



Strategy

Message from the CEO

Dear readers,

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

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

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

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

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

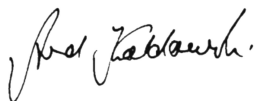
MESSAGE FROM THE CEO

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

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

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

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



Arnd Kaldowski

Chief Executive Officer



Hearing care market and supply chain

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

Hearing – an underestimated topic

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

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

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

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

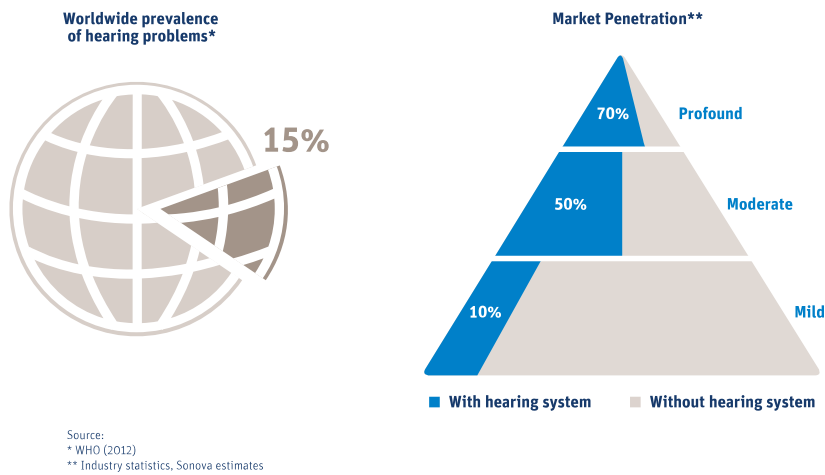
2) WHO definition of disabling hearing loss: hearing loss greater than 40dB in the better hearing ear in adults and a hearing loss greater than 30dB in the better hearing ear in children

3) WHO, "Addressing the rising prevalence of hearing loss" (2018)

Market opportunities

GRI 102-6

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



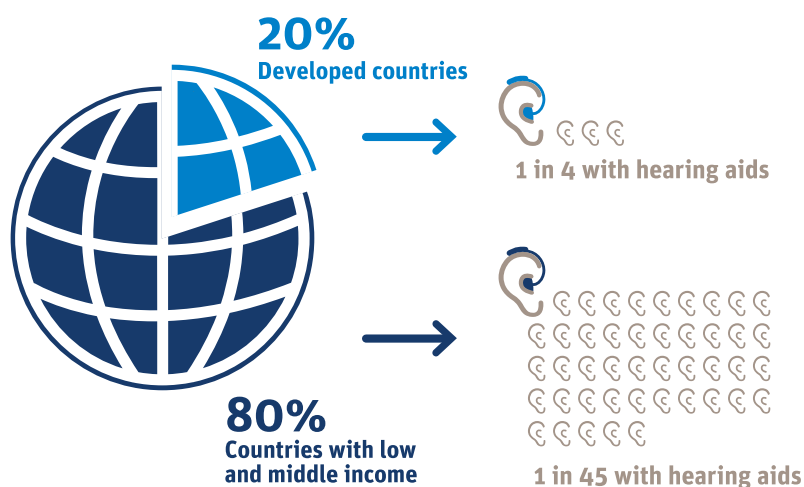
over 15%

of the world's population is affected by hearing loss¹

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

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

Market penetration of people with hearing loss*



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

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

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

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

Market challenges

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

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

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

Two-thirds

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



CR Report 2018/19: Access to hearing care

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

GRI 102-9

International supply chain

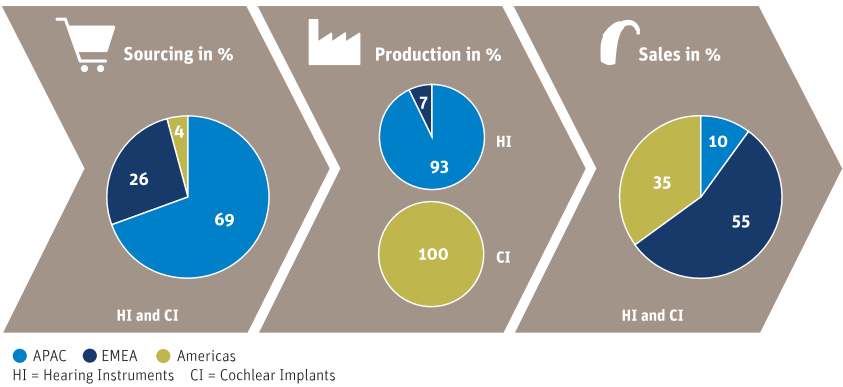
Sonova deals with around 443 suppliers to its hearing instruments segment, who deliver components for manufacturing and assembly, and around 122 direct material suppliers to the cochlear implant segment. In spending terms, 69.4% of Sonova’s purchase volume is located in the Asia/ Pacific region, 10.3%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

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

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



CR Report 2018/19: Ethics and integrity





Strategy Sustainability program

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

Materiality analysis

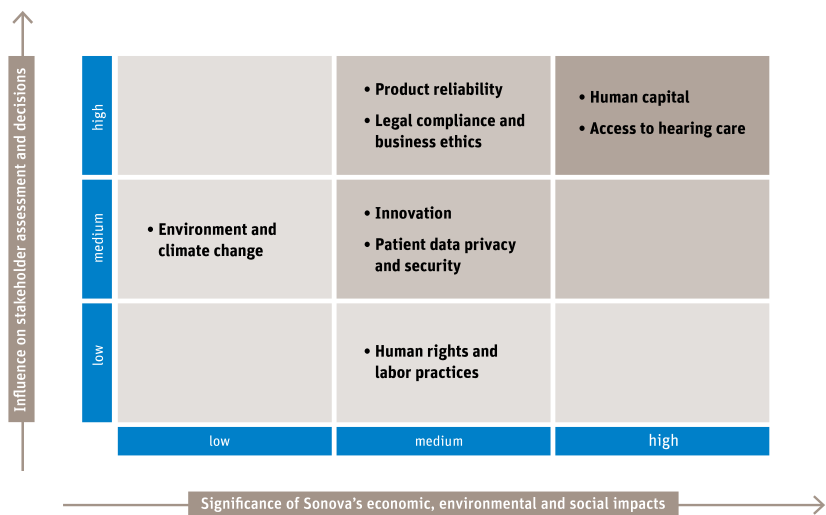
Identification and prioritization

GRI 102-46, GRI 103-1

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

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

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



List of material topics

GRI 102-47

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

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

Sustainability landscape

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



Our vision – the “why”

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

Our values – the “how”

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

Our commitments – the “what”

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

Validation

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

Topic boundaries

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

GRI 103-1

Key corporate responsibility targets and performance

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



CR Report 2018/19: Sustainable Development Goals

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

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

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

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

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

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

GRI 103-2, GRI 103-3

Management approach

Customer-focused solutions

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

Priority goal

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

Approach

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

Performance

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



Sonova and the United Nations Sustainable Development Goals (SDGs)

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

Access to hearing care

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

Priority goal

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

Approach

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

Performance

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



Sonova and the United Nations Sustainable Development Goals (SDGs)

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

Investment in people

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

Priority goal

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

Approach

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

Performance

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



Sonova and the United Nations Sustainable Development Goals (SDGs)

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

Safeguarding the environment

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

Priority goal

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

Approach

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

Performance

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



Sonova and the United Nations Sustainable Development Goals (SDGs)

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

Governance, risk, and compliance management

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

Priority goal

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

Approach

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

Performance

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



Sonova and the United Nations Sustainable Development Goals (SDGs)

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



Strategy

Stakeholder engagement

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

Open dialog

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

GRI 102-40

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

Further stakeholder groups important to Sonova are:

- Financial community
- Media
- Regulators
- Insurers
- Competitors

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

GRI 102-42

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

GRI 102-44

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

GRI 102-43

Approach to stakeholder engagement

Customers

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

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

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

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

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

Employees

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

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

Shareholders

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

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

Suppliers

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

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

Academia and opinion leaders

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

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



CR Report 2018/19: Investment in people



Sonova Group Supplier Principles (SGSP)

Financial community

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

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

Media

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

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

Regulators

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

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

Insurers

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

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

Competitors

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

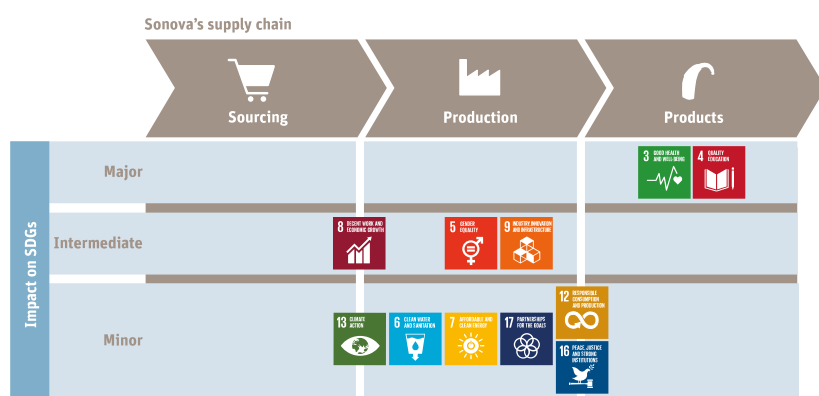
Sonova interacts with representatives from competitors e.g. through membership in industry associations such as the European Hearing Instrument Manufacturers Association (EHIMA), which was founded in 1985 and represents the seven major European hearing instrument manufacturers.



Sustainable Development Goals

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

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



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

Priority SDGs

Good health and well-being (SDG 3)

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

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

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

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

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

Quality education (SDG 4)

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

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

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

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



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



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

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

Medium impact on SDGs

Gender equality (SDG 5)

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

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

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

Decent work and economic growth (SDG 8)

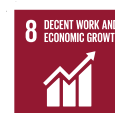
Goal number eight is to promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. Sonova contributes to the following SDG targets:

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

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



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



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

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

Industry, innovation and infrastructure (SDG 9)

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

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

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

Limited impact on SDGs

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

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

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



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



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

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

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

Peace, justice and strong institutions (SDG 16)

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

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

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

Partnerships for the goals (SDG 17)

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

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

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



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



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