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Sonova CR Report 2019/20

Message from the CEO

Dear readers,

We care is the first of five corporate values we introduced this year, a commitment proudly displayed at Sonova workplaces worldwide: “We care for our employees, customers and consumers, as well as our shareholders and society.” Caring for stakeholders, delivering on our commitments, and taking responsibility: these principles guide our daily actions in “normal” times, and yet more so during the unprecedented COVID-19 pandemic that has impacted the last weeks of the past financial year.

With all the challenges that this crisis brought to the world, it also showed clearly whether corporate responsibility is just a statement, or truly rooted in an organization. Sonova’s first and foremost priority in the response to COVID-19 has been to protect the health and safety of our employees and their families, as well as our customers, consumers and partners. We have taken accountability as a global company, helping to limit further spread of this virus to the best of our abilities, whilst ensuring continued access to hearing care for people in need. We have supported all our stakeholders in navigating through these challenging times, whilst also taking proactive steps to safeguard Sonova’s financial health, maintain employment, and secure sustainable operations. In this crisis and thereafter.

As a leading hearing care company, Sonova has both a duty to conduct business in a responsible manner, along its whole supply chain, and an ability to make a positive impact on society. Our integrated Corporate Responsibility (CR) program closely aligns with our long-term business strategy and objectives and is endorsed at every level of the company.

The CR program focuses on five key areas: access to hearing care; responsible products and services; ethics, risk and compliance; investment in people; and safeguarding the environment. This Corporate Responsibility Report is therefore clustered along these five topics. In each section, you will learn more about our strategic approach, performance and, where relevant, our specific actions in response to the global COVID-19 crisis.

And we are particularly proud to share some environmental, social and governance (ESG) highlights of the past year: the results of our employee engagement survey – now in its second year – showed that 83% of respondents are feeling engaged through their work here at Sonova. We have further strengthened our culture of integrity with an update of our global Code of Conduct and made it even easier to raise concerns through our global “Speak Up!” channels. We have also seen substantial progress toward achieving our group-wide environmental targets and reduced our carbon emissions intensity by 11% through efficiency measures and increased use of renewable energy.

Caring for stakeholders, delivering on our commitments, and taking responsibility: these principles guide our daily actions in “normal” times, and yet more so during the unprecedented COVID-19 pandemic that has impacted the last weeks of the past financial year.

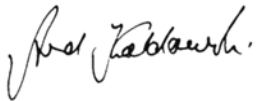
MESSAGE FROM THE CEO

We are proud that our efforts continue to be recognized by a number of relevant organizations in the field, including the internationally recognized Dow Jones Sustainability and FTSE4Good indices. For the second year in a row, Sonova received an 'A-' leadership level ranking from the Carbon Disclosure Project (CDP), recognizing our environmental transparency and actions to address climate change.

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

In the next year, we will continue on our sustainable journey, taking even more steps to embed our CR commitment across all dimensions of the business. As part of this journey we aim for a more formal reflection of business relevant ESG targets in the variable cash compensation of leadership, including for each member of the Sonova Management Board. There is still a lot more opportunity to improve our contributions to sustainability. Now more than ever, we have the chance to show that we live up to our values that we truly care for a sustainable future.

Sincerely,



Arnd Kaldowski
Chief Executive Officer



Corporate Responsibility at Sonova

CR program

As a leading hearing care company, Sonova has both a duty to conduct business in a responsible manner, along its whole supply chain, and an ability to make a positive impact on society. Our integrated Corporate Responsibility (CR) program closely aligns with our long-term business strategy and objectives and is endorsed at every level of the company.

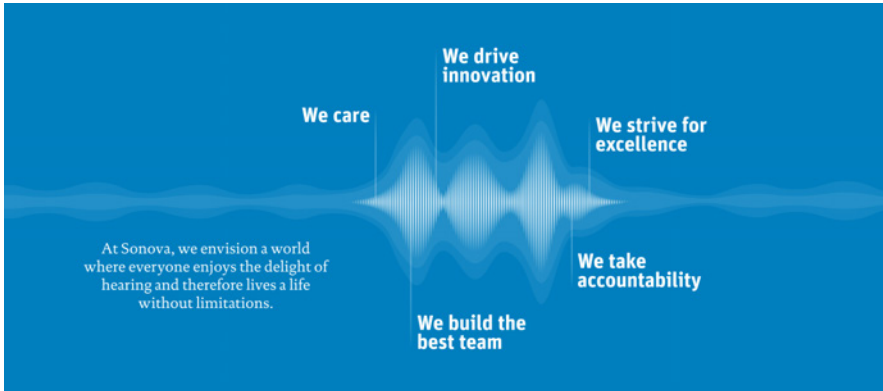
GRI 102-16

Vision, values, and culture

Sonova's vision is straightforward and motivates all our activities: We envision a world where everyone enjoys the delight of hearing and therefore lives a life without limitations.

Our shared core values drive our daily actions and reflect the corporate culture that defines and unites us as a company across all brands and regions. In 2019/20, we completed a broad-based internal effort, including focus groups and the HearMe employee survey, synthesizing the five core values that guide all we do. We see these values as combining clear statements of the principles by which we have always worked in the past with the aspirations we all share for a transformative future.

- **We care:** We care for our employees, customers and consumers, as well as our shareholders and society.
- **We drive innovation:** We courageously pioneer new ideas and approaches to come up with impactful innovations, to delight customers and consumers.
- **We strive for excellence:** We act with agility. We aim to excel. We are continuously working on improving products, services, processes and skills, to realize growth.
- **We take accountability:** We deliver on our commitments. We take accountability to provide outcomes in agreed quality and time, always acting with integrity.
- **We build the best team:** We team up. We grow talent. We collaborate with people of diverse backgrounds to win with the best team in the marketplace.



Our commitment to act responsibly and create long-term value for all our stakeholders is embodied in the Sonova Group Code of Conduct and deeply rooted in our corporate vision, values, and culture. These are a fundamental and integrated element of our CR program, which is our guiding framework for CR management and reporting at Sonova.



[Sonova Code of Conduct](#)

[GRI 102-46, GRI-102-47, GRI 103-1](#)

Material topics

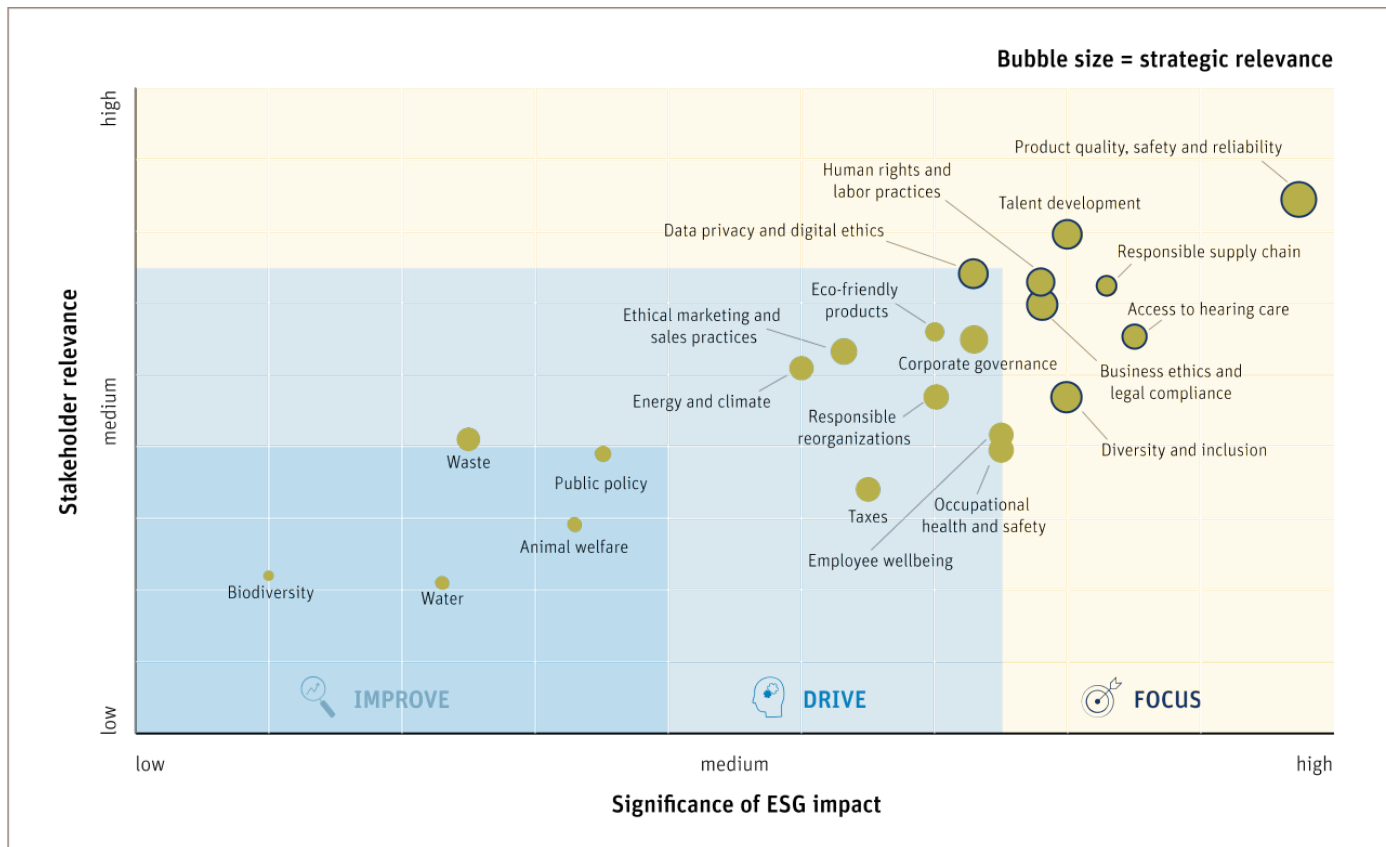
Materiality assessment

Sonova regularly assesses expectations of its key stakeholders, as well as the environmental, social, and governance (ESG) topics that present the greatest risks and opportunities. This materiality assessment plays an important role in strengthening the integration of CR with our core business. In the 2019/20 financial year, we conducted an updated materiality assessment to identify and prioritize the most material ESG topics and further improve our global CR program.

Sonova drew on a number of sources to compile a broad initial list of ESG topics that could be considered relevant to the organization’s impact, or could be influential in its stakeholders’ views and decisions. Our sources included global frameworks and standards, such as the Global Reporting Initiative (GRI) Standards, the Sustainability Accounting Standard Board (SASB) industry standards or the UN Sustainable Development Goals (SDGs), peer reviews, public media, investor and ESG analyst feedback, customer and employee surveys, industry reports, stakeholder interviews, as well as existing and upcoming international, governmental, and industry regulations, standards, and agreements. We reviewed the results and consolidated the most important topics into a list of 21.

These 21 topics were ranked by key internal and external stakeholders on the basis of personal interviews and online surveys in three dimensions: relevance of the topic to the stakeholder, significance of Sonova’s impact on the topic, and strategic relevance to Sonova. To determine the stakeholder relevance and influence of each topic on stakeholder expectations and decisions, we identified internal and external representatives of our key stakeholder groups who then assessed the relevance of each topic. When selecting the representatives, we took into account a balanced representation of the different geographical regions and Sonova businesses. The significance of Sonova’s impact for each topic was assessed by external experts with relevant experience in the respective fields. The strategic relevance of each topic was assessed in individual internal interviews including the Group CEO, the Vice President Corporate Strategy, and the Head of Internal Audit & Risk.

The result of the 2019/20 materiality assessment is shown in the materiality matrix below. Our analysis identified eight focus topics, which we prioritize when evaluating our activities and identifying measures to further improve our performance. We will use the insights of the materiality assessment to prompt further discussions identifying risks and opportunities with key internal and external stakeholders, and to align our activities ever more closely with our business strategy and expectations of key stakeholders.



COVID-19

The materiality assessment update for 2019/20 was finalized before the global spread of the COVID-19 pandemic. We decided not to adjust the analysis and matrix retrospectively for the 2019/20 reporting year, also because the Sonova strategy overall remains valid. In 2020/21, however, we will fully assess the impact of COVID-19 on our materiality matrix, along with the ESG topics that have become progressively more important during the crisis, such as occupational health and safety, access to hearing care, and the responsible supply chain.

CR focus areas

We further consolidated the ESG topics identified in the materiality assessment into five focus areas: access to hearing care; responsible products and services; ethics, risk and compliance; investment in people; and safeguarding the environment. This Corporate Responsibility Report is therefore organized according to these five areas. The connections between the detailed topics from the materiality matrix and the five consolidated focus areas are outlined below:

- **Access to hearing care:** Access to hearing care
- **Investment in people:** Talent development, diversity and inclusion, occupational health and safety, employee wellbeing, responsible reorganizations

- **Responsible products and services:** Product quality, safety and reliability, data privacy and digital ethics, ethical marketing and sales practices, animal welfare
- **Ethics, risk and compliance:** Business ethics and legal compliance, responsible supply chain, human rights and labor practices, corporate governance, taxes, public policy
- **Safeguarding the environment:** Eco-friendly products, energy and climate, waste, water, biodiversity

Topic boundaries

The CR program is defined by its relevance to the whole Sonova Group and therefore all defined topics are assumed to be material to all or nearly all of the entities covered by this report. Sonova assigns the impacts of each material ESG topic to its appropriate stage or stages of the value-creation process, from raw material supply to after-sales refurbishing or recycling. Impacts which occur partly or primarily outside the organization relate either to upstream activities (topics: responsible supply chain, human rights and labor practices, energy and climate) or to downstream activities, such as the utilization of our products and services (e.g. access to hearing care, product quality, safety and reliability, data privacy and digital ethics, ethical marketing and sales practices, eco-friendly products).

Validation

The CR program aligns closely with our long-term business strategy as well as the United Nations Sustainable Development Goals (SDGs) and is reviewed regularly both at the highest management level and at meetings of the Board of Directors. Both the Management Board and the Board of Directors assess the CR program’s completeness and effectiveness, based on the annual reporting and ad-hoc updates on specific initiatives.

GRI 103-2, GRI 103-3

Management approach and performance

Sonova has defined key CR targets for each CR focus area and related material topics. The table below outlines the progress we have made towards achieving our 2022/23 targets.

Priority goals/KPIs	Related SDGs	CR focus areas	Targets (target year)	2019/20 performance
Increase unit sales of hearing instruments (HI) and cochlear implants (CI) in low- and middle-income countries by 50% by 2022/23.	3, 4	Access to hearing care	HI: 50% CI: 50% vs. base year 2018/19 (target year 2022/23)	HI: 1% CI: 2% vs. base year 2018/19
Achieve the employee engagement rate level of high performing companies by 2022/23.	5, 8	Investment in people	level of high performing companies (target year 2022/23)	4% gap to high performing companies (Sonova 83% engagement)
Improve product reliability rate >20% year-over-year for hearing instruments (HI) and cochlear implants (CI). ¹	3, 9	Responsible products and services	HI: >20% (each year) CI: >20% (each year)	HI: 4% CI: 27% vs. previous year 2018/19
Achieve annual on-time mandatory employee Global Compliance training completion rate of >95%.	8, 16	Ethics, risk and compliance	>95% (each year)	95.3%
Reduce greenhouse gas emissions relative to revenue by 50% compared to 2017 by 2022.	6, 7, 9, 12, 13	Safeguarding the environment	-50% vs. base year 2017 (target year 2022)	-21% vs. base year 2017

¹ The HI product reliability rate includes Receiver-In-Canal (RIC), Custom In-The-Ear (ITE) and Behind-The-Ear (BTE) hearing instruments. The CI product reliability includes Naida pediatric sound processors.

Access to hearing care

Sonova is committed to increase access to hearing care by expanding its presence in underserved markets: offering a broad product portfolio with a wide range of performance and pricing levels, creating customized solutions, leveraging digital technologies, expanding our global distribution network, enhancing remote access, investing in partnerships, promoting training and education of hearing care professionals, and supporting the charitable Hear the World Foundation with funding, expertise, and hearing solutions. Our efforts to increase access to hearing care and improve the quality of life for millions of people with hearing loss closely aligns with SDG 3 (good health and well-being) and SDG 4 (quality education).

We have set the priority target of a 50% increase in unit sales of both hearing aids and cochlear implants in low- and middle-income countries by 2022/23. In the 2019/20 financial year, unit sales for hearing aids in low- and middle-income countries increased by 1% and cochlear implants by 2%. One of the main reasons for the low growth rates is the impact of COVID-19 starting in February 2020 in key markets such as China. The global health and economic crisis resulting from the COVID-19 pandemic severely affected the hearing care market and with it our business activities. We expect to see a significant impact on unit sales during the crisis but remain confident that demand will rebound thereafter. You can read more about our management approach and performance in this CR focus area in 2019/20 in the corresponding sections of this CR Report: [Access to hearing care](#).

Investment in people

Sonova strives to be a responsible employer: We value diversity as an important key to our success, support the development of our employees, and offer a flexible and inclusive work environment. Our approach includes developing our employees to higher levels of success with a systematic talent management process, including a strategic approach to training, succession, and career planning, along with fostering employee engagement through a holistic Diversity and Inclusion strategy and other initiatives, such as the group-wide Body & Mind initiative. Through these efforts we contribute to SDGs 5 (gender equality) and 8 (decent work and economic growth).

We have set the priority target to achieve an employee engagement rate equivalent to that of high performing companies by 2022/23. The results of our 2019/20 HearMe employee engagement survey – now in its second year – showed that 83% of respondents feel engaged through their work here at Sonova. This means that we are currently four percentage points below the benchmark level of high performing companies (87%), which we plan to achieve by 2022/23. Initiatives inspired by HearMe results are being 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. You can read more about our management approach and performance in this CR focus area in 2019/20 in the corresponding sections of this CR Report: [Investment in people](#).

Responsible products and services

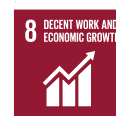
We offer our customers and consumers innovative technology, high quality products, and expert audiological care, and strictly adhere to health and safety standards. Our approach includes strict enforcement of standards relating to product quality, safety, and reliability; ensuring data privacy and IT security; adhering to strictly ethical marketing practices; and limiting animal testing required by regulatory authorities as far as possible. These efforts are in line with SDG 3 (good health and well-being) and SDG 9 (industry, innovation and infrastructure).

Sonova has set the priority target to improve its product reliability rate by more than 20% year-over-year for both hearing instruments (HI) and cochlear implants (CI). In 2019/20, we improved the HI reliability rate by 4% and the CI reliability rate by 27%. We are working towards achieving the target next year for both HI and CI. Measures have already been initiated, such as the redesign of product components, continuous quality improvements,



Sonova and the United Nations Sustainable Development Goals (SDGs)

Through this CR focus area, Sonova contributes to SDGs 3 and 4. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).



Sonova and the United Nations Sustainable Development Goals (SDGs)

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



Sonova and the United Nations Sustainable Development Goals (SDGs)

Through this CR focus area, Sonova contributes to SDGs 3 and 9. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

training and awareness raising activities, and specific root cause analysis related to product returns. You can read more about our management approach and performance in this CR focus area in 2019/20 in the corresponding sections of this CR Report: [Responsible products and services](#).

Ethics, risk and compliance

At Sonova, we lead with ethical behavior and integrity, take accountability for our daily actions and conduct our business activities in line with the high standards we have set for our company. Our approach includes conducting business and aligning our codes and principles according to internationally recognized standards of the United Nations (UN), the International Labor Organization (ILO), and the Organization for Economic Cooperation and Development (OECD); strengthening the Group Compliance program; respecting and supporting human rights; fostering responsible supply chain management; striving for good corporate governance; and ensuring tax compliance. We thereby positively influence SDGs 8 (decent work and economic growth) and 16 (peace, justice and strong institutions).

We introduced a new Group target of >95% on-time completion for employee annual mandatory Global Compliance training. The annual mandatory Global Compliance training is rolled out to all Sonova employees worldwide, including part-time employees. The training focuses on the content of the Code of Conduct and how to identify and report potential violations, such as conflict of interest, harassment, fraud, discrimination, corruption or breach of secrecy. In 2019/20, we achieved a training completion rate of 95.3%. You can read more about our management approach and performance in this CR focus area in 2019/20 in the corresponding sections of this CR Report: [Ethics, risk and compliance](#).

Safeguarding the environment

Sonova strives to make efficient use of natural resources and minimize the environmental impact of our activities, products, and services over their life cycle. Our approach to achieve this includes improving operational energy efficiency (e.g. fully utilizing capacity, renewing equipment, remodeling existing buildings, moving to new buildings); increasing the use of renewable energy; continuously improving environmental management systems at our own operations; and urging our suppliers to follow the same standard. This contributes to several SDGs related to the environment (6, 7, 9, 12, 13).

To reduce our environmental impact, Sonova aims to achieve by 2022 a 50% reduction of greenhouse gas (GHG) emissions in relation to revenues compared to the base year of 2017. In 2019, we further reduced GHG emissions intensity by around 11% from 16.4 to 14.7 metric tons of CO₂ equivalents (t CO₂eq) per million CHF revenues, compared to 2018. This results in a total reduction of GHG emissions intensity by around 21% compared to 2017 levels, keeping us well on track to achieve our 2022 target. You can read more about our management approach and performance in this CR focus area during 2019/20 in the corresponding sections of this CR Report: [Safeguarding the environment](#).



Sonova and the United Nations Sustainable Development Goals (SDGs)

Through this CR focus area, Sonova contributes to SDGs 8 and 16. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).



Sonova and the United Nations Sustainable Development Goals (SDGs)

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



Corporate Responsibility at Sonova

Stakeholder engagement

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

GRI 102-40, 102-42

Stakeholder groups

Sonova understands how the involvement of stakeholders supports our long-term success by enhancing transparency, broadening knowledge, and generating innovative solutions. Sonova identifies and selects relevant stakeholders for further dialog and engagement based on our existing stakeholder-facing activities and on information gathered from internal staff interviews and management workshops. We regularly interact with our current stakeholders to define their specific interests in our business activities, products and services and their influence over our decisions. Sonova has defined five key stakeholder groups:

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

Further stakeholder groups important to Sonova are:

- Financial community
- Media
- Regulators
- Insurers
- Competitors and industry

Approach to stakeholder engagement

GRI 102-43

Below you find information on Sonova's regular engagement activities with our different stakeholder groups. In 2019/20, we additionally engaged with our key stakeholders to conduct an updated materiality assessment. More details are provided in the section "CR program" of this CR Report.

Customers and consumers

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

We ensure continuous dialog with our business-to-business customers through our sales representatives, brand tracker surveys, customer satisfaction surveys, advisory network, knowledge management and sharing, customer hotline and support, audiology conferences, online customer communities, and complaint management channels. We provide a broad range of professional training and courses that address the various specializations in the hearing care industry. We also organize e-learning seminars, road shows, face-to-face in-clinic training, and technical marketing material to help transfer our knowledge and train hearing care specialists. We conduct an annual worldwide customer survey to ensure satisfaction and loyalty of our customers. Based on this data, the Customer Satisfaction Index (CSI) is calculated and expressed on a scale between 0 and 100, the latter being the best. In 2019/20, the CSI was 79 (2018/19: 80).

We engage with end users and patients through satisfaction surveys and different communities such as the Phonak Pediatric Advisory Board, HearingLikeMe.com, or Advanced Bionics' Bionic Ear Association (BEA™). The Phonak Pediatric Advisory Board was founded in 1998 to help steer Phonak's pediatric product development and establish and recommend industry-best practices to support the needs of children with hearing loss and ensure optimal outcomes for them. Members of the Pediatric Advisory Board include parents of children with hearing loss, researchers and professors in pediatric audiology, as well as master pediatric clinicians. HearingLikeMe.com is an online community for people whose lives are affected by hearing loss. The website and contains stories written by people with hearing loss, their family members, or hearing care professionals. BEA™ is a community of hearing health professionals and cochlear implant recipients that aims to improve the quality of life of individuals with severe-to-profound hearing loss by providing valuable information, education, and awareness on cochlear implants.

Employees

Sonova's employees are key to its success. We foster a spirit of innovation, shared engagement, and personal responsibility. Through our vision, we want to ensure that our employees experience their work as genuinely meaningful. Sonova actively engages with its employees through its annual employee engagement survey called "HearMe" and through its annual appraisal process. The employee appraisal meeting is an essential process to assess satisfaction, provide feedback, and define expectations for behavior and performance. It supports each employee's personal and professional development and helps to build trusting relationships by providing a format for open dialog. We estimate that around 30% of Sonova's global workforce is represented by an independent trade union or covered by collective bargaining agreements.

GRI 102-41

Shareholders

Sonova has 17,449 registered shareholders, who together own 66.09% of the total shares. Shareholders' interests are represented by the Board of Directors, which sets and oversees the general direction of the company. We publish an Annual Report for shareholders and other stakeholders, and hold an Annual General Shareholders' Meeting, which provides a forum for discussion and debate as well as an opportunity to vote on compensation for management and the Board of Directors. Each share entered in the share register with a voting right entitles the holder to one vote at the Annual General Shareholders' Meeting.

Suppliers

Suppliers are an integral part of Sonova's value chain. Our relationship with our suppliers is governed by Sonova's Group Supplier Principles (SGSP), which are based on a range of international standards, customer requirements, and industry characteristics. We assess all new suppliers on their management systems. We regularly audit and visit suppliers and inspect their management capabilities through employee interviews and on-site inspections.



[Sonova Group Supplier Principles \(SGSP\)](#)

Academia and opinion leaders

Sonova's know-how and history of innovation is reflected in its strong partnerships with leading academic institutions and opinion leaders around the world. We collaborate intensively with universities such as the University of Zurich, the University of Hannover (Germany), the University of Oldenburg (Germany), Vanderbilt University in Nashville (US), the University of Melbourne (Australia), the University of Queensland (Australia), the University of Western Ontario in Waterloo (Canada), the Swiss Federal Institutes of Technology (ETH) in Zurich and Lausanne, and the University of Manchester (UK). We foster a close collaboration with these partners by offering support toward diploma theses for Master's or PhD students. We do not just support studies financially, but, when appropriate, participate in the actual work by closely collaborating on research projects.

Financial community

As a publicly listed company, Sonova pursues an open and active information policy. A governing principle of this policy is to treat all stakeholders alike and to inform them at the same time. We actively interact with the financial community at roadshows, conferences as well as investor meetings and conference calls. Sonova holds an Investor and Analyst Day every year at its headquarters in Stäfa; last year's event again attracted significant interest from the international investor community, with around 100 participants attending. We also hold regular exchanges with environmental, social and governance (ESG) investors and rating agencies.

Media

Sonova drives and maintains a strong in-depth relationship with a variety of media representatives as part of its commitment to ensure transparency, dialog, and accountability for all of its activities. The media relations team works globally with top-tier media, public interest media, trade and special interest media, financial and economic media, and the major wire services to ensure a fair disclosure of information to all stakeholders, creating – amongst other topics – awareness for hearing loss and its implications and of informing on key aspects of Sonova's business performance. We maintain a close and cooperative dialogue with the media by creating news. We proactively distribute press releases and publish it on our corporate website, organize press conferences, media trips, events or respond to requests when journalists are developing stories.

Regulators

Sonova's products are regulated medical devices, which means that the company must meet statutory patient safety standards and functional performance claims with clinical evidence. We recognize our responsibility to share our specialist knowledge in external working groups to help define, on behalf of our customers, the regulatory principles that will ensure the highest quality standards for hearing instruments and cochlear implants.

Insurers

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

Competitors and industry

Sonova's competitors aim to gain market share. This competition generates improved service for customers and drives Sonova to push yet further the limits of technology. We are committed to fair competition, defined in detail in Sonova's Global Competition Law Policy. Sonova interacts with representatives from competitors e.g. through membership in industry associations such as the European Hearing Instrument Manufacturers Association (EHIMA), which represents the major European hearing instrument manufacturers.

GRI 102-44

Key topics and concerns raised

Key topics and concerns raised through stakeholder engagement are included in our materiality analysis, CR program and respective reporting activities. The 2019 materiality assessment identified eight focus ESG topics, which are listed below. The stakeholder groups which assigned a comparatively high relevance to the specific topic are indicated in brackets.

- Product quality, safety and reliability (customers and consumers, regulators and governments, industry and competitors, investors, public)
- Business ethics and legal compliance (regulators and governments, industry and competitors, investors)
- Responsible supply chain (suppliers, industry and competitors, regulators and governments)
- Human rights and labor practices (regulators and governments, industry and competitors, public)
- Access to hearing care (customers and consumers, regulators and government, employees)
- Talent development (employees, industry and competitors, investors)
- Diversity and inclusion (employees, regulators and governments, public)
- Data privacy and digital ethics (customers and consumers, public, investors)

Further information on how Sonova has responded to those key topics and concerns are provided in the section "[CR program](#)" of this CR Report and the respective chapters on the CR focus areas.

COVID-19

Caring for stakeholders, delivering on our commitments, and taking responsibility: these principles guide our daily actions in "normal" times, and yet more so during the unprecedented COVID-19 pandemic that has impacted the last weeks of the past financial year. Sonova's first and foremost priority in the response to COVID-19 has been to protect the health and safety of our employees and their families, as well as our customers, consumers and partners. We have taken accountability as a global company, helping to limit further spread of this virus to the best of our abilities, whilst ensuring continued access to hearing care for people in need. We have supported all our stakeholders in navigating through these challenging times, whilst also taking proactive steps to safeguard Sonova's financial health, maintain employment, and secure sustainable operations. In this crisis and thereafter.



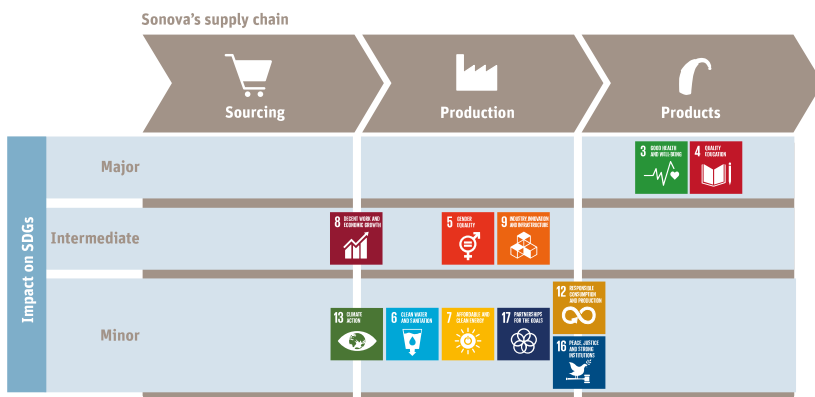
Corporate Responsibility at Sonova

Sustainable Development Goals

Seventeen sustainable development goals (SDGs) comprise the UN's global sustainable development agenda for the years until 2030. Sonova has been a signatory of the UN Global Compact since 2016 and actively supports the achievement of all seventeen SDGs.

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

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



Priority SDGs

Good health and well-being (SDG 3)

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

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

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

1) WHO, “Factsheet: deafness and hearing loss” (March, 2020)

Quality education (SDG 4)

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

Sonova offers innovative and easy-to-use products especially designed for children. Our philanthropic engagement at Group level centers around the topic of hearing, with a strong focus on increasing access to hearing care in low- and middle-income countries especially for children, mainly through donations supporting the charitable Sonova Foundation – initiated by Sonova in 2006 – with funding, expertise, and hearing solutions, which contributes to the achievement of the following target of SDG 4:

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



You can read more about our targets and performance related to this SDG in the corresponding sections of this CR Report: [Access to hearing care](#) and [Responsible products and services](#).



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

Medium impact on SDGs

Gender equality (SDG 5)

The fifth SDG aims at achieving gender equality and empowering all women and girls. Sonova is committed to gender equality among its employees, does not tolerate harassment and discrimination, and supports the compatibility of pursuing a career and raising a family by promoting flexible working models. Thereby Sonova contributes to the following SDG targets:

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

Decent work and economic growth (SDG 8)

Goal number eight is to promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. Through our innovative products, we allow people with hearing loss to actively participate in working life. Sonova also provides reasonable accommodation in its job application procedures for young people and qualified individuals with disabilities. We respect and support human rights, a responsibility reflected in our Code of Conduct and Group Supplier Principles and embedded in the company’s culture. Sonova contributes to the following SDG targets:

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

Industry, innovation and infrastructure (SDG 9)

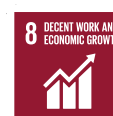
SDG 9 has the aim to build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation. As a medical technology company with steady growth in employee numbers, revenues, and profit in recent years, we are committed to consumer-centered innovation and contribute to inclusive and sustainable industrialization by investing significantly in research and development and reducing our global environmental impact. We contribute to the following SDG targets:

- 9.2: “Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry’s share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.”
- 9.4: “By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.”



You can read more about our targets and performance related to this SDG in the corresponding section of this CR Report:

[Investment in people.](#)



You can read more about our targets and performance related to this SDG in the corresponding sections of this CR Report:

[Investment in people](#) and [Ethics, risk and compliance.](#)



You can read more about our targets and performance related to this SDG in the corresponding sections of this CR Report:

[Safeguarding the environment](#) and [Responsible products and services.](#)

- 9.5: “Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.”

Limited impact on SDGs

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

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

- 6.3: “By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.”
- 6.4: “By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.”
- 7.2: “By 2030, increase substantially the share of renewable energy in the global energy mix.”
- 7.3: “By 2030, double the global rate of improvement in energy efficiency.”
- 12.2: “By 2030, achieve the sustainable management and efficient use of natural resources.”
- 12.4: “By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.”
- 12.5: “By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.”
- 12.6: “Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.”
- 12.7: “Promote public procurement practices that are sustainable, in accordance with national policies and priorities.”
- 12.8: “By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.”
- 13.2: “Integrate climate change measures into national policies, strategies and planning.”
- 13.3: “Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.”



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

Peace, justice and strong institutions (SDG 16)

The goal of SDG 16 is to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels. Sonova is committed to high standards of integrity in dealing with its business partners and to compliance with all applicable anti-bribery laws. Sonova has identified one SDG 16 target as relevant to its business:

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



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

Partnerships for the goals (SDG 17)

SDG 17 aims at strengthening the means of implementation and revitalizing the global partnership for Sustainable Development. We support multi-stakeholder partnerships through our membership in the UN Global Compact and our ongoing dialog with stakeholders to enhance transparency, broaden knowledge, and generate innovative solutions. Sonova contributes to the following SDG target:

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



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



CR focus areas

Access to hearing care

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)

Through this CR focus area, Sonova contributes to SDGs 3 and 4. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

Hearing – an underestimated topic

Global prevalence of hearing loss and consequences

The importance of good hearing and the consequences of hearing loss continue to be underestimated, even though the World Health Organization (WHO) estimates that about 15% of the world’s population is affected by hearing loss¹. Over 5% – or 466 million people – has a disabling hearing loss² (432 million adults and 34 million children). The number of people with hearing loss continues to rise, due both to the aging of populations in high income countries and to growing noise pollution in our environment. The WHO estimates that by 2050 over 900 million people will have disabling hearing loss³.

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

In addition to the impact of hearing loss at an individual level, untreated hearing loss puts a heavy cost burden on society. Unaddressed hearing loss costs countries an estimated USD 750 billion annually in direct health costs and loss of productivity³. Today’s hearing solutions offer the opportunity to reduce this significantly.

15%

of the world’s population is affected by hearing loss¹

1) WHO, “WHO global estimates on prevalence of hearing loss” (2012)
2) WHO definition of disabling hearing loss: hearing loss greater than 40dB in the better hearing ear in adults and a hearing loss greater than 30dB in the better hearing ear in children
3) WHO, “Factsheet: deafness and hearing loss” (March, 2020)

Need for hearing solutions

The fundamental growth drivers of the hearing care market remain intact, driven by long-term socioeconomic forces. The number of people on our planet will continue to increase. Although populations in low- and middle-income countries are expected to grow the most, even high-income countries with stable populations will face a growing proportion of elderly citizens, who are likely to experience hearing loss. These trends create an increase in demand for hearing care: a large unmet need remains.

People in low- and middle-income countries often have little or no access to audiological services; the hearing care market remains relatively underserved. Nearly 90% of people with disabling hearing loss live in low- and middle-income countries, according to WHO statistics¹. The most affected areas are the South Asian, Asia Pacific and Sub-Saharan African regions, with a prevalence rate almost four times that of higher-income regions. WHO estimates that today global hearing aid production meets only around 3% of the need in these countries¹. We expect, however, that the growth of the middle classes in emerging economies will boost consumption significantly. Upward trends in spending power and aspiration will open up substantial opportunities to increase access to hearing care in low- and middle-income countries. Our strategy therefore calls for a strong focus on the potential of high growth markets, serving the demands of newly empowered consumers with suitable product and service formats.

Around 10% of people with disabling hearing loss globally live in high-income countries¹. We estimate the overall rate of penetration for hearing technologies in high-income countries to be in the range of 25–30%, meaning that around one in four people with hearing loss wears a hearing aid. We estimate that the majority of people in these countries who have severe-to-profound hearing loss also have hearing aids, but only few of those with mild-to-moderate hearing loss currently use hearing instruments. Younger and less-affected people, however, are increasing their adoption of hearing aids as technology moves toward ever better sound quality and smaller, more discreet devices. Our growing emphasis on convenience – including rechargeability, connectivity and digital applications – means that we can both broaden and deepen access and engagement with consumers, offering trusted, valuable support at every stage of their journey to better hearing.

1) WHO, “Factsheet: deafness and hearing loss” (March, 2020)

Accessibility and affordability

Affordable hearing care is still a challenge for many people in low- and middle-income countries and for underprivileged social groups in high-income regions. Sonova is committed to increase accessibility and affordability of hearing care by expanding its presence in underserved markets: providing a broad product portfolio with a wide range of performance and pricing levels, creating customized solutions, leveraging digital technologies, expanding our global distribution network, enhancing remote access, and investing in partnerships.

Underserved markets

Sonova is striving to expand its presence in high growth emerging markets, such as China. We have set the target of a 50% increase in the number of hearing aids and of cochlear implants sold in low- and middle-income countries by 2022/23. In the 2019/20 financial year, unit sales for hearing aids in low- and middle-income countries increased by 1% and cochlear implants by 2%. One of the main reasons for the low growth rates is the impact of COVID-19 starting in February 2020 in key markets such as China. The global health and economic crisis resulting from the COVID-19 pandemic severely affected the hearing care market and with it our business activities. We expect to see a significant impact on unit sales during the crisis but remain confident that demand will rebound thereafter.

ACCESS TO HEARING CARE

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

Broad product portfolio

The hearing care market is highly diverse, requiring a broad range of technologically advanced solutions and versatile customer service channels. Our declared goal is to offer the most innovative hearing solutions and services available to consumers worldwide, continuously improving speech intelligibility, sound resolution and quality, and ease of use. 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 countries of all income levels.

Customized solutions

We develop dedicated products and services for underserved markets. For example, around 1.3 billion people around the world speak a Sinitic language such as Mandarin or Cantonese¹. 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, 22nd edition (2019)

Digital solutions

In addition to improving audiological quality and ease of operation, Sonova continuously expands digital solutions that bring together the healthcare provider and the consumer 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 consumers a higher degree of control and autonomy. 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 user-specific fine tuning, as well as more targeted advice.

A key example is the myPhonak app, which was updated in 2019 and gives wearers an enhanced and personalized hearing experience, including remote support, fitting and control, a hearing diary, and advanced customization options such as noise reduction and speech focus. The consumer response has been overwhelmingly positive with over half a million downloads since the launch of the Marvel platform.

To complement our strong R&D hubs in Stäfa and around the world, we announced in November 2019 the opening of the Sonova Innovation Lab in Waterloo, Ontario, Canada, where we will explore new digital capabilities in one of the leading consumer app development centers in North America, bringing together experts from our various specialties with people from the mobile industry to accelerate our app development.

Distribution network

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. Operating through many channels multiplies the potential paths to hearing in all markets, even in parts of the world where hearing care has been in short supply. Our Audiological Care business represents the second-largest store network in the industry, with a clear path to further growth. We operate a global network of about 3,500 stores and clinics with more than 7,000 employees in 19 countries.

Access in remote areas

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 2017 and 2018, Triton fitted out two buses with state-of-the-art diagnostic hearing equipment and turned them into mobile, full-service hearing clinics. A hearing care professional 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 diagnostic assessment, hearing and communication needs assessment, impression taking, hearing aid fitting and verification, purchase, and follow-up services through a synchronous, live connection. In 2019/20, the two mobile hearing clinic buses traveled more than 7,000 kilometers across New Zealand, visiting 50 locations and reaching almost 4,000 new consumers.

Partnerships and collaborations

At Sonova, we consider interdisciplinary collaboration as the guarantor of progress – and essential for such a complex subject as hearing. A key area of our innovation strategy is therefore establishing and promoting international networks, which pool the expert knowledge of leading research bodies, hospitals, companies, and institutions and bring it to fruition in new hearing solutions.

Long-term partnership and open exchange are the hallmarks of our collaboration with over 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.

One example of a research project is our collaboration with the VU University Medical Center in Amsterdam (Netherlands) examining the correlation of hearing loss 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 psychosocial health, depression, arthritis, cognitive decline, risk of falls, and diabetes. This research will provide us with a new, more holistic perspective of hearing care in the broader context of healthy aging.

>50

number of scientific collaborations

COVID-19

The strong restrictions in many major markets, aimed at slowing down the spread of the virus, are impacting the entire hearing care industry, including Sonova as a market leader. Audiology stores – the primary distribution channel for hearing care products and services to consumers – had reduced operating hours or were temporarily closed. Senior citizens, who account for a large proportion of hearing care consumers, are part of the high-risk group for COVID-19 and had been asked to stay at home to protect their health. Elective surgeries, including cochlear implants, had been deferred in many countries.

Our utmost priority is to protect our employees, their families, our customers, consumers, and partners. At the same time, hearing remains a fundamental human need. Sonova is working hard to ensure continued access to necessary hearing care and solutions in compliance with regulations. We are aware of our responsibilities, especially towards elderly consumers, and have therefore taken strict precautions. Employees supporting people who need hearing care all work compliantly while giving top priority to safety, health, and hygiene.

In countries with high infection rates, we have safety protocols in place to fully serve our consumers; and digital solutions were enhanced. As an example, Phonak has responded to the immediate need for those with hearing loss to receive essential care during the COVID-19 pandemic with technology that allows hearing care professionals to deliver remote audiological care. This new telehealth technology is comprised of a suite of Phonak eSolutions featuring online hearing testing as well as real-time remote hearing aid fitting, programming, and fine-tuning. These tools work together to connect remote providers with consumers in the comfort and safety of their homes, at every stage of the hearing care journey. Phonak is also increasing support for its hearing aid repair home delivery service and making it available in more markets.

Sonova partner Cosinuss supports a research project by the Technical University of Munich (TUM), Germany aiming to find out whether fast detection and treatment in case of declining vital signs can improve the chance of survival in COVID-19 patients.

Training and education

Many countries lack trained health personnel, educational facilities, and necessary data to address the needs of those living with hearing problems. These factors, and the lack of hearing care professionals and infrastructure in certain markets, can impede efforts to raise the penetration rate. Building local capacity worldwide and training hearing care professionals to the highest standards is very important to Sonova.

As an example, China faces the challenge of a rapidly growing number of people with hearing loss, which could potentially exceed the capacity of qualified hearing care professionals to help them. Sonova decided to tackle the significant lack of comprehensive, practical training for hearing care professionals and build a training center – the Global Hearing Institute in Suzhou. The center offers advanced audiology courses and practical training for hearing care professionals from the entire Asia-Pacific region; 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. In 2019/20, the Global Hearing Institute provided around 50,000 online training sessions.

50,000

online training sessions provided by the Sonova Global Hearing Institute in China in 2019/20

Sonova's commitment to provide high-quality training for hearing care professionals applies to both developing and developed markets. In addition to the Swiss International Hearing Academy (SIHA) in Switzerland operated by Sonova, we opened our first training center in Germany in 2019. Located in Dortmund, the new Sonova Academy offers comprehensive training and development opportunities at the cutting edge of science and technology in ultra-modern training facilities. The program of in-person and eLearning modules complements Germany's existing training offerings in hearing acoustics: The Sonova Academy cooperates closely with the German Academy for Hearing Acoustics and the German Vocational School for Hearing Acoustics.

Philanthropy

Sonova's philanthropic engagement at Group level has a strong focus on increasing access to hearing care in low- and middle-income countries, especially for children. We achieve this primarily by supporting the charitable Hear the World Foundation – initiated by Sonova in 2006 – with funding, expertise, and hearing solutions.

The mission of the foundation is to improve the quality of life of people in need with hearing loss worldwide and create equal opportunities by giving them access to hearing healthcare. The foundation makes essential contributions to the UN Sustainable Development Goal (SDG) 3 (good health and wellbeing) and SDG 4 (quality education) by investing in projects benefitting children in need with hearing loss, providing training and building local capacity in countries that lack qualified hearing care professionals, and supporting prevention of hearing loss. In 2019/20, the foundation supported 24 programs globally, in which over 190 professionals were trained and over 35,000 hearing screenings conducted. Sonova employees conducted around 2,200 hours of volunteer work for the foundation.

In the 2019/20 financial year, the total monetary value of Sonova's contribution to corporate citizenship and philanthropic activities amounted to around 4.4 million CHF. Broken down by type of activity (see first table below), the vast majority (92%) of the monetary value of all contributions were community investments: long-term strategic involvement with community partner organizations by the Hear the World Foundation with the aim to improve quality of life and create equal opportunities. A total of 3% of the cost of all activities were charitable donations, and 5% 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. Broken down by type of contribution (see second table below), the total of around 4.4 million CHF comprises 68% in-kind contributions (mostly hearing instruments and cochlear implants), 15% direct cash contributions, 12% management costs (e.g. staff salaries and overheads), and 5% time (e.g. employee volunteering).

> 190

professionals trained in
programs supported by the
Hear the World Foundation in
2019/20

Monetary value of philanthropic contributions by type of activities

CHF¹

	2019/20	%	2018/19	%
Total	4,383,826	100%	3,267,062	100%
Community investments	4,024,921	92%	2,950,573	90%
Charitable donations	132,884	3%	50,920	2%
Commercial initiatives	226,021	5%	265,569	8%

¹ only contributions at Sonova Group level included, does not include contributions at brand level

Monetary value of philanthropic contributions by type of contribution

CHF¹

	2019/20	%	2018/19	%
Total	4,383,826	100%	3,267,062	100%
Cash contributions	676,021	15%	715,569	22%
Time	200,840	5%	291,435	9%
In-kind contributions	2,993,965	68%	1,751,058	54%
Management costs	513,000	12%	509,000	16%

¹ only contributions at Sonova Group level included, does not include contributions at brand level



Access to hearing care

Phuong can hear raindrops

Cochlear implants are unaffordable for many families in Vietnam. This is precisely why the Hear the World Foundation supports projects all over the world to help disadvantaged people affected by hearing loss. This support focuses in particular on projects for children, enabling them to achieve their full potential. Three-year-old Phuong is due to receive a cochlear implant that will allow her to hear again. It will mark the beginning of a new life for the little girl.

Phuong and her parents set off for their appointment in Ho Chi Minh City just after sunrise. All three of them are travelling the 35 miles from their home town to the metropolis in the south of the country on their moped – the young family can't afford a car. The journey lasts two hours, amidst a cacophony of strident horns as vehicles force their way through the city's morning traffic. Very little of this urban dawn chorus registers with Phuong, however. She is affected by hearing loss, and not even a hearing aid can help her with high frequencies.

Today, however, the little girl's life is set to change forever. Phuong and her parents are on their way to a specialist audiology store run by the Sonova brand Connect Hearing, and a new life is about to begin for her.

Phuong is participating in the "CI Vietnam" aid program. With this initiative, the Hear the World Foundation, together with the Global Foundation for Children with Hearing Loss, supports children with hearing loss who are dependent on complex technology. Ten children from low-income families in Vietnam have been selected to take part, and these will receive a cochlear implant that relays signals to the auditory nerve via electrodes in the cochlea. "This will enable children to learn how to speak and take part in lessons at a mainstream school," says Elena Torresani, Director Hear the World Foundation. "Our goal is for them to live a life without limitations and be able to grow up like any other child."

Phuong and her parents arrive at the audiology store an hour too early. The little girl is wearing sandals, a checked skirt and a white blouse. Her hair is only a few millimeters long – her head had been shaved in preparation for the operation to fit the implant. Now, a little more than a month later, the system is set to be activated. "I'm excited and happy that this day has finally come," says Phuong's mother Mai.

PHUONG CAN HEAR RAINDROPS

The girl is the 33-year-old mother's second child, and her elder daughter was also born with severe hearing loss. "I was saddened and shocked when I learnt that Phuong had the same problem," recounts Mai. She and her husband Tien come from poor backgrounds in northern Vietnam. They moved south to where much of Vietnamese industry is located in the hope of improving their income, with Mai finding work in a textile factory and Tien working on building sites. Together, they earn the equivalent of around USD 500 a month. The hearing aids for their two daughters cost several months' income each – "a fortune," says Mai. The family had to rely on loans and help from friends and family. In Vietnam, there is no state health insurance that could offer support in such cases.

Despite the hearing aid, however, Phuong's hearing was getting worse and worse and a cochlear implant was simply not an option for the family, because of the cost. Things changed only when Mai found out about the project run by the Hear the World Foundation and the Global Foundation for Children with Hearing Loss through her daughter's special school. "I immediately wrote them a letter," she recounts. "When I found out a few months later that we had been accepted, I cried with joy."

May and Tien have both taken time off work for activation day. They join their daughter in taking a seat at a child's table in a soundproof room in the audiology store. Phuong spots a yellow plastic duck amongst the toys. "Duck, duck," she cries. Considering her hearing loss, her pronunciation is unusually good, and this is indirectly because of her elder sister: as her parents were already aware of the help that was available to them, Phuong received dedicated speech therapy at a specialist school from an early age.

There is a specialist sitting opposite Phuong and her parents in the audiology store as well. Nguyen Thi Thien Huong is a qualified hearing care professional. Born in Vietnam, she studied in the USA before returning to her homeland to help her fellow citizens with hearing loss enjoy a better future. Her expertise is a rarity in the country, as there are no degree courses available to qualify as an audiologist. Nguyen has been working for Sonova since the end of 2012 and she now volunteers for the Hear the World Foundation project.



Phuong can hear again thanks to the cochlear implant

Nguyen uses a cable to connect Phuong's cochlear implant to a computer. She tests whether the device is working and programs a bespoke hearing profile on-screen. Phuong is still completely unaware of all this activity – she is playing with the duck and some colorful plastic tires. All that is required to activate the cochlear implant that will make Phuong hear again is a single click in Nguyen's software. She gives the parents a quick sign just before the moment of truth. They have no idea how their daughter is going to react to the change. A lot of children cry, others beam with happiness when they hear their parents' voices. Nguyen clicks. Phuong glances off to one side briefly. She appears to reflect momentarily on what has just occurred. Then she carries on playing, as if nothing had happened.

The audiologist explains that she aims to elicit a reaction that is as neutral as possible when activating the implant, adding that she initially sets the cochlear implant to a low level to give the child time to get used to it. She then asks Phuong to do a test. The little girl is to hold plastic rings to her ear and place one on a stick every time a certain sound is played. Phuong has no problem performing this task. "Well done," says Nguyen approvingly each time. Phuong smiles, and her father and mother do too. The audiologist has good news at the end of the test: the cochlear implant is working even better than expected. Nguyen would normally only have expected a discernible reaction above 60 decibels, but Phuong was able to clearly perceive sounds at a volume of 40 decibels. "I'm very happy with the result," she says.

It is raining when the parents leave the audiology store and the raindrops are drumming on the umbrella. Delighted, Phuong looks up at the sky – she can hear the rain now.



CR focus areas

Investment in people

We value diversity as an important key to our success, support the development of our employees, and offer a flexible and inclusive work environment.

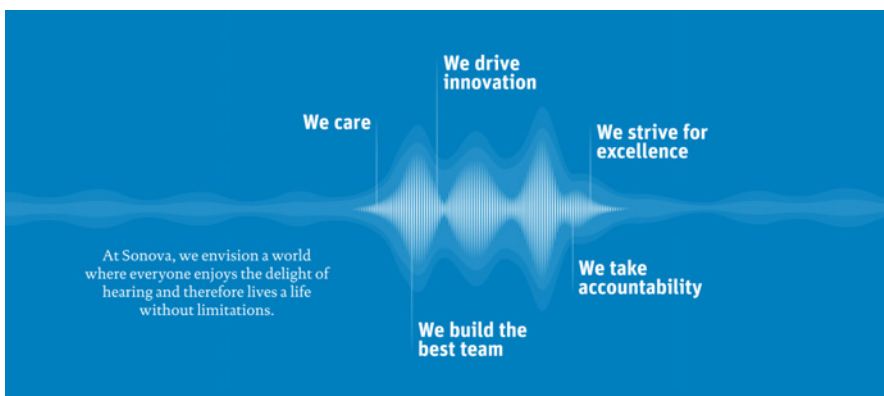


Sonova and the United Nations Sustainable Development Goals (SDGs)

Through this CR focus area, Sonova contributes to 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

The success of Sonova stems not only from our innovative products and services, but our people and our culture. Across our business and brands, we all share one vision: to create a world where everyone enjoys the delight of hearing and lives a life without limitations. This unifying vision, together with our corporate values are the foundation of our culture and create a common understanding of how we want to work and have the best possible impact for all our stakeholders.



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 2019/20, we were able to fill 67.1% of our open leadership positions with Sonova employees and made good progress towards achieving our long-term goal of 70%.

INVESTMENT IN PEOPLE

In 2019, the internal leadership recruitment rate (ILRR) includes for the first time data for the whole Group, including Audiological Care Germany. For comparison with the previous year, the ILRR excluding AC Germany would have increased to 54.4%.

Internal leadership recruitment rate (ILRR)

% of employee headcount¹

	GRI 401-1		
	2019/20	2018/19	2017/18
Total (% of total internal hires)	67.1	52.3	52.8
Women (% female of internal hires)	51.7	55.0	43.9
Men (% male of internal hires)	48.3	45.0	56.1

¹ In 2017/18 former AudioNova was excluded, in 2018/19 – Audiological Care Germany was excluded, in 2019/20 – Audiological Care Germany is included for the total statistics only.

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 14.9%. The average tenure of our managerial staff is 8.8 years, while the total average workforce tenure is 6.7 years.

Employee turnover rates

% of FTE¹

	2019/20	2018/19	2017/18
Total	14.9	12.3	11.9
Region			
Switzerland	8.0	6.8	8.5
EMEA (excl. Switzerland)	13.4	8.9	7.6
America	20.0	19.5	18.4
Asia/Pacific	15.0	12.2	10.8
Gender			
Women	14.5	12.2	11.9
Men	14.8	12.0	12.1
Age			
under 30 years old	19.1	16.2	15.0
30–50 years old	13.7	10.6	12.1
over 50 years old	12.2	8.2	11.4

¹ 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 was the second time we conducted Sonova's anonymized annual employee survey, called HearMe. More than 90% of employees participated worldwide, providing valuable information about ways we can boost collaboration across the Group. Of respondents, 83% reported feeling engaged through their work (81% for men, 84% 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.

83%

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% to a total of 15,184 full time equivalents. The additional 444 full time equivalent employees stem mostly from growth in manufacturing in Vietnam, our customer-facing staff in the Audiological Care business in Europe as well as some new job positions in R&D.

Employees by region

FTE (end of period)¹

	2019/20	2018/19	2017/18
Total (Regular and Fixed-term)	15,184	14,740	14,242
Switzerland	1,290	1,224	1,219
EMEA (excl. Switzerland)	6,878	6,748	6,471
America	3,538	3,443	3,539
Asia/Pacific	3,478	3,325	3,013

¹ Employee numbers do not show any seasonal or other temporary fluctuation

Employees by employment contract

% of employee headcount¹

	2019/20	2018/19	2017/18
Regular	84.4	86.6	91.2
Fixed-term ²	2.6	2.9	4.5
External temporary ³	9.8 ⁵	7.2 ⁴	0.9
Interns	3.2	3.3	3.5

¹ Information about FTE not available for temporary hires, therefore % split calculated based on headcount

² Employees on fixed-term contract

³ Agency temps and contingent workers

⁴ Increase in external temporary employees compared to previous year due to methodological change in data gathering

⁵ Increase in external temporary employees compared to previous year due to increased number of time-critical projects that required external support

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 30% of Sonova's global workforce is represented by an independent trade union or covered by collective bargaining agreements.

Talent development

GRI 404-3

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.

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.

Leadership Development programs

Our leadership development landscape is based on a portfolio of different programs:

Training program	Audience	Description
Aspiring Leaders	<ul style="list-style-type: none"> • Employees with leadership aspirations • 12–16 participants per cohort 	The Aspiring Leaders program is two-day program 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"> • Mandatory for all new people managers • Recommended for all people managers • 8–16 participants per cohort 	The Leadership Foundations program is a two-day intensive program focusing on how we are leading at Sonova based on the evolved Sonova values to covering and emphasizing essential people management and leadership skills.
Leading Effective Teams	<ul style="list-style-type: none"> • Foundation alumni with direct reports • ideally 9+ months after Foundation • 16–24 participants per cohort 	Focusing on effective and productive collaboration, Leading Effective Teams is a yearlong program containing 2 two-day face-to-face workshops: one in the beginning to kick-off the program, and one in the end to close the program with virtual sessions in between. In the program participants are asked to team up to tackle real business problems they are facing as leaders.
Power Sessions for Leaders	<ul style="list-style-type: none"> • Targeting all leaders • 2–4h workshops • Recommended for all people managers • 8–24 participants per cohort 	Power Sessions for Leaders are focused workshops covering specific leadership topics along the lifecycle of human resources processes and beyond to support our leaders in their daily leadership challenges and responsibilities.
Webinars for Leaders	<ul style="list-style-type: none"> • Targeting all leaders • 1–2h webinars • Recommended for all people managers • Up to 40 participants 	Webinars for leaders are focused virtual sessions covering specific leadership topics along the lifecycle of human resources processes and beyond to support our leaders in their daily leadership challenges and responsibilities.

Through intensive feedback, coaching, and experiential learning, the programs give participants the chance to reflect on their personal style, to understand and to increase the impact they have on their performance, and to plan how they will continue to develop as leaders at Sonova. In the reporting year, over 561 employees have participated altogether in over 26,569 days of Leadership interventions.

Learning & Development

SonovaLearning is our group-wide education platform. It also serves as a cross-business learning network that provides consistency and supports change throughout our organization. SonovaLearning offers targeted programs and provides an opportunity for all our employees to enhance their skills and competencies. A new e-learning platform has been launched in 2019 to enhance and complement the 24-7 accessible e-learning offerings. Almost 25,000 pages and articles were reviewed by over 2,500 employees during the last year. In addition, mandatory trainings ensure and enable our employees to do their work correctly and according to relevant rules and regulations.

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 opened 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.

GRI 401-1

New hire rate

% of new hired FTE

	2019/20	2018/19	2017/18
Region			
Switzerland	7.3	4.4	8.1
EMEA (excl. Switzerland)	38.9	33.7	32.3
America	38.5	29.7	39.6
Asia/Pacific	15.3	32.1	20.0
Gender			
Women	66.3	67.1	66.6
Men	33.7	32.9	33.4
Age			
under 30 years old	41.9	48.4	42.3
30–50 years old	47.1	41.8	48.0
over 50 years old	11.0	9.7	9.7

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 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 and employees 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.

> 21%

employees less than 30 years old

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 meet best the many and various needs of our clients 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 headcount¹

	2019/20	2018/19	2017/18
Women			
Share of total workforce	66.4	65.7	66.0
Part-time employees	16.4	18.4	19.0
Men			
Share of total workforce	33.6	34.3	34.0
Part-time employees	6.0	6.3	6.0

¹ Only regular contracts, no fixed-term contracts

INVESTMENT IN PEOPLE

Employees by age

% of employee headcount¹

	2019/20	2018/19	2017/18
All employees			
under 30 years old	21.7	20.7	18.1
30–50 years old	59.7	60.3	61.9
over 50 years old	18.6	18.9	20.0
Women			
under 30 years old	23.9	22.6	19.9
30–50 years old	59.1	59.9	61.9
over 50 years old	17.0	17.4	18.2
Men			
under 30 years old	17.1	17.1	14.5
30–50 years old	61.1	61.1	61.9
over 50 years old	21.8	21.9	23.6

¹ 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 key positions within four years.

We actively support the compatibility of pursuing a career and raising a family by promoting flexible working models such as home office, flexible working hours, and part-time work in leadership positions. Our terms of employment guarantee our employees in Switzerland several 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, women hold 50% of all positions involving staff responsibilities. In lower and middle management, the ratio of women is 56.5% – these are ideal conditions to reach our ambitious gender diversity targets in upper and senior management through professional succession planning and individual development plans.

Our combined efforts have created momentum and produced the following results in 2019:

- Of all our external hires to management positions, 50% were women
- Of all our internal promotions to management positions, 51.7% were women

The positive trend towards gender balance in lower and senior leadership levels gives us confidence that we are on the right track. To fully leverage the potential of our internal talent and to reach our ambitious targets in middle management, we will further strengthen our efforts to remove unconscious barriers at all touchpoints in the talent management cycle and keep a focus on the development of female talents.

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.

56.5%

women in lower and middle management positions

INVESTMENT IN PEOPLE

Women in management positions

% of employee headcount within respective management position

	2019/20	2018/19	2017/18
Women in senior management¹			
Total	16.4²	15.9²	14.7
Switzerland	11.7	14.8	–
EMEA (excl. Switzerland)	10.0	8.3	10.8
America	37.9	35.0	38.5
Asia/Pacific	11.8	13.3	14.3
Women in upper management			
Total	35.1	33.1	29.1
Switzerland	20.6	21.3	14.9
EMEA (excl. Switzerland)	36.8	37.4	31.3
America	39.3	33.5	33.8
Asia/Pacific	41.6	36.1	36.9
Women in lower and middle management			
Total	56.5	54.8	54.4
Switzerland	25.6	31.2	27.5
EMEA (excl. Switzerland)	60.0	57.5	57.8
America	56.2	53.1	52.8
Asia/Pacific	56.6	56.9	55.1
Women in non-management			
Total	69.9	69.2	68.4
Switzerland	47.4	45.4	43.3
EMEA (excl. Switzerland)	69.1	68.5	67.8
America	69.9	69.3	70.0
Asia/Pacific	78.7	78.0	78.2

¹ Definition of "senior management": Management Board, Managing Directors, Management Board-1.

² Definition of "senior management" was adjusted in 2019/20 and data restated for 2018/19.

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. And 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 are offering 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 2019, as part of our employee engagement survey, we calculated and benchmarked for the second time, Sonova's inclusion score. 78% of respondents reported a favorable result, representing a positive trend compared to 76% in the previous year.

To raise awareness and continuously advance a culture of inclusion, we also support expanding formal and informal employee networks, providing platforms where people can connect and learn from one another. Women's networks, initiated by our employees, have been established in Canada, the US, Germany, and Switzerland. Since hearing loss should not stop anyone from striving for excellence and innovation nor thriving at Sonova, we have also set-up an informal exchange network with an advisory group of people with hearing loss at the HQ.

GRI 403-2

Occupational health and safety

Sonova promotes and provides a safe and healthy workplace. Occupational health and safety is an integral part of our activities. 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 operation centers are owned by Sonova. We engage only a small number of contractors and licensees.

Each health and safety incident is investigated to determine its cause and take steps to prevent any reoccurrence. 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 right after the accident. In general, at Sonova 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. Employees who work with chemicals and hazardous substances, or come into contact with them, are regularly trained in their safe handling.

In 2019/20, we significantly reduced the frequency as well as severity of injuries compared to the previous year, recording a lost day rate (LDR) of 26.0 (2018/19: 47.0) and lost-time injury frequency rate (LTIFR) of 1.4 (2018/19: 2.5). These improvements can be mostly attributed to strict root cause investigation of each incident, regular local internal health and safety audits, and implementation of action plans, such as intensified local training and awareness raising activities to further reduce exposure to work-related health and safety risks. The most common types of accidents were behavior-based, such as slips, trips or falls. No occupational illness or disease cases have been registered in the past two years, leading to an occupational illness frequency rate (OIFR) of zero.

The LDR, LTIFR, OIFR and work-related fatalities reported for 2019/20 and 2018/19 in the table below cover the operation centers in Switzerland, Vietnam and China, the operation and distribution center in the United States as well as the regional European service centers in Spain and the United Kingdom. We strive to reduce further the number of lost days due to work-related injuries and have defined an internal reduction target covering all the sites mentioned above. Each site has a designated person responsible for local implementation of the health and safety program. The data are not comparable to 2017/18 because of a change in reporting scope and methodology. Gender-specific indicators are not considered relevant on an aggregated level. Sonova does not record health and safety statistics for contractors.

Occupational health and safety

	2019/20 ^a	2018/19 ^a	2017/18
Lost day rate (LDR) ¹	26.0	47.0	8.7
Lost-time injury frequency rate (LTIFR) ²	1.4	2.5	0.5
Occupational illness frequency rate (OIFR) ³	0.0	0.0	0.2
Work-related fatalities	0	0	0

¹ LDR = total number of lost days due to injuries/total hours worked x 1,000,000 (definition changed in 2019/20 from 200,000 to 1,000,000 and previous years' data adjusted for comparability)

² LTIFR = total number of lost-time injuries/total hours worked x 1,000,000

³ OIFR = total number of occupational illness or diseases cases/total hours worked x 1,000,000

⁴ values not comparable to 2017/18, due to changes in reporting scope and methodology for 2018/19 and 2019/20

COVID-19

For Sonova, our first priority is protecting the health and safety of our global team, followed immediately by assuring that our operations can continue while complying with emergency regulations. Employees who may be in contact with hearing care patients or consumers work according to the instructions of the relevant authorities and give maximum priority to safety, health, and hygiene. In countries with high infection rates, employees whose presence at the workplace is not absolutely necessary work from home whenever possible. At our offices, production sites and stores, a strict sanitary and safety protocol is in place to protect our people and avoid any further spread of the virus. Group management is helping our individual companies to execute their COVID-19 plans and contingency measures.

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. An example of an activity at our operation centers is health coaches leading employees in three-minute break-time exercises to reduce muscle tension. At our headquarters in Stäfa, for example, the Body & Mind initiative in 2019/20 included the following offerings:

- 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 day with focus topic "healthy sleep"

Responsible reorganizations

At Sonova, we are committed to treating our workforce responsibly. In the event of major reorganizations, such as restructuring, relocation, outsourcing, or mergers and acquisitions, we strive to reduce negative impacts on our workforce, ensure employment security, minimize compulsory redundancies, and mitigate the consequences for those made redundant.

We apply such measures on a case-by-case basis and depending on local conditions. At our headquarters in Stäfa, for example, the applicable measures include early retirements, internal mobility, financial compensation, re-training or outplacement services, case management, extended notice periods, and hardship funds.

In the past three financial years, there were no significant job cuts at Sonova affecting more than 1,000 employees or more than 5% of the total global workforce annually.



Investment in people

Global networking for diversity and inclusion

The first Global Woman Network meeting was held in Sonova's headquarters in Stäfa in the summer of 2019. Co-founder Julie Dopko was an enthusiastic participant. As Senior Director of Human Resources for North America, she explains how to achieve diversity and inclusion in the workplace.

"Pursuing a career without limitations" is written up in large characters on the LED wall in the Audimax conference room at Sonova's headquarters in Stäfa beside Lake Zurich. The slogan for this inaugural Global Woman Network event sums up what the conference is all about: diversity and inclusion. For two-and-a-half days in July 2019, the hearing aid specialists gathered staff from a range of countries to explain, debate and brainstorm how traditional career barriers can be overcome and an inclusive corporate culture established at Sonova.

One of the around 20 women committed to this cause who are taking part in these intensive discussions is Canadian Julie Dopko. As Senior Director of Human Resources, she is responsible for Canada and North America, one of the company's largest talent pools worldwide. The HR manager from Kitchener, Ontario, not only brings considerable experience of the issues to the table (she has been actively promoting them through various projects at Sonova Canada for some three years now), but her own career is also proof positive of how well diversity and inclusion can work. Julie Dopko has not let her private life take second place to her job and yet she has risen to the top HR role in her Sonova Group company.

The mother-of-three has taken parental leave after every birth, even spending four years away from her job after her last child was born. "I was at home for a total of about 11 years and then came back in part-time, switching to full-time only later on." While aware that this is somewhat unusual for a woman in her position, she managed it because she and her husband divide up the tasks equally at home and, in parallel with her parental duties, she always kept up her networking and stayed in contact with her peers. "I'm the best example of children not spelling the end of a career. Without them and these breaks, I would probably not have got half so far in my career."



Julie Dopko at the Global Woman Network event in Stäfa

Taking over her role in HR at Sonova in 2016 and noticing that there were only a few women in managerial positions, she immediately realized that she had to get things moving. “My philosophy is that the higher up you are in an organization, the greater your responsibility is to give something back. I wanted to see more women in executive roles at Sonova.” The word, the deed. She promptly emailed eight women in her immediate team at work, asking if they would like to meet up for lunch once a month to discuss work issues. After only three months, the group had grown to 80 women. Julie Dopko knows every individual personally and has since worked up mentoring guidelines that are intended to help bring staff together – not just locally, but also on a global scale within the Sonova Group.

A range of topics are discussed at the network’s lunch meetings in Kitchener (which have now moved from the conference room to large, specially booked presentation rooms), including how to strike the right balance between work and family life. Guest speakers give talks on self-awareness and self-confidence and book reviews are also organized. In addition, external networking organizations are invited, such as the Girl Geek Dinner, an informal organization set up to advise companies on how to recruit more women into MINT (Mathematics, IT, Natural Sciences and Technology) professions.

Julie Dopko’s commitments in Kitchener include meetings with Claudio Bartesaghi, Group Vice President Corporate Human Resources Management & Communications. When he moved to headquarters in Stäfa, he asked the Canadian to work with Mevina Caviezel, Director Branding & Corporate Responsibility, to draw up a new diversity and inclusion strategy. The outcome of this project was integrated into the Group’s global corporate strategy in June 2018. “That was a high point for me and an endorsement of all my efforts. It sends a message that it is time to promote more women to executive positions. Inclusion is important. If we want to be an innovative and competitive organization, it’s not enough to be the world’s best hearing aid provider; we need to become more attractive as a company in order to attract talented people. Nowadays, people want to work for a firm where diversity is not just a nice-to-have but is high on the list of priorities.”

45-year-old Julie Dopko has no shortage of plans and ideas up her sleeve, and she has presented several of these at the Global Woman Network meetings in Stäfa, along with the colleagues from other countries and departments. The network ambassadors' ambitions include ensuring more diversity amongst job candidates, rolling back prejudice by using standardized interview forms, enhancing communication between network members, and getting greater buy-in from male staff. Julie Dopko is very happy with the results to date: "The passion shown by my colleagues and the way we are supporting each other is extremely encouraging. When I think that I set up my first group only three years ago and that Sonova already has four official networking groups around the world now, with D&I integrated into our corporate strategy, it makes me very proud. There aren't that many companies that have made it this far. I'm excited about where the journey will take us next."



CR focus areas

Responsible products and services

We offer our customers and consumers innovative technology, high quality products, and expert audiological care, and strictly adhere to health and safety standards.



Sonova and the United Nations Sustainable Development Goals (SDGs)

Through this CR focus area, Sonova contributes to SDGs 3 and 9. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

Product quality, safety and reliability

Regulatory and standards

Sonova’s medical devices are regulated globally by government agencies, healthcare authorities, and other regulatory bodies who verify that we are complying with applicable health and safety regulations throughout our products’ life cycle. We work to maintain transparent, constructive, and professional relationships with all applicable regulatory authorities on matters of policy, product submission, compliance, and product performance. The requirements we meet include design controls, marketing approvals, good manufacturing practices, vigilance systems, clinical studies, and other relevant product regulations, standards, and normative documents specified by these agencies.

We evaluate potential product-related risks using a systematic method to estimate, evaluate, control and monitor risks, governed by the ISO 14971 standard, which specifies the application of risk management to medical devices. We ensure up to date knowledge of regulatory and statutory requirements through initial and maintenance training programs.

Each national healthcare authority has specific requirements for products that are made available in its national territory. Requirements for hearing instruments in Europe are mostly centered around European legislation, including the Medical Device Directive 93/42/EEC, the Radio Equipment Directive 2014/53/EU, and requirements for conformity to other applicable international standards. In the US, hearing instruments are regulated by the United States Food and Drug Administration (FDA) and classified as class I medical devices (hearing aids) and class II (wireless hearing aids). Both categories are exempt from the requirement to submit premarket notification submissions and can be introduced into commercial distribution without a premarket FDA clearance notification.

GRI 416-1

Cochlear implants and their respective accessories from Advanced Bionics are classified in Europe as Active Implantable Medical Devices (AIMDs), regulated by the EU Active Implantable Medical Devices Directive 90/385/EEC; prior to market launch, AIMDs must undergo a formal premarket submission-type process. In the US, they are classified as class III medical devices and must also therefore undergo a separate premarket submission procedure prior to market launch.

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 carefully monitors changes in the relevant worldwide regulatory environment to ensure the conformity of its products at all times. In 2019/20, Sonova has been working on its compliance with recently published changes in European medical device regulation represented by the transition from Medical Devices Directive 93/42/EEC to Medical Devices Regulation (EU) 2017/745.

All products brought into commercial distribution by Sonova group companies are continuously assessed to improve safety and effectiveness. Sonova uses tools such as complaint handling, post-market surveillance, vigilance reporting, reliability and trending analysis, and post-launch engineering to achieve and maintain regulatory compliance.

Advanced Bionics implant reliability

As part of our commitment to providing clear and accurate information, Advanced Bionics reports all device failures in adherence to global standards, as defined by ISO 5841-2:2014 and the principles outlined in the European & Global Consensus on Cochlear Implant Failures and Explanations. Although all CI manufacturers adhere to these standards, other manufacturers may report using different definitions of what constitutes a device failure, and therefore not include the same types of information in their reliability statistics. Advanced Bionics is committed to providing patients and professionals with the most complete reports on all of our returned devices, with data presented clearly and transparently, so they can make fully informed decisions about their hearing needs.

The prime concerns at Advanced Bionics are the safety and hearing experience of recipients, and the reliability of our products. It is in this spirit that we undertook a voluntary field corrective action in February 2020 and retrieved from the market the unimplanted units of the initial version of our HiRes™ Ultra and Ultra 3D cochlear implants. The vast majority of these devices function correctly, but we took this step in an abundance of caution, having observed an increase in reports of reduced hearing performance. Most importantly, there have been zero reported safety events relative to this issue with these devices. The initial version of the HiRes™ Ultra 3D implant has been superseded by a new version, which includes several improvements to support consistently good hearing performance.

Product reliability global targets

Sonova has set as a priority target the improvement, by more than 20% year-on-year, of its average product reliability rate for both hearing instruments (HI) and cochlear implants (CI). We define the HI product reliability rate as the ratio between the annualized number of in-warranty product returns over the past three months and the number of hearing instruments in the market and within warranty (installed base). We define the CI product reliability rate as the Naïda pediatric system monthly product returns divided by the number of registered Naïda processors used by pediatric recipients. The target focuses on the Naïda pediatric processors, because external parts constitute the vast majority of all product returns, and return rates for pediatric products are comparatively higher than for adults.



[Advanced Bionics 2019 Global Implant Reliability Report](#)

In 2019/20, we improved the average HI product reliability rate by 4% and the CI product reliability rate by 27% compared to the previous year. We are working towards achieving the target next year for both HI and CI. Measures have already been initiated, such as the redesign of product components, continuous quality improvements, training and awareness raising activities, and specific root-cause analysis of product returns.

Data privacy and digital ethics

Data privacy and protection

Sonova protects the confidentiality and integrity of the data it holds, including the data of employees, customers, patients, and business partners using technical and organizational means. We adhere to applicable data protection laws and regulations. We closely monitor developments in data protection law and incorporate its principles into our business processes and product design. We continue evolving our data protection program to meet the changing demands of the digital environment.

Sonova issued a Group Data Protection Policy, effective June 1, 2018. The policy covers all personal data collected or processed by Sonova, and applies to all Sonova legal entities and their employees and contractors on a worldwide basis. The policy is complemented by standard operating procedures and guidelines that break down the various data protection and privacy topics and provide more detailed guidance.

Sonova has established a Global Privacy Office, which provides subject matter guidance and training to the management, business functions and employees. The Global Privacy Office is also responsible for the support and monitoring of the Sonova Data Protection Program. The implementation of the Program is part of the regularly conducted internal audits, and the Global Privacy Office and the Internal Audit Team are working closely together when conducting the audits and monitoring deriving actions.

In addition, an important part of the Global Privacy Office's work is to raise awareness and provide training on all levels across the Group. A mandatory online training for all employees has been developed and deployed by the Global Privacy Office, complemented by on- and offline trainings for specific departments and teams (e.g. Marketing, HR, R&D), webinars and communication platforms for knowledge exchange. These trainings contain the essential legal principles and requirements, taking into consideration Sonova's Data Protection Policy and legal frameworks like the EU General Data Protection Regulation (GDPR), the Health Insurance Portability and Accountability Act (HIPAA), the California Consumer Privacy Act (CCPA), the Personal Information Protection and Electronic Documents Act (PIPEDA) or Data Protection and Security laws in China.

IT and cyber security

GRI 418-1

Securing information assets is a priority for Sonova. We are committed to secure digital and non-digital files, records, and information to prevent unauthorized access, modification and loss. IT and cyber security is supported by guidelines issued by the Vice President Corporate IT who acts as Chief Information Officer (CIO) and reports directly to the Group CFO. The guidelines on IT security determine security standards for all functional or business applications controlled by Sonova.

Sonova issued an IT Acceptable Use Directive in 2012/13, which is regularly revised and was last updated in 2018/19 and effective January 1, 2019. The guideline defines the use of IT assets, the secure use of systems and programs, as well as the appropriate and secure management of data. The Information Security Guideline, effective October 31, 2019, specifies processes and responsibilities to ensure IT and cyber security, including digital information processed and stored on our products.

Relevant global and local staff receives training to secure implementation of the guidelines. Our continuing efforts to ensure IT security and cyber security were underpinned during the 2019/20 financial year with further mandatory IT security online training for all employees worldwide. In areas with significant risk of un-detected data security breaches or areas of very sensitive information penetration tests are applied from time to time by qualified external providers. We have not identified substantiated complaints concerning breaches of customer privacy in 2019/20.

Ethical marketing and sales practices

Policies and guidelines

Sonova adheres to strictly ethical marketing practices in all our businesses and takes active steps to prevent inappropriate practices or false claims. We ensure that our advertising, packaging and promotional material provide accurate, balanced, and non-misleading information. This commitment is laid out in our Group Code of Conduct and further refined in policies, guidelines, and standard operating procedures, e.g. on claims management.



[Sonova Code of Conduct](#)

Interactions with healthcare professionals

Sonova is committed to ethical interactions with healthcare professionals (HCPs). We interact with HCPs on a daily basis, in a variety of roles and settings. They include audiologists and acousticians, professors, surgeons, ear nose and throat specialists, or researchers. The following “Four-Leaf Clover Principles” govern our cooperation with healthcare professionals:

- we must strictly separate our sales activities from our engaging of healthcare professionals to provide services to Sonova;
- we must properly document their services to us;
- we must not pay them more than the fair market value of their services; and
- we must be transparent about our collaboration with them.

More detailed information on how we ensure ethical interactions with healthcare professionals is provided in the Sonova Global Antibribery Policy as well as internal standard operating procedures and country-specific guidelines for interactions with HCPs.



[Sonova Global Antibribery Policy](#)

Claims management

Sonova is committed to ensure that statements declaring or implying that a product or service will provide a benefit to customers or consumers are truthful, non-misleading and fair. We have established a claims management process that defines how to identify, substantiate, and administer a claim for products from all Sonova brands. Claims go through a standardized review and approval process by a dedicated committee before being disseminated. The purpose is to ensure both compliance with global regulatory requirements and a high quality standard of claims. Relevant employees have to complete annual training on the claims management standard operating procedure. In 2019/20, the internal audit function performed an audit of the claims management process and systems.

Animal welfare

As a manufacturer of medical devices, Sonova is required by regulatory authorities to demonstrate the biological safety of any product with body contact by complying with the international standard ISO 10993-1. According to this standard, animal tests need to be considered in biological safety evaluations; in some cases, they cannot be completely avoided. Sonova also provides components of cochlear implants to cochlear implant research centers and universities, where these are tested on animals for basic research concerning e.g. safety, feasibility or efficacy of new technologies.

Sonova does not carry out any animal testing in-house and only works together with third parties. We are committed to the “Three Rs” principle – replacement, reduction, and refinement – to limit animal testing as far as possible.

Replacement

- We use non-animal testing methods (in particular testing with cell cultures) or chemical constituent testing in situations where these methods are accepted by the respective regulatory bodies and yield information as relevant as that obtained from in vivo models.
- We monitor the development and regulatory acceptance of new in vitro methods.

Reduction

- We apply strategies to reduce the number of animals used in testing.
- We use previously evaluated or historically established biologically safe materials whenever possible, by taking advantage of shared research between the different Sonova companies around the world. We strive to avoid completely any unnecessary or duplicated testing.
- We emphasize risk assessment to evaluate clearly any need for animal testing.

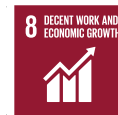
Refinement

- We select those test methods that minimize the distress caused to animals.
- We conduct all animal testing for biological safety evaluations through appropriately accredited testing laboratories. All tests are conducted according to recognized valid and current best laboratory and quality practices, such as the OECD Principles of Good Laboratory Practice.
- We conduct animal testing for research collaborations only through universities and research laboratories where experiments are reviewed, approved and overseen by the respective ethics committees.

CR focus areas

Ethics, risk and compliance

We lead with ethical behavior and integrity, take accountability for our daily actions and conduct our business activities in line with the high standards we have set for our company.



Sonova and the United Nations Sustainable Development Goals (SDGs)

Through this CR focus area, Sonova mainly contributes to SDGs 8 and 16. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

Business ethics and legal compliance

Code of Conduct and internal regulations

Sonova's commitment to compliance promotes ethical conduct at all levels of the organization amongst colleagues but also in our dealings with our stakeholders. Compliance means that we follow applicable laws and regulations of each country in which we operate while also abiding by our own Code of Conduct and internal regulations. The ultimate oversight for business ethics and compliance lies with the Board of Directors.

Sonova's Code of Conduct defines general principles for ethical behavior; it applies to all employees of the Sonova Group, all its subsidiaries, and any contractors or vendors while performing work for the Sonova Group. Written acknowledgment of the Code of Conduct is part of every new employment and supplier contract.

The Code of Conduct is reviewed on a regular basis and revised when necessary. It was prepared by the office of the Group General Counsel in consultation with relevant stakeholders and was approved by the Sonova Board of Directors on August 23, 2012, updated in September 2019, and reapproved by the Board of Directors. The revised Code of Conduct contains enhanced content on essential topics such as health and safety, corporate responsibility, minimization of our environmental impact, responsible market practices, dignity and human rights, diversity and inclusion and prevention of any form of discrimination. It has also been updated for a more modern appearance with simpler reading and navigation to ensure that all stakeholders easily understand the content, what action to take in case of a violation, but also the consequences in case of violation. Compliance hotline numbers are on the back for easy access and the number of pages has been substantially reduced. The revised version of the Code of Conduct is now available in 18 languages.



[Sonova Code of Conduct](#)

Each employee is required to be trained on the Code of Conduct. All new employees of the Sonova Group, including all its subsidiaries, are trained on its principles as part of their initial orientation. Suppliers are regularly instructed to ensure that they adequately understand and are able to comply with the Code of Conduct. The annual mandatory Global Compliance training is rolled out to all Sonova employees worldwide, including part-time employees. The training focuses on the content of the Code of Conduct and how to identify and report potential violations, such as conflict of interest, harassment, fraud, discrimination, corruption or breach of secrecy. In 2019/20, we introduced a new Group target of >95% on-time completion for employee annual mandatory Global Compliance training. This annual target was achieved with a training completion rate of 95.3%.

The principles of the Code of Conduct are further refined in various internal guidelines and policies, including – but not limited to – anti-bribery, interaction with healthcare professionals, competition law, trade compliance, and Swiss Stock Exchange reporting obligations. Non-compliance with the company's Code of Conduct or Sonova's internal policies and guidelines triggers disciplinary action, including – where appropriate – dismissal and prosecution. The requirements for conflict resolution, including e.g. the use of independent parties, are determined on a case by case basis.

Sonova's internal audit function performs independent performance assessments on ethical standards and reports these to the Audit Committee.

Group Compliance program

GRI 419-1

Compliance is a shared responsibility at Sonova. Ultimate oversight lies with the Board of Directors. The Management Board is expected to lead by example. Local Compliance Champions ensure implementation of the Group Compliance program within each group company. The Group Compliance program covers all employees, including part-time workers and contractors.

During the 2019/20 financial year, Sonova continued to strengthen the Group Compliance program, with a particular focus on our compliance culture, including training sessions (at leadership and at field level) and process enhancements in ethics and anti-bribery compliance. We reinforced overall Code of Conduct compliance with "Speak-Up!", an internal communication and training campaign rolled out across the Sonova Group worldwide with a particular focus on employees with less access to online reporting channels, such as those in operations or audiological care stores. Its two main goals are to increase awareness of the revised Code of Conduct and to foster a culture where employees feel comfortable about raising compliance questions and reporting compliance issues. Posters are visibly displayed in numerous locations and clearly indicate how to easily report non-compliance.

No fines or non-monetary sanctions for non-compliance were levied against Sonova in the 2019/20 financial year.

Internal grievance procedures

GRI 102-17

Sonova maintains an internal compliance helpdesk for general questions and advice regarding Sonova Group policies as well as offers access to an independently operated compliance hotline, which enables internal and external stakeholders around the world to call to voice concerns related to potential violations of the Code of Conduct. The hotline is operated by an independent, qualified, third-party service partner and allows employees and third parties to raise concerns anonymously. The compliance hotline covers all main languages and is available 24/7. The internal "Speak-Up!" online compliance platform is also available 24/7 in 15 languages.

All reports through these compliance channels are forwarded to designated functions in the Sonova Group following a specific process and flow-chart and followed up in a timely manner for further investigation and clarification. Reports are kept confidential to the greatest extent possible. No complainant or witness will suffer retaliation because of a report made in good

GRI 205-2

faith. The Audit Committee of the Board of Directors is informed quarterly about any concerns received through the compliance channels, on the number and types of cases, and on measures taken.

Corruption and bribery

Sonova is committed to high standards of integrity in dealing with its business partners and to compliance with all applicable anti-bribery laws, including the Swiss Criminal Code, the UK Bribery Act, and the US Foreign Corrupt Practices Act. Sonova's Anti-Bribery Policy was updated in 2018, refining the rules under the Code of Conduct and prohibiting all forms of corruption. The Policy is available in 15 languages. Key elements of Sonova's Anti-Bribery Policy are:



[Sonova Global Anti-Bribery Policy](#)

- **Bribes:** As a matter of principle, Sonova avoids dealing with third parties known or reasonably expected to be paying bribes in any form. Potential bribery/corruption risks are therefore an integral component of our business partner due diligence, which is performed not only before entering a business relationship but also regularly thereafter, following a pre-defined process.
- **Facilitation payments:** Sonova does not permit making facilitation payments.
- **Direct or indirect political contributions:** Sonova does not allow donations to political parties.
- **Charitable contributions and sponsorship:** Sonova, its employees, and representatives may make contributions to support charitable causes, subject to appropriate due diligence (including the amount contributed, and the nature and purpose of the charity's activities). Contributions should be made for bona fide purposes and only where permitted by local law.

The Anti-Bribery Policy has been communicated to all Sonova governance body members and employees worldwide. Sonova business partners – such as distributors or suppliers – must commit to complying with the principles underlying the Anti-Bribery Policy. The content of the Anti-Bribery policy is integrated in the annual mandatory Global Compliance training and was also a key element of the global “Speak-Up!” communication campaign during the 2019/20 financial year.

As a global healthcare company, we also recognize that many countries have specific regulations governing interactions with healthcare professionals. These impose further obligations which the company has translated into country-specific guidelines detailing what is permissible and what is not.

The Sonova Group Supplier Principles also cover ethical standards, including compliance with laws and regulations on bribery, corruption, and prohibited business practices. These have been communicated to all our suppliers who are regularly instructed to ensure that they adequately understand and are able to comply with all anti-corruption policies and procedures.

Anti-competitive behavior

GRI 206-1

At the core of Sonova's Code of Conduct there is a clear commitment to fair competition. Fair competition is essential because it guarantees that customers and consumers will benefit from the most innovative products and services at the best prices and conditions. At Sonova, we respect and strictly follow antitrust and competition laws and all employees globally have to comply with the principles set out in the Code of Conduct and the Global Competition Law Policy.

Sonova's Global Competition Law Policy describes the basic principles of fair competition in doing business. It is our goal that the Global Competition Law Policy and related trainings focus on the current key aspects of our business. This requires updates from time to time even though the general principles of the policy do not change. An updated Global

Competition Law Policy will be effective as of May 1, 2020. The roll out of the revised policy is supported by bespoke global online training. Both the policy and the training are available in 19 languages.

In the 2019/20 financial year, Sonova was not involved in any legal actions related to anti-competitive behavior or violations of anti-trust and monopoly legislation.

Human rights and labor practices

Commitment and policies

Sonova respects and supports human rights, and not just in our business. This commitment is reflected in our Code of Conduct and Group Supplier Principles (SGSP) and embedded in the company culture. We believe in treating everyone with respect and fairness at all times. We value the varied experiences and backgrounds of individuals from around the world, different walks of life, and orientation. We conduct our business in alignment and compliance with the Universal Declaration on Human Rights and the Eight Fundamental International Labor Organization (ILO) Conventions. Additionally, we recognize the international standards of the United Nations, the ILO, and the Organization for Economic Cooperation and Development (OECD), such as the United Nations Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines for Multinational Enterprises. Sonova is committed to ensuring that its operations and supply chain are free from modern slavery practices, including child labor, forced and bonded labor, and human trafficking.

As a sign of our commitment, Sonova became a signatory to the UN Global Compact in 2016, endorsing its ten principles in the areas of human rights, labor, the environment, and anti-corruption. All employees of the Sonova Group, as well as its business partners, are expected to comply with the Compact's principles.

Principles

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

- Ensuring that there are no children, forced, or illegal workers engaged at any point in our supply chain.
- Never tolerating harassment or discrimination on the basis of gender, race, color, religion, age, disability, ethnic or national origin, gender identity, pregnancy, marital/parental status, sexual orientation, or any other legally protected status.
- Providing fair remuneration that ensures, for all employees and their families, a living wage and an existence with human dignity.
- Arranging the working time of employees in full compliance with applicable law.
- Protecting the privacy of employees, customers, and their patients.
- Ensuring that there are grievance mechanisms for employees and other parties to file complaints in a safe and, if desired, anonymous environment.
- Respecting the legal rights of employees to collective bargaining and freedom of association and to join or to refrain from joining worker organizations, including trade unions.
- Ensure that no exploitation of vulnerable groups, such as migrant workers, indigenous people, or local communities, takes place within our supply chain.
- Strengthening access to hearing care, including for those currently underserved by the healthcare system.

Human rights due diligence (HRDD)

Sonova takes a systematic approach to managing corporate responsibility risks, both in its supply chain and in its own operations. Identifying and mitigating human rights risk is an integral part of our strategic risk management process, and it is reviewed and assessed together with all other business risks. Human rights risks are not currently included in the



[Sonova Group Supplier Principles \(SGSP\)](#)

GRI 412-1

Group Risk Map, as they are not considered key risks from a risk management perspective. They are however monitored and will be more systematically addressed in the context of the HRDD project plan (see below). Sonova operates within a highly integrated business model: all manufacturing centers are owned by Sonova. Thanks to its ownership and financial control over its manufacturing sites, Sonova has relatively high leverage on potential human rights impacts and is able to enforce strong ethical business practices even in countries with higher risk of human rights concerns. Sonova's local management teams and the corporate procurement team are permanently on the alert to prevent any breaches of such human rights principles as nondiscrimination, prevention of child and forced labor, or freedom of association and collective bargaining.

Sonova is committed to aligning its HRDD process with the United Nations Guiding Principles on Business and Human Rights (UNGP). Our aim is to conduct HRDD throughout our business to proactively assess, identify, prevent and mitigate actual and potential adverse human rights impacts on potentially affected rightsholders across the value chain. In the financial year 2019/20, we worked with external human rights and business experts to conduct a systematic analysis of existing policies, processes, and responsibilities and consult with key internal and external stakeholders to outline the practical application of the UNGP within the business. A step-wise HRDD project plan is being developed and implementation is planned to start throughout 2020/21. The process framework follows five steps as required by the UNGP:

- Policy commitment
- Assess actual and potential impacts
- Integrate findings and take appropriate action
- Track and communicate performance
- Access to grievance & remedy

Assessments

In the 2019/20 financial year, no concerns were raised relating to human rights violations. Sonova's internal audits and supplier assessments found no operations or supplier businesses in which the right to exercise freedom of association and collective bargaining may have been violated or put at significant risk. No operations or suppliers were identified as posing a significant risk for incidents of child labor, forced or compulsory labor, or illegal labor. As a consequence, no remediation or mitigation actions needed to be taken.

GRI 408-1, GRI 409-1

Training

The annual mandatory Global Compliance training is rolled out to all Sonova employees worldwide, including part-time employees. The training in 2019/20 focused on the content of the Code of Conduct and how to identify and report potential violations (grievance mechanism). It also includes aspects of human rights, such as nondiscrimination and non-harassment.

Responsible supply chain

International supply chain

Sonova deals with 413 direct material suppliers to its hearing instruments segment, who deliver components for manufacturing and assembly, and 123 direct material suppliers to the cochlear implant segment. In spending terms, 72.8% of Sonova's purchase volume is located in the Asia/Pacific region, 11.7% in Switzerland, 12.5% in Europe (excl. Switzerland), 2.7% in North America, and 0.3% in Africa. Our suppliers are mainly high-tech design and component makers, or original equipment manufacturers with a high degree of automation. Sonova engages only a very small number of contractors and licensees. Sonova's own

GRI 102-9

manufacturing operations extend from fully-automated processes, such as hybrid circuit production, to highly-skilled manual work, such as assembly of hearing aids and cochlear implants.

Commitment, policies and guidelines

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

The Sonova Group Supplier Principles (SGSP) are based on a range of international standards, customer requirements, and industry characteristics. These principles are non-negotiable; they are the first basis of contact with possible suppliers. Once a supplier has been approved as a Sonova partner, the SGSP, the General Conditions of Purchase, as well as the Sonova Code of Conduct are incorporated into all development and supply agreements. All suppliers have to certify in written form that they will now and at all times in the future comply with these standards and principles in all of their Sonova-related dealings, activities, products, and services. Sonova includes this certification in all supply agreements, and periodically requests suppliers to sign it again. The SGSP are available in English and German and are publicly available on the Sonova website. The SGSP require suppliers to put in place and maintain systems that ensure:



[Sonova Group Supplier Principles \(SGSP\)](#)

- healthy and safe working environments;
- respectful and dignified working conditions;
- environmentally friendly production; and
- legal and ethical behavior.

In 2019 the SGSP were revised and the updated version was published on the Sonova website. All existing suppliers were contacted to secure their agreement with the updated version of the principles.

Identification of critical suppliers

In the 2019/20 financial year, we had 10 critical tier-1 and non-tier 1 suppliers. The items or materials we receive from critical suppliers have a direct impact on the performance of our products or come into direct contact with the skin of users. Critical suppliers for Sonova include suppliers whose items or materials have a direct impact on the performance of our products or come into direct contact with the skin of users (critical components), whose items or materials are not substitutable (e.g. due to criteria related to technology, sustainability, quality, regulations), and who supply high volumes. The classification of critical suppliers is carried out at the beginning of each new supplier relationship and is reviewed regularly.

Supplier risk evaluation and mitigation

The procurement department actively participates in the design and planning of Sonova products, solutions, and services. It makes sure from the earliest development stages that a risk assessment is performed for every component, based on the “Risk and Risk Mitigation Matrix” defined by the procurement department.

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

[GRI 308-1, GRI 414-1](#)

Even after careful supplier selection, we maintain a continuous supplier management process. We annually assess supplier risks, including environmental, social, and governance (ESG) risks, and identify the risk level for each supplier. We manage our suppliers based on their risk level, regularly risk-auditing supplier sites. If a problem occurs, we require the suppliers to take preventive and corrective measures, and follow up on their progress until the issue is resolved.

We are committed not to use any conflict materials for any product supply to Sonova. Since 2007, Sonova has been proactively asking suppliers to review their sources of materials and confirm the absence of conflict minerals.

Supplier visits and audits

GRI 308-2, GRI 414-2

In the 2019/20 financial year, Sonova audited one critical supplier and visited the other nine critical suppliers at least once in a less formal manner than an audit. The Group Supplier Principles and assessment of social and environmental impacts were always an important topic during the visits. In 2019/20 we have not identified any critical tier-1 or non-tier 1 supplier as having significant actual or potential negative issues related to environmental issues, labor practices, or human rights matters. No suppliers, therefore, had to take corrective or preventive actions. Examples of key performance indicators, targets and progress related to responsible supply chain management until 2022/23 are the following:

- Share of new and existing tier-1 suppliers having signed the Sonova Group Supplier Principles (target 2022/23: 100%; performance 2019/20: 100%, 2018/19: 100%, 2017/18, 100%)
- Share of critical suppliers visited or audited at least once per business year (target 2022/23: 100%; performance 2019/20: 100%, 2018/19: 100%, 2017/18: 100%)
- Share of purchase volume coming from suppliers with certified environmental management systems (target 2022/23: 75%; performance 2019/20: 72%, 2018/19: 66%, 2017/18: 52%)

Long-term supplier collaboration

Sonova strives for long-term collaborations and long-term contracts with its suppliers. In the 2019/20 financial year, 84% of the total purchase volume came from suppliers with more than 10 years of business relationship with Sonova and 95% of the total purchase volume came from suppliers with more than 5 years of partnership. Sonova also offers its suppliers financial support to buy necessary equipment and technology.

COVID-19

The global health and economic crisis resulting from the COVID-19 pandemic is impacting global supply chains and logistics. Sonova is in a constant and close dialog with key suppliers and partners to monitor and manage the impact of the crisis. Our first priority is protecting the health of our global team, followed immediately by assuring that our operations can continue while complying with emergency regulations. All our manufacturing centers remain operational.

Corporate governance

Structure

GRI 102-18, GRI 102-19

At Sonova, corporate governance is based upon and structured to conform with relevant international standards and practices. The company fulfils its legal duties under the relevant articles of the Swiss Code of Obligations, the SIX Swiss Exchange Directive on Information Relating to Corporate Governance, and the standards defined in the Swiss Code of Best Practice for Corporate Governance. The present chapter describes the principles of corporate governance for the Sonova Group and provides background information with a special focus

on environment, social and governance (ESG) issues. Additional information can be accessed at the [Corporate Governance chapter of the Annual Report 2019/20](#) and at the corporate governance section of the Sonova website.

Sonova's corporate structure includes a two-tier board consisting of the Board of Directors and the Management Board. In accordance with the Sonova Organizational Regulations (OrgR), the Board appoints an Audit Committee and a Nomination and Compensation Committee. In all respects not mentioned in the OrgR, or unless the law or the Articles of Association stipulate otherwise, the policy document 'Delegation of Authority of Sonova Holding AG' provides the basis for delegating authorities within the different levels of management in the Group.

Composition of the highest governance body and its committees

The composition of the Board of Directors and its committees is described in detail in the relevant section of the [Corporate Governance chapter of the Annual Report 2019/20: Board of Directors](#).

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

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

Nomination and selection for the highest governance body and its committees

The processes for determining the composition of the Board of Directors and its committees, as well as the division of responsibility between the Board of Directors and Management Board, are set out in detail in the company's OrgR and Committee Charters.

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

The members of the Management Board are proposed by the CEO and appointed by the Board of Directors upon the recommendation of the Nomination and Compensation Committee. More details on the Management Board are provided in the relevant section of the [Corporate Governance chapter of the Annual Report 2019/20: Management Board](#).

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

Roles, policy, and strategy

The OrgR and the Committee Charters define the roles and the duties of the highest governance bodies. The Board of Directors of Sonova Holding AG is responsible for the overall direction of the company, except in matters reserved by law to the General Shareholders' Meeting. It approves policy and strategy. The CEO has the duty and authority to link the company's strategy with its operational management by preparing the corporate strategy documents, policies, and procedures for submission to the Board of Directors'



[Sonova Organizational Regulations \(OrgR\)](#)

GRI 102-18, GRI 102-22, GRI 102-23



[Sonova Committee Charters](#)

GRI 102-24, 102-25

GRI 102-26

review and approval. The Management Board supports the CEO in his responsibility to direct the company's operations by actively participating in directing, planning, and executing the business strategy.

Competencies and performance evaluation

GRI 102-28

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

Consultation between stakeholders and the highest governance body

GRI 102-21, GRI 102-29

Sonova actively engages with a broad range of stakeholders on ESG topics as described in the "Stakeholder engagement" chapter of this report. Internal reporting procedures ensure consultation between stakeholders and the highest governance body on all topics deemed highly relevant.

Compensation and incentives

The **Compensation Report 2019/20** is an integral part of the Annual Report and covers the compensation principles, system and key components, with a focus on the Board of Directors and Management Board as the governing bodies. Sonova complies with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Corporations, which amongst other things stipulates annual binding votes on the compensation of the Board of Directors and Management Board.

We are committed to equal pay for equal work and we are taking the necessary steps to ensure a fair compensation system. Thus, based on our grading and position management processes we are certainly committed to equal pay. We are also reviewing compensation in the context of the relevant local legal and regulatory equal pay requirements as they continue to evolve globally.

The variable cash compensation (VCC) of Sonova's executive members is based on financial KPIs on a group and business unit level and additionally reflects the achievement of individual objectives as defined in the annual performance review process. To reflect Sonova's corporate responsibility and sustainable business approach, and as part of the normal business review of compensation components, the Board of Directors decided that both existing and new business relevant environmental, social and governance (ESG) targets will be more formally reflected in the VCC. This adjustment will take place once business has stabilized. Given the COVID-19 related crisis, the current VCC target focus is on financial, cost and liquidity related measures.

COVID-19

In solidarity with our employees and shareholders, the Board of Directors and the Management Board have decided to take a number of compensation related measures including an immediate voluntary reduction in their cash compensation for the duration of the crisis.

Risk management

GRI 102-11, GRI 102-30

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

Management prepares risk status reports which are presented to the Audit Committee on semi-annual basis. Currently, Sonova's Group Risk Map consists of 38 risks, of which 15 are designated as key risks.

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

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

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

COVID-19

In response to COVID-19 we have established global and national Crisis Response Teams that are closely linked and have been meeting in a high frequency. The response to the pandemic is structured in three phases 1) Health and Safety 2) Protecting the Core and 3) Preparing for the Rebound. Disaster Recovery and Business Continuity Planning is being updated to reflect the learnings made by the Crisis Response Team together with the global Group companies.

Corporate responsibility organization

Our Corporate Responsibility (CR) program aligns closely with our business strategy; its material topics and their impacts, risks and opportunities as well as reporting are reviewed at the highest levels of the company. Responsible behavior in environmental, social and governance (ESG) fields is an integral part into Sonova's core values and continuously overseen by the Board of Directors. The Management Board regularly initiates ESG-related measures and monitors their development in line with Sonova's integrated Corporate Responsibility program and provides updates to the Board of Directors. These are subject to consultation and review by the full Board of Directors on at least a yearly basis. Good governance is supported by a regular dialogue with proxy advisors, and by Sonova's continuously active risk management and our compliance functions.

The CR function develops the CR program for the Sonova Group and provides expertise and advice to the Management Board on relevant topics. It implements the strategy approved by the Management Board and coordinates group-wide initiatives in close collaboration with experts from the company-wide CR network. CR country champions represent one or all Sonova Group companies in a given territory and are responsible for gathering data and implementing CR initiatives locally. CR functional champions are linked to group-wide business functions; they report to the CR function on relevant functional issues.

[GRI 102-18](#), [GRI 102-19](#), [GRI 102-20](#), [GRI 102-26](#), [GRI 102-27](#), [GRI 102-29](#), [GRI 102-31](#), [GRI 102-32](#)

Taxes

Sonova is a Swiss-based multinational enterprise, with operations almost entirely headquartered in the canton of Zurich where the Group develops, manufactures, and distributes products marketed under multiple brands. Sonova operates in more than 100 countries and owns local wholesale and audiological care distribution subsidiaries in over 30 countries. With this business structure, Sonova's tax contribution encompasses various direct and indirect, corporate, and employee taxes, as well as customs duties, that make a significant contribution to societies around the world.

Tax strategy and policies

Sonova is committed to the highest level of tax compliance and directs its international flow of goods in line with all applicable tax regulations. Sonova's tax approach is fully compliant with the spirit as well as the letter of local tax laws and regulations, reporting and filing obligations in all countries of operation as well as in complete alignment with relevant international standards.

As laid down in Sonova's Code of Conduct, Sonova strives to attain the highest standards in complying with laws, rules, regulations, and reporting, filing, and disclosure requirements. This also applies to tax matters. The publicly available Sonova Tax Principles provide high level information on procedures and internal guidelines for tax compliance within the Sonova Group, that is for all legal entities that are majority-owned or otherwise controlled directly or indirectly by Sonova Holding AG.



[Sonova Group Tax Principles](#)

Sonova's commitment to tax transparency and responsibility is further expressed in policies and processes, mostly for internal use only, that guide compliance with direct and indirect taxes, as well as transfer pricing.

Approach towards taxation

Key elements of Sonova's approach towards taxation are:

- **Taxes follow the business:** Sonova is committed not to transfer value created to low tax jurisdictions. Sonova does not use non-business related offshore structures (so-called "tax havens"), nor does the Group allocate functions or risks to international structures purely for tax reasons. Sonova avoids the acquisition of non-business related offshore structures. An important step during the integration process for newly acquired companies is to unwind acquired tax schemes and bring the tax structure of the new business fully in line with Sonova's tax policy and BEPS (Base Erosion and Profit Shifting) principles.
- **Full compliance:** Sonova fully complies with the spirit and letter of local laws, regulations and is aligned with internationally recognized standards such as the OECD/BEPS and European guidelines. Sonova's complex cross-border operations and added value chains are subject to yearly reviews to align Sonova's Transfer Pricing Processes. Arm's length profit allocation within the added value chains is granted through yearly reviews in line with multiple benchmarking analysis. Inter-company transactions are regularly monitored to ensure complete alignment with international standards and Sonova's internal Transfer Pricing Processes.
- **Cooperation with tax authorities:** Sonova highly values open and proactive cooperation with tax administrations worldwide for any kind of tax matter, irrespective of the fact that Sonova has not entered Advanced Pricing Agreements (APAs). As part of our tax compliance policy, we continuously engage in constructive and transparent dialogue with tax authorities.

Organization and reporting

The responsibility for tax compliance lies with the Corporate Tax team, located in Switzerland, the US, and Germany. The team reports directly to the Group CFO. This function coordinates, educates, and supports local controllers in all Group companies to ensure that they achieve tax compliance in line with local and international laws, rules, regulations, reporting, filing and disclosures requirements as well as Sonova's standards and policies. A Master Transfer Pricing file is prepared, along with local files that are coordinated with the local organizations according to the OECD guideline Action 13 and Sonova's Transfer Pricing Processes.

Sonova has prepared the Country-by-Country Report (CbCR) since 2017, and filed this voluntarily with the Swiss Federal Tax Administration in 2018. For the years 2018 and 2019, the CbCR filed with the Swiss Federal Tax Administration was made available for automatic information exchange with the tax authorities worldwide, as foreseen by the BEPS initiative.

Information on earnings before tax, reported taxes, reported tax rate, cash taxes paid, and cash tax rate can be found in the Sonova Financial Report 2019/20. Sonova's tax rates might be lower than industry group averages because of group-wide net operating losses and net operating losses from previous periods in subsidiaries of acquired groups. Furthermore, Sonova is a Swiss-based multinational enterprise with large activities, substance, risks and assets in Switzerland, and the Swiss tax rate is lower than the global average tax rate. Cash tax paid is largely influenced by advanced as well as final adjustment payments.

[GRI 102-12, GRI 102-13](#)

Public policy

As a general rule, Sonova does not allow donations to political parties. This principle is stipulated in our Global Anti-Bribery Policy.

Sonova actively participates in associations and external initiatives to share its specialist knowledge and to ensure highest quality standards for hearing instruments and cochlear implants.

We are a member of the European Hearing Instrument Manufacturing Association (EHIMA), the Hearing Instrument Manufacturers' Software Association (HIMSA), the Hearing Industries Association (HIA), the Hearing Instrument Manufacturers' Patent Partnership (HIMPP), and the Hearing Industry Research Consortium (IRC). Arnd Kaldowski, CEO of the Sonova Group, is member of EHIMA's Board of Directors. Founded in 1985, EHIMA represents the major European hearing instrument manufacturers. In 2019/20, Sonova contributed around 480,000 CHF in membership fees to trade associations and non-commercial organizations. Amongst the largest contributions are membership fees and contributions to Hear-it AISBL, Bluetooth SIG, Inc., and EHIMA.

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



[Sonova Global Anti-Bribery Policy](#)



CR focus areas

Safeguarding the environment

We strive to make efficient use of natural resources and minimize the environmental impact of our activities, products, and services over their life cycle.



Sonova and the United Nations Sustainable Development Goals (SDGs)

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



[Sonova Group Environmental Policy](#)

Our approach

Commitment and policies

Sonova makes an explicit commitment to continuously promote and pursue environmentally friendly practices throughout the whole 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 management organization and responsibilities.

Environmental management systems

As part of its strategy of continuous operational improvement, Sonova has established 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 adapted its 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)

Environmental goals and targets

Sonova’s environmental program sets clearly defined goals and targets. We continuously monitor progress and optimize environmental performance across the Group. The five most important key environmental targets, current progress, and related UN Sustainable Development Goals (SDGs) are outlined in the table below. All our environmental five-year targets have 2017 as the base year and 2022 as the target year. 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. In the 2019/20 financial year, we raised our level of ambition in the energy and climate target and updated our 2022 target from a 30% to a 50% reduction of carbon emissions intensity compared to 2017.

Sonova 2022 key environmental targets and progress

Goal	2022 target	2019 performance	2018 performance	2017 base year
Energy and climate: Reduce greenhouse gas emissions ¹ relative to revenue by 50% (Key SDGs: 7, 9, 13)	9.3 t CO ₂ eq per million CHF (-50% vs. base year)	14.7 t CO ₂ eq per million CHF (-21.1% vs. base year)	16.4 t CO ₂ eq per million CHF (-11.7% vs. base year)	18.6 t CO ₂ eq per million CHF
Green procurement: Increase share of purchase volume from suppliers with certified environmental management system (EMS) to 75% (Key SDGs: 12, 13)	75%	72%	66%	52%
Materials: Zero ² substances of very high concern (SVHC) in Sonova products (Key SDG: 12)	0	4	3	1
Waste: Increase recycling rate to 60% (Key SDG: 12)	60%	53%	53%	47%
Water: Reduce total water withdrawal per employee by 5% (Key SDG: 6)	17.3 m ³ /FTE (-5% vs. base year)	18.1 m ³ /FTE (-0.3% vs. base year)	18.3 m ³ /FTE (+0.3% vs. base year)	18.2 m ³ /FTE

¹ Scope 1&2 + air-travel related Scope 3 emissions
² above the threshold level of 0.1% by weight according to REACH regulation

Environmental legal compliance

GRI 307-1

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 2019 and in previous years for noncompliance with environmental laws or regulations.

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 acknowledges its responsibility and is committed to reducing its carbon footprint. 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 our most energy-intensive facilities, while considering other sites that show realistic potential for improvement.

Sonova strives to be trustworthy and transparent with all its stakeholders. We therefore participate 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

A-

Leadership level score in 2019 CDP climate change disclosure ranking

approaches in managing climate change. In 2019, Sonova received an A- leadership level ranking for the second year in a row, recognizing our environmental transparency and climate change related actions.

Climate change risks and opportunities

Sonova takes a systematic approach to managing environmental, social and governance (ESG) risks, both in its supply chain and in its own operations. Identifying and mitigating potential 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. From a risk perspective, Sonova’s business has a relatively low exposure to climate change risks and we do currently not anticipate significant financial implications for the organization’s activities from this source.

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 significant climate change related regulatory, physical, market, cost, legal, 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 major current or future climate change related business opportunities. The topic mainly has indirect and limited influence on our business, e.g. in terms of production processes.

Energy

In 2019, the total energy consumption of the Sonova Group from heating (fuel oil, natural gas, district heating), electricity, and vehicle fuels (diesel, gasoline, liquefied petroleum gas, liquefied natural gas, ethanol) amounted to 119,975 megawatt-hours (MWh). Of this total, 57,705 MWh can be attributed to the Wholesale business and 62,270 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 the previous year, total energy consumption stayed almost on the same level with a slight reduction of 0.3% despite higher production volume and growth in employee numbers. This improvement in energy intensity was mainly thanks to a reduction in total fuel consumption of Sonova’s corporate car fleet and decreased heating consumption in the Audiological Care business, offsetting an increase in heating for the Wholesale business that was primarily due to temporary adjustments to our HVAC system at our headquarters in Stäfa. Over the past two years, Sonova reduced its total energy consumption by 4.7%.

GRI 302-1

4.7%

reduction of total energy consumption compared to 2017 (base year)

Energy consumption

	2019		2018		2017	
	Audiological Care ¹	Wholesale	Audiological Care ¹	Wholesale	Audiological Care ¹	Wholesale
Total	62,270	57,705	63,971	56,351	68,888	56,997
Heating	29,297	9,089	30,991	7,879	36,926	7,812
Electricity	22,020	35,733	20,769	35,405	18,688	34,465
Vehicle fuels	10,953	12,882	12,211	13,067	13,275	14,720

¹ 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 a target of 100% renewable electricity for all key manufacturing and distribution centers by 2022. Across the company, our target is to increase the share of renewable energy to 20% of total energy consumption

SAFEGUARDING THE ENVIRONMENT

by 2022. In 2019, 14,331 MWh of electricity came from renewable sources, representing an increase in the renewable energy share of total energy consumption from 9% to 12%, compared to the previous year. In 2019, the 5,000-square meter solar panel system on the roofs of our manufacturing center in Suzhou, China, activated in 2015, generated 427 MWh of renewable electricity.

Renewable energy

	2019	2018	2017
Total energy consumption	119,975	120,322	125,885
Non-renewable energy consumption	105,644	109,704	120,365
Renewable energy consumption	14,331	10,618	5,520
Share of renewable energy	12%	9%	4%

Greenhouse gas emissions

Sonova aims to achieve by 2022 a 50% reduction of greenhouse gas (GHG) emissions in relation to revenues compared to the base year of 2017. The GHG total for our target comprises Scope 1, 2, and air-travel related Scope 3 emissions. In 2019, we further reduced GHG emissions intensity by 10.6% from 16.4 to 14.7 metric tons of CO₂ equivalents (t CO₂eq) per million CHF revenues, compared to 2018. This results in a total reduction of GHG emissions intensity by 21.1% compared to 2017 levels, keeping us well on track to achieve our 2022 target.

Sonova Group's absolute carbon footprint of Scope 1 and 2 emissions for 2019 amounted to 32,119 t CO₂eq, down by 9.5% from the previous year's emissions of 35,500 t CO₂eq. The main reason for the absolute reduction in Scope 1 and 2 GHG emissions is increased use of renewable electricity in our Wholesale business, 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 and optimizing electricity use for heating, ventilation, and air conditioning at our operation centers in Vietnam and China, electricity use reduction programs covering the data center, manufacturing, and offices at Advanced Bionics headquarters in Valencia, USA, and replacing conventional lighting with LED technology in several Group companies. Energy efficiency and reduction are also taken into account when constructing new buildings. For example, construction of the new headquarters of Phonak Communications in Switzerland started in 2019 and will be completed in 2020. The new building is designed for minimal energy consumption. Solar panels will provide a large part of the required electricity.

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

21.1%

reduction of greenhouse gas emissions relative to revenue compared to 2017 (base year)

Greenhouse gas (GHG) emissions – Scope 1+2

	2019		2018		2017	
	Audiological Care ¹	Wholesale	Audiological Care ¹	Wholesale	Audiological Care ¹	Wholesale
Total Scope 1+2	18,671	13,448	19,386	16,114	20,576	18,125
Scope 1	8,900	5,245	9,584	5,049	11,048	5,446
Scope 2	9,771	8,203	9,802	11,065	9,528	12,679

¹ extrapolation, only partial data available

In 2019, we estimated Scope 3 emissions for three categories: upstream transportation and distribution (11,543 t CO₂eq), business travel (10,648 t CO₂eq), and employee commuting (21,558 t CO₂eq), which totals to 43,749 t CO₂eq of Scope 3 emissions.

Greenhouse gas (GHG) emissions – Scope 3

t CO₂ eq

	2019 ¹	2018 ¹	2017
Total Scope 3	43,749	42,931	43,542
Upstream transportation and distribution	11,543	11,543	11,543
Business travel	10,648	9,830	10,441
Employee commuting	21,558	21,558	21,558

¹ 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 2019 amounted to 75,868 t CO₂eq, a reduction of 3.3% compared to the previous year (78,431 t CO₂eq) and a reduction of 7.8% compared to 2017 (82,243 t CO₂eq). The majority of Sonova’s GHG emissions are Scope 3 emissions (58% in 2019).

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 2019, the carbon emissions from business-related air travel on a group-wide basis were 10,648 t CO₂eq. This represents an emissions increase of 8.3% compared to the previous year (2018: 9,830 t CO₂eq), which is mostly due to an increase in business activities and intensified global collaboration across the Sonova Group in the financial year 2019/20. We will continue our strict enforcement of travel policies and increased use of web-conferencing tools.

7.8%

reduction of total absolute Scope 1-3 greenhouse gas emissions compared to 2017 (base year)

Corporate car fleet

Sonova also estimated the carbon footprint of its corporate car fleet in 2019. All vehicles owned or leased by Sonova Group companies were taken into account. The estimated total carbon footprint of Sonova’s corporate car fleet is around 6,259 t CO₂eq in 2019, which represents a reduction of 5.8% compared with 2018 emissions of 6,645 t CO₂eq. This decrease compared to the previous year is mostly due to a reduction in distance driven across the entire 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 CO₂eq. The global survey is not carried out every year. Hence, for 2019, 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 started in 2006 and increased the proportion of employees who commute using public transportation, by foot, or by bike from 41% in 2006 to 61% in 2019. The target for 2025 is to achieve a share of 67% by further strengthening the mobility program. In 2019, Sonova France also launched a mobility program, with elements including installation of charging stations for electric vehicles and financial incentives for using public transport.

Upstream transportation and distribution

In product distribution, air freight is clearly the dominant contributor to Sonova’s carbon footprint, accounting for around 98% of relevant CO₂ emissions. Based on a study conducted in 2017, the carbon emissions for the hearing instruments segment are estimated at 10,708 t CO₂eq in absolute terms and 7.2 kg CO₂eq per kg transported in relative terms. The equivalent carbon emissions for the cochlear implant segment were estimated at 835 t CO₂eq

and 4.0 kg CO₂eq per kg transported, respectively. The study is not carried out every year, so total Scope 3 emissions for upstream transportation and distribution for 2019 are estimated at 11,543 t CO₂eq, based on the 2017 study results.

Eco-friendly products

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.

Through new approaches in product design, we are trying to shrink the size of products and reduce material use. One example is RogerDirect™, introduced this year. Since 2013, Roger™ communication technology has bridged the understanding gap in loud noise and over distance by wirelessly transmitting a speaker's voice directly to the listener. Until now, hearing aid wearers had to plug an extra component into their hearing aids or use an intermediary streamer to receive the Roger signal. Marvel hearing aids with RogerDirect eliminate the need for extra components or accessories, resulting in a device that is up to 42% smaller.

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 2019/20 financial year, there were four SVHC substances requiring communication in accordance with the REACH regulation: DEHP, 1,3-propanesultone, lead titanium trioxide, and lead. It is our 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.

Procurement and manufacturing

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 target for 2022 is to increase the share of our purchase volume from suppliers with certified environmental management systems (EMS) to 75%. In 2019, we increased the share of our purchase volume coming from suppliers with certified EMS to 72% (2018: 66%). This assessment was made based on desk research as well as internal or external audits and visits. However, based on our supplier visits and assessments, the percentage of suppliers actively using an environmental management system and complying with certain environmental standards (with or without certification) is even higher and above 90% of the purchasing volume.

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 (ITE) hearing aids and earpieces. Today, we print hundreds of thousands of custom-made products every year, such as the Virto™ M-Titanium, combining the strength and lightness of titanium with the versatility of 3D printing to produce Phonak’s smallest custom ITE hearing aid – and saving material with a shell that is thinner than traditional custom shells.

Packaging and distribution

We continuously strive to further reduce the waste we generate, and the carbon footprint of our product packaging and transportation. Our current focus is the SLIM Packaging Project which aims at substantial reduction in the packaging size and weight of selected hearing aids, along with the number of hard cases. A new SLIM packaging solution implemented in 2019 allowed us to decrease the amount of packaging materials and improve the carbon footprint relative to the previous packaging concept by almost 40% per shipped pair, as revealed by an internal comparative screening life cycle analysis. The largest climate change impact from our packaging arises in the transportation phase. Since the SLIM packaging is lighter, the impact from transport is significantly lower.

Consumer use

An important task in our research and development process is improving the energy efficiency of our products to reduce energy consumption during the use phase. We also provide a broad range of repair and refurbishment services to lengthen the life cycle of our products and their components.

Since 2018, we have continuously increased the proportion of products that are based on our proprietary SWORD™ (Sonova Wireless One Radio Digital) chip – a low-voltage radio chip with the lowest power consumption of any hearing aid using Bluetooth® Classic, and the world’s such chip to be compatible with small hearing aid batteries.

Since 2016, Sonova’s Phonak, Unitron, and Hansaton brands have continuously expanded their portfolios of hearing aids with a built-in lithium-ion rechargeable battery. Our increasing focus on rechargeable hearing solutions helps us to reduce the use of disposable batteries. In 2019, with its Marvel 2.0 technology upgrade, Phonak expanded its portfolio of rechargeable hearing aids, introducing the Phonak Audéo™ M-RT Receiver-In-Canal (RIC) hearing aid with integrated T-Coil as well as the Phonak Bolero™ M Behind-The-Ear (BTE) and Phonak Sky™ M pediatric product families. In October 2019, Unitron expanded its portfolio based on the Discover platform and launched the new Stride™ P R (BTE) and Moxi™ Jump R (RIC) products, both featuring proven Sonova lithium-ion rechargeable batteries. As part of

GRI 308-1



Sonova Group Supplier Principles (SGSP)

72%

purchase volume from suppliers with certified environmental management systems

the EXCITE product series, Hansaton offers the lithium-ion powered AQ XC rechargeable devices, with 24 hour battery life between charges and only three hours’ charging time. Advanced Bionics also offers rechargeable battery options for cochlear implant sound processors.

1) The Bluetooth® word mark is a registered trademark owned by the Bluetooth SIG, Inc. and any use of such marks by Sonova AG is under license.

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 from the Audiological Care business offer different 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 2019, 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.

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% through group-wide efforts to reduce waste, improve waste separation and foster recycling.

53%

of total waste recycled

In 2019, the recycling rate remained stable at 53%. We slightly reduced the volume of total waste by 1% compared to the previous year, despite an increase in production volume. Recycling waste decreased by roughly 2% compared to the previous year, to 1,146 metric tons. Solid waste sent to disposal, such as municipal solid waste or material left over from manufacturing processes, remained stable at 995 metric tons.

Sonova complies with legal requirements to transport and dispose of hazardous waste solely through officially authorized disposal agents. The main categories of hazardous waste substances are solvents, oil emulsions, paints, adhesives, soldering paste, filters, petroleum, and washing fluids. The amount of hazardous waste was slightly reduced in 2019 to 39 metric tons.

Waste

metric tons

	2019	2018	2017
Total waste	2,179	2,201	2,043
Non-hazardous waste	995	995	1,030
Hazardous waste	39	40	56
Recycling waste	1,146	1,165	958
Recycling rate	53%	53%	47%

Water

GRI 303-1

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.

The sources of all water withdrawn are municipal water supplies or other public or private water utilities. In 2019, water consumption at Group level was at 139,707 cubic meters (m³), which represents a slight decrease of 0.7% compared to the previous year. 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. Currently we are at 18.1 m³ water consumption per employee. This is a 0.3% reduction compared to 2017. We will further intensify measures to achieve our 2022 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

	2019	2018	2017
Total municipal water supply	139,707	140,627	132,505
Municipal water supply per full-time employee (FTE)	18.1	18.3	18.2

Biodiversity

Sonova’s global activities, products, and services are not considered to have a significant direct or indirect impact on biological diversity and natural ecosystems, such as loss of biodiversity, destruction of natural habitats, and deforestation.

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, and water consumption and is based on the calendar year. 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, as well as Group companies with audiological care activities. Energy consumption, car fleet and air travel data are provided for all entities in the 2019 environmental data reporting. Waste and water 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

SAFEGUARDING THE ENVIRONMENT

audiological care activities, waste and water data are only monitored where feasible and not included in this report. Overall, the entities covered in the waste and water data reporting account for 92% of Sonova's employees (excluding employees of Group companies with only audiological care 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 consumption of electricity, heating oil, natural gas, district heating, and vehicle fuels such as diesel and gasoline. 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 23,561 t CO₂eq. Sonova purchased 6,727 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 followed the financial control consolidation approach for setting organizational boundaries. Key emission factor sources for calculating greenhouse gas emissions include the International Energy Agency (IEA) for electricity and the UK Government GHG Conversion Factors for Company Reporting for other emissions sources. Global warming potentials from the IPCC's fourth assessment report (AR4) were applied to calculate CO₂ equivalents. Relevant gases included are CO₂, CH₄, and N₂O.

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 travel data, all Sonova Group companies were taken into account.



About this CR Report

Reporting profile

Reporting practice

GRI 102-50, GRI 102-51, GRI 102-52

Sonova reports in an annual cycle. The 2019/20 reporting period covers the financial year from April 1, 2019 to March 31, 2020. The most recent previous Annual Report and Corporate Responsibility Report were released on May 21, 2019.

The Sonova CR Report for 2019/20, when combined with the [Business and Financial Report 2019/20](#), complies with the Global Reporting Initiative (GRI) Standards and forms an integral part of Sonova's UN Global Compact Communication on Progress. See our [GRI content index](#) for details on how the report content maps against the GRI Standards and UNGC principles. The index refers to the content of the online CR Report. Additional relevant information about economic performance and remuneration is provided in the [Compensation Report](#), [Corporate Governance Report](#), and [Financial Review chapters](#) of the Annual Report.

GRI 102-45, GRI 102-1

Entities

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

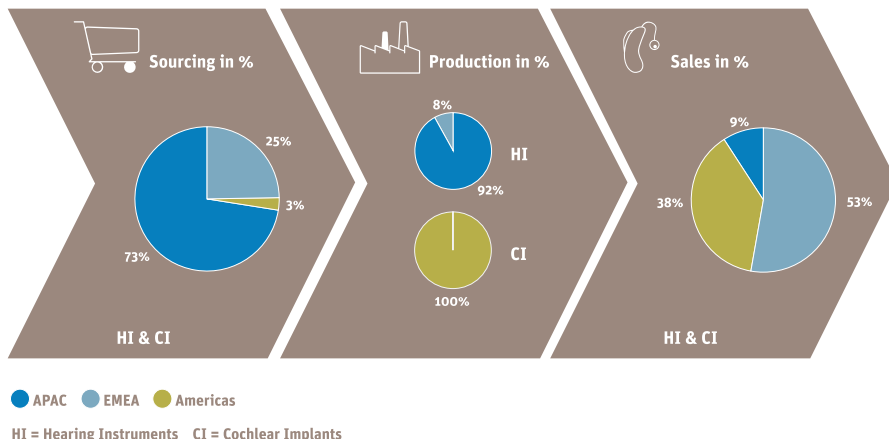
GRI 102-1, GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-5, GRI 102-6, GRI 102-7

Organizational profile

Sonova, headquartered in Stäfa, Switzerland, is a leading provider of innovative hearing care solutions. The Group operates through its core business brands Phonak, Unitron, Hansaton, Advanced Bionics and AudioNova. Sonova offers its customers one of the most comprehensive product portfolios in the industry – from hearing instruments to cochlear implants to wireless communication solutions. Pursuing a unique vertically integrated business strategy, the Group operates through three core businesses – hearing instruments, audiological care and cochlear implants – along the entire value chain of the hearing care market. The Group's sales and distribution network, the widest in the industry, comprises over 50 own wholesale companies in over 30 countries and more than 100 independent distributors. This is complemented by Sonova's audiological care business, which offers professional audiological services through a network of around 3,500 locations in 19 key

markets. Founded in 1947, the Group has a workforce of over 14,000 dedicated employees and major operation sites in Switzerland, the United States, China, and Vietnam. Across all businesses, Sonova pursues its vision of a world where everyone enjoys the delight of hearing and therefore lives a life without limitations.

Sonova Holding AG is a Swiss public limited company. More details on our products, services, brands, and activities as well as financial information, including a list of significant shareholders is provided in the 2019/20 [Financial Report](#) and [Business Report](#).



GRI 102-10, GRI 102-48, GRI 102-49

Restatements and significant changes

In the “Investment in people” section, selected data provided in earlier Sonova CR Reports were restated due to changes in reporting scope, data collection methods, or metrics definition. Wherever applicable, details are stated in the respective tables. There were no further significant changes during 2019/20 in the scope, boundary, or measurement methods applied in the report, that would require a restatement of information provided in earlier Sonova CR Reports. There were no changes to the organization’s size, structure, ownership, or supply chain that could cause or contribute to significant ESG impacts during the reporting year. The list of material topics has been updated as described in the section “CR program”.

GRI 102-54

Declaration and assurance

This report has been prepared in accordance with the GRI Standards: Core option.

PricewaterhouseCoopers AG has provided independent assurance on specific data outlined in the CR Report 2019/20. For more detail, see the [Independent Assurance Report](#). The compensation report, the consolidated financial statement, and the financial statement of Sonova Holding AG in the 2019/20 Annual Report have been audited by a statutory external auditor.

GRI 102-53

Contact

If you have questions regarding this CR Report 2019/20 or its contents, please contact Sonova AG, Laubisrütistrasse 28, 8712 Stäfa, Switzerland.
 Phone: +41 58 928 01 01 | Fax: +41 58 928 20 11 | Email: cr@sonova.com



Independent Assurance Report

on the Sonova Corporate Responsibility Reporting 2019/20

Stäfa

We have been engaged to perform assurance procedures to provide limited assurance on the aspects of the 2019/20 Corporate Responsibility (CR) Reporting of Sonova Holding AG, Stäfa and its consolidated subsidiaries ("Sonova Group") included in the 2019/20 CR Report.

Scope and subject matter

Our limited assurance engagement focused on the selected data and information disclosed in the CR Report of Sonova Group for the year ended on 31 March 2020:

- The tables 'Internal leadership recruitment rate (ILRR)', 'Employee turnover rates', 'Employees by region', 'Employees by employment contract', 'New hire rate', 'Employees by gender', 'Employees by age', 'Women in management positions', 'Occupational health and safety' and the indicator 'employee engagement rate' in the section 'Investment in people', the tables 'Energy consumption', 'Greenhouse gas (GHG) emissions – Scope 1+2', 'Greenhouse gas (GHG) emissions – Scope 3', and the indicator 'purchase volume from suppliers with certified environmental management systems' in the section 'Safeguarding the environment' (CR indicators);
- The management of reporting processes with respect to the CR Report and the preparation of CR indicators as well as the related control environment in relation to data aggregation of CR indicators.

Criteria

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

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

Inherent limitations

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

Sonova's responsibility

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

Our responsibility

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention to indicate that the identified CR information selected and contained in this report is not stated, in all material respects, in accordance with the reporting criteria.

We planned and performed our procedures in accordance with the International Standard on Assurance Engagements (ISAE 3000) (Revised) 'Assurance engagements other than audits or reviews of historical financial information', and, in respect of greenhouse gas emissions, with the International Standard on Assurance Engagements (ISAE 3410) 'Assurance Engagements on Greenhouse Gas Statements'. These standards require that we plan and perform the assurance engagement to obtain limited assurance on the identified sustainability information prepared, in all material aspects, in accordance with Sonova's internal policies and procedures.

A limited assurance engagement under ISAE 3000 (Revised) and ISAE 3410 is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement. The procedures selected depend on the assurance practitioner's judgement.

Our independence and quality control

We are independent of the Sonova Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) that are relevant to our audit of the financial statements and other assurance engagements in Switzerland. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Summary of the work performed

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

- *Evaluation of the application of Group guidelines*
Reviewing the application of the Sonova Group internal CR reporting guidelines;
- *Site visit and management inquiry*
Remote site visit procedures at Sonova Operation Center in Vietnam. The selection was based on quantitative and qualitative criteria;
Interviewing personnel responsible for internal reporting and data collection at the site and at the Sonova Corporate level;
- *Assessment of the key figures*
Performing tests on a sample basis of evidence supporting selected CR indicators concerning completeness, accuracy, adequacy and consistency;
- *Review of documentation and analysis of relevant policies and principles*
Reviewing relevant documentation on a sample basis, including Sonova Group CR policies, management of reporting structures and documentation.

Conclusion

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

- The CR indicators outlined in the scope and subject matter section and disclosed in the 2019/20 CR Report of Sonova Group are not stated in accordance with Sonova Group internal policies and procedures; and
- The management of reporting processes with respect to the CR Report and the preparation of CR indicators as well as the related control environment in relation to data aggregation of these key performance indicators are not functioning as designed.

PricewaterhouseCoopers AG



Stephan Hirschi



Raphael Rutishauser

Zurich, 15 May 2020



About this CR Report

GRI content index

GRI content index



This is our **Communication on Progress** in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.

Disclosure	Description	UNGC	SDG	Reference	External assurance
GENERAL STANDARD DISCLOSURES					
1. Organizational profile					
102-1	Name of the organization			Reporting profile	No
102-2	Activities, brands, products, and services			Reporting profile	No
102-3	Location of headquarters			Reporting profile	No
102-4	Location of operations			Reporting profile	No
102-5	Ownership and legal form			Reporting profile	No
102-6	Markets served			Reporting profile	No
102-7	Scale of the organization			Reporting profile	No
102-8	Information on employees and other workers	6	8	Investment in people	Yes
102-9	Supply chain			Ethics, risk and compliance	No
102-10	Significant changes to the organization and its supply chain			Reporting profile	No
102-11	Precautionary Principle or approach			Ethics, risk and compliance	No
102-12	External initiatives			Ethics, risk and compliance	No
102-13	Membership of associations			Ethics, risk and compliance	No
2. Strategy					
102-14	Statement from senior decision-maker			Message from the CEO	No
3. Ethics and integrity					
102-16	Values, principles, standards, and norms of behavior	1	16	CR program	No
102-17	Mechanisms for advice and concerns about ethics	1	16	Ethics, risk and compliance	No

4. Governance

102-18	Governance structure			Ethics, risk and compliance	No
102-19	Delegating authority			Ethics, risk and compliance	No
102-20	Executive-level responsibility for economic, environmental, and social topics			Ethics, risk and compliance	No
102-21	Consulting stakeholders on economic, environmental, and social topics		16	Ethics, risk and compliance	No
102-22	Composition of the highest governance body and its committees		5, 16	Ethics, risk and compliance	No
102-23	Chair of the highest governance body		16	Ethics, risk and compliance	No
102-24	Nominating and selecting the highest governance body		5, 16	Ethics, risk and compliance	No
102-25	Conflicts of interest		16	Ethics, risk and compliance	No
102-26	Role of highest governance body in setting purpose, values, and strategy			Ethics, risk and compliance	No
102-27	Collective knowledge of highest governance body		4	Ethics, risk and compliance	No
102-28	Evaluating the highest governance body's performance			Ethics, risk and compliance	No
102-29	Identifying and managing economic, environmental, and social impacts		16	Ethics, risk and compliance	No
102-30	Effectiveness of risk management processes			Ethics, risk and compliance	No
102-31	Review of economic, environmental, and social topics			Ethics, risk and compliance	No
102-32	Highest governance body's role in sustainability reporting			Ethics, risk and compliance	No
102-35	Remuneration policies			Business report: Compensation report	Yes
102-36	Process for determining remuneration			Business report: Compensation report	Yes
102-37	Stakeholders' involvement in remuneration		16	Business report: Compensation report	Yes

5. Stakeholder engagement

102-40	List of stakeholder groups			Stakeholder engagement	No
102-41	Collective bargaining agreements	3	8	Stakeholder engagement	No
102-42	Identifying and selecting stakeholders			Stakeholder engagement	No
102-43	Approach to stakeholder engagement			Stakeholder engagement	No
102-44	Key topics and concerns raised			Stakeholder engagement	No

6. Reporting practice

102-45	Entities included in the consolidated financial statements			Reporting profile	No
102-46	Defining report content and topic boundaries			CR program	No
102-47	List of material topics			CR program	No
102-48	Restatements of information			Reporting profile	No
102-49	Changes in reporting			Reporting profile	No
102-50	Reporting period			Reporting profile	No
102-51	Date of most recent report			Reporting profile	No
102-52	Reporting cycle			Reporting profile	No
102-53	Contact point for questions regarding the report			Reporting profile	No
102-54	Claims of reporting in accordance with the GRI Standards			Reporting profile	No
102-55	GRI content index			GRI content index	No
102-56	External assurance			Assurance Report	No

SPECIFIC STANDARD DISCLOSURES

Access to hearing care

GRI CONTENT INDEX

103-1	Explanation of the material topic and its Boundary			CR program	No
103-2	The management approach and its components			CR program	No
103-3	Evaluation of the management approach			CR program	No
Own indicator	Unit sales of hearing instruments (HI) and cochlear implants (CI) in low- and middle-income countries		3, 4	Access to hearing care	No
Investment in people					
103-1	Explanation of the material topic and its Boundary			CR program	No
103-2	The management approach and its components			CR program	No
103-3	Evaluation of the management approach			CR program	No
401-1	New employee hires and employee turnover	6	5, 8	Investment in people	Yes
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		8	Investment in people	Yes
404-3	Percentage of employees receiving regular performance and career development reviews	6	5, 8	Investment in people	No
405-1	Diversity of governance bodies and employees	1	5, 8	Investment in people	Yes
Own indicator	Employee engagement rate		5, 8	Investment in people	Yes
Responsible products and services					
103-1	Explanation of the material topic and its Boundary			CR program	No
103-2	The management approach and its components			CR program	No
103-3	Evaluation of the management approach			CR program	No
416-1	Assessment of the health and safety impacts of product and service categories			Responsible products and services	No
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		16	Responsible products and services	No
Own indicator	Product reliability rate for hearing instruments (HI) and cochlear implants (CI)		3, 9	Responsible products and services	No
Ethics, risk and compliance					
103-1	Explanation of the material topic and its Boundary			CR program	No
103-2	The management approach and its components			CR program	No
103-3	Evaluation of the management approach			CR program	No
205-2	Communication and training about anti-corruption policies and procedures	10	16	Ethics, risk and compliance	No
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices			Ethics, risk and compliance	No
308-1	New suppliers that were screened using environmental criteria	8		Ethics, risk and compliance	No
308-2	Negative environmental impacts in the supply chain and actions taken	8		Ethics, risk and compliance	No
408-1	Operations and suppliers at significant risk for incidents of child labor	4, 5	8, 16	Ethics, risk and compliance	No
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4, 5	8	Ethics, risk and compliance	No

GRI CONTENT INDEX

412-1	Operations that have been subject to human rights reviews or impact assessments	1, 2		Ethics, risk and compliance	No
414-1	New suppliers that were screened using social criteria	2	8, 16	Ethics, risk and compliance	No
414-2	Negative social impacts in the supply chain and actions taken	2	8, 16	Ethics, risk and compliance	No
415-1	Political contributions		16	Ethics, risk and compliance	No
419-1	Non-compliance with laws and regulations in the social and economic area		16	Ethics, risk and compliance	No
Own indicator	On-time mandatory employee Global Compliance training completion rate	10	16	Ethics, risk and compliance	No
Safeguarding the environment					
103-1	Explanation of the material topic and its Boundary			CR program	No
103-2	The management approach and its components			CR program	No
103-3	Evaluation of the management approach			CR program	No
302-1	Energy consumption within the organization	7, 8	7, 12, 13	Safeguarding the environment	Yes
303-1	Water withdrawal by source	7, 8	6	Safeguarding the environment	No
305-1	Direct (Scope 1) GHG emissions	7, 8	12, 13	Safeguarding the environment	Yes
305-2	Energy indirect (Scope 2) GHG emissions	7, 8	12, 13	Safeguarding the environment	Yes
305-3	Other indirect (Scope 3) GHG emissions	7, 8	12, 13	Safeguarding the environment	Yes
305-4	GHG emissions intensity	7, 8, 9	12, 13	Safeguarding the environment	Yes
306-2	Waste by type and disposal method	8	12, 13	Safeguarding the environment	No
307-1	Non-compliance with environmental laws and regulations	8		Safeguarding the environment	No

UNCG = UN Global Compact Principle

SDG = UN Sustainable Development Goal

All references refer to the 2016 version of the GRI Standards