

# Corporate social responsibility report

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# Message from the CEO

## Dear Reader

At Sonova, we are committed to creating sustainable value for all our stakeholders: we continuously innovate to provide the best solutions for our customers. We enable access to hearing care for millions of people with hearing loss, invest in the development of our employees and partners, and apply eco-efficient practices across all our business activities.



We work to meet our responsibility to our customers by continuing to set new standards in hearing performance, ease of use, design, and by regularly launching advanced new products and powerful eSolutions. A significant innovation for 2017/18 was the launch of our new wireless chip, SWORD (Sonova Wireless One Radio Digital), which enables direct connection to virtually all currently used cell phones, as well as to a broad range of other consumer electronic devices.

## MESSAGE FROM THE CEO

We strive to expand access to hearing care by offering the industry's most comprehensive product portfolio and by supporting training of local specialists, including specific efforts we support in emerging countries. We also support people with hearing loss who have no access to hearing care through our Hear the World Foundation. This year, Sonova gave the Foundation a record value of more than CHF 3.7 million in cash, in-kind-benefits, and resources.

We advance our commitment to develop our employees through our professional leadership culture and proactive approach to employee engagement. We are proud to report that, for four years in a row, we have been able to secure internal succession for more than half of our open leadership positions, and that 48% of our current leadership positions are held by women.

We continue to find ways to minimize our ecological impact across all our business activities, through our comprehensive environmental program. In 2017/18, we were able to improve the eco-efficiency of our corporate car fleet to an average of 135 grams of CO<sub>2</sub> per kilometer, thereby achieving a long term goal.

We never let up in our efforts to further advance our corporate social responsibility; we are proud that we continue to be recognized by a number of relevant organizations in the field, including the internationally recognized Dow Jones Sustainability and FTSE4Good indices.

Sonova has been a signatory of the UN Global Compact since 2016, fully endorsing its ten principles in the areas of human rights, labor, environment, and anti-corruption. We also support the newly developed Sustainable Development Goals of the United Nations, which define the global sustainable development agenda through 2030. These goals are a universal call to action to end poverty, protect the planet and ensure prosperity for all.

I am pleased to invite you to read this report to learn more about our strategy and how we are contributing to these global goals through our own sustainability commitments.



[Hear the World Foundation Activity Report](#)



[Dow Jones Sustainability Index](#)



[FTSE4Good](#)



[Sustainable Development goals](#)

A handwritten signature in black ink, appearing to read 'Arnd Kaldowski'.

Arnd Kaldowski, CEO



Strategy

# Hearing care market and supply chain

## Hearing – an underestimated topic

The importance of good hearing and the consequences of hearing loss continue to be underestimated, even though according to the World Health Organization (WHO), about 15% of the world’s population is affected by hearing 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. Unaddressed hearing loss costs countries an estimated USD 750 billion annually in direct health costs and loss of productivity. Today’s hearing technologies offer the opportunity to reduce this significantly.



[WHO global estimates](#)



[WHO disability and health factsheet](#)

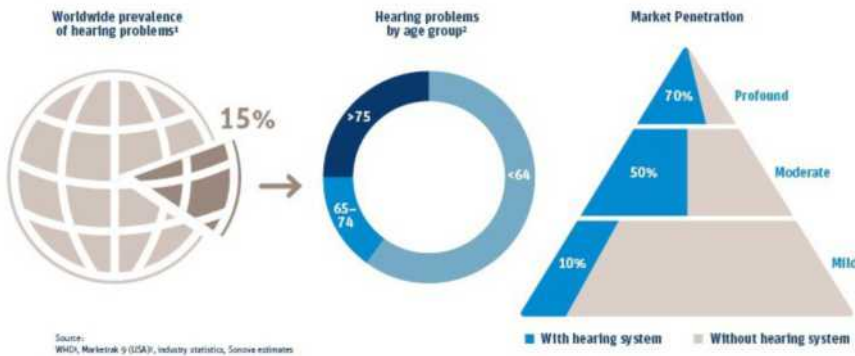


[WHO deafness and hearing loss fact sheet](#)

## 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.

Around 15% of adults have some degree of hearing impairment



over 15%

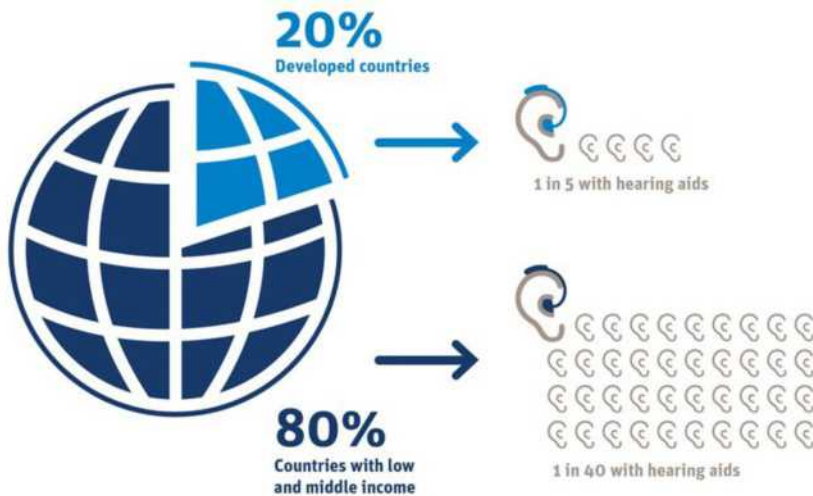
of the world's population is affected by hearing loss

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.



WHO global estimates



However, we expect the growth of the middle classes in emerging economies to boost consumption significantly and see the shift in spending power and lifestyle ambition as a substantial opportunity. Our strategy therefore calls for a strong focus on the potential of 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. 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.



## 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. Read more about our commitment in the section [“Access to hearing care”](#).

# Two-thirds

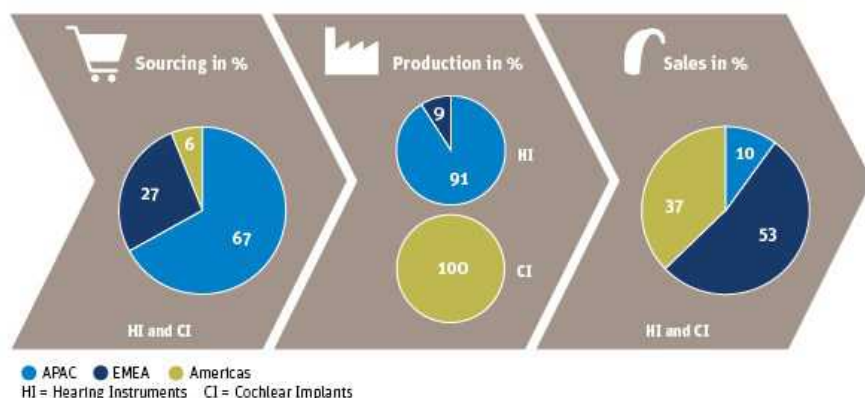
of our hearing aids sales are generated by products less than two years from launch

## International 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, 67.1% of Sonova’s purchase volume is located in the Asia/ Pacific region, 10.2% in Switzerland, 15.6% in Europe (excl. Switzerland), 6.3% in North America, and 0.8% 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.

[Continuous supplier management](#)





# Strategy Sustainability program

## Materiality analysis

As the world’s leading provider of hearing solutions, Sonova has both a duty to act responsibly and an ability to make a positive impact on society. Our sustainability program aligns closely with our business strategy; its topics are reviewed both at the highest management level and regularly at meetings of the Board of Directors.

### Identification and prioritization

At Sonova, material issues are those business, social, and environmental topics that either create significant value, cause potential risks, or have negative impacts for our internal and external stakeholders. Last year, we have further refined the materiality matrix produced in 2014/15. The picture below summarizes the sustainability landscape that underlies our sustainability program and shows how we intend to create value. The sustainability program encompasses our vision, our values and our commitments. All topics with high or medium impact from the 2014/15 materiality matrix appear in the current sustainability landscape, either as part of the four core commitments Sonova makes towards its stakeholders, or as part of our governance, risk, and compliance management.



[Materiality Matrix 2014/15](#)

[GRI 102-44, GRI 102-46](#)

## Sustainability landscape

### Our vision – the “why”

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



[Sonova vision and mission](#)

### Our values – the “how”

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



[WHO global estimates](#)



[Sonova values](#)

### Our commitments – the “what”

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

GRI 102-47



## Customer-focused solutions

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

### Fields of activity

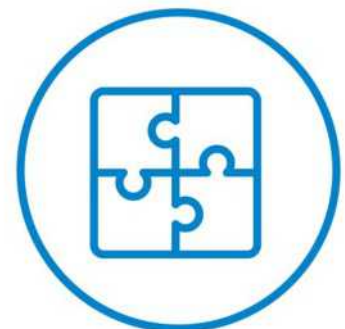
- New products
- eSolutions

### Goal

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

### Approach

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





## Performance

Read about our achievements and progress in 2017/18 in the corresponding section of this CSR Report “[Customer-focused solutions](#)”.

# Access to hearing care

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

## Fields of activity

- New markets
- Hear the World Foundation

## Goal

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

## Approach

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

## Performance

Read about our achievements and progress in 2017/18 in the corresponding section of this CSR Report “[Access to hearing care](#)”.



## Investment in people

We offer our employees a flexible and inclusive work environment and an open culture.

### Fields of activity

- Professional development
- Body & Mind initiative
- Diversity & Inclusion
- Human rights & labor practices

### Goal

We will fill at least half of all vacant leadership positions per year from inside the company.

### Approach

- Professional career development: We develop our employees to higher levels of success with a systematic talent management process including a strategic approach to training, succession, and career planning.
- Employee engagement: We foster employee engagement through the group-wide Body & Mind initiative and a holistic Diversity & Inclusion strategy.
- International labor standards: We conduct business and align our codes and principles according to internationally recognized standards of the United Nations (UN), the International Labor Organization (ILO), and the Organization for Economic Cooperation and Development (OECD). All our employees, business partners, and suppliers are expected to comply with these standards.

### Performance

Read about our achievements and progress in 2017/18 in the corresponding section of this CSR Report “Investment in people”.



## Safeguarding the environment

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

### Fields of activity

- Environmental program
- Smart Mobility

### Goal

Sonova plans strong efforts to further improve our environmental performance with the following targets:

- 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
- ensuring that 100% of purchase volume comes from suppliers having environmental friendly practices in place by 2018/19



## Approach

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

## Performance

Read about our achievements and progress in 2017/18 in the corresponding section of this CSR Report “[Safeguarding the environment](#)”.

## Validation

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

## Topic boundaries

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

[GRI 103-1](#)



Strategy

# Stakeholder engagement

## Open dialog

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.

[GRI 102-40](#), [GRI 102-42](#)

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

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

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.

[GRI 102-43](#)

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

## STAKEHOLDER ENGAGEMENT

hearing care industry. We also organize e-learning seminars, road shows, face-to-face in-clinic training, and technical marketing material to help transfer our knowledge and train hearing care specialists.

We engage with end users and patients through satisfaction surveys and online consumer communities such as HearingLikeMe.com and Advanced Bionics' Bionic Ear Association (BEA™). HearingLikeMe.com brings together people whose lives have been touched by hearing loss. The website is visited by more than 30,000 people every month and provides those with hearing loss – as well as parents, spouses, and hearing care professionals – daily educational and inspirational news 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.



[HearingLikeMe.com](https://www.hearinglikeme.com)



[Pediatric Advisory Board](#)

## Employees

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

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

[GRI 102-43](#)

[Investment in people](#)

## Shareholders

Sonova has 18,648 registered shareholders, who together own around 68% of the total shares. Shareholders' interests are represented by the Board of Directors, which sets and oversees the general direction of the company.

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



[Annual Report 2017/18](#)



## Suppliers

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

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

GRI 102-43



[Group Supplier Principles](#)

## Academia and opinion leaders

Sonova's know-how and history of innovation is reflected in its strong partnerships with leading academic institutions and opinion leaders around the world.

We collaborate intensively with universities such as the Swiss Federal Institutes of Technology (ETH) in Zurich and Lausanne, the University of Zurich, the University of Manchester (UK), the University of Hannover (Germany), the University of Oldenburg (Germany), Vanderbilt University in Nashville (US), the University of Melbourne (Australia), the University of Queensland (Australia) 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 support studies financially, but, when appropriate, participate in the actual work by closely collaborating on research projects.

GRI 102-43

## Financial community

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

We actively interact with the financial community at road-shows and conferences. Sonova holds an Investor Day every year at its headquarters in Stäfa; last year's event attracted significant interest from the international investor community, with over 100 participants. We also hold regular exchanges with representatives from the social-responsibility investment segment and participate in assessments by sustainability index authorities.

GRI 102-43



[Sonova Investor Relations](#)

## Media

Sonova drives and 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.

The media relations team works globally with top-tier media, general media, trade media, financial media, and the major wire services to ensure a fair disclosure of information for all stakeholders, creating awareness for hearing loss and its implications and of informing on key aspects of Sonova's business activities.

GRI 102-43



[Sonova News Room](#)

## Regulators

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

GRI 102-43

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

## Insurers

Governments and social institutions such as the Veterans Administration in the United States and the National Health Service in the United Kingdom, as well as public and private insurance providers, all contribute to improve access to hearing care. Sonova regularly participates in tender processes and offers its products and services to help insurers receive the best hearing value for their money.

GRI 102-43

## Competitors

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

GRI 102-43



Commitments

# Customer-focused solutions

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

## Development of new products

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

Our goal is to continue to offer the broadest range of technologically advanced hearing solutions to our customers by substantially investing in R&D and by applying for a minimum of 40 patents each year. In 2017/18, 54 new patent applications were submitted across the Sonova Group.

### Innovation through collaboration

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

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

Two examples of collaborations on research with top-class universities are around the topics of family centered care and correlation of hearing loss with other health problems.

>1500

number of active patent and design rights owned by the Sonova Group as of March 2018

In the research collaboration with the University of Queensland (Australia), we have been developing an approach to involve family members in the entire process of seeking advice on hearing rehabilitation and trying and using hearing instruments. Hearing loss affects not only the hearing impaired persons themselves but also impacts the life of their families. Support by family members is a very important contribution to successful uptake and usage of hearing rehabilitation and hearing instruments. The outcome of the research collaboration is a practical guideline for clinicians on how to successfully implement a family centered approach to hearing health care in their private audiology clinic.

In recent years several large cohort longitudinal studies have shown that the occurrence of hearing loss is strongly correlated with other health considerations in elderly people. In this research theme we have been studying various comorbidities between hearing loss and health issues such as psycho-social-health, depression, arthritis, cognitive decline, risk of falls and diabetes in collaboration with the VU University Medical Center in Amsterdam (Netherlands). This research will provide us with a new, more holistic perspective of hearing health care in the broader context of healthy aging.

### Smart technologies

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

## eSolutions today

Digital technology and connectivity make Sonova hearing solutions smart companions that have about as much in common with the conventional idea of a hearing aid as iPods<sup>1</sup> do with gramophones. Their sophistication is not just in terms of sound resolution and quality, speech intelligibility, form factor, or design – but also functionality: the hearing aid connects wirelessly to media players of all kinds. Music, TV sound, or phone calls can be enjoyed in excellent quality directly within the ear. Thanks to a discreet Bluetooth<sup>2</sup> microphone, hearing aid wearers can follow conversations even in noisy environments – in some cases better than a person without hearing loss. And a smartphone app lets the wearer control parameters and functions intuitively and individually.

1) The Bluetooth<sup>®</sup> word mark and logos are registered trademarks owned by the Bluetooth SIG, Inc.  
2) iPod<sup>®</sup> is a registered trademark of Apple Inc., registered in the U.S. and other countries.

## eSolutions for the future

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

>50

number of scientific  
cooperations



Hearing check at home – the Hearing Check App tests hearing in two minutes

an issue: professional and personal assistance, as well as effortless instrument adjustment by the user, are only a screen tap away. People with hearing loss can enjoy complete autonomy in a fully networked world of hearing. Our promise is to use and further expand these digital channels to establish one-to-one, real-time relationships with our customers.

## 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 other applicable product regulations, standards and normative documents specified by government agencies.

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

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

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

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

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

### Product service and labeling

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





Commitments

## Access to hearing care

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

### Expanding market reach

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

#### Broad product portfolio

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

#### Customized solutions

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

#### Education and training of hearing care practitioners

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



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

training courses by hearing care practitioners from across China has been very strong since the center opened in May 2017. After the courses, participants keep in touch with their trainers via chat and can contact them if they need advice on issues back in the workplace. In parallel, Sonova is establishing an interactive, online audiology academy. Further plans for the future include collaborations with universities, e.g. on specific certified courses or summer schools.



Practical training for optimal hearing solutions

## The Hear the World Foundation

Around 665,000 children with hearing loss are born every year. 80 percent of them live in countries with low and middle incomes and have no access to audiological care. The consequences of an untreated hearing loss especially for children can be severe, as the development of speech and language is fundamentally dependent on the sense of hearing. Untreated hearing loss is also often associated with social isolation, less chances of getting an education, poor prospects for future employment and thus minimizes their chances of a life without limitations.

Through the Hear the World Foundation founded in 2006, we are working to counteract this and are committed to creating global, equal opportunities and a better standard of living for people in need with hearing loss, and particularly children. The key is prevention of hearing loss and education, but more specifically, financial and technological support of aid projects enabling people in need with hearing loss to hear better. On many voluntary missions, our engaged employees have already successfully supported ninety projects all around the world, helped thousands of children with advanced hearing solutions and actively contributed to the establishment of local audiological care infrastructures.

By 2020, we want to conduct 14,000 hours of volunteer work for our Hear the World Foundation with Sonova employees. Since 2013, Sonova employees have already conducted 8,400 hours of volunteer work.



Hear the World Foundation



Alejandro from Panama, born with a profound hearing loss, can hear the voice of his mother for the first time – thanks to his new cochlear implant donated by the Hear the World Foundation.



Access to hearing care

## Sticking out your tongue at hearing loss

Who doesn't know the Rolling Stones' legendary logo of a mouth with the tongue sticking out? When more than 40,000 fans came to see the rock veterans play at Zurich's Letzigrund stadium, volunteers from Sonova were on hand to distribute hearing protection on behalf of the Hear the World Foundation and to inform concert-goers of the possible consequences of excessively loud music for their hearing.

It's as if someone has turned on a tap: an endless stream of hundreds of concert-goers files past Katrin Egli and Feifei Pilet, the two Sonova volunteers. Although the performance at Zurich's Letzigrund stadium by what must be the world's most venerable rock band is not due to begin for another three hours, people are still in a hurry to get to their seats. Even so, most still make a quick grab for one of the little blue packs of ear plugs that Egli and Pilet are handing out.

Attending regular amped-up concerts without ear protection can cause lasting hearing damage. This is why the Hear the World Foundation has launched a campaign to raise awareness about listening habits and offer tips on ways to protect your hearing.

It's Egli and Pilet's first outing as volunteers for the Hear the World Foundation. 30-year-old Katrin Egli, who works for Sonova as Project Manager Global Pricing and Lifecycle, is wearing a fiery red sweatshirt with the words "Ear Brigade" emblazoned across it. "Volunteering here is a nice change," she says cheerily, without stopping to reach into her red shoulder bag for more ear plugs to hand out. "It's fun and I'm glad I can do my bit for our foundation."

The free hearing protection is a hit with concert-goers. "I was a bit taken aback at first," says 60-year-old Thomas Berger. "But it's only logical, really." His parents had warned him about listening to loud music when he was young: "They always told me I wouldn't be able to hear a thing when I was older." Berger has taken his 22-year-old son Philipp on a special trip from Stuttgart for the concert and both father and son are glad to receive some hearing protection. There is a hint that it might indeed get loud at the Letzigrund as Mick Jagger and his bandmates take to the stage, three hours before the concert is due to begin, and play the first familiar bars of their hits as a soundcheck.

Concert-goers at the Letzigrund stadium are receptive to the foundation's campaign to raise awareness about preventative care. "If it gets too loud for me, I'm going to use the earplugs," says 47-year-old Böbu Hüssi from Solothurn, stashing the little blue package in his pants pocket.

Hüssi is also more than happy to have his picture taken. In addition to handing out ear protection, Egli and Pilet are inviting concert-goers to strike the signature Hear the World pose for conscious hearing – with their hands cupped behind their ears – for a snap taken by an automatic photo booth. Feifei Pilet presses the start button on the display to prime the camera, there's a quick countdown, then a flash. A few seconds later, Hüssi has his personal memento photo in his hands. Those who wish can also receive their picture by email. Thomas Frank, who has come down from Berlin specially for the concert, needs no second invitation; the couple link arms and grin into the camera. They are both delighted with the snap and the 45-year-old Berliner thinks the foundation's awareness campaign work is "a cool initiative". He says he thinks the topic of preventive healthcare is important: "When I go to concerts, I always take earplugs with me." A lot of his friends already have hearing problems, he remarks; when they were young, they used to listen to too much loud music without protection.

The Hear the World Foundation has been working with Swiss concert promoters abc Production since 2016. "We don't want to wag our fingers or appear patronizing – we'd rather meet visitors halfway on a friendly basis and make them aware of the preventive measures they can take," emphasizes Elena Torresani, Head of the Hear the World Initiative, adding that there are still plenty of people who are unaware that excessively loud music can result in permanent hearing damage. "We'd like to make sure that people can enjoy concerts without regretting it afterwards." This is also the reason for the photo booth, which is an opportunity for the Sonova volunteers to engage with concert-goers and raise awareness of hearing protection issues. "We want to use the photos to make sure that Hear the World's campaign sticks in the memories of the audience," explains Torresani. The foundation is also showing a short preventive health infomercial in which international stars point out the dangers of excessively loud music and recommend the use of hearing protection at music events.

André Béchir, CEO of abc Production, is delighted to be working with the Hear the World Foundation. "For a concert promoter, working with a hearing aid manufacturer and doing preventive healthcare work is a no-brainer," he says. "People coming to a concert are in a good mood and full of excitement and anticipation. That's the best moment to sensitize them to the issue and make clear to them that it is every individual's responsibility to protect their hearing."

Three hours later, Sonova volunteers Katrin Egli and Feifei Pilet have handed out almost all their earplugs. "It was a lot of fun," observes 33-year-old Pilet with a grin, as Egli pulls at her sleeve – the Rolling Stones concert is due to start in just a few minutes and they still have to find their seats. They both quickly pocket a little packet of earplugs. "Now we're ready for anything," says Egli, laughing.





Commitments

## Investment in people

We offer our employees a flexible and inclusive work environment and an open culture.

### Our employees are key to our success

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

Global trends such as demographic changes, a limited availability of specialist talent, and the need to adapt quickly to shifting markets highlight the importance of a proactive staffing strategy for Sonova. We strongly believe that developing talent with the goal of ensuring internal succession is vital to sustainable success. Appointing internally to key positions while retaining and developing skilled employees helps to ensure that Sonova's specialist knowledge and intellectual property remain within the company, sustaining our competitive advantage. In 2017, we were able to fill 53% of our open leadership positions with Sonova employees<sup>1</sup>, thereby reaching our long-term target.

Our conscientious treatment of our workforce, professional leadership culture, and proactive approach to employee retention over the past years have combined to reduce our global employee turnover to the low level of 11.9%. The average tenure of our managerial staff is 8.3 years, while the total average workforce tenure is 6.4 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%.

53%

of leadership positions filled internally<sup>1</sup>

1) excluding former AudioNova



## Employee turnover rates

(in percent)

	2017/18	2016/17	2015/16
Switzerland	8.5	7.5	10.3
EMEA (excl. Switzerland)	7.6	6.2	7.2
Americas	18.4	18.0	19.1
Asia/Pacific	10.8	9.0	9.0
Total	11.9	10.8	11.9

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

## Personnel figures

After a significant increase in the number of employees through the AudioNova acquisition in 2016/17, the full time equivalent figures show stable growth of 1.1% in the current reporting year to 14,242 full time equivalents. The additional 153 full time equivalent employees stem mostly from our wholesale activities in Europe and from Advanced Bionics in North America.



Workforce KPIs

### Employees by region

Full time equivalent (end of period)

	2017/18	2016/17	2015/16
Switzerland	1,219	1,178	1,200
EMEA (excl. Switzerland)	6,471	6,399	3,452
Americas	3,539	3,538	3,622
Asia/Pacific	3,013	2,974	2,620
Total	14,242	14,089	10,894

Employee numbers do not show any seasonal or other temporary fluctuation

## 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 in line with country-specific regulations and customs. We assess the impact of all our activities through a set of key performance indicators such as turnover, internal leadership recruitment rate, and depth of available in-house talent. Regular audits ensure compliance with internal regulations and local labor law, with the objective to provide excellent working conditions and monitor progress in all our locations. Around 7% of Sonova's global workforce is covered by collective bargaining agreements.

## Career development

We offer a flexible and inclusive work environment and an open culture 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.

The Sonova Academy is our group-wide education platform. In close collaboration with selected external partners (such as the University of St. Gallen and 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.

External providers	<b>NEW</b> Executive Leadership Program Custom made program for the Management Board.	Target group MB Cohort: 9
	Senior Leadership Program 4.5 days Leading the organization 2	MDs and functional heads Cohort: 100
	High Potential Program 3x5 days Leading the organization 1	Cohort numbers estimated Potential MDs and functional heads Cohort: 50
Sonova L&D delivers	Leadership Advanced 3 days Leading your department	Senior leaders (5 years experience, manager of managers) Cohort: 200
	Leadership Essentials 4 days Leading your team	Managers with at least one direct report Cohort: 600
	<b>NEW</b> Aspiring Leaders 2 days Leading yourself	Individual contributors who want to lead one day
	<b>NEW</b> Leadership Onboarding Online + 1 hour face to face Introduction to LS @ Sonova	All new Sonova employees

The portfolio of leadership development programs consists of different modules. The Aspiring Leaders program is a newly introduced two-day course that encourages participants to start thinking about their leadership brand, and about how they can best fulfill and contribute to Sonova's future. The Leadership Advanced program lasts three days and builds on the Leadership Essentials syllabus, focusing on more advanced topics to equip Sonova's

## INVESTMENT IN PEOPLE

managers with the strategic tools and approaches they need to drive change and shape the company's future. Through intensive feedback, coaching, and experiential exercises, the program gives participants the chance to reflect on their personal style, to understand and to increase the impact they have on their company's performance, and to plan how they will continue to develop as leaders at Sonova.

Success of the career development program is measured in two ways: Development planning and employee progress are the responsibility of each individual line manager. Sonova also tracks the internal promotion rate and participation in the High Potential Program.

## 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, or as part of their Bachelor's, Master's, or PhD thesis work.

Our talent acquisition process also targets the most sought-after group of professionals in our industry: experts in audiology. To support our constant need for top audiologists, we offer an international Audiological Traineeship program, with training placements in the US, Canada, and Switzerland. This program is an opportunity for ambitious audiology graduates 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. We train more than 40 apprentices at our headquarters, two of whom have disabilities. The range of Sonova apprenticeships is highly diverse, offering training in twelve professions, from polymechanics and logistics to cooking.

## Diversity and inclusion

Sonova is currently present in over 100 countries around the globe and has a workforce of over 14,000 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; we strive to create an inclusive environment where everyone – regardless of age, gender, language, ethnic origin, religion, culture, sexual orientation, or health status – can contribute and realize their full potential. Our commitment to diversity is recorded in our Code of Conduct and is binding for all our employees.

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



Internship and Thesis



> 14,000

dedicated employees

## Building a diverse workforce

We realize that one of the most effective ways to understand and meet the needs and desires of our diverse customers is to have a workforce that reflects this diversity. We therefore make it a priority to recruit a wide range of people who share our passion and bring in new skills and experiences. To guarantee a balanced mix, we have a special focus on recruiting and promoting women and employees from different cultures in leadership and executive positions.

We actively support the compatibility of having a career and a family by promoting flexible working models for both men and women, such as home office, flexible working hours, and part time work in leadership positions. Since April 2017, new terms of employment guarantee our employees in Switzerland a number of additional family related benefits, including 16 weeks of maternity leave, two weeks of paternity leave, and the possibility to purchase additional vacations. In all our production sites, where shift work is standard, employees returning from maternity leave can choose to work at between 50% and 100% of their previous level during their first year back. We operate our own day care center at our headquarters in Stäfa and financially support lower-salary employees in Stäfa and in our production center in Vietnam to help pay for day care. Thanks to various family policy measures and a commitment to promote equal opportunities, we are pleased to report that women now fill 48% of our leadership positions.

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

**48%**  
women in leadership  
positions

## Advancing our culture of inclusion and innovation

Inclusion as a foundation of corporate culture is an integral part of how we benefit from the diversity of our workforce: by embracing the differences that make each of our employees exceptional. We are committed to creating a safe, positive, and nurturing work environment where all people feel valued, respected, and heard. We are convinced that this promotes thoughtful and valuable dialog and fosters innovation. We actively include diversity topics in our employee communication and leadership programs to raise awareness and continuously advance our culture of inclusion.

## Employment numbers by gender – Women

As percentage of employees

	2017/18	2016/17	2015/16
Share of total workforce (% of headcount)	66.0	66.0	63.5
Part-time employees (% of headcount)	19.0	18.1	8.5
Turnover rate <sup>1</sup> (% of FTE)	12.1	10.3	12.1

<sup>1</sup> excluding former AudioNova employees

## Employment numbers by gender – Men

As percentage of employees

	2017/18	2016/17	2015/16
Share of total workforce (% of headcount)	34.0	34.0	36.5
Part-time employees (% of headcount)	6.0	4.9	2.7
Turnover rate <sup>1</sup> (% of FTE)	11.9	11.2	11.3

<sup>1</sup> excluding former AudioNova employees

### Ratio women in leadership positions

As percentage of Manager headcount

	2017/18	2016/17	2015/16
Switzerland	21.0	21.0	21.6
EMEA (excl. Switzerland)	53.0	50.6	37.4
Americas	45.0	45.0	45.0
Asia/Pacific	49.0	48.8	47.1
Total	48.0	46.0	39.0

### Ratio women in executive positions

As percentage of Executive headcount

	2017/18	2016/17	2015/16
Switzerland	13.0	11.5	10.0
EMEA (excl. Switzerland)	26.0	25.4	21.2
Americas	33.0	33.9	34.4
Asia/Pacific	30.0	26.8	23.2
Total	24.0	23.1	21.5

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

## Employee wellbeing

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 launched its global Body & Mind initiative to align and support its various current prevention measures. This health initiative rests on four main pillars:



Body & Mind initiative at Sonova headquarters in Stäfa

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

Our group companies are responsible for implementing Body & Mind measures locally and for continuously refining programs in all four of its areas. Among examples of best practice are health coaches, who lead employees at our operation centers in three-minute break-time exercises to reduce muscle tension. In 2017, we also conducted a stress management training with selected members of our leadership team at headquarters in Stäfa.



Three-minute break-time exercises at our operation centers to reduce muscle tension.



## Occupational health and safety


Sonova has established an effective occupational health and safety culture that supports and protects our employees. We regularly monitor and analyze the potential health and safety risks of our operations and implement both legally-required and voluntary occupational health and safety programs.

Sonova's operations have a relatively low exposure to health and safety risk, but we are committed to continuous improvement here as elsewhere. We therefore investigate each incident to determine its cause and take steps to prevent any reoccurrence. Our low exposure to health and safety risk is once again reflected in the figures for this financial year. Any incident that 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 0.44.

### Injury and lost day rate

	2017/18	2016/17	2015/16
Injury rate (IR)	0.44	0.44	0.43
Lost day rate (LDR)	1.36	2.69	1.45

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.



Investment in people

## Body & Mind initiative – for physical and mental wellbeing

Sonova has a sustainable preventive healthcare program for its staff called the Body & Mind initiative: sport and activity, yoga and relaxation, a healthy, balanced diet and regular medical check-ups are all part of a healthy work environment and ensure high levels of satisfaction within the company.

It's a little after nine in the morning, and 32-year-old Corporate Sustainability Manager Mevina Caviezel is in good spirits as she stands at the breakfast buffet in the Bistromax, Sonova's staff restaurant in Stäfa. The wide selection of fruit and muesli on offer (with every imaginable kind of cereal, all of which can be freshly ground) means that she is spoilt for choice. Caviezel eventually plumps for dried blueberries with almond milk, freshly ground buckwheat, and chia pudding. "I love the choice here," she says, "it's much better than at home." She sets great store by a healthy diet. "I'm glad I can get such a wide variety of things to eat at work."

The Bistromax is already bustling at around 9am – the cozy staff restaurant is popular with the many staff members who like to combine a healthy mid-morning snack with their first meetings of the day. "A balanced diet is the key to a happy and healthy workforce," says Caviezel. As Corporate Sustainability Manager, the Body & Mind initiative, which promotes sustainable preventive healthcare and wellbeing for Sonova employees around the world, falls within her remit. The initiative is based on several guiding principles: a balanced diet for every member of staff, opportunities for sport and relaxation at the workplace, and regular medical check-ups for employees. "We want our employees to be healthy and happy, so they stay motivated over the long term. The Body & Mind initiative is a strategic priority for Sonova," explains Caviezel.

There is already a hive of activity in the kitchen as lunch is prepared, and commis chef Yousif Diler is getting warm falafel, vegetable parcels and hummus ready for the salad buffet. Chef Kumar Subramaniam is frying off 40 kg of mince for the spaghetti Bolognese while Amely Schmitt, a budding cook in the third year of her apprenticeship, stands beside him flipping 240 veal hamburgers, one after another, in a giant frying pan.

650 to 700 lunches are prepared here every day but there is no sign of the stress and commotion to be seen in other commercial kitchens. "The whole operation runs like a well-oiled machine," explains Thomas Leu, the 49-year-old chef and staff restaurant manager, who has given up his place in the kitchen to concentrate on strategy, purchasing and planning.

“It’s like on a cruise ship,” he continues, with a grin. “Good food creates a good atmosphere.” He prefers to buy local and sustainable produce – organic and low-fat if possible – and he is more concerned with providing a balanced spread than an embarrassment of choice. “We understand our clientele, which means we try to offer an eclectic range of food with plenty of colors on the plate, so there’s something for everyone.” For their midday meal, diners can choose between some 30 salads, a generous buffet of vegetable dishes and three set menus.

In addition to a healthy diet, sport and relaxation are two key priorities for the Body & Mind initiative. “This means that we integrate athletic activities and relaxation (such as yoga and Pilates) into the working day,” says Caviezel – Sonova staff are free to spend their lunch breaks attending one of the many athletics clubs to play any number of sports from volleyball to squash. There is even a swimming pool and a sauna on the roof of the main building. “There’s a real need to get people moving regularly, not least because a lot of our staff work at desks – and it’s important for me personally as well,” emphasizes Caviezel, who frequently joins her team colleagues for a lunchtime jog in the woods nearby.

Thomas Bernhardsgrütter, Director Investor Relations, has also joined an eight-strong running group, and members take to the streets two to three times a week to jog 7 or sometimes even 11 km. “I find it an important counterbalance to desk work and a good opportunity to clear my head. I feel fitter and more productive in the afternoons,” says 46-year-old Bernhardsgrütter. He goes on to explain that, as he often has to work late in the evenings, it is practically his only opportunity to do sports and stay active. It means his lunch break may be a little shorter, but that’s a trade-off he says he is happy to make. “I’m extremely glad that Sonova has got behind sporting activities. It’s a big plus.” He is also a fan of the way his running group share tips and compare notes. “As we all work in different departments, it’s interesting to find out what’s currently going on elsewhere in the company,” he says.

“Badminton at lunchtime is one of the few moments when I’m not thinking about business,” says 39-year-old Sascha Stocker, who works as an Associate General Counsel in the legal department. He and a few colleagues from his unit joined the badminton group about four years ago and they get to use the nearby indoor gym hall for matches twice a week. Sonova has organized a special minibus shuttle for all the athletes. “Sport is an important extra shot of energy for me – I get sluggish if I don’t play badminton regularly,” says Stocker. He is also highly appreciative of how Sonova allows him to configure his work flexibly and encourages staff to play sport during their lunch breaks: “The benefits are tangible.”

His eyes lighting up at the mere thought of soccer, Systems Manager Corporate HR Oliver Appelshäuser heads to the gym every Wednesday lunchtime for kick-off. “It’s a sacrosanct time slot for us all,” says the 39-year-old and laughs. The “all” to which he is referring are a group of between 10 and 16 soccer fans that includes members of the Management Board. “But work hierarchies are left on the touchline, of course.” Appelshäuser no longer has enough time to commit to turning out for a club side, so he is doubly delighted to be able to play his favorite sport at work.

At the same time Appelshäuser is chasing the ball in the gym, the yoga enthusiasts are gathering in Audimax 1 for their weekly session. The leader of the group Philipp Schneider, Director eSolutions Development, guides 20 employees through a demanding program – in English, no less, so that even those who speak little or no German can take part. The “Crow”, a difficult pose in which the hands are placed on the mat a span apart and the hips and knees are extended to one side, pushes the yoga devotees to their limits. The weight of the torso is taken on the arms while the legs are stretched out sideways in the air. There is laughter as a couple of participants come tumbling down onto their mats. “No problem,” says 49-year-old Schneider. “It’s important to laugh.” He has been doing yoga for 14 years. “I make an effort to teach in such a way that everyone can follow what I’m doing, however long they have been doing yoga,” he says, adding that it doesn’t matter how an exercise looks – what is important is how it feels.

The yoga lesson ends with “savasana” – lying calmly on the mat – which is intended to bring about deep relaxation, and tranquil faces are indeed to be seen everywhere. For Fabia Müller, a Product Manager for Sonova’s Phonak brand, the yoga lesson is the highlight of the week: “It’s a valuable time-out for body, mind and spirit.” 33-year-old Müller has been practicing yoga since she was young, but only started at Sonova this month. “I’m so glad there’s a yoga class here,” she says, adding: “What Philipp does is super, it’s a really good thing to have available.” As she takes her leave, she says that she is looking forward to going into her next meeting – and indeed her whole afternoon – completely relaxed and full of energy.

The time and effort required to organize the sports groups is minimal as the classes all coordinate their bookings and activities themselves. If necessary, Sonova’s HR department will also help out staff with financial support to buy sports equipment. “Working with us should be fun and we are extremely pleased that so many people are getting involved,” says Mevina Caviezel. “In addition to the positive effects on people’s fitness and health, sports help to build a sense of solidarity.”



Commitments

# Safeguarding the environment

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

## 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.



[Environmental policy](#)

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 purchase volume comes from suppliers having environmental friendly practices in place by 2018/19. We continuously monitor and optimize environmental objectives and performance across the Group.



[Targets and performance](#)

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

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 2017, 95.5% of purchase volume came from suppliers having environmental friendly practices in place. This assessment was made based on internal or external audits.

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 2017 (or in previous years) for noncompliance with environmental laws or regulations.

## 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 anticipates no financial implications for the organization’s activities from this source.

In 2017, the total energy consumption of the Sonova Group amounted to 97,890 megawatt-hours (MWh). 42,276 MWh can be attributed to the wholesale business and 55,614 MWh to the retail business. The wholesale business accounts for a higher proportion of electricity consumption because of air conditioning systems in operation centers in China, Vietnam and the US. On the other hand, the retail business accounts for a higher proportion of heating because of a stronger retail presence in Europe, where cold winters make heating more relevant. A total of 5,520 MWh of electricity consumption stems from renewable energy sources.

As a result of the acquisition of AudioNova, the retail business was included in the 2017/18 reporting for the first time. The values for the retail business are based on extrapolations and not actual data. Due to additional changes in the reporting scope, the values are not comparable to the previous years.

### Energy consumption

In MWh

	2017		2016	2015
	Retail <sup>1</sup>	Wholesale	Wholesale	Wholesale
Heating	36,926	7,812	8,033	8,195
Electricity	18,688	34,465	30,629	28,892
Total	55,614	42,276	38,661	37,087

<sup>1</sup> extrapolation, no actual data

#### Restatement

The energy and carbon emissions values published in the CSR Report 2016/17 for Scope 1 and 2 were restated for the year 2015 and 2016 due to data quality improvements and changes in the data collection methodology.



## SAFEGUARDING THE ENVIRONMENT

Sonova Group's absolute carbon footprint of Scope 1 and 2 emissions amounts to 38,701 metric tons of CO<sub>2</sub> equivalents (t CO<sub>2</sub>eq). The figure is not comparable to those of previous years because of changes in emission factors and reporting scope. The emissions values for the retail business are based on extrapolations and not actual data.

In 2017, we estimated Scope 3 emissions for three categories: upstream transportation and distribution (11,543 t CO<sub>2</sub>eq), business travel (10,441 t CO<sub>2</sub>eq), and employee commuting (21,558 t CO<sub>2</sub>eq), which adds to a total of 43,542 t CO<sub>2</sub>eq of Scope 3 emissions.

### Greenhouse gas (GHG) emissions – Scope 1&2

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

	2017		2016	2015
	Retail <sup>1</sup>	Wholesale <sup>2</sup>		
Scope 1	11,048	5,446	6,646	5,738
Scope 2	9,528	12,679	22,462	20,666
Total	20,576	18,125	29,108	26,404

<sup>1</sup> extrapolation, no actual data

<sup>2</sup> values not comparable to previous years due to changes in emission factors and reporting scope

#### Restatement

The energy and carbon emissions values published in the CSR Report 2016/17 for Scope 1 and 2 were restated for the year 2015 and 2016 due to data quality improvements and changes in the data collection methodology.

### Greenhouse gas (GHG) emissions – Scope 3 estimates

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

	2017
Upstream transportation and distribution	11,543
Business travel	10,441
Employee commuting	21,558
Total	43,542

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 are working to achieve this goal comes from Sonova Germany in Fellbach, where we replaced conventional lighting with LED technology; we also installed motion-detecting light switches in corridors, stairways and non-regularly used areas to save energy. A 5,000 square meter solar panel system in Suzhou, China, which was put into operation in 2015, will help us reduce our CO<sub>2</sub> footprint in upcoming years by substituting solar power for coal-derived electricity. In 2017, the new photovoltaic system produced 500,000 kWh of green energy. 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. The increased production volume could not offset the additional CO<sub>2</sub>eq emission caused by our buildings in China and Vietnam. The main reasons are adjusted emission factors as well as a shift of production from Switzerland to China and Vietnam, where electricity consumed has a higher carbon intensity. This makes reaching the ambitious 10% reduction target extremely difficult.

## 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 2017, the carbon emissions from business-related air travel activities on a group-wide basis were 10,441 t CO<sub>2</sub>eq, of which 32% originated from the flights of Sonova employees in Switzerland. Carbon emission intensity (expressed as t CO<sub>2</sub>eq/million CHF sales) decreased to 3.95 in 2017 (previous year: 4.30), which leads to a total reduction in air travel carbon emission intensity since 2013/14 of 20.0%. Despite strict travel policies and the increased use of web-conferencing tools, carbon emissions from business flights increased slightly in absolute terms by 1.3% compared to the previous year due to the growth of the group.

Sonova also estimated the carbon footprint of its corporate car fleet in 2017. 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 7,328 t CO<sub>2</sub>eq per year. The average carbon emissions per single vehicle were evaluated at 134.5 grams CO<sub>2</sub>/km. The long-term goal to achieve average carbon emissions of 140 grams CO<sub>2</sub>/km or below has not only been reached, but even improved from the previous year's average carbon emissions per single vehicle of 139 grams CO<sub>2</sub>/km.

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. 2017 was the first year in which Sonova conducted a worldwide survey to estimate its carbon footprint from employee commuting; this amounts to 21,558 t CO<sub>2</sub>eq.

In terms of product distribution, air freight is clearly the dominant contributor to Sonova's carbon footprint, accounting for around 98% of relevant CO<sub>2</sub> emissions. Based on a study conducted in 2017, the carbon emissions for the hearing instruments segment are estimated at 10,708 t CO<sub>2</sub>eq (2014: 7,000 t CO<sub>2</sub>eq) in absolute terms and 7.2 kg CO<sub>2</sub>eq per kg transported (2014: 6.6 kg CO<sub>2</sub>eq) in relative terms. The equivalent carbon emissions for the cochlear implant segment were estimated at 835 t CO<sub>2</sub>eq (2014: 1,100 t CO<sub>2</sub>eq) and 4.0 kg CO<sub>2</sub>eq per kg transported (2014: 5.4 kg CO<sub>2</sub>eq), respectively.

20%

reduction of air travel-related carbon emissions intensity since 2013/14



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

## 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 in electrical and electronic equipment, and with the EU's regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) for the safe manufacture and use of



RoHS EU directive (2011/65/EU)

## SAFEGUARDING THE ENVIRONMENT

chemical substances throughout their lifecycle. Sonova’s suppliers are also required to prove their compliance with RoHS directive and the REACH regulations in their respective processes and supply chains.

In accordance with REACH regulation, Sonova continuously updates the list of substances of very high concern (SVHC) that may be present in its products above the 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 2017/18 financial year, DEHP was the only SVHC substance requiring communication in accordance with the REACH regulation.

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.



[REACH EU regulation \(EC 1907/2006\)](#)



[Phonak Material Declarations](#)

## 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, such as double-sided printing by default, Sonova was able to increase its recycling rate from 46% in 2016 to 47% in 2017. In the future, Sonova aims to further increase the recycling rate to 50%.

In the volume of solid waste sent to disposal, such as municipal solid waste or material left over from manufacturing processes, there was a decrease by 9.8% to 1,030 metric tons (previous year: 1,142 metric tons).

Sonova complies with legal requirements to transport and dispose of hazardous waste solely through officially authorized disposal agents. The main categories of hazardous waste substances are solvents, oil emulsions, paints, adhesives, soldering paste, filters, petroleum, and washing fluids. In line with the increase in group-wide production volume in 2017, the amount of hazardous waste rose to 56 metric tons.

### Waste

In metric tons

	2017	2016	2015
Non-hazardous	1,030	1,142	1,122
Hazardous	56	36	33
Recycling	958	1,018	834
Total	2,043	2,196	1,989

## 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.

**SAFEGUARDING THE ENVIRONMENT**

Introduced in 2017, the new wireless chip SWORD™ (Sonova Wireless One Radio Digital) is the world’s first Bluetooth® Classic chip compatible with small hearing aid batteries. SWORD is a low voltage radio chip with the lowest power consumption of any hearing aid using Bluetooth® Classic.



Sonova's new wireless chip SWORD™ is a low voltage radio chip with the lowest power consumption of any hearing aid using Bluetooth® Classic.

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

Sonova’s technology development aims to build improved energy efficiency into each new product. Launched during 2017/18, the Phonak Naída™ B-R RIC is the most feature-rich rechargeable hearing aid from Phonak, designed for people with severe to profound hearing loss. With 40% more capacity than conventional rechargeable batteries, our proven built-in lithium-ion technology is reliable and fully supports the superior performance of Naída™ B-R RIC. Sales of rechargeable products based on the Phonak Belong™ platform continue to grow strongly.



Phonak Products

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 our products and their components.



WEEE EU directive

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. One such example is the battery collection initiative of Connect Hearing Canada, where clients can collect their used hearing aid batteries in “The Little Green Box” and return them to the clinic for recycling once the box is full. In 2017, Connect Hearing Canada was able to collect more than 90,000 batteries, amounting almost to one tonne.



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

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

## Air emissions

Sonova has low atmospheric pollutant emissions from volatile organic compounds (VOCs) in paints and adhesives, in coatings, and for surface cleaning. Group-wide levels of VOCs evaporated to air increased in 2017 by 11.1% from 4,191 liters to 4,655 liters due to the increase in production volume.

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

### Volatile organic compounds

In liters

	2017	2016	2015
VOC	4,655	4,191	3,893

## Water

Sonova uses water provided by utilities primarily for sanitary services and kitchen and garden areas. Our manufacturing processes do not require significant amounts of water. In our environmental program we therefore mainly focus on conserving water in our office buildings, e.g. with low-volume water equipment in restrooms. Water consumption at Group level decreased by 1.1% from 133,972 m<sup>3</sup> to 132,506 m<sup>3</sup> compared to the previous year. Relative water consumption decreased from 20.1 m<sup>3</sup> to 18.2 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 use

In m<sup>3</sup>

	2017	2016	2015
Municipal water supply	132,505	133,972	124,451

## 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. Data from the AudioNova Group companies acquired in September 2016, are included for the first time in the environmental reporting of this CSR report.

The tables above show environmental data from Sonova Group companies that operate as headquarters, manufacturing sites, or wholesale distributors, and Group companies with retail activities only. In 2017, due to the new inclusion of companies with retail activities, all entities are covered in the environmental data reporting. For the energy consumption, car fleet and air flight data, actual data was collected. For VOC emissions, water, waste and recycling, actual data was collected when feasible, and estimated if data collection was not feasible given the decentralized organizational structure of these businesses and their small, often rented facilities.

Sonova’s environmental management system monitors 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.



GHG Protocol

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

Sonova strives to be trustworthy and transparent with all its stakeholders; it therefore participates in the Carbon Disclosure Project (CDP) and makes the results publicly available.



CDP Climate Change Feedback Chart



# Corporate 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.



[SIX Swiss Exchange Directive](#)



[Economiesuisse Swiss Code](#)



[Sonova Organizational Regulations](#)

## 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.

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

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



[Corporate Governance Report](#)



[Board of Directors](#)



## 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.



[Committee Charters](#)

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



[Corporate Governance Report](#)

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.



[Management Board](#)

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

## Roles, policy, and strategy

The 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. More detailed information is available in the Corporate Governance Report.

## 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.

We are committed to equal pay for the same position in the same Country or Region and we are taking the necessary action to guarantee a fair compensation system. Thus, based on our grading and position management processes we are certainly committed to equal pay.

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



[Compensation Report](#)

## Risk management

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

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

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

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

## CSR organization

Our CSR program aligns closely with our business strategy; its topics are reviewed both at the highest management level and regularly at meetings of the Board of Directors.

The CSR Management Office develops the CSR program and provides expertise and advice to the management board on relevant topics. It implements the strategy approved by the management board and coordinates group-wide initiatives in close collaboration with experts from the 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.

## 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), the Hearing Industries Association (HIA) and the Hearing Instrument Manufacturers' Patent Partnership (HIMPP).

Lukas Braunschweiler was the acting board president of EHIMA until he stepped down from his role as CEO of the Sonova Group. Arnd Kaldowski, new CEO of the Sonova Group, replaced him and is now a member of EHIMA's Board of Directors. Founded in 1985, EHIMA represents the six major European hearing instrument manufacturers.

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



EHIMA



UN Global Compact



# Ethics & 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.



[Code of Conduct](#)

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.

## Human rights and labor standards

Sonova supports and respects human rights as an integral part of our business. This commitment is reflected in our Code of Conduct and Group Supplier Principles (SGSP) and embedded throughout the company. We believe 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 in accordance with, and to aligning our codes and principles according to internationally recognized standards of the United Nations (UN), the International Labor Organization (ILO), and the Organization for Economic Cooperation and Development (OECD). As a sign of this commitment, Sonova became a signatory to the UN Global Compact in 2016, endorsing its ten principles in the areas of human rights, labor, the environment, and anti-corruption. All employees of the Sonova Group, as well as its business partners, are expected to comply with these principles.



UN Global Compact

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

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

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 nondiscrimination, child and forced labor, or freedom of association and collective bargaining.

In the 2017/18 financial year, no concerns were raised relating to human rights violations. Sonova's internal audits and supplier assessments found no operations or supplier businesses in which the right to exercise freedom of association and collective bargaining may have been violated or put at significant risk. No operations or suppliers were identified as posing a significant risk for incidents of child labor, forced labor, 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, its employees, and representatives may make contributions to support charitable causes, subject to appropriate due diligence (including the amount contributed, and the nature and purpose of the charity's activities). Contributions should be made for bona fide purposes and only where permitted by local law.

The Anti-Bribery Policy has been communicated to all governance body members and employees worldwide. The Sonova Group Supplier Principles 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 (see Continuous supplier management).

As a matter of principle, Sonova avoids dealing with third parties known or reasonably expected to be paying bribes. Potential bribery/ corruption risks are therefore an integral component of our business partner due diligence, which is performed not only before entering a business relationship but also regularly thereafter, following a pre-defined process.

During the 2017/18 financial year, Sonova continued to strengthen the Group compliance program, with a particular focus on the integration of our acquired businesses into our compliance culture, training sessions and process enhancements in ethics and anti-bribery compliance. Our continuing compliance efforts help us live our values of ethical behavior and unquestionable integrity. No fines or non-monetary sanctions for non-compliance with laws and regulations were levied against the company in the 2017/18 financial year.

## Anti-competitive behavior

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

In the 2017/18 financial year, Sonova neither initiated nor defended against legal actions regarding, anti-competitive behavior or violations of anti-trust and monopoly legislation.

## Responsible marketing

We adhere to strict ethical sales and marketing practices in all our businesses and have established world-wide guidelines containing principles regarding responsible marketing for our group companies to ensure that all our interaction with customers and marketing materials provide truthful, accurate, balanced and non-misleading information and to prevent inappropriate practices or false claims. These guidelines are further supported by the worldwide Sonova Group Code of Conduct and the Anti-Bribery Policy, which also includes detailed information on interactions with health care professionals (HCPs). Furthermore, we have implemented refined country-specific marketing and sales practices codes in group companies in markets with relevance for Sonova.



[Sonova Group Code of Conduct](#)



## Compliance program

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

During the 2017/18 financial year, Sonova continued to strengthen the Group compliance program, with a particular focus on the integration of our acquired businesses into our compliance culture, training sessions and process enhancements in ethics and anti-bribery compliance. Our continuing compliance efforts help us live our values of ethical behavior and unquestionable integrity. No fines or non-monetary sanctions for non-compliance with laws and regulations were levied against the company in the 2017/18 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 and is available to internal and external stakeholders. All reports to the compliance hotline are forwarded to designated functions 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.

Requirements for conflict resolutions and e.g. the use of independent arbitration is defined on a case by case basis.



[Compliance Hotline](#)

## 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. We continue working on our data protection program to meet the changing demands of the digital environment.

## Continuous supplier management

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



[Sonova Supplier Principles](#)

- 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.

The procurement department actively participates in the process of design and definition of Sonova products, solutions, and services and makes sure from the early development stages that for all selected parts or components a risk assessment is done according to the “Risk and Risk Mitigation Matrix” defined by the procurement department. The main criteria for qualification of a critical supplier are derived from dependency (critical components, technology, sustainability, quality, regulatory) but other criteria, such as high volumes, are also considered.

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

Sonova strives for long-term collaborations and long-term contracts with their suppliers. In the 2017/18 financial year, 77% of the total purchase volume came from suppliers with more than 10 years of business relationship with Sonova and 94% of the total purchase volume came from suppliers with more than 5 years of partnership. Sonova also offers its suppliers financial support to buy necessary equipment and technology.

In the 2017/18 financial year, we had 10 critical suppliers; all of them have been certified or recertified by a notified body and therefore no need to audit them. They have all been visited within the last two years in a less formal manner than an audit, but the Group Supplier Principles were always an important topic during the visits. 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 is a Swiss-based multinational enterprise, with operations headquartered to the vast majority in the canton of Zurich where the Group develops, manufactures, and distributes products marketed under multiple brands. Sonova operates in more than 100 countries and owns local wholesale and retail distribution subsidiaries in over 30 countries. With this business structure, Sonova’s tax contribution encompasses various direct and indirect, corporate, and employee taxes, as well as customs duties, that make a significant contribution to societies around the world. Sonova’s tax approach is fully compliant with local law and regulations as well as in complete alignment with relevant international standards.

Sonova's approach to taxes is based on the following principles:

a) Taxes follow the business: Sonova does not use off-shores structures, nor does the Group allocate functions or risks to international structures purely for tax reasons. Sonova avoids the acquisition of non-business related offshore structures. An important step during the integration process for newly acquired companies is to unwind acquired tax schemes and bring the tax structure of the new business fully in line with Sonova's tax policy and BEPS principles.

b) Full compliance: All taxes fully comply with local laws, regulations and are aligned with internationally recognized standards such as the OECD guidelines. Sonova's complex cross-border operations and supply chains are subject to yearly reviews using Sonova's Transfer Pricing Documentation and multiple benchmarking analysis. Inter-company transactions are regularly monitored to ensure complete alignment with international standards and Sonova's internal Transfer Pricing Policy.

c) Cooperation with tax authorities: Sonova highly values open and proactive cooperation with tax administrations worldwide for any kind of tax matter, irrespectively of the fact that Sonova has not entered Advanced Pricing Agreements (APAs). As part of our tax compliance policy, we continuously engage in constructive and transparent dialogue with tax authorities.

The responsibility for tax compliance lies with the Corporate Tax team, located in Switzerland, the US, and Germany. The team reports directly to the Group CFO. This function coordinates, educates, and supports local controllers in all Group companies to ensure that they achieve tax compliance in line with Sonova's standards and policies. A Master Transfer Pricing file is prepared, along with local files that are coordinated with the local organizations according to the OECD guidelines and Sonova's Transfer Pricing Policy. Sonova has been fully prepared since 2016 to implement external country-by-country reporting when this becomes mandatory for Swiss multinational enterprises.

Sonova's commitment to tax transparency and responsibility is expressed in various policies in the field of direct and indirect taxes as well as transfer pricing, most of them for internal tax use only. A tax policy in line with the above-mentioned principles is in the process of being made publicly available on the Sonova website.



OECD BEPS Reports

## 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.



[OECD Principles of Good Laboratory Practice](#)



# Reporting profile

CSR report

## Report

Sonova reports in an annual cycle: the most recent previous Annual Report and Corporate Social Responsibility Report were released on May 16, 2017. The 2017/18 reporting period covers the financial year from April 1, 2017 to March 31, 2018.

The Sonova CSR Report for 2017/18, when combined with the Business and Financial report for 2017/18, complies with the Global Reporting Initiative (GRI) Standards and forms an integral part of Sonova's UN Global Compact Communication on Progress. See our [GRI Content index](#) for details on how the report content maps against the UNGC principles. The index refers to the content of the online 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.



[Annual Report 2017/18](#)

## Entities

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

[GRI 102-45](#)

## Restatements and significant changes

Data from the AudioNova Group companies acquired in September 2016, are included for the first time in the environmental reporting of this CSR report. The energy and carbon emissions values published in the CSR Report 2016/17 for Scope 1 and 2 were restated for the year 2015 and 2016 due to data quality improvements and changes in the data collection methodology.

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

There were no other significant changes during 2017/18 in the scope, boundary, or measurement methods applied in the report, that would require a restatement of information provided in earlier Sonova CSR Reports.

## Declaration and assurance

The compensation report, the consolidated financial statement, and the financial statement of Sonova Holding AG in the 2017/18 Annual Report have been audited by a statutory external auditor.

PricewaterhouseCoopers AG has provided independent assurance on specific CSR data outlined in this report. For more detail, see the Independent Assurance Report below.





## Independent Assurance Report on the Sonova Corporate Social Responsibility Reporting 2017/18

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

We have been engaged to perform assurance procedures to provide limited assurance on the aspects of the 2017/18 Corporate Social Responsibility (CSR) Reporting of Sonova Holding AG, Stäfa and its consolidated subsidiaries included in the 2017/18 CSR Report.

### Scope and subject matter

Our limited assurance engagement focused on the selected data and information disclosed in the CSR Report of Sonova for the year ended on March 31, 2018:

- The “number of active patent and design rights owned by Sonova Group as of March 2018” on page 15; the “number of scientific cooperations” on page 15, the indicator “leadership positions filled internally” on page 22, the “Employee turnover rates” and “Employees by region” on page 23, the “Employment numbers by gender – Women” and the “Employment numbers by gender – Man” on page 26, the “Ratio women in leadership positions” and the “Ratio women in executive positions” on page 27, the indicator “Purchase volume from suppliers having environmental friendly practices” and the “Energy consumption” on page 33, the “Greenhouse gas (GHG) emissions – Scope 1&2” and the “Greenhouse gas (GHG) emissions – Scope 3 estimates” on page 34 (CSR indicators);
- The management of reporting processes with respect to the CSR Report in all material aspects and the preparation of CSR indicators as well as the related control environment in relation to data aggregation of CSR indicators.

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

### Criteria

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

- the Sonova Group internal CSR reporting guidelines based on the ‘GRI Standards’ published in October 2016 by the Global Reporting Initiative Version G4;
- the Sonova Group internal reporting manuals ‘Environmental Reporting’ dated 12<sup>th</sup> of December 2017 and ‘HR KPI Calculation Factsheet’; and
- Procedures, by which the data for the CSR indicators reporting is gathered, collected and aggregated internally.

### Inherent limitations

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

### Sonova’s responsibilities

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

### Our responsibility

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention to indicate that the identified CSR information selected and contained in this

report is not stated, in all material respects, in accordance with the reporting criteria.

We planned and performed our procedures in accordance with the International Standard on Assurance Engagements (ISAE 3000) (revised) ‘Assurance engagements other than audits or reviews of historical financial information’. This standard requires that we plan and perform the assurance engagement to obtain limited assurance on the identified sustainability information prepared, in all material aspects, in accordance with Sonova’s internal policies and procedures.

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

### Our independence and quality control

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

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

### Summary of work performed

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

- **Evaluation of the application of Group guidelines**  
Reviewing the application of the Sonova Group internal CSR reporting guidelines;
- **Site visit and management inquiry**  
Visiting the Stäfa site of Sonova. The selection was based on quantitative and qualitative criteria;  
Interviewing personnel responsible for internal reporting and data collection at the site we visited;
- **Assessment of the key figures**  
Performing tests on a sample basis of evidence supporting selected CSR indicators concerning completeness, accuracy, adequacy and consistency;
- **Review of documentation and analysis of relevant policies and principles**  
Reviewing relevant documentation on a sample basis, including Sonova Group CSR policies, management of reporting structures and documentation;
- **Assessment of the processes and data consolidation**  
Reviewing the management reporting processes for CSR reporting and assessing the consolidation process of data at Sonova Group level.

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

**Conclusion**

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

- The CSR indicators outlined in the scope and subject matter section and disclosed in the 2017/18 CSR Report of Sonova Group are not stated in accordance with Sonova Group internal policies and procedures; and
- The management of reporting processes with respect to the CSR Report in all material aspects and the preparation of CSR indicators as well as the related control environment in relation to data aggregation of these key performance indicators are not functioning as designed.

Zurich, 22 May 2018

PricewaterhouseCoopers AG

Marc Schmidli

Stephan Hirschi

CSR report

# GRI Index

## GRI content index



Disclosure	Description	UNGC	SDG	Reference	External assurance
<b>GENERAL DISCLOSURES</b>					
<b>1. Organizational profile</b>					
102-1	Name of the organization			<a href="#">This is Sonova</a>	No
102-2	Activities, brands, products, and services			<a href="#">This is Sonova</a>	No
102-3	Location of headquarters			<a href="#">This is Sonova</a>	No
102-4	Location of operations			<a href="#">This is Sonova</a>	No
102-5	Ownership and legal form			<a href="#">Organizational structure</a>	No
102-6	Markets served			<a href="#">Hearing care market</a>	No
102-7	Scale of the organization			<a href="#">Reporting profile</a>	No
102-8	Information on employees and other workers	6	8	<a href="#">Investment in people</a>	No
102-9	Supply chain			<a href="#">Hearing care market</a>	No
102-10	Significant changes to the organization and its supply chain			<a href="#">Reporting profile</a>	No
102-11	Precautionary Principle or approach			<a href="#">Message from the CEO</a>	No
102-12	External initiatives			<a href="#">Ethics and integrity</a>	No
102-13	Membership of associations			<a href="#">Corporate Governance</a>	No
<b>2. Strategy</b>					
102-14	Statement from senior decision-maker			<a href="#">Message from the CEO</a>	No
102-15	Key impacts, risks, and opportunities			<a href="#">Hearing care market</a>	No
<b>3. Ethics and integrity</b>					
102-16	Values, principles, standards, and norms of behavior	1	16	<a href="#">Corporate governance</a>	No
102-17	Mechanisms for advice and concerns about ethics	1	16	<a href="#">Corporate governance</a>	No
<b>4. Governance</b>					
102-18	Governance structure			<a href="#">Corporate governance</a>	No
102-19	Delegating authority			<a href="#">Corporate governance</a>	No

102-20	Executive-level responsibility for economic, environmental, and social topics			<a href="#">Corporate governance</a>	No
102-21	Consulting stakeholders on economic, environmental, and social topics		16	<a href="#">Corporate governance</a>	No
102-22	Composition of the highest governance body and its committees		5, 16	<a href="#">Corporate governance</a>	No
102-23	Chair of the highest governance body		16	<a href="#">Corporate governance</a>	No
102-24	Nominating and selecting the highest governance body		5, 16	<a href="#">Corporate governance</a>	No
102-25	Conflicts of interest		16	<a href="#">Corporate governance</a>	No
102-26	Role of highest governance body in setting purpose, values, and strategy			<a href="#">Corporate governance</a>	No
102-27	Collective knowledge of highest governance body		4	<a href="#">Corporate governance</a>	No
102-28	Evaluating the highest governance body's performance			<a href="#">Corporate governance</a>	No
102-29	Identifying and managing economic, environmental, and social impacts		16	<a href="#">Corporate governance</a>	No
102-30	Effectiveness of risk management processes			<a href="#">Corporate governance</a>	No
102-31	Review of economic, environmental, and social topics			<a href="#">Corporate governance</a>	No
102-32	Highest governance body's role in sustainability reporting			<a href="#">Corporate governance</a>	No
102-35	Remuneration policies			<a href="#">Compensation report</a>	Yes (Annual Report)
102-36	Process for determining remuneration			<a href="#">Compensation report</a>	Yes (Annual Report)
102-37	Stakeholders' involvement in remuneration		16	<a href="#">Compensation report</a>	Yes (Annual Report)
<b>5. Stakeholder engagement</b>					
102-40	List of stakeholder groups			<a href="#">Stakeholder engagement: Open dialog</a>	No
102-41	Collective bargaining agreements	3	8	<a href="#">Investment in people</a>	No
102-42	Identifying and selecting stakeholders			<a href="#">Stakeholder engagement: Open dialog</a>	No
102-43	Approach to stakeholder engagement			<a href="#">Stakeholder engagement: Customers</a>	No
102-44	Key topics and concerns raised			<a href="#">Sustainability program: Identification and prioritization</a>	No
<b>6. Reporting practice</b>					
102-45	Entities included in the consolidated financial statements			<a href="#">Reporting profile: Entities</a>	No
102-46	Defining report content and topic boundaries			<a href="#">Sustainability program: Identification and prioritization</a>	No
102-47	List of material topics			<a href="#">Sustainability program: Sustainability landscape</a>	No
102-48	Restatements of information			<a href="#">Reporting profile: Restatements and significant changes</a>	No
102-49	Changes in reporting			<a href="#">Reporting profile: Restatements and significant changes</a>	No
102-50	Reporting period			<a href="#">Reporting profile</a>	No
102-51	Date of most recent report			<a href="#">Reporting profile</a>	No
102-52	Reporting cycle			<a href="#">Reporting profile</a>	No
102-53	Contact point for questions regarding the report			<a href="#">Reporting profile</a>	No
102-54	Claims of reporting in accordance with the GRI Standards			<a href="#">Reporting profile</a>	No
102-55	GRI content index			<a href="#">GRI content index</a>	No

102-56	External assurance			<b>Reporting profile</b>	No
<b>MATERIAL TOPICS</b>					
<b>Management Approach</b>					
103-1, 2, 3	Customer-focused solutions			<b>Sustainability program</b>	No
	Access to hearing care			<b>Sustainability program</b>	No
	Investment in people			<b>Sustainability program</b>	No
	Safeguarding the environment			<b>Sustainability program</b>	No
<b>ECONOMIC</b>					
201-1, 3	Economic performance		2, 5, 7, 9	<b>Financial report</b>	Yes (Annual Report)
203-2	Indirect economic impacts		1, 3, 8, 10, 17	<b>Hearing care market</b>	No
204-1	Procurement practices			<b>Hearing care market</b>	No
205-1, 2	Anti-corruption		16	<b>Ethics and integrity</b>	No
206-1	Anti-competitive behavior			<b>Ethics and integrity</b>	No
<b>ENVIRONMENTAL</b>					
302-1, 2, 4, 5	Energy	7, 9	7, 12, 13	<b>Safeguarding the environment</b>	Yes
303-1, 2	Water	7	6	<b>Safeguarding the environment</b>	No
305-1, 2, 3, 4, 5, 6, 7	Emissions	7, 9	3, 12, 13, 14, 15	<b>Safeguarding the environment</b>	Yes
306-2, 3	Effluents and waste	8	3, 6, 12, 13, 14, 15	<b>Safeguarding the environment</b>	No
307-1	Environmental compliance	8	12, 13, 14, 15, 16	<b>Safeguarding the environment</b>	No
308-1, 2	Supplier environmental assessment	8		<b>Safeguarding the environment</b>	Yes
<b>SOCIAL</b>					
401-1	Employment	6	5, 8	<b>Investment in people</b>	Yes
402-1	Labor/management relations	3	8	<b>Investment in people</b>	No
403-2	Occupational health and safety		3, 8	<b>Investment in people</b>	No
404-2, 3	Training and education	6	5, 8	<b>Investment in people</b>	No
405-1	Diversity and equal opportunity	1	5, 8	<b>Investment in people</b>	Yes
407-1	Freedom of association and collective bargaining	3	8	<b>Ethics and integrity</b>	No
408-1	Child labor	4, 5	8, 16	<b>Ethics and integrity</b>	No
409-1	Forced or compulsory labor	4, 5	8	<b>Ethics and integrity</b>	No
412-1	Human rights assessment	1, 2		<b>Ethics and integrity</b>	No
413-1	Local communities	1		<b>Access to hearing care</b>	No
414-1, 2	Supplier social assessment	2	5, 8, 16	<b>Ethics and integrity</b>	No
415-1	Public policy		16	<b>Ethics and integrity</b>	No
416-1	Customer health and safety			<b>Investment in people</b>	No
417-1	Marketing and labeling		12, 16	<b>Customer-focused solutions</b>	No
418-1	Customer privacy		16	<b>Ethics and integrity</b>	No
419-1	Socioeconomic Compliance		16	<b>Ethics and integrity</b>	No

UNCG = UN Global Compact Principle; AR = Annual Report; SDG = Sustainable Development Goal