

Corporate Responsibility Report

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Strategy

Message from the CEO

Dear readers,

As a leading hearing care company, Sonova has a deep commitment to sustainable success. Our business objectives are well aligned with our broader social goals; creating positive impact by helping people to hear the world, while taking responsibility for our actions towards our employees, partners, the environment, and future generations.

Our innovation and broad range of solutions create value for consumers and enable us to offer a path to better hearing for people around the world, continually setting new standards in hearing performance, ease of use and design by regularly launching new advanced products and powerful eSolutions. A significant innovation for 2018/19 was the release of the Marvel™ technology platform. Marvel takes full advantage of the unique connectivity enabled by our SWORD™ (Sonova Wireless One Radio Digital) chip and combines it with the proven convenience of our rechargeable solutions.

We strive to expand access to hearing care by offering the industry's broadest distribution network. We maintain a strategic focus on high growth markets, meeting the needs of their newly-empowered consumers with suitable product formats. In China, for example, we are expanding our distribution network, accelerating our China-specific innovation, and scaling up our education program for local professionals.

We also support people with hearing loss who have no access to hearing care through our Hear the World Foundation. This year the foundation provided funding, hearing aid technology, and expertise for 23 projects, including in Peru assessing the hearing of over 20,000 children, fitting hearing aids, and training 50 speech therapy students to become audiology technicians.

Of equal importance to us is our commitment to develop our employees through our professional leadership culture and proactive approach to employee engagement. This year, we conducted Sonova's first anonymized employee survey, called HearMe. We are proud that 84% of the respondents reported feeling engaged through their work here at Sonova.

MESSAGE FROM THE CEO

We continue to find ways to minimize our ecological impact, across all our business activities, through our comprehensive environmental program. In 2018/19, we were able to reduce our ratio of group-wide greenhouse gas emissions to revenues by 11.7% from the previous year, keeping us well on track to achieve our long-term goal.

These efforts have once again been recognized through our inclusion in the Dow Jones Sustainability and FTSE4Good Global indices for 2018. Our first-time selection to the Bloomberg Gender-Equality Index shows that our commitment to equality and a comprehensive diversity and inclusion strategy is bearing fruit.

Sonova has been a signatory of the UN Global Compact since 2016, fully endorsing its ten principles in the areas of human rights, labor, environment, and anti-corruption. We also support the Sustainable Development Goals of the United Nations, which define the global sustainable development agenda through 2030.

I invite you to read our Corporate Responsibility Report to learn more about our strategy and how we are contributing to these global goals through our own sustainability commitments.



Arnd Kaldowski
Chief Executive Officer



Strategy

Hearing care market and supply chain

Every person's experience of hearing loss is different, hence Sonova's market is naturally diverse. Our mission, though, is simple and unchanging: to be recognized as the innovation leader in the global hearing care market. In everything we do, we aim to provide industry-leading audiological performance and outstanding consumer experience.

Hearing – an underestimated topic

The importance of good hearing and the consequences of hearing loss continue to be underestimated, even though according to the World Health Organization (WHO), about 15% of the world's population is affected by hearing loss¹. Over 5% of the world's population – or 466 million people – has disabling hearing loss¹ (432 million adults and 34 million children). The number of people with hearing loss continues to rise, due both to the aging of populations in high income countries and to growing noise pollution in our environment. The WHO estimates that by 2050 over 900 million people will have disabling hearing loss.²

People with untreated hearing loss are often faced with serious consequences. These range from disadvantages at work to relationship problems and social isolation, which may even lead to depression. Especially severe are the consequences for children with untreated hearing loss, as the development of speech and language is fundamentally dependent on the sense of hearing. Untreated hearing loss also is often associated with academic underachievement, which can lead to lower job performance and fewer employment opportunities later in life.

In addition to the impact of hearing loss at an individual level, untreated hearing loss puts a heavy cost burden on society. Unaddressed hearing loss costs countries an estimated USD 750 billion annually in direct health costs and loss of productivity.³ Today's hearing technologies offer the opportunity to reduce this significantly.

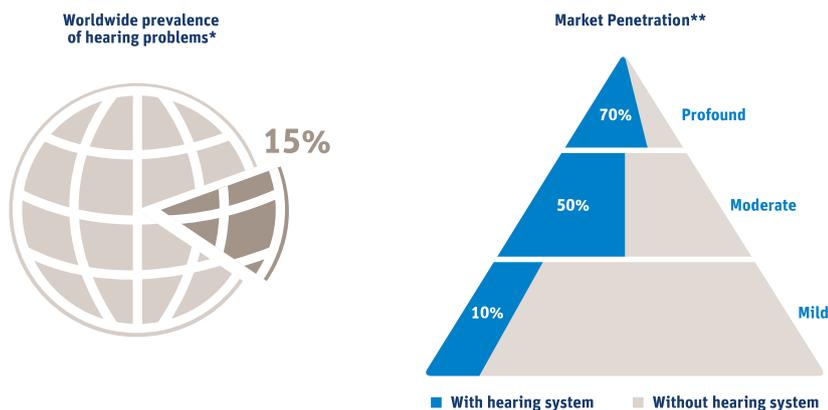
- 1) WHO, "WHO global estimates on prevalence of hearing loss" (2012)
- 2) WHO definition of disabling hearing loss: hearing loss greater than 40dB in the better hearing ear in adults and a hearing loss greater than 30dB in the better hearing ear in children
- 3) WHO, "Addressing the rising prevalence of hearing loss" (2018)

Market opportunities

The hearing aid market continues to grow, driven by long-term socioeconomic forces. The number of people on our planet will continue to increase. Although populations in low- and middle-income countries are expected to grow the most, even high-income countries with stable populations will face a growing proportion of elderly citizens, who are likely to experience hearing loss. These trends create commercial opportunities for Sonova through an increase in demand for hearing care.

over 15%

of the world's population is affected by hearing loss¹

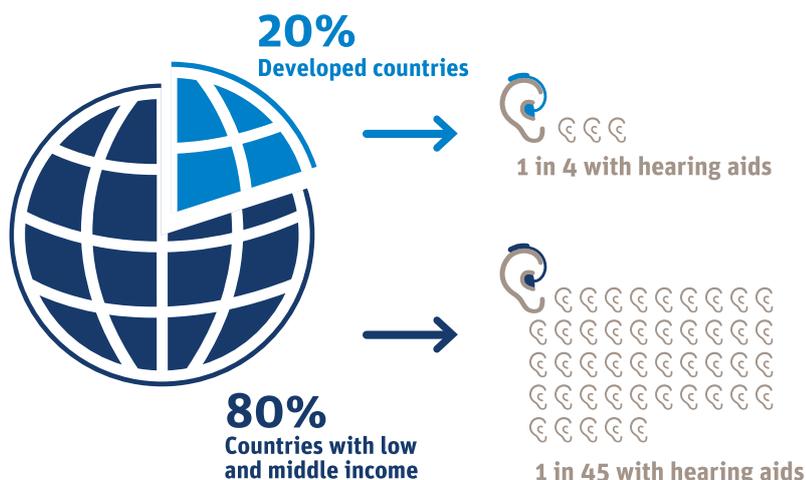


Source:
 * WHO (2012)
 ** Industry statistics, Sonova estimates

The overall rate of penetration for hearing technologies in high income countries is around 25%. We estimate that, while in developed markets 70% of people with severe-to-profound hearing loss have hearing aids, only 10% of those with mild-to-moderate hearing loss currently use hearing instruments. However, younger and less-affected people are increasing their adoption of hearing aids as technology moves toward ever better sound quality and smaller, more discreet devices. Our growing emphasis on higher convenience through e.g. rechargeability, connectivity and digital applications means that we can both broaden and deepen our engagement with consumers, offering trusted, valuable support at every stage of their journey to better hearing.

Around 80% of people with hearing loss live in low- and middle-income countries¹. The hearing care market in these countries remains relatively under-served: Only one in forty-five people with hearing loss wears a hearing aid. People in low- and middle-income countries often have no access to audiological and medical care.

Market penetration of people with hearing loss*



Source:
* WHO (2012), Industry statistics, Sonova estimates

However, we expect the growth of the middle classes in emerging economies to boost consumption significantly and see the shift in spending power and lifestyle ambition as a substantial opportunity. Our strategy therefore calls for a strong focus on the potential of high growth markets to serve the demands of these newly-empowered consumers with suitable product formats.

The hearing care market is highly diverse, requiring a broad range of technologically-advanced solutions and extensive customer service channels. The core of Sonova’s innovation strategy is to maintain full development pipelines for products and solutions. By extending our innovative base technologies across the different businesses and maintaining our rigorous technology platform approach to product and solution development, we accelerate time-to-market, consistently generating around two-thirds of our hearing instrument sales from products launched within the previous two years.

1) WHO, “WHO global estimates on prevalence of hearing loss” (2012)

Market challenges

Even though we offer a product portfolio with a wide range of performance and pricing levels, affordable hearing care is still a challenge for people in low- and middle-income countries and for underprivileged social groups in high income regions.

Changes to governmental reimbursement and subsidy regimes affect the amount of funding available to end-users and thus the number of hearing aids sold. This has a significant impact: regions with high reimbursement levels clearly show higher market penetration; the lower end of the market penetration table mostly comprises low- and middle-income countries with no reimbursement regimes.

This challenge is aggravated by the fact that many countries lack trained health personnel, educational facilities, and necessary data to address the needs of those living with hearing problems. These factors, and the lack of hearing care professionals and infrastructure in certain markets, can impede efforts to raise the penetration rate. As an example, China faces the challenge of the rapidly-growing number of people with hearing loss potentially exceeding the number of qualified hearing care professionals to help them. To tackle these

Two-thirds

of our hearing aids sales are generated by products less than two years from launch



CR Report 2018/19: Access to hearing care

challenges, we have defined a wide range of initiatives, including dedicated products for China, co-operation with distribution partners and government, and education for hearing care professionals.

GRI 102-9

International supply chain

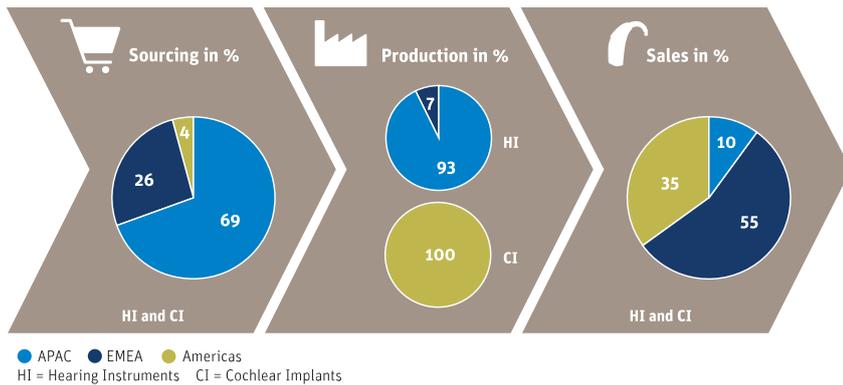
Sonova deals with around 443 suppliers to its hearing instruments segment, who deliver components for manufacturing and assembly, and around 122 direct material suppliers to the cochlear implant segment. In spending terms, 69.4% of Sonova’s purchase volume is located in the Asia/ Pacific region, 10.3% in Switzerland, 15.7% in Europe (excl. Switzerland), 4.2% in North America, and 0.4% in Africa.

Our suppliers are mainly high-tech design and component makers, or original equipment manufacturers with a high degree of automation. Sonova engages only a very small number of contractors and licensees. Sonova’s own manufacturing operations extend from fully-automated processes, such as hybrid circuit production, to highly-skilled manual work, such as assembly of hearing aids and cochlear implants.

More detailed information on supply chain management is provided in the corresponding section of this CR Report: Ethics and integrity.



CR Report 2018/19: Ethics and integrity





Strategy Sustainability program

As the world's leading provider of hearing solutions, Sonova has both a duty to act responsibly and an ability to make a positive impact on society. Our sustainability program aligns closely with our business strategy as well as the United Nations Sustainable Development Goals (SDGs).

Materiality analysis

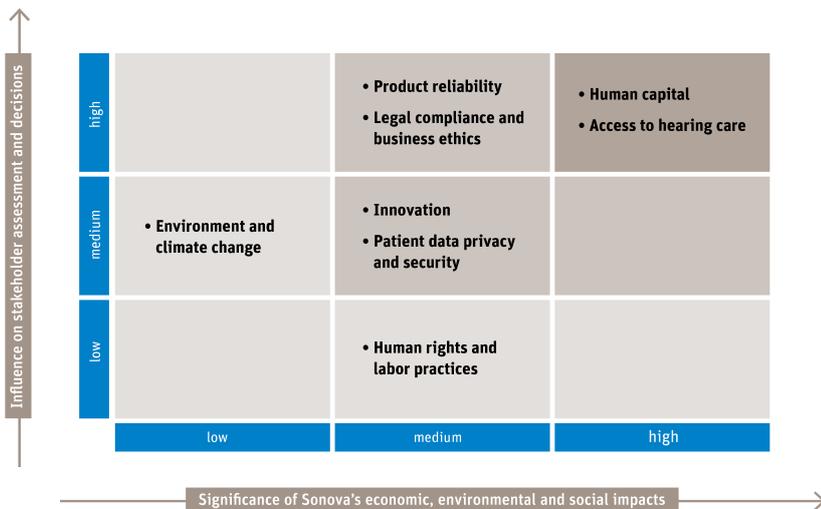
Identification and prioritization

GRI 102-46, GRI 103-1

At Sonova, material issues are those economic, social, and environmental topics that either create significant value, cause potential risks, or have negative impacts for our internal and external stakeholders.

As a medical technology company, Sonova complies with numerous international, governmental, and industry regulations, standards, and agreements. In addition, Sonova draws on a number of sources to compile a broad initial list of topics that could be considered relevant to the organization's economic, environmental, or social impact, or could be influential in its stakeholders' views and decisions. Along with the generic GRI economic, social and environmental topics and the UN Sustainable Development Goals (SDGs), Sonova's sources for these topics include: peer reviews, public media, investor & ESG analyst feedback, global standards reviews, customer and employee surveys, and stakeholder interviews. Topics with little or low relevance for Sonova or its stakeholders are not included.

Sonova prioritizes its relevant topics on the basis of interviews with key personnel, management workshops, and expert advice. Sonova holds workshops and meetings to determine the significance of Sonova's economic, environmental, and social impact related to each topic. To determine each topic's influence on stakeholder assessments and decisions, Sonova identifies its key stakeholders and determines their relative importance; each topic is then assessed for its relevance for each key stakeholder. The relative importance of stakeholders and relevance of the topic to those stakeholders is then charted along the axis of influence on stakeholder assessments and decisions.



List of material topics

GRI 102-47

The key topics identified from the materiality matrix are further consolidated in the Sonova sustainability landscape presented below, either as part of the four core commitments Sonova makes towards its stakeholders, or as part of our governance, risk, and compliance management. The connections between the detailed topics from the materiality matrix and the five consolidated themes presented in the sustainability landscape are outlined below:

- **Customer-focused solutions:** Innovation, product reliability
- **Access to hearing care:** Access to hearing care
- **Investment in people:** Human capital
- **Safeguarding the environment:** Environment and climate change
- **Governance, risk, and compliance management:** Legal compliance and business ethics, human rights and labor practices, patient data privacy and security

Sustainability landscape

The Sonova sustainability landscape is our guiding framework for sustainability management and reporting at Sonova. The sustainability landscape shows how we intend to create value and encompasses our vision, our values and our commitments.



Our vision – the “why”

Our company’s vision is the motivation for our actions and provides the basis for our sustainability program. Over 15% of the world’s adults experience some degree of hearing loss, but very few are treated for it. At Sonova, our vision is straightforward: We foster a world in which all people equally enjoy the delight of hearing and live a life without limitations.

Our values – the “how”

Our shared core values of innovation, engagement, and responsibility describe how we interact with each other and how we do business. We help people hear the world by providing the most innovative technology, by dedicating ourselves to service, and by accepting responsibility for all of our actions. Our governance, risk, and compliance management further substantiate and formalize our values.

Our commitments – the “what”

The four commitments explain what we do to transform our vision into reality: we are creating value for our stakeholders by providing customer-focused solutions; and also by expanding access to hearing care. We are doing business in a responsible manner by investing in our employees and partners, as well as by maximizing our eco-efficiency. We live up to our commitments through specific, defined fields of activity. The sustainability report is structured in terms of the commitments and provides information on the progress we made in each of these defined activities.

Validation

Our sustainability program aligns closely with our business strategy. The management board assesses the sustainability program for completeness and determines its significance to the organization’s economic, environmental, and social impact. Both the management board and the Board of Directors also regularly assess the program’s effectiveness, based on the yearly reporting and ad-hoc updates on specific initiatives.

Topic boundaries

The sustainability program is defined by its relevance to the whole Sonova Group and therefore all defined fields of activity are assumed to be material to all or nearly all of the entities covered by this report. Sonova assigns each field of activity to its appropriate stage or stages of the value-creation process, from raw material supply to after-sales refurbishing or recycling. Those aspects of our material topics that are also or primarily material *outside* the organization relate to our supply chain (human rights and labor practices, environmental program) or to the utilization of our products and services (new products and markets, eSolutions, Hear the World Foundation).

GRI 103-1

Key corporate responsibility targets and performance

Sonova has defined key corporate responsibility (CR) targets for each of the material topics. Our sustainability program and targets are well aligned with the SDGs.



CR Report 2018/19: Sustainable Development Goals

In line with SDG 3 (good health and well-being), SDG 4 (quality education), and SDG 9 (industry, innovation and infrastructure), Sonova's goal is to foster innovation and technology to offer a broad range of solutions that create value for consumers and enable us to offer a path to better hearing. Our portfolio includes a suite of innovative and easy-to-use products specially designed for children. Our target is to apply for a minimum of 40 patents annually. In 2018/19, we continued to invest substantially in research and development and filed 81 new patent applications across the Sonova Group (2017/18: 50). This contributes to SDG targets 4.5 and 9.5 and is in line with SDG indicator 9.5.1, "Research and development expenditure as a proportion of GDP."

Sustainability program	Related SDGs	Priority goal/KPI	Target (target year)	2018/19 performance
Customer-focused solutions: We continuously push the limits of technology and innovation to offer the best solutions to our customers.	3, 4, 9	Apply for a minimum of 40 patents each year.	40 patents (each year)	81 patents
Access to hearing care: We provide access to hearing care and improve the quality of life for millions of people with hearing loss.	3, 4	Conduct 14,000 hours of Sonova employee volunteer work for the Hear the World Foundation, starting in 2013/14.	14,000 hours (2020/21)	11,520 hours (2013/14 – 2018/19)
Investment in people: We support the development of our employees and offer a flexible and inclusive work environment.	5, 8	Achieve >35% female representation in upper management.	>35% (2022/23)	31%
Safeguarding the environment: We ensure eco-efficient practices across all our business activities.	6, 7, 9, 12, 13	Reduce greenhouse gas emissions per revenue by 30% compared to 2017/18.	-30% (2022/23)	-11.7%
Governance, risk, and compliance management: We adhere to good corporate governance and strictly ethical business practices	8, 16	No fines or non-monetary sanctions for non-compliance with laws and regulations.	0 (each year)	0

Our efforts to increase access to hearing care and improve the quality of life for millions of people with hearing loss closely aligns with SDG 3 (good health and well-being) and SDG 4 (quality education). Our target is to conduct a total of 14,000 hours of Sonova employee volunteer work for the Hear the World Foundation by 2020/21. The Foundation focuses on supporting children, enabling them to develop their fullest potential. In 2018/19, Sonova employees conducted 3,120 hours of volunteer work, which brings the total to 11,520 hours since 2013/14. This contributes to the SDG targets 3.8, 3.C, 3.D, and 4.5.

By investing in the development of our employees and offering a flexible and inclusive environment, we have an impact on SDGs 5 (gender equality) and 8 (decent work and economic growth). We have a special focus on recruiting and promoting women and employees from different cultures in leadership and executive positions. By striving for gender balanced representation in filling open positions, we aim to achieve a 35% proportion of women in upper management by 2022/23. In 2018/19, 31% of upper management positions were held by women (2017/18: 29%). This corporate responsibility target is well aligned with SDG target 5.5 and SDG indicator 5.5.2, "Proportion of women in managerial positions." Our first-time selection to the Bloomberg Gender-Equality Index shows that our comprehensive diversity and inclusion strategy is bearing fruit.

Sonova is committed to protect the environment and ensure eco-efficient practices across all our business activities. This commitment contributes to several SDGs related to the environment (6, 7, 9, 12, 13). In 2018/19, we defined several new environmental targets, the most important being to reduce our ratio of group-wide greenhouse gas (GHG) emissions to revenues by 30% by 2022. In 2018/19, we have already reduced GHG emissions intensity by 11.7%, keeping us well on track to achieve our long-term goal. This contributes to SDG target 9.5 and SDG indicator 9.4.1, “CO₂ emission per unit of value added.”

We adhere to good corporate governance and strictly ethical business practices, thereby positively influencing SDGs 8 (decent work and economic growth) and 16 (peace, justice and strong institutions). No fines or non-monetary sanctions for non-compliance with laws and regulations were levied against the company in the 2018/19 financial year. This confirms our endeavors to promote ethical conduct at all levels of the organization, which is well aligned with SDG target 16.5, “Substantially reduce corruption and bribery in all their forms.”

GRI 103-2, GRI 103-3

Management approach

Customer-focused solutions

Our commitment: We continuously push the limits of technology and innovation to offer the best solutions to our customers.

Priority goal

We will continue to offer the broadest range of technologically advanced hearing solutions to our customers by substantially investing in R&D and by applying for a minimum of 40 patents each year.

Approach

- Investment in expertise and training: We continuously strengthen the expertise of hundreds of engineers working in our R&D centers around the world to drive innovation in hearing aids, cochlear implants, wireless communication systems, and professional hearing care solutions.
- Strong partnerships: We leverage the complementary strengths of all our business brands and foster know-how transfer through close collaboration with expert networks and universities around the globe.
- eSolutions: We strategically focus on the development of eSolutions to establish one-to-one, real-time relationships with our customers.

Performance

Read about our achievements and progress in 2018/19 in the corresponding section of this CR Report: [Customer-focused solutions](#).



Sonova and the United Nations Sustainable Development Goals (SDGs)

By offering customer-focused solutions, Sonova contributes to the SDGs 3, 4, and 9. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

Access to hearing care

Our commitment: We provide access to hearing care and improve the quality of life for millions of people with hearing loss.

Priority goal

We aim to provide access to hearing care and improve the quality of life. By 2020/21, we want to conduct 14,000 hours of Sonova employee volunteer work for the Hear the World Foundation.

Approach

- Extensive product portfolio: At Sonova, we offer a wide range of performance and pricing levels, from standard to premium solutions.
- Hearing care infrastructure: By developing new service formats and distribution channels and by supporting the education of local specialists, we can provide hearing care services and treatment to groups who are currently underserved.
- Partnerships: By building productive partnerships and collaborations with local organizations, we can offer the fullest benefit of our skills and services to the people who need them.
- Foundation: Affordable hearing care is still a challenge for people in countries with low-to-middle income and for underprivileged social groups in countries with high income. We cater to these groups through our charitable Hear the World Foundation.

Performance

Read about our achievements and progress in 2018/19 in the corresponding section of this CR Report: [Access to hearing care](#).

Investment in people

We support the development of our employees and offer a flexible and inclusive work environment.

Priority goal

We will achieve >35% female representation in upper management by 2022/23.

Approach

- Professional career development: We develop our employees to higher levels of success with a systematic talent management process including a strategic approach to training, succession, and career planning.
- Employee engagement: We foster employee engagement through a holistic Diversity & Inclusion strategy and other initiatives, such as the group-wide Body & Mind initiative.

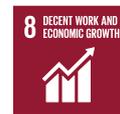
Performance

Read about our achievements and progress in 2018/19 in the corresponding section of this CR Report: [Investment in people](#).



Sonova and the United Nations Sustainable Development Goals (SDGs)

By providing access to hearing care, Sonova contributes to the SDGs 3 and 4. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).



Sonova and the United Nations Sustainable Development Goals (SDGs)

By investing in people, Sonova contributes to the SDGs 5 and 8. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

Safeguarding the environment

We ensure eco-efficient practices across all our business activities.

Priority goal

We aim to reduce our greenhouse gas emissions in relation to revenues by 30% by 2022/23.

Approach

- Operational energy efficiency: We reduce our carbon footprint by fully utilizing capacity, renewing equipment, remodeling existing buildings, or moving to new buildings.
- Alternative energy: We generate power using renewable sources and purchase green power.
- Environmental management systems: We have established a ISO 14001-certified environmental management at all our key manufacturing and distribution centers and urge our suppliers to follow the same standard.

Performance

Read about our achievements and progress in 2018/19 in the corresponding section of this CR Report: [Safeguarding the environment](#).



Sonova and the United Nations Sustainable Development Goals (SDGs)

By safeguarding the environment, Sonova contributes to the SDGs 6, 7, 9, 12, and 13. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

Governance, risk, and compliance management

We adhere to good corporate governance and strictly ethical business practices.

Priority goal

We aim for no fines or non-monetary sanctions for non-compliance with laws and regulations to be levied against Sonova.

Approach

- International labor standards: We conduct business and align our codes and principles according to internationally recognized standards of the United Nations (UN), the International Labor Organization (ILO), and the Organization for Economic Cooperation and Development (OECD). All our employees, business partners, and suppliers are expected to comply with these standards.
- Compliance program: We continue to strengthen the Group compliance program through training sessions and process enhancements in ethics and anti-bribery compliance, and we intensify our efforts to support Code of Conduct compliance through the global "Speak-Up!" campaign.
- Continuous supply chain management: We require that all our suppliers be as committed to sustainable development as we are and ensure compliance with the Sonova Group Supplier Principles (SGSP).

Performance

Read about our achievements and progress in 2018/19 in the corresponding sections of this CR Report: [Ethics and integrity](#) and [Corporate governance](#).



Sonova and the United Nations Sustainable Development Goals (SDGs)

By adhering to good corporate governance and strictly ethical business practices, Sonova contributes to the SDGs 8 and 16. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).



Strategy

Stakeholder engagement

Sonova strives to engage in an open and transparent dialog with all its stakeholders. We actively initiate dialog through a broad range of channels as a way to promote participative and integrated decision-making.

Open dialog

Sonova understands how the involvement of stakeholders supports our long-term success by enhancing transparency, broadening knowledge, and generating innovative solutions. Based on the relevant aspects of our business and products, Sonova has defined five key stakeholder groups:

GRI 102-40

- Customers
- Employees
- Shareholders
- Suppliers
- Academia and opinion leaders

Further stakeholder groups important to Sonova are:

- Financial community
- Media
- Regulators
- Insurers
- Competitors

Sonova identifies and selects relevant stakeholders for further dialog and engagement based on our existing stakeholder-facing activities and on information gathered from internal staff interviews and management workshops. We regularly interact with our current stakeholders to define their specific interests in our activities and their influence over our decisions.

GRI 102-42

Key topics and concerns raised through stakeholder engagement are included in our materiality analysis, sustainability program and respective reporting activities. The following key topics have been raised during the reporting year 2018/19 through stakeholder engagement, mainly by employees, customers, and regulators:

GRI 102-44

- **Convenience:** Our growing emphasis on higher convenience through e.g. rechargeability, connectivity and digital applications means that we can both broaden and deepen our engagement with consumers, offering trusted, valuable support at every stage of their journey to better hearing. Sonova affirmed its leading position in audiological performance with the release of the Marvel™ technology platform. Marvel takes full advantage of the unique connectivity and combines it with the proven convenience of our rechargeable solutions. The market reaction is very positive, reflecting the step-change that Marvel represents in the lives of consumers.
- **Employee engagement:** This year we conducted our first global employee survey, HearMe; around 90% of employees participated, providing valuable information about ways we can boost collaboration across the Group. The first resulting initiatives have already been implemented, aiming to release untapped potential, identify key drivers of employee engagement, encourage effective leadership at all levels, and thus stimulate professional growth and business success.
- **Compliance:** In 2018/19, we intensified our efforts to support Code of Conduct compliance with an internal communication and training campaign, "Speak-Up!", that was rolled out globally across the Sonova Group. The campaign included mandatory global compliance online training, which focused on the Sonova Code of Conduct and anti-bribery laws. We also established a new internal online platform as an additional channel to help employees understand Sonova's Code of Conduct and to make it easy for everyone to report any violations.

GRI 102-43

Approach to stakeholder engagement

Customers

Our customers stand at the center of our business. Our business model is built on business-to-business (hearing care professionals, clinics, retailers) and business-to-consumer (end users, patients) customer relationships. Sonova establishes specific channels of engagement appropriate to the differing needs of each of these groups.

We ensure continuous dialog with our business-to-business customers through our sales representatives, brand tracker surveys, customer satisfaction surveys, advisory network, knowledge management and sharing, customer hotline and support, audiology conferences, online customer communities, and complaint management channels. We provide a broad range of professional training and courses that address the various specializations in the hearing care industry. We also organize e-learning seminars, road shows, face-to-face in-clinic training, and technical marketing material to help transfer our knowledge and train hearing care specialists.

We engage with end users and patients through satisfaction surveys and online consumer communities such as HearingLikeMe.com and Advanced Bionics' Bionic Ear Association (BEA™). HearingLikeMe.com is an online community for people whose lives are affected by hearing loss. The website is visited by more than 50,000 people every month, and provides daily educational and inspirational news articles, videos and social media content. All stories are written by people with hearing loss, their family members, or hearing care professionals. BEA™ aims to improve the quality of life of individuals with severe-to-profound hearing loss by providing valuable information, education, and awareness on cochlear implants. As a community of hearing health professionals and cochlear implant recipients, the BEA™ offers important support services to help recipients "Hear and Be Heard™".

The Phonak Pediatric Advisory Board was founded in 1998 to help steer Phonak's pediatric product development and establish and recommend industry-best practices to support the needs of children with hearing loss and ensure optimal outcomes for them. Members of the Pediatric Advisory Board include parents of children with hearing loss, researchers and professors in pediatric audiology, as well as master pediatric clinicians. The board usually comes together once per year.

We conduct an annual worldwide customer survey to ensure satisfaction and loyalty of our customers. Based on this data, the Customer Satisfaction Index (CSI) is calculated and expressed on a scale between 0 and 100, the latter being the best. In 2018/19, the CSI was 80.

Employees

Sonova's employees are key to its success. We foster a spirit of innovation, shared engagement, and personal responsibility. Through our vision, we want to ensure that our employees experience their work as genuinely meaningful.

Sonova actively engages with its employees through regular employee satisfaction surveys and through its annual appraisal process. The employee appraisal meeting is an essential process to assess satisfaction, provide feedback, and define expectations for behavior and performance. It supports each employee's personal and professional development and helps to build trusting relationships by providing a format for open dialog.

Shareholders

Sonova has 17,158 registered shareholders, who together own 67.9% of the total shares. Shareholders' interests are represented by the Board of Directors, which sets and oversees the general direction of the company.

We publish an Annual Report for shareholders and other stakeholders, and hold an Annual General Shareholders' Meeting, which provides a forum for discussion and debate as well as an opportunity to vote on compensation for management and the Board of Directors. Each share entered in the share register with a voting right entitles the holder to one vote at the Annual General Shareholders' Meeting.

Suppliers

Suppliers are an integral part of Sonova's value chain. Our relationship with our suppliers is governed by Sonova's Group Supplier Principles (SGSP), which are based on a range of international standards, customer requirements, and industry characteristics.

We assess all new suppliers on their management systems. We regularly audit and visit suppliers and inspect their management capabilities through employee interviews and on-site inspections.

Academia and opinion leaders

Sonova's know-how and history of innovation is reflected in its strong partnerships with leading academic institutions and opinion leaders around the world. We collaborate intensively with universities such as the University of Zurich, the University of Hannover (Germany), the University of Oldenburg (Germany), Vanderbilt University in Nashville (US), the University of Melbourne (Australia), the University of Queensland (Australia), the University of Western Ontario in Waterloo (Canada), the Swiss Federal Institutes of Technology (ETH) in Zurich and Lausanne, and the University of Manchester (UK).

We foster a close collaboration with these partners by offering support toward diploma theses for Master's or PhD students. We do not just support studies financially, but, when appropriate, participate in the actual work by closely collaborating on research projects.



[CR Report 2018/19: Investment in people](#)



[Sonova Group Supplier Principles \(SGSP\)](#)

Financial community

As a publicly listed company, Sonova pursues an open and active information policy. A governing principle of this policy is to treat all stakeholders alike and to inform them at the same time.

We actively interact with the financial community at roadshows, conferences as well as investor meetings and conference calls. Sonova holds an Investor and Analyst Day every year at its headquarters in Stäfa; last year's event again attracted significant interest from the international investor community, with around 100 participants attending. We also hold regular exchanges with representatives from the social responsibility investment segment and participate in assessments by sustainability index authorities.

Media

Sonova drives and maintains a strong in-depth relationship with a variety of media representatives as part of its commitment to ensure transparency, dialog, and accountability for all of its activities. The media relations team works globally with top-tier media, public interest media, trade and special interest media, financial and economic media, and the major wire services to ensure a fair disclosure of information to all stakeholders, creating – amongst other topics – awareness for hearing loss and its implications and of informing on key aspects of Sonova's business performance.

We maintain a close and cooperative dialogue with the media by creating news. We proactively distribute press releases and publish it on our corporate website, organize press conferences, media trips, events or respond to requests when journalists are developing stories.

Regulators

Sonova's products are regulated medical devices, which means that the company must meet statutory patient safety standards and functional performance claims with clinical evidence.

We recognize our responsibility to share our specialist knowledge in external working groups to help define, on behalf of our customers, the regulatory principles that will ensure the highest quality standards for hearing instruments and cochlear implants.

Insurers

Governments and social institutions such as the Veterans Administration in the United States and the National Health Service in the United Kingdom, as well as public and private insurance providers, all contribute to improve access to hearing care.

Sonova regularly participates in tender processes and offers its products and services to help insurers receive the best hearing value for their money.

Competitors

Sonova's competitors aim to gain market share. This competition generates improved service for customers and drives Sonova to push yet further the limits of technology. We are committed to fair competition.

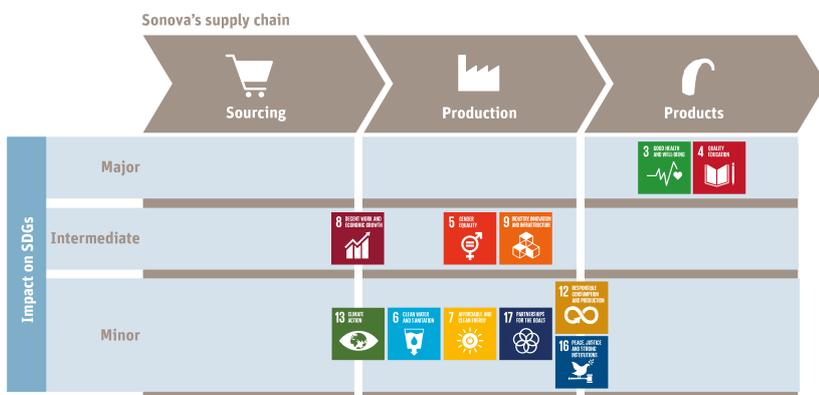
Sonova interacts with representatives from competitors e.g. through membership in industry associations such as the European Hearing Instrument Manufacturers Association (EHIMA), which was founded in 1985 and represents the seven major European hearing instrument manufacturers.



Sustainable Development Goals

Sonova's contribution to the United Nations Sustainable Development Goals (SDGs)

Seventeen sustainable development goals (SDGs) comprise the UN's global sustainable development agenda for the years until 2030. Taken together, they represent an urgent call for action by government in all countries – developed and developing – working in global partnership. Business too, as an engine of economic growth and employment, as well as a source of finance, technology, and innovation, has a key role to play in achieving the SDGs. Sonova has been a signatory of the UN Global Compact since 2016 and actively supports the achievement of all seventeen SDGs.



Our analysis of Sonova's direct or indirect impact on the SDGs, with their 169 targets and indicators, has revealed that Sonova's products, business strategy, and activities make essential contributions to SDGs 3 (good health and wellbeing) and 4 (quality education). We conduct business in a responsible way and thereby also positively influence SDGs 5, 8, and 9. We have limited and less direct impact on goals 6, 7, 12, 13, 16, and 17.

Priority SDGs

Good health and well-being (SDG 3)

The third development goal focuses on ensuring healthy lives and promoting well-being for people of all ages. The importance of good hearing and the consequences of hearing loss are still underestimated, although people with untreated hearing loss often face serious consequences. These range from disadvantages at work to relationship problems and social isolation, which may even lead to depression. As well as its impact on the individual, untreated hearing loss puts a heavy cost burden on society. According to the WHO, unaddressed hearing loss costs countries an estimated USD 750 billion annually in direct health costs and loss of productivity¹.

SDG 3 is well aligned with our vision: a world where everyone enjoys the delight of hearing and lives a life without limitations. Sonova contributes particularly to the achievement of the following SDG targets:

- 3.8: “Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.”
- 3.C: “Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States.”
- 3.D: “Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.”

Sonova provides access to hearing care not only in developed, but also in developing countries. To expand access to hearing care, we offer the industry’s most comprehensive product portfolio and support education of local specialists, particularly in high-growth, developing markets. In China, for instance, Sonova has built an entirely new training center – the Global Hearing Institute in Suzhou. Around 1,600 students have been enrolled and trained at the Hearing Institute since 2017 and around 4,000 per year are trained online by audiologists and product specialists.

1) WHO, “Addressing the rising prevalence of hearing loss” (2018)

Quality education (SDG 4)

The fourth development goal is about ensuring an inclusive and quality education for all and promoting lifelong learning. To be able to follow a lifelong educational path, it is essential for children to have a good start. Children with untreated hearing loss, however, face severe difficulties, since development of speech and language is fundamentally dependent on the sense of hearing. Untreated hearing loss among children can greatly limit speech, cognitive development, and school performance. Children with hearing loss often grow up unable to find work and become trapped in a cycle of poverty and isolation.

In addition to Sonova’s suite of innovative and easy-to-use products especially designed for children, we also support people with hearing loss and limited access to hearing care through the Hear the World Foundation, which contributes to the achievement of the following target of SDG 4:

- 4.5: “By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.”

Founded by Sonova in 2006, the Hear the World Foundation focuses particularly on supporting children in low- and middle-income countries, enabling them to develop to their fullest potential. Sonova supports the Foundation through funding, technology, and the



You can read more about our commitment to SDG 3, related targets, and performance in the corresponding sections of this CR Report: [Access to hearing care](#) and [Customer-focused solutions](#).



You can read more about our commitment to SDG 4, related targets, and performance in the corresponding section of this CR Report: [Access to hearing care](#).

expertise of its employees who serve the Foundation's projects as volunteers. Since its establishment, the Hear the World Foundation has provided funding, hearing technology, and expertise with a total value of over CHF 16 million to over 90 projects all around the world and given thousands of children access to better hearing and education.

Medium impact on SDGs

Gender equality (SDG 5)

The fifth SDG aims at achieving gender equality and empowering all women and girls. Sonova is committed to gender equality among its employees and contributes to the following SDG targets:



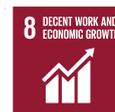
You can read more about our commitment to SDG 5, related targets, and performance in the corresponding section of this CR Report: [Investment in people](#).

- 5.1: “End all forms of discrimination against all women and girls everywhere.”
- 5.4: “Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate.”
- 5.5: “Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.”

Sonova has a focus on recruiting and promoting women, and employees from a wide range of cultures, to leadership and executive positions. By striving for gender balanced representation in filling open positions, we aim to achieve a 35% proportion of women in upper management by 2022/23. In our Code of Conduct, which applies to all employees and partners, we emphasize that Sonova does not tolerate harassment or discrimination on the basis of sex, race, color, religion, age, ethnic or national origin, marital/parental status, or sexual orientation. We also support the compatibility of pursuing a career and raising a family by promoting flexible working models such as home offices, flexible working hours, and part time work in leadership positions.

Decent work and economic growth (SDG 8)

Goal number eight is to promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. Sonova contributes to the following SDG targets:



You can read more about our commitment to SDG 8, related targets, and performance in the corresponding sections of this CR Report: [Investment in people](#) and [Ethics and integrity](#).

- 8.2: “Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors.”
- 8.5: “By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.”
- 8.6: “By 2020, substantially reduce the proportion of youth not in employment, education or training.”
- 8.7: “Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms.”
- 8.8: “Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.”

We believe in treating everyone with respect and fairness at all times; this applies not only to our over 14,000 employees, but to all other stakeholders. Sonova respects and supports human rights, a responsibility reflected in our Code of Conduct and Group Supplier Principles and embedded in the company's culture. We are also a signatory of the UN Global Compact. Sonova is committed to ensuring that its operations and supply chain are free from modern slavery practices, including child labor, forced and bonded labor, and human trafficking. We

are committed to equal pay for equal work and we are taking the necessary steps to ensure a fair compensation system. Sonova also provides reasonable accommodation in its job application procedures for young people and qualified individuals with disabilities. Through our products, we allow people with hearing loss to actively participate in working life.

Industry, innovation and infrastructure (SDG 9)

SDG 9 has the aim to build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation. Sonova has an impact on the following SDG targets:



You can read more about our commitment to SDG 9, related targets, and performance in the corresponding section of this CR Report: [Safeguarding the environment and Customer-focused solutions.](#)

- 9.2: “Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry’s share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.”
- 9.4: “By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.”
- 9.5: “Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.”

As a medical technology company with steady growth in employee numbers, revenues, and profit in recent years, we are committed to consumer-centered innovation and contribute to inclusive and sustainable industrialization. We invest significantly in research and development and filed 81 new patent applications across the Sonova Group in 2018/19. Sonova is committed to reducing its environmental impact and has set the goal of a 30% reduction in greenhouse gas (GHG) emissions intensity by 2022/23.

Limited impact on SDGs

Environmental topics (SDGs 6, 7, 12, and 13)

The common thread in these SDGs is the safeguarding of our shared environment by reduction of environmental pollution, waste, and water use; efficiency and renewable sourcing in energy use; and abatement of climate change-related emissions. The SDG targets that have some relevance to Sonova’s own environmental policies include:



You can read more about our commitment to SDGs 6, 7, 12, and 13, related targets, and performance in the corresponding section of this CR Report: [Safeguarding the environment.](#)

- 6.3: “By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.”
- 6.4: “By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.”
- 7.2: “By 2030, increase substantially the share of renewable energy in the global energy mix.”
- 7.3: “By 2030, double the global rate of improvement in energy efficiency.”
- 12.2: “By 2030, achieve the sustainable management and efficient use of natural resources.”
- 12.4: “By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.”
- 12.5: “By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.”

SUSTAINABLE DEVELOPMENT GOALS

- 12.6: “Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.”
- 12.7: “Promote public procurement practices that are sustainable, in accordance with national policies and priorities.”
- 12.8: “By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.”
- 13.2: “Integrate climate change measures into national policies, strategies and planning.”
- 13.3: “Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.”

Sonova makes an explicit commitment to continuously promote and pursue environmentally friendly practices throughout the entire lifecycle of its products and across all its business activities. We are committed to safe handling of chemicals and hazardous substances and efficient waste and water management. Sonova has set Group-wide targets including an increase in renewable energy sourcing, a reduction of greenhouse gas emissions and water consumption, and an increase in the recycling quota.

Peace, justice and strong institutions (SDG 16)

The goal of SDG 16 is to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels. Sonova has identified one SDG 16 target as relevant to its business:

- 16.5: “Substantially reduce corruption and bribery in all their forms.”

Sonova is committed to high standards of integrity in dealing with its business partners and to compliance with all applicable anti-bribery laws. Sonova’s Anti-Bribery Policy was updated in 2018, refining the rules under the Code of Conduct and prohibiting all forms of corruption. As a global healthcare company, we also recognize that many countries have specific regulations governing interactions with healthcare professionals. These impose further obligations which the company has translated into country-specific guidelines detailing what is permissible and what is not.

Partnerships for the goals (SDG 17)

SDG 17 aims at strengthening the means of implementation and revitalizing the Global Partnership for Sustainable Development. Sonova contributes to the following SDG target:

- 17.16: “Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.”
- 17.17: “Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.”

We support multi-stakeholder partnerships through our membership in the UN Global Compact and our ongoing dialog with stakeholders to enhance transparency, broaden knowledge, and generate innovative solutions. One key area of interdisciplinary collaboration lies in establishing and promoting international networks where the specific knowledge of leading research bodies, hospitals, companies and institutions is pooled together, enriched and comes to fruition in new hearing solutions.



You can read more about our commitment to SDG 16, related targets, and performance in the corresponding section of this CR Report: [Ethics and integrity](#).



You can read more about our commitment to SDG 17 and how we interact with our stakeholders in the corresponding sections of this CR Report: [Stakeholder engagement](#) and [Customer-focused solutions](#).



Commitments

Customer-focused solutions

Our commitment: We continuously push the limits of technology and innovation to offer the best solutions to our customers.



Sonova and the United Nations Sustainable Development Goals (SDGs)

By offering customer-focused solutions, Sonova contributes to the SDGs 3, 4, and 9. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

Development of new products

The market offers exciting opportunities for new customer groups and new solution formats. Our consistent platform approach to product development in hearing instruments and cochlear implants – along with our continued high investment in research and development – has allowed us to expand our product offering over the year to exploit these opportunities.

Our goal is to continue to offer the broadest range of technologically advanced hearing solutions to our customers by substantially investing in R&D and by applying for a minimum of 40 patents each year. In 2018/19, 81 new patent applications were filed across the Sonova Group. As of March 2018/19, the Sonova Group owned over 1,600 active granted patent and design rights.

Innovation through collaboration

At Sonova, we consider interdisciplinary collaboration as the guarantor of progress. Especially when it comes to as complex a subject as hearing. One key area of our innovation strategy therefore lies in establishing and promoting international networks where the specific knowledge of leading research bodies, hospitals, companies and institutions is pooled together, enriched and comes to fruition in new hearing solutions.

Long-term partnership and open exchange are the hallmarks of our collaboration with around fifty top-class universities and centers of excellence and technology. The focus of this interdisciplinary work is to leverage all potential for innovation: Together, we are broadening our understanding of auditory perception and its cognitive processing, driving forward digital signal processing and the miniaturization of electronics, improving material and implantation technologies and researching the possibilities of bionics. We work especially closely with the international groups of experts from the Pediatric Advisory Board to develop hearing solutions that counteract hearing loss in early childhood and at the same time include and support the entire family.

Below we outline two examples of collaborations on research with top-class universities on broader topics such as impact on quality of life or healthy aging.

>1,600

number of active granted patent and design rights owned by the Sonova Group as of March 2019

Today we put hearing loss in a very different context than in the past. We study how hearing loss impacts quality of life beyond not-hearing or not understanding speech. Hearing loss impacts social interaction and participation, reduces activities of daily living, and impacts emotional vitality. With two academic institutions, Ryerson University in Toronto and Vanderbilt University in London Ontario, we recently conducted work showing how hearing loss affects perception of emotional content of spoken language. This work will help us to better understand the needs of hearing impaired people, improve our technology development and help us to better counsel our customers and their families.

In recent years several large cohort longitudinal studies have shown that the occurrence of hearing loss is strongly correlated with other health considerations in elderly people. In this research theme we have been studying various comorbidities between hearing loss and health issues such as psycho-social-health, depression, arthritis, cognitive decline, risk of falls and diabetes in collaboration with the VU University Medical Center in Amsterdam (Netherlands). This research will provide us with a new, more holistic perspective of hearing health care in the broader context of healthy aging. Currently, Sonova supports two major studies investigating whether or not hearing instruments can help slow down cognitive decline or not. The studies are driven by Johns Hopkins University, Baltimore and The University of Melbourne in Melbourne.

>50

number of scientific collaborations

Smart technologies

The digital revolution and the Internet of Things are making their way into various aspects of our lives. New, web-based business models are questioning the status quo because they promise more convenience, simplicity and freedom with smart technologies and services. We welcome this development, since maximum comfort and autonomy for the user, as well as flawless service, are also our key areas of innovation.

eSolutions

eSolutions today

Digital technology and connectivity make Sonova hearing solutions smart companions. Their sophistication is not just in terms of sound resolution and quality, speech intelligibility, form factor, or design – but also functionality: the hearing aid connects wirelessly to media players of all kinds. Music, TV sound, or phone calls can be enjoyed in excellent quality directly within the ear. Thanks to a discreet Bluetooth¹ microphone, hearing aid wearers can follow conversations even in noisy environments – in some cases better than a person without hearing loss. And a smartphone app lets the wearer control parameters and functions intuitively and individually.

1) The Bluetooth® word mark and logos are registered trademarks owned by the Bluetooth SIG, Inc.

eSolutions for the future

Improving audiological quality and ease of operation is one thing; multiplying opportunities through networking is another: Our solutions go far beyond the individual hearing instrument, creating a digital experience that brings together, empowers, and supports the healthcare provider and the user, seamlessly and in real time, through all stages of the hearing journey. From online-based histories and customer support to remote adjustment and optimization under real-life conditions, digitally networked solutions offer users a previously undreamed-of degree of control and freedom. Wherever users might be, their audiologist can be by their side online, directly capturing data on the specific audiological situation and providing immediate assistance. Continuous data monitoring and statistical analysis of listening situations allow ever more user-specific fine tuning, as well as more targeted advice. Follow-up appointments are a thing of the past, spatial distance is no longer an issue: professional and personal assistance, as well as effortless instrument adjustment

by the user, are only a screen tap away. People with hearing loss can enjoy complete autonomy in a fully networked world of hearing. Our promise is to use and further expand these digital channels to establish one-to-one, real-time relationships with our customers.

GRI 416-1

Product reliability

Regulatory and standards

Sonova's medical devices are regulated by government agencies, healthcare authorities, and other regulatory bodies worldwide. These organizations verify that throughout the life cycle of our products we are fulfilling the requirements of applicable health and safety regulations. We are committed to maintaining transparent, constructive, and professional relationships with all applicable regulatory authorities on policy, product submissions, compliance, and product performance. Their requirements include design controls, marketing approvals, good manufacturing practices, vigilance systems, clinical studies, and other applicable product regulations, standards and normative documents specified by government agencies.

Our processes for identifying potential risks related to our products – and for estimating, evaluating, controlling, and monitoring these risks – are governed by the ISO 14971 standard, which specifies the application of risk management to medical devices. Initial training programs and maintenance training programs ensure the adequate training and qualification regarding the regulatory and statutory requirements.

Each national healthcare authority has specific requirements for products that are offered in its market which need to be respected e.g. in Europe our hearing instruments comply with the essential requirements and other relevant provisions of the Medical Device Directive 93/42/EEC, the Radio Equipment Directive 2014/53/EU and other applicable international standards. In the US, hearing instruments are regulated by the United States Food and Drug Administration (FDA) and classified as medical devices of the class I (hearing aids) and class II (wireless hearing aids). Both categories are exempt from the Premarket Approval (PMA) and Premarket Notification (PMN) known as 510(k) and can be introduced into commercial distribution without undergoing these processes.

Cochlear implants and their respective accessories from Advanced Bionics are classified as active implantable medical devices (Class III-AIMD), which are regulated by the EU Active Implantable Medical Devices Directive 90/385/EEC and must generally undergo a formal PMA process wherever they are launched.

All our operation centers and major group companies are certified according to the ISO 13485 standard and fulfill the requirements for quality management systems of the US FDA Quality System Regulation, Title 21 CFR Part 820.

Sonova is carefully following the changes in the related regulatory environments worldwide to ensure the conformity of the products to any time; in particular recently published changes in medical device regulation in Europe regarding the transition from Medical Devices Directive 93/42/EEC to Medical Devices Regulation 2017/745.

Product service and labeling

The majority of products from Sonova group companies are covered by these regulations, standards, and medical classes. All of these products are continuously assessed for health and safety improvements, using such tools as our complaint handling system and process, post-market surveillance, vigilance reporting, reliability trending, and post-launch engineering.



[Advanced Bionics 2018 Global Implant Reliability Report](#)



Commitments

Access to hearing care

Our commitment: We provide access to hearing care and improve the quality of life for millions of people with hearing loss.



Sonova and the United Nations Sustainable Development Goals (SDGs)

By providing access to hearing care, Sonova contributes to the SDGs 3 and 4. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

Expanding market reach

Innovation is not limited to products – it also drives the way we approach the market, both through our wholesale companies and our audiological care network. The industry is seeing a rise in lower-cost channels, but also an increased emphasis on personalized care from dedicated audiologists. We address both these trends through channel partnership, vertical integration, services that generate increased customer demand, and an expanded presence in high growth markets, such as China.

Broad product portfolio

Our declared goal is to offer the most technologically advanced hearing solutions and services available to users worldwide. The comprehensive, interdisciplinary knowledge that we acquire in the process is factored into each of our products. It also enables us to offer a broad spectrum of service and pricing levels for individual needs and different markets in both developing and developed countries. Operating through many channels multiplies the potential paths to hearing in all markets, even in parts of the world where care has been in short supply.

Customized solutions

Around 1.3 billion people around the world speak a Sinitic language such as Mandarin or Cantonese¹. These are tonal languages, where the basic frequencies communicate the information content of words. To better understand the specific needs of Chinese people with hearing loss, we are working with China’s largest hospital, the Tongren Hospital, in Beijing. The result is a specific prescription formula for the amplification/frequency curve shapes of tonal languages – or, to put it more simply, hearing aids offering significantly better speech clarity for millions of people in Asia.

1) Ethnologue: Languages of the World, 22nd edition (2019)

Education and training of hearing care practitioners

In China, there is a significant lack of comprehensive, practical training for qualified hearing care professionals. That is why Sonova decided to bridge the gap and build a training center – the Global Hearing Institute in Suzhou. The center offers advanced audiology courses and practical training for optimal hearing solutions with a customer focus; it features a soundproof room for hearing tests and workstations for fitting ear-molds.

The uptake of training courses by hearing care practitioners from across China has been very strong since the center opened in May 2017. After the courses, participants keep in touch with their trainers via chat and can contact them if they need advice on issues back in the workplace. Around 1,600 students have been enrolled and trained at the Global Hearing Institute since 2017 and around 4,000 per year are trained online by audiologists and product specialists.

Distribution network and remote access

We strive to expand access to hearing care by offering the industry’s broadest distribution network with over 3,500 own stores and clinics. Over 7,000 Sonova employees work for our audiological care business.

Sonova’s efforts to increase access to hearing care for people living in rural areas led to the TeleAudiology model, pioneered by Triton Hearing, a Sonova Group company in New Zealand. Despite Triton’s nationwide network of 70 clinics across the country, many New Zealanders still find seeing an audiologist difficult, especially in communities of indigenous people living in remote areas. In 2018, Triton fitted out a 1949 Bedford bus with state-of-the-art diagnostic hearing equipment and turned into a mobile, full-service hearing clinic. An ear nurse provides the in-room support: including performing video otoscopy, positioning transducers, and handling hearing aids. Through TeleAudiology, clients are connected with audiologists over a high-definition teleconferencing system. It is possible to provide a full diagnostics assessment, hearing and communication needs assessment, impression taking, hearing aid fitting and verification, purchase and follow-up services through a synchronous, live connection.

In 2018/19, the mobile hearing clinic bus traveled more than 5,000 kilometers across New Zealand, visiting 30 locations and reaching almost 2,000 new customers.

Corporate citizenship and philanthropy

Hear the World Foundation

Around 466 million people worldwide – over 5% of the world’s population – suffer from disabling hearing loss¹; 34 million of these are children. The majority of people with disabling hearing loss live in low- and middle-income countries with no or little access to audiological care.²

The consequences of untreated hearing loss, especially for children, can be severe, as the development of speech and language is fundamentally dependent on the sense of hearing. Untreated hearing loss is also often associated with social isolation, less chance of getting an education, poor prospects for future employment, and reduced opportunities to live a life without limitations.



Sonova’s training center in Suzhou (China) offers practice-oriented training courses for hearing care professionals from the entire Asia-Pacific region.

1,600

students have been enrolled and trained at Sonova Global Hearing Institute in Suzhou since 2017



Samuel can finally hear better thanks to his new Unitron hearing aids. His permanent bilateral hearing loss was diagnosed during a hearing screening campaign at a school in Peru – one of 23 projects supported by the Hear the World Foundation in 2018/19.

Founded by Sonova in 2006, the charitable Hear the World Foundation works to counteract this. The Foundation is committed to creating equal opportunities and a better standard of living for people in need with hearing loss, and particularly children in low- and middle-income countries. The key is education and prevention of hearing loss, along with financial and technological support of aid projects that bring better hearing to people who desperately need it.

In 2018/19, the Foundation provided funding, hearing aid technology and expertise for 23 projects. In Peru, together with a local partner, it tested the hearing of over 20,000 children, fitted 100 children with hearing aids, and trained 50 speech therapy students to become audiology technicians.

Since 2006, Sonova employees have successfully supported over 90 projects all around the world on many voluntary missions, helping thousands of children through advanced hearing solutions and actively contributing to building local audiological care infrastructure. Starting in 2013, the Foundation aims to achieve a total of 14,000 hours of volunteer work from Sonova employees by 2020. So far, the total is 11,520 hours (2018/19: 3,120 hours).

- 1) WHO definition of disabling hearing loss: hearing loss greater than 40dB in the better hearing ear in adults and a hearing loss greater than 30dB in the better hearing ear in children
- 2) WHO, "Addressing the rising prevalence of hearing loss" (2018)

Group-wide strategy

Sonova's corporate citizenship/philanthropic engagement at Group level has a strong focus on the Hear the World Foundation. The mission of the Foundation is to improve the quality of life of people worldwide in need with hearing loss and create equal opportunities. The strategy is well aligned with Sonova's overall corporate strategy and vision of a world where everyone enjoys the delight of hearing and therefore lives a life without limitations. The Hear the World Foundation makes essential contributions to the UN Sustainable Development Goal (SDG) 3 (good health and wellbeing) and SDG 4 (quality education).

The priorities of the Foundation's activities are projects to support children in need with hearing loss (supporting SDG 3: good health and wellbeing), education and training of clinicians (supporting SDG 4: quality education), and prevention of hearing loss (supporting SDG 3). The benefits of these activities are measured with different key performance indicators, such as the number of hearing solutions donated (2018/19: over 1,400), the number of professionals trained (2018/19: over 275), and the number of hearing screenings conducted (2018/19: over 90,000). The Hear the World Foundation Activity Report is published annually and provides detailed information on the Foundation's activities and performance.

The activities of the Hear the World Foundation are well aligned with Sonova's business drivers and allow us to leverage our vision, brand, and strengths as a leading provider of hearing solutions to have a maximum impact on the beneficiaries of the aid projects. The Foundation's projects improve access to hearing care, especially in low- and middle-income countries, build up local capacity with training in countries that lack qualified hearing care professionals, and contribute to high employee engagement by offering volunteering opportunities.

>90,000

child hearing screenings in 23 projects supported by the Hear the World Foundation in 2018/19



[Hear the World Foundation Activity Report 2018/19](#)

Corporate citizenship and philanthropic contributions

In the 2018/19 financial year, the total monetary value of Sonova's contribution to corporate citizenship and philanthropic activities amounted to around 3.3 million CHF.

Type of activities

CHF¹

	2018	%
Total	3,267,062	100%
Community investments	2,950,573	90%
Charitable donations	50,920	2%
Commercial initiatives	265,569	8%

¹ only contributions at Sonova Group level included, does not include contributions at brand level

The vast majority (90%) of all contributions were community investments: long-term strategic involvement with community partner organizations through the Hear the World Foundation with the aim to improve quality of life and create equal opportunities. A total of 2% of the cost of all activities were charitable donations, and 8% were for commercial initiatives, e.g. our partnership for hearing loss prevention with the concert and event organizer abc Production, research projects, sponsoring of community organizations, and other initiatives related to the topic of hearing.

Type of contribution

CHF¹

	2018	%
Total	3,267,062	100%
Cash contributions	715,569	22%
Time	291,435	9%
In-kind contributions	1,751,058	54%
Management costs	509,000	16%

¹ only contributions at Sonova Group level included, does not include contributions at brand level

The total of around 3.3 million CHF comprises 54% in-kind contributions (mostly hearing instruments and cochlear implants), 22% direct cash contributions, 16% management costs (e.g. staff salaries and overheads), and 9% time (e.g. employee volunteering).



Access to hearing care

“It’s all about children”

Sonova employee Julien Ricadat-Crosnier traveled to Lebanon as a volunteer with the Hear the World Foundation to provide audiological care for local children with hearing loss. Taking part in the aid project was a dream come true for him.

Julien Ricadat-Crosnier gives a thumbs-up, signaling “well done” to the little boy sitting opposite. He shows him the cast of his auditory canal he has just taken; the lad examines it concentratedly and beams, showing Julien that he has understood.

The young audiologist working for Sonova brand Audition Santé first volunteered for a Hear the World Foundation aid project in May 2018, traveling from his home in Mantes-la-Jolie, a medium-sized town northwest of Paris, to Beirut, the capital of Lebanon. The trip was a dream come true for Julien: “I’ve been interested in getting actively involved in humanitarian work ever since I can remember.”

Julien had long harbored a desire to take part in a Hear the World Foundation aid project, although he initially had to wait until he had qualified as an audiologist. When an opportunity arose at the beginning of 2018, he didn’t hesitate for a second. He recalls thinking to himself right away: “This couldn’t be more perfect. It’s all about children – I have just spent the last few years completing a supplementary audiological training course for under-sixes. And the Foundation is looking for someone from France because they also speak French in Lebanon.” Julien’s application was successful, and he found himself joining two Brits and a German on a trip to Beirut to provide audiological care for Syrian refugees aged between four and 14 as well as for local Lebanese children. “I had prepared very well for the trip and done lots of research. Beirut is being rebuilt and the military are patrolling the streets everywhere. You feel safe, although you do see a great deal of poverty outside the city.”



Julien Ricadat-Crosnier

The team worked in the IRAP (Institut de Rééducation Audio-Phonétique) school for the deaf and in a branch of Houri Hearing, Phonak’s local distribution partner. Many of the children had lost their hearing in bomb attacks and explosions, although some were born with profound hearing loss and had never received proper healthcare because of the precarious situation there. “I had been expecting traumatized children, but the little ones greeted us with a smile and were very glad to see us. They are curious and full of questions, asking us who we are and where we are from.” This friendliness and openness comes all the more as a surprise to Julien when he learns (via the interpreter) that some of the children live on the streets or have lost both parents in the upheavals of war.

Most of his little patients had already been fitted with hearing aids by other Sonova staff who visited Lebanon as voluntary aid workers for the Foundation in November 2017. Julien and the other staff on his mission have now been tasked with cleaning the devices and checking the settings. “We had to refit some of the hearing aids from scratch, as the children’s ability to hear had changed. Cleaning was sometimes also a lot of work.” They look after some 30 children as well as providing devices for new young patients, whom Julien fits with hearing aids made by Sonova brand Phonak for the first time. “We have noted excellent outcomes in children with 80% hearing loss; they speak properly and are able to communicate with one another. We were really pleasantly surprised.”

The young audiologist was also highly impressed by his visit to IRAP: “All the facilities there are old-fashioned, of course, the technology is not up-to-date, but there’s a real *joie-de-vivre*.” The Sonova volunteers adapt to local circumstances, working in a noisy environment and using just the simple means at their disposal. Julien supports the people working there with his professional expertise and compares notes with the team on new treatment methods.

The day of departure finally arrives, and Julien finds it hard to say goodbye: “I’ve developed a real bond with the children here. Just like everywhere else in the world, what they want to do more than anything else is play.” He is particularly fond of two little girls aged seven and eight. They live in the school for the deaf because their parents are too poor to look after them at home. “They showed me the whole school, including their classroom and their sleeping quarters. While we were waiting for the minibus that was to take us to the airport, we spent an hour playing, singing, and – most of all – laughing a lot together.”

“IT’S ALL ABOUT CHILDREN”

Having returned to Mantes-la-Jolie, Julien Ricadat-Crosnier has resumed his normal daily routine, but the trip to Lebanon has forged strong links between the participants, and he is still in close contact with his Sonova colleagues. “We write to one another and swap pictures of our stay.” Looking back, Julien sums up his experiences: “I learned a lot during my time there. Our Hear the World Foundation is doing genuinely sustainable work and we’re trying to provide long-term support for projects. In addition to fitting people with hearing aids, providing follow-up care and training opportunities for specialist audiologists on site is playing a critical role. I’m proud to work for a company that’s socially engaged in this way and I’m hoping I can be involved again.”



Commitments

Investment in people

Our commitment: We support the development of our employees and offer a flexible and inclusive work environment.



Sonova and the United Nations Sustainable Development Goals (SDGs)

By investing in people, Sonova contributes to the SDGs 5 and 8. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

Our employees are key to our success

At Sonova, our employees contribute to something greater than themselves – they transform lives. We work to enhance the quality of life for millions of people by bringing better hearing to those with hearing loss. Our shared corporate values – innovation, engagement, and responsibility – shape the culture that defines and unites us as a company across all brands and regions.

Global trends such as demographic changes, a limited availability of specialist talent, and the need to adapt quickly to shifting markets highlight the importance of a proactive staffing strategy for Sonova. We strongly believe that developing talent with the goal of ensuring internal succession is vital to sustainable success. Appointing internally to key positions while retaining and developing skilled employees helps to ensure that Sonova’s specialist knowledge and intellectual property remain within the company, sustaining our competitive advantage. In 2018/19, we were able to fill 53% of our open leadership positions with Sonova employees.

Internal leadership recruitment rate (ILRR)

% of employee headcount¹

	2018/19	2017/18
Total (% of total internal hires)	52.3	52.8
Women (% female of internal hires)	55.0	43.9
Men (% male of internal hires)	45.0	56.1

¹ In 2017/18 former AudioNova was excluded, in 2018/19 – Audiological Care Germany

Our conscientious treatment of our workforce, professional leadership culture, and proactive approach to employee retention over the past years have combined to keep our global employee turnover to a level of around 12%. The average tenure of our managerial staff is 8.3 years, while the total average workforce tenure is 6.3 years.

GRI 401-1

INVESTMENT IN PEOPLE

Employee turnover rates

% of FTE¹

	2018/19	2017/18	2016/17
Total	12.3	11.9	10.8
Region			
Switzerland	6.8	8.5	7.5
EMEA (excl. Switzerland)	8.9	7.6	6.2
America	19.5	18.4	18.0
Asia/Pacific	12.2	10.8	9.0
Gender			
Women	12.2	11.9	11.2
Men	12.0	12.1	10.3
Age			
under 30 years old	16.2	15.0	–
30–50 years old	10.6	12.1	–
over 50 years old	8.2	11.4	–

¹ The employee turnover rate is the percentage of the employees who left Sonova during the fiscal year; this includes continuing and discontinued operations (excl. leaves following company sale). In 2017/18 former AudioNova was excluded from the total workforce, in 2018/19 – Audiological Care Germany.

This year, we conducted Sonova's first anonymized employee survey, called HearMe. Around 90% of employees participated worldwide, providing valuable information about ways we can boost collaboration across the Group. Of respondents, 84% reported feeling engaged through their work (82% for men, 85% for women). The first concrete initiatives inspired by HearMe results have already been implemented, aiming to release untapped potential, identify key drivers of employee engagement, encourage effective leadership at all levels, and thus stimulate professional growth and business success.

84%

report feeling engaged through their work at Sonova

GRI 102-8

Personnel figures

The number of employees increased in the current reporting year by 3.5% to a total of 14,734 full time equivalents. The additional 492 full time equivalent employees stem mostly from growth in operations in Vietnam and in our audiological care business in Europe.

Employees by region

FTE (end of period)¹

	2018/19	2017/18	2016/17
Total (Regular and Fixed-term)	14,740	14,242	14,089
Switzerland	1,224	1,219	1,178
EMEA (excl. Switzerland)	6,748	6,471	6,399
America	3,443	3,539	3,538
Asia/Pacific	3,325	3,013	2,974

¹ Employee numbers do not show any seasonal or other temporary fluctuation

Employees by employment contract

% of employee headcount¹

	2018/19	2017/18	2016/17
Regular	86.6	91.2	92.8
Fixed-term ²	2.9	4.5	3.8
External temporary ³	7.2 ⁴	0.9	0.4
Interns	3.3	3.5	3.0

¹ Information about FTE not available for temporary hires, therefore % split calculated based on headcount
² Employees on fixed-term contract
³ Agency temps and contingent workers
⁴ The increase among external temporary employees is mainly driven by the methodological change in gathering the data

We are taking steps to further improve our local operating structure, strengthening the supply chain and consolidating some of the services provided by our hearing instruments business in the UK, Germany, and Canada. These measures are expected to produce a combined workforce reduction of about 250 employees, most of which is already reflected in the reported personnel figures.

Human resource organization

The majority of our employees are directly supported by a local human resources (HR) manager. At our corporate headquarters in Switzerland, we develop – in collaboration with our group companies – and monitor a comprehensive set of global human resource processes, standards, and policies, which are implemented locally in line with country-specific regulations and customs. We assess the impact of all our activities through a set of key performance indicators such as turnover, internal leadership recruitment rate, and depth of available in-house talent. Regular audits ensure compliance with internal regulations and local labor law, with the objective to provide excellent working conditions and monitor progress in all our locations. We estimate that around 7% of Sonova’s global workforce is covered by collective bargaining agreements.

GRI 102-41

Career development

We offer a flexible and inclusive work environment and an open culture that inspires personal growth and professional development. Line and HR managers review the competencies, performance, and potential of our employees through a yearly appraisal process. By setting individual and measurable goals, we promote a sense of accountability.

GRI 404-3

We believe that every employee deserves an individual development plan. We therefore launched in spring 2019 an initiative that allows employees at all levels to define their development objectives under the appraisal process and discuss them with their managers in designated development conversations. The aim is to ensure that we invest in the fulfilment of each individual’s strengths and preferences.

Our global Succession Planning process allows us to mitigate the risk of losing expertise in key positions while identifying and developing promising candidates for internal succession.

Training programs

The Sonova Academy is our group-wide education platform. In close collaboration with selected external partners such as INSEAD in Paris, our Academy offers targeted programs and provides an opportunity for our leaders, managers, and best-performing talents to enhance their skills and competencies. The Sonova Academy also serves as a cross-business learning network that provides consistency and supports change throughout our organization.

Our leadership development process is based on a portfolio of training programs:

Training program	Audience	Description
Aspiring Leaders	<ul style="list-style-type: none"> • Employees with leadership aspirations • 12–16 participants per cohort 	The Aspiring Leaders program is two-day course that encourages participants to start thinking about their own leadership brand and about how they can best fulfill and contribute to Sonova’s future.
Leadership Foundations	<ul style="list-style-type: none"> • Mandatory for all new people managers • Recommended for all people managers • 8–16 participants per cohort 	The Leadership Foundations course is a two-day intensive course focusing on care, accountability, and continuous improvement for leaders to emphasize the essential people-management and leadership skills.
Leading Effective Teams	<ul style="list-style-type: none"> • Foundation alumni with direct reports • ideally 9+ months after Foundation • 16–24 participants per cohort 	Focusing on effective and productive collaboration, Leading Effective Teams is a yearlong program that begins with a two-day face-to-face workshop, followed by frequent virtual sessions asking participants to team up to tackle real business problems they are facing as leaders.

Through intensive feedback, coaching, and experiential exercises, the program gives participants the chance to reflect on their personal style, to understand and to increase the impact they have on their company’s performance, and to plan how they will continue to develop as leaders at Sonova. In the reporting year, 211 employees have participated in around 4,700 hours of face-to-face leadership training courses.

A strong focus on customer service is also reflected in our training programs: we are convinced that a trusting personal relationship, founded on expertise and understanding, is the best way for customers to reap the full benefit from their hearing solution. A new Sonova Academy in Germany will open in summer 2019, offering face-to-face and online training to further develop the ability of our hearing health care professionals to deliver the best service and customer experience.

We measure the success of the career development process in two ways: each line manager assesses development planning and employee progress, while Sonova tracks the internal promotion rate and participation in the training programs.

Traineeship programs

Sonova has an excellent network of research collaboration with various leading universities around the world, where students can participate in joint studies and other activities. We offer them the opportunity to work in our organization as a member of one of our Research and Development teams, either in an internship, or as part of their Bachelor’s, Master’s, or PhD thesis work.

Our talent acquisition process also targets the most sought-after group of professionals in our industry: experts in audiology. To support our constant need for top audiologists, we offer an international Audiological Traineeship program, with training placements in the US, Canada, and Switzerland. This program is an opportunity for ambitious audiology graduates



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to benefit from a one-year formal development and rotation experience, where they will have the opportunity to work with our talented audiologists in various business units (Audiology, Marketing, Customer Training, Sales, and Research) before starting on their career path with Sonova.

At Sonova we conscientiously support and invest in Switzerland's effective dual training system, which links formal education with in-company training, providing both theory and necessary practical experience. The number of our apprentices has doubled since 2013, and we train more than 40 apprentices at our headquarters. The range of Sonova apprenticeships is highly diverse, offering training in twelve professions, from polytechnician through logistics clerk to cook. In recent years three apprentices with disabilities successfully completed an apprenticeship at Sonova.

GRI 401-1

New hire rate

% of new hired FTE

	2018/19	2017/18	2016/17
Region			
Switzerland	4.4	8.1	4.7
EMEA (excl. Switzerland)	33.7	32.3	43.2
America	29.7	39.6	26.6
Asia/Pacific	32.1	20.0	25.5
Gender			
Women	67.1	66.6	71.8
Men	32.9	33.4	28.2
Age			
under 30 years old	48.4	42.3	43.5
30–50 years old	41.8	48.0	46.9
over 50 years old	9.7	9.7	9.6

GRI 102-8, GRI 405-1

Diversity and inclusion

Sonova has subsidiaries in over 30 countries and a workforce of over 14,000 dedicated employees representing a broad mix of experiences and backgrounds. We consider this diversity to be key to our success, since it fosters innovation and helps us understand our global customer base. All facets of diversity are important to us; we strive to create an inclusive environment where everyone – regardless of age, gender, language, ethnic origin, religion, culture, sexual orientation, or health status – can contribute and realize their full potential. Our commitment to diversity is recorded in our Code of Conduct and is binding for all our employees.

As the world's largest hearing care provider, Sonova campaigns for equal opportunities and a better quality of life for people with hearing loss. It is our vision to create a world where everyone enjoys the delight of hearing and lives a life without limitations. By offering the most comprehensive range of solutions to treat all major forms of hearing loss, we aim for our consumers to feel fully included in society. To help us reach this challenging goal, our workforce and work culture need to reflect the values of diversity and inclusion.

Building a diverse workforce

Our employees bring different skills and characteristics to the table, depending on their age, gender, origins, and personal background. We are convinced that our success as a company largely depends on the extent to which we are able to realize the benefits of this diversity. A variety of perspectives is essential to best meet the many and various needs of our clients

> 20%

employees less than 30 years old

INVESTMENT IN PEOPLE

and to make a convincing case for the company over the long term with innovative products and services. We therefore make it a priority to recruit and develop a wide range of people who share our passion and bring in new skills, viewpoints, and experiences.

Employees by gender

% of employee headcount¹

	2018/19	2017/18	2016/17
Women			
Share of total workforce	65.7	66.0	66.0
Part-time employees	18.4	19.0	18.1
Men			
Share of total workforce	34.3	34.0	34.0
Part-time employees	6.3	6.0	4.9

¹ Only regular contracts, no fixed-term contracts

Employees by age

% of employee headcount¹

	2018/19	2017/18	2016/17
All employees			
under 30 years old	20.7	18.1	22.0
30–50 years old	60.3	61.9	58.0
over 50 years old	18.9	20.0	20.0
Women			
under 30 years old	22.6	19.9	23.9
30–50 years old	59.9	61.9	57.8
over 50 years old	17.4	18.2	18.3
Men			
under 30 years old	17.1	14.5	18.4
30–50 years old	61.1	61.9	58.5
over 50 years old	21.9	23.6	23.1

¹ Only regular contracts, no fixed-term contracts

To guarantee a balanced mix, we have a special focus on recruiting and promoting women and employees from different cultures in leadership and executive positions. By striving for gender balanced representation in filling open positions, we aim to achieve a 35% proportion of women in upper management within four years.

We actively support the compatibility of pursuing a career and raising a family by promoting flexible working models such as home offices, flexible working hours, and part time work in leadership positions. Our terms of employment guarantee our employees in Switzerland a number of additional family related benefits, including 16 weeks of maternity leave, two weeks of paternity leave, and the possibility of purchasing additional vacation time. In all our production sites, where shift work is standard, employees returning from maternity leave can choose to work at between 50% and 100% of their previous level during their first year back. We operate our own day care center at our headquarters in Stäfa and financially support lower-salary employees in Stäfa and in our production center in Vietnam to help pay for day care. We are proud that today, 48% of all positions involving staff responsibilities are held by women. In lower and middle management, the ratio of women is 55% – these are ideal conditions to reach our ambitious gender diversity targets in upper and senior management through professional succession planning and individual development plans.

55%

women in lower and middle management positions

INVESTMENT IN PEOPLE

Women in management positions

% of employee headcount within respective management position

	2018/19	2017/18	2016/17
Women in senior management			
Total	17.3	14.7	8.5
Switzerland	8.3	–	8.3
EMEA (excl. Switzerland)	11.4	10.8	4.0
America	46.2	38.5	30.0
Asia/Pacific	13.3	14.3	–
Women in upper management			
Total	31.1	29.1	30.0
Switzerland	18.0	14.9	18.9
EMEA (excl. Switzerland)	36.7	31.3	34.1
America	33.1	33.8	32.4
Asia/Pacific	36.1	36.9	33.3
Women in lower and middle management			
Total	54.7	54.4	52.5
Switzerland	32.4	27.5	22.7
EMEA (excl. Switzerland)	57.5	57.8	56.1
America	52.7	52.8	50.0
Asia/Pacific	56.9	55.1	53.6
Women in non-management			
Total	69.2	68.4	68.4
Switzerland	45.3	43.3	43.7
EMEA (excl. Switzerland)	68.5	67.8	67.7
America	69.3	70.0	69.4
Asia/Pacific	78.0	78.2	78.8

Sonova also provides reasonable accommodation in its job application procedures for qualified individuals with disabilities, or to enable otherwise qualified individuals with disabilities to perform essential job functions.

Advancing our culture of inclusion and innovation

Inclusion is a foundation of our corporate culture, and an integral part of how we benefit from the diversity of our workforce. We embrace the differences that make each of our employees exceptional. We are committed to creating a safe, positive, and nurturing work environment where all people feel appreciated, respected, and taken seriously. We are convinced that this promotes thoughtful and valuable dialog and fosters innovation.

In this context, we are actively addressing the role of unconscious biases and expectations: we have started training courses to help recognize and prevent stereotypical (often unwitting) role expectations from affecting HR processes and thus hindering our efforts to increase diversity in senior leadership functions. In December 2018, the whole management board participated in training session to learn how we can make better decisions by being aware of our biases.

In 2018, we have for the first time calculated and benchmarked Sonova's inclusion score, as part of our employee engagement survey.

To raise awareness and continuously advance a culture of inclusion, we also support expanding employee networks, providing platforms where people can connect and learn from one another. Women's networks, initiated by our employees, have already been established in Canada, the US, Germany, and Switzerland.

A continuously improving gender balance in upper and senior leadership, along with our first-time selection to the Bloomberg Gender-Equality Index, shows that our commitment to equality and to a comprehensive diversity and inclusion strategy is bearing fruit.

Employee wellbeing

Sonova is committed to foster employees' health and well-being. Our group companies and operation centers take specific prevention and health promotion measures to help maintain and enhance each employee's capacity for productive and fulfilling work. Sonova's global Body & Mind initiative aligns and supports its various prevention measures. The health initiative rests on four main pillars:

- Sound and well-balanced nutrition
- Physical and mental harmony through exercise
- Re-energizing through active relaxation
- Medical care through regular check-ups and vaccinations

Our group companies are responsible for implementing Body & Mind measures locally and for continuously refining programs in all the four areas: nutrition, exercise, relaxation, and medical care. Examples of activities and best practice across Sonova globally in the 2018/19 financial year included:

- Health coaches leading employees in three-minute break-time exercises to reduce muscle tension at our operation centers
- Sports groups and sports events ran by employees (e.g. skiing, biking, badminton, soccer)
- Provision of sports changing rooms with showers
- Yoga classes
- Healthy breakfast options and salad buffet
- Stress management and burnout prevention coaching sessions
- Free medical check-ups
- Health awareness days



Three-minute break-time exercises at our operation center in Suzhou to reduce muscle tension.

Occupational health and safety

Sonova has established an effective occupational health and safety culture that supports and protects our employees. We regularly monitor and analyze the potential health and safety risks of our operations and implement both legally-required and voluntary occupational health and safety programs. Sonova's operations have a relatively low exposure to health and safety risk, but we are committed to continuous improvement here as elsewhere. We operate within a highly integrated business model: all manufacturing centers are owned by Sonova. We engage only a small number of contractors and licensees.

Each incident is investigated to determine its cause and take steps to prevent any reoccurrence. Our low exposure to health and safety risk is reflected in the figures for the past three financial years reported in the table below. Any incident that requires external medical health care is considered as a work-related injury. First-aid level injuries are not included. Any work-related injury that results in the company employee not being able to return to work the next scheduled work day/shift is considered as a lost-time injury. Lost days refer to working days, not calendar days, and begin the day after the accident. In general, injuries and lost work days are not caused by the manufacturing processes; they are more likely to be sustained during activities such as movement of goods.

Occupational health and safety indicators

	2018/19	2016/17	2015/16
Injury rate (IR)	0.30	0.44	0.44
Lost day rate (LDR)	7.40	1.73	2.69
Lost-time injury frequency rate (LTIFR)	0.46	0.5	0.42
Occupational illness frequency rate (OIFR)	0.19	0.18	0.44
Work-related fatalities	0	0	0

IR = total number of injuries/total hours worked x 200,000
 LDR = total number of lost days due to injuries/total hours worked x 200,000
 LTIFR = total number of lost-time injuries/total hours worked x 1,000,000
 OIFR = total number of occupational illness or diseases cases/total hours worked x 1,000,000

The injury rate (IR), lost day rate (LDR), lost-time injury frequency rate (LTIFR), occupational illness frequency rate (OIFR), and work-related fatalities cover the Sonova manufacturing centers in Switzerland, Vietnam and China. Gender-specific indicators are not considered relevant on an aggregated level. Sonova does not record health and safety statistics for contractors.



Investment in people

One year, three continents and lots of new experiences

Sonova has been offering its High Potential Program (HPP) as part of its staff development plan for over ten years. Léonie Fauvet, a young Frenchwoman, has participated in this training scheme for future managers. Personal development and international networking go hand in hand here.

Léonie Fauvet's hands fly across the keyboard of her computer as she uploads images, adds hashtags, and inserts links. This young woman with friendly brown eyes works in Sonova France's headquarters in a suburb of Lyons, where she is responsible for the Phonak brand's social media presence in the local market. As Digital Marketing Manager, she looks after channels such as YouTube, Facebook, LinkedIn, and a blog called "EcouteEtMoi". She really enjoys her work, especially as it gives her ample opportunity to act on her own initiative. "When I started working for Sonova four years ago, this role didn't exist at all. It has been newly created, so I can define a lot of it myself." The 27-year-old, who has a Master's degree in International Marketing, holds the purse strings for the budget and enjoys comparing notes with her social media colleagues in other countries as part of her work. Keeping an eye on synergy and cooperation is a particular interest, "but the content is often not a perfect fit for my market. I'm now pretty good at judging whether or not I can adopt existing content from other Phonak countries, and I make those decisions myself," she explains confidently. The young woman's independence is impressive – especially to her line managers, who put her forward for the HPP.

"The HPP Program is the flagship career development scheme we offer our staff," explains Claudio Bartesaghi, Sonova Group's Vice President Corporate Human Resources Management & Communications, who headed up the international professional development program for several years. "The slots on offer are very restricted, with 30 participants selected each year; we have something like three times as many applicants as places in every round," says Claudio Bartesaghi. A multi-stage selection procedure is used to whittle down candidates. "The selection criteria include the employee's performance over recent years and development potential as identified by their line manager." But this is not all – Sonova has adopted a broad-brush approach: "In addition to examining these various business functions, we take geographical considerations and gender balance into account when assigning places."



Léonie Fauvet

Léonie Fauvet managed to hold her own in the rigorous selection procedure and was the youngest of the 30 participants in 2018. But age is of only secondary importance as far as Sonova is concerned: “We’re more interested in asking what stage the employee has reached in their career. In her late 20s, Léonie brings digital marketing skills to the table that very few 45-year-olds are likely to possess.” The HPP lasts a whole year and involves workshops for which the participants are divided into five or six groups to complete interdisciplinary projects on topics set by the Management Board. Léonie’s group was tasked with evaluating customer service, and the team compared notes in regular Skype calls between meetings. As Léonie remembers: “We had a conference call every two weeks – but not until 7pm, because of the time difference. In my group, there were even participants from the US and New Zealand.” The workshops were held in Chicago, Ho Chi Minh City and Sonova’s headquarters in the Swiss town of Stäfa. Claudio Bartesaghi outlines the reasons for this approach: “With international requirements expanding all the time, we have distributed the training course across three continents, America, Asia, and Europe. This also allows participants to build up a network right across the group.”

Léonie, a sports enthusiast from the renowned wine region of Beaujolais, particularly enjoyed the trip to Vietnam: “We visited the production facility where our hearing aids are manufactured. The program gave me an entirely new and very comprehensive perspective on the market for hearing solutions, and on our company as a whole. I found it extremely valuable to meet staff from such a wide range of business segments,” she recounts with excitement. Her day-to-day work is now also benefiting from the experience and expertise acquired on the HPP.

Once the program has been completed, Sonova assesses the benefits each participant has gained from the course. Claudio Bartesaghi is very happy with the results: “All participants expand their network globally and describe the program as extremely practice-oriented and relevant to their day-to-day work. Moreover, at least two-thirds of participants climb the next rung of the career ladder within 18 months of completing the course.” Here, the HPP is making a significant contribution to Sonova’s objective of filling more vacant management and expert roles with recruits from its own ranks.

ONE YEAR, THREE CONTINENTS AND LOTS OF NEW EXPERIENCES

“The more talented staff members we can train in-house – and thus retain within the company – the better,” says Claudio Bartesaghi, adding “I’m also convinced that diverse teams will make better decisions and boost Sonova’s capacity for innovation.” This is why Sonova makes a special effort to recruit women and staff from a range of cultural backgrounds for management roles.



Commitments

Safeguarding the environment

Our commitment: We ensure eco-efficient practices across all our business activities.

Environmentally friendly practices

Commitment and policies

Sonova makes an explicit commitment to continuously promote and pursue environmentally friendly practices throughout the entire lifecycle of its products and across all its business activities. We set the priorities and provide the resources needed to reduce our environmental impact through responsible, efficient management of our buildings and infrastructure, processes, products, and services. Our environmental policy supports Sonova’s commitment to behave proactively and describes the company’s environmental performance management organization and responsibilities, along with their relevant environmental aspects and other management approaches.

Thanks to Sonova’s low risk exposure to environmental issues and its strict group-wide environmental management, no fines or non-monetary sanctions were levied against Sonova in 2018 (and in previous years) for noncompliance with environmental laws or regulations.

Environmental management systems

As part of continuous improvement in operations, Sonova has committed to establish ISO 14001-certified environmental management systems at all its key manufacturing and distribution centers; these require employees to make sound environmental decisions when designing, manufacturing, and servicing products. For non-manufacturing sites, Sonova has implemented an adapted environmental management system to ensure integration of environmental factors in decision-making and improvement in environmental performance. All key Sonova manufacturing and distribution centers are currently certified to the ISO 14001 standard:

- Sonova AG and Advanced Bionics AG (Stäfa, Switzerland)
- Phonak Communications AG (Murten, Switzerland)
- Sonova Operations Center Vietnam Co., Ltd. (Binh Duong, Vietnam)
- Sonova Hearing (Suzhou) Co., Ltd. (Suzhou, China)
- Sonova USA Inc. manufacturing and distribution centers (Warrenville/Aurora, USA)
- Advanced Bionics LLC (Valencia, USA)



Sonova and the United Nations Sustainable Development Goals (SDGs)

By safeguarding the environment, Sonova contributes to the SDGs 6, 7, 9, 12, and 13. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

GRI 307-1



[Sonova environmental policy](#)

Environmental targets

Sonova's environmental program sets clearly defined targets. We continuously monitor and optimize environmental objectives and performance across the Group. During the past financial year, we developed new environmental five-year targets with 2017 as the base year and 2022 as the target year. The five most important key environmental targets, current progress, and related UN Sustainable Development Goals (SDGs) are outlined in the table below.

Sonova 2022 key environmental targets

Goal	Key SDGs	2017 base year	2018 performance	2022 target
Energy and climate: Reduce greenhouse gas emissions ¹ per revenue by 30%	7, 9, 13	18.6 t CO ₂ eq per million CHF	16.4 t CO ₂ eq per million CHF (-11.7%)	13.0 t CO ₂ eq per million CHF (-30%)
Green procurement: Increase share of purchase volume from suppliers with certified environmental management system (EMS) to 75%	12, 13	52%	66%	75%
Materials: Zero ² substances of very high concern (SVHC) in Sonova products	12	1	3	0
Waste: Increase recycling rate to 60%	12	47%	53%	60%
Water: Reduce total water withdrawal per employee by 5%	6	18.2 m ³ /FTE	18.3 m ³ /FTE (+0.3%)	17.3 m ³ /FTE (-5%)

¹ Scope 1&2 + air-travel related Scope 3 emissions

² above the threshold level of 0.1% by weight according to REACH regulation

Most of the programs are on track to reach their targets and necessary measures have been initiated. More details on these are provided in the respective sections below.

Energy and climate

Commitment and approach

Climate change is one of the biggest challenges of our time: it requires prompt, effective action from governments, industries, and individuals. Sonova is committed to reducing its carbon footprint attributable to direct and indirect energy consumption, including energy used in transportation and distribution. The company's strategy requires a steady increase in the energy efficiency of its operations, integrating environmentally friendly energy purchase and generation, and optimizing transportation and distribution logistics. Sonova has set up implementation initiatives that concentrate on its most energy-intensive facilities, while considering other sites that show realistic potential for improvement. From a risk perspective, Sonova's business has a low exposure to climate change and hence anticipates no financial implications for the organization's activities from this source.

Climate change risks and opportunities

Sonova takes a systematic approach to managing corporate responsibility risks, both in its supply chain and in its own operations. Identifying and mitigating risks arising from climate change is an integral part of our strategic risk management process, and it is reviewed and assessed together with all other business risks.

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Climate change risks are not currently included in the Group Risk Map as they do not appear to be key risks, given of the nature of Sonova's goods and services. The company has not identified any significant climate change related regulatory, physical, or other risks to its business, including changes in emission limits, energy efficiency standards, carbon taxes, or carbon trading schemes.

At the same time, Sonova does not anticipate any current or future climate change related opportunities. The topic has only an indirect and limited influence on our business, e.g. in terms of production processes. Customer surveys show that the topic is not currently considered relevant to Sonova and therefore does not present a business opportunity.

Energy

In 2018, the total energy consumption of the Sonova Group from heating (fuel oil and natural gas), electricity, and vehicle fuels (diesel, gasoline, liquefied petroleum gas, liquefied natural gas, ethanol) amounted to 120,322 megawatt-hours (MWh). Of this total, 56,351 MWh can be attributed to the wholesale business and 63,971 MWh to the audiological care business. The wholesale business accounts for a higher proportion of electricity consumption because of the air conditioning systems necessary in operation centers in China, Vietnam and the US. On the other hand, the audiological care business accounts for a higher proportion of heating because of a stronger presence in Europe, where cold winters make heating more relevant.

Compared to 2017, total energy consumption fell by 4.4% despite an increase in electricity consumption due to higher production volume and growth in employee numbers. This was mainly thanks to higher fuel efficiency in Sonova's corporate car fleet and decreased heating consumption in the audiological care business.

Energy consumption

	2018		2017		2016
	Audiological care ¹	Wholesale	Audiological care ¹	Wholesale	Wholesale
Total	63,971	56,351	68,888	56,997	54,622
Heating	30,991	7,879	36,926	7,812	8,033
Electricity	20,769	35,405	18,688	34,465	30,629
Vehicle fuels	12,211	13,067	13,275	14,720	15,960

¹ extrapolation, only partial data available

Sonova is committed to increasing the share of renewable energy in its total energy budget. In line with our greenhouse gas reduction target, we have set the target of 100% green electricity for all key manufacturing and distribution centers. Across the company, our target is to increase the share of renewable energy to 20% of total energy consumption by 2022. In 2018, 10,618 MWh of electricity came from renewable sources (2017: 5,520 MWh). Of this, 542 MWh came from the 5,000-square meter solar panel system, activated in 2015, on the roofs of our manufacturing center in Suzhou, China. In total, we increased the share of renewable energy in total energy consumption in 2018 from 4% to 9%. The total non-renewable energy consumption in 2018 was 109,704 MWh.

GRI 302-1

4.4%

reduction of total energy consumption

Greenhouse gas emissions

Sonova aims to achieve by 2022 a 30% reduction of greenhouse gas (GHG) emissions in relation to revenues. The GHG total for our target comprises Scope 1, 2, and air-travel related Scope 3 emissions. In 2018, we reduced GHG emissions intensity by 11.7% from 18.6 to 16.4 metric tons of CO₂ equivalents (t CO₂eq) per million CHF revenues, keeping us well on track to achieve our long-term goal.

Sonova Group's absolute carbon footprint of Scope 1 and 2 emissions for 2018 amounted to 35,500 t CO₂eq, down by 8.3% from the previous year's emissions of 38,701 t CO₂eq. The main reason for the absolute reduction in Scope 1 and 2 GHG emissions is increased use of renewable electricity, as well as group-wide efforts to improve energy efficiency in our infrastructure and production processes. Sonova Group companies developed local carbon footprint reduction measures in line with the global environmental program, to help reach the 2022 environmental targets. Examples include improving building automation to optimize electricity use for heating, ventilation, and air conditioning at our operation centers in Vietnam, replacing IT infrastructure with more energy-efficient devices and improving building insulation at Boots Hearingcare in the United Kingdom, and replacing conventional lighting with LED technology in several Group companies.

Greenhouse gas (GHG) emissions – Scope 1+2

t CO₂ eq

	2018		2017		2016
	Audiological care ¹	Wholesale ²	Audiological care ¹	Wholesale ²	Wholesale
Total Scope 1+2	19,386	16,114	20,576	18,125	29,108
Scope 1	9,584	5,049	11,048	5,446	6,646
Scope 2	9,802	11,065	9,528	12,679	22,462

¹ extrapolation, only partial data available

² values not comparable to 2016, due to changes in emission factors and reporting scope in 2017

In 2018, we estimated Scope 3 emissions for three categories: upstream transportation and distribution (11,543 t CO₂eq), business travel (9,830 t CO₂eq), and employee commuting (21,558 t CO₂eq), which totals to 42,931 t CO₂eq of Scope 3 emissions.

Greenhouse gas (GHG) emissions – Scope 3

t CO₂ eq

	2018 ¹	2017
Total Scope 3	42,931	43,542
Upstream transportation and distribution	11,543	11,543
Business travel	9,830	10,441
Employee commuting	21,558	21,558

¹ Studies to gauge emissions from upstream transportation and distribution, as well as employee commuting, are not carried out every year; our estimates are based on values from the 2017 study and survey.

Total Scope 1, 2, and 3 absolute greenhouse gas emissions for 2018 amounted to 78,431 t CO₂eq, a reduction of 4.6% compared to the previous year (82,243 t CO₂eq). The majority of Sonova's GHG emissions are Scope 3 emissions (55%).

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

11.7%

reduction of greenhouse gas emissions per revenue

Business-related air travel

Sonova is a global company: business-related air travel is essential to maintain and improve operations, and to collaborate with internal and external stakeholders. However, we are committed to reduce our carbon emissions from business-related air travel by systematically using information and communications technology to substitute for air travel. In 2018, the carbon emissions from business-related air travel on a group-wide basis were 9,830 t CO₂eq, of which 29% originated from the flights of Sonova employees in Switzerland. This represents an absolute emission reduction of 5.9% compared to the previous year (2017: 10,441 t CO₂eq), reflecting the benefits of strict travel policies and increased use of web-conferencing tools.

5.9%

reduction of air travel-related greenhouse gas emissions compared to 2017

Corporate car fleet

Sonova also estimated the carbon footprint of its corporate car fleet in 2018. All vehicles purchased, leased, or rented by Sonova Group companies were taken into account. The estimated total carbon footprint of Sonova's corporate car fleet is around 6,645 t CO₂eq in 2018, which represents a reduction of 9.3% compared with 2017 emissions of 7,328 t CO₂eq. This decrease is mostly due to improved overall fuel efficiency in the Sonova car fleet.

Employee commuting

In 2017, Sonova conducted for the first time a worldwide survey to estimate its carbon footprint from employee commuting; this amounted to 21,558 t CO₂eq. The global survey is not carried out every year. Hence, for 2018, we base our carbon footprint calculations on the numbers from the 2017 survey results.

Because the availability of public transport differs across countries, Sonova's initiatives to promote environmentally friendly commuting are influenced by the local infrastructure. The headquarters in Stäfa established an integral mobility program which provides incentives to use public transport, accompanied by targeted awareness campaigns. This initiative increased the proportion of employees who commute using public transportation, by foot, or by bike from 40% to 60% over the last 10 years.



Sonova headquarters in Stäfa established an integral mobility program which provides incentives to use public transport, accompanied by targeted awareness campaigns.

Upstream transportation and distribution

In terms of product distribution, air freight is clearly the dominant contributor to Sonova's carbon footprint, accounting for around 98% of relevant CO₂ emissions. Based on a study conducted in 2017, the carbon emissions for the hearing instruments segment are estimated at 10,708 t CO₂eq in absolute terms and 7.2 kg CO₂eq per kg transported in relative terms. The equivalent carbon emissions for the cochlear implant segment were estimated at 835 t CO₂eq and 4.0 kg CO₂eq per kg transported, respectively. The study is not carried out every year, so total Scope 3 emissions for upstream transportation and distribution for 2018 are estimated at 11,543 t CO₂eq, based on the 2017 study results.

GRI 308-1

Green procurement

We insist on environmentally friendly business practices throughout our supply chain: we do not restrict our environmental standards to our own operations, but consider them equally crucial in selecting our suppliers. The Sonova Group Supplier Principles recommend that suppliers use the international ISO 14001 standard as the starting point and basis for their work.

All new suppliers are screened using environmental criteria. Our long-term target for 2022 is to increase the share of our purchase volume from suppliers with certified environmental management systems (EMS) to 75%. In 2018, we increased the share of our purchase volume coming from suppliers with certified EMS to 66% (2017: 52%). This assessment was made based on desk research as well as internal or external audits and visits.

66%

purchase volume from suppliers with certified environmental management systems

Materials

As a medical device manufacturer, the Sonova Group takes a proactive approach to evaluating materials in its products and components to assess environmental, health, or safety risks. Sonova may restrict substances because of customer or legal requirements, or because the company believes it is appropriate, based on a precautionary approach. Evaluating alternative materials is a continuous process, relevant to all stages of the production.

The main materials used in Sonova products are polymers (e.g. nylon, silicone, acrylonitrile-butadiene-styrene, acrylic polymers), metals (steel, titanium, tin), and semimetals (e.g. silicon). Sonova complies with the EU directive on Restriction of Hazardous Substances (RoHS 2015/863/EU), which governs the use of heavy metals and halogenated compounds in electrical and electronic equipment, and with the EU's regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH EC 1907/2006) for the safe manufacture and use of chemical substances throughout their lifecycle. Sonova's suppliers are also required to prove their compliance with the RoHS directive and the REACH regulation in their respective processes and supply chains.

In accordance with REACH regulation, Sonova continuously updates the list of substances of very high concern (SVHC) that may be present in its products above the regulatory threshold level of 0.1% by weight of the article. This list is made publicly available on the Phonak website. By the end of the 2018/19 financial year, there were three SVHC substances requiring communication in accordance with the REACH regulation: DEHP, 1,3-propanesultone, and lead titanium trioxide. It is our long-term target to have zero SVHC present in Sonova products above the 0.1% threshold level by 2022.

Other substances classified as hazardous – but excluded from the RoHS directive – include solder paste and wire, paint, organic solvents, oil emulsions, mineral oil, and water-based cleaning solution. Employees who work with chemicals and hazardous substances, or come into contact with them, are regularly trained in their safe handling.

GRI 306-2

Waste

For Sonova, dealing with materials sustainably means avoiding or reducing waste wherever possible, collecting recyclables separately and disposing of hazardous waste in environmentally compatible ways. Our long-term target for 2022 is to increase the recycling rate to 60%. Thanks to various initiatives in Group companies, such as improved waste separation and recycling systems, we were able to further increase our recycling rate from 47% in 2017 to 53% in 2018.

The volume of total waste increased by 7.7% in 2018, mostly due to an increase in production volume and number of employees. Solid waste sent to disposal, such as municipal solid waste or material left over from manufacturing processes, decreased by 3.3% to 995 metric tons (previous year: 1,030 metric tons). The share of recycling waste increased by 21.7% from 958 metric tons in 2017 to 1,165 metric tons in 2018. This reflects group-wide efforts to foster recycling.

Sonova complies with legal requirements to transport and dispose of hazardous waste solely through officially authorized disposal agents. The main categories of hazardous waste substances are solvents, oil emulsions, paints, adhesives, soldering paste, filters, petroleum, and washing fluids. The amount of hazardous waste decreased in 2018 by 28.1% from 56 to 40 metric tons.

53%

of total waste recycled

Waste

metric tons

	2018	2017	2016
Total	2,201	2,043	2,196
Non-hazardous	995	1,030	1,142
Hazardous	40	56	36
Recycling	1,165	958	1,018

GRI 303-1

Water

Sonova uses water provided by utilities primarily for sanitary services and kitchen and garden areas. Our manufacturing processes do not require significant amounts of water. In our environmental program we therefore mainly focus on conserving water in our office buildings, e.g. with low-volume water equipment in restrooms.

Sonova takes a systematic approach to managing ESG risks, both in its supply chain and in its own operations. Risks related to water are reviewed and assessed together with all other business risks. Water availability and quality risks are not currently included in the Group Risk Map, as we do not consider them key risks.

In 2018, water consumption at Group level increased by 6.1% from 132,505 cubic meters (m³) to 140,627 m³ in 2017. The sources of all water withdrawn are municipal water supplies or other public or private water utilities. The main reason for the increase in water consumption is the higher number of employees. Our 2022 target is to reduce the total water consumption per employee to 17.3 m³, which corresponds to a reduction of 5% compared to 2017. However, in 2018, relative water consumption slightly increased by 0.3% from 18.2 m³ to 18.3 m³ per employee. We will intensify measures to reverse this trend and bring us back on track to achieve our long-term target.

Sonova returns water to the sewage system without contamination. The company has experienced no spills from operating processes or other instances of water contamination.

Water use

m³

	2018	2017	2016
Total municipal water supply	140,627	132,505	133,972
Municipal water supply per FTE	18.3	18.2	20.1

Air emissions

Sonova has low atmospheric pollutant emissions from volatile organic compounds (VOCs) in paints and adhesives, in coatings, and for surface cleaning. Group-wide levels of VOCs evaporated to air decreased in 2018 by 11.1% from 4,655 liters to 4,137 liters due to improvements of production processes leading to a significant reduction of isopropanol used.

Sonova has experienced no spill-related atmospheric pollution. We have not used ozone-depleting chlorofluorocarbons (CFCs) in our production processes since 1992.

Volatile organic compounds (VOCs)

	2018	2017	2016
VOC liters	4,137	4,655	4,191

Life cycle perspective and circular economy

Sonova is committed to minimize the impact of its products and packaging on the environment and human health throughout the entire life cycle and to foster the transition toward a more circular economy. Our global environmental program covers the different stages of the product life cycle from product design, to procurement and manufacturing, packaging and distribution, consumer use, and end-of-life.

Product design

Sonova performs Life Cycle Assessments (LCA) as part of the product research and development phase. The aim is to reduce the use of hazardous substances, avoid other environmental risks, minimize consumption of resources, and design for recycling and easy end-of-life treatment.

Improving energy efficiency is an important aspect in the research and development phase of our products. For example, Phonak Audéo™ Marvel was launched in 2018/19: and it is powered by our new leading-edge technology, based on Sonova’s proprietary SWORD™ (Sonova Wireless One Radio Digital) Made For All wireless chip. SWORD is a low-voltage radio chip with the lowest power consumption of any hearing aid using Bluetooth®¹ Classic, and is the world’s first Bluetooth® Classic chip compatible with small hearing aid batteries.



In 2018, we introduced our first products based on the proprietary SWORD™ (Sonova Wireless One Radio Digital) chip, an ultra-low power chip.

1) The Bluetooth® word mark and logos are registered trademarks owned by the Bluetooth SIG, Inc.

Procurement and manufacturing

Sonova has been advancing the industrial use of 3D printing technology for many years: at the beginning of the millennium, Sonova was one of the first companies to start digitally producing custom shells for in-the-ear hearing aids and earpieces. Today, the company prints hundreds of thousands of custom-made products every year, such as the Virto™ B-Titanium, combining the strength and lightness of titanium with the versatility of 3D printing to produce the smallest custom instrument in the company’s history – and saving material with a shell that is twice as thin as traditional custom shells.

Packaging and distribution

We continuously strive to further reduce the waste we generate, and the carbon footprint of our packaging and transportation. Our current focus is the SLIM Packaging Project which aims to reduce considerably the packaging size and weight of selected hearing aids, along with the number of hard cases.

Consumer use

Since 2016, the Sonova brands Phonak, Unitron, and Hansaton have continuously expanded their portfolios of hearing aids with a built-in lithium-ion rechargeable battery. In 2018, Unitron introduced Moxi Jump R – Unitron’s first lithium-ion rechargeable Receiver-In-Canal hearing aid, which offers a full day of hearing on a single charge. Advanced Bionics also offers rechargeable battery options for cochlear implant sound processors. Our increasing focus on rechargeable hearing solutions helps us to reduce the use of disposable batteries.



Moxi Jump R – Unitron’s first lithium-ion rechargeable Receiver-In-Canal hearing aid

We also provide a broad range of repair and refurbishment services to lengthen the life cycle of our products and their components.

Product end-of-life

Sonova complies with the EU directive on Waste Electrical and Electronic Equipment (WEEE), which requires such equipment to be returned to the manufacturer for recycling or environmentally friendly disposal.

Sonova Group companies with retail activities offer battery collection programs, in which customers can bring the used hearing aid batteries back to the store or take home a box, collect their batteries and bring them back to the store for recycling. The batteries collected are forwarded and disposed of through officially authorized disposal agents. In 2018, a total of more than two metric tons of batteries were collected at different stores worldwide. One example is the battery collection initiative of Connect Hearing Canada, where customers can collect their used hearing aid batteries in “The Little Green Box” and return them to the clinic for recycling once the box is full.



At Connect Hearing Canada, customers can collect and return their used hearing aid batteries in “The Little Green Box”.

GRI 302-1, GRI 303-1, GRI 305-1, GRI 305-2, GRI 305-3, GRI 306-2

Environmental reporting and system boundaries

Sonova’s environmental data monitoring and reporting includes energy consumption, carbon footprint, materials, waste disposal, water consumption, and emissions of volatile organic compounds (VOC). The company reports and discusses environmental performance to the limits of the available data. Actual data was collected whenever feasible, and estimated if data collection was not feasible given the decentralized organizational structure of these businesses and their small, often rented facilities.

The tables above show environmental data from Sonova Group companies that operate as headquarters, manufacturing sites, wholesale distributors, and Group companies with retail activities only. Energy consumption, car fleet and air flight data are provided for all entities in the 2018 environmental data reporting. Waste, water and VOC emissions data were collected for all Group companies that operate as headquarters, key manufacturing and distribution centers, as well as larger wholesale distributors. For Group companies with only retail activities, waste, water and VOC emissions data are only monitored where feasible and not included in this report. Overall, the entities covered in the waste, water and VOC emissions data reporting account for 93.5% of Sonova’s employees (excluding employees of Group companies with only retail activities). Data for the AudioNova Group companies, acquired in September 2016, were included for the first time in the 2017 environmental reporting.

Sonova’s environmental management system monitors greenhouse gas emissions arising from its electricity, heating oil, and natural gas consumption. The company measures its carbon footprint using country-specific grid emission factors and, if available, specific emission factors provided by energy utilities. Scope 2 emissions were calculated using the ‘market-based’ approach in accordance with the Greenhouse Gas Protocol Scope 2 Guidance. When reported according to the ‘location-based’ approach, the Scope 2 emissions were 24,362 t CO₂eq. Sonova purchased 3,546 MWh as renewable energy certificates (RECs), which were accounted for under the market-based approach for Scope 2. The measurement methodology and reporting format for the carbon footprint are based on the standards and guidance of the Greenhouse Gas Protocol.

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Sonova differentiates between direct emissions (Scope 1) from sources such as burning natural gas, indirect emissions (Scope 2) from sources such as using electricity, and, starting in 2017, indirect emissions (Scope 3) from upstream transportation and distribution, business travel, and employee commuting. Since 2014, we have also investigated the environmental impact of our corporate car fleet – a further Scope 1 emission source. For the car fleet and air flight data, all Sonova Group companies were taken into account.

Sonova strives to be trustworthy and transparent with all its stakeholders; it therefore participates in the Carbon Disclosure Project (CDP). The results are publicly available and accessible on the CDP website. The CDP scoring level (Disclosure, Awareness, Management, Leadership) demonstrates a company's level of environmental stewardship, and actions and approaches in managing climate change. In 2018, Sonova has received a high score of A-, which is within the Leadership band.

A-

Leadership score in 2018 CDP
climate change ranking



[Climate Change 2018 CDP Score Report](#)



Governance

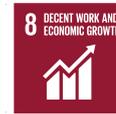
Corporate governance

Our shared values and beliefs of innovation, engagement and responsibility reflect the corporate governance that defines and unites us as a company across all brands and regions. Good corporate governance is essential for Sonova and we strive for high standards in this field.

Structure

At Sonova, corporate governance is based upon and structured to conform with relevant international standards and practices. The company fulfils its legal duties under the relevant articles of the Swiss Code of Obligations, the SIX Swiss Exchange Directive on Information Relating to Corporate Governance, and the standards defined in the Swiss Code of Best Practice for Corporate Governance. The present chapter describes the principles of corporate governance for the Sonova Group and provides background information with a special focus on environment, social and governance (ESG) issues. Additional information can be accessed at the Corporate Governance chapter of the Annual Report 2018/19 and at the corporate governance section of the Sonova website.

Sonova's corporate structure includes a two-tier board consisting of the Board of Directors and the Management Board. In accordance with the Sonova Organizational Regulations (OrgR), the Board appoints an Audit Committee and a Nomination and Compensation Committee. In all respects not mentioned in the OrgR, or unless the law or the Articles of Association stipulate otherwise, the policy document 'Delegation of Authority of Sonova Holding AG' provides the basis for delegating authorities within the different levels of management in the Group.



Sonova and the United Nations Sustainable Development Goals (SDGs)

By adhering to good corporate governance and strictly ethical business practices, Sonova contributes to the SDGs 8 and 16. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).



[Corporate Governance Report 2018/19](#)

[GRI 102-18, GRI 102-19](#)



[Sonova Organizational Regulations \(OrgR\)](#)

Composition of the highest governance body and its committees

The composition of the Board of Directors and its committees is described in detail in the relevant section of the Corporate Governance chapter of the Annual Report.

Diversity is a key topic in any discussion of board composition. The Board's aspiration is to have a diverse membership in all aspects, including nationality, gender, background and experience, age, tenure, viewpoints, interests, and technical and interpersonal skills.

The Articles of Association of Sonova Holding AG state that the Board of Directors must consist of a minimum of three and a maximum of nine members. The Board of Directors is chaired by Robert F. Spoerry and currently consists of nine non-executive members.

Nomination and selection for the highest governance body and its committees

The processes for determining the composition of the Board of Directors and its committees, as well as the division of responsibility between the Board of Directors and Management Board, are set out in detail in the company's OrgR and Committee Charters.

The members of the Board of Directors and of the Nomination and Compensation Committee of Sonova Holding AG are elected by the General Shareholders' Meeting for a term of office until completion of the next ordinary General Shareholders' Meeting. If a replacement is elected to the Board of Directors during a member's term, the newly elected member finishes the predecessor's term. The Audit Committee is elected by the Board of Directors according to Article 2 of the Committee Charters.

The members of the Management Board are proposed by the CEO and appointed by the Board of Directors upon the recommendation of the Nomination and Compensation Committee.

Article 4 of the OrgR governs how Sonova deals with potential conflicts of interest. Cross-board memberships of the Board of Directors and significant shareholders (holding more than 3% of shares) are disclosed in the Corporate Governance chapter of the Annual Report. Related party transactions, if any, are disclosed in the Annual Report under note 29 to the Group Consolidated Financial Statement.

Roles, policy, and strategy

The OrgR and the Committee Charters define the roles and the duties of the highest governance bodies.

The Board of Directors of Sonova Holding AG is responsible for the overall direction of the company, except in matters reserved by law to the General Shareholders' Meeting. It approves policy and strategy.

The CEO has the duty and authority to link the company's strategy with its operational management by preparing the corporate strategy documents, policies, and procedures for submission to the Board of Directors' review and approval. The Management Board supports the CEO in his responsibility to direct the company's operations by actively participating in directing, planning, and executing the business strategy.

GRI 102-18, GRI 102-22, GRI 102-23



[Corporate Governance Report 2018/19: Board of Directors](#)

GRI 102-24



[Sonova Committee Charters](#)



[Corporate Governance Report 2018/19: Management Board](#)

GRI 102-25

GRI 102-26

Competencies and performance evaluation

GRI 102-28

The Board of Directors conducts an annual self-assessment evaluating its efficiency, effectiveness, and internal cooperation. The purpose is to enhance the Board's understanding of the business and the company, evaluate and define its role, particularly in relation to management, and make best use of the human capital represented in the Board of Directors. More detailed information is available in the Corporate Governance Report.

GRI 102-21, GRI 102-29

Consultation between stakeholders and the highest governance body

Sonova actively engages with a broad range of stakeholders on economic, environmental and social topics as described in the "Stakeholder engagement" chapter of this report. Internal reporting procedures ensure consultation between stakeholders and the highest governance body on all topics deemed highly relevant.

Compensation and incentives

The Compensation Report is an integral part of the Annual Report and covers the compensation principles, system and key components, with a focus on the Board of Directors and Management Board as the governing bodies. Sonova complies with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Corporations, which amongst other things stipulates annual binding votes on the compensation of the Board of Directors and Management Board.



[Compensation Report 2018/19](#)

We are committed to equal pay for equal work and we are taking the necessary steps to ensure a fair compensation system. Thus, based on our grading and position management processes we are certainly committed to equal pay. We are also reviewing compensation in the context of the relevant local legal and regulatory equal pay requirements as they continue to evolve globally.

The variable cash compensation (VCC) of Sonova's executive members is based on financial KPIs on a group and business unit level and additionally reflects the achievement of individual objectives as defined in the annual performance review process. Individual objectives can also include non-financial targets (e.g. internal leadership recruitment rate, strategic initiatives).

Risk management

GRI 102-11, GRI 102-30

The Group has implemented an efficient system to identify and assess strategic, operational, financial, legal, reputational and compliance risks related to the Group's business activities. The risk management function categorizes risks by impact and likelihood and supports the Management Board in determining the measures necessary to address or mitigate them. In accordance with the Audit Committee Charter, the Audit Committee reviews the company's risk assessment prepared by Risk Management before it is presented to the Board of Directors. The Board of Directors approves the risk assessment and provides guidance from a strategic point of view. To continuously monitor key risks and their mitigation, Risk Management prepares risk status reports which are presented to the Audit Committee on an ad hoc basis. Currently, Sonova's Group Risk Map consists of 36 risks, of which 14 are designated as key risks.

ESG issues are an integrated part of Sonova's strategic risk management process. Human rights and environmental risks are evaluated in the regular risk assessment process together with all other business risks. Human rights and environmental risks are currently not considered key risks and are thus not included in the Group Risk Map.

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. Management is responsible for the control of business risks and for compliance with laws and regulations. The Head of Internal Audit & Risk reports to the Chairman of the Audit Committee. The Audit Committee approves the annual work plans of Internal Audit and ensures that the relevant Group companies are adequately reviewed according to their risk scoring. The Audit Committee also reviews and discusses the reports on completed audits submitted by Internal Audit. Internal Audit together with business controlling monitor the implementation by Group companies of any measures necessary to address findings from previous audits and regularly reports progress to the Audit Committee.

The Group has a comprehensive compliance program in place which is administered by the Head Group Compliance Program and overseen by the Group General Counsel. Quarterly compliance reports are provided to the Audit Committee and an annual compliance report is addressed to the Board of Directors.

Corporate responsibility organization

Our sustainability program aligns closely with our business strategy; its topics and their impacts, risks and opportunities as well as reporting are reviewed both at the highest management level and biannually at meetings of the Board of Directors.

The Corporate Responsibility (CR) function develops the sustainability program and provides expertise and advice to the management board on relevant topics. It implements the strategy approved by the management board and coordinates group-wide initiatives in close collaboration with experts from the CR network.

CR country champions represent one or all Sonova Group companies in a given territory and are responsible for gathering data and implementing CR initiatives locally. CR functional champions are linked to group-wide business functions; they report to the CR function on relevant functional issues.

GRI 102-18, GRI 102-19, GRI 102-20, GRI 102-26, GRI 102-27, GRI 102-29, GRI 102-31, GRI 102-32



CR Report 2018/19: Sustainability program

Association membership and external initiatives

GRI 102-12, GRI 102-13

Sonova actively participates in associations to share its specialist knowledge and to ensure highest quality standards for hearing instruments and cochlear implants.

We are a member of the European Hearing Instrument Manufacturing Association (EHIMA), the Hearing Instrument Manufacturers' Software Association (HIMSA), the Hearing Industries Association (HIA) and the Hearing Instrument Manufacturers' Patent Partnership (HIMPP). Arnd Kaldowski, CEO of the Sonova Group, is member of EHIMA's Board of Directors. Founded in 1985, EHIMA represents the six major European hearing instrument manufacturers.

In 2018/19, Sonova contributed around 450,000 CHF in membership fees to trade associations and non-commercial organizations. Amongst the largest contributions are membership fees and contributions to EHIMA, Bluetooth SIG, Inc., and IngCH Engineers Shape our Future.

Since 2016, Sonova is a signatory to the UN Global Compact, an initiative of the United Nations with a focus on corporate citizenship, dialogue with stakeholders, partnerships, and communication. Sonova is part of both the global and local Swiss networks of the UN Global Compact.



Governance

Ethics and integrity

Our reputation for ethical behavior and integrity is one of our most valuable assets. It is the result of our daily actions and an integral part of our endeavor to create sustainable value and success.

Values, principles, standards, and norms of behavior

Corporate values

Our shared core values shape the corporate culture that defines and unites us as a company across all brands and regions:

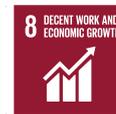
- Innovation
- Engagement
- Responsibility

Code of Conduct and internal regulations

Sonova’s commitment to compliance promotes ethical conduct at all levels of the organization. Compliance means that we follow the laws of each country in which we operate while also abiding by our own Code of Conduct and internal regulations.

Sonova’s Code of Conduct defines general principles for ethical behavior; it applies to all employees of the Sonova Group, its subsidiaries, and any contractors or vendors performing work for the Sonova Group or any of its subsidiaries. Written acknowledgment of the Code of Conduct is part of each new employment contract and inherent part of each supplier contract. The Code of Conduct is available in 15 languages. The Code of Conduct was prepared by the office of the Group General Counsel in consultation with relevant stakeholders and approved by the Board of Directors.

The entire workforce was trained on the Sonova Code of Conduct when it came into force; all new employees of the Sonova Group including its subsidiaries are trained on its principles as part of their initial orientation. Suppliers are regularly instructed to ensure that they adequately understand and are able to comply with the Sonova Code of Conduct. Sonova’s



Sonova and the United Nations Sustainable Development Goals (SDGs)

By adhering to good corporate governance and strictly ethical business practices, Sonova contributes to the SDGs 8 and 16. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

GRI 102-16



[Sonova Code of Conduct](#)

internal audit function performs independent performance assessments on ethical standards and reports these to the Audit Committee.

The principles of the Code of Conduct are further refined in various internal guidelines and policies, including – but not limited to – anti-bribery, interaction with healthcare professionals, competition law, trade compliance, and Swiss Stock Exchange reporting obligations. Non-compliance with the company’s Code of Conduct or Sonova’s internal policies and guidelines triggers disciplinary action, including – where appropriate – dismissal and prosecution.

Trainings

Our continuing efforts to help us live our values of ethical behavior and unquestionable integrity were further underpinned during the 2018/19 financial year with the following training programs rolled out to all employees worldwide:

- Global compliance training
- Anti-bribery training
- Data protection training
- Online security training
- Passwords and information technology devices training

Mechanisms for advice and concerns about ethics

Compliance program

GRI 102-17

Compliance is a shared responsibility at Sonova. Ultimate responsibility and oversight lie with the Board of Directors. The Management Board is expected to lead by example. Local Compliance Champions ensure implementation of the group compliance program within each group company.

During the 2018/19 financial year, Sonova continued to strengthen the Group compliance program, with a particular focus on the integration of our acquired businesses into our compliance culture, along with training sessions and process enhancements in ethics and anti-bribery compliance. The compliance program covers all employees, including part-time workers and contractors.

No fines or non-monetary sanctions for non-compliance with laws and regulations were levied against the company in the 2018/19 financial year.

GRI 416-2, GRI 419-1

Internal grievance procedures

Sonova maintains an internal compliance helpdesk for general questions and advice regarding Sonova Group policies as well as a compliance hotline, which enables employees around the world to call to voice concerns related to potential violations of the Code of Conduct. The hotline is operated by an independent, qualified, third-party service partner and allows employees to raise concerns anonymously. The compliance hotline covers all main languages and is available 24/7 to internal and external stakeholders.

In 2018/19, we intensified our efforts to support Code of Conduct compliance with an internal communication and training campaign, “Speak-Up!”, that was rolled out globally across the Sonova Group. The campaign included mandatory global compliance online training, which focused on the Sonova Code of Conduct and anti-bribery laws. We also established a new internal online platform as an additional channel to help employees understand Sonova’s Code of Conduct and to make it easy for everyone to report any violations. The “Speak-Up!” platform is available 24/7 in 15 languages.

All reports to the compliance hotline or “Speak Up!” online platform are forwarded to designated functions in the Sonova Group and followed up in a timely manner for further investigation and clarification. Reports are kept confidential to the greatest extent possible, and no complainant or witness will suffer retaliation because of a report made in good faith. The Audit Committee is updated quarterly on any concerns received through the hotline and the measures taken.

The requirements for conflict resolution, including e.g. the use of independent arbitration, are determined on a case by case basis.

Human rights and labor standards

Commitment and policies

Sonova respects and supports human rights, and not just in our business. This commitment is reflected in our Code of Conduct and Group Supplier Principles (SGSP) and embedded in the company culture. We believe in treating everyone with respect and fairness at all times. We value the varied experiences and backgrounds of individuals from around the world, different walks of life, and orientation. We are committed to conducting business in accordance with, and to aligning our codes and principles according to, internationally recognized standards of the United Nations (UN), the International Labor Organization (ILO), and the Organization for Economic Cooperation and Development (OECD).

Sonova is committed to ensuring that its operations and supply chain are free from modern slavery practices, including child labor, forced and bonded labor, and human trafficking.

As a sign of our commitment, Sonova became a signatory to the UN Global Compact in 2016, endorsing its ten principles in the areas of human rights, labor, the environment, and anti-corruption. All employees of the Sonova Group, as well as its business partners, are expected to comply with the Compact's principles.

Principles

Human rights as understood by the Sonova Group include the following principles:

- Ensuring that there are no children, forced, or illegal workers engaged at any point in our supply chain.
- Never tolerating harassment or discrimination on the basis of sex, race, color, religion, age, ethnic or national origin, marital/ parental status, or sexual orientation.
- Providing fair remuneration that ensures, for all employees and their families, a living wage and an existence with human dignity.
- Arranging the working time of our employees in full compliance with applicable law.
- Protecting the privacy of our employees, customers, and their patients.
- Ensuring that there are grievance mechanisms for employees and other parties to file complaints in a safe and, if desired, anonymous environment.
- Respecting the legal rights of employees to join or to refrain from joining worker organizations, including trade unions.
- Strengthening access to hearing care, including for those currently underserved by the healthcare system.

Human rights due diligence

Sonova takes a systematic approach to managing corporate responsibility risks, both in its supply chain and in its own operations. Identifying and mitigating human rights risk is an integral part of our strategic risk management process, and it is reviewed and assessed together with all other business risks. Human rights risks are not currently included in the Group Risk Map, as we do not consider them key risks.



[Sonova Group Supplier Principles \(SGSP\)](#)



[Sonova UK Modern Slavery Statement](#)

[GRI 412-1](#)

Sonova operates within a highly integrated business model: all manufacturing centers are owned by Sonova. Thanks to its ownership and financial control over its manufacturing sites, Sonova is able to enforce strong ethical business practices even in countries with higher risk of human rights concerns. Sonova’s local management teams and the corporate procurement team are permanently on the alert to prevent any breaches of such human rights principles as nondiscrimination, prevention of child and forced labor, or freedom of association and collective bargaining.

Assessments

In the 2018/19 financial year, no concerns were raised relating to human rights violations. Sonova’s internal audits and supplier assessments found no operations or supplier businesses in which the right to exercise freedom of association and collective bargaining may have been violated or put at significant risk. No operations or suppliers were identified as posing a significant risk for incidents of child labor, forced or compulsory labor, or illegal labor. As a consequence, no remediation or mitigation actions needed to be taken.

GRI 408-1, GRI 409-1

Training

In the 2018/19 financial year, Sonova rolled out a major global training program on its Code of Conduct for employees worldwide, as a reminder of the rights and obligations contained in it. The training also concerned aspects of human rights, such as nondiscrimination and nonharassment. As mentioned above, Sonova also launched the “Speak-Up!” campaign, opening additional reporting channels for employees to reporting concerns.

Anti-competitive behavior

Sonova’s Competition Law Policy describes the basic principles of fair competition in doing business. The existing Policy was updated in 2016/17 and rolled out globally to further strengthen employee awareness of competition law matters.

In the 2018/19 financial year, Sonova was not involved in any legal actions related to anti-competitive behavior or violations of anti-trust and monopoly legislation.

GRI 206-1

Corruption and bribery

Commitment, policies and guidelines

Sonova is committed to high standards of integrity in dealing with its business partners and to compliance with all applicable anti-bribery laws, including the Swiss Criminal Code, the UK Bribery Act, and the US Foreign Corrupt Practices Act. Sonova’s Anti-Bribery Policy was updated in 2018, refining the rules under the Code of Conduct and prohibiting all forms of corruption. The Policy, like the Code of Conduct, is available in 15 languages.

GRI 102-16, GRI 205-2



[Sonova Global Anti-Bribery Policy](#)

As a global healthcare company, we also recognize that many countries have specific regulations governing interactions with healthcare professionals. These impose further obligations which the company has translated into country-specific guidelines detailing what is permissible and what is not.

Key elements

Key elements of Sonova's Anti-Bribery Policy are:

GRI 415-1

- **Bribes:** As a matter of principle, Sonova avoids dealing with third parties known or reasonably expected to be paying bribes in any form. Potential bribery/corruption risks are therefore an integral component of our business partner due diligence, which is performed not only before entering a business relationship but also regularly thereafter, following a pre-defined process.
- **Direct or indirect political contributions:** As a general rule, Sonova does not make donations to political parties.
- **Charitable contributions and sponsorship:** Sonova, its employees, and representatives may make contributions to support charitable causes, subject to appropriate due diligence (including the amount contributed, and the nature and purpose of the charity's activities). Contributions should be made for bona fide purposes and only where permitted by local law.
- **Facilitation payments:** Sonova does not permit making facilitation payments.

Communication and training

The Anti-Bribery Policy has been communicated to all directors, managers, and employees worldwide. All Sonova business partners – such as distributors, consultants, or suppliers – must commit to complying with the principles underlying the Anti-Bribery Policy. The Sonova Group Supplier Principles also cover ethical standards, including compliance with all laws and regulations on bribery, corruption, and prohibited business practices. These have been communicated to all our suppliers.

During the 2018/19 financial year, Sonova intensified its communication and training efforts covering anti-corruption policies and procedures. The publication of the updated Anti-Bribery Policy was accompanied by related online training, which was mandatory for all Sonova directors, managers, and employees. Suppliers are regularly instructed to ensure that they adequately understand and are able to comply with the Sonova Code of Conduct and the Group Supplier Principles. Furthermore, bribery and corruption were key topics raised during the global "Speak-Up!" campaign.

Data protection and privacy

Sonova protects the confidentiality and integrity of the data it holds, including the data of employees and customers, by technical and organizational means. We adhere to applicable data protection laws and regulations. We closely monitor developments in data protection law and incorporate its principles into our business processes and product design. We continue evolving our data protection program to meet the changing demands of the digital environment.

Sonova issued a Group Data Protection Policy, effective June 1, 2018. The policy is complemented by standard operating procedures and guidelines that break down the various data protection and privacy topics and provide more detailed guidance.

The Sonova Data Protection Office developed a mandatory online Data Protection Global Training for all employees; they are trained, both on Sonova's Data Protection Policy and on the EU General Data Protection Regulation (GDPR) and data protection principles.

Responsible marketing and sales

Policies and guidelines

We adhere to strictly ethical sales and marketing practices in all our businesses. Sonova has issued worldwide guidelines to all its Group companies that explain its principles of responsible marketing. Their purpose is to ensure that all our marketing materials, as well as our interactions with customers, provide truthful, accurate, balanced, and non-misleading information, and to prevent inappropriate practices or false claims.

These guidelines are further supported by the worldwide Sonova Group Code of Conduct and the Anti-Bribery Policy. We have implemented refined country-specific codes of marketing and sales practices for Group companies in relevant markets.

Interactions with healthcare professionals

Sonova is committed to ethical interactions with healthcare professionals (HCPs). We interact with HCPs on a daily basis, in a variety of roles and settings. They include audiologists and acousticians, professors, surgeons, ear nose and throat specialists, or researchers. The following “Four-Leaf Clover Principles” govern our cooperation with healthcare professionals:

- we must strictly separate our sales activities from our engaging of healthcare professionals to provide legitimate services to the company;
- we must properly document their services to us;
- we must not pay them more than the fair market value of their services; and
- we must be transparent about our collaboration with them.

More detailed information on how we ensure ethical interactions with healthcare professionals is provided in the Sonova Global Anti-Bribery Policy as well as internal Standard Operating Procedures and country-specific guidelines for interactions with HCPs.

Advertising and marketing practices

To make certain that Sonova’s advertising messages to businesses and consumers are properly substantiated, we have established a claims management process and evidence database, maintained by the claims core team. Every claim has to go through a standardized review and approval process by a dedicated committee before being used. This forms an integral part of the end-to-end marketing process and follows formal guidelines on how to identify, substantiate, and administer a claim. The purpose is to ensure both compliance with regulatory requirements and a high quality of marketing communication.



[Overview Sonova Claims Management Process](#)

Continuous supplier management

Commitment, policies and guidelines

Our suppliers are an integral part of our international value chain: a risk to them is also a risk to our company and our customers. Sonova requires that all our suppliers be as committed to sustainable development as we are.

The Sonova Group Supplier Principles (SGSP) are based on a range of international standards, customer requirements, and industry characteristics. These principles are non-negotiable; they are the first basis of contact with possible suppliers. Once a supplier has been approved as a Sonova partner, the SGSP, the General Conditions of Purchase, as well as the Sonova Code of Conduct are incorporated into all development and supply agreements. All suppliers have to certify in written form that they will now and at all times in the future comply with these standards and principles in all of their Sonova-related dealings, activities,



[Sonova Group Supplier Principles \(SGSP\)](#)

products, and services. Sonova includes this certification in all supply agreements, and periodically requests suppliers to sign it again in confirmation. The Code of Conduct is available in 14 languages and the SGSP are available in English and German. Both documents are publicly available on the Sonova website.

The Supplier Principles require suppliers to put in place and maintain systems that ensure:

- healthy and safe working environments;
- respectful and dignified working conditions;
- environmentally friendly production; and
- legal and ethical behavior.

Identification of critical suppliers

In the 2018/19 financial year, we had 10 critical tier-1 and non-tier 1 suppliers. The items or materials we receive from critical suppliers have a direct impact on the performance of our products or come into direct contact with the skin of users. The main criteria for qualification as a critical supplier are related to dependency (critical components, technology, sustainability, quality, regulatory) but other factors, such as high volumes, are also considered. The classification of critical suppliers is carried out at the beginning of each new supplier relationship and is reviewed regularly.

Supplier risk evaluation and mitigation

The procurement department actively participates in the design and planning of Sonova products, solutions, and services. It makes sure from the earliest development stages that a risk assessment is performed for every component, based on the “Risk and Risk Mitigation Matrix” defined by the procurement department.

Sonova assesses all new suppliers on their management systems, including their compliance and management procedures, as well as on environmental, human rights, and labor practices. Our personnel audit and/or visit potential supplier sites and inspect their management capabilities – through employee interviews, document reviews, on-site inspections, and third-party information searches – to assess potential risks and identify opportunities for improvement. If deficiencies are found, we require the suppliers to take corrective and preventive actions before we begin any active business relationship. A candidate that fails to meet the requirements will not be accepted as a Sonova supplier.

GRI 308-1, GRI 414-1

Even after careful supplier selection, we maintain a continuous supplier management process. We annually assess supplier environmental, social, and governance (ESG) risks and identify the risk level for each supplier. We manage our suppliers based on their risk level, regularly risk-auditing supplier sites. If a problem occurs, we require the suppliers to take preventive and corrective measures, and follow up on their progress until the issue is resolved.

We are committed not to use any conflict materials for any product supply to Sonova. Since 2007, Sonova has been proactively asking suppliers to review their sources of materials and confirm the absence of conflict minerals.

Supplier visits and audits

GRI 308-2, GRI 414-2

In the 2018/19 financial year, three critical suppliers were audited by Sonova; a further three critical suppliers were certified or recertified by a notified body, and therefore needed no additional audit by Sonova. All critical suppliers have been visited within the last two years in a less formal manner than an audit and assessed on social and environmental impacts. The Group Supplier Principles were always an important topic during the visits.

ETHICS AND INTEGRITY

In 2018/19 we have not identified any critical tier-1 or non-tier 1 supplier as having significant actual or potential negative issues related to environmental issues, labor practices, or human rights matters. No suppliers, therefore, had to take corrective or preventive actions.

Examples of key performance indicators, targets and progress related to sustainable supply chain management until 2022/23 are the following:

- Share of new and existing tier-1 suppliers having signed the Sonova Group Supplier Principles (target 2022/23: 100%; performance 2018/19: 100%, 2017/18: 100%, 2016/17, 100%)
- Share of critical suppliers visited or audited at least once per business year (target 2022/23: 100%; performance 2018/19: 100%, 2017/18: 100%, 2016/17, 100%)
- Share of purchase volume coming from suppliers with certified environmental management systems (target 2022/23: 75%; performance 2018/19: 66%, 2017/18: 52%, 2016/17: 50%)

Long-term supplier collaboration

Sonova strives for long-term collaborations and long-term contracts with its suppliers. In the 2018/19 financial year, 83% of the total purchase volume came from suppliers with more than 10 years of business relationship with Sonova and 96% of the total purchase volume came from suppliers with more than 5 years of partnership.

Sonova also offers its suppliers financial support to buy necessary equipment and technology.

Taxes

Sonova is a Swiss-based multinational enterprise, with operations almost entirely headquartered in the canton of Zurich where the Group develops, manufactures, and distributes products marketed under multiple brands. Sonova operates in more than 100 countries and owns local wholesale and audiological care distribution subsidiaries in over 30 countries. With this business structure, Sonova's tax contribution encompasses various direct and indirect, corporate, and employee taxes, as well as customs duties, that make a significant contribution to societies around the world.

Tax strategy and policies

Sonova is committed to the highest level of tax compliance and directs its international flow of goods in line with all applicable tax regulations. Sonova's tax approach is fully compliant with the spirit as well as the letter of local tax laws and regulations, reporting and filing obligations in all countries of operation as well as in complete alignment with relevant international standards.

As laid down in Sonova's Code of Conduct, Sonova strives to attain the highest standards in complying with laws, rules, regulations, and reporting, filing, and disclosure requirements. This also applies to tax matters. The publicly available Sonova Tax Principles provide high level information on procedures and internal guidelines for tax compliance within the Sonova Group, that is for all legal entities that are majority-owned or otherwise controlled directly or indirectly by Sonova Holding AG.

Sonova's commitment to tax transparency and responsibility is further expressed in policies and processes, mostly for internal use only, that guide compliance with direct and indirect taxes, as well as transfer pricing.



[Sonova Group Tax Principles](#)

Approach towards taxation

Key elements of Sonova's approach towards taxation are:

- **Taxes follow the business:** Sonova is committed not to transfer value created to low tax jurisdictions. Sonova does not use non-business related offshore structures (so-called "tax havens"), nor does the Group allocate functions or risks to international structures purely for tax reasons. Sonova avoids the acquisition of non-business related offshore structures. An important step during the integration process for newly acquired companies is to unwind acquired tax schemes and bring the tax structure of the new business fully in line with Sonova's tax policy and BEPS (Base Erosion and Profit Shifting) principles.
- **Full compliance:** All taxes fully comply with the spirit and letter of local laws, regulations and are aligned with internationally recognized standards such as the OECD/BEPS and European guidelines. Sonova's complex cross-border operations and added value chains are subject to yearly reviews to align Sonova's Transfer Pricing Processes. Arm's length profit allocation within the added value chains is granted through yearly reviews in line with multiple benchmarking analysis. Inter-company transactions are regularly monitored to ensure complete alignment with international standards and Sonova's internal Transfer Pricing Processes.
- **Cooperation with tax authorities:** Sonova highly values open and proactive cooperation with tax administrations worldwide for any kind of tax matter, irrespective of the fact that Sonova has not entered Advanced Pricing Agreements (APAs). As part of our tax compliance policy, we continuously engage in constructive and transparent dialogue with tax authorities.

Organization and reporting

The responsibility for tax compliance lies with the Corporate Tax team, located in Switzerland, the US, and Germany. The team reports directly to the Group CFO. This function coordinates, educates, and supports local controllers in all Group companies to ensure that they achieve tax compliance in line with local and international laws, rules, regulations, reporting, filing and disclosures requirements as well as Sonova's standards and policies. A Master Transfer Pricing file is prepared, along with local files that are coordinated with the local organizations according to the OECD guideline Action 13 and Sonova's Transfer Pricing Processes.

Sonova has prepared an external Country-by-Country Report (CbCR) since 2016, and filed this voluntarily with the Swiss Federal Tax Administration in 2017. In 2018, the CbCR filed with the Swiss Federal Tax Administration was made available for automatic information exchange with the tax authorities worldwide, as foreseen by the BEPS initiative.

Information on earnings before tax, reported taxes, reported tax rate, cash taxes paid, and cash tax rate can be found in the Sonova Financial Report 2018/19. Sonova's tax rates might be lower than industry group averages because of group-wide net operating losses and net operating losses from previous periods in subsidiaries of acquired groups. Furthermore, Sonova is a Swiss-based multinational enterprise with large activities, substance, risks and assets in Switzerland, and the Swiss tax rate is lower than the global average tax rate. Cash tax paid is largely influenced by advanced as well as final adjustment payments.

Bioethics

As a manufacturer of medical devices, Sonova is required by regulatory authorities to demonstrate the biological safety of any product with body contact by complying with the international standard ISO 10993-1. According to this standard, animal tests need to be considered in biological safety evaluations; in some cases, they cannot be completely avoided.

Sonova also provides components of cochlear implants to cochlear implant research centers and universities, where these are tested on animals for basic research concerning e.g. safety, feasibility or efficacy of new technologies.

Sonova does not carry out any animal testing in-house and only works together with third parties. We are committed to the “Three Rs” principle – replacement, reduction, and refinement – to limit animal testing as far as possible:

Replacement

- We use non-animal testing methods (in particular testing with cell cultures) or chemical constituent testing in situations where these methods are accepted by the respective regulatory bodies and yield information as relevant as that obtained from in vivo models.
- We monitor the development and regulatory acceptance of new in vitro methods.

Reduction

- We apply strategies to reduce the number of animals used in testing.
- We use previously evaluated or historically established biologically safe materials whenever possible, by taking advantage of shared research between the different Sonova companies around the world. We strive to avoid completely any unnecessary or duplicated testing.
- We emphasize risk assessment to evaluate clearly any need for animal testing.

Refinement

- We select those test methods that minimize the distress caused to animals.
- We conduct all animal testing for biological safety evaluations through appropriately accredited testing laboratories. All tests are conducted according to recognized valid and current best laboratory and quality practices, such as the OECD Principles of Good Laboratory Practice.
- We conduct animal testing for research collaborations only through universities and research laboratories where experiments are reviewed, approved and overseen by the respective ethics committees.



CR report

Reporting profile

Reporting practice

Sonova reports in an annual cycle. The 2018/19 reporting period covers the financial year from April 1, 2018 to March 31, 2019. The most recent previous Annual Report and Corporate Social Responsibility Report were released on May 22, 2018.

[GRI 102-50](#), [GRI 102-51](#), [GRI 102-52](#)

The Sonova CR Report for 2018/19, when combined with the Business and Financial Report for 2018/19, complies with the Global Reporting Initiative (GRI) Standards and forms an integral part of Sonova’s UN Global Compact Communication on Progress. See our [GRI content index](#) for details on how the report content maps against the GRI Standards and UNGC principles. The index refers to the content of the online CR Report. Additional relevant information about economic performance and remuneration is provided in the Compensation Report, Governance Report, and Financial Review chapters of the Annual Report.



[Financial Report 2018/19](#)



[Business Report 2018/19](#)

Entities

The information and data provided relate to the entire Sonova Holding AG, including its Group companies, unless explicitly noted. Some environmental data stems from actual data collection, whereas other data of selected Group companies were only estimated. Whenever applicable, it is stated in the respective sections whether the data is measured or estimated.

[GRI 102-45](#), [GRI 102-1](#)

[GRI 102-1](#), [GRI 102-3](#), [GRI 102-4](#), [GRI 102-5](#), [GRI 102-7](#), [GRI 102-10](#)

Organizational profile

Sonova is a leading provider of innovative hearing care solutions. The group operates through its core business brands Phonak, Unitron, Hansaton, Advanced Bionics and AudioNova. Sonova offers its customers one of the most comprehensive product portfolios in the industry – from hearing instruments to cochlear implants to wireless communication solutions. Founded in 1947, the group is currently present in over 100 countries across the globe and has a workforce of over 14,000 dedicated employees. Across all businesses, and by supporting the Hear the World Foundation, Sonova pursues its vision of a world where everyone enjoys the delight of hearing and therefore lives a life without limitations.

REPORTING PROFILE

Sonova's market is worldwide. 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. We sustain our brands with six innovation centers and four operations sites in Switzerland, the United States, China, and Vietnam. Our sales and support presence is the widest in the industry: over 50 wholesale companies and more than 100 independent distributors. Our audiological service network has more than 3,500 locations in 18 key markets.

Sonova Holding AG is a Swiss public limited company. More detailed organizational and financial information, including a list of significant shareholders is provided in the 2018/19 Financial Report and Business Report.

Restatements and significant changes

There were no significant changes during 2018/19 in the scope, boundary, or measurement methods applied in the report, that would require a restatement of information provided in earlier Sonova CSR Reports.

[GRI 102-48, GRI 102-49](#)

Declaration and assurance

This report has been prepared in accordance with the GRI Standards: Core option.

[GRI 102-54](#)

PricewaterhouseCoopers AG has provided independent assurance on specific data outlined in the CR Report 2018/19. For more detail, see the Independent Assurance Report.



[Independent Assurance Report on the Sonova Corporate Responsibility Reporting 2018/19](#)

The compensation report, the consolidated financial statement, and the financial statement of Sonova Holding AG in the 2018/19 Annual Report have been audited by a statutory external auditor.

Contact

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[GRI 102-53](#)



Independent Assurance Report on the Sonova Corporate Responsibility Reporting 2018/19

To the Board of Directors of Sonova Holding AG, Stäfa.

We have been engaged to perform assurance procedures to provide limited assurance on the aspects of the 2018/19 Corporate Responsibility (CR) Reporting of Sonova Holding AG, Stäfa and its consolidated subsidiaries included in the 2018/19 CR Report.

Scope and subject matter

Our limited assurance engagement focused on the selected data and information disclosed in the CR Report of Sonova for the year ended on March 31, 2019:

- The indicator 'number of active granted patent and design rights owned by the Sonova Group as of March 2019' in the section 'Customer-focused solutions', the tables 'Internal leadership recruitment rate (ILRR)', 'Employee turnover rates', 'Employees by region', 'Employees by employment contract', 'New hire rate', 'Employees by gender', 'Employees by age', 'Women in management positions' in the section 'Investment in people', the tables 'Energy consumption', 'Greenhouse gas (GHG) emissions – Scope 1+2', 'Greenhouse gas (GHG) emissions – Scope 3', and the indicator 'purchase volume from suppliers with certified environmental management systems' in the section 'Safeguarding the environment' (CR indicators);
- The management of reporting processes with respect to the CR Report and the preparation of CR indicators as well as the related control environment in relation to data aggregation of CR indicators.

We have not carried out any work on data reported for prior reporting periods, nor have we performed work in respect of projections and targets.

Criteria

The management reporting processes with respect to the CR reporting and CR indicators were prepared by Sonova based on the internal policies and procedures as set forth in the following:

- the Sonova Group internal CR reporting guidelines based on the 'GRI Standards' published in October 2016 by the Global Reporting Initiative;
- the Sonova Group internal reporting manuals 'Environmental Reporting' dated 12th of December 2017 and 'HR KPI Calculation Factsheet'; and
- Procedures, by which the data for the CR indicators reporting is gathered, collected and aggregated internally.

Inherent limitations

The accuracy and completeness of CR indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with Sonova's internal guidelines, definitions and procedures on the CR reporting.

Sonova's responsibilities

The Board of Directors of Sonova Holding AG is responsible for both the subject matter and the criteria as well as for the selection, preparation and presentation of the selected data and information in accordance with the criteria. This responsibility includes the design, implementation and maintenance of related internal control relevant to this reporting process that is free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention to indicate that the identified CR information selected and contained in this report is not stated, in all material respects, in accordance with the reporting criteria.

We planned and performed our procedures in accordance with the International Standard on Assurance Engagements (ISAE 3000) (Revised) 'Assurance engagements other than audits or reviews of historical financial information', and, in respect of greenhouse gas emissions, with the International Standard on Assurance Engagements (ISAE 3410) 'Assurance Engagements on Greenhouse Gas Statements'. These standards require that we plan and perform the assurance engagement to obtain limited assurance on the identified sustainability information prepared, in all material aspects, in accordance with Sonova's internal policies and procedures.

A limited assurance engagement under ISAE 3000 (Revised) and ISAE 3410 is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement. The procedures selected depend on the assurance practitioner's judgement.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of work performed

Our assurance procedures included, amongst others, the following work:

- **Evaluation of the application of Group guidelines**
Reviewing the application of the Sonova Group internal CR reporting guidelines;
- **Site visit and management inquiry**
Remote site visit procedures at Advanced Bionics LLC in Valencia (USA). The selection was based on quantitative and qualitative criteria;
Interviewing personnel responsible for internal reporting and data collection at the site and at the Sonova Corporate level;
- **Assessment of the key figures**
Performing tests on a sample basis of evidence supporting selected CR indicators concerning completeness, accuracy, adequacy and consistency;
- **Review of documentation and analysis of relevant policies and principles**
Reviewing relevant documentation on a sample basis, including Sonova Group CR policies, management of reporting structures and documentation;
- **Assessment of the processes and data consolidation**
Reviewing the management reporting processes for CR reporting and assessing the consolidation process of data at Sonova Group level.

We have not conducted any work on data other than outlined in the subject matter as defined above. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusion.

Based on our work performed nothing has come to our attention causing us to believe that in all material respects:

- The CR indicators outlined in the scope and subject matter section and disclosed in the 2018/19 CR Report of Sonova Group are not stated in accordance with Sonova Group internal policies and procedures; and
- The management of reporting processes with respect to the CR Report and the preparation of CR indicators as well as the related control environment in relation to data aggregation of these key performance indicators are not functioning as designed.

PricewaterhouseCoopers AG



Marc Schmidli



Stephan Hirschi

Zurich, 17 May 2019



CR report

GRI content index

GRI content index



This is our **Communication on Progress** in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.

Disclosure	Description	UNGC	SDG	Reference	External assurance
GENERAL STANDARD DISCLOSURES					
1. Organizational profile					
102-1	Name of the organization			Reporting profile	No
102-2	Activities, brands, products, and services			Business report: Strategy and businesses	No
102-3	Location of headquarters			Reporting profile	No
102-4	Location of operations			Reporting profile	No
102-5	Ownership and legal form			Reporting profile	No
102-6	Markets served			Hearing care market and supply chain	No
102-7	Scale of the organization			Reporting profile	No
102-8	Information on employees and other workers	6	8	Investment in people	Yes
102-9	Supply chain			Hearing care market and supply chain	No
102-10	Significant changes to the organization and its supply chain			Reporting profile	No
102-11	Precautionary Principle or approach			Corporate governance	No
102-12	External initiatives			Corporate governance	No
102-13	Membership of associations			Corporate governance	No
2. Strategy					
102-14	Statement from senior decision-maker			Message from the CEO	No
3. Ethics and integrity					
102-16	Values, principles, standards, and norms of behavior	1	16	Ethics and integrity	No
102-17	Mechanisms for advice and concerns about ethics	1	16	Ethics and integrity	No

4. Governance

102-18	Governance structure			Corporate governance	No
102-19	Delegating authority			Corporate governance	No
102-20	Executive-level responsibility for economic, environmental, and social topics			Corporate governance	No
102-21	Consulting stakeholders on economic, environmental, and social topics		16	Corporate governance	No
102-22	Composition of the highest governance body and its committees		5, 16	Corporate governance	No
102-23	Chair of the highest governance body		16	Corporate governance	No
102-24	Nominating and selecting the highest governance body		5, 16	Corporate governance	No
102-25	Conflicts of interest		16	Corporate governance	No
102-26	Role of highest governance body in setting purpose, values, and strategy			Corporate governance	No
102-27	Collective knowledge of highest governance body		4	Corporate governance	No
102-28	Evaluating the highest governance body's performance			Corporate governance	No
102-29	Identifying and managing economic, environmental, and social impacts		16	Corporate governance	No
102-30	Effectiveness of risk management processes			Corporate governance	No
102-31	Review of economic, environmental, and social topics			Corporate governance	No
102-32	Highest governance body's role in sustainability reporting			Corporate governance	No
102-35	Remuneration policies			Business report: Compensation report	Yes
102-36	Process for determining remuneration			Business report: Compensation report	Yes
102-37	Stakeholders' involvement in remuneration		16	Business report: Compensation report	Yes

5. Stakeholder engagement

102-40	List of stakeholder groups			Stakeholder engagement	No
102-41	Collective bargaining agreements	3	8	Investment in people	No
102-42	Identifying and selecting stakeholders			Stakeholder engagement	No
102-43	Approach to stakeholder engagement			Stakeholder engagement	No
102-44	Key topics and concerns raised			Stakeholder engagement	No

6. Reporting practice

102-45	Entities included in the consolidated financial statements			Reporting profile	No
102-46	Defining report content and topic Boundaries			Sustainability program	No
102-47	List of material topics			Sustainability program	No
102-48	Restatements of information			Reporting profile	No
102-49	Changes in reporting			Reporting profile	No
102-50	Reporting period			Reporting profile	No
102-51	Date of most recent report			Reporting profile	No
102-52	Reporting cycle			Reporting profile	No
102-53	Contact point for questions regarding the report			Reporting profile	No
102-54	Claims of reporting in accordance with the GRI Standards			Reporting profile	No
102-55	GRI content index			GRI content index	No
102-56	External assurance			Assurance Report	No

SPECIFIC STANDARD DISCLOSURES

Customer-focused solutions					
103-1	Explanation of the material topic and its Boundary			Sustainability program	No
103-2	The management approach and its components			Sustainability program	No
103-3	Evaluation of the management approach			Sustainability program	No
416-1	Assessment of the health and safety impacts of product and service categories			Customer-focused solutions	No
Own indicator	New patent applications		3, 4, 9	Customer-focused solutions	No
Access to hearing care					
103-1	Explanation of the material topic and its Boundary			Sustainability program	No
103-2	The management approach and its components			Sustainability program	No
103-3	Evaluation of the management approach			Sustainability program	No
Own indicator	Employee volunteer work for the Hear the World Foundation		3, 4	Access to hearing care	No
Investment in people					
103-1	Explanation of the material topic and its Boundary			Sustainability program	No
103-2	The management approach and its components			Sustainability program	No
103-3	Evaluation of the management approach			Sustainability program	No
401-1	New employee hires and employee turnover	6	5, 8	Investment in people	Yes
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		8	Investment in people	No
404-3	Percentage of employees receiving regular performance and career development reviews	6	5, 8	Investment in people	No
405-1	Diversity of governance bodies and employees	1	5, 8	Investment in people	Yes
Safeguarding the environment					
103-1	Explanation of the material topic and its Boundary			Sustainability program	No
103-2	The management approach and its components			Sustainability program	No
103-3	Evaluation of the management approach			Sustainability program	No
302-1	Energy consumption within the organization	7, 8	7, 12, 13	Safeguarding the environment	Yes
303-1	Water withdrawal by source	7, 8	6	Safeguarding the environment	No
305-1	Direct (Scope 1) GHG emissions	7, 8	12, 13	Safeguarding the environment	Yes
305-2	Energy indirect (Scope 2) GHG emissions	7, 8	12, 13	Safeguarding the environment	Yes
305-3	Other indirect (Scope 3) GHG emissions	7, 8	12, 13	Safeguarding the environment	Yes
305-4	GHG emissions intensity	7, 8, 9	12, 13	Safeguarding the environment	Yes
306-2	Waste by type and disposal method	8	12, 13	Safeguarding the environment	No
307-1	Non-compliance with environmental laws and regulations	8		Safeguarding the environment	No

Governance, risk, and compliance management

103-1	Explanation of the material topic and its Boundary				Sustainability program	No
103-2	The management approach and its components				Sustainability program	No
103-3	Evaluation of the management approach				Sustainability program	No
205-2	Communication and training about anti-corruption policies and procedures	10	16		Ethics and integrity	No
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices				Ethics and integrity	No
308-1	New suppliers that were screened using environmental criteria	8			Ethics and integrity	No
308-2	Negative environmental impacts in the supply chain and actions taken	8			Ethics and integrity	No
408-1	Operations and suppliers at significant risk for incidents of child labor	4, 5	8, 16		Ethics and integrity	No
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4, 5	8		Ethics and integrity	No
412-1	Operations that have been subject to human rights reviews or impact assessments	1, 2			Ethics and integrity	No
414-1	New suppliers that were screened using social criteria	2	8, 16		Ethics and integrity	No
414-2	Negative social impacts in the supply chain and actions taken	2	8, 16		Ethics and integrity	No
415-1	Political contributions		16		Ethics and integrity	No
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services				Ethics and integrity	No
419-1	Non-compliance with laws and regulations in the social and economic area		16		Ethics and integrity	No

UNCG = UN Global Compact Principle
 AR = Annual Report
 SDG = UN Sustainable Development Goal
 All references refer to the 2016 version of the GRI Standards