



Strategy and businesses

We foster a world in which there is a solution to every hearing loss and all people equally enjoy the delight of hearing.

Hearing loss should never mean losing connection – to the voices of loved ones, a favorite melody, birdsong, the crash of waves. At Sonova, we know how vital hearing is to happy and healthy living. That is why we have set ourselves the mission to bring ever better hearing performance to ever more people through continuous innovation in our products, applications, services, and sales.

The Sonova Group

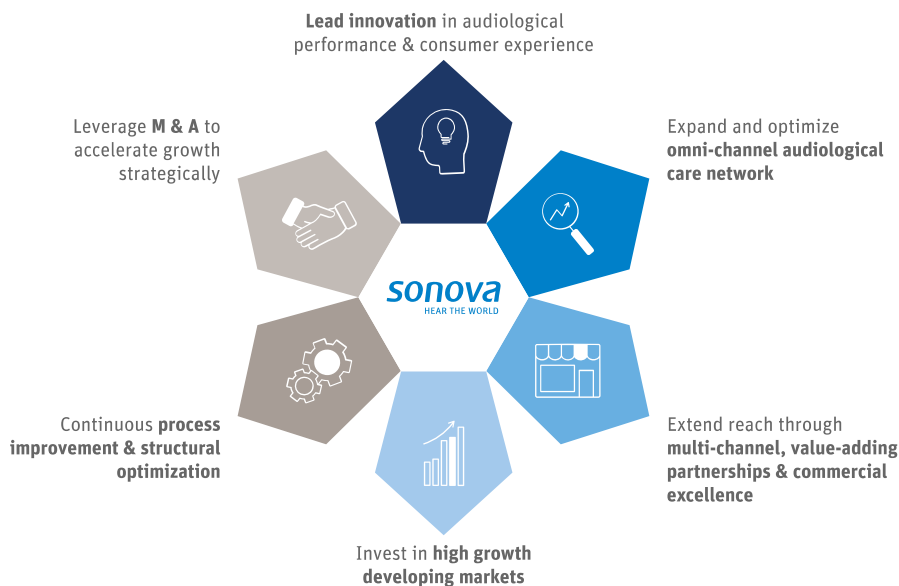
The Sonova Group fulfils its mission through its three core businesses: Hearing Instruments, Audiological Care, and Cochlear Implants. Hearing Instruments delivers market leading audiological performance and consumer experience through innovative technology platforms that support a full range of hearing aids and wireless communications devices. Audiological Care meets the hearing needs of consumers directly with expert services and advanced solutions provided through an omni-channel approach, leveraging its retail network and online presence. Cochlear Implants serves those people whose hearing loss is beyond the point where hearing aids can help, offering them the combined benefits of Sonova audiological performance and cochlear implant expertise. The three businesses together form a closely integrated structure, with extensive cross-collaboration and sharing of talent, technology, and market insights.

Our business model is similarly integrated: we offer the broadest range of products and solutions to address every type of hearing loss. We take a multi-channel approach to the market, aiming to give customers and consumers complete choice about the way they interact with us. We operate actively in every phase of our industry, from initial research to post-sales service. We drive the cycle of innovation, drawing on our understanding of consumer needs to regularly launch technology platforms that bring life-enhancing new capabilities and measurably improved hearing performance to our entire product range.

Our proven strategy

Our strategy remains unchanged from previous years, despite the worldwide impact of the COVID-19 pandemic. Indeed, the experience of this year has demonstrated the strategy's validity and resilience. Having rapidly taken the essential steps to assure the health and safety of our employees, customers, and consumers, and having put in place cost-structure and liquidity measures to secure our financial flexibility, we were able to drive the sales rebound by increasing the number and intensity of customer contacts, launching

new technology platforms, investing further in product development, and accelerating our lead generation activity. As a result, we were well placed to participate in the market's faster-than-anticipated recovery. By continuing to lead innovation, extend consumer and market access, improve our processes, and invest in growth, we have sustained the agility we need to thrive in good times and to weather the challenges that come along the way.

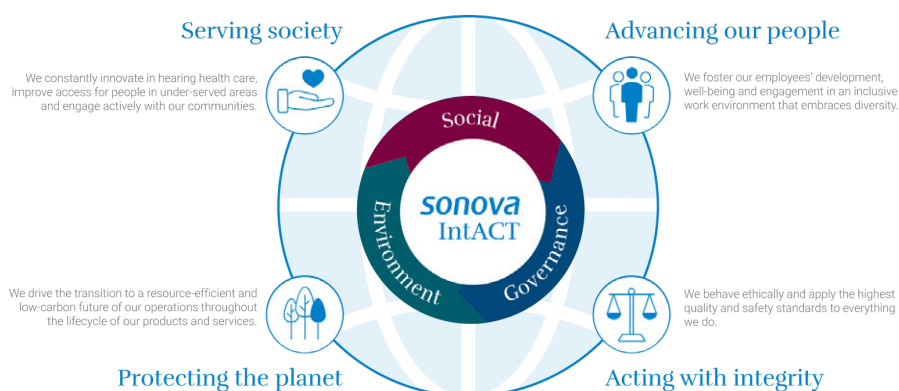


Driving innovation

In our innovation framework, as in all our processes, we aim to achieve significant measurable improvement in clearly defined benchmarks: hearing performance, comfort and fit, digital apps and connectivity, and emerging new functionalities. Taken together, these capabilities make our product much more than just a hearing aid – it becomes a multi-functional device that supports healthy living. The products and solutions launched across our businesses and brands during the past financial year represent further important steps in this direction, with sophisticated enhancements to the hearing experience, increased ease-of-use and connectivity, new supporting apps, and the addition of a motion sensor, enabling new modes of functionality.

New milestones in ESG

Sonova has long been committed to continuous improvement in its environmental, social, and governance responsibilities. "We take accountability" is one of our core values, and we aim to further embed our ESG commitments across all dimensions of the business and to track and optimize our ESG performance with the same intensity as we do our key financial indicators. We are proud that we are highly ranked in major ratings agencies' sustainability indices, both as a recognition of our efforts an assurance to investors that we are making good progress.



This year, we have introduced a range of new, measurable ESG targets with firm dates for achievement. Among those in the environmental area, we aim to achieve carbon-neutral operations by the end of 2021 and to align our reduction targets with the effort to keep global warming below 1.5°C, as advocated by the Science Based Targets initiative (SBTi). In the social area, our new commitments include a goal of 40% of key positions held by women by 2025. In governance, we are extending and intensifying our long-established system of ESG risk assessments and audits of our suppliers, and establishing a strong digital ethics and cybersecurity function.

You can read the full account of our performance for the year in the [Corporate Responsibility report](#).

Strategic focus areas

Products and solution innovation

Two years ago, we introduced Phonak's groundbreaking Marvel platform: the result was two years of clear market leadership, with an industry-record number of instruments sold and every form factor marking significant sales growth over its predecessor. Even in 2020, Marvel remained the top-ranked hearing aid among hearing care professionals.

This year, we took Marvel to the next level with the launch of Phonak Audéo Paradise, which combines an entirely new sound processing chip with a motion sensor and allows for multiple simultaneous Bluetooth® connections. Paradise provides unrivaled sound quality, with adaptive speech enhancement, dynamic noise cancellation, and motion sensor hearing, which self-adjusts for conversations on-the-go. Multiple connectivity provides even greater ease-of-use and access to a wide range of digital apps and services, controllable by a tap of the finger on the ear. The motion sensor does not just contribute to hearing performance and easy handling: it opens up a path to add further capabilities and benefits through sensor technology in the future.

In 2021, our Cochlear Implants business launched two breakthrough sound processors founded on Marvel's leading technology and market reputation: the Naída™ CI Marvel for adults, and the Sky CI™ Marvel: the world's first dedicated sound processor specifically designed for children. The benefits that these bring to recipients – self-adjusting sound programs, hands-free calling, direct no-hassle enjoyment of music and television, and compact wireless communication, all without the need for additional connection devices – can transform lives, and are currently unique to our cochlear implant solutions. Marvel technology is now also available to “bimodal” recipients, who have a sound processor on one ear and a hearing aid on the other, thereby providing state-of-the-art solutions for all cochlear implant wearers.

The powerful market performance of these advanced technologies, along with the continuously increasing customer satisfaction and penetration that Sonova has seen over the past decade, suggest that an excellent hearing experience still remains vital to consumers, and that there are ample opportunities to further advance through even better performance and additional functionalities. We know that we are far from having achieved our solutions' full potential – and therefore from any “commoditization” in our business.

Market and consumer access

An omni-channel strategy gives us a flexible and agile method of approaching consumers who have different preferences about where and how they want to engage with us and our hearing solutions, by providing our sales people with multiple points of contact and influence. Success in this strategy relies on having access to a broad set of sales and lead generation channels, paired with a systematic, process-driven approach to define and track the indicators that mark new opportunities.

We have applied this approach in our Audiological Care business, not just in its day-to-day operations, but also in opening up new markets. This year, we established a presence in China (where over 90 million people are affected by hearing loss) through partnerships with Tencent and its WeChat app, the largest social media platform in China, and Alibaba Health, part of the world's largest eCommerce platform. These are backed by agreements with two major retail networks to provide fitting services, which give consumers the choice of an all-online or partially in-store experience. This is just the first step in our omni-channel approach to the Chinese market, but it has already brought success: within three months of launch, we were China's leading hearing aid manufacturer in terms of online share. We have taken the same systematic approach to eCommerce, acquiring or launching new eShops in a targeted way to gain new consumers, enter new markets, or extend existing consumer connections.

Across Sonova, we have increased our focus on systematic lead generation, gaining in-house consumer understanding at the early pre-sales stage. This benefits not just our Audiological Care business, but all our sales activities, as it allows us to establish strong direct-to-consumer connections that can extend throughout their hearing journey.

Improvement and optimization

The process improvement and structural optimization programs that we announced over the past two years are well on track – indeed, we accelerated them during the period when the COVID pandemic focused our attention on cost. We have already seen a positive effect on profitability – while continuing to invest in our growth initiatives – and we expect them to generate an attractive ROI. Sonova will emerge from the pandemic in a much stronger position.

Cost savings and efficiency are less than half the story, however. By far the most important improvements we can make are those that generate growth, both during the post-COVID market rebound and beyond. We see this with the commercial excellence initiative in our Hearing Instruments business: through a systematic approach to territory design, market segmentation, and targeting, we are able to reduce non-value-adding tasks. This increased productive use of time and enabled us to allocate resources to more competitive accounts with higher growth potential, thereby raising sales productivity by 20%, with an equivalent sales growth in the targeted areas. These improvements are not one-off cost savings, but a source of yearly contributions to the bottom line.

Elsewhere in Sonova, our regular “Kaizen” cooperative operational improvement events – more than 100 this year in production functions alone, with over 50 in other functions – continue to generate substantial productivity improvements. Our labor productivity has risen by over 10% in the last 12 months; our working capital position has improved significantly over two years – and all during a period when the business has grown and increased its market share.



Feature story

“It’s like having new ears!”

Charles Owens is a jazz musician – and he wears hearing aids from Sonova brand Phonak. The saxophone player, who is over 80, finds them crucial, not only for listening to music and communicating with the members of his band, but also to help him teach his students and stay fully focused when his nine-year-old grandson practices saxophone with him.

“Where’s Glo?” Clad in a black suit, white shirt, red tie and matching fedora, Charles Owens strolls through the back door of the Lighthouse Café in December 2019. In one hand, he is carrying his saxophone case and, in the other, a bouquet of roses for Gloria Cadena, who is over 90 and decides which jazz bands get to play in the club.

It’s time to open the doors for the jazz brunch that has been a weekend tradition since 1949 in the club, a few miles south of Los Angeles, whose global fame was kickstarted by the film *La La Land*. Charles gathers his band to discuss the bebop classics he wants to play that morning. “The important thing with jazz is to play with enthusiasm,” he says, surveying the packed room with satisfaction. He can hardly wait to take the stage, raise the tenor sax to his lips, and entertain the public. For Charles and the saxophone, it was love at first sight.

It all started back in 1949: Ten-year-old Charles and his parents are on their way from San Diego to Oklahoma to visit his father’s family. “They were all musical,” he recalls. Charles discovers every instrument imaginable in the sitting room – guitar, drums, trumpet, trombone, and a silver-plated alto saxophone. He tries them all out, but is particularly taken with the sax. “When we got back home, I asked my mother if I could have it,” he recounts. “She bought it from Uncle Henry and had it shipped to California.” Seeing his enthusiasm for the instrument, his parents sign him up for lessons.

At high school, Charles starts a band with some friends and they play at parties on weekends. The money he makes goes towards music, books, and shoes. His dream is to master the saxophone as well as emulate the great jazz musicians. When a teacher asks him just before graduation what he intends to study at university, there’s only one possible choice: music.

And he does it, too, playing in the brass band in college and earning money on the side in a fast food restaurant. "My burgers were good, but I knew that wasn't the life for me," he recalls. Charles signs up for the military and joins the Air Force Band, which takes him to Boston and the Berklee College of Music to study jazz. There, he switches from alto to tenor sax and learns piano, trombone, flute and clarinet. In Boston, he begins his career as one of the most multi-talented jazz musicians there is ever likely to have been. His sheer versatility enables him to work with the world's top musicians.

Shortly after his 32nd birthday in 1971, he heads for the bright lights and big city of the West Coast to buy a house for himself and his family. With financial support from his wife, Charles plays in jazz clubs, but feels guilty as he is no longer earning any money. His mother constantly pushes him to find a part-time job instead of spending hours perfecting his technique. "Let them talk," Duke Ellington eventually tells him while he is touring with his orchestra. "Jazz is your vocation – you have to practice!"

His discipline and patience begin to pay off and Charles is soon a sought-after session musician. "It's a blessing when you find out what God put you on earth to do," he says emphatically. "It's even better when you can do it your whole life and it pays the bills."

In 2015, a call comes through from Hollywood. "They said, 'they're making a film in the Lighthouse Café, come down and bring your sax'." By this point, Charles and his band have been playing regularly at the club for more than 20 years. The film, which will see him taking the stage behind Ryan Gosling, Emma Stone and John Legend, is called *La La Land*. To Charles' delight, it will bring jazz to a whole new audience and entice the curious into the Lighthouse Café.



Before the premiere in December 2016, Charles and his band would sometimes play to only a handful of brunch-time regulars. This all changed after the film, with fans jostling in queues round the block for hours before the doors open each weekend. All the tables are booked out this Saturday morning as well.

"Am I glad that you're all here," says Charles when greeting his guests. "It's depressing to play with no audience – it's enough having to do that every day at home!" Before the laughter has even died away, the first rich notes from his saxophone are floating through the air as tourists look up from their smartphones and tap their feet to the beat.

After the first set, Charles introduces the members of his band and points across to the Sonova team standing beside the stage with their cameras and spotlights; they are making a short film about him. "The moviemakers are in today, as you can see," he says. "It's not 'La La Land II' – they are filming me because I wear a hearing aid." He takes a short pause, wishing to make sure that everyone is paying attention to him. "Something a lot of you don't know – I'm half deaf. Not exactly ideal for a musician!"



Charles had noticed his hearing loss not on stage but at home. His family's complaints that he was turning up the television too loud were becoming more and more frequent. When they turned the volume down, he could no longer hear anything, and he was finding it harder and harder to conduct a conversation. "I had got used to asking what someone had just said and always getting them to repeat it," remembers Charles. He thinks his ears have suffered because he always likes to stand right next to the percussion. "The drums could never be loud enough for me." For a long time, he was too proud to get a hearing aid and was embarrassed about admitting to his hearing loss. However, once sitting in front of the television with his family became no fun anymore and communicating with them was becoming increasingly difficult, he acquired his first hearing aid. It was a lot better than having no help at all, but there were still some problems – on the phone, for example. "Everything was distorted and crackly."

Things changed radically when he acquired his Phonak hearing aids. "It's like having new ears! As if I'd been underwater before and have finally come up to the surface," says Charles enthusiastically. "These are really first-class hearing aids." When his phone rings, all he has to do is press a button on the device and he is directly connected, and can hear the voice at the other end clearly and distinctly. "Now, I can hear the rain on the roof again, the birds singing, and the pastor at church. Previously, it took a lot of effort to discuss song arrangements with his bandmates, catch what a taxi driver was saying, or understand what fans were asking him. Now, he finds all this easy again and it is also a lot more fun to listen to his nine-year-old grandson practicing his saxophone with him. "You can't put a price on that, and there isn't a note I would want to miss. Now, I can finally hear them all again."

The hearing aids also make his work easier with students at the University of California, Los Angeles (UCLA). He teaches saxophone there once a week – a job that brings him tremendous satisfaction. "I want to pass on what I have learned," explains Charles. "And more than ever before, I want jazz to reach as many people as possible so they can forget their troubles for a moment as they listen."

In 2010, Charles released an album of original compositions and cover tunes. It was entitled *Joy*, a synonym for his attitude to life and to jazz. "I will play music until the last drop of energy in my hearing aid batteries drains to nothing," he says with a laugh, and lifts up his sax again. It's time to entertain his audience and spread joy.

In December 2020, Charles is fitted with the Phonak Audéo™ Paradise hearing aids. These multi-functional devices deliver improved hearing performance and speech understanding¹, coupled with industry-leading wireless connectivity. To try them out for the first time, Charles has come to the Sonova brand Connect Hearing's audiological store. Both the jazz musician and the audiologist have to wear masks for the occasion. Coronavirus is spreading in Los Angeles as well, so safety precautions are strictly observed during the fitting.



Charles Owens examines his new hearing aids.

"This fitting makes me feel like an artist," says Ivan Wu, Senior Regional Director for Connect Hearing. His creative challenge is to reproduce the sounds of the world in as much varied detail as possible in the ears of his client, and to translate the musician's wishes into commands for the computer program.

Charles is excited. "It's like having a top-of-the-range car and upgrading to the latest model – adding the little details is always the cherry on the cake." With Phonak's Paradise devices, these include a motion sensor that adjusts the hearing aids automatically when Charles is sitting still, playing saxophone or going for a stroll with his wife, for example. "For a lot of our customers, we only have to dial in two or three settings," comments Ivan Wu. "With Charles, we have a whole gamut of possible voices and background noises to consider."

Charles hears one little difference straight away. "Voices are even crisper, despite the masks!" But he adds that the acid test will come only when he is able to play in front of a live audience in a club again. Charles is confident that this will soon be possible. He can hardly wait.

1) Appleton, J., & Voss S.C., (2020) Motion-based beamformer steering leads to better speech understanding and overall listening experience. Phonak Field Study News in preparation. Expected end of 2020; Wright, A. (2020). Adaptive Phonak Digital 2.0: Next-level fitting formula with adaptive compression for reduced listening effort. Phonak Field Study News, retrieved from www.phonakpro.com/evidence, accessed August 19th 2020.



Strategy and businesses

Hearing Instruments business

A driving force in hearing care, we measure success by the positive impact our solutions have on the ability of consumers to communicate and enjoy life.

The world of sound is rich, complex, and ever-changing. At Sonova, we strive to give people with hearing loss the most natural possible hearing experience: clear, comprehensible, joyous and individual – with effortless connection and communication.

Through its Phonak and Unitron brands, Sonova's Hearing Instruments business meets this challenge through consistent technology leadership in the areas that make the greatest difference to the consumer's experience. Our products do not simply provide excellent audiological performance, they are also multi-functional instruments that link the consumer with essential devices, support, and services to simplify and enrich life. Our goal is ever-closer contact with consumers and with the hearing care professionals who serve them, using our products to deepen our understanding of their needs and, through our industry-leading wireless connectivity capabilities, to deliver tailored digital solutions "straight to the ear."

Paradise: a new paradigm

Phonak's market leading Marvel platform, launched two years ago, set entirely new standards with its unmatched sound quality, connectivity with billions of Bluetooth®-enabled devices, and top-rated first-fit acceptance. This year, Phonak has surpassed the breakthrough Marvel platform with the launch of Phonak Audéo Paradise, which combines an entirely new sound processing chip with a motion sensor to further improve hearing and allows for multiple simultaneous Bluetooth® connections.

Paradise adds extra dimensions to the hearing experience. Excellent hearing performance, whether in background noise, on the go, or listening to soft speech, is essential for the consumer and significantly advanced with Paradise. Comfort and ease of use are integral to the design. Connectivity opens up new possibilities for social and digital engagement. With the new motion sensor, the hearing program recognizes movement and optimizes speech recognition. Moreover, users can activate voice assistants, answer or reject calls, or even pause or resume audio streaming simply by tapping their ear. From the user's point of view, the instrument becomes an integral part of an active and full life. From our point of view, each new functionality is an opportunity to extend and deepen our contact with the consumer.



The market response to Paradise has been very strong, achieving similar penetration rates to Marvel's in the same period since launch. A poll of hearing care professionals nine weeks after the launch found that 92% would recommend Paradise Audéo to a colleague, and 69% say that it takes Marvel to the next level.

Commercial excellence: a way of life

Our systematic, global commitment to commercial excellence aims for growth beyond that secured by product innovation alone. A robust yet dynamic go-to-market model allows us to drive excellence in sales execution, bolstered by demand generated through targeted marketing campaigns. Together, they create a virtuous cycle where increased productivity releases funds to re-invest in further growth. We have achieved very strong results in the first year after implementing our commercial excellence initiative in October 2019. For instance, sales territory redesign has increased sales productivity, and with it the number of customers each salesperson reached per week, by more than 25%. At the same time, we have been able to increase the number of "feet on the street" by 20% in our key markets, boosting both the reach and intensity of sales contacts. In the highly competitive US government services market, we have been able to increase market share by 30% in the past two years.

Unique multi-channel market approach

Sonova's aim is to address all forms of hearing loss through the broadest product and solution portfolio in the industry – but also through the broadest market presence, including our own Audiological Care network. Our multi-channel model gives us, our professional customers, and our consumers the widest possible spectrum of points of contact, supporting an integrated, consistent market approach with great reach and depth.

One example of the benefits of this approach is the launch of Paradise in August 2020 – at a time when the COVID pandemic made large physical meetings impossible. Our virtual launch events reached more than 8,000 live attendees in over 14 countries, with thousands more downloads of the event, which we were able to follow up with dedicated online meetings and training. The result was that we were not just contacting more people, we were increasing the depth of our contact at each customer account. By constant monitoring and management of the sales process, we were able to optimize the use of resources (including our own and our customers' time) and kickstart sales even before in-store visits were feasible. In the future, we will be able to implement a targeted blend of on-line and in-person contact to sustain continued sales growth.



Strategy and businesses

Audiological Care business

We deliver best-in-class service and expertise with the most technologically advanced solutions through one of the world's largest store networks.

Our Audiological Care business makes Sonova the world's second-largest provider of hearing care, with the potential, capability, and determination to achieve further significant profitable growth. Our omni-channel strategy gives us early, direct, and intimate understanding of our consumers' needs. Our recognized audiological expertise and access to the full range of Sonova products and solutions offers an excellent consumer proposition at every stage from first contact to specialist medical treatment. Our consistent yet flexible market approach keeps our sales process efficient and productive, and our dedication to continuous improvement frees up resources for the strategic expansion of our network.

Audiological Care's global platform comprises around 3,200 points of sale, employing over 6,500 employees in 20 key markets. In each country, we operate through single recognized store brands, but we implement consistent and integrated business practices and systems worldwide. Our close connection with Sonova's other businesses and shared systematic approach provides us – and them – with valuable insights and tools to deepen consumer contact, expand into new markets, and drive further consumer-relevant innovation.

[A comprehensive omni-channel strategy](#)

The hearing care market is influenced by a wide range of evolving consumer needs: for ever-better hearing performance, for ease-of-use, for expert services, for medical solutions, and also for value, convenience, and choice. Our omni-channel strategy offers a multitude of possible contact points on the way to satisfying those consumer needs: from building awareness on social media, through apps and websites, to call centers, in-store consultation, and home visits. This gives us the flexibility to fulfill rapidly evolving requirements; for instance, during the COVID pandemic we were able to pivot swiftly from safely distanced in-store support to online consultation and back again as user preferences changed. It also gives us a rich, detailed knowledge of changing consumer behavior which we can apply to generating further leads and informing Sonova's product development.

To make full use of this knowledge, we launched in late 2019 the Lead Generation Factory in Berlin: an independent hub with the goal of building in-house expertise in digital lead generation, increasing revenue at a lower cost per lead, and serving younger, more affluent consumers through our omni-channel proposition. The results have fully fulfilled our high expectations, generating tens of thousands of new leads, significant revenue growth, and higher average sales prices. We are now expanding this capability to the whole of the EU and expect to roll it out worldwide over time.

Entering China, accelerating eCommerce

Healthcare is among the fastest-growing consumer needs in China, and the size of the market is only matched by its complexity: there is no one-size approach. We have therefore committed to implementing our full omni-channel strategy in this market. As a starting point for further expansion, and based on the established habits of Chinese consumers, we have launched our presence on Tencent Health, part of the WeChat platform used daily by more than 1.3 billion Chinese people, and on Alibaba Health, part of the largest B2C eCommerce platform in the country. Through these channels, Chinese consumers can find information about hearing care, conduct a digital hearing self-test, and book an appointment with one of the retail networks, totaling more than 300 stores, with which we have established partnerships through our Hearing Instruments wholesale business.

Our own eCommerce activity in multiple markets has also significantly and rapidly accelerated, both through our own branded eShops and through the acquisition in 2019 of the French company Audilo; we are now present in 13 countries. The success of Audilo is clearly reflected by its performance, with sales doubling in 2020. The overall mission for eCommerce is to increase consumer awareness, expand the sales value generated per customer with ancillary products and services, reach new consumers in our existing markets, and enter new markets where we do not yet have a physical presence.

World of Hearing

We have been using the market knowledge gained through our own multiple channels and shared from other Sonova businesses to configure our store network to best reflect consumer needs and optimize operating return. This involves adjusting location density to provide more even coverage and reduce average consumer journey time; providing different store formats, including remote fitting centers to support our omni-channel proposition; and opening more of our flagship World of Hearing stores as regional hubs of expertise, to which other stores can send referrals.



Launched in 2018 and with 10 stores opened by the end of the financial year in four markets, our World of Hearing store concept establishes our differentiation through deep audiological expertise. Sonova stands for a premium level of hearing performance, features, and solutions; World of Hearing gives these a physical market presence, offering consumers direct contact with the full solution spectrum from simple hearing protection to tailored, “medicalized” treatments. The results have been very encouraging, including a 20% reduction in lead time, younger customers, and a higher share of premium products sold. We are now building one World of Hearing store every month and intend to have rolled out the concept globally in the near future.



Strategy and businesses

Cochlear Implants business

We are committed to continuously enhancing our cochlear implant systems to improve the lives of those with the most significant hearing loss.

Sonova's Cochlear Implants business operates under the Advanced Bionics brand, a recognized technology leader that employs approximately 900 people and is active in 85 countries worldwide.

A cochlear implant is a unique solution for a major or complete loss of hearing. Unlike a hearing aid, which amplifies sound, a cochlear implant electrically stimulates the hearing nerve directly. A sound processor worn behind the ear converts sound into the electrical signal transmitted to the implant. Every part of this system offers opportunities for technological advances that can create significant improvement in the quality of life for recipients and help them on their journey towards hearing self-sufficiency.

Benefiting from Marvel's advantages

Advanced Bionics gains a unique competitive advantage from its long-standing R&D collaboration with Phonak, Sonova's premium hearing instrument brand. This allows advances in Phonak sound quality, connectivity, programming, and user control to be made available through Advanced Bionics sound processors. In this context, we are delighted this year to have received regulatory approval for our new Naída™ CI Marvel and Sky CI™ Marvel processors, which bring the breakthrough features of Phonak's Marvel platform – automatic adjustment to different listening environments with AutoSense™ OS 3.0, universal Bluetooth® connectivity, hands-free phone calling, integrated RogerDirect™ wireless communication – to adult and child recipients worldwide.



We have also introduced new fitting software, Target CI, which replicates for our sound processors the functionality, look and feel of Phonak's hearing aid fitting. This is advantageous for the majority of audiologists who work in both areas, particularly when fitting "bimodal" recipients who have a sound processor on one ear and a hearing aid on the other. Target CI is the first fitting software that allows these patients to have fitting for both ears done by the same software in the same session.

To bring these advances to the market meant developing a portfolio of 48 separate products – hardware, software, accessories – integrated into a single system. Strong collaboration across Sonova is the key that makes this possible.

Focus on quality

In February 2020, Advanced Bionics announced a voluntary field corrective action, retrieving the unimplanted initial version of our HiRes™ Ultra and Ultra 3D implants from the market because of an increase of reports of reduced hearing performance. We want to acknowledge the impact that this had on recipients and audiologists and surgeons who work with them.

We have taken a number of steps to support our recipients and customers and to further ensure the reliability of our products: we have increased monitoring and partnering with clinics, developing custom software tools and integrity testing to support their experience. We are actively communicating through our sales force to provide regular updates. We have made further improvements in product development and statistical testing, developing new reliability tests and studies and even more stringent requirements. In the revised version of these implants (launched in February 2020), we have not seen a single confirmed reoccurrence of the failure mode that prompted the retrieval of the initial version. Moreover, we are grateful that 95% of our top clinics who purchased from us before the voluntary field action have returned with new orders, and we are working hard to regain the remaining 5%.

Operational improvements for the long term

The COVID-19 pandemic had the greatest impact on Advanced Bionics among Sonova's businesses, both because of the general postponement of elective surgeries and the local effects of the pandemic on our manufacturing facility in California. Our strategic position was that every response to the crisis should have lasting value to the business, so we accelerated our efforts to raise efficiency and lower costs, while improving reliability and assuring compliance with the new European medical device regulatory regime. We streamlined our supply chain and administrative functions, consolidating our US back-office with the Hearing Instruments business, and transferring financial functions in the EU to Sonova's shared service center. In manufacturing, an intensive program of Kaizen workshops generated a 5% year-on-year improvement in productivity along with significant increases in product yield, materials use, and training efficiency. At the same time, we implemented processes to further ensure product reliability and quality control.