

# Corporate Social Responsibility Report 2015/16



# Highlights

## Admission to FTSE4Good and Dow Jones Sustainability Index

*Thanks to its continuous improvement in sustainability, Sonova was admitted for the first time to the FTSE4GOOD Index. The company remains in the internationally recognized Dow Jones Sustainability Index, where it was able not only to improve its overall score from the previous year but also to achieve a higher ranking relative to its peers in the health care equipment & services sector.*

## Solid financial basis

*Sonova generated sales of CHF 2,071.9 million in 2015/16, an increase of 5.8% in local currencies or 1.8% in reported Swiss francs. Group EBITA increased by 1.4% in local currencies, but declined by 5.5% in reported Swiss francs to CHF 430.6 million, corresponding to a margin of 20.8%.*

## Meeting the needs of every customer

*Sonova offers its customers one of the most comprehensive product portfolios in the industry – from hearing aids to cochlear implants to wireless communications solutions. In 2015, studies with hearing care professionals showed that Sonova, through its Phonak and Unitron brands, is the preferred provider in North America, Europe, and the Asia Pacific region, with a high level of customer satisfaction.*

## High innovation rate and fast product introduction

*Sonova upholds its industry-leading position through its relentless commitment to innovation – exemplified by the fact that two-thirds of our hearing aids sales are consistently generated by products less than two years from launch. By maintaining our high level of investment in R&D we will continue to offer the broadest range of technologically advanced hearing solutions to our customers.*

## Bringing everyone the delight of hearing

*Since 2006, the Hear the World Foundation has been involved in over 70 projects on all five continents and has provided the chance of a better life for hundreds of people with hearing loss. In 2015/16 Sonova provided the Foundation with a total value of CHF 2.14 million in cash, in-kind-benefits and additional resources.*

## Developing talents and ensuring internal succession

*Appointing internally to key positions while retaining and developing skilled personnel helps to ensure that Sonova's specialist knowledge and intellectual property remain within the company, sustaining our competitive advantage. In 2015, we were able to fill 57% of our open leadership positions with Sonova employees.*

## Taking responsibility and protecting the environment

*Sonova believes that excellent environmental performance contributes to our competitive industry position and provides value for our all our stakeholders. Compared to the previous year, we were able to reduce the carbon emissions from our business flights by 10.2% thanks to a broad range of measures, such as new travel policies.*



## PHOTO REPORT

Sonova's CSR Report complements the focus on Germany in this year's Annual Report with photos illustrating our commitment to sustainable growth in the world's second-largest market for the hearing industry. See how Sonova creates new opportunities for all our stakeholders – and for our planet.



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# Table of content

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02	Message from the CEO
03	This is Sonova
05	Hearing care market and economic performance
08	Material aspects
10	Stakeholder engagement
13	Governance
15	Ethics and integrity
18	Product responsibility
20	Human capital
24	Hear the World Foundation
26	Environment
31	Report profile
32	GRI Content index

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## Front cover picture:

Product responsibility: Sonova takes into account the entire lifecycle of its solutions, from product design and development all the way through production, logistics, and the product's useful life – to eventual disposal.

# A message from the CEO



## Dear Reader

At Sonova, we take great pride in our employees around the world who make Sonova what it is today: the most comprehensive hearing care provider in the industry. As the global industry leader, we strive to have the best team, not just the best players. Every day, we address the exciting new opportunities that our work brings to us as a strong global team that is pulling in the same direction and leverages each other's strengths.

Together, we are determined to create a world where everyone enjoys the delight of hearing and lives a life without limitations. From this vision, two long-term goals are derived: To meet our customers' needs by developing innovative products and solutions, and to improve access to hearing care for millions of people.

As we work towards these goals, we're continuously seeking to better integrate our sustainability efforts into our daily actions.

Our ongoing efforts to further advance our corporate social responsibility continues to be recognized by a number of relevant organizations in the field. Sonova was admitted for the first time to the FTSE4GOOD Index. The company remains in the internationally recognized Dow Jones Sustainability Index, where we were able to improve our overall score from the previous year.

A key element of our corporate social responsibility activities continues to be the Hear the World Foundation, a Sonova Group initiative that places a special focus on projects that support children in need who have hearing loss.

In light of demographic changes, developing talent with the goal of ensuring internal succession is vital to sustainable success. Thanks to our professional leadership culture and proactive approach to employee retention, we were able to fill more than half of our open leadership positions with Sonova employees in 2015 and hence reach our long term target.

As part of our ongoing environmental management program, we continue to work on minimizing our ecological impact across all our business activities. I'm very pleased that we were able to reduce the carbon emissions from our business flights by 10.2% over the past year thanks to a broad range of measures, such as new travel policies.

We are committed to creating sustainable value for all our stakeholders – by providing access to hearing care for millions of people with hearing loss, by continuously innovating to offer the best solutions to our customers, by investing in the personal growth and development of our employees, and by applying environmentally friendly practices across all our business activities. I would like to thank all of our employees, customers, suppliers, business partners and shareholders for their support for and commitment to Sonova in 2015. We invite you to read this report to learn more about our commitment to sustainable practices and responsible products and services.

Lukas Braunschweiler, CEO

# This is Sonova

## The company and its brands

Since the foundation of our company in 1947, we have been on a mission to become the recognized innovation leader in the global hearing care market. We are committed to offering the most comprehensive product portfolio in the industry – from hearing aids to cochlear implants to wireless communications solutions – to treat all forms of hearing loss, mastering the most challenging hearing situations and thereby improving the quality of life.

Sonova Holding AG, headquartered in Stäfa, Switzerland, is a stock corporation under Swiss law and listed on the SIX Swiss Exchange. No other company belonging to the consolidated Sonova Group is listed on any stock exchange.

Our core business brands – Phonak, Unitron, Advanced Bionics, and Connect Hearing – cover the entire hearing spectrum. With a presence in over 90 countries, we combine global infrastructure and local roots.

Phonak is the world's leading innovative brand for hearing aids and wireless communications solutions individually tailored to each users' needs.

Unitron is built on strong, personal relationships with hearing care professionals, products that make a real difference in the lives of people with hearing loss, and exceptional customer experience.

Advanced Bionics develops cutting-edge cochlear implant technology designed to help children and adults with significant hearing loss enjoy clear, high-resolution sound and optimal speech understanding.

Connect Hearing is a fast-growing international service network of hearing care professionals providing state-of-the art audiological care.

Additionally, through our Hear the World Foundation, we support needy people with hearing loss and involve ourselves in prevention activities and provision of information.

Sonova's success stems not just from our products but our people, who come to work each day to develop, manufacture, and distribute solutions that push the limits of technology for the greatest impact. We believe that what sets us apart is our open-minded, international corporate culture and close relationships with employees, customers, and other stakeholders. To lead, we inspire for sustainable innovation, engage for winning teams, build for growing value and perform for superior results. Every voice matters at Sonova and we all share the same desire to transform lives.

## Sonova's vision to improve the quality of life

Very few of the over 15 % of the world's adults who are affected by hearing loss are treated for it. At Sonova, our vision is straightforward. We foster a world in which there is a solution to every hearing loss and all people equally enjoy the delight of hearing. The Sonova Group aims to be the most respected hearing care company in the world and as such has a social as well as a business goal. We help people hear the world by providing the most innovative technology, service-oriented dedication and by accepting responsibility for all of our actions. Today, Sonova is the broadest hearing care provider in the industry. Our brands Phonak, Unitron, Advanced Bionics and Connect Hearing create compelling new products and offer the optimal solution for every user, tailored to the individual's needs and provided by hearing care professionals in a wide range of personalized service channels.

We continuously improve our uniquely broad offering of products and solutions. Research and development remain a key strategic priority: We foster innovation by investing in R&D the equivalent of 7 to 8 % of sales each year – one of the highest investment levels in the industry. Our ability to share technology capabilities across hearing instrument and cochlear implant solutions offers a strong advantage in generating powerful, timely innovation.

Sonova is always working to further strengthen its distribution network, developing new channels and innovative business models to provide high quality hearing care services and treatment to currently underserved markets and populations.

On average, people wait seven years between noticing a hearing loss and taking action about it. By providing easy access to early diagnosis, Sonova is helping to speed up the process for people in need of a hearing solution. The business brands of the Sonova Group, as well as the Hear the World Foundation, offer free hearing test applications and online solutions that give more people access to treatment and lower the barriers to seeking help.

By establishing innovative, influential partnerships with global and local organizations in developing and developed countries, we help those who need us most to get access and benefit from our skills and services. Through combined efforts, we can amplify the impact we make, both in helping to prevent hearing loss and in treating it.



## Operations

**Hearing instruments:** This operating segment comprises the Group companies that design, develop, manufacture, distribute, and service hearing instruments and related products. Research and development is mainly based in Switzerland and Canada. Hearing instrument manufacturing is concentrated in three operations centers in Switzerland, China, and Vietnam. The Group's distribution channels in each country vary depending on its sales strategy and the market's characteristics.

**Cochlear implants:** This operating segment comprises the companies that design, develop, manufacture, distribute, and service cochlear implants and related products. The segment consists of Advanced Bionics and its related sales organizations, which provide cochlear implant systems; Sonova acquired Advanced Bionics on December 30, 2009. Advanced Bionics research and development activities are predominantly centered in the United States and Switzerland; production is based in the United States. Products are distributed through sales organizations in the individual markets.

## Supply chain

Sonova deals with around 430 suppliers to its hearing instruments segment, who deliver components for manufacturing and assembly, and around 120 direct material suppliers to the cochlear implant segment. In spending terms, 75 % of Sonova's purchase volume is located in the Asia / Pacific region, 9 % in Switzerland, 10 % in Europe ex Switzerland, 4.5 % in North America, and 1.5 % 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.

## Significant organization changes

On April 16, 2015 Sonova Holding AG announced that it has completed the acquisition of Hansaton Akustik GmbH, a Hamburg (Germany) based wholesale hearing aid company, following regulatory approvals.

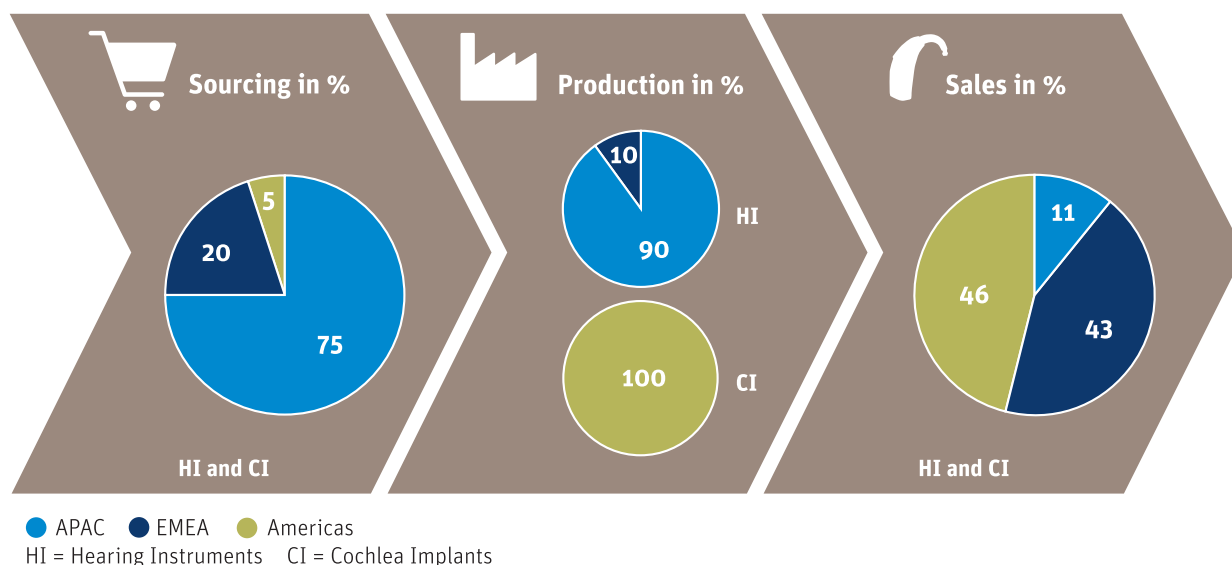
With effect of October 2, 2014 Sonova Holding AG acquired 100 % of the shares of Comfort Audio i Halmstad AB (Sweden). Comfort Audio is specialized in the development, manufacturing and distribution of assistive listening devices and employs around 90 staff, mainly in Sweden.

## Association membership

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), and the Hearing Instrument Manufacturers' Patent Partnership (HIMPP).

Lukas Braunschweiler, CEO of the Sonova Group, is the acting board vice president of EHIMA. Founded in 1985, EHIMA represents the six major European hearing instrument manufacturers.

## SONOVA SUPPLY CHAIN



# Hearing care market and economic performance

## 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) over 15 % of the world's adult population is affected by hearing loss. The number of people with hearing loss continues to rise, due both to the aging of populations in developed countries and to growing noise pollution in our environment. In addition, according to the UN children's fund Unicef, over 665,000 children are born with significant hearing loss each year.

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. Today's hearing technologies offer the opportunity to reduce this significantly.

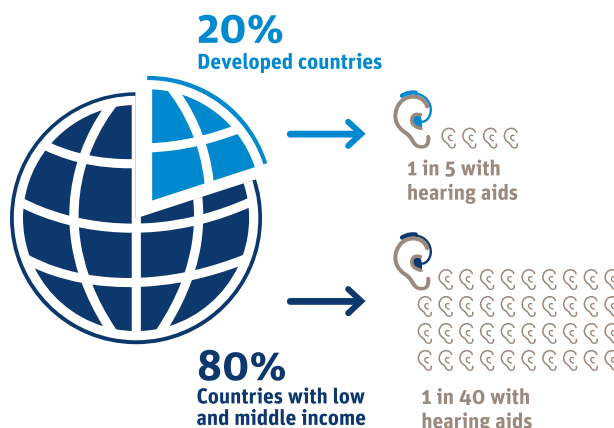
## Market opportunities

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 developing countries are expected to grow the most, even developed 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.

The overall rate of penetration for hearing technologies in developed countries is around 20 %. 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.

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

## MARKET PENETRATION



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 business strategy therefore calls for a strong focus on the potential of emerging 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. The market responds strongly to innovation and we see ample room there for further progress – in products, software, and services. 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.





The hearing aid market in Germany experienced double-digit growth in 2014 in the wake of a significant increase in reimbursement by health insurers in November 2013; unit sales for 2015 were also high, with some 1.2 million devices sold. The market potential remains substantial: up to 15 million Germans are estimated to be affected by hearing loss, yet only three million wear hearing aids.



### 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 emerging countries and for underprivileged social groups in developed 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 emerging 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 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.

### Solid financial results in the 2015/16 financial year

The Sonova Group achieved a solid performance in the 2015/16 financial year, reaching a record sales level despite the persistent strength of the Swiss franc. We also made excellent progress in delivering on our strategy of providing the industry's broadest and most innovative offering of hearing care products, solutions, and services.

Sonova Group sales in 2015/16 grew by 5.8% in local currencies to CHF 2,071.9 million. A less favorable currency environment reduced sales by CHF 80.5 million resulting in growth of 1.8% in reported Swiss francs. Organic growth was 2.2%, driven by the hearing instruments segment. Acquisitions made in the reporting period and the annualization of prior year acquisitions added another 3.5% to growth, which includes the acquisition of the Hansaton brand, effective April 2015, and the further expansion of the Group's retail network.

The EMEA region and the United States region represented 43% and 37% of Sonova's sales, respectively. The rest of the Americas excluding the US accounted for 9% of group-wide sales. The Asia/Pacific region represented 11% of Group sales and achieved exceptional sales growth of 13.3% in local currencies. Around 91% of global sales were generated by the hearing instruments segment, and 9% by the cochlear implants segment.

Group EBITA reached CHF 430.6 million, up 1.4% in local currencies but declining by 5.5% as reported due to the persistent strength of the Swiss franc. This corresponds to an EBITA margin of 20.8%. Thanks to continued strong cash generation, operating free cash flow reached CHF 344.2 million, resulting in a healthy balance sheet.

# Material aspects

## Materiality

At Sonova, material issues are those that create value for our internal and external stakeholders by avoiding potential risk, improving operational efficiency, or raising reputation. The materiality matrix below shows the business, social, and environmental topics that affect our business activities and therefore require our close attention.

## Identification

(G4 – 18)

As a medical technology company, Sonova already 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. Besides the generic GRI categories and sector disclosures, Sonova's sources for these topics include: peer reviews, public media, global standards reviews, customer and employee surveys, as well as stakeholder interviews. Topics with no relevance for Sonova or its stakeholders are not included.

## Prioritization

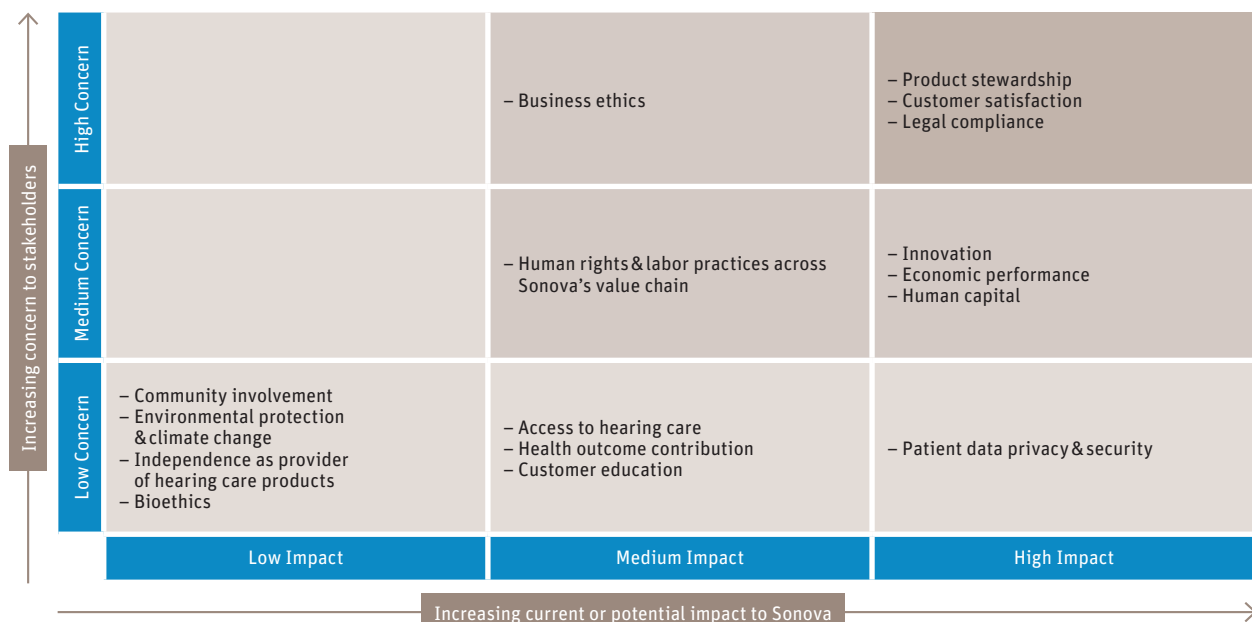
(G4 – 18, G4 – 27)

Sonova prioritizes its relevant topics on the basis of interviews with key personnel, management workshops, and expert advice.

Sonova holds management workshops to determine each topic's relevance to Sonova's economic, environmental, and social impact. The topics are assessed in terms of their potential to affect the company's ability to deliver on its vision and strategy – whether by affecting revenue and growth, costs, reputation, or compliance, in the short or long term.

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 increasing concern to stakeholders.

## MATERIALITY MATRIX



## Validation

(G4 – 18)

The CSR Steering Committee assesses all these material aspects for completeness and determines their significance to the organization's economic, environmental, and social impact. They are also assessed in terms of their scope, boundaries, and timing relative to the reporting period. The materiality matrix is then approved by the CSR Steering Committee – the most senior internal decision-making body for determining materiality. For the current reporting year, it was determined that the materiality matrix from 2014/15, shown on page 8, remains valid.

## Aspect boundaries

(G4 – 19, G4 – 20, G4 – 21)

These material aspects are defined by their relevance to the whole Sonova Group and are therefore assumed to be relevant to all or nearly all of the entities covered by this report. Sonova assigns each topic to its appropriate stage or stages of the value-creation process, from raw material supply to after-sales refurbishment or recycling. Where a topic's impact is material both to Sonova-controlled entities and to processes performed outside those entities, the relevant stages include: suppliers and transport, operations, delivery, sales, use, and refurbishing. Stages that are material to Sonova-controlled entities alone include: innovation, human capital, community involvement, and bioethics. Certain sub-topics of human rights and labor practices could be considered either as material to Sonova's operations or as material only to processes outside the company.

MATERIALITY MATRIX	GRI DISCLOSURES AND SUB-CATEGORIES / ASPECTS
Product stewardship	Customer health and safety
Customer satisfaction	Product and service labeling
Legal compliance	Compliance
Innovation	Strategy and analysis
Economic performance	Strategy and analysis, economic performance
Human capital	Employment, training and education
Business ethics	Ethics and integrity, procurement practices, anti-corruption, public policy, anti-competitive behavior
Human rights & labor practices across Sonova's value chain	Labor practices and decent work, human rights
Patient data privacy & security	Customer privacy
Access to hearing care	Strategy and analysis, indirect economic performance
Health outcome contribution	Strategy and analysis, indirect economic performance
Customer education	Customer health and safety
Community involvement	Local communities
Environmental protection & climate change	All GRI environmental aspects (except biodiversity and overall)
Independence as provider of hearing care products	Ethics and integrity, anti-competitive law
Bioethics	Product responsibility



# Stakeholder engagement

## Open Dialog

(G4 – 24, G4 – 25)

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. We understand 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 six key stakeholder groups: customers, employees, shareholders, suppliers, academia, and opinion leaders. Further stakeholder groups important to Sonova are: the financial community, media, regulators, insurers, and competitors. Sonova also maintains relationships with other stakeholder groups that have importance to its business.

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 assess our current stakeholders to define their specific interests in our activities and their influence over our decisions.

The key topics and concerns that have been raised through stakeholder engagement are product stewardship, customer satisfaction, and legal compliance. These topics and concerns are mainly raised by customers and regulators.

## Customers

(G4 – 26)

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 Hearing LikeMe.com and Advanced Bionics' Bionic Ear Association (BEA™). HearingLikeMe.com brings together people whose lives have been touched by hearing loss. Up to 15,000 visitors worldwide – those with hearing loss, as well as parents, spouses, and hearing care professionals – benefit monthly from the site's many educational and inspirational articles and videos. 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. Among other activities in 2015, the Pediatric Advisory Board provided a guideline for using Receiver In Canal devices with children eight years and older. Anticipating innovative features and technologies to be introduced in 2016, a group of clinical experts on the advisory board recommended default settings for children of all ages, based on the Desired Sensation Level fitting philosophy.

## Employees

(G4 – 26)


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

(G4 – 26)

Sonova has 18,698 registered shareholders, who together own around 70 % of the total shares. Shareholders' interests are represented by the Board of Directors, which sets and oversees the general direction of the company.



As soon as a product is approved, Advanced Bionics offers selected cochlear implant recipients the chance to test it. Christian Hartmann is happy to take part and gets to try out the new Phonak EasyCall. This accessory wirelessly transmits the voice signals from a cell phone call to the sound processors.





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 in the General Shareholders' Meeting.

### Suppliers

(G4 – 26)

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

(G4 – 26)

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 Swiss Federal Institutes of Technology (ETH) in Zurich and Lausanne, the University of Zurich, the University of Manchester (UK), the University of Cambridge (UK), the University of Oldenburg (Germany), RWTH Aachen (Germany), Vanderbilt University in Nashville (US), Northwestern University in Chicago (US), and the University of Western Ontario in Waterloo (Canada). We foster a close collaboration with these partners by offering support toward diploma theses for Master's or PhD students. We do not just sponsor studies financially, but participate in the actual work by closely collaborating on research projects.

We engage with opinion leaders in a variety of ways. For example, we hosted 100 audiology students at the 11<sup>th</sup> annual Phonak University held at the Phonak US headquarters in August of 2015. Guest faculty from around the country, along with Phonak management, took attendees through a full agenda of lecture topics, hands-on clinical workshops, and evidence-based case studies.

### Financial community

(G4 – 26)

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 and conferences. Sonova holds an Investor Day every year at its headquarters in Stäfa; this year's event attracted significant interest from the international investor community, with over 80 participants. We also hold regular exchanges with representatives from the social-responsibility investment segment and participate in assessments by sustainability index authorities.

### Media

(G4 – 26)

Sonova maintains a strong in-depth relationship with the media as part of its commitment to ensure transparency, dialog, and accountability for all of its activities.

Our media relations team works globally with top-tier media, general media, trade media, financial media, and the major wire services to ensure that we reach as many people as possible, creating awareness of hearing loss and of our business.

### Regulators

(G4 – 26)

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

(G4 – 26)

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 tendering procedures and offers its products and services to help insurers receive the best hearing value for their money.

### Competitors

(G4 – 26)

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.



# Governance

## 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 CSR issues. Additional information can be accessed 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.

## 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 Corporate Governance chapter of the Annual Report.

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 Organizational Regulations 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 pre-

decessor'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 are disclosed in the Annual Report under note 29 to the Group Consolidated Financial Statement.

## Roles, policy, and strategy

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

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

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

## Competencies and performance evaluation

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

## Consultation between stakeholders and the highest governance body

Sonova actively engages with a broad range of stakeholders 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.

### Remuneration and incentives

The Compensation Report is an integral part of the Annual Report and covers the remuneration policies for the highest governance body and senior executives. Sonova complies with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Corporations. This stipulates an annual binding vote on the compensation of executives and board members.

### Risk management

Risk management at Group level is an integral part of business practice and supports strategic decision-making. Risk assessment includes all our corporate functions, all our business segments, and all consolidated Group companies. This approach allows the Group to assess the full range of risk exposures from internal and external impacts and events: financial developments, operational processes, products, customers, management, and staff. We address our risk exposures through specific risk mitigating initiatives, frequent re-evaluations, communication, risk consolidation, and prioritization.

The Board of Directors and the Management Board own and manage the risks of the Group. The Board of Directors discusses and analyzes the Group's risks at least once a year at its strategy meeting.

The risk management function fulfils a consulting and assurance role by supporting Sonova management in identifying risks and risk mitigation measures, by monitoring the implementation of effective risk management practices, and by providing consolidated reports of risk-related information to the Management Board and the Board of Directors.

### Executive-level positions with responsibility for economic, environmental, and social topics

Overall responsibility for economic performance lies with the Management Board. Relevant environmental and social topics are supervised by the CFO, the Group Vice President Corporate Human Resources & Corporate Communications and the Group Vice President Operations.

The governing body for Sonova's CSR organization is the CSR Steering Committee, which consists of five members of the Management Board chaired by the CEO.

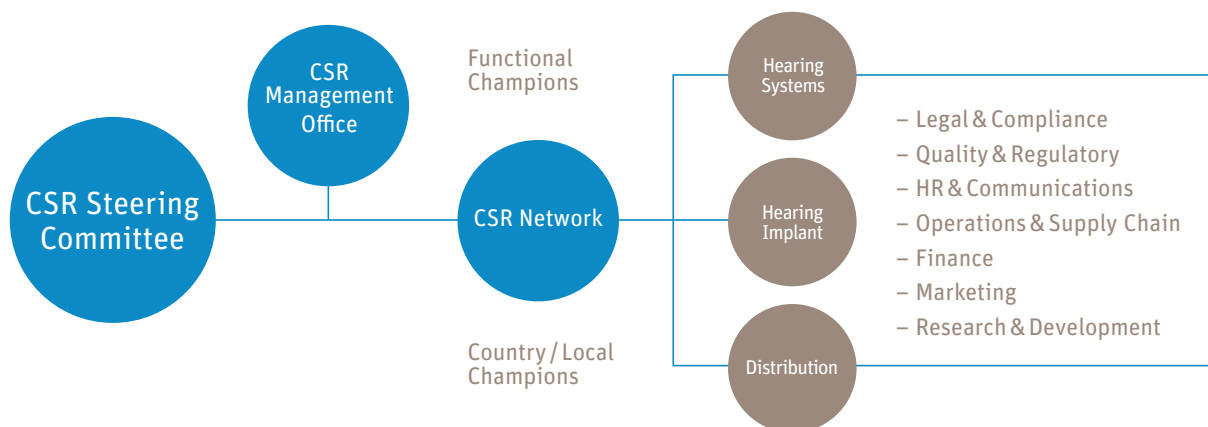
### CSR organization

The CSR Management Office provides expertise and advice to the CSR Steering Committee. It implements the strategy approved by the committee and coordinates group-wide initiatives in close collaboration with experts from the CSR network.

CSR country champions represent one or all Sonova group companies in a given territory and are responsible for gathering data and implementing CSR initiatives locally.

CSR functional champions are linked to group-wide business functions; they report to the CSR Management Office on relevant functional issues.

### CSR ORGANIZATION



# Ethics and integrity

## Values and principles

Our shared core values – innovation, engagement, and responsibility – shape the corporate culture that defines and unites us as a company across all brands and regions.

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.

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.

## 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. The Code of Conduct is available in 15 languages.

The entire workforce was trained on the Sonova Code of Conduct when it came into force; all new employees are trained on its principles as part of their initial orientation. Sonova's 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.

## Compliance program

Compliance is a shared responsibility at Sonova. Ultimate responsibility and oversight lies with the Board of Directors. The Management Board is expected to lead by example. The Group Compliance Manager is responsible for the planning and rollout of the group compliance program and coordinates local implementation with dedicated Compliance Champions across the Group.

During the 2015/16 financial year, Sonova continued to strengthen the Sonova Group compliance program. Focus was put on compliance training sessions and process enhancements on several compliance topics, e.g. by implementing further

training tools. Our continuing compliance efforts support us in living our values of ethical behavior and unquestionable integrity.

Reflecting Sonova's continued efforts in compliance assurance, no fines or non-monetary sanctions for non-compliance with laws and regulations were levied against the company in the 2015/16 financial year.

## Internal grievance procedures

Sonova maintains an internal compliance helpdesk for general questions and advice regarding Sonova Group policies. We also maintain a compliance hotline. This is operated by an independent, qualified service partner and allows employees to raise concerns anonymously. All reports to the compliance hotline are forwarded to the appropriate function in the Sonova Group and followed up in a timely manner for further investigation and clarification. The Audit Committee is updated quarterly on any concerns received through the hotline and the measures taken.

## Human rights

Sonova believes in treating everyone with respect and fairness at all times. We value the varied experience of diverse individuals from around the world. We are committed to conducting business 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). All employees within the Sonova Group, as well as its business partners, are expected to comply with these standards.

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

- Strengthening access to hearing care, including those currently underserved by the healthcare system.
- Protecting the privacy of our employees, customers, and their patients.
- Never tolerating harassment or discrimination on the basis of sex, race, color, religion, age, ethnic or national origin, marital/parental status, or sexual orientation.
- Respecting the legal rights of employees to join or to refrain from joining worker organizations, including trade unions.
- Ensuring that there are no child, forced, or illegal workers at any point in our supply chain.
- Ensuring that there are grievance mechanisms for employees and other parties to file complaints in a safe and anonymous environment.



Sonova operates within a highly integrated business model: all manufacturing centers are owned by Sonova Holding AG. 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 non-discrimination, child and forced labor, or freedom of association and collective bargaining.

In the 2015/16 financial year, Sonova's internal audits and supplier assessments did not identify any operations or supplier businesses in which the right to exercise freedom of association and collective bargaining may have been violated or at significant risk. No operations or suppliers were identified as posing a significant risk for incidents of child, forced, or illegal labor.

### Anti-corruption

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 refines the rules of the Code of Conduct and prohibits all forms of corruption. The Policy, like the Code of Conduct, is available in 15 languages.

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.

As a general rule, Sonova does not make donations to political parties. Sonova and its employees and representatives may make contributions to support charitable causes, subject to appropriate due diligence. Contributions should be made for bona fide purposes and only where permitted by local law.

The Anti-Bribery Policy has been communicated and taught to all governance body members and employees worldwide. The Sonova Group Supplier Principles (SGSP, see below) cover ethical standards such as compliance with all laws and regulations on bribery, corruption, and prohibited business practices. These have been communicated to all our suppliers.

Sonova performs an annual group-wide bribery/corruption risk assessment which takes into account Transparency International's Corruption Perceptions Index and internal indicators. Potential bribery/corruption risks are also an integral component of our business partner due diligence, which, depending on the business partner risk assessment, is performed not only before entering a business relationship but also regularly thereafter, following a pre-defined process.

### Anti-competitive behavior

Sonova's Competition Law Policy provides the basic principles for doing business based on fair and efficient competition. It specifies how to interact with competitors, customers, distributors, and suppliers in order to comply with competition law regulations.

In the 2015/16 financial year, Sonova has neither engaged in nor faced legal actions regarding anti-competitive behavior or violations of anti-trust and monopoly legislation.

### Data privacy

Sonova protects confidentiality and integrity of data, including the data of employees and customers, by technical and organizational means. We adhere to applicable data-protection regulations. We closely monitor developments in data protection law and incorporate its principles into our business processes and product design.

### Independence as provider of hearing care products

Retail has long been part of Sonova's overall strategy: the company selectively invests in its own service and retail network, thus contributing to the industry's shared effort to strengthen and expand the provision of professional audiological support, patient care, and services to a growing consumer base.

We are always seeking the best solution for our customers, and we are convinced that this strategy brings us closer to the end-user, improving services and helping to correct the current under-penetration in the retail market. Our aim is high quality services in all aspects of audiology.

This strategy has no significant impact on Sonova's wholesale partners. We treat all our wholesale customers at arm's length and provide our services to all our partners without discrimination. Audiologists and end-users deserve and demand a broad variety of choice, so it is not part of our general retail strategy to have single-brand stores. Even in centers where Sonova wholly owns both wholesale and retail operations, we will continue to offer multiple brands.

### Continuous supplier management

Suppliers are an integral part of our 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. Sonova's 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 is incorporated into all development and supply agreements. The SGSP requires 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.

In 2015 the Group Supplier Principles were revised and the updated version was published on the Sonova website. All existing suppliers were contacted to secure their agreement with the updated version of the principles and general conditions of purchase.

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 criteria. 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 supplier.

Even after careful supplier selection, we maintain a continuous supplier management process. We annually assess supplier CSR 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.

In the 2015/16 financial year, no significant actual or potential negative impacts related to environmental issues, labor practices, or human rights matters occurred in Sonova's supply chain.

### Taxes

Sonova Holding AG is registered in the Canton of Zurich; as a holding company, it is exempted from cantonal but not from federal income taxes. From its base in Switzerland, the Group develops, manufactures, and distributes in over 90 countries world-wide, including about 30 countries where Sonova owns distribution subsidiaries. Sonova maintains legal entities in those countries to host its local commercial distribution activities, thus ensuring that taxes are paid locally. The company annually verifies its locally-applicable tax rates to ensure that these are at least equal to those of comparable third-party distributors. The Sonova Group does not own off-shore companies.

### 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 10993-1:2009.

According to this standard, animal tests need to be considered in biological safety evaluations; in some cases, they cannot be completely avoided. However, we are committed to the "Three Rs" principle – replacement, reduction, and refinement – to limit such 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, e.g.:
- 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 cause the least distress to animals.
- We conduct all animal testing 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.

# Product responsibility

## 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 any other product regulations and controls 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 EN ISO 14971:2012 standard, which specifies the application of risk management to medical devices. All of our hearing instruments comply with the European Medical Device Directive 93/42/EEC and the international standard EN 60601-1:2006/A1:2013 (Medical electrical equipment – Part 1: General requirements for basic safety and essential performance). Cochlear implants must comply with the requirements of regional or country-specific directives, laws, and standards for active implantable medical devices. All of our operation centers and major group companies are certified according to the EN ISO 13485:2012/AC:2012 standard, which specifies the requirements for quality management systems in the design and manufacture of medical devices.

Supplementary technical certifications required by the EU's Radio and Telecommunications Terminal Equipment Directive R&TTE 1999/5/EC ensure that the wireless technology we use meets defined safety and performance requirements.

Each national health care authority has specific requirements for products that are offered in its market. In the US, hearing instruments are regulated by the United States Food and Drug Administration (FDA) Quality System Regulation, Title 21 CFR Part 820. Hearing instruments are classified as class I medical devices that can be launched without premarket approval (PMA), under an exemption in accordance with the 510(k) approval process. Wireless hearing aids are class II, exempted both from PMA and 510(k) requirements.

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.

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.

## Cochlear Implant Reliability Report


Advanced Bionics is firmly dedicated to Total System Reliability. All implant manufacturers report to the international ISO 5841-2:2014 standard on their product's reliability using the cumulative survival rate metric. The HiRes 90K™ Advantage implant remains the most durable in the industry, with a rate of 99.87% in the first year and 98.81% after two years. For more detailed information refer to the 'Advanced Bionics 2015 Cochlear Implant Reliability Report'.

## Product service and labeling

The majority of products from Sonova's brands are subject to information requirements listed under the harmonized standards for medical devices developed by recognized European standards organizations, US FDA Title 21 CFR Part 801.420, as well as various national requirements, such as instructions for use.





 Marcel Mandato concentrates as he looks through the microscope that reveals the minutest details of the stimulating electrode in a cochlear implant. He works at Advanced Bionics' European Research Center (ERC) in Hanover. The research center collaborates with over 30 universities and clinics across Europe.



# Human Capital

## Our employees are key to our success

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

Global trends such as demographic changes, 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 2015, we were able to fill 57 % of our open leadership positions with Sonova employees.

Our professional leadership culture, conscientious treatment of our workforce, and proactive approach to employee retention over the past years have combined to reduce our employee turnover to the very low level of 11.9 %. The average tenure of our managerial staff is 8.6 years, while the total average workforce tenure is 6.1 years. All in all, the low turnover rates and the high tenure figures confirm what is implied by our global employee satisfaction rate of above 80 %.

## EMPLOYEE TURNOVER RATES

(in percent)

	2015 / 16	2014 / 15	2013 / 14
Switzerland	10.3	5.2	8.8
EMEA (excl. Switzerland)	7.2	7.8	8.4
Americas	19.1	18.5	15.6
Asia / Pacific	9.0	11.5	9.6
<b>Total</b>	<b>11.9</b>	<b>12.2</b>	<b>10.2</b>

The employee turnover rate is the percentage of the total workforce (excluding fixed-term employees) leaving Sonova employment during the year; this includes continuing and discontinued operations

## Personnel figures

In the reporting year, the Sonova Group increased its workforce by a total of 6.97 % to 10,894 employees.

## EMPLOYEES BY REGION

Full time equivalent (end of period)

	2015 / 16	2014 / 15	2012 / 13
Switzerland	1,200	1,238	1,189
EMEA (excl. Switzerland)	3,452	2,919	2,531
Americas	3,622	3,585	3,451
Asia / Pacific	2,620	2,442	2,358
<b>Total</b>	<b>10,894</b>	<b>10,184</b>	<b>9,529</b>

Employee numbers do not show any seasonal or other temporary fluctuation

As part of its continuing strategy to further balance and optimize its global cost base and thus ensure competitiveness, Sonova has transferred part of its product assembly capacity from Stäfa, Switzerland to other existing centers in the UK and China, while keeping the production of strategically critical core components in Switzerland such as molding and hybrid manufacturing.

## Human resource organization

The majority of our employees are directly supported by a local human resources 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 according to 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 bench strength. 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. Around 5 % of Sonova's global workforce is covered by collective bargaining agreements.

## Career development

We offer a highly challenging and flexible working environment that inspires personal growth and professional development. By regularly reviewing the competencies, performance, potential, and career plans of our employees, we invest in the development of each individual's strengths. 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.



Sonova's flat hierarchies and attractive opportunities for career advancement are likewise a source of motivation, as is evidenced by the low staff turnover rate. The average period of employment at Sonova's German office near Stuttgart is about eight years.





The Sonova Academy is our group-wide education platform. In close collaboration with selected external partners (such as the University of St. Gallen or the 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. The structure of our Academy reflects the Group's global structure. International programs address themes that are relevant across national and organizational boundaries. The programs are available to participants from around the world and all Sonova business units. Regional programs, while sharing similar concepts, emphasize regional and brand-specific content.

In November 2015, Sonova conducted its first Senior Leadership Program delivered by INSEAD in Fontainebleau, France. The program is targeted at senior leaders across the Sonova Group, and aims to equip them with the strategic tools and approaches they need to drive change and shape the future of Sonova.

### Young talent wanted

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, on 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 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 technical apprenticeships. The number of our apprentices has doubled since 2013. By the summer of 2016, we will have reached our goal of 44 apprentices at our headquarters, three of whom have disabilities. The range of Sonova apprenticeships is highly diverse, offering training in eleven professions, from polymechanics and logistics to cooking. Since 2015, Sonova has also offered two apprenticeships in mediamatics: a new professional category drawing on a broad range of skills in the fields of informatics, graphic and web design, as well as business administration.

### Diversity and inclusion

Sonova is currently present in over 90 countries around the globe and has a workforce of 10,894 dedicated employees with a broad mix of experiences and backgrounds. We consider this diversity to be key to our success, since it represents our global customer base and fosters innovation. All facets of diversity are important to us at Sonova; we strive to create an environment where everyone – regardless of gender, language, age, ethnic origin, religion, or health status, – can contribute and realize their potential. Our commitment to diversity is recorded in our Code of Conduct and binding for all our employees.

Thanks to various family policy measures and a commitment to promote women whenever feasible, we are pleased to report that women now fill 39 % of our leadership positions. 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, as in our production center in Vietnam and in Stäfa, to help pay for day care.

Sonova 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.

#### EMPLOYMENT NUMBERS BY GENDER – WOMEN

As percentage of employees

	2015/16	2014/15	2013/14
Share of total workforce	63.5	63.0	61.3
Full-time employees	91.5	91.7	91.9
Permanent employees	96.9	97.1	98.0
Turnover rate	12.1	12.5	10.1

#### EMPLOYMENT NUMBERS BY GENDER – MEN

As percentage of employees

	2015/16	2014/15	2013/14
Share of total workforce	36.5	37.0	38.7
Full-time employees	97.3	96.8	97.7
Permanent employees	95.6	96.7	97.4
Turnover rate	11.3	11.6	10.4

**RATIO WOMEN IN LEADERSHIP POSITIONS**

As percentage of employees

	2015 / 16	2014 / 15	2013 / 14
Switzerland	21.6	23.5	21.3
EMEA (excl. Switzerland)	37.4	38.6	36.6
Americas	45.0	43.9	42.3
Asia / Pacific	47.1	44.0	44.3
<b>Total</b>	<b>39.0</b>	<b>38.8</b>	<b>37.2</b>

**RATIO WOMEN IN EXECUTIVE POSITIONS**

As percentage of employees

	2015 / 16	2014 / 15	2013 / 14
Switzerland	10.0	14.4	10.7
EMEA (excl. Switzerland)	21.2	23.8	25.2
Americas	34.4	34.9	27.8
Asia / Pacific	23.2	17.9	18.2
<b>Total</b>	<b>21.5</b>	<b>23.0</b>	<b>20.9</b>

The ratio of women in executive positions is based on those positions eligible for the Executive Equity Award Plan

**Employee wellbeing**

At Sonova, we foster an environment in which work is more than just a job with the three keys: purpose, achievement, and fulfillment – getting meaningful things done every day and enjoying doing them. We aim for a work structure and culture that fosters a good balance of family and work life for both men and women. We provide a wide range of employee benefits, such as flexible working hours, part time work, job sharing, and home office work.

Sonova group companies and operation centers take specific prevention and health promotion measures to help maintain and enhance each employee's capacity for productive and fulfilling work. In 2016, Sonova plans to launch its Body & Mind Initiative to align and support its various current prevention measures. This health initiative rests on three main pillars:

- Sound and well balanced nutrition;
- physical and mental harmony through exercise; and
- re-energizing through active relaxation.

Our group companies are responsible for implementing Body & Mind measures locally and for continuously refining programs in all three of its areas. As an example of best practice, our Advanced Bionics site in California has been designated as a Gold Fit-Friendly Worksite by the American Heart Association for the second year in a row.

**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 therefore investigate each incident to determine its cause and to take steps to prevent any reoccurrence. Our low exposure to health and safety risk is reflected in the figures for this financial year. Any incident which requires external medical health care is considered as a work-related injury and is reported in the table below. In general, such 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. The injury rate (IR), which covers the Sonova headquarters in Stäfa and the manufacturing sites in Asia, is at the very low level of 0.43.

**INJURY AND LOST DAY RATE**

	2015 / 16	2014 / 15	2013 / 14
Injury rate (IR)	0.43	0.68	0.31
Lost day rate (LDR)	1.45	2.95	0.20

The injury rate equals the total number of injuries / total hours worked x 200,000

The lost day rate equals the total number of lost days / total hours worked x 200,000



# The Hear the World Foundation

## The Foundation

Despite the revolutionary advances made in treating hearing loss, it remains a neglected problem worldwide. Around one-sixth of the world's adult population is affected by hearing loss, while 32 million children live with moderate to profound hearing loss. The problem is not lack of solutions, but of access and resources: the vast majority of people with hearing loss live in low or middle-income countries, with little or no access to hearing care. As few as one in 40 people with hearing loss in developing countries has a hearing aid.

As a leading hearing system manufacturer, Sonova sees a social responsibility to give support to needy people with hearing loss, to help prevent hearing loss, and to provide information. The Hear the World Foundation, a Sonova Group initiative, is committed to promoting equal opportunities and quality of life for people with hearing loss all over the world and hence contributes actively towards Sonova's vision to create a world in which everyone enjoys the delight of hearing.

The Foundation's special focus is on:

- Children: providing audiological care for children in low-income countries;
- Parents: supporting self-help groups for parents;
- Prevention of hearing loss: promoting global awareness of hearing and hearing loss; and
- Professional training: enabling audiological training for local professionals.

Since 2006, Hear the World has been involved in over 70 projects on all five continents and has provided the chance of a better life for thousands of people with hearing loss. Sonova bears all of the Foundation's administration costs to ensure that 100 percent of all donations go directly to the projects. The total value of cash, in-kind benefits, professional expertise as well as resources required for the governance, management and administration of the Foundation provided by Sonova Group to the Hear the World Foundation in 2015/16 was CHF 2.14 million.

## Special focus on children

According to the World Health Organization (WHO), 32 million children worldwide are affected by disabling hearing loss. The majority of them live in low- to middle-income countries and often lack any access to audiological or medical care. The consequences are severe, as children who cannot hear well have difficulty learning to speak, which restricts their chance of social integration and of receiving an education and developing at an appropriate rate for their age. Untreated hearing loss also is often associated with academic underachievement, which can lead to lower job performance and fewer employment opportunities later in life. Early identification and, if possible,

prevention of hearing loss is therefore essential. Through the support of various projects, Hear the World gives children the chance to start life at their full potential and develop at an appropriate rate for their age.

## Taking every opportunity to prevent hearing loss

Causes of hearing loss vary greatly between countries with high income levels and those with lower incomes, and the foundation's projects are therefore equally wide-ranging. In countries with low incomes, childhood diseases, viral diseases, chronic otitis media or incorrect dosages of medication are the main factors behind the development of hearing impairments. Addressing these problems is the mission of organizations like All Ears Cambodia, supported by the Foundation, which has built five clinics in ten years in this medically underserved country. Since August 2015, a laboratory funded by Hear the World at the All Ears Cambodia clinic in Siem Reap has been using state-of-the-art technology to manufacture ear plugs for hearing protection against water and noise and ear molds for hearing aids. Thanks to this laboratory, 2,800 plugs and molds can be manufactured each year.

In high-income countries, the main cause for hearing loss is noise. Hear the World actively supports hearing loss prevention through WHO's International World Hearing Day and similar awareness-raising initiatives. The Foundation also conducts its own awareness campaign at concerts in Switzerland, providing free earplugs to concertgoers and educating them about the risks of over-loud music.

## Employee involvement

Employees of the Sonova Group actively support the Hear the World Foundation. By volunteering their time and specialist expertise, they make a vital positive difference in Foundation projects all over the world, sharing the latest knowhow in hearing care technology with the people who need it most. Other employees make a difference through their active participation in fundraising events.

During the 2015/16 financial year, 510 Sonova employees volunteered the equivalent of 610 days to the Hear the World Foundation. Thanks to different fundraising activities of Sonova employees worldwide, the Foundation was able to supply new hearing aids to 50 children in Iran.

Three Sonova employees are invited to join the Hear the World Foundation Advisory Board for a term of two years each. Their role is to represent Sonova's workforce in the Foundation, as well as to provide the Foundation with the benefit of their specific personal expertise.

For more information, visit <http://www.hear-the-world.com>



Although she has only been wearing them for a month, two-year-old Hasmik has already made enormous progress with her Phonak Naída™ hearing aids. She is benefiting from a partnership between the Arabkir Hospital in Yerevan, the Armenian capital, and the Children's Hospital Zurich, that is supported by the Hear the World Foundation.



# Environment

## Environmentally friendly practices

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. The 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.

Sonova's environmental program sets clearly defined targets, of which the three most important are: a 10 % reduction from 2013/14 levels of production-related carbon emissions intensity by 2018/19, a 10 % reduction from 2013/14 levels of air travel-related carbon emissions intensity by 2018/19, and ensuring that 100 % of key suppliers are rated as having a qualified environmental management system in place by 2018/19. We continuously monitor and optimize environmental objectives and performance across the Group.

As part of this 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. The following Sonova facilities are currently certified to the ISO 14001 standard: Phonak AG (Stäfa and Murten, Switzerland), Advanced Bionics AG (Stäfa, Switzerland), Advanced Bionics LLC (Valencia, USA), Phonak Operation Center Vietnam Co., Ltd (Binh Duong, Vietnam), and Unitron Hearing (Suzhou) Co., Ltd (Suzhou, China). Phonak LLC manufacturing and distribution centers in Warrenville/Aurora (USA) are planned to achieve this certification in May 2016.

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. In 2015, 91.9 % of key suppliers were rated as having a qualified environmental management system in place compliant with ISO 14001 or other recognized standards.

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 2015 (or in previous years) for noncompliance with environmental laws or regulations.

## 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. The company reports and discusses environmental performance to the limits of the available data.

The tables on the next pages show environmental data from Sonova Group companies that operate as headquarters, manufacturing sites, or wholesale distributors, excluding Group companies with retail activities only. Scope 1 and Scope 2 energy consumption for Group companies with retail activities only, along with other environmental performance figures, is monitored only where feasible, given the decentralized organizational structure of these businesses and their small, often rented, facilities. It is not included in this report.

Overall, the entities covered in the environmental data reporting – that is, those with consistent reporting in the last three years – account for 95.5 % (2014: 92.6 %) of Sonova's employees (excluding employees of Group companies with retail activities only).

Sonova's environmental management system monitors the greenhouse gas emissions due to 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. The measurement methodology and reporting format for the carbon footprint are based on the standards and guidance of the Greenhouse Gas Protocol.

Sonova differentiates between direct emissions (Scope 1) from sources such as burning natural gas, and indirect emissions (Scope 2) from sources such as using electricity. Since 2014, we have also investigated the environmental impact of our corporate car fleet – a further Scope 1 emission source. Scope 3 emissions from business-related air travel activities are reported, along with emissions resulting from transportation and distribution of products.

Sonova strives to be trustworthy and transparent with all its stakeholders; it therefore participates in the Carbon Disclosure Project. In 2015, the company was able to increase its already high 2014 disclosure score of 90 to 93, out of a maximum of



Sonova has grouped all kinds of hearing-related expertise together at its facility near Stuttgart, where the Sonova brands Phonak, Unitron and Advanced Bionics are united under one roof, covering a total area of over 3800 square meters. Forty percent of the site's power stems from renewable sources of energy.



100 points. The disclosure score reflects the comprehensiveness of a participating company's response in terms of the depth and breadth of its answers.

### Climate protection and energy reduction

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 the carbon footprint attributable to its 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 has no financial implications for the organization's activities.

In 2015, total energy consumption at Sonova Group decreased from the previous year by 7.9 % to 34,883 megawatt-hours (MWh), due mostly to reduced electricity consumption at the headquarters in Stäfa, Switzerland and heating-related energy savings at Advanced Bionics LLC in Valencia, California. Despite the decrease in absolute energy consumption at Group level, Sonova Group's absolute carbon footprint grew by 2.6 % to 22,426 tonnes of CO<sub>2</sub> equivalents (t CO<sub>2</sub>eq). This increase stems from the Scope 2 emissions and is largely explained by increased electricity consumption due to a greater number of employees and increased production volume at the operation centers in China and Vietnam. The transfer of manufacturing functions from the headquarters in Switzerland to the UK and China resulted in a net drop of 371 t CO<sub>2</sub>eq in Stäfa, but this was not sufficient to offset the negative effects in China and Vietnam. In the upcoming years, a 5,000 square meter solar panel system, which has been put into operation in Suzhou, China, will help us reduce the CO<sub>2</sub> footprint by substituting solar power for coal-derived electricity. In 2015, the new photovoltaic system has produced 466,000 kWh of green energy.

As mentioned above, Sonova aims to achieve a 10 % reduction from 2013/14 levels of production-related carbon emissions intensity by 2018/19. One example of how we try to achieve this goal comes from the operation center in Suzhou, China, which uses innovative technology to increase energy efficiency: 28 newly-installed devices in the air-conditioning system reclaim condensate water and blow it in a fine spray onto the condenser fins, thus increasing their cooling efficiency. Thanks to this measure, the electricity consumption of the air conditioning system can be reduced by 20 %, saving 270 MWh of energy per year. Despite our efforts to improve energy efficiency in our infrastructure and production processes, the company recorded a higher CO<sub>2</sub>eq emission value per unit produced, up 13.7 % from the previous year.

### Monitoring transportation and distribution

Sonova is a global company: business-related air travel is essential to maintain and improve operations, and to collaborate with internal and external stakeholders. We estimate, however, that we could reduce our carbon emissions by at least 10 % by systematically using information and communications technology to substitute for air travel. In 2015, estimated carbon emissions from business-related air travel activities on a group-wide basis were 9,132 t CO<sub>2</sub>eq, of which 34 % originated from the flights of Sonova employees in Switzerland. Thanks to the implementation of new travel policies, carbon emissions from business flights were reduced in absolute terms by 10.2 % compared to the previous year. Carbon emission intensity (expressed as t CO<sub>2</sub>eq / million CHF sales) decreased by 10.7 %.

Sonova also estimated the carbon footprint of its corporate car fleet in 2015. 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 4,126 tonnes per year. The average carbon emissions per single vehicle were evaluated at 146 grams CO<sub>2</sub>/km. In the future, Sonova aims to further reduce the carbon footprint of its corporate car fleet and to achieve average carbon emissions of 140 grams CO<sub>2</sub>/km.

### ENERGY CONSUMPTION

In MWh

	2015	2014	2013
Heating	7,708	10,067	10,565
Electricity	26,875	27,566	26,051
<b>Total</b>	<b>34,883</b>	<b>37,633</b>	<b>36,616</b>

### GREENHOUSE GAS (GHG) EMISSIONS – SCOPE 1 & 2

In t CO<sub>2</sub>eq

	2015	2014	2013
Scope 1	1,559	1,998	2,102
Scope 2	20,866	19,855	18,700
<b>Total</b>	<b>22,426</b>	<b>21,853</b>	<b>20,802</b>

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 from 40 % to 60 % over the last 10 years.

In terms of product distribution, air freight is clearly the dominant contributor to Sonova's carbon footprint, accounting for around 97 % of relevant CO<sub>2</sub> emissions. Based on a study conducted in 2014, the carbon emissions for the hearing instruments segment are estimated at 7,000 t CO<sub>2</sub>eq in absolute terms and 0.85 kg CO<sub>2</sub>eq per tonne-kilometer in relative terms; distribution from Group companies to retail shops was not taken into account. The equivalent carbon emissions for the cochlear implant segment were around 1,100 t CO<sub>2</sub>eq and 0.98 kg CO<sub>2</sub>eq per tonne-kilometer, respectively. The data analyzed for the cochlear implant segment cover around 80 % of the total carbon footprint (in t CO<sub>2</sub>eq) from transporting and distributing products, including distribution from Group companies to clinics.

### 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), which governs the use of heavy metals and halogenated compounds, and with the EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation for the safe manufacture and use of chemical substances. Sonova's suppliers are also required to prove their compliance with RoHS and REACH regulations in their respective processes and supply chains.

In accordance with REACH Regulation, Phonak continuously updates the list of substances of very high concern (SVHC) that may be present in its products above the 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 2015/16 financial year, DEHP was the only substance remaining on this list.

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.

### 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. Thanks to various initiatives in Group companies, Sonova was able to increase the recycling rate by 224 tonnes to 42 %. There was a slight increase, to 1,122 tonnes, in the volume of solid waste sent to disposal, such as municipal solid waste or material left over from manufacturing processes.

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. Despite an increase in group-wide production volume in 2015, the amount of hazardous waste remained steady at 33 tonnes.

### WASTE

In metric tons

	2015	2014	2013
Non-hazardous	1,122	1,093	1,024
Hazardous	33	33	49
Recycling	834	609	627
<b>Total</b>	<b>1,989</b>	<b>1,736</b>	<b>1,701</b>

### Product Stewardship

Sonova performs a Life Cycle Assessment (LCA) as part of each product's 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. In 2015 the company conducted a comparative LCA of two of its hearing aids: Phonak Audéo™ V, which uses disposable zinc-air batteries and another hearing instrument, which comes with a built-in rechargeable Lithium-ion battery. For the Phonak Audéo™ V, the use phase has the highest impact, due to the associated consumption of disposable batteries. In case of the rechargeable hearing instrument, it is the production phase, due to its associated electricity consumption.

Sonova's technology development aims to build improved energy efficiency into each new product. Phonak's next generation Venture technology platform uses new chip technology to offer twice the processing power while reducing battery consumption by up to 30 %. Advanced Bionics' HiRes™ Optima Sound Processing delivers optimized battery life with the same performance as its patented HiRes Fidelity 120 processing. Cochlear implant recipients using this new technology find a 55 % average improvement in battery 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. We provide a broad range of repair and refurbishment services to lengthen the life cycle of the products and their components.

Several Group companies also offer a battery collection program, in which customers take home the box, collect their hearing aid batteries and bring them back to the store for recycling. The batteries collected are forwarded and disposed of through officially authorized disposal agents. Thanks to such an initiative, Connect Hearing Canada for instance was able to collect almost half a tonne of batteries in 2015.

### 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 VOC evaporated to air decreased in 2015 by 13.3% to 3,893 liters.

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

### 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 water equipment in restrooms. Due to drought conditions in California and the mandated water reduction program, water consumption at the Advanced Bionics headquarters in Valencia dropped by 30%. Despite this, water consumption at Group level increased slightly by 0.2% to 124,451 cubic meters. Relative water consumption remained the same, however, at 18.8 m<sup>3</sup> per employee. 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 WITHDRAWAL

In m<sup>3</sup>

	2015	2014	2013
Municipal water supply	124,451	124,162	108,651

#### VOLATILE ORGANIC COMPOUND

In liters

	2015	2014	2013
VOC	3,893	4,493	3,642

# Reporting profile

## Report

The Sonova CSR Report for 2015/16, when combined with the Annual Report for 2015/16, complies with the G4.O version of the Global Reporting Initiative (GRI) guidelines. Sonova reports in an annual cycle: the most recent previous Annual Report and Corporate Social Responsibility Report were released on May 19, 2015. The 2015/16 reporting period covers the financial year from April 1, 2015 to March 31, 2016.

The GRI Content index on the next page refers to the content of the CSR 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.

## Entities

### (G4 – 17)

The information and data provided relate to the entire Sonova Holding AG Group, including its group companies, unless explicitly noted. Some environmental data are limited to those Sonova Group companies that operate as headquarters, manufacturing sites, or wholesale distributors; group companies restricted to retail activities are, by necessity, partly excluded. Whenever applicable, the exclusion of these group companies is stated in the respective sections.

## Restatements and significant changes

### (G4 – 22, G4 – 23)

Significant organization changes during the 2015/16 financial year are reported on page 4. There were no significant changes during 2015/16 in the scope, boundary, or measurement methods applied in the report. Nothing significant has arisen during 2015/16 that would require a restatement of information provided in earlier Sonova CSR Reports.

## Declaration and assurance

The report has successfully completed review by the GRI Materiality Disclosures Service on the 'in accordance' option 'core'. External assurance for the 2015/16 CSR Report has not been conducted, due to cost-benefit considerations.

The compensation report, the consolidated financial statement, and the financial statement of Sonova Holding AG in the 2015/16 Annual Report have been audited by a statutory external auditor.

## Contact

Sonova Holding AG  
Laubisrütistrasse 28  
8712 Stäfa  
Switzerland

Phone +41 58 928 33 33  
www.sonova.com

## Corporate Social Responsibility Report

Mevina Caviezel  
Manager Corporate Sustainability  
Email [csr@sonova.com](mailto:csr@sonova.com)

## Annual Report

Thomas Bernhardsgrütter  
Director Investor Relations  
Email [ir@sonova.com](mailto:ir@sonova.com)

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## GRI CONTENT INDEX

GRI Index	Profile disclosure	Reference CSR Report	External assurance
<b>Strategy and analysis</b>			
G4-1	Message from the CEO	2	No
G4-2	Key impacts, risks and opportunities	5 – 7	No
<b>Organizational profile</b>			
G4-3	Name of the organization	3	No
G4-4	Primary brands	3	No
G4-5	Location of organizations headquarters	3	No
G4-6	Number of countries where the organization operates	3 – 4	No
G4-7	Nature of ownership and legal form	3	No
G4-8	Markets served	4, 10	No
G4-9	Scale of the reporting organization	4, 20	No
G4-10	Employment	20	No
G4-11	Coverage collective bargaining agreements	20	No
G4-12	Organization's supply chain	4	No
G4-13	Significant changes during the reporting period	4	No
G4-14	Precautionary approach or principle	2, 14, 18, 26	No
G4-15	External charters, principles, and initiatives	16, 26	No
G4-16	Membership of organizations	4	No
<b>Identified material aspects and boundaries</b>			
G4-17	Entities included	31	No
G4-18	Process for defining the report content and aspect boundaries	8 – 9	No
G4-19 – 21	Aspects identified, boundaries inside and outside the organization	9	No
G4-22 – 23	Restatements and significant changes	31	No
<b>Stakeholder engagement</b>			
G4-24 – 26	List of stakeholder groups, identification, engagement approach	10	No
G4-27	Key topics and concerns	8	No
<b>Report profile</b>			
G4-28 – 31	Report profile	31	No
<b>GRI content index</b>			
G4-32	GRI content index	32 – 33	No
<b>Assurance</b>			
G4-33	Assurance	31	No
<b>Governance structure and composition</b>			
G4-34 – 41	Governance structure and composition	13	No
<b>Highest governance body's role in setting purpose, value, and strategy</b>			
G4-42	Highest governance body's and senior executives' roles	14	No
G4-43 – 47	Competencies and performance evaluation / risk management	14	No
<b>Highest governance body's role in sustainability reporting</b>			
G4-48	Highest committee or position	9	No
<b>Remuneration and incentives</b>			
G4-51 – 53	Remuneration and incentives	14	Yes (AR 73)
<b>Ethics and integrity</b>			
G4-56 – 58	Ethics and integrity	15 – 17	No

## GRI CONTENT INDEX

GRI Index	Performance indicators	Reference	External assurance
<b>Economic</b>			
G4-EC1, 3	Economic performance	7	Yes (AR 127)
G4-EC8	Indirect economic impacts	5	No
G4-EC9	Procurement practices	4, 15 – 17	No
<b>Environmental</b>			
G4-EN3 – 4, 6 – 7	Energy	28 – 29	No
G4-EN8 – 9	Water	30	No
G4-EN15 – 19, 20 – 21	Emissions	28 – 30	No
G4-EN23 – 24	Effluents and waste	29	No
G4-EN29	Compliance	26	No
G4-EN30	Transport	28 – 29	No
G4-EN32 – 33	Supplier environmental assessment	16 – 17	No
<b>Social – Labor Practices and Decent Work</b>			
G4-LA1	Employment	20 – 22	No
G4-LA4	Labor / management relations	20	No
G4-LA6	Occupational health and safety	23	No
G4-LA10 – 11	Training and education	22 – 23	No
G4-LA12	Diversity and equal opportunities	22	No
G4-LA14 – 15	Supplier assessment for labor practices	16 – 17	No
<b>Social – Human Rights</b>			
G4-HR4	Freedom of association and collective bargaining	15 – 16, 20	No
G4-HR5 – 6	Child labor / forced or compulsory labor	15 – 16	No
G4-HR10 – 11	Supplier human rights assessment	16 – 17	No
<b>Social – Society</b>			
G4-S01	Local communities	24	No
G4-S03 – 4	Anti-corruption	15 – 16	No
G4-S06	Public policy	16	No
G4-S07	Anti-competitive behavior	16	No
G4-S08	Compliance	15	No
G4-S09	Supplier assessment for impacts on society	16 – 17	No
<b>Product Responsibility</b>			
G4-PR1	Customer health and safety	18	No
G4-PR3, 5	Product and service labeling	18	No
G4-PR8	Customer privacy	16	No

AR = Annual Report

## Sonova Holding AG

Laubisrütistrasse 28

8712 Stäfa

Switzerland

Phone +41 58 928 33 33

Fax +41 58 928 33 99

E-Mail [csr@sonova.com](mailto:csr@sonova.com)

Internet [www.sonova.com](http://www.sonova.com)

This Corporate Social Responsibility Report is available in electronic format on our Sonova website at: [www.sonova.com/en/csrreport](http://www.sonova.com/en/csrreport).

## Our Brands

**PHONAK**

**unitron**

Connect Hearing 

