



Commitments

## Customer-focused solutions

**Our commitment:** 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 2018/19, 81 new patent applications were filed across the Sonova Group. As of March 2018/19, the Sonova Group owned over 1,600 active granted patent and design rights.

#### Innovation through collaboration

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

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

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



#### 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](#).

# >1,600

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

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

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

>50

number of scientific  
collaborations

### Smart technologies

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

## eSolutions

### eSolutions today

Digital technology and connectivity make Sonova hearing solutions smart companions. Their sophistication is not just in terms of sound resolution and quality, speech intelligibility, form factor, or design – but also functionality: the hearing aid connects wirelessly to media players of all kinds. Music, TV sound, or phone calls can be enjoyed in excellent quality directly within the ear. Thanks to a discreet Bluetooth<sup>1</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® word mark and logos are registered trademarks owned by the Bluetooth SIG, Inc.

### eSolutions for the future

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

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

GRI 416-1

## Product reliability

### Regulatory and standards

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

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

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

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

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

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

### Product service and labeling

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



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



Commitments

## Access to hearing care

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



### Sonova and the United Nations Sustainable Development Goals (SDGs)

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

## Expanding market reach

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

### Broad product portfolio

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

### Customized solutions

Around 1.3 billion people around the world speak a Sinitic language such as Mandarin or Cantonese<sup>1</sup>. These are tonal languages, where the basic frequencies communicate the information content of words. To better understand the specific needs of Chinese people with hearing loss, we are working with China's largest hospital, the Tongren Hospital, in Beijing. The result is a specific prescription formula for the amplification/frequency curve shapes of tonal languages – or, to put it more simply, hearing aids offering significantly better speech clarity for millions of people in Asia.

1) Ethnologue: Languages of the World, 22<sup>nd</sup> edition (2019)



## Education and training of hearing care practitioners

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

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

## Distribution network and remote access

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

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

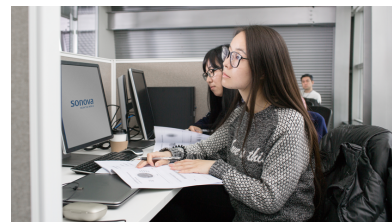
In 2018/19, the mobile hearing clinic bus traveled more than 5,000 kilometers across New Zealand, visiting 30 locations and reaching almost 2,000 new customers.

# Corporate citizenship and philanthropy

## Hear the World Foundation

Around 466 million people worldwide – over 5% of the world's population – suffer from disabling hearing loss<sup>1</sup>; 34 million of these are children. The majority of people with disabling hearing loss live in low- and middle-income countries with no or little access to audiological care.<sup>2</sup>

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



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

1,600

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



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

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

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

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

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

### Group-wide strategy

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

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

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

# >90,000

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



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

## Corporate citizenship and philanthropic contributions

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

### Type of activities

CHF<sup>1</sup>

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

<sup>1</sup> only contributions at Sonova Group level included, does not include contributions at brand level

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

### Type of contribution

CHF<sup>1</sup>

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

<sup>1</sup> only contributions at Sonova Group level included, does not include contributions at brand level

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



Access to hearing care

“It’s all about children”

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

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

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

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





Julien Ricadat-Crosnier

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

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

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

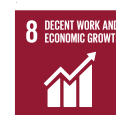
The day of departure finally arrives, and Julien finds it hard to say goodbye: “I’ve developed a real bond with the children here. Just like everywhere else in the world, what they want to do more than anything else is play.” He is particularly fond of two little girls aged seven and eight. They live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

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



# Investment in people

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



## Sonova and the United Nations Sustainable Development Goals (SDGs)

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

## Our employees are key to our success

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

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

### Internal leadership recruitment rate (ILRR)

% of employee headcount<sup>1</sup>

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

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

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

[GRI 401-1](#)

## Employee turnover rates

% of FTE<sup>1</sup>

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

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

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

84%

report feeling engaged through  
their work at Sonova

## Personnel figures

GRI 102-8

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

## Employees by region

FTE (end of period)<sup>1</sup>

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

<sup>1</sup> Employee numbers do not show any seasonal or other temporary fluctuation



## Employees by employment contract

% of employee headcount<sup>1</sup>

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

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

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

## Human resource organization

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

GRI 102-41

## Career development

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

GRI 404-3

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

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

## Training programs

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

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

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

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

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

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

## Traineeship programs

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

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



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

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

GRI 401-1

#### New hire rate

% of new hired FTE

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

GRI 102-8, GRI 405-1

## Diversity and inclusion

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

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

#### Building a diverse workforce

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

# > 20%

employees less than 30 years  
old

## INVESTMENT IN PEOPLE

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

### Employees by gender

% of employee headcount<sup>1</sup>

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

<sup>1</sup> Only regular contracts, no fixed-term contracts

### Employees by age

% of employee headcount<sup>1</sup>

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

<sup>1</sup> Only regular contracts, no fixed-term contracts

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

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

# 55%

women in lower and middle  
management positions



## Women in management positions

% of employee headcount within respective management position

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

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

## Advancing our culture of inclusion and innovation

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

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

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

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

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

## Employee wellbeing

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

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

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

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



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

## Occupational health and safety

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

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

GRI 403-2

## Occupational health and safety indicators

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

IR = total number of injuries/total hours worked x 200,000

LDR = total number of lost days due to injuries/total hours worked x 200,000

LTIFR = total number of lost-time injuries/total hours worked x 1,000,000

OIFR = total number of occupational illness or diseases cases/total hours worked x 1,000,000

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

A woman with long brown hair, wearing a dark blazer over a white top and dark trousers, is walking through a modern glass entrance of a building. She is holding a white object in her right hand. The entrance is framed by large glass panels and dark metal. The background shows a building with a grid-like facade.

# Investment in people

## One year, three continents and lots of new experiences

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

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

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





Léonie Fauvet

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

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

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

## ONE YEAR, THREE CONTINENTS AND LOTS OF NEW EXPERIENCES

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



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

## Environmentally friendly practices

### Commitment and policies

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

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

### Environmental management systems

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

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



### Sonova and the United Nations Sustainable Development Goals (SDGs)

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

GRI 307-1



[Sonova environmental policy](#)

## Environmental targets

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

### Sonova 2022 key environmental targets

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

<sup>1</sup> Scope 1&2 + air-travel related Scope 3 emissions

<sup>2</sup> above the threshold level of 0.1% by weight according to REACH regulation

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

## Energy and climate

### Commitment and approach

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

### Climate change risks and opportunities

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

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

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

## Energy

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

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

### Energy consumption

MWh

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

<sup>1</sup> extrapolation, only partial data available

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

GRI 302-1

4.4%

reduction of total energy  
consumption



## Greenhouse gas emissions

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

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

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

# 11.7%

reduction of greenhouse gas  
emissions per revenue

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

t CO<sub>2</sub> eq

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

<sup>1</sup> extrapolation, only partial data available

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

In 2018, we estimated Scope 3 emissions for three categories: upstream transportation and distribution (11,543 t CO<sub>2</sub>eq), business travel (9,830 t CO<sub>2</sub>eq), and employee commuting (21,558 t CO<sub>2</sub>eq), which totals to 42,931 t CO<sub>2</sub>eq of Scope 3 emissions.

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

t CO<sub>2</sub> eq

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

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

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

### Business-related air travel

Sonova is a global company; business-related air travel is essential to maintain and improve operations, and to collaborate with internal and external stakeholders. However, we are committed to reduce our carbon emissions from business-related air travel by systematically using information and communications technology to substitute for air travel. In 2018, the carbon emissions from business-related air travel on a group-wide basis were 9,830 t CO<sub>2</sub>eq, of which 29% originated from the flights of Sonova employees in Switzerland. This represents an absolute emission reduction of 5.9% compared to the previous year (2017: 10,441 t CO<sub>2</sub>eq), reflecting the benefits of strict travel policies and increased use of web-conferencing tools.

# 5.9%

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

### Corporate car fleet

Sonova also estimated the carbon footprint of its corporate car fleet in 2018. All vehicles purchased, leased, or rented by Sonova Group companies were taken into account. The estimated total carbon footprint of Sonova's corporate car fleet is around 6,645 t CO<sub>2</sub>eq in 2018, which represents a reduction of 9.3% compared with 2017 emissions of 7,328 t CO<sub>2</sub>eq. This decrease is mostly due to improved overall fuel efficiency in the Sonova car fleet.

### Employee commuting

In 2017, Sonova conducted for the first time a worldwide survey to estimate its carbon footprint from employee commuting; this amounted to 21,558 t CO<sub>2</sub>eq. The global survey is not carried out every year. Hence, for 2018, we base our carbon footprint calculations on the numbers from the 2017 survey results.

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



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

### Upstream transportation and distribution

In terms of product distribution, air freight is clearly the dominant contributor to Sonova's carbon footprint, accounting for around 98% of relevant 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 in absolute terms and 7.2 kg CO<sub>2</sub>eq per kg transported in relative terms. The equivalent carbon emissions for the cochlear implant segment were estimated at 835 t CO<sub>2</sub>eq and 4.0 kg CO<sub>2</sub>eq per kg transported, respectively. The study is not carried out every year, so total Scope 3 emissions for upstream transportation and distribution for 2018 are estimated at 11,543 t CO<sub>2</sub>eq, based on the 2017 study results.

GRI 308-1

## Green procurement

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

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

# 66%

purchase volume from  
suppliers with certified  
environmental management  
systems

## Materials

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

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

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

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

GRI 306-2

## Waste

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

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

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

# 53%

of total waste recycled

## Waste

metric tons

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

GRI 303-1

## Water

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

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

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

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

## Water use

m³

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

## Air emissions

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

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

## Volatile organic compounds (VOCs)

liters

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

## Life cycle perspective and circular economy

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

### Product design

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

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



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

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

### Procurement and manufacturing

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

### Packaging and distribution

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

### Consumer use

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

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



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



## Product end-of-life

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

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



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

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

## Environmental reporting and system boundaries

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

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

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

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

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

# A-

Leadership score in 2018 CDP  
climate change ranking



[Climate Change 2018 CDP Score Report](#)