

Report on Forced Labour and Child Labour 2023/24 – National Hearing Services Inc.

As a leading provider of hearing care solutions across the world, Sonova Group (“Sonova”) recognizes its responsibility to cease, prevent, and mitigate forced labour and child labour risks and is committed to enhancing its efforts across its value chain.

The reporting entity covered in this statement is part of Sonova, and is a corporation registered under the business number 86941 0647 RC0013 and under the name of National Hearing Services Inc. (hereinafter “reporting entity”). This report has been published in accordance with Canada’s Fighting Against Forced Labour and Child Labour in Supply Chains Act and covers Sonova’s Financial Year 2023/24, i.e., the period from April 1, 2023, to March 31, 2024.

The reporting entity is categorized according to the Act as follows: it has a place of business, does business, and has assets in Canada. Moreover, it meets the size-related thresholds as it has at least \$20 million in assets, and for at least one of its two most recent financial years has generated at least \$40 million in revenue and employs an average of at least 250 employees.

The reporting entity as a part of Sonova is equally engaged in preventing forced and child labour. The following report details the efforts Sonova and the reporting entity have taken to prevent and mitigate forced labour and child labour in their supply chains.

1. Structure, activities, and supply chains

Sonova’s vision is a world where everyone enjoys the delight of hearing and therefore lives a life without limitations. Sonova is a global leader in innovative hearing care solutions: from personal audio devices and wireless communication systems to audiological care services, hearing aids and cochlear implants. The Group was founded in 1947, is headquartered in Stäfa, Switzerland, and has over 18 000 employees.

Sonova operates through four Business Units – Hearing Instruments, Audiological Care, Consumer Hearing and Cochlear Implants – and the core brands Phonak, Unitron, AudioNova, Sennheiser (under license) and Advanced Bionics as well as recognized regional brands. The Group’s globally diversified sales and distribution channels serve an ever-growing consumer base in more than 100 countries.

Sonova operates within a highly integrated business model: all manufacturing centers are owned by Sonova. Sonova’s own manufacturing operations extend from fully automated processes, such as hybrid circuit production, to highly skilled manual work, such as the assembly of hearing aids.

Upstream from its manufacturing activities, Sonova engages in research and development; downstream Sonova sells the final products to wholesalers as well as to the final user of the products. Over 90% of Sonova’s hearing instruments are produced in the Asia/Pacific region, at their own operations centers in Vietnam and China. In February 2024, Sonova opened a new operations center in Mexicali, Mexico for manufacturing of both hearing instruments and cochlear implants.

In 2023/24, Sonova purchased from 797 direct material suppliers for its global Hearing Instruments business. Based on spend and for all Business Units, 63% of direct materials were purchased in the Asia/Pacific region, 10% from Switzerland, 22% from Europe (excluding Switzerland), and 5% from North America. In terms of business relationships, more than 95% of spendings is with suppliers with whom Sonova has over 10 years of business dealings and more than 80% with over five years.

The reporting entity, National Hearing Services Inc., is part of Sonova's Audiological Care Business Unit and Hearing Instrument Business Unit. Operating in the sectors and industries of retail trade and health care, it is headquartered in Ontario and British Columbia, Canada.

The reporting entity employs 835 Canadian workers and includes Audiologists & Hearing Care Professionals notably providing hearing instruments and support in retail audiology clinics. The reporting entity controls two lines of business located in Kitchener Ontario, i.e., the audiology business that operates under the name Connect Hearing Canada employing 606 workers, and the Unitron operations portion of the Hearing Instruments Business Unit, employing 248 workers. Connect Hearing Canada has operated as a part of Sonova since 2008 and is the largest network of registered audiologists and professional hearing instrument practitioners in Canada.

2. Due diligence processes and policies

Sonova and all the legal entities of the group, including the reporting entity, are committed to maintaining high standards of business ethics and integrity in accordance with the law, as well as with recognized human rights and labour standards as outlined in international human rights frameworks. More specifically, they are committed to international standards in relation to forced labour and child labour including the following:

- Universal Declaration of Human Rights (UDHR)
- United Nations International Covenant on Civil and Political Rights
- United Nations International Covenant on Economic, Social and Cultural Rights
- International Labor Organization (ILO) - Core Labor Conventions
- United Nations Guiding Principles on Business and Human Rights (UNGPR)
- OECD Guidelines for Multinational Enterprises
- OECD Due Diligence Guidance for Responsible Business Conduct
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas
- UNICEF's Children's Rights and Business Principles (CRBP)
- ISO 45001 Occupational Health and Safety Management (OHS) Standard
- ILO-IOE Child Labour Guidance Tool for Business

On this basis, a risk-based Human Rights Due Diligence ("HRDD") process was established for the Sonova Group and its companies such as the reporting entity. It encompasses forced and child labour internally and throughout the supply chain and contains various elements as follows: policies, risk assessments, social audits, and the grievance mechanism.

Policies

Sonova is committed to identifying and addressing risks of forced labour and child labour in its supply chains or in any part of its own operations. Corresponding procedures and policies have been and continue to be developed and are endorsed and signed off by members of Sonova's Management Board and/or Board of Directors. On a regular basis, the management in the organization checks compliance with policies, and internal audits are carried out to verify the compliance.

Sonova's Code of Conduct (<https://www.sonova.com/en/code-of-conduct>) defines general principles for ethical behaviour and applies to all employees of the Sonova Group, its subsidiaries, and any third parties such as distributors, agents, or suppliers while they are performing work for Sonova. An acknowledgment of the Code of Conduct is part of every new employment and third-party contract. The Code of Conduct is approved by the Board of Directors, is reviewed regularly, revised when necessary, and governs all relevant aspects of Sonova's business operations. It covers compliance with laws and regulations, conflicts of interest, anti-competition and Sonova's commitment to social and environmental responsibility such as human rights, diversity and inclusion, non-discrimination, and safety in the workplace and addresses the prevention of forced labour and child labour. The Code of Conduct is available in 18 languages and was updated in 2019/20.

The Human Rights Policy (https://report.sonova.com/2023/app/uploads/Human-Rights-Policy_2022_FINAL_English.pdf) was established in December 2022 and provides a common foundation for Sonova's responsibility to respect human rights, and supports the key elements of the HRDD framework through: performing periodic human rights risk assessments along the value chain; conducting enhanced due diligence through impact assessments in high risk areas; and providing channels for reporting grievances and seeking remedy for violations – all using a risk based approach. The policy further outlines the key human rights risks ("salient issues") identified by Sonova within its value chain such as forced labour and child labour.

Moreover, Sonova has established its SpeakUp policy in April 2023 to encourage employees to report via the grievance mechanism any potential violations of the above-mentioned policies including potential cases of forced labour or child labour.

Sonova's relations with suppliers are guided by the Sonova Group Supplier Principles ("SGSP" available at <https://report.sonova.com/2021/app/uploads/2019-10-Sonova-Group-Supplier-Principles.pdf>). These Principles make specific reference to forced labour, bonded labour, and child labour, among others. The SGSP, the General Terms and Conditions of Purchase (available at https://www.sonova.com/sites/default/files/2022-12/20221101_General%20Conditions%20of%20Purchase_Sonova.pdf), and the Sonova Code of Conduct are all incorporated into development and supply agreements. All suppliers must certify in written form that they will now and at all times in the future comply with these standards and principles in all of their Sonova-related dealings, activities, products, and services which includes certifying that they comply with the laws regarding forced labour and child labour of the country or countries where they are doing business. Sonova includes this certification in all supply agreements, and periodically requests suppliers to renew their adherence. The SGSP and General Terms and Conditions of Purchase were last revised in October 2019 and in November 2022 respectively. In the 2023/24 financial year, a process was initiated to introduce a new Supplier Code of Conduct, which will replace the SGSP and further strengthen the Group's human rights commitments in the value chain.

Risk assessments

Human Rights Risk Assessments are also conducted on a biennial basis at Group level. The first one was conducted in 2020 and allowed for the identification of salient issues based on their scale, scope, and remediability. In November 2022 Sonova conducted its second human rights risk assessment building on the first and allowed for a reassessment of the salient human rights issues which include forced and child labour. In 2023, Sonova instituted a new human rights risk registry based on the human rights risk assessments conducted in 2020 and 2022. This is a useful internal tool to systematically address and monitor risk-based measures to prevent or mitigate risks of forced or child labour.

Social audits

The Sonova Group conducts yearly social audits of its activities covering forced and child labour. During Financial Year 2023/24, two social audits were conducted at Sonova's facilities in North America and in Asia (further developed in a subsequent section). Remote audits are also conducted on suppliers with a risk-based approach via an ESG platform to ensure they abide by Sonova's principles notably with regards to policies and actions on forced and child labour.

Grievance mechanism

Finally, the reporting entity has access to SpeakUp (<https://www.sonova.com/en/code-of-conduct>), a whistleblowing and compliance hotline which serves as a grievance mechanism for all employees and other stakeholders, and allows for the identification of potential uses of child or forced labour and remediation.

Sonova strongly encourages every employee, contractor or other stakeholder who knows of or suspects a violation of applicable laws, regulations, the Code of Conduct, the Human Rights Policy, to report it through the SpeakUp platform. To further support the culture of SpeakUp, Sonova issued a SpeakUp policy in April 2023, which was included in the annual Code of Conduct training for all employees. In addition, a global communication campaign was launched in August 2023 within individual Sonova Group Companies. The SpeakUp platform is operated by an independent third-party provider and safeguards the anonymity of the reporter. Employees may report a concern to their line manager, their local HR function, a compliance manager, or directly via the SpeakUp platform. Employees, third parties or other external business partners can report a concern either by phone or via a secure website. Relevant phone numbers and websites are listed within the Code of Conduct, on the Sonova employee intranet as well as on the SpeakUp platform webpage. Sonova has a defined escalation process to handle and report SpeakUp complaints. The complaints are classified according to their impact (global/local) and/or the implicated person. The escalation process includes the handling of local matters by local management under the guidance and oversight of the Global Compliance team. All matters with global impact (both in severity and/or where senior members of management are implicated) are investigated by the Global Compliance team which reports directly to the Board of Directors and the Audit Committee. Sonova's SpeakUp platform and process are compliant with the EU Whistleblower directive and have been audited and verified by external auditors.

Sonova does not tolerate any form of retaliatory action against any employee who, in good faith, reports suspected wrongdoing, or complains about violations of the Code of Conduct or other internal policies. The Audit Committee of the Board of Directors is informed quarterly about concerns received through the SpeakUp process, the number and types of cases, and the measures taken. Regular training programs on the SpeakUp process reinforce the importance of reporting violations, along with the process and channels for doing so. This training has generated an increase in the number of SpeakUp messages received year-on-year. SpeakUp statistics are published on Sonova's internal platforms to increase trust and assure employees that their concerns are addressed in a timely manner.

3. Risks identified, assessment and management of risks

At Sonova, risks are mostly identified and assessed at Group level rather than at the entity level for the moment.

All human rights issues are treated with equal rigor, but Sonova's human rights risk assessments assign priority to those rights that could be most salient to its business. Sonova prioritizes human rights issues based on their scale, scope, and remediability, and recognizes that negative impacts on human rights may be particularly severe for some people due to their vulnerability or marginalization. The severity of impacts can evolve over time; human rights risks are therefore regularly reevaluated through stakeholder dialog and assessments. In November 2022 Sonova conducted its second high-level human rights risk assessment, building on the first from 2020. It was led by a cross-functional working group, supported by external business and human rights experts. The assessment covered the global value chain and ranked potential human rights issues based on the severity of the risk to potentially affected people. The initial risk assessment in 2020 used a range of methods, including value chain mapping, issue mapping, consultations and interviews, desk research, and internal workshops. In 2022, the assessment methods included desk research and internal workshops along with a reassessment of the salient human rights issues including child labour as well as Modern slavery and forced labour. The overall list of salient issues remained as such, despite the enlargement of the business and an unsettled geopolitical environment. A new human rights risk registry was however instituted and includes detailed information on the severity of each issue (based on scale, scope, and remediability), its likelihood of occurrence, and Sonova's ability to influence it. The next human rights risk assessment will be conducted during the 2024/25 financial year.

In mapping risks for Sonova's own operations and supply chain, Sonova considered how it could directly cause or contribute to forced or child labour or be directly linked to it through the actions of a third party in its supply chain. For this, the first step was to adopt a holistic approach and observe other potential impacts, focusing on general country and industry risks.

Sonova identified that child labour and forced labour could be linked to a wide range of interrelated human rights issues such as: the rights of protection for the child, right to a family life, right to education, right to enjoy just and favourable conditions of work, right to social security including social insurance, right to freedom of association, right to health, right to life, right not to be subjected to slavery, servitude or forced labour, right to freedom of movement, right to property, right to adequate housing, right to the security of the person, right to freedom from cruel, inhuman and degrading treatment, right to an adequate standard of living, rights of minorities, right to equality before the law, equal protection of the law, and rights of non-discrimination.

The research revealed the following potential forced and child labour risks within the global supply chain:

- Raw materials extraction: Besides the geographical aspect (conflict/high-risk areas), extractive activities are labour-intensive and typically employ a significant number of low-skilled workers (migrants or children) that may more likely be victims of forced labour.
- Components manufacturing: Risk of forced and child labour that is present in some component-producing countries.
- End of life: Waste management (in particular, e-waste) is a labour-intensive sector often performed in the informal economy by poor and marginalized workers (i.e. migrants, urban poor, children). These categories of workers are more likely to be forced to work.
- Transportation & logistics: This sector can reveal the following potential risks: Excessive recruitment fees, lack of formal contracts, restrictions to workers' freedom of movement, debt bondage, cash deposit and document confiscation.

Human rights violations, such as forced or child labour, are more likely to occur in extracting and sourcing materials than in Sonova-owned factories. Sonova also considers the risk in its own operations low as the highest standards are applied and corresponding audits and reviews are conducted (see section 6). However, Sonova is aware that forced and child labour risks can also occur in areas that may initially seem low risk. Risks in the supply chain are expected to be higher

than in Sonova's own operations and are addressed through responsible supply chain management.

4. Measures taken to remediate any forced labour or child labour

The reporting entity has not yet assessed at the local level if its activities and supply chains carry a risk of forced labour or child labour being used. Therefore, no measure has been directly taken by the reporting entity to remediate any forced or child labour.

Moreover, the reporting entity has judged that vulnerable families have not experienced loss of income as a result of any steps taken to eliminate forced labour or child labour risks, therefore no measures have been taken in this area.

Nevertheless, the Human Rights Due Diligence process developed at Group level (see section 2) includes remediation measures for instance with the use of the grievance mechanism SpeakUp which may be triggered if a case of forced or child labour arises.

5. Training

Sonova implemented since 2022 an online training on the Group's Code of Conduct which is mandatory for all employees who have access to a computer, including those of the reporting entity. The training was developed by an external company in close collaboration with Sonova and contains interactive modules and questions to ensure the topics are well understood. It notably focused on promoting ethical behaviour and preventing discrimination and employees are required to acknowledge and abide by the Human Rights Policy as well as the SpeakUp policy which contain the prevention of forced and child labour. The training also focused particularly on acting with integrity and provided practical advice on how to identify and report actions, including those that touch human rights, that might be violations of the policies. In the 2023/24 financial year, over 97% of all Sonova employees completed this training within the allotted time.

6. Assessing the effectiveness of actions

Sonova and the reporting entity regularly assess the effectiveness of their actions to prevent forced and child labour. To begin with, the policies related to child and forced labour, namely the Code of Conduct, the Human Rights Policy, and the SpeakUp policy are reviewed regularly to ensure they are up to date. Moreover, the effectiveness of human rights actions is also measured by way of regularly reviewing the risk registry together with the corresponding follow-up actions, by measuring the completion rate for the Code of Conduct trainings, as well as by monitoring the use of the independently operated compliance hotline SpeakUp. Indicators for the latter include total number of cases by topic and number of substantiated cases with follow up action. Furthermore, findings from social audits conducted by third-party/independent auditors are addressed through concrete actions.

During the 2023/24 financial year, Sonova conducted two audits in total, thereby achieving its ESG target of conducting at least one audit per year. An onsite human rights impact assessment was conducted, in which 70 people were interviewed. Some of the resulting recommended actions have been addressed already, such as hiring a Human Rights Manager and integrating relevant human rights aspects into global training programs. Most of the other recommendations are being finalized, such as communicating internally on the Human Rights Policy, and revising the business partner due diligence process by, among other actions, publishing the Supplier Code of Conduct. Sonova also conducted a social audit at another operations center. Performed by independent

auditors, this covered Sonova's own operations and used ELEVATE's Responsible Sourcing Assessment (ERSA) standards. The audit included onsite confidential interviews with employees, document/record review, physical observations, and management interviews. None of the findings identified by the audit concerned child or forced labour or were rated as zero tolerance or critical. There was a high reported level of transparency on wages and working hours, and the facility was assessed as performing very well in the areas of environment, business ethics, and management system. Audit findings related to areas including working hours, discriminatory practices, and wage payment practices were discussed with relevant stakeholders and addressed by management. Key lessons from these audits will be used to improve Sonova's approach to HRDD at Group level.

Sonova also performs remote audits of some of its suppliers covering the Business Unit of the covered entity, i.e., audiological care and hearing instruments. This monitoring of suppliers through an ESG platform allows for the implementation of corrective action plans which cover forced and child labour if needed.

7. Acknowledgement

This report was approved by the Board of Directors of the reporting entity on May 31st, 2024.

"In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity mentioned above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above."



Michael Ippolito
VP Finance
National Hearing Services Inc.
May 31st, 2024

"I have the authority to bind National Hearing Services Inc."