



# Letter to shareholders

## Dear shareholders,

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

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

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

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**“Our proven strategy positions us well to grow further, leveraging our market leading position.”**

Robert Spoerry

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

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

#### [Hearing Instruments segment](#)

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

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

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

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

#### Cochlear Implants segment

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

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

### Financial performance

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

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

### Returning cash to shareholders

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

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

### Environmental, social, and governance (ESG)

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

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

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

### Changes to the Management Board and to the Board of Directors

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

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

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

### Our thanks

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

### Outlook

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

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

Arnd Kaldowski



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



**Arnd Kaldowski**  
CEO

# 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.

## Consumer Hearing

Sennheiser is a brand licensed by Sonova



Premium & True Wireless headphones



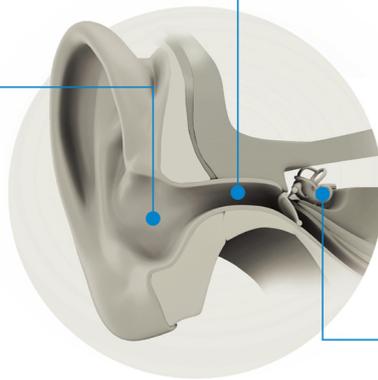
Enhanced hearing



Audiophile



Speech-enhanced hearables



## Hearing Instruments

**PHONAK unitron.**



Receiver-In-Canal (RIC) hearing instruments



In-The-Ear (ITE) hearing instruments



Behind-The-Ear (BTE) hearing instruments



Roger wireless systems

## Cochlear Implants



Sound processors



Cochlear implant systems with electrodes

## Audiological Care



Individual diagnostics and analysis

Hearing assessments and counseling, personalized fitting of hearing aids

After care and hearing aid maintenance services

## Phonak

### Phonak Audéo™ Lumity

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

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

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



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

## Unitron

### Unitron Vivante™ platform

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

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

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



## Sennheiser

### Conversation Clear Plus

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

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

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



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

## Advanced Bionics

### Naída™ CI Marvel

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

Marvel technology also benefits people with bimodal fittings<sup>1)</sup> 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.

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

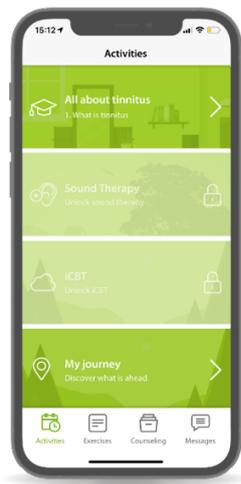
## AudioNova

### SilentCloud™ tinnitus app

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

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

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



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



# Sonova

HEAR THE WORLD

PHONAK unitron AudioNova

SENNHEISER AB ADVANCED BIONICS

## Strategy and businesses

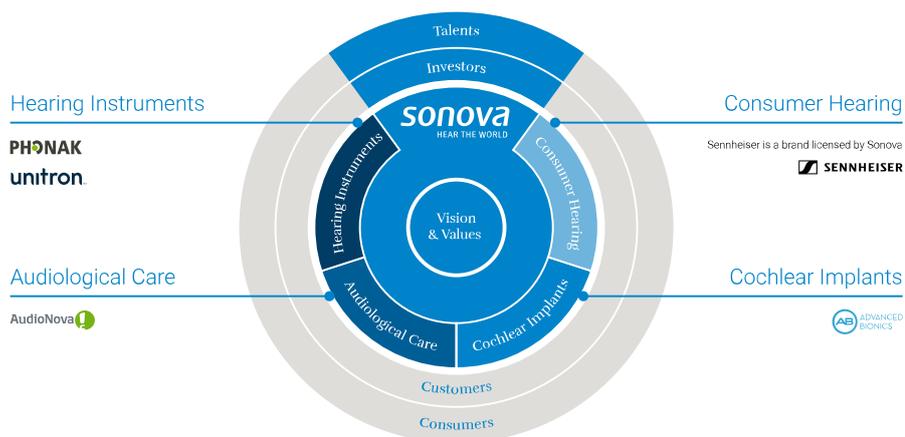
We aim to be each consumer's trusted companion on every step of their journey to better hearing.

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

### The Sonova Group

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

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



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

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

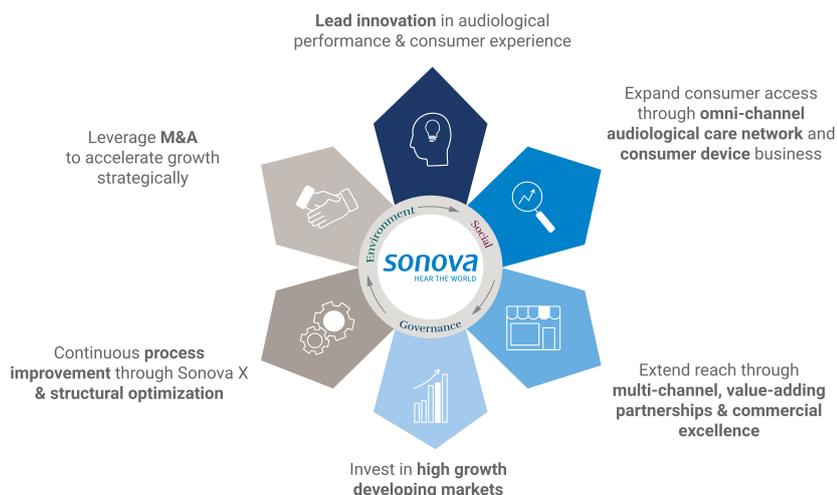
Audiological Care, represented by AudioNova and other strong national brands, connects directly to end-consumers, providing expert professional hearing care through an omnichannel approach that complements its expanding network of physical stores with increasing investment in digital interactions: online,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

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

**Strategic progress continues**

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

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



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

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

**Consumer access: an engine of growth**

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

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

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

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

### Innovation that enriches life

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

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

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

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

**ESG: an integral part of our business success**

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

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

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

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

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



Feature story

# Bringing the joy of hearing to everyone

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

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**We want Sonova to have the best solutions for every stage of the hearing journey.**

Arnd Kaldowski, CEO

## The best sound, anywhere

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

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

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

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

Milan Schlegel, Sennheiser customer and Sonova employee, Germany

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

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



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

### Truly personal hearing care

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

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

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

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

## “My hearing aid has brightened up my life.”

Hao Shen Rong, AudioNova customer, China

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

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



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

### Innovation for life

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

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

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

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## “Phonak’s innovation makes it easier for my customers to accept hearing aids.”

Steve Reinshuttle, hearing care professional, US

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

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

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



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

## Experience every moment

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

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

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**“Imani’s hearing allows us to connect in such a beautiful way.”**

Imani Fair, Advanced Bionics customer, US

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

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



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

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Strategy and businesses

# Hearing Instruments business

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

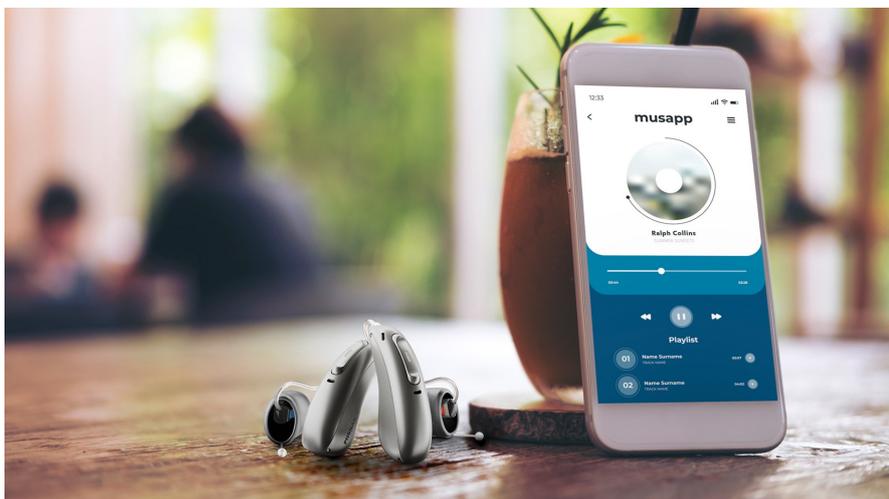
Our Hearing Instruments business is a leading global developer and manufacturer of hearing aids marketed through our well-known Phonak and Unitron brands. We sustain continuous innovation through regularly-launched new technology platforms that support significant performance improvements across our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

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

## Consumer-centered innovation

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

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



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

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

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

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

#### Striving for excellence in the customer experience

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

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

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



Strategy and businesses

# Consumer Hearing business

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

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

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

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

#### **Sonova and Sennheiser: coming together, moving forward**

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

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

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

### A step forward in every category

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

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

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

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

### Entering the early entry hearing solutions market

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



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

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

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

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Strategy and businesses

# Audiological Care business

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

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

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

### Expanding market access

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

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

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

### Augmenting the hearing journey

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

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

### Broadening the consumer proposition

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



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

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



Strategy and businesses

# Cochlear Implants business

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

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

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

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

## Marvel rolling out globally

The introduction of our Naída™ CI Marvel and Sky CI™ Marvel systems has received an overwhelmingly positive response from recipients and audiologists alike; the benefits of Phonak's Marvel platform – automatic adjustment to the listening environment, universal Bluetooth® connectivity, hands-free phone calling, integrated RogerDirect™ wireless communication – redefined the experience of using a cochlear implant system. More

than three-quarters of consumers reported significantly improved hearing performance, while audiologists valued the wireless connection to the Target CI fitting software. We were the first cochlear implant company to remove the wire between patient and computer during programming, which is especially useful with pediatric patients. The Target CI fitting software itself is a sophisticated but easy-to-use tool that closely resembles Phonak's hearing-aid fitting technology in look and feel, thus making life easier for audiologists who fit both products.



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

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

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

agreed. Remote programming is just part of our vision of self-sufficient consumers, in full control of their hearing experience. The solution is under development and has completed its clinical trial.

#### Operating excellence supporting increased customer access

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

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

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

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

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

# Corporate governance

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

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

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

## Group structure

### Operational group structure

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

### Listed companies

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

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

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

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

### Non-listed companies

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

## Shareholders

### Registered shareholders

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

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

### Significant shareholders

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

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

1) Or at last reported date if shareholdings are not registered in the share register.

2) On the basis of the shares registered in the commercial register at last reported date.

3) Beda Diethelm and Hans-Ueli Rihs were already shareholders before the Initial Public Offering in November 1994. There are no shareholders' agreements among these individuals and they can trade freely.

4) Hans-Ulrich Rihs, Gabriela Rihs and Stefan Rihs as a group jointly control 3,683,649 registered shares (corresponding to 6.02% of total Sonova share capital) pursuant to the last disclosure notice. These shares were previously controlled by Hans-Ulrich Rihs as a single shareholder.

5) MFS Investment Management, formerly known as Massachusetts Financial Services, is held by Sun Life Financial Inc which is traded on the TSX, NYSE and PSE (ticker symbol SLF)

6) The Capital Group Companies, Inc is held by (i) Capital Research and Management Company ("CRMC"), (ii) Capital Group Private Client Services, Inc. and (iii) Capital International, Inc.

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

### Cross-shareholdings

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

## Articles of Association

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

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

## Capital structure

### Share capital

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

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

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

More information on the share capital can be found in Art. 3 of the Articles of Association available [here](#).

### Conditional and authorized share capital

#### Conditional share capital

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

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

### Authorized share capital

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

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

### Limitations on exercising the conditional and/or authorized share capital

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

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

### Options

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

### Convertible bonds

Sonova Holding AG has not issued any convertible bonds.

### Changes in capital

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

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

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

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

## Share buyback program 2022 – 2025

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

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

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

## Limitations on transferability and nominee registrations

### Limitations on transferability for each share category

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

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

### Exceptions granted in the year under review

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

### Admissibility of nominee registrations

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

### Procedure and conditions for cancelling statutory privileges and limitations on transferability

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

# Board of Directors

## Introduction

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

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

## Board of Directors independence

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

## Board of Directors fees

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

## Executive management positions

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

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

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

## Other activities and vested interests

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

## Mandates outside Sonova Holding AG

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

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

For further details please see Art. 30 of the Articles of Association, available [here](#).

## Board of Directors competence and evaluation

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

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

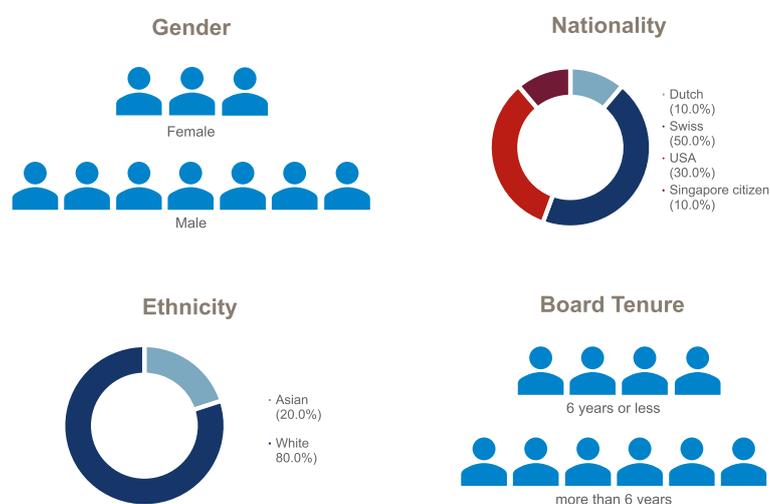
The Board of Directors also conducts an annual self-assessment to:

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

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

## Composition of the Board of Directors

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



## Elections, terms of office and biographies

### Election procedure and limits on the terms of office

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

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

### First election and remaining term of office

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

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

## Robert F. Spoerry

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

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

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

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

### Outside mandates:

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

## Stacy Enxing Seng

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

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

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

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

### Outside mandates:

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



## Gregory Behar

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

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

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

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

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

### Outside mandates:

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



## Lynn Dorsey Bleil

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

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

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

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

### Outside mandates:

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



## Lukas Braunschweiler

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

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

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

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

### Outside mandates:

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



## Roland Diggelmann

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

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

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

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

### Outside mandates:

- Member of the Board of Directors of HeartForce AG

## Julie Tay

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

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

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

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

### Outside mandates:

- n.a.



## Ronald van der Vis

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

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

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

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

### Outside mandates:

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



## Jinlong Wang

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

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

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

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

### Outside mandates:

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



## Adrian Widmer

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

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

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

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

### Outside mandates:

- Group CFO of Sika AG

## Internal organizational structure

### Allocation of tasks within the Board of Directors

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

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

### Tasks and areas of responsibility of Board of Directors' committees

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



## Audit Committee

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

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

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

## Nomination and Compensation Committee

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

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

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

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

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

### Working methods of the Board of Directors and its committees

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

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

1) Regular Board of Directors meetings in person.

2) Additional calls of the Board of Directors.

3) Regular Audit Committee meetings.

4) Regular Nomination and Compensation Committee meetings and calls.

5) As guest.

6) New member of the Board of Directors since June 2022.

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

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

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

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

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

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

### Definition of areas of responsibility

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

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

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

## Internal audit, risk, and compliance

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

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

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

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

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

## Environmental, Social and Governance Management (ESG)

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

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

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

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

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

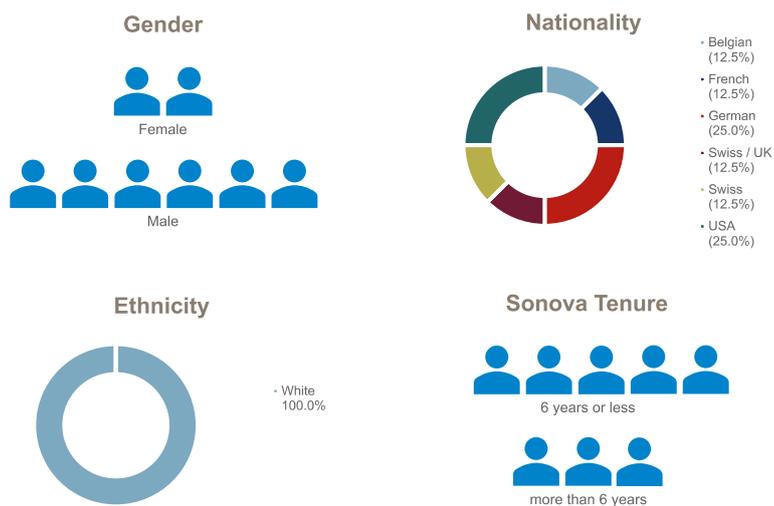
## Management Board

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

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

### Composition of the Management Board

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



## Arnd Kaldowski

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

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

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



## Birgit Conix

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

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

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



### Outside mandates:

- Supervisory Board member at ASML Holding N.V.

## Ludger Althoff

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

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

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



## Claudio Bartesaghi

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

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

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

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



## Victoria Carr-Brendel

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

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

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

### Outside mandates:

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



## Christophe Fond

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

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

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

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



## Martin Grieder

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

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

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



## Robert Woolley

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

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

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



## Other activities and vested interests

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

## Mandates outside Sonova Holding AG

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

## Management contracts

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

## Compensation, shareholdings and loans

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

# Shareholders' participation rights

## Voting rights and representation restrictions

### Voting rights restrictions

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

### Exceptions granted in the year under review

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

### Statutory rules on participation in the General Shareholders' Meeting

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

The Articles of Association are available [here](#).

## Independent Proxy and electronic voting

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

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

## Statutory quorums

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

## Convocation of the General Shareholders' Meeting

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

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

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

## Inclusion of items on the agenda

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

## Registration in the share register

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

# Changes of control and defense measures

## Duty to make an offer

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

## Clauses on changes of control

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

# Auditors

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

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

## Fees

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

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

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

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

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

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

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

### Informational instruments pertaining to the external audit

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

## Information policy

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

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

The website of the Sonova Group, [www.sonova.com](http://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](http://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](http://www.sonova.com/en/media/news).

More information tools, permanent sources of information, and contact addresses are shown at the [end of this annual report](#).

## Securities trading policy and black-out periods

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

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

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

# Compensation report

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

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

The compensation report provides the context for the shareholder votes on the compensation of the Board of Directors and the Management Board, submitted for approval at the 2023 Annual General Shareholder Meeting (AGM). It is written in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations, the standard relating to information on Corporate Governance of the SIX Swiss Exchange, and the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

It has the following structure:

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

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

# I. Introduction by the Chair of the Nomination and Compensation Committee

Dear Shareholders,

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

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

## Further enhancing transparency and clarity of disclosures

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

## Supporting the corporate strategy implementation

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

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

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

We strive for diversity and inclusion and have put significant effort into improving our workplace over the past few years. Based on the annual global employee survey we are perceived as best in class in the eyes of our employees. We have further improved our gender team composition. 54.4% of all people managers roles and 34.5% of key

positions were filled with female talent at the end of fiscal year 2022/23. In comparison, women represented 51.2% of all people manager roles and 35.2% of key positions across the global Sonova organization at the end of fiscal year 2021/22.

### Changes in the Board of Directors

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

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

### Changes in the Management Board

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

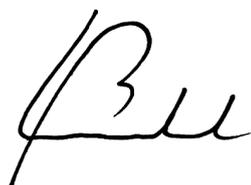
### 2023 AGM

The total compensation awarded to the members of the Board of Directors for the actual term of office is well within the limit approved by the 2022 AGM. The compensation awarded to the members of the Management Board for the reporting year is also well within the limit approved by the 2021 AGM.

At the 2023 AGM, you will have the opportunity to express your opinion on our compensation principles and system by way of a consultative vote on this compensation report. We will also ask for your approval of the maximum aggregate compensation amounts for the Board of Directors for the next term of office, which ends at the 2024 AGM, and for the Management Board for the 2024/25 financial year. No changes to the compensation system of the Board of Directors and the Management Board are foreseen.

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

Yours sincerely,



Lukas Braunschweiler  
Chair of the NCC

## 2. At a glance

### Board of Directors compensation

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

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

Annual retainer	Cash (CHF)	Shares (CHF)
Board chair	430,000	370,000
Board member	100,000	160,000
Additional 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 requirements of CHF 200,000.

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

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

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

Total compensation	Approved	Effective
in CHF 1,000		
2022 AGM–2023 AGM	3,450	3,320 <sup>2)</sup>
2021 AGM–2022 AGM	3,140	3,070
2020 AGM–2021 AGM	2,600	2,425

<sup>2)</sup> 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 interests
- Market competitiveness
- Alignment with company's values

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

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

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

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

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

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

The LTI vesting level amounts to:

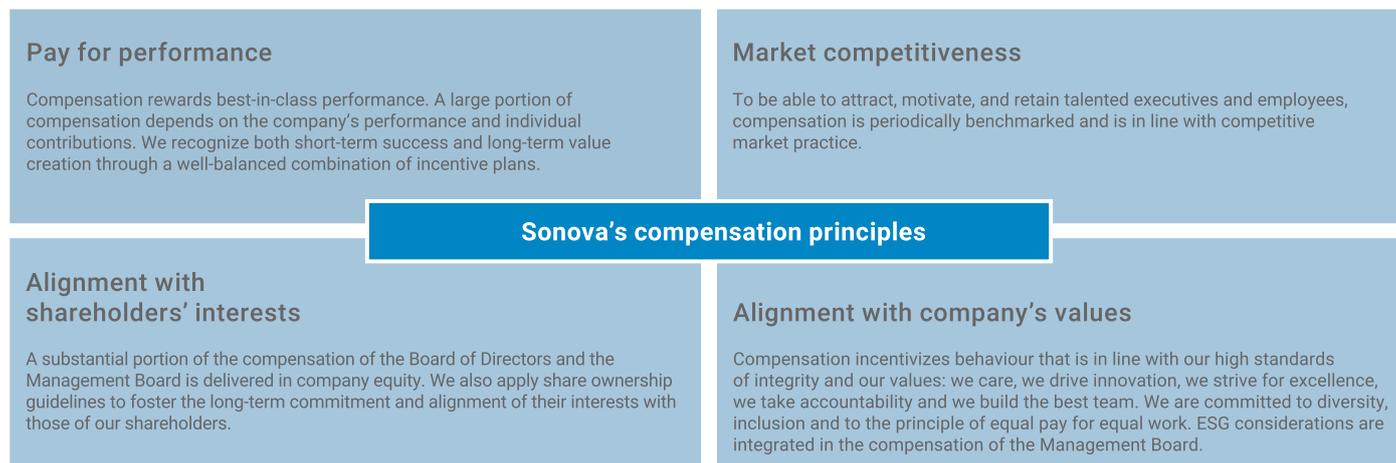
- 100% for the options awarded between 2019-2021 and 56.5% for the options awarded in 2022
- 62.8% for the PSUs

### Governance

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

### 3. Compensation policy and principles

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



We are committed to the principle of equal pay for equal work and are taking all necessary steps in our job evaluation and leveling processes to ensure a fair compensation system. We regularly review compensation in terms of relevant local legal and regulatory equal pay requirements as they continue to evolve. Internally, we analyze whether we pay female and male employees equally for the same job or for a job of the same value and take corrective actions if necessary.

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

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

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

## 4. Compensation governance

### 4.1 Nomination and Compensation Committee

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

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

#### Approval and authority levels on compensation matters:

Decision on	CEO	NCC	Board of Directors	AGM
Compensation principles and system for the Board of Directors and the Management Board		proposes	approves	
Maximum aggregate amount of compensation for the Board of Directors and the Management Board to be submitted to shareholders' vote		proposes	reviews and proposes to AGM	binding vote
Individual compensation, including cash components and shares, to be granted to the members of the Board of Directors <sup>1)</sup>		proposes	approves	
Individual compensation, including fixed base salary, variable cash compensation and long-term equity incentives, of the CEO <sup>1)</sup>		proposes	approves	
Employment terms of the CEO <sup>1)</sup>		proposes	approves	
Individual compensation, including fixed base salary, variable cash compensation and long-term equity incentives, of the Management Board (excluding CEO) <sup>1)</sup>	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

<sup>1)</sup> Within the framework of the Articles of Association and the maximum aggregate amount of compensation approved by the AGM.

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

The NCC meets as often as business requires but at least three times per year. In the 2022/23 financial year, it held five meetings covering, among others, the following pre-defined recurring agenda items during the course of the regular meetings:

Item	May Beginning of the financial year	June	September	November	February End of the financial year
Compensation policy & process	<ul style="list-style-type: none"> <li>– Review of equal pay considerations</li> </ul>			<ul style="list-style-type: none"> <li>– Preview of group wide salary review for the following financial year</li> </ul>	<ul style="list-style-type: none"> <li>– Reconfirmation of group wide salary review for the following financial year</li> <li>– Reconfirmation of group wide EEAP grant size</li> <li>– Equity valuation for EEAP (options and PSU)</li> <li>– Approval of group wide EEAP grant size</li> <li>– Approval of EEAP plan regulations</li> </ul>
Management Board (MB) & Board of Directors (BoD) matters	<ul style="list-style-type: none"> <li>– Approval of payout of VCC for the previous financial year and vesting of EEAP for the previous EEAP cycle</li> </ul>	<ul style="list-style-type: none"> <li>– Approval of VCC performance targets for the new financial year incl. individual targets</li> </ul>		<ul style="list-style-type: none"> <li>– Preview of target compensation review for the following financial year (incl. EEAP grant)</li> </ul>	<ul style="list-style-type: none"> <li>– Review of target compensation for the following financial year (incl. EEAP grant)</li> <li>– Setting of EEAP performance targets for the next EEAP cycle</li> <li>– Approval of VCC performance scheme for following financial year</li> </ul>
Governance	<ul style="list-style-type: none"> <li>– Approval of corporate governance and compensation report as well as compensation part of the AGM invitation</li> <li>– Proposal of maximum aggregate amount of compensation of MB and BoD to be submitted to AGM vote</li> <li>– Share ownership status review of the MB and BoD</li> <li>– Review and approval of NCC charter</li> </ul>		<ul style="list-style-type: none"> <li>– Review of proxy advisor/ shareholder feedback on compensation report</li> <li>– Board evaluation</li> </ul>	<ul style="list-style-type: none"> <li>– Review of BoD skills matrix</li> </ul>	<ul style="list-style-type: none"> <li>– Review of draft compensation report</li> <li>– NCC agenda for the following financial year</li> </ul>
Nomination		<ul style="list-style-type: none"> <li>– Succession planning for the BoD</li> </ul>	<ul style="list-style-type: none"> <li>– Succession planning for the BoD</li> </ul>	<ul style="list-style-type: none"> <li>– Succession planning for the BoD</li> </ul>	

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

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

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

### External advisors

The NCC may decide to consult external advisors for specific compensation matters. In the 2022/23 reporting year, Aon was tasked with the performance share unit (PSU) valuation and performance measurement under the EEAP; Algofin performed the option valuation. Support and expertise are also provided by internal compensation experts such as the GVP HRM and the VP Total Reward.

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

## 4.2 Governance and shareholder involvement

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

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

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



### Matters to be voted on at the 2023 Annual General Shareholders' Meeting

The maximum aggregate compensation amount for the Board of Directors comprises fixed compensation components, including a cash retainer and restricted shares as well as committee fees (as applicable).

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

**Fixed compensation components:**

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

**Variable compensation components:**

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

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

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

### Articles of Association

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

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

The Articles of Association are available in their entirety [here](#).

## 4.3 Process of determining compensation

### Compensation structure and components

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

### Benchmarks

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

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

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

### Performance management

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

# 5. Compensation components and system

## 5.1 Overview of compensation components

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

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

<sup>1)</sup> Mandatory social security contributions (AHV/ALV or for the international MB the local equivalent company costs) are paid by Sonova and disclosed in the compensation report

<sup>2)</sup> MB members under a non-Swiss employment contract receive benefits in line with local practice

<sup>3)</sup> Only for MB members with a Swiss employment contract

<sup>4)</sup> Flat rate cash car allowance

<sup>5)</sup> If applicable

<sup>6)</sup> Awarded in the form of options and PSUs

## 5.2 Board of Directors compensation system

### Role, responsibility and commitment

Sonova needs to be able to attract and retain members of the Board of Directors who are highly experienced and motivated to contribute their specific business expertise and perform a critical role in the strategic oversight of the company

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

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

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

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

### Compensation structure

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

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

Compensation structure 2022 AGM to 2023 AGM

Annual fees in cash in CHF	Chair <sup>1)</sup>	Board members excl. Chair
Cash retainer	430,000	100,000
Vice-Chair	n.a.	15,000
Chair of AC/NCC	n.a.	40,000
Member of NCC/AC	n.a.	20,000

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

<sup>1)</sup> Including attendance as guest in the NCC and the AC

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

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

**Sonova Share Ownership Guidelines**

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

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

## 5.3 Management Board compensation system

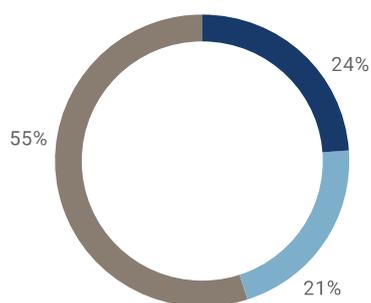
As outlined in the introduction to this compensation report, the compensation system of the Management Board is linked to the company’s strategy and business results, and aligns with the interests of our shareholders, rewarding performance in the context of the business and the market. This compensation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

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

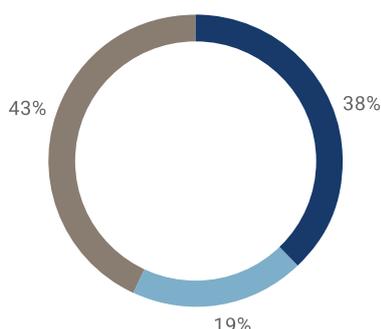
- A fixed base salary;
- A short-term cash incentive award (VCC);
- A long-term equity incentive award (EEAP); and
- Employee benefits, such as pension benefits, flat rate cash car allowance, expense allowance, relocation benefits for certain affected members, as well as social security contributions.

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

**Compensation mix of the CEO, Arnd Kaldowski**



**Compensation mix of the other members of the Management Board<sup>1)</sup>**



■ Base salary ■ VCC ■ EEAP

■ Base salary ■ VCC ■ EEAP

<sup>1)</sup> Average mix

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

Compensation structure 2022/23 financial year

	Fixed compensation components		Variable compensation components	
	Fixed base salary	Benefits	Short-term cash incentive award (VCC)	Long-term equity incentive award (EEAP)
<b>Purpose</b>	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
<b>Vesting Period</b>	n.a.	n.a.	financial year	Options 16 – 52 months  PSUs 40 months
<b>KPIs</b>	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
<b>Delivery</b>	Cash, regularly	Country specific	Cash	Options  PSUs
<b>Restriction period</b>	n.a.	n.a.	n.a.	Five years from grant date
<b>Cap</b>	n.a.	n.a.	yes	yes
<b>CEO</b> Ratio in % of fixed base salary:	n.a.	n.a.	Target of fixed base salary: 89%  Range of fixed base salary: 0 % – 178%	Target of fixed base salary: 231%  Range of fixed base salary: 0 % – 317%
<b>MB (excl. CEO)</b> Ratio in % of fixed base salary:	n.a.	n.a.	Target of fixed base salary: 50 %  Range of fixed base salary: 0 % – 100 %	Target of fixed base salary: up to 105%  Range of fixed base salary: 0 % – 158%

Fixed base salary

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

Short-term cash incentive award (Variable Cash Compensation)

Sonova’s VCC aims at aligning a significant part of compensation to budget achievements in a given financial year. The VCC is an integral component of the compensation for members of the Management Board, defined as a percentage of the annual fixed base salary. At target, it amounts to 89% of fixed base salary for the CEO and to 50% for the other members of the Management Board.

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

performance and stay ahead of the market. Lower and upper performance thresholds are also set, below which the payout percentage is zero, and above which it is capped at 200%, with the exception of sales at 250% and certain ESG targets at 100%. Payout levels between the threshold, the target, and the maximum are calculated by linear interpolation.

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

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

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

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

The individual performance component is based on the achievement of individual objectives defined at the beginning of the financial year between the CEO and individual members of the Management Board – and, for the CEO, between the Board of Directors and the CEO. The total weight of the three to eight individual performance objectives for each member of the Management Board is generally 15% of the overall VCC.

**Ranges of performance objectives for members of the Management Board**

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

<sup>1)</sup> The overall maximum payouts is capped at 200%.

<sup>2)</sup> At target the VCC amounts to 89% of base salary for the CEO and to 50% for the other members of the Management Board.

<sup>3)</sup> Not all of the business objectives apply to all members of the Management Board.

<sup>4)</sup> In exceptional circumstances, up to 35% (e.g. to support key strategic initiatives).

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

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

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

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

**Options**

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

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

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

For reference, the average vesting period of the options is 34 months. In this way options align management with shareholder interests, as value creation is only realized in the event of increasing share price (see section 6 for more information on the overall levels of the target achievements as well as other qualitative comments).

The vesting of the option granted in the 2022/23 financial year to members of the Management Board is based on ROCE as performance criterion because this metric reflects multiple KPIs, including both the profitability of the company and the efficiency with which Sonova’s capital is being employed. The Board of Directors generally determines the target level of performance at which the options will vest in full and a minimum performance threshold below which there is no vesting. Payout levels on ROCE performance between the threshold and the target are determined by linear interpolation. There is no provision for over-achievement; the proportion of options that can vest ranges from 0% to 100%. The ROCE target is ambitious and represents a multiple of the weighted average cost of capital. The ambition is to continuously improve ROCE over time, in line with strategic planning.

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

### Performance Share Units

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

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

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

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

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

The fair value of the PSUs is calculated at the grant date by a third party by using the “Monte Carlo Pricing Model.” Additional information is available in [Note 7.4](#) to the consolidated financial statements.

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

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

Summary of the EEAP instruments

EEAP 2022		
Equity	Options	PSUs
Grant Date	February 1, 2023	February 1, 2023
Fair Value (to derive number of instruments granted)	Based on Enhanced American Model valuation (Black-Scholes Model for the impact of the restriction period)	Based on Monte Carlo Model valuation
Exercise/Strike Price	CHF 233.40 (Sonova closing SIX share price on February 1, 2023)	n.a.
Vesting Date	25% vests on June 1, 2024 25% vests on June 1, 2025 25% vests on June 1, 2026 25% vests on June 1, 2027	3 years + 4 months cliff vesting  100% vest on June 1, 2026
Vesting multiple	0%–100% of grant (ROCE)	0%–200% of grant (capped at 100% if the absolute TSR is negative)  Floor: 20 <sup>th</sup> percentile TSR (multiple = 0%) Target: 50 <sup>th</sup> percentile TSR (multiple = 100%) Cap: 80 <sup>th</sup> percentile TSR (multiple = 200%) linear interpolation in between
Performance criterion	ROCE	rTSR (against the SLI constituents)
Restriction Period	Five years from the grant date (January 31, 2028)	Five years from the grant date (January 31, 2028)
Exercise Period	After the end of the restriction period until expiry	n.a.
Maturity/Expiry Date	Total 10 years (January 31, 2032)	No maturity/expiry restriction after vesting

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

In the event of termination of employment, unvested awards (PSUs, options, and outstanding RSUs from previous programs) are forfeited. Any applicable restriction period for grants from 2020 onwards continues to apply, unless noted below. Vested options must be exercised within a period of three months (commencing with the expiry of the Restriction Period or, if the Restriction Period has already expired on the Date of Termination.

EEAP termination provisions					
	Unvested PSUs	Vested PSUs	Unvested Options	Vested Options	Unvested RSU
Death, disability	Regular vesting	Immediate unblocking	Immediate vesting	Immediate unblocking, 12 months exercise 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 <sup>1)</sup>	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	Immediate vesting pro rata (performance achievement)	Immediate unblocking	Immediate vesting pro rata

<sup>1)</sup> Transition rule for voluntary resignation or termination by company if termination before 31 May 2021 and MB member on service on 1 April 2017

### Disclosure of targets

Internal individual and/or financial targets under the VCC and the EEAP plans are generally considered sensitive information with the exception of the information relating to rTSR for PSUs. Disclosing internal targets would allow insight into our confidential strategic goals and thereby create a competitive disadvantage for Sonova. However in order to increase transparency of our reward plans, we came to decision to disclose target achievements under the short-term cash incentive award (Variable Cash Compensation).

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

### Sonova Share Ownership Guidelines

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

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

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

### Benefits

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

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

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

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

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

### Employment terms and conditions

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

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

### Claw-back

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

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

## 6. Compensation for the financial year

### 6.1 Board of Directors compensation

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

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

#### Board of Directors compensation

in CHF

						<b>2022/23</b>
	Cash retainer (fixed fee)	Expenses <sup>1)</sup>	Total cash compensation	Grant value of restricted shares	Total compensation	Employer's social insurance contribution (AHV/ALV) <sup>2)</sup>
Robert F. Spoerry <sup>3)</sup> Chair of the Board of Directors	430,000	1,000	431,000	369,939	800,939	45,214
Stacy Enxing Seng Vice-Chair of the Board of Directors Member of the Nomination and Compensation Committee	135,000	–	135,000	159,879	294,879	19,094
Gregory (Greg) Behar Member of the Board	100,000	500	100,500	159,879	260,379	16,661
Lynn Dorsey Bleil Member of the Audit Committee	120,000	500	120,500	159,879	280,379	18,051
Lukas Braunschweiler Chair of the Nomination and Compensation Committee	140,000	1,000	141,000	159,879	300,879	437,627
Roland Diggelmann Member of the Nomination and Compensation Committee	120,000	1,000	121,000	159,879	280,879	18,051
Julie Tay <sup>4)</sup> Member of the Board	79,178	500	79,678	159,879	239,557	14,942
Ronald van der Vis Member of the Audit Committee	120,000	–	120,000	159,879	279,879	18,051
Jinlong Wang Member of the Board	100,000	–	100,000	159,879	259,879	13,851
Adrian Widmer Chair of the Audit Committee	140,000	1,000	141,000	159,879	300,879	19,441
<b>Total</b>	<b>1,484,178</b>	<b>5,500</b>	<b>1,489,678</b>	<b>1,808,850</b>	<b>3,298,528</b>	<b>620,983</b>

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

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

in CHF

2021/22

	Cash retainer (fixed fee)	Expenses <sup>1)</sup>	Total cash compensation	Grant value of restricted shares	Total compensation	Employer's social insurance contribution (AHV/ALV) <sup>2)</sup>
Robert F. Spoerry <sup>3)</sup> Chair of the Board of Directors	340,466	1,500	341,966	369,962	711,928	39,329
Stacy Enxing Seng Vice-Chair of the Board of Directors Member of the Nomination and Compensation Committee	126,879	–	126,879	159,794	286,674	18,653
Gregory (Greg) Behar <sup>4)</sup>	79,178	1,500	80,678	159,794	240,472	15,006
Lynn Dorsey Bleil Member of the Audit Committee	115,003	500	115,503	159,794	275,297	17,813
Lukas Braunschweiler Chair of the Nomination and Compensation Committee	127,507	1,500	129,007	159,794	288,801	47,402
Roland Diggelmann Member of the Nomination and Compensation Committee <sup>4)</sup>	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
<b>Total (active members)</b>	<b>1,229,055</b>	<b>9,000</b>	<b>1,238,055</b>	<b>1,648,318</b>	<b>2,886,372</b>	<b>207,769</b>
Beat Hess Vice-Chair of the Board of Directors Member of the Nomination and Compensation Committee <sup>5)</sup>	22,488	–	22,488	–	22,488	1,255
Michael Jacobi Member of the Audit Committee <sup>6)</sup>	19,989	–	19,989	–	19,989	1,091
<b>Total (including former members)</b>	<b>1,271,532</b>	<b>9,000</b>	<b>1,280,532</b>	<b>1,648,318</b>	<b>2,928,849</b>	<b>210,115</b>

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

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

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

The total compensation paid to the Board of Directors for the period from the 2022 AGM to the 2023 AGM is expected to be CHF 3.3 million. The total compensation is within the limit of CHF 3.5 million approved by the 2022 AGM.

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

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

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

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

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

No loans were granted by Sonova or any other Group company to current or former members of the Board of Directors in the 2022/23 financial year, and no such loans were outstanding as of March 31, 2023. Furthermore, neither Sonova nor any other Group company has granted any loans to related parties of current or former members of the Board of Directors.

## 6.2 Management Board compensation

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

### 6.2.1 Compensation awarded for the 2022/23 financial year

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

The highest total compensation for a member of the Management Board in the 2022/23 financial year was paid to Arnd Kaldowski, CEO.

The following tables show the compensation of the CEO and of the other members of the Management Board for the 2022/23 financial year (8 members) and for the 2021/22 financial year (9 members).

#### Management Board compensation

in CHF

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

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

- 1) The variable compensation will be paid out only when the Group's audited financial statements for the financial year have been publicly disclosed by the Group in its consolidated financial statements.
- 2) Fair value per PSU at grant date CHF 243.35. Fair Value of PSUs provided by a third party based on the Monte Carlo pricing model; this is an appropriately balanced approach, taking account of the possibility of either over- or under-achievement. The settlement will be determined based on actual performance achievement prior to the vesting in June 2026 and the PSUs are blocked after vesting to arrive at the total mandatory restriction period of five years from grant date.
- 3) Fair value per option at grant date provided by a third party based on the "Enhanced American Pricing Model" (including the impact of the restriction period based on a "Black-Scholes Model") of CHF 59.40. The options are blocked after vesting to arrive at the total mandatory restriction period of five years.

in CHF									2021/22
	Fixed base salary	Variable compensation <sup>1)</sup>	Fringe benefits	Employer's pension contribution	Total cash compensation	Value of PSUs <sup>2)</sup>	Value of options <sup>3)</sup>	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
<b>Total</b>	<b>4,355,539</b>	<b>2,398,734</b>	<b>390,424</b>	<b>679,150</b>	<b>7,823,846</b>	<b>2,246,875</b>	<b>2,728,125</b>	<b>12,798,846</b>	<b>2,414,690</b>

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

- 1) The variable compensation will be paid out only when the Group's audited financial statements for the financial year have been publicly disclosed by the Group in its consolidated financial statements.
- 2) Fair value per PSU at grant date CHF 334.87. Fair Value of PSUs provided by a third party based on the Monte Carlo pricing model; this is an appropriately balanced approach, taking account of the possibility of either over- or under-achievement. The settlement will be determined based on actual performance achievement prior to the vesting in June 2025 and the PSUs are blocked after vesting to arrive at the total mandatory restriction period of five years from grant date.
- 3) Fair value per option at grant date provided by a third party based on the "Enhanced American Pricing Model" (including the impact of the restriction period based on a "Black-Scholes Model") of CHF 71.31. The options are blocked after vesting to arrive at the total mandatory restriction period of five years.

#### Explanatory comments to the compensation tables

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

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

Variable Cash Compensation performance outcomes 2022/23

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

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

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

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

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

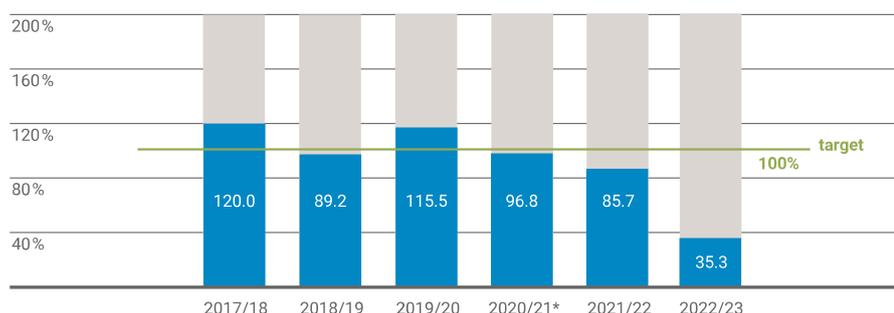
ESG targets were defined around eight categories, with energy and climate, as well as talent & employee engagement, set as a target for all Management Board members. Additionally, members each had a selection of targets set depending on their role and responsibilities. These included eco-friendly products, diversity & inclusion, talent

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

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

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

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



■ Average payout ratio versus target Variable Cash Compensation ■ Target Cap

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

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

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

The actual total compensation for the Management Board for the 2022/23 financial year was CHF 11.3 million. This figure is below the maximum aggregate compensation amount of CHF 15.8 million approved at the 2021 AGM for the 2022/23 financial year.

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

Additional information to support the shareholder votes on compensation can be found in the invitation to the 2023 AGM.

### 6.2.4 Executive Equity Award Plan performance outcomes 2022/23

#### Options

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

### Performance Share Units

The PSUs vest based on relative TSR measured against a pre-defined peer group. The number of shares allocated for each vested PSU between the 20<sup>th</sup> and 80<sup>th</sup> percentile is calculated by linear interpolation within a range of 0% to 200%.

The actual TSR was 7.95%, which corresponds to a 38.84% percentile rank relative to the peer group, and results in a 62.8% vesting in June 2023. For the PSUs awarded under the EEAP 2019 vesting in June 2022, the actual TSR was 107.8%, which corresponded to a 82.4% percentile rank relative to the peer group and resulted in a 200% vesting.

### Restricted Share Units

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

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

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

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

No loans were granted by Sonova or any other Group company to current or former members of the Management Board in the 2022/23 financial year, and no such loans were outstanding as of March 31, 2023. Furthermore, neither Sonova nor any other Group company has granted any loans to related parties of current or former members of the Management Board.

## 7. Share ownership information

### 7.1 Shareholdings of members of the Board of Directors

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

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

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

1) These shares are subject to a restriction period which varies from June 1, 2023 to June 1, 2028 depending on the grant date.

2) These shares are subject to a restriction period which varies from June 1, 2022 to June 1, 2027 depending on the grant date.

3) New member of the Board of Directors since June 2022.

For further details see also Note 7.4 in the consolidated financial statements.

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

## 7.2 Shareholdings of members of the Management Board

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

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

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

1) Shares are dividend entitled with full voting rights.

2) includes SARs (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).

3) SARs were granted instead of options (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).

4) Member of the Management Board since April 2022.

5) Member of the Management Board until March 2022.

For further details see also Note 7.4 in the consolidated financial statements.

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

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

	Base salary	Share requirements <sup>1)</sup>	Actual shares <sup>2)</sup>	Fulfillment of share ownership guidelines	Share ownership ratio to base salary
	in CHF	in CHF	in CHF	in %	ratio
Arnd Kaldowski, CEO	900,000	1,000,000	5,154,703	515	5.7
Other members of the MB <sup>3)</sup>	412,957	200,000	295,030	148	0.7

1) Share requirements to be achieved for the CEO as of December 31, 2017 and for all other members of the MB after 41 months.

2) Calculated with Sonova closing share price of March 31, 2023.

3) Average of other members of the MB with shareholding requirements (excluding members of the MB that are still in build-up phase for shareholding requirements). The calculation of fulfillment and the ratio to base salary of the share ownership shown above are included for illustration purposes only.

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

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

1) Exercise price CHF 233.40, vesting period 1.2.2023–1.6.2027 whereas one tranche being vested each year, end of restriction period 31.1.2028, exercise period 1.2.2028–31.1.2033.

2) Exercise price CHF 333.60, vesting period 1.2.2022–1.6.2026 whereas one tranche being vested each year, end of restriction period 31.1.2027, exercise period 1.2.2027–31.1.2032.

3) Exercise price CHF 218.70, vesting period 1.2.2021–1.6.2025 whereas one tranche being vested each year, end of restriction period 31.1.2026, exercise period 1.2.2026–31.1.2031.

4) Exercise price CHF 241.80, vesting period 1.2.2020–1.6.2024 whereas one tranche being vested each year, end of restriction period 31.1.2025, exercise period 1.2.2025–31.1.2030.

5) Exercise price CHF 182.40, vesting period 1.2.2019–1.6.2023 whereas one tranche being vested each year, exercise period 1.6.2020–31.1.2029.

6) Exercise price CHF 147.85, vesting period 1.2.2018–1.6.2022 whereas one tranche being vested each year, exercise period 1.6.2019–31.1.2028.

7) Exercise price CHF 130.00, vesting period 1.2.2017–1.6.2021 whereas one tranche being vested each year, exercise period 1.6.2018–31.1.2024.

8) Includes the one-time, non-recurring performance option grant (47,415 options); exercise price of CHF 147.85, vesting period of 1.2.2018 – 1.4.2025, exercise period 1.4.2025 – 30.9.2027.

9) SARs were granted instead of options (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).

10) Member of the Management Board since April 2022.

31.03.2022

	Options EEAP 22 <sup>1)</sup>	Options EEAP 21 <sup>2)</sup>	Options EEAP 20 <sup>3)</sup>	Options EEAP 19 <sup>4)</sup>	Options EEAP 18 <sup>5)</sup>	Options EEAP 17 <sup>6)</sup>	Options EEAP 16 <sup>7)</sup>	Total options
Arnd Kaldowski	16,871	25,454	28,119	32,901	86,543 <sup>9)</sup>			189,888
Birgit Conix <sup>8)</sup>	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 <sup>10)</sup>		23,227
Vicky Carr-Brendel	2,769 <sup>11)</sup>	4,699 <sup>11)</sup>	5,398 <sup>11)</sup>	4,737 <sup>11)</sup>				17,603 <sup>11)</sup>
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
<b>Total (active members)</b>	<b>40,633</b>	<b>61,779</b>	<b>70,976</b>	<b>78,141</b>	<b>123,491</b>	<b>34,666</b>	<b>7,737</b>	<b>417,423</b>
Hartwig Grevenner <sup>12)</sup>								
<b>Total (including former members)</b>	<b>40,633</b>	<b>61,779</b>	<b>70,976</b>	<b>78,141</b>	<b>123,491</b>	<b>34,666</b>	<b>7,737</b>	<b>417,423</b>

1) Exercise price CHF 333.60, vesting period 1.2.2022–1.6.2026 whereas one tranche being vested each year, end of restriction period 31.1.2027, exercise period 1.2.2027–31.1.2032.

2) Exercise price CHF 218.70, vesting period 1.2.2021–1.6.2025 whereas one tranche being vested each year, end of restriction period 31.1.2026, exercise period 1.2.2026–31.1.2031.

3) Exercise price CHF 241.80, vesting period 1.2.2020–1.6.2024 whereas one tranche being vested each year, end of restriction period 31.1.2025, exercise period 1.2.2025–31.1.2030.

4) Exercise price CHF 182.40, vesting period 1.2.2019–1.6.2023 whereas one tranche being vested each year, exercise period 1.6.2020–31.1.2029.

5) Exercise price CHF 147.85, vesting period 1.2.2018–1.6.2022 whereas one tranche being vested each year, exercise period 1.6.2019–31.1.2028.

6) Exercise price CHF 130.00, vesting period 1.2.2017–1.6.2021 whereas one tranche being vested each year, exercise period 1.6.2018–31.1.2024.

7) Exercise price CHF 124.20, vesting period 1.2.2016–1.6.2020 whereas one tranche being vested each year, exercise period 1.6.2017–31.1.2023.

8) Member of the Management Board since June 2021.

9) Includes the one-time, non-recurring performance option grant (47,415 options); exercise price of CHF 147.85, vesting period of 1.2.2018 – 1.4.2025, exercise period 1.4.2023 – 30.9.2027.

10) SARs EEAP 2017 (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).

11) SARs were granted instead of options (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).

12) Member of the Management Board until June 2021.

## Glossary

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



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

### Statutory auditor's report on the compensation report

We have audited the compensation report of Sonova Holding AG for the year ended 31 March 2023. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked "audited" of the compensation report.

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

### Basis for opinion

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

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

### Other information

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

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

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

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

### Board of Directors' responsibilities for the compensation report

The Board of Directors is responsible for the preparation of a compensation report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable

the preparation of a compensation report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

#### Auditor's responsibilities for the audit of the compensation report

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

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

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

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

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

Zurich, 10 May 2023

Ernst & Young Ltd

Martin Mattes  
Licensed audit expert  
(Auditor in charge)

Pascal Solèr  
Licensed audit expert