	14.7 [4]	12.5 [4]	9.8 [4]
Interns	2.3	3.2	3.2

1) Information about FTE not available for temporary hires, therefore % split calculated based on headcount.
2) Employees on fixed-term contract.
3) Agency temps and contingent workers.
4) Increase in external temporary employees compared to previous year due to increased number of time-critical projects that required external support.

Employee engagement

Sustainable engagement describes the intensity of employees' connection to their organization and is a key factor in business success. It is marked by a continuous effort to achieve goals, enabled by an environment that supports productivity and a commitment to maintain personal well-being.

This year was the fourth time we conducted HearMe, Sonova's annual confidential employee engagement survey. The survey is managed in cooperation with an external provider and consists of over 60 questions across 13 dimensions (such as strategy and leadership, operational excellence, collaboration, diversity and inclusion, and sustainable engagement). Of all employees worldwide, 92% participated in the survey, providing valuable information to identify areas for improvement. Sonova's sustainable engagement rate is calculated based on 9 questions regarding how employees are engaged, enabled, and energized to achieve their goals. 83% of respondents reported feeling actively engaged through their work (81% for men, 84% for women). Compared to the previous year, our employee engagement rate remained stable. However, we improved our results in 6 out of the 9 questions. We also improved in 9 of the 13 dimensions of the overall survey, including diversity & inclusion, talent development, and operational excellence – all areas we had actively worked on as a result of the previous year's survey.

Our target is to achieve by 2022/23 an employee engagement rate equivalent to that of high performing companies. The high performance benchmark is provided by our external partner and consists of companies that combine excellent return on capital employed with top-tier ranking in independent employee engagement surveys over several years across various industries worldwide. Compared to the previous year, the benchmark figure for these high performing companies rose from 87% to 88%, while our engagement rate remained stable at 83% over the past three years. In comparison with the medical devices industry benchmark, however, Sonova exceeds our industry peers' results in sustainable engagement by 4% and also shows better results in all but one of the other 13 dimensions measured in the survey.

Leaders at Sonova worldwide conduct workshops with their teams to analyze the HearMe survey results, agree on necessary actions, implement them, and monitor their success before the next HearMe survey. Concrete initiatives inspired by 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. In 2020/21, a dedicated global cross-functional team was set up to drive continuous improvement in processes that create increased employee engagement. We also introduced monthly pulse surveys, which are sent to a smaller sample of the global Sonova population to get more timely insights into the development of employee engagement.

Employee engagement
✔ PwC CH
Favorable answers as % of participant employee headcount

	2021/22	2020/21	2019/20
Employee engagement rate	**83**	**83**	**83**
Women	84	84	84
Men	81	81	81

Participation rate
✔ PwC CH
% of employee headcount

	2021/22	2020/21	2019/20
Employee engagement survey participation rate	92	94	92

Talent development

GRI 404-3

Global trends such as demographic changes, a limited availability of specialist talent, and the need to adapt quickly to shifting markets highlight the importance of a proactive staffing strategy for Sonova. We believe that developing talent with the goal of ensuring internal succession is vital for sustaining competitive advantage and long-term success.

GRI 401-1

SDG 8.5

We believe that every employee should have an individual development plan; we therefore launched an initiative in spring 2019 that allows employees at all levels to define their own development objectives and to discuss them with their managers in dedicated development conversations. The aim is to ensure that we are investing effectively in the advancement of each individual's strengths and preferences. In 2020/21, we set a new 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 those with job roles in production/assembly, for whom other skill-related growth paths are identified. At the end of 2021/22, 97.4% of our relevant employees had a development plan, surpassing the target one year ahead of schedule.

Sonova's annual appraisal process includes setting individual, measurable 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 expertise in key positions while identifying and developing promising candidates for internal succession. This process helps to ensure that Sonova's specialist knowledge, skills, and experience remain within the company. In 2021/22, we were able to fill 63.8% of our open leadership positions with Sonova employees.

Internal leadership recruitment rate (ILRR)

✔ PwC CH

% of employee headcount [1]

	2021/22	2020/21	2019/20
Total (% of total internal hires to leadership positions) [2]	**63.8**	**69.7**	**67.1**
Women (% of women of internal hires to leadership positions)	57.6	47.1	51.7
Men (% of men of internal hires to leadership positions)	42.4	52.9	48.3

1) Audiological Care Germany fully included in 2021/22, but only included in the total statistics for 2020/21 and 2019/20.
2) Leadership positions = people managers or project managers.

New hire rate

✔ PwC CH

% of new hired FTE

	2021/22	2020/21	2019/20
Region			
Switzerland	4.7	8.3	7.3
EMEA (excl. Switzerland)	57.1	27.4	38.9
America	14.4	35.2	38.5
Asia/Pacific	23.4	29.1	15.3
Gender			
Women	52.5	67.6	66.3
Men	47.5	32.4	33.7
Age			
under 30 years old	24.1	50.6	41.9
30–50 years old	59.0	41.5	47.1
over 50 years old	16.8	7.9	11.0

The overall employee turnover rate in 2021/22 has increased from 15.1% to 17.4% and our voluntary employee turnover rate from 8.6% to 13.2%: like other companies, Sonova was affected by the global pandemic-related "Great Resignation." 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 managerial staff in 2021/22 was 9.6 years, while the total average workforce tenure was 6.8 years.

Employee turnover rates

✔ PwC CH

% of FTE [1]

	2021/22	2020/21	2019/20
Total	**17.4**	**15.1**	**14.9**
Region			
Switzerland	9.5	6.2	8.0
EMEA (excl. Switzerland)	15.3	12.2	13.4
America	23.6	21.7	20.0
Asia/Pacific	18.0	17.6	15.0
Gender			
Women	17.8	15.7	14.5
Men	16.8	13.1	14.8
Age			
under 30 years old	20.8	21.2	19.1
30–50 years old	17.5	13.3	13.7
over 50 years old	13.8	12.3	12.2

1) The employee turnover rate is the percentage of the employees who left Sonova during the fiscal year; this includes continuing and discontinued operations (excl. leaves following company sale). In 2019/20 and 2020/21, Audiological Care Germany is only included in total turnover and EMEA (excl. Switzerland).

Voluntary employee turnover

✔ PwC CH

% of FTE [1]

	2021/22	2020/21	2019/20
Total	**13.2**	**8.6**	**10.4**
Region			
Switzerland	7.3	3.3	6.5
EMEA (excl. Switzerland)	11.1	8.0	8.4
America	18.1	11.1	14.7
Asia/Pacific	14.0	11.1	11.6
Gender			
Women	13.9	9.5	10.7
Men	11.9	7.2	9.8
Age			
under 30 years old	17.3	12.9	15.5
30–50 years old	13.3	8.6	9.5
over 50 years old	8.6	4.3	7.5

1) The employee voluntary turnover rate is the percentage of the employees who left Sonova voluntarily during the fiscal year. In 2019/20 and 2020/21, Audiological Care Germany is only included in total turnover and EMEA (excl. Switzerland).

Tenure
✔ PwC CH

Average tenure in years [1]

	2021/22	2020/21	2019/20
People managers	9.6	9.7	9.1
Employees without direct report	6.3	6.5	6.3
All employees	6.8	7.0	6.7

1) Only includes regular employees (employees on indefinite employment contract, i.e. no contract end date).

Leadership development programs

Sonova offers a portfolio of different leadership development programs outlined in the table below. Through feedback, coaching, and experiential learning, these programs give participants the chance 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 2021/22, around 2,100 employees participated in a total of 9,917 hours of leadership development training.

Training program	Audience	Description
Aspiring Leaders	• Employees with leadership aspirations • 12–16 participants per cohort	The Aspiring Leaders program is a two-day program that encourages participants to start thinking about their own leadership brand and about how they can best fulfill and contribute to Sonova's future.
Leadership Foundations I	•Virtual program aimed at all new and middle people managers • 16–24 participants per cohort	This virtual program, delivered in three four-hour sessions over six weeks, focuses on the basics of essential managerial and leadership skills, such as feedback, coaching, accountability, and delegation.
Leadership Foundations II	• Aimed at all new people managers • Recommended for all people managers • 12–24 participants per cohort	The Leadership Foundations program is a two and a half-day intensive experiential program focusing on some managerial tools, importance of mindsets, motivation drivers, and awareness that will impact engagement, trust, and change. It also covers how to implement the learning into daily business.
Leading Effective Teams	• Foundations alumni with direct reports • Ideally 9+ months after Foundations • 16–24 participants per cohort	Leading Effective Teams focuses on effective and productive collaboration. It is a yearlong program with a pair of two-day face-to-face workshops: one in the beginning to kick off the program, and one in the end to close, with virtual sessions in between. Participants are asked to team up to tackle real business problems that they are facing as leaders.
Power Sessions & Webinars for Leaders	• Targeting all leaders • 2–4h workshops or 1–2h webinars • Recommended for all people managers • 8–24 participants per cohort	Power Sessions & Webinars for Leaders are focused workshops or virtual sessions covering specific leadership topics in human resources and other areas to support our leaders in their daily challenges and responsibilities (such as Writing Effective Performance Objectives, Performance Appraisal for Managers, and more).

Learning & development programs

SonovaLearning is our group-wide education platform for all employees. It offers targeted programs, giving our employees the opportunity to enhance their skills and competencies. We support the programs with an e-learning information site, launched in 2019, which is accessible at all times. Around 2,500 employees accessed almost 27,000 pages and articles on it during the 2021/22 financial year. In addition, mandatory training courses available on the e-learning platform ensure that our employees have the knowledge to do their work correctly and in compliance with relevant rules and regulations.

Our training programs also reflect our sharp focus on customer service: we are convinced that a trusting personal relationship, founded on expertise and understanding, is the best way for customers to reap the full benefit from their hearing solution. The Sonova Academy in Germany opened in summer 2019 and offers face-to-face and online training to further develop the ability of our hearing health care professionals to deliver the best service and customer experience.

Traineeship programs

Sonova has a network of research collaboration with various leading universities around the world, where students can participate in joint studies and other activities. We offer them the opportunity to work in our organization as a member of one of our research and development teams, either in an internship, or as part of their Bachelor's, Master's, or PhD thesis work.

At Sonova we support and invest in Switzerland's dual training system, which links formal education with in-company training, providing both theory and practical experience. The number of our apprentices has doubled since 2013, and we currently train more than 40 apprentices at our headquarters. The range of Sonova apprenticeships is diverse, offering training in thirteen professions, from polytechnician through logistics clerk to cook. Sonova supports education and training for young people with disabilities. In recent years, several apprentices with disabilities have successfully completed an apprenticeship at Sonova.

Diversity and inclusion

Commitment

GRI 102-8, GRI 405-1

It is Sonova's vision to create a world where everyone – without distinction – enjoys the delight of hearing. By offering the most comprehensive range of solutions to treat all major forms of hearing loss, we aim to help our consumers feel included in society. To reach this goal, our workforce and work culture need to reflect the values of diversity and inclusion (D&I). Our commitment to D&I is included in our Code of Conduct. We value the diversity of languages, background, ethnic origin, disabilities, culture, beliefs, gender identity and/or sexual orientation among our employees, because this reflects the diversity of our stakeholders and the communities in which we operate. We are committed to providing equal hiring, development, and advancement opportunities. 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. We know that each employee's unique experiences, perspectives, and viewpoints enhance our ability to deliver the best possible products, services, and support to our customers, consumers, patients, and business partners.

D&I Strategy

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

- **Governance:** We have set up 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 also appointed a Senior Manager Diversity & Inclusion on corporate level, and set up 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.

Progress and actions

Sonova has set two specific targets in the area of gender diversity and unconscious bias training:

- We want to achieve 40% women in key positions by 2025/26.
- We want to train over 95% of employees on diversity and inclusion by mid-2021.

SDG 5.5

We achieved the training target with 95.2% of employees having completed the introductory web-based training on unconscious bias by mid-2021. We are also progressing on our ambition to achieve 40% of women in key positions by 2025/26. At the end of the 2021/22 financial year, 35.2% of key positions were held by women (2020/21: 33.5%). Furthermore, across all management levels, women hold 51.1% of all positions involving staff responsibilities. In lower and middle management, the ratio of women is at 57.2%. In 2021/22, 57.6% of all our internal promotions to management positions were women. These are good conditions to reach our gender diversity target through professional succession planning, individual development plans, and gender-balanced representation in filling open positions. To fully realize the potential of our internal talent, we will further strengthen our efforts to remove unconscious barriers throughout the talent management cycle and keep a diversity focus in talent development.

Sonova supports the compatibility of pursuing a career and raising a family by promoting flexible working models such as working from home, flexible working hours, and part-time work in leadership positions. In Switzerland, for example, our terms of employment guarantee our employees additional family-related benefits, including 16 weeks of maternity leave, four weeks of paternity leave, and the possibility of purchasing additional vacation time. In all our production sites, where shift work is standard, employees returning from maternity leave can choose to work at between 50% and 100% of their previous level during their first year back. We operate our own day care center at our headquarters in Stäfa and financially support lower-salary employees in Stäfa and in our production center in Vietnam. In the US, among other countries, we have breast-feeding rooms in our offices.

Women in key positions

✔ PwC CH

% of employee headcount within key positions [1]

	2021/22	2020/21	2019/20
Share of women in key positions	35.2	33.5	31.1

1) Key positions are those leadership positions identified as business-critical.

Women in positions with staff responsibilities

✔ PwC CH

% of employee headcount within people manager positions [1]

	2021/22	2020/21	2019/20
Share of women in people manager positions	51.1	50.7	50.7

1) Only includes regular employees (employees on indefinite employment contract, i.e. no contract end date).

Women in management positions

✔ PwC CH

% of employee headcount within respective management position [1]

	2021/22	2020/21	2019/20 [3]
Women in senior management [2]			
Total	**19.6**	**20.3**	**16.4**
Switzerland	15.6	15.6	11.7
EMEA (excl. Switzerland)	14.3	17.8	10.0
America	44.0	39.3	37.9
Asia/Pacific	13.3	12.5	11.8
Women in lower and middle management			
Total	**57.2**	**56.6**	**56.5**
Switzerland	27.4	26.6	25.6
EMEA (excl. Switzerland)	60.0	58.9	60.0
America	55.3	59.6	56.2
Asia/Pacific	53.7	57.0	56.6
Women in non-management			
Total	**67.8**	**69.0**	**69.9**
Switzerland	42.0	46.4	47.4
EMEA (excl. Switzerland)	67.2	68.0	69.1
America	69.2	69.6	69.9
Asia/Pacific	77.8	78.1	78.7

1) Data does not include contingent workers.
2) Senior management = Management Board, direct reports to the Management Board, and Managing Directors.
3) Audiological Care Germany not included in 2019/20.

Leadership recruitment rate (LRR) for women

✔ PwC CH

% of employee headcount [1]

	2021/22	2020/21	2019/20
Share of women in total hires to leadership positions [2]	**54.7**		
Share of women in internal hires to leadership positions	57.6	47.1	51.7

1) Audiological Care Germany fully included in 2021/22, but only included in the total statistics for 2020/21 and 2019/20.
2) Leadership positions = people managers or project managers.

Women in STEM positions

✔ PwC CH

% of employee headcount [1]

	2021/22	2020/21	2019/20
Share of women in STEM-related positions	24.0	24.4	21.9

1) Only includes regular employees (employees on indefinite employment contract, i.e. no contract end date).

Women in revenue-generating positions

✔ PwC CH

% of employee headcount [1]

	2021/22	2020/21	2019/20
Share of women in revenue-generating functions	71.0	71.0	71.7

1) Only includes regular employees (employees on indefinite employment contract, i.e. no contract end date).

Employees by gender

✔ PwC CH

% of employee headcount [1]

	2021/22	2020/21	2019/20
Women			
Share of total workforce	65.6	65.5	66.4
Part-time employees	13.4	13.3	16.4
Men			
Share of total workforce	34.4	34.5	33.6
Part-time employees	2.7	2.5	6.0

1) Only includes regular employees (employees on indefinite employment contract, i.e. no contract end date).

Number of nationalities of all employees

✔ PwC CH

Number [1]

	2021/22	2020/21	2019/20
Total number of nationalities	99	93	94

1) Only includes regular employees (employees on indefinite employment contract, i.e. no contract end date).

Employees by nationality (top 5)

✔ PwC CH

% of headcount [1]

	2021/22	2020/21	2019/20
Germany	16.1	15.1	15.5
United States	14.3	13.7	13.6
Vietnam	8.6	9.5	8.7
China	7.0	6.4	6.2
Switzerland	5.2	5.6	5.3

1) Only includes regular employees (employees on indefinite employment contract, i.e. no contract end date).

People managers by nationality (top 5)

✔ PwC CH

% of people manager headcount [1]

	2021/22	2020/21	2019/20
Germany	30.0	28.1	27.0
United States	10.0	9.9	9.8
Vietnam	2.7	2.6	2.3
China	5.6	4.8	4.6
Switzerland	5.5	6.6	7.0

1) Only includes regular employees (employees on indefinite employment contract, i.e. no contract end date).

Employees by age

✔ PwC CH

% of employee headcount [1]

	2021/22	2020/21	2019/20 [2]
All employees			
under 30 years old	20.0	18.8	21.7
30–50 years old	58.8	58.7	59.7
over 50 years old	21.3	22.5	18.6
Women			
under 30 years old	22.1	20.7	23.9
30–50 years old	58.4	58.6	59.1
over 50 years old	19.5	20.6	17.0
Men			
under 30 years old	15.9	15.0	17.1
30–50 years old	59.4	58.9	61.1
over 50 years old	24.7	26.1	21.8

1) Only includes regular employees (employees on indefinite employment contract, i.e. no contract end date).
2) Audiological Care Germany not included in 2019/20.

As part of our HearMe annual employee engagement survey, we calculated and benchmarked Sonova's D&I index. This index is based on seven 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 how they will be accepted. 83% of respondents reported a favorable result, in a positive trend with the two previous years' D&I scores of 80% in 2020/21 and 78% in 2019/20.

In 2021/22, employees also had the opportunity, through our global HearMe employee engagement survey, 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 category. Employees first had to agree that they want to see the self-identification questions. Once they agreed, they could 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, 25% of employees self-identified as belonging to a minority group, representing 21% of all survey respondents.

D&I in HearMe
✔ PwC CH
Favorable answers as % of participant employee headcount

	2021/22	2020/21	2019/20
HearMe diversity & inclusion score	83	80	78
HearMe self-identification as belonging to a minority group	25	17	–

We are actively addressing the role of unconscious biases. At the end of the financial year 2021/22, over 95% of employees had completed the unconscious bias awareness e-learning course. This is now part of the mandatory onboarding program for all new joiners. We also rolled out unconscious bias training for all people managers across the organization.

D&I has been included in our senior leader training; our Code of Conduct training also covers its key aspects. We have conducted several targeted D&I training courses for different audiences, including the Management Board, Audiological Care leadership teams, headquarters' human resources team, and Corporate Communications team.

In 2020/21, we set up regional D&I Councils in the Americas, EMEA, Asia, and Oceania, followed by national task forces. The role of these regional Councils is to define D&I priorities for the respective countries and foster a regular exchange about local needs, developments, and activities. The regional Councils provide quarterly updates and discussion points to the global D&I Council.

To raise awareness and continuously advance a culture of inclusion, we also support expanding employee networks, providing platforms where people can connect and learn from one another. A global women's network, initiated by our employees, has been established, along with a global OutLoud Network which brings together our employees who are a part of the LGBTQ+ community. Hearing loss should clearly not stop anyone from thriving at Sonova, so we have also set-up a global Hearing Loss Network which has been actively engaged in providing input and making our processes more inclusive. These networks held more than ten events in the financial year where diversity was celebrated, such as for International Women's Day, Pride month, World Hearing Day and International Sign Language Day.

Sonova also provides reasonable accommodation in its job application procedures for individuals with disabilities, and helps to find alternative ways for individuals with disabilities to perform essential job functions.

Occupational health and safety

GRI 403-2

Sonova is committed to provide and promote an occupational health and safety culture that supports and protects our employees. 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. Sonova's operations have 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.

In 2021/22, we recorded a lost day rate (LDR) of 50.7 (2020/21: 32.5) and lost-time injury frequency rate (LTIFR) of 3.4 (2020/21: 2.4). The increases in the LDR and LTIFR reflect an increase in frequency of injuries and total lost days greater than the increase in total working hours. It is important to note that the absolute number of injuries at Sonova is generally low, and small changes in it can have a significant impact on the key performance indicators. For example, in the 2021/22 data, one accident was responsible for over 50% of the total lost days, whereas the majority of the other accidents caused less than one week of lost time per incident. The most common types of accidents were behavior-based, such as slips, trips, or falls. We investigate the root causes of each work-related injury, carry out 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. No occupational illness or disease cases have been registered in the past three years, leading to an occupational illness frequency rate (OIFR) of zero. There were no work-related fatalities.

Occupational health and safety

✔ PwC CH

	2021/22	2020/21	2019/20
Lost day rate (LDR) [1]	50.7	32.5	26.0
Lost-time injury frequency rate (LTIFR) [2]	3.4	2.4	1.4
Occupational illness frequency rate (OIFR) [3]	0.0	0.0	0.0
Work-related fatalities	0	0	0

1) LDR = total number of lost days due to injuries/total hours worked x 1,000,000 (definition changed in 2019/20 from 200,000 to 1,000,000 and previous years' data adjusted for comparability).
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.

The LDR, LTIFR, OIFR and work-related fatalities reported in the table above cover around 20% of our global workforce. The selection of the facilities follows a risk-based approach, and includes our operation centers in Switzerland, Vietnam, and China, as well as the operation and distribution center in the United States, and the regional European service centers in Spain and the United Kingdom. Each of these sites has a designated person responsible for local implementation of the health and safety program. Any incident that requires external medical health care is considered as 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 work day/shift is considered as 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 employees' health and wellbeing. Our Group companies and operation centers take specific prevention and health promotion measures to help maintain and enhance each employee's capacity for productive and fulfilling work. In light of the prolonged pandemic and its impact on working practices, Sonova enhanced our existing measures that focus on employee wellbeing. This new initiative is based on a holistic framework comprising five dimensions of wellbeing:

- **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.

A new global health manager role was created and filled in 2022, with the objective of driving wellbeing at Sonova. Additionally, wellbeing champions have been appointed in all Group companies. They will implement global initiatives, complemented by local programs, that cover the five dimensions listed above.

Sonova also launched several new global wellbeing measures in 2021/22 to support our employees worldwide:

- All Sonova Group companies are implementing an Employee Assistance Program (EAP). It provides free and confidential assistance to employees and immediate family members with personal concerns – whether at home or at work – that affect their wellbeing.
- More choices and more flexibility for our employees: Sonova has issued a global hybrid working policy that allows all eligible employees to split their tasks and time between their home and their local Sonova office; all Group companies are working on local policies and implementation.
- Meeting wellbeing: shortened meeting duration to avoid back-to-back scheduling and allow recovery in between.
- Tuesday is focus day: based on location, four hours of focus time are set aside, with no meetings and no interruptions.
- Recognition for employees' hard work and resilience over the past two years of the COVID-19 pandemic: many Group companies gave employees a wellbeing day, an additional paid day off; others provided thank-you gifts or organized a social event.

As in the previous year, many local offerings had to be reduced or postponed because of the pandemic. Where the situation allowed it, Group companies organized on-site activities, but they also showed creativity in setting up virtual workshops providing inspiration and support to our employees on various wellbeing topics, such as nutrition, stress management, at-desk exercise, or better sleep.

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 employment security, minimizing compulsory redundancies, and mitigating the consequences for those made redundant. In case of such an event, a local implementation plan is developed, containing a variety of measures that can be adapted to the local situation and needs of the individual employees. At our headquarters in Stäfa, for example, the applicable measures include early retirements, internal mobility, financial compensation, re-training or outplacement services, case management, extended notice periods, and hardship funds.

In the past three financial years, there were no significant job cuts at Sonova – that is, none affecting more than 1,000 employees or more than 5% of the total global workforce annually.

We behave ethically and apply the highest quality and safety standards to everything we do.

Ethical business conduct is not an aspiration for us – it is a given. It translates across all our business dimensions. Sonova operates in an international context, so we appreciate the complex realities of modern supply chains and regulatory frameworks; we understand that our impact extends across the Group's entire value chain. It is therefore our responsibility to ensure that all our business processes are run with integrity.

The following sections present a comprehensive description of the various aspects of the 'Acting with integrity' pillar of our *IntACT* ESG strategy:

- Product quality, safety and reliability
- Responsible supply chain
- Human rights and labor practices
- Business ethics and legal compliance
- Data privacy and digital ethics
- Corporate governance
- Ethical marketing and sales practices
- Taxes
- Public policy
- Animal welfare

Product quality, safety and reliability

Regulatory and standards

GRI 416-1

Sonova's medical devices 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 our products' life cycle. We work to maintain transparent, constructive, and professional relationships with all applicable regulatory authorities on matters of policy, product submission, compliance, and product performance. The requirements we meet include design controls, marketing approvals, good manufacturing practices, vigilance systems, clinical studies, and other relevant product regulations, standards, and normative documents specified by these agencies.

Each national healthcare authority has specific requirements for products that are made available in its national territory. Requirements for hearing instruments in Europe are mostly centered around European legislation, including the Medical Device Regulation 2017/745, the Radio Equipment Directive 2014/53/EU, and requirements for conformity to other applicable international standards. In the US, hearing instruments 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 Europe, cochlear implants and their respective accessories from Advanced Bionics are also regulated by the Medical Device Regulation (MDR) 2017/745; and subject to technical documentation review before CE marking and placing on the market. In the US, they are classified as class III medical devices and subject to premarket approval, where 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

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

All our operation centers 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 on an annual basis to assure the quality of manufacturing, management, and products, including materials and components.

Sonova conducts internal audits of its established systems at planned intervals 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. We have established procedures to define the responsibilities and requirements for planning and conducting audits, and for reporting results and maintaining records. We plan each audit program on the basis of past audit results, along with the significance and status of processes and areas to be audited. This process also determines the audit criteria, scope, frequency, and methods. Qualified personnel who are independent of the task being audited may 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 managers, who ensure that action is taken promptly to eliminate any noted instances of noncompliance, along with their causes. We document and file reports on the corrective actions, their review, and other follow-up activities, and review data 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.

SASB HC-MS-430a.2

The topic of product safety is an integrated element of the product design and development process. 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.

We document and review customer complaints 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 recorded. 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-250a.1, SASB HC-MS-250a.2, SASB HC-MS-250a.3, SASB HC-MS-250a.4

In 2021/22, there were no listings associated with the Sonova Group that appear in the "Medical Devices" category of the U.S. Food and Drug Administration (FDA)'s MedWatch Safety Alerts for Human Medical Products database. There have not been any fatalities related to products as reported in the FDA Manufacturer and User Facility Device Experience. 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 2021/22, such as FDA Form 483 notices or FDA Warning Letters (or equivalent notices from other regulatory agencies). There were no new Class I or Class II (or equivalent) product recalls at Sonova during the 2021/22 financial year. In the 2019/20 financial year, Advanced Bionics undertook a voluntary field corrective action and retrieved from the market the unimplanted units of the initial version of its HiRes™ Ultra and Ultra 3D cochlear implants. The company took this step in an abundance of caution, having observed an increase in reports of reduced hearing performance. Most importantly, there had and have been zero reported safety events relative to this issue and these devices. 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 than those required by regulatory authorities. Details can be found in the annual Global AB 2021 Implant Reliability Report.

PDF
Advanced Bionics 2021 Global Implant Reliability Report

Hearing instruments: Product quality and safety indicators

	2021/22	2020/21	2019/20
Number of Class I recalls (or equivalent)	0	0	0
Number of Class II recalls (or equivalent)	0	0	0
Number of regulatory agency inspections [1]	20	21	15
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

	2021/22	2020/21	2019/20
Number of Class I recalls (or equivalent)	0	0	0
Number of Class II recalls (or equivalent)	0	0	1
Number of regulatory agency inspections [1]	2	4	2
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 reliability

Our priority at Sonova is to continuously improve product reliability and reduce repairs. We have set the target of improving average product reliability rate, for both hearing instruments (HI) and cochlear implants (CI) externals/processors, by more than 20% year-over-year. 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 define the CI product reliability rate as the annualized 3-month rolling average of Naìda pediatric and adult system product returns divided by the number of registered processors used by pediatric and adult recipients.

Product reliability rates year-over-year improvements

Improvement vs. previous year

	2021/22	2020/21	2019/20
Improvement of HI product reliability rate	(3%)	21%	4%
Improvement of CI product reliability rate (externals/processors) [1]	19%	32%	27%

1) CI reliability rate for 2021/22 is not comparable to previous years. 2021/22 value includes CI processors/externals for the Naìda pediatric as well as adult systems. 2020/21 and 2019/20 values include Naìda pediatric systems only.

Global and cross-functional teams sponsored by the Sonova Management Board work on continuous process improvements and root cause analysis of product returns and repairs, with the aim of significantly improving reliability of existing and future products. In 2021/22, the average HI product reliability worsened by 3%, and the CI product reliability improved by 19% compared to the previous year. We almost achieved the annual target of >20% improvement for cochlear implants, but clearly missed it for the hearing aids. Key improvement measures implemented include product design adjustments, manufacturing process refinements, active dialog with suppliers to improve manufacturing processes of product components, hardware and software improvements to existing products, and launches of new, more reliable products. For example, we achieved over 30% reliability improvement of rechargeable technology from Audéo™ Marvel to Audéo™ Paradise. Several newly introduced HI product lines show significant improvements compared to previous product generations. Despite these improvements in new products, the HI reliability rate worsened, because the overall service volume is still strongly dominated by older product generations with lower reliability. We will focus even more closely on product reliability improvements in the coming year to achieve our ambitious target of 20% year-over-year improvements.

Responsible supply chain

GRI 102-7, GRI 102-9

Sonova operates within a highly integrated business model: all manufacturing centers are owned by Sonova. Our own manufacturing operations extend from fully automated processes, such as hybrid circuit production, to highly skilled manual work, such as assembly of hearing aids and cochlear implants. Over 90% of our hearing aids are produced in the APAC region at our owned operation centers in Vietnam and China. Cochlear implants are produced at our operations center in Valencia, United States.

Our suppliers are mainly high-tech design and component makers, or original equipment manufacturers with a high degree of automation. In 2021/22, Sonova purchased from 450 direct material suppliers: 331 direct material suppliers who deliver components for manufacturing and assembly to our Hearing Instruments business, and 119 direct material suppliers to our Cochlear Implants business. In spending terms, 66.1% of Sonova's purchase volume is in the Asia/Pacific region, 11.7% in Switzerland, 19.1% in Europe (excluding Switzerland), 2.9% in North America, and 0.2% in Africa. The data for this year does not include Sonova's newly created Consumer Hearing Business.

Sonova strives for long-term collaboration with its suppliers. In the 2021/22 financial year, around 80% of the total purchase volume came from suppliers with a more than 10-year business relationship with Sonova, and over 95% of the total purchase volume came from suppliers with more than 5 years of partnership.

PDF
Sonova Group Supplier Principles (SGSP)

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

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 incorporated into development and supply agreements. All suppliers have to certify in written form that they will now and at all times in the future comply with these standards and principles 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. In 2021/22, all new suppliers signed the SGSP. The SGSP document was last revised in 2019 and are published in English and German; they are publicly available on the Sonova website.

Sonova identified eight critical direct material suppliers in 2021/22. For Sonova, critical suppliers include those whose items or 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. Due to COVID-19 restrictions, we only visited one critical supplier in 2021/22. No supplier audits were carried out. The percentage of direct material suppliers with a quality management system that is certified and audited by a third party is above 95% by purchasing volume. You can find further information on our management of risks associated with the use of critical materials in the sections Product quality, safety, and reliability and Eco-friendly products.

GRI 308-2, GRI 414-1, GRI 441-2

SDG 8.7

The corporate procurement department participates in the design and planning of Sonova products, solutions, and services. It makes sure from the early development stages that a risk assessment is performed for every component. Before entering into a supplier relationship, the procurement team may visit potential new suppliers and inspect their management capabilities to assess potential risks and identify opportunities for improvement. If deficiencies are found, we require the suppliers to take corrective and preventive actions before we begin any active business relationship. A candidate that fails to meet the requirements will not be accepted as a Sonova supplier.

After supplier screening and selection, we annually assess supplier risks and identify the risk level for each supplier. We manage our suppliers based on their risk level. If a problem occurs, we require the suppliers to take preventive and corrective measures, and we follow up on their progress until the issue is resolved. In 2021/22, we did not identify any new or existing critical supplier as having significant actual or potential negative impact related to environmental issues, labor practices, or human rights matters. No suppliers, therefore, had to take corrective or preventive actions.

Human rights and labor practices

Commitment and policies

Sonova respects and supports human rights. This commitment extends throughout our worldwide operations and along our value chain. It is reflected in our Code of Conduct and Group Supplier Principles (SGSP). In 2021/22, we devised a global policy (Sonova People Policy) setting key principles, but also providing a framework for our human rights due diligence.

Sonova is committed to maintaining high standards of business ethics and integrity in accordance with the law, and also recognizes human rights and labor standards as outlined in international human rights frameworks such as the:

- Universal Declaration of Human Rights (UDHR)
- United Nations International Covenant on Civil and Political Rights
- United Nations International Covenant on Economic, Social and Cultural Rights
- International Labor Organization (ILO) - Core Labor Conventions
- United Nations Guiding Principles on Business and Human Rights (UNGP)
- OECD Guidelines for Multinational Enterprises
- OECD Due Diligence Guidance for Responsible Business Conduct
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

Sonova is a signatory to the UN Global Compact since 2016, endorsing its ten principles in the areas of human rights, labor, the environment, and anti-corruption.

PDF
Code of Conduct

PDF
Sonova Group Supplier Principles (SGSP)

PDF
Sonova People Policy

Human rights due diligence (HRDD)

GRI 412-1

Sonova is committed to aligning its human rights due diligence (HRDD) process with the United Nations Guiding Principles on Business and Human Rights (UNGP). We are set to conduct HRDD throughout our business, proactively assessing, identifying, preventing, and mitigating actual and potential adverse human rights impacts on potentially affected rightsholders across our value chain. To drive such a process effectively, we set up in 2020/21 a cross-functional internal human rights working group, which draws on the help of external business and human rights experts to implement a step-by-step HRDD project plan. The Sonova HRDD framework is outlined in the People Policy and follows the six steps required by the UNGP:

1. Commitment
2. Assess actual and potential impacts
3. Cease, prevent or mitigate adverse human rights impacts
4. Embed and integrate respect for human rights
5. Track and communicate performance
6. Access to grievance and remedy and the fundamental principle of non-retaliation

HRDD implementation

GRI 408-1, GRI 409-1

Sonova conducted in 2020/21 an overall human rights risk assessment, based on international standards such as the UNGP and OECD Guidelines. The assessment was performed by the cross-functional internal human rights working group, together with external business and human rights experts. It covered our global value chain and ranked potential human rights issues based on the severity of the risk to potentially affected people. Using a range of methods, including value chain mapping, issue mapping, consultations and interviews, desk research, and internal workshops, we identified potentially relevant salient human rights issues that are described in the table below.

Based on this initial risk assessment, Sonova planned to conduct in 2021/22 an in-depth human rights impact assessment (HRIA), including broad engagement with relevant stakeholders, in our own operations near Ho Chi Minh City in Vietnam, which has over 1,400 full-time employees. Due to COVID-19-related restrictions, however, the HRIA was replaced by a social audit. The facility was audited on-site in December 2021 by independent auditors, using 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 with key internal functions globally to discuss root causes. All findings were addressed through concrete actions, such as improvements in the facilities or the introduction of an automatized system to monitor working hours and limit overtime. Key lessons from this first social audit will be used to improve Sonova's approach to HRDD at Group level.

Training

Key human rights standards are specified in the Sonova Code of Conduct, on which annual mandatory training is given to all Sonova employees worldwide. The training in 2021/22 had an ehanced focus on the topics of nondiscrimination and non-harassment, including practical advice on how to identify and report potential violations.

Focus human rights issues areas

SDG 8.8

Sonova is committed to respecting internationally recognized human rights 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 described above. The list, which appears below, will be adapted as required based on future human rights risk and impact assessments. 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 will therefore regularly reevaluate the below issues based on further assessments and regular dialog with internal and external stakeholders.

Human rights issue	Definition of human rights & issue illustration
Access to healthcare	Access to healthcare must be non-discriminatory. Access can be physical, economic (affordability), and/or informational in its nature. According to the UN Committee on Economic, Social and Cultural Rights, "health facilities, goods and services must be within safe physical reach for all sections of the population, especially vulnerable or marginalized groups (…)" [1] .
Child labor	Child labor refers to work performed by people under 18 and is prohibited by international standards. Employment or work may be authorized as from the age of 15 years (or 14 in certain developing countries) on condition that the health, safety, and morals of the young persons concerned are fully protected and that the young persons have received adequate specific instruction or vocational training in the relevant branch of activity (special protections for young workers).
Community and land rights	This term refers to all fundamental rights pertaining to local communities, including those recognized as pertaining to indigenous people, that are impacted by business activities. Issues related to land rights are most frequently disputed between companies (and governments) and local communities, as they may have direct consequences for a wide set of fundamental rights (e.g. right to housing, right to life, right to food and water, right to social security, property access rights, cultural identity, etc.).
Contributing to conflict	A company can potentially become involved in or contribute to social or political unrest or conflicts leading to heightened tension, violence and human rights abuses. In fragile environments (e.g. conflict-affected areas), companies shall avoid by any means complicity with governmental/non-state actors' (armed groups, militia, extremists) abuses. Moreover, they shall be aware that an excessive control on key resources (e.g. food, water and electricity supply) and other abusive business decisions have potential consequences on local communities, both during conflict and in post-conflict.
Customer safety	Customer safety refers to the company's approach to preventing negative impacts of its products and services on consumers' health and safety. It includes consumers' right to be properly informed about potential hazards.
Employment practices	In the context of labor rights, this term refers to all practices that are not mentioned under other issue areas, including contracts specifying the terms of conditions for work, working hours, social security, and fair wages. Fair wages ensure workers and their families a decent standard of living (living wage). Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events.
Freedom of association and collective bargaining	Freedom of association expresses the right of workers to freely join trade unions or employee associations, while collective bargaining is defined as the "negotiation between employers or employers' organizations and workers' organizations, with a view to the regulation of terms and conditions of employment by means of collective agreements." [2] The two concepts are inextricably linked, the first being a prerequisite for the realization of the second. Moreover, they both imply the recognition of the right to strike. Each of these rights shall be guaranteed by the company and no retaliation/reprisal shall be tolerated in exercising those rights.
Information security and data protection	Information security and data protection refer to all measures implemented by the company to protect the confidentiality and integrity of personal information and data transmitted by workers, clients, suppliers, business partners, and any other stakeholders. The company shall guarantee at all times the proper use, processing and storage of data. This right is ultimately founded on the human right to privacy.
Modern slavery and forced labor	Modern slavery includes compulsory, bonded, or child labor, human trafficking, and forced labor. Forced or compulsory labor is "all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily." [3]
Non-discrimination	Discrimination in employment and occupation includes "any distinction, exclusion or preference made on the basis of race, color, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation" [4] .
Occupational health and safety	Occupational health and safety deals with all aspects of health (physical or mental) and safety in the workplace.

1) UN Committee on Economic, Social and Cultural Rights (CESCR), General Comment No. 14: The Right to the Highest Attainable Standard of Health (Art. 12 of the Covenant), 12b, 11 August 2000, E/C.12/2000/4.
2) International Labour Organization (ILO), Right to Organise and Collective Bargaining Convention, C98, 1 July 1949, C98, Art. 4.
3) International Labour Organization (ILO), Forced Labour Convention, C29, 28 June 1930, C29, Art. 2.
4) International Labour Organization (ILO), Discrimination (Employment and Occupation) Convention, C111, 25 June 1958, C111, Art. 1.

Business ethics and legal compliance

Code of Conduct and internal regulations

Sonova's commitment to compliance promotes ethical conduct between 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.

Sonova's Code of Conduct defines general principles for ethical behavior; it applies to all employees of the Sonova Group, all its subsidiaries, and any contractors or vendors while they are performing work for the Sonova Group. Written acknowledgment of the Code of Conduct is part of every new employment and third-party contract.

Sonova Code of Conduct

The Code of Conduct is reviewed regularly and revised when necessary. It was prepared by the office of the Group General Counsel in consultation with relevant stakeholders and was approved by the Sonova Board of Directors on August 23, 2012, updated in September 2019, and reapproved by the Board of Directors. 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

Annual mandatory Code of Conduct training is rolled out to all Sonova employees worldwide, including part-time employees. The training explains 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.

We have set an ambitious Group target to achieve more than 98% on-time completion of the mandatory Code of Conduct training. On-time completion means that the training is completed within the assigned standard time period, which is normally 4 weeks. In 2021/22, the overall on-time rate was 86% of employees completing their training by the assigned due date. Overall, 95.9% of all employees who had been assigned the Code of Conduct training completed it by the end of the financial year. For 2022/23, the target is more than 95% on-time completion.

The principles of the Code of Conduct are further refined in various internal guidelines and policies, including – but not limited to – anti-bribery, interaction with healthcare professionals, competition law, trade compliance, and Swiss Stock Exchange reporting obligations. 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 continuously monitors adherence to policies and standard operating procedures and report findings to senior management. Sonova's Internal Audit function independently assesses processes, policies, and procedures and reports findings to the Audit Committee.

Group Compliance program

GRI 419-1

Compliance is everyone's responsibility at Sonova. Ultimate oversight lies with the Board of Directors, and the Management Board sets the tone at the top for a strong compliance culture. Local Compliance Champions ensure implementation of the Group Compliance program within each Group company. The Group Compliance program covers all employees, including part-time workers, contractors, and all business partners.

We have reinforced Code of Conduct compliance with SpeakUp, an internal communication and training campaign rolled out across the worldwide Sonova Group. It focuses particularly on employees with less access to online reporting channels, such as those in operations or audiological care stores. Its two main goals are to increase awareness of the revised Code of Conduct and to foster a culture where employees feel comfortable about raising compliance questions and reporting compliance issues. Posters are visibly displayed in numerous locations and clearly indicate how to easily report non-compliance.

No fines or non-monetary sanctions for non-compliance were levied against Sonova in the 2021/22 financial year.

SpeakUp process

GRI 102-17

Sonova strongly encourages every employee 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. This 24-hour anonymous reporting platform is operated by an independent third-party provider. Employees can use the SpeakUp platform to report concerns they may not otherwise want to report directly to their supervisor or compliance manager. Employees or third parties 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.

Reported violations are promptly investigated and treated confidentially to the extent reasonably possible. Sonova does not tolerate any kind of retaliatory action against any employee who, in good faith, reports suspected wrongdoing, or complains about violations of the Code of Conduct or other internal policies. The Audit Committee of the Board of Directors is informed quarterly about concerns received through the SpeakUp process, the number and types of cases, and the measures taken.

In the 2021/22 financial year, a total of 129 SpeakUp complaints were reported to the Compliance Department. Of the reported cases, 75% involved allegations of inappropriate behavior. The next most recurring complaints concerned business integrity (11%) and environmental health and safety (6%). Less-reported issues included fraud related allegations (4%) and misuse and misappropriation of assets (1%). All allegations were promptly addressed by the internal investigation team, supported by external experts as needed. Over 63% of the complaints were substantiated and followed up with corrective actions, ranging from written warnings or performance improvement planning up to termination of employment.

Since December 2021, SpeakUp statistics have been published on the Sonova internal platforms to encourage employees to speak up and assure them that their concerns will be addressed in a timely manner.

Corruption and bribery

GRI 205-2

Sonova is committed to high standards of integrity in dealing with its business partners and complies with all applicable anti-bribery laws, including the Swiss Criminal Code, the UK Bribery Act, and the US Foreign Corrupt Practices Act. Sonova's Anti-Bribery Policy was updated in 2018, refining the rules under the Code of Conduct and prohibiting all forms of corruption. Key elements of Sonova's Anti-Bribery Policy are:

- **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.
- **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.

PDF
Sonova Global Anti-Bribery Policy

SDG 16.5

The Anti-Bribery Policy has been communicated to all Sonova employees worldwide and is available in 15 languages. Sonova business partners – such as distributors or suppliers – must commit to complying with the principles underlying the Anti-Bribery Policy. The content of the Anti-Bribery policy is integrated in the annual mandatory Global Compliance training for all employees.

As a global healthcare company, we also recognize that many countries have specific regulations governing interactions with healthcare professionals. These impose further obligations which the company has translated into country-specific guidelines detailing what is permissible and what is not.

SASB HC-MS-510a.1

The Sonova Group Supplier Principles also cover ethical standards, including compliance with laws and regulations on bribery, corruption, and prohibited business practices. These have been communicated to all our suppliers who are regularly instructed to ensure that they adequately understand and are able to comply with all anti-corruption policies and procedures.

PDF
Sonova Group Supplier Principles (SGSP)

In 2021/22, there were no monetary losses as a result of legal proceedings associated with bribery or corruption.

GRI 206-1

Anti-competitive behavior

At the core of Sonova's Code of Conduct, there is a clear commitment to fair competition. 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. At Sonova, we respect and strictly follow antitrust and competition laws.

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. An updated Global Competition Law Policy became effective as of May 1, 2020. The roll-out of the revised policy was supported by bespoke global online training. Both the policy and the training are available in 19 languages.

In the 2019/20 and 2020/21 financial years, Sonova was not involved in any legal actions related to anti-competitive behavior or violations of anti-trust and monopoly legislation. In 2021/22, there was one case, which is currently still under regulatory investigation.

Data privacy and digital ethics

Sonova established a Digital Ethics Committee in 2021, tasked with the establishment and supervision of a compliance regime for digital ethics matters in the context of new technologies and/or innovative methods of processing data.

Data privacy and protection

Using both technical and organizational safeguards, Sonova protects the confidentiality and integrity of the data it holds, including the data of employees, customers, patients, and business partners. We adhere to applicable data protection laws and regulations of the jurisdictions in which we operate. We closely monitor developments in data protection law and incorporate its principles into our business processes and product design. We continue evolving our data protection program to meet the changing demands of the digital environment.

Sonova issued a Group Data Protection Policy, effective June 1, 2018, which was updated and enhanced in October 2021 to reflect the changing legal landscape. The policy 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 is complemented by standard operating procedures and guidelines that break down the various data protection and privacy topics and provide more detailed guidance.

Sonova has established a Global Privacy Office, which provides subject matter guidance to the business functions and employees. The Global Privacy Office 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.

Another important part of the Global Privacy Office's work is to raise awareness and provide training at all levels across the Group. It 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.

IT and cyber security

GRI 418-1

At Sonova, we treat the protection of our information assets as a priority task. We are committed to securing digital and non-digital files, records, and information to prevent unauthorized access, modification, and loss. Sonova's IT and cyber security is supported by guidelines issued by the Vice President Corporate IT, who oversees the company's information and cyber security and acts as Chief Information Officer (CIO), reporting directly to the Group CFO. The guidelines on IT security determine security standards for all functional or business applications controlled by Sonova. The Board of Directors receives regular updates on cyber security from the CIO and the Management Board.

Sonova issued its IT Acceptable Use Directive in 2012/13; this is regularly revised and was last updated in 2020/21, effective on July 1, 2020. The directive defines the use of IT assets, the secure use of systems and programs, as well as the appropriate and secure management of data. The 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 policy framework continues to be amended and supplemented, e.g. with directives on remote working or application security.

Sonova launched a global program in 2020/21 to maintain and inform best cyber security practice among Sonova's employees worldwide. This continued in 2021/22, with focus on critical business applications and their security hardening. Next year's program will focus on refining established processes.

Our continuing efforts to ensure IT and cyber security are underpinned by mandatory annual online training for all employees worldwide. During the 2021/22 financial year, training topics included best practice for password protection, information management responsibilities, appropriate online behavior, and phishing awareness. Relevant global and local staff received additional specific training in implementing the IT and cyber security guidelines.

Sonova has put in place an efficient and comprehensive system to identify and assess strategic, operational, financial, legal, and compliance risks related to the Group's business activities – including IT and cyber security risks. Further information on how Sonova monitors and mitigates those risks is provided in the Risk Management section of this chapter.

Sonova has put in place detailed business continuity/disaster recovery plans and incident response procedures; these are tested regularly. In areas with heightened exposure or security risk, penetration tests are applied annually by qualified external providers. In addition, we conduct third-party vulnerability analysis from time to time, including simulated hacker attacks in selected IT security risk areas. Sonova also holds an information security risk insurance policy.

Breaches

Sonova has not experienced material information security breaches during the 2021/22 reporting period. We have also not identified any substantiated complaints concerning breaches of customer data.

Breaches overview

Number

	2021/22	2020/21
Total number of information security breaches or other cybersecurity incidents	0	0
Total number of data breaches	0	0

Corporate governance

Structure

GRI 102-18, GRI 102-19

At Sonova, corporate governance is based upon, and structured to conform with, relevant standards and practices. The company meets its legal duties under the Swiss Code of Obligations, the SIX Swiss Exchange Directive on Information relating to Corporate Governance, and the standards defined in the Swiss Code of Best Practice for Corporate Governance. The present chapter in the ESG Report gives a high-level overview of the principles of corporate governance for the Sonova Group and provides background information with a special focus on environment, social and governance (ESG) issues. More detailed information can be accessed at the corporate governance chapter of the 2021/22 Annual Report and at 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 (OrgR), the Board appoints an Audit Committee and a Nomination and Compensation Committee. In all respects not mentioned in the OrgR, or unless the law or the Articles of Association stipulate otherwise, the policy document 'Delegation of Authority of Sonova Holding AG' provides the basis for delegating authorities within the different levels of management in the Group.

PDF
Sonova Organizational Regulations (OrgR)

Composition of the highest governance body and its committees

GRI 102-18, GRI 102-22, GRI 102-23

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 2021/22 Annual Report: Board of Directors.

The Articles of Association of Sonova Holding AG state that the Board of Directors must consist of a minimum of three and a maximum of nine members. The Board of Directors is chaired by Robert F. Spoerry and currently consists of nine non-executive members.

PDF
Articles of Association of Sonova Holding AG

The Nomination and Compensation Committee and the Board of Directors evaluate current and prospective members of the Board according to a skills and experience competency matrix to ensure that an appropriate mix of relevant skills and experience is represented in the Board of Directors. In the nomination and evaluation processes, by following the matrix criteria, the Nomination and Compensation Committee as well as the Board of Directors are committed to consider characteristics such as, and including but not limited to, gender, age, nationalities or country of origin, ethnicity, cultural background, competencies, ways of believing, and mindsets to establish balance in terms of diversity and inclusion.

As part of our ESG strategy, we strongly believe that a more balanced gender representation on the Board of Directors is in the best interests of the Sonova Group, and we are committed to achieving a 30% proportion of women on the Board well before the time this becomes a legal requirement in 2026.

Nomination and selection for the highest governance body and its committees

GRI 102-24, GRI 102-25

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 set out in detail in the company's OrgR and Committee Charters.

PDF
Nomination and Compensation 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.

PDF
Audit 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 2021/22 Annual Report: Management Board.

Article 4 of the OrgR 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 2021/22 Annual Report. Related party transactions, if any, are disclosed in the Annual Report notes to the Group consolidated financial statement.

Roles, policy, and strategy

GRI 102-26

The OrgR 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 policy 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 in his responsibility to direct the company's operations by actively participating in directing, planning, and executing the business strategy.

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 102-28

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 102-21, GRI 102-29

Compensation and incentives

The compensation report is an integral part of the 2021/22 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.

The variable cash compensation (VCC) for the Management Board is based on Group, business unit, and individual performance objectives. 10% of the overall VCC targets for each member of the Management Board are linked to specific, tangible ESG-related initiatives. The performance objectives that must be met to achieve the target VCC are mutually agreed at the beginning of the financial year. ESG targets for the 2021/22 financial year were defined around eight categories, with energy and climate, as well as employee engagement, set as a target for all Management Board members. Additionally, each members had a selection of targets set depending on their role and responsibilities. These targets included diversity & inclusion, talent development, product quality and reliability, customer satisfaction, environmentally friendly packaging, 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

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. The risk management function categorizes risks by impact and likelihood and supports the Management Board in determining the measures necessary to address or mitigate them. 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 39 risks, of which 13 are designated as key risks.

GRI 102-11, GRI 102-30

ESG issues are an integrated part of 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 are evaluated in the regular risk assessment process together with all other business risks.

Internal Audit carries out compliance and operational audits and assists the business units in attaining their goals by providing assurance from independent evaluation of the effectiveness of internal controls in processes. Management is responsible for the control of business risks and for compliance with laws and regulations. The Senior Director Internal Audit & Risk 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.

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

SASB HC-MS-240a.2

Sonova strictly adheres to ethical marketing practices in all our businesses and takes active steps to prevent inappropriate actions or false claims. We ensure that our advertising, packaging, and promotional materials provide accurate, balanced, and non-misleading information. This commitment is laid out in our Group Code of Conduct and further refined in policies, guidelines, and standard operating procedures, e.g. on claims management (see below).

PDF Sonova Code of Conduct

Interactions with healthcare professionals

SASB HC-MS-510a.2

Sonova is committed to ethical interactions with healthcare professionals (HCPs). We interact with HCPs on a daily basis, in a variety of roles and settings. HCPs include audiologists and acousticians, professors, surgeons, ear nose and throat specialists, or researchers. The following “Four-Leaf Clover Principles” govern our cooperation with healthcare professionals:

- We must strictly separate our sales activities from our engaging of healthcare professionals to provide services to Sonova;
- We must properly document their services to us;
- We must not pay them more than the fair market value of their services; and
- We must be transparent about our collaboration with them.

More detailed information on how we ensure ethical interactions with healthcare professionals is provided in the Sonova Global Antibribery Policy as well as internal standard operating procedures and country-specific guidelines for interactions with HCPs.

PDF Sonova Global Antibribery Policy

Claims management

We are committed to ensuring that all statements declaring or implying that a Sonova product, service, or other solution 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 claims of benefit for all Sonova brands. Before being disseminated, all such claims go through a standardized review and approval process by a dedicated committee to ensure both quality and compliance with global regulatory requirements. Relevant employees must complete annual training on the claims management procedure; mandatory training for all employees was introduced in 2021. The claims management procedure has been subject to regular external audit since 2020.

Sonova took the lead in establishing the European Hearing Instrument Manufacturers Association (EHIMA) Claims Substantiation Guidelines, to be published in mid-2022. Their purpose is to ensure regulatory compliance and appropriate supporting evidence for manufacturers' claims, and to provide a basis for manufacturers to resolve disputes over claims and/or corresponding evidence. Sonova also contributed to the US Hearing Industries Association (HIA) Claims Substantiation Guidelines (2020).

In 2021/22, there were no monetary losses because of legal proceedings associated with false marketing claims.

SASB HC-MS-270a.1

Taxes

Sonova is a Swiss-based multinational enterprise with operations almost entirely headquartered in the canton of Zurich, where the Group develops, manufactures, and distributes products marketed under multiple brands. Sonova operates in more than 100 countries and owns local wholesale distribution and retail audiological care subsidiaries in over 30 countries. With this business structure, Sonova's tax obligations encompass various direct and indirect, corporate and employee taxes, as well as customs duties, making a significant contribution to societies around the world. Sonova is listed on the SIX Swiss Stock Exchange.

Tax strategy and policies

As laid down in Sonova's Code of Conduct, Sonova strives to attain the highest standards in complying with laws, rules, regulations, and requirements for reporting, filing, and disclosure. This also applies to tax matters. The Sonova Group Tax Principles are publicly available and provide high level information on the procedures and internal guidelines for tax compliance within the Sonova Group, applying to all entities that are majority-owned or otherwise directly or indirectly controlled by Sonova Holding AG. The Sonova Group Tax Principles were approved by the Board of Directors and released by the CFO in February 2019.

Sonova is committed to the highest level of tax compliance and directs its international flow of goods and services in line with all applicable tax regulations. Sonova's tax approach is fully compliant with the spirit and letter of local tax laws and regulations, and reporting and filing obligations, in all countries of operation; it is also in complete alignment with relevant international standards.

PDF
Sonova Group Tax Principles

Approach towards taxation

Key elements of Sonova's approach towards taxation are:

- **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 and is aligned with internationally recognized standards such as the

OECD-G20 Inclusive Framework on Base Erosion and Profit Shifting Initiatives as well as European guidelines. If there are multiple options, which provide equivalent business solutions and which 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 complex 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.

Organization and reporting

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 local controllers in all Group companies to ensure that they achieve tax compliance in line with local and international laws, rules, regulations, reporting, filing and disclosure requirements, as well as Sonova's standards and policies. The Transfer Pricing Master File is prepared by Corporate Tax, along with a master Local File. Local Files are completed by the local organizations according to the OECD guideline Action 13 and Sonova's Transfer Pricing Processes with Corporate Tax support.

Sonova has been preparing a Country-by-Country Report (CbCR) since 2017 and has filed this with the Swiss Federal Tax Administration since 2018. The Swiss Federal Tax Administration shares the file through automatic information exchange with tax authorities worldwide, as foreseen by the BEPS initiative. Sonova is prepared to make the CbCR public once this becomes mandatory.

Information on earnings before tax, reported taxes, reported tax rate, cash taxes paid, and cash tax rate can be found in the 2021/22 Sonova Financial Report. Sonova's tax rates might be lower than industry group averages because of group-wide net operating losses largely not being capitalized as well as net operating losses from previous periods in subsidiaries of acquired groups. Furthermore, Sonova is a Swiss-based multinational enterprise with large 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). Since the first European country started applying the new directive, Sonova has checked over 200 cases and in over twenty cases has opted to report to comply beyond any reasonable doubt with the formal nature of the Directive.

As a multinational with a turnover above 750m CHF/Euro, Sonova is also preparing for the requirements of the minimum tax under BEPS Pillar II.

Public policy

GRI 102-12, GRI 102-13, GRI 415-1

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.

PDF
Sonova Global Anti-Bribery Policy

Association memberships

Sonova actively participates in associations and external initiatives to share its specialist knowledge and to ensure high quality standards for hearing instruments and cochlear implants. We are a member of the following organizations, amongst others:

- European Hearing Instrument Manufacturing Association (EHIMA)
- Hearing Instrument Manufacturers' Software Association (HIMSA)
- Hearing Industries Association (HIA)
- Hearing Instrument Manufacturers' Patent Partnership (HIMPP)
- Hearing Industry Research Consortium (IRC)

We are also represented in governance bodies of certain organizations: CEO Arnd Kaldowski is a member of EHIMA's Board of Directors; Stefan Launer, VP Audiology and Health Innovation, is Chair of HIMPP's Board of Directors; 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 2021/22, Sonova contributed around CHF 1.1 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; Hear-it AISBL, an international non-profit information resource for hearing loss; and the British Irish Hearing Instrument Manufacturers Association (BIHIMA), which represents the world's leading hearing instrument manufacturers in Britain and Ireland.

Sonova has been a signatory to the UN Global Compact since 2016. 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 of the UN Global Compact.

Animal welfare

SASB HC-MS-410a.1

As a manufacturer of medical devices, Sonova is required by regulatory authorities to demonstrate the biological safety of any product with body contact by complying with the ISO 10993-1 international standard. Under this standard, animal tests need to be considered in biological safety evaluations and, in some cases, cannot be completely avoided. Sonova also provides components of cochlear implants to cochlear implant research centers and universities where they are tested on animals for basic research into e.g., safety, feasibility, or efficacy of new technologies.

Sonova does not carry out any animal testing in-house and only works with 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 of new in-vitro methods by collaborating with test method developers and engaging in the international standardization process, thus helping to achieve regulatory acceptance.

Reduction

- We apply strategies to reduce the number of animals used in testing.
- We use previously evaluated or historically established biologically safe materials whenever possible, taking advantage of prior research among the various Sonova companies around the world. We strive to completely avoid any unnecessary or duplicated testing.
- We emphasize risk assessment to clearly evaluate any need for animal testing.

Refinement

- We select those test methods that minimize the distress caused to animals.
- We conduct all animal testing for biological safety evaluations through appropriately accredited testing laboratories. All tests are carried out in accordance with good laboratory practices.
- 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.

About this report

Reporting practice

GRI 102-50, GRI 102-51, GRI 102-52

Sonova reports in an annual cycle. The 2021/22 reporting period covers the financial year from April 1, 2021 to March 31, 2022. The most recent previous Annual Report and ESG Report were released on May 18, 2021. The Sonova ESG Report for 2021/22, when combined with the 2021/22 business and financial report, complies with the Global Reporting Initiative (GRI) 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 and UNGC principles. See our SASB index for details about how the report content maps against the Sustainability Accounting Standards Board (SASB) standards governing sustainability disclosure topics and accounting metrics for the medical equipment & supplies industry. Additional relevant information about economic performance and remuneration is provided in the compensation report, corporate governance report, and financial review chapters of the Annual Report.

Organizational profile

GRI 102-1, GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-5, GRI 102-6, GRI 102-7

Sonova was founded in 1947 and is headquartered in Stäfa, Switzerland. The Group offers innovative hearing care solutions: from personal audio devices and wireless communication systems to audiological care services, hearing aids and cochlear implants. 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 sells several million hearing instruments annually to B2B as well as B2C markets across both the private and public sector. Sonova has own Group companies in over 30 countries, with main manufacturing sites located in Switzerland, Vietnam, China, and the United States. 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 2021/22 financial report and business report.

Restatements and significant changes

GRI 102-10, GRI 102-48, GRI 102-49

On March 1, 2022, Sonova Holding AG completed the acquisition of the Consumer Division of Sennheiser electronic GmbH & Co. KG, Wedemark (Germany). The Sennheiser Consumer Division concentrates on the business of headphones and hearables for private customers, and has around 600 employees worldwide. As part of the acquisition, Sonova has 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 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. The Sennheiser Consumer Division and Alpaca Audiology are not yet included in the ESG reporting, unless explicitly noted.

During 2021/22, Sonova measured its full Scope 1–3 greenhouse gas (GHG) emissions for 2019 –2021, whereby some methodological improvements were made that affect previously stated GHG categories. Scope 1 and 2 energy consumption as well as Scope 1–3 GHG emissions were restated for 2019 and 2020. Additionally, hazardous waste values were restated due to data quality improvements for 2019 and 2020.

The list of material topics was last updated in 2019/20 as described in the section IntACT – Sonova's ESG Strategy.

Entities

GRI 102-45

The information and data provided relate to Sonova Holding AG as a whole, including its Group companies, unless explicitly noted. The recently acquired Sennheiser Consumer Division and Alpaca Audiology are not yet included in the ESG reporting, unless explicitly noted. Some ESG data stem from actual data collection, whereas other data from particular Group companies were only estimated.

Declaration and assurance

GRI 102-54

This report has been prepared in accordance with the GRI Standards: Core option.

PricewaterhouseCoopers AG has provided independent assurance on specific data presented in this report; for more detail, see the Independent Assurance Report. The compensation report, the consolidated financial statements, and the financial statements of Sonova Holding AG in the 2021/22 Annual Report have been audited by a statutory external auditor.

Contact

GRI 102-53

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: responsibility@sonova.com

GRI 102-56

Independent Limited Assurance Report

on the Sonova 2021/22 ESG Reporting to the Board of Directors of Sonova Holding AG, Stäfa

We have been engaged to perform assurance procedures to provide limited assurance on the 2021/22 ESG Reporting of Sonova Holding AG and its consolidated subsidiaries ("Sonova").

Scope and subject matter

Our limited assurance engagement focused on selected quantitative ESG indicators for the year ended on 31 March 2022 disclosed in the tables in the sections on 'Protecting the planet', 'Advancing our people' and 'Acting with integrity' of the 2021/22 ESG Report on Sonova's website (https://report.sonova.com/2022) marked with the label '✔ PwC CH' and summarized in the GRI content index.

Criteria

The reporting criteria used by Sonova are described and summarized in the respective sections on 'Protecting the planet', 'Advancing our people' and 'Acting with integrity' in the 2021/22 ESG Report of Sonova. The procedures applied by Sonova are based on the GRI Sustainability Reporting Standards (GRI Standards) by which the ESG indicators are internally gathered, collated and aggregated.

Inherent limitations

The accuracy and completeness of ESG indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with the reporting criteria. Further, the greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Sonova's responsibility

The Board of Directors of Sonova Holding AG is responsible for both the subject matter and the criteria as well as for the selection, preparation and presentation of the selected data and information in accordance with the criteria. This responsibility includes the design, implementation and maintenance of related internal control relevant to this reporting process that is free from material misstatement, whether due to fraud or error.

Our independence and quality controls

We are independent of the Sonova in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) that are relevant to our audit of the financial statements and other assurance engagements in Switzerland. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our firm applies International Standard on Quality Control 1 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 limited assurance conclusion on selected quantitative ESG indicators for the year ended on 31 March 2022 published in the 2021/22 ESG Report on Sonova's website (https://report.sonova.com/2022) and marked with the label '✔ PwC CH'. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (revised), "Assurance Engagements other than Audits or Reviews of Historical Financial Information", and, in respect of greenhouse gas emissions, with the International Standard on Assurance Engagements 3410, "Assurance Engagements on Greenhouse Gas Statements", issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about whether the ESG indicators were prepared, in all material aspects, in accordance with the reporting criteria.

A limited assurance engagement undertaken in accordance with ISAE 3000 (revised) and ISAE 3410 involves assessing the suitability in the circumstances of Sonova's use of applicable criteria as the basis for the preparation of the ESG indicators, assessing the risks of material misstatement of the ESG indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the ESG indicators. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures selected depend on the assurance practitioner's judgement.

Summary of the work performed

Our assurance procedures include, amongst others, the following work:

- *Evaluation of the application of Sonova guidelines*
  Reviewing the application of the Sonova internal ESG reporting guidelines such as the manual on 'Sonova GHG Accounting Methodology' and the 'HR KPI Calculation Factsheet';
- *Site visit and management inquiry*
  Remote site visit procedures at Sonova Hearing (Suzhou) Co., Ltd. The selection was based on quantitative and qualitative criteria;
  Interviewing personnel responsible for internal reporting and data collection at the site and at the Sonova Corporate level;
- *Assessment of the management and reporting processes*
  Inquiries of personnel involved in the preparation of the ESG Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Report;
- *Review of documentation and analysis of relevant policies and principles*
  Reviewing relevant documentation on a sample basis, including Sonova ESG policies, management of reporting structures and documentation; and
- *Assessment of the key figures*
  Performing tests on a sample basis of evidence supporting selected ESG indicators concerning completeness, accuracy, adequacy and consistency.

We have not carried out any work on data other than outlined in the scope and subject matter section as defined above. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

Conclusion

Based on the procedures we performed, nothing has come to our attention that causes us to believe that the selected quantitative ESG indicators for the year ended on 31 March 2022 published in the 2021/22 ESG Report on Sonova's website (https://report.sonova.com/2022) and marked with the label '✔ PwC CH' are not prepared and disclosed in all material respects in accordance with the reporting criteria.

Intended users and purpose of the report

Our report is prepared for, and only for, the Board of Directors of Sonova Holding AG, and solely for the purpose of reporting to them on the ESG indicators in the 2021/22 ESG report and no other purpose. We do not, in giving our conclusion, accept or assume responsibility (legal or otherwise) or accept liability for, or in connection with, any other purpose for which our report including the conclusion might be used, or to any other person to whom our report will be shown or into whose hands it might come, and no other persons shall be entitled to rely on our conclusion.

We permit the disclosure of our report, in full only and in combination with the published 2021/22 ESG Report, to enable the Board of Directors to demonstrate that they have discharged their governance responsibilities by commissioning an independent assurance report over the ESG indicators in the 2021/22 ESG report without assuming or accepting any responsibility or liability to any third parties on our part.

To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Board of Directors of Sonova Holding AG for our work or this report.

PricewaterhouseCoopers AG

Sandra Böhm

Raphael Rutishauser

Zurich, 16 May, 2022

The maintenance and integrity of the Sonova website is the responsibility of the Board of Directors; the work carried out by the assurance providers does not involve consideration of the maintenance and integrity of the Sonova website and, accordingly, the assurance providers accept no responsibility for any changes that may have occurred to the reported ESG indicators or criteria since they were initially presented on the website.

GRI content index

UN GLOBAL COMPACT
COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Disclosure	Description	UNGC	SDG	Reference	External assurance
GENERAL STANDARD DISCLOSURES					
1. Organizational profile					
102-1	Name of the organization			**Reporting profile**	No
102-2	Activities, brands, products, and services			**Reporting profile**	No
102-3	Location of headquarters			**Reporting profile**	No
102-4	Location of operations			**Reporting profile**	No
102-5	Ownership and legal form			**Reporting profile**	No
102-6	Markets served			**Reporting profile**	No
102-7	Scale of the organization			**Reporting profile**	No
102-8	Information on employees and other workers	6	8	**Advancing our people**	**Yes**
102-9	Supply chain			**Acting with integrity**	No
102-10	Significant changes to the organization and its supply chain			**Reporting profile**	No
102-11	Precautionary Principle or approach			**Acting with integrity**	No
102-12	External initiatives			**Acting with integrity**	No
102-13	Membership of associations			**Acting with integrity**	No
2. Strategy					
102-14	Statement from senior decision-maker			**Message from the CEO**	No
3. Ethics and integrity					
102-16	Values, principles, standards, and norms of behavior	1	16	**IntACT – Sonova's ESG Strategy**	No
102-17	Mechanisms for advice and concerns about ethics	1	16	**Acting with integrity**	No
4. Governance					
102-18	Governance structure			**IntACT – Sonova's ESG Strategy**	No
102-19	Delegating authority			**IntACT – Sonova's ESG Strategy**	No
102-20	Executive-level responsibility for economic, environmental, and social topics			**IntACT – Sonova's ESG Strategy**	No
102-21	Consulting stakeholders on economic, environmental, and social topics		16	**Acting with integrity**	No
102-22	Composition of the highest governance body and its committees		5, 16	**Acting with integrity**	No
102-23	Chair of the highest governance body		16	**Acting with integrity**	No
102-24	Nominating and selecting the highest governance body		5, 16	**Acting with integrity**	No
102-25	Conflicts of interest		16	**Acting with integrity**	No
102-26	Role of highest governance body in setting purpose, values, and strategy			**IntACT – Sonova's ESG Strategy**	No

102-27	Collective knowledge of highest governance body		4	**IntACT – Sonova's ESG Strategy**	No
102-28	Evaluating the highest governance body's performance			**Acting with integrity**	No
102-29	Identifying and managing economic, environmental, and social impacts		16	**IntACT – Sonova's ESG Strategy**	No
102-30	Effectiveness of risk management processes			**Acting with integrity**	No
102-31	Review of economic, environmental, and social topics			**IntACT – Sonova's ESG Strategy**	No
102-32	Highest governance body's role in sustainability reporting			**IntACT – Sonova's ESG Strategy**	No
102-35	Remuneration policies			**Business report: Compensation report**	**Yes**
102-36	Process for determining remuneration			**Business report: Compensation report**	**Yes**
102-37	Stakeholders' involvement in remuneration		16	**Business report: Compensation report**	**Yes**
5. Stakeholder engagement					
102-40	List of stakeholder groups			**Stakeholder engagement**	No
102-41	Collective bargaining agreements	3	8	**Stakeholder engagement**	No
102-42	Identifying and selecting stakeholders			**Stakeholder engagement**	No
102-43	Approach to stakeholder engagement			**Stakeholder engagement**	No
102-44	Key topics and concerns raised			**Stakeholder engagement**	No
6. Reporting practice					
102-45	Entities included in the consolidated financial statements			**Reporting profile**	No
102-46	Defining report content and topic Boundaries			**IntACT – Sonova's ESG Strategy**	No
102-47	List of material topics			**IntACT – Sonova's ESG Strategy**	No
102-48	Restatements of information			**Reporting profile**	No
102-49	Changes in reporting			**Reporting profile**	No
102-50	Reporting period			**Reporting profile**	No
102-51	Date of most recent report			**Reporting profile**	No
102-52	Reporting cycle			**Reporting profile**	No
102-53	Contact point for questions regarding the report			**Reporting profile**	No
102-54	Claims of reporting in accordance with the GRI Standards			**Reporting profile**	No
102-55	GRI content index			**GRI content index**	No
102-56	External assurance			**Assurance Report**	No
SPECIFIC STANDARD DISCLOSURES					
Serving society					
103-1	Explanation of the material topic and its Boundary			**IntACT – Sonova's ESG Strategy**	No
103-2	The management approach and its components			**IntACT – Sonova's ESG Strategy**	No
103-3	Evaluation of the management approach			**IntACT – Sonova's ESG Strategy**	No
Own indicator	Unit sales of hearing instruments (HI) in low- and middle-income countries		3, 4	**Serving society**	No
Advancing our people					
103-1	Explanation of the material topic and its Boundary			**IntACT – Sonova's ESG Strategy**	No

103-2	The management approach and its components			**IntACT – Sonova's ESG Strategy**	No
103-3	Evaluation of the management approach			**IntACT – Sonova's ESG Strategy**	No
401-1	New employee hires and employee turnover	6	5, 8	**Advancing our people**	**Yes**
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		8	**Advancing our people**	**Yes**
404-3	Percentage of employees receiving regular performance and career development reviews	6	5, 8	**Advancing our people**	No
405-1	Diversity of governance bodies and employees	1	5, 8	**Advancing our people**	**Yes**
Own indicator	Employee engagement rate		5, 8	**Advancing our people**	**Yes**
Acting with integrity					
103-1	Explanation of the material topic and its Boundary			**IntACT – Sonova's ESG Strategy**	No
103-2	The management approach and its components			**IntACT – Sonova's ESG Strategy**	No
103-3	Evaluation of the management approach			**IntACT – Sonova's ESG Strategy**	No
205-2	Communication and training about anti-corruption policies and procedures	10	16	**Acting with integrity**	No
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices			**Acting with integrity**	No
308-2	Negative environmental impacts in the supply chain and actions taken	8		**Acting with integrity**	No
408-1	Operations and suppliers at significant risk for incidents of child labor	4, 5	8, 16	**Acting with integrity**	No
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4, 5	8	**Acting with integrity**	No
412-1	Operations that have been subject to human rights reviews or impact assessments	1, 2		**Acting with integrity**	No
414-1	New suppliers that were screened using social criteria	2	8, 16	**Acting with integrity**	No
414-2	Negative social impacts in the supply chain and actions taken	2	8, 16	**Acting with integrity**	No
415-1	Political contributions		16	**Acting with integrity**	No
416-1	Assessment of the health and safety impacts of product and service categories			**Acting with integrity**	No
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		16	**Acting with integrity**	No
419-1	Non-compliance with laws and regulations in the social and economic area		16	**Acting with integrity**	No
Own indicator	Product reliability rate for hearing instruments (HI) and cochlear implants (CI)		3, 9	**Acting with integrity**	No
Own indicator	On-time mandatory employee Global Compliance training completion rate	10	16	**Acting with integrity**	No
Protecting the planet					
103-1	Explanation of the material topic and its Boundary			**IntACT – Sonova's ESG Strategy**	No

103-2	The management approach and its components			**IntACT – Sonova's ESG Strategy**	No
103-3	Evaluation of the management approach			**IntACT – Sonova's ESG Strategy**	No
302-1	Energy consumption within the organization	7, 8	7, 12, 13	**Protecting the planet**	**Yes**
303-1	Water withdrawal by source	7, 8	6	**Protecting the planet**	**Yes**
305-1	Direct (Scope 1) GHG emissions	7, 8	12, 13	**Protecting the planet**	**Yes**
305-2	Energy indirect (Scope 2) GHG emissions	7, 8	12, 13	**Protecting the planet**	**Yes**
305-3	Other indirect (Scope 3) GHG emissions	7, 8	12, 13	**Protecting the planet**	**Yes**
305-4	GHG emissions intensity	7, 8, 9	12, 13	**Protecting the planet**	**Yes**
306-2	Waste by type and disposal method	8	12, 13	**Protecting the planet**	**Yes**
307-1	Non-compliance with environmental laws and regulations	8		**Protecting the planet**	No

UNGC = UN Global Compact Principle.
SDG = UN Sustainable Development Goal.
All references refer to the 2016 version of the GRI Standards.

SASB index

SASB code	Metric description	Level of disclosure	Main reference	External assurance
HC-MS-240a.1	Ratio of weighted average rate of net price increases (for all products) to the annual increase in the U.S. Consumer Price Index	Omission [1]		No
HC-MS-240a.2	Description of how price information for each product is disclosed to customers or to their agents	Partial	**Ethical marketing and sales practices**	No
HC-MS-250a.1	Number of recalls issued, total units recalled	Full	**Product quality, safety and reliability**	No
HC-MS-250a.2	List of products listed in the FDA's MedWatch Safety Alerts for Human Medical Products database	Full	**Product quality, safety and reliability**	No
HC-MS-250a.3	Number of fatalities related to products as reported in the FDA Manufacturer and User Facility Device Experience	Full	**Product quality, safety and reliability**	No
HC-MS-250a.4	Number of FDA enforcement actions taken in response to violations of current Good Manufacturing Practices (cGMP), by type	Full	**Product quality, safety and reliability**	No
HC-MS-270a.1	Total amount of monetary losses as a result of legal proceedings associated with false marketing claims	Full	**Ethical marketing and sales practices**	No
HC-MS-270a.2	Description of code of ethics governing promotion of off-label use of products	Omission [2]		No
HC-MS-410a.1	Discussion of process to assess and manage environmental and human health considerations associated with chemicals in products, and meet demand for sustainable products	Full	**Eco-friendly products**	No
HC-MS-410a.2	Total amount of products accepted for takeback and reused, recycled, or donated, broken down by: (1) devices and equipment and (2) supplies	Partial	**Eco-friendly products**	No
HC-MS-430a.1	Percentage of (1) entity's facilities and (2) Tier I suppliers' facilities participating in third-party audit programs for manufacturing and product quality	Full	**Product quality, safety and reliability**	No
HC-MS-430a.2	Description of efforts to maintain traceability within the distribution chain	Partial	**Product quality, safety and reliability**	No
HC-MS-430a.3	Description of the management of risks associated with the use of critical materials	Partial	**Responsible supply chain**	No
HC-MS-510a.1	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Full	**Business ethics and legal compliance**	No
HC-MS-510a.2	Description of code of ethics governing interactions with health care professionals	Full	**Ethical marketing and sales practices**	No
HC-MS-000.A	Number of units sold by product category	Adjusted [3]		No

UNGC = UN Global Compact Principle.
SDG = UN Sustainable Development Goal.

1 Sonova does not report detailed price information on all its products in its investor reporting. However, information related to the pricing strategy is reported in the Annual Report (Strategy and businesses, compensation report, financial review).

2 This metric is not applicable to Sonova's business model.

3 Sonova instead reports the sales volumes by business segment (Annual Report: Notes to the consolidated financial statements – 2.2 Segment information).

TCFD index

TCFD disclosure	TCFD code	Disclosure description	Disclosed
Governance	TCFD-GOV-a	Describe the board's oversight of climate-related risks and opportunities.	**Yes**
	TCFD-GOV-b	Describe management's role in assessing and managing climate-related risks and opportunities.	**Yes**
Strategy	TCFD-STR-a	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	**Yes**
	TCFD-STR-b	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	**Yes**
	TCFD-STR-c	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	No
Risk management	TCFD-RMA-a	Describe the organization's processes for identifying and assessing climate-related risks.	**Yes**
	TCFD-RMA-b	Describe the organization's processes for managing climate-related risks.	No
	TCFD-RMA-c	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	No
Metrics and targets	TCFD-MET-a	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	**Yes**
	TCFD-MET-b	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	**Yes**
	TCFD-MET-c	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	**Yes**

SDG 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 purpose is inherently social: Our hearing solutions help to improve the lives of millions of people. Beyond serving our consumers, we aspire to create benefits for the economy, the environment, and society. Against this background, we have identified those SDGs for which we have direct or indirect impact on at least one of the 169 targets. In the index below, we provide an overview of the SDGs where Sonova has an impact, the specific targets, and links to the relevant sections of this report.

Goal	Goal description	Sonova impact on SDG	Relevant SDG sub-targets	Relevant content on Sonova's SDG impact
SDG 3	Good health & wellbeing	high	**3.8:** "Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all."	**Accessibility and affordability**
			3.C: "Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States."	**Training and education**
SDG 5	Gender equality	medium	**5.1:** "End all forms of discrimination against all women and girls everywhere."	**Business ethics and legal compliance**
			5.5: "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life."	**Diversity & inclusion**
SDG 6	Clean water and sanitation	low	**6.3:** "By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally."	**Water**
			6.4: "By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity."	**Water**
SDG 7	Affordable and clean energy	low	**7.2:** "By 2030, increase substantially the share of renewable energy in the global energy mix."	**Energy & climate**
			7.3: "By 2030, double the global rate of improvement in energy efficiency."	**Energy & climate**
SDG 8	Decent work and economic growth	medium	**8.2:** "Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors."	**Business Report**
			8.5: "By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value."	**Talent development**
			8.7: "Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms."	**Responsible supply chain**
			8.8: "Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment."	**Human rights and labor practices**

SDG 9	Industry, Innovation and Infrastructure	medium	**9.4:** “By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.”	**Energy & climate**
			9.5: “Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.”	**Innovative hearing solutions**
SDG 10	Reduced inequalities	high	**10.2:** “By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status”	**Serving society**
SDG 12	Responsible consumption	medium	**12.2:** “By 2030, achieve the sustainable management and efficient use of natural resources.”	**Energy & climate**
			12.4: “By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.”	**Eco-friendly products**
			12.5: “By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.”	**Waste**
			12.6: “Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.”	**IntACT – Sonova’s ESG strategy**
SDG 13	Climate action	medium	**13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	**Energy & climate**
SDG 16	Peace, justice and strong institutions	low	**16.5:** “Substantially reduce corruption and bribery in all their forms.”	**Business ethics and legal compliance**
SDG 17	Partnerships for the goals	low	**17.16:** “Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.”	**Stakeholder engagement**

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