



# CORPORATE SOCIAL RESPONSIBILITY REPORT 2012/13

*Over 500 children have been fitted with new high-quality hearing instruments by the Hear the World Foundation to date*



*Over 9000 employees worldwide*

*38% of our employees belong to Generation Y (born 1979 – 1994)*

*Focus on innovation: products less than 2 years old consistently account for around 2/3 of our hearing aids sales*

*All key manufacturing and distribution centers are ISO 14001-certified*



---

# TABLE OF CONTENTS

---

---

02	A MESSAGE FROM THE CEO
03	HEARING – AN UNDERESTIMATED TOPIC
04	OUR VISION, MISSION AND VALUES
05	BUSINESS ETHICS
06	GOVERNANCE
07	MATERIALITY AND STAKEHOLDER ENGAGEMENT
09	FOCUS THEME VIETNAM
16	EMPLOYEES
19	PRODUCT RESPONSIBILITY
20	SUPPLIERS
21	COMMUNITY INVOLVEMENT
22	HEAR THE WOLRD FOUNDATION
24	ENVIRONMENTAL ISSUES

---

FRONT COVER PICTURE:  
NGUYEN THI VAN, AN EMPLOYEE  
AT THE PHONAK OPERATION CENTER  
IN HO CHI MINH CITY, VIETNAM.

# A MESSAGE FROM THE CEO



Lukas Braunschweiler  
CEO

*At Sonova, we aim to grow our business, create sustainable value, and preserve the environment for future generations.*

## DEAR READER

As the world's largest hearing care company, with industry-leading business brands, we at Sonova have a deep commitment to sustainable success.

We envision a world in which there is a solution to every hearing loss and where all people equally enjoy the delight of hearing. Inspired by this vision and guided by our corporate values and code of conduct, we strive to be the leader in everything we do and to follow the highest standards of ethical conduct and integrity. We aim to be the most respected hearing care company in the world. Our clearly defined business targets are well aligned with our broader social goals: to help people to hear the world by providing revolutionarily innovative solutions and outstanding professional audiological services, while fully taking responsibility for our actions toward our employees, the environment, and future generations.

To underline our commitment to promote better hearing for everyone, we have extended the mission of our Hear the World Foundation to a group-wide initiative, thus giving it even more weight and power to advocate equal opportunities and to increase the quality of life for people with hearing loss.

We are delighted to be able to share our progress in social and environmental matters: This, our first CSR Report, shows how our innovations create new opportunities for all our stakeholders – and for our planet. The content of this report, combined with the information in our Annual Report 2012/13, fulfills the requirements of the Global Reporting Initiative (GRI) at Application Level C.

The focus theme for this year's CSR Report is Vietnam, and our commitment to sustainable growth in Asia. We gain an insight into the life of Van, an employee at the Phonak Operation Center in Ho Chi Minh City, one of Sonova's four global manufacturing sites. The center sets a high benchmark in the industry and in the region, offering its employees far above-average working conditions.

In the years to come we will strive to maintain and extend our commitment to corporate social responsibility. We hope that you will continue to follow us on this journey.

# HEARING – AN UNDERESTIMATED TOPIC

*Hearing loss continues to be an underestimated topic, although the numbers paint a clear picture: over 630 million people globally are affected by hearing loss. Around 660 000 children are born with significant hearing loss annually.*

## HEARING BONDS PEOPLE

“Blindness separates people from things. Deafness separates people from people.” There is no better way to describe why hearing is of such great importance in our lives than the words of the philosopher Immanuel Kant. Establishing contact with other people, holding an intimate conversation or simply laughing together – hearing means communication and is an irreplaceable component of our social lives. But that’s not all: hearing also opens the gate to the fascinating world of sounds. Music, the rushing of waves, the twittering of birds, the laughter of children – we all associate emotional moments with unforgettable hearing experiences. An unborn child already picks up sounds, voices, and even music, storing them as unconscious memories in its brain. Later on, it associates these familiar sounds with safety and security.

## HEARING LOSS CONCERNS US ALL

The ability to hear is such an integral part of our lives that most people take it for granted. The importance of good hearing and the consequences of hearing loss are still underestimated, even though the facts speak a very different language. According to the World Health Organization (WHO), over 630 million people are currently affected by hearing loss. The number of

people affected by hearing loss continues to rise due to the demographic aging of our society and the growing noise pollution in our environment. Added to that comes the fact that, according to the UN children’s fund UNICEF, over 660 000 children are born with significant hearing loss annually.

## WHAT ARE THE CONSEQUENCES OF HEARING LOSS?

People with untreated hearing loss are often faced with serious consequences. These range from disadvantages at work, relationship problems and social isolation, which may even lead to depression. Especially severe are the consequences for children with an untreated hearing loss, as the development of speech and language is fundamentally dependent on the sense of hearing.

## HEARING LOSS – A GLOBAL TOPIC



*More than  
630 million  
people  
worldwide  
experience  
some degree  
of hearing loss*



*In Germany alone, one or two out of a thousand newborns are affected by hearing loss*



*In the United States, 28 million people have significant hearing loss, 15 million of them are under the age 45*



# OUR VISION, MISSION AND VALUES

*A world where everyone enjoys the delight of hearing and therefore lives a life without limitations.*

## SOLUTIONS TO EVERY HEARING LOSS

At Sonova, we envision a world in which there is a solution to every hearing loss and all people equally enjoy the delight of hearing. Sonova aims to be the most respected hearing care company in the world and, as such, has a social as well as a business goal: help people hear the world by providing the most innovative technology, service-oriented dedication and by accepting responsibility for all of our actions.

## TO BE RECOGNIZED AS THE INNOVATION LEADER IN THE GLOBAL HEARING CARE MARKET

Today, the Sonova Group is the broadest hearing care provider in the industry. We are committed to offering the most comprehensive range of solutions – from hearing aids to cochlear implants to wireless communications solutions – to treat all major forms of hearing loss.

We are in the favorable position of being able to leverage our global infrastructure, and obtain extensive customer feedback. Our core business brands Phonak, Unitron, Advanced Bionics and Connect Hearing create compelling new products and offer the optimal solution for every user, tailored to the individual's needs and provided by hearing care professionals in a wide range of personalized service channels.

To be recognized as the innovation leader, we are constantly pushing our limits in order to even better serve the specific needs of our customers. Our open-minded, international corporate culture facilitates global synergies. Our well-anchored

local service, support and sales presence across the globe as well as our respect and appreciation for local differences are both key to our success.

We strive for highest ethical behavior and unquestionable integrity. These values are at the core of our corporate culture and form an integral part of our endeavor to create sustainable success and value for all our stakeholders.

## PASSIONATE ABOUT DELIVERING PERFORMANCE WITH A PURPOSE

At Sonova, we come to work every day knowing that our relentless innovation drive across all disciplines, our shared engagement as a team and our responsible approach to everything we do helps to bring the delight of hearing to many millions of people: to hear better, to listen to music, to communicate effortlessly with friends and loved ones – in short: to fully enjoy life with all its great variety of sounds. Our shared core values and our strong belief in innovation, engagement and responsibility reflect the corporate culture that defines and unites us as a company across all brands and regions.

### OUR VALUES



## INNOVATION

We strive to be recognized as the innovation leader across all disciplines.

We offer the best solutions to our customers.

We continuously push the limits of technology.

As we grow our business, we remain pragmatic and quickly adapt to changing circumstances.



## ENGAGEMENT

Our highly dedicated employees are key to win the hearts and minds of our customers.

We believe in cross-functional teams in which every voice matters.

We pursue a strong presence in local markets and we understand local needs.



## RESPONSIBILITY

We strive to be credible and transparent towards all stakeholders.

We turn the challenges of our customers into our own, bringing everyone the delight of hearing.

We take our social responsibility serious: we are committed to the prevention of hearing loss and support people affected by hearing loss.

# BUSINESS ETHICS

*Our reputation for ethical behavior and integrity is one of our most valuable company assets. It is the result of our daily actions and an integral part of our endeavor to create sustainable success and value.*

## COMPLIANCE

Sonova's commitment to compliance is part of our organizational culture, which promotes ethical conduct across all levels of the organization. Compliance means that we follow the laws of each country in which we are active while also abiding by our internal rules and regulations. Sonova's Code of Conduct provides the general principles that guide the behavior of all employees in the company. The principles of the Code of Conduct are further refined in various internal guidelines and policies covering the most important compliance areas; these include SIX Swiss Exchange reporting obligations, insider trading, competition law, anti-bribery, and trade compliance. 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.

## ORGANIZATION & RESPONSIBILITIES

Compliance is a shared responsibility at Sonova. Ultimate responsibility and oversight lies with the Board of Directors. The Management Board is expected to lead by example. A newly appointed Group Compliance Manager is responsible for the planning and rollout of the group compliance program. The Group Compliance Manager reports to the Head of Inter-

nal Audit, Risk, and Compliance but also has a direct reporting line to the Chairman of the Audit Committee and the CEO. The legal department drafts policies, answers compliance related questions, and supports the Sonova whistleblower hotline (see details below). Specific compliance training is provided by the legal department and the Group Compliance Manager. Adherence to the Code of Conduct and Sonova's policies and guidelines is monitored by the Group Compliance Manager and by Internal Audit, which also carries out an annual risk assessment including fraud and bribery risks. The Board of Directors receives updates on an annual basis about the group risk assessment as well as the status of the compliance program.

## WHISTLEBLOWER HOTLINE

Sonova maintains a whistleblower hotline, operated by an independent, qualified service partner, which allows employees to raise concerns anonymously. Independent specialists answer the calls and forward reports to the appropriate person in the Sonova Group for further investigation. All reports to the whistleblower hotline are followed-up in a timely manner. The Board of Directors is periodically updated on any complaints received through the hotline and the measures taken.

## REVISED CODE OF CONDUCT

### CODE OF CONDUCT: A SHARED COMMITMENT AND CONSTITUTION FOR SONOVA

The Code of Conduct was re-launched worldwide in 2012. We have revised it to support all employees in maintaining the highest standards of ethical conduct and complying with laws, binding standards, and our policies.

#### Town-hall meeting

The Code of Conduct is binding group-wide. It covers every manager, director, and employee of each Sonova group company and gives practical guidance and rules for familiar situations. To disseminate its content and purpose, each group

company held a town-hall meeting at which the revised Code of Conduct was discussed and explained.

#### Video of the Code of Conduct

Sonova strives to be recognized as the innovation leader across all disciplines – and this includes training methods. For the first time, the company used an animated video to train employees in the revised Code of Conduct.

# GOVERNANCE

*Sonova's strong commitment to corporate social responsibility (CSR) is reflected in our vision and values; our Code of Conduct provides the guide for acting with integrity. The CSR organization helps us to live up to our commitments consistently while advancing best-practice standards.*

## CSR STEERING COMMITTEE

The governing body for Sonova's CSR organization is the CSR Steering Committee, which consists of five members of the Management Board chaired by the CEO. It defines CSR strategy and is responsible for implementing, maintaining, and further developing a comprehensive CSR management system. This role also includes defining CSR-related policies, reassessing them regularly, and updating them if necessary. The committee meets semiannually to review the deployment of the CSR strategy and adopt appropriate initiatives.

## CSR MANAGEMENT OFFICE

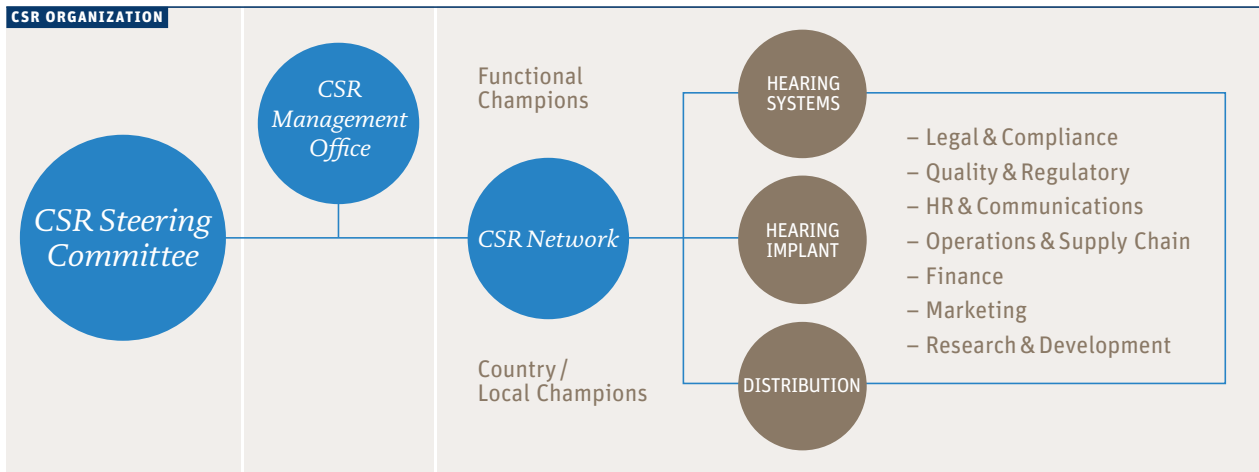
The CSR Management Office provides expertise and advice to the CSR Steering Committee. It implements the strategy approved by the committee and coordinates group-wide initiatives in close collaboration with experts from the CSR network. The office maintains dialog with relevant stakeholders to ensure the alignment of Sonova's CSR strategy with their needs. It tracks key performance indicators and reports internally and externally on Sonova's CSR activities and performance. The office also initiates and runs internal training

and education programs to build social and environmental awareness and expertise within Sonova.

## CSR NETWORK

The CSR organization is supported by a global network of CSR champions from two categories: functional champions and country champions.

CSR functional champions are linked to group-wide business functions; they connect with the CSR Management Office on relevant functional issues. CSR country champions represent one or all Sonova group companies in a given territory and are responsible for gathering data and locally implementing CSR initiatives.





# MATERIALITY AND STAKEHOLDER ENGAGEMENT

*Responsible thought and action are integral parts of Sonova's strategy, values, and daily business. We are committed to continuously improving our social responsibility initiatives. Materiality assessment and stakeholder dialog keep us focused on relevant means to provide the greatest benefit to our stakeholders and ourselves.*

## MATERIALITY APPROACH

Sonova continually strives to analyze and prioritize the topics that are important to our stakeholders. We aim to deepen dialog with them and to integrate environmental and social issues into all our dealings.

Material issues are those that create value for our internal or external stakeholders by avoiding potential risk, improving operational efficiency, or raising reputation. The materiality matrix below lays out the business, social and environmental topics that affect our business activities and therefore require our close attention. To define them, we conducted a systematic assessment of the performance indicators listed by the Global Reporting Initiative (GRI). Indicators with relevance to Sonova and our stakeholders were selected and then grouped into topics.

A panel of experts representing Sonova's top management, group companies, and functional divisions across all geographical regions appraised each topic for its level of relevance both to our stakeholders' expectations and to Sonova's interests.

Topics rated as highly relevant from both perspectives – such as business ethics and legal compliance, product health, and safety and performance – are positioned in the upper right area of the materiality matrix and take high priority in Sonova's CSR activities.

As a medical technology company, Sonova already complies with numerous international, governmental, and industry regulations, standards, and agreements. Moreover, we have always been committed to environmental and social issues, treating them as an integral part of our business activities. Most of the topics shown in the materiality matrix have already been identified as important to Sonova's business activities and are therefore addressed in existing policies and strategies. Where topics are not yet covered by existing policies and strategies, we will close the gaps with targeted initiatives.

## STAKEHOLDER DIALOG

Sonova actively initiates dialog with various groups of stakeholders over a broad range of channels as a way to promote participative and integrated decision-making. We understand how the involvement of stakeholders supports our long-term success by enhancing transparency, sharing knowledge, and generating innovative solutions.

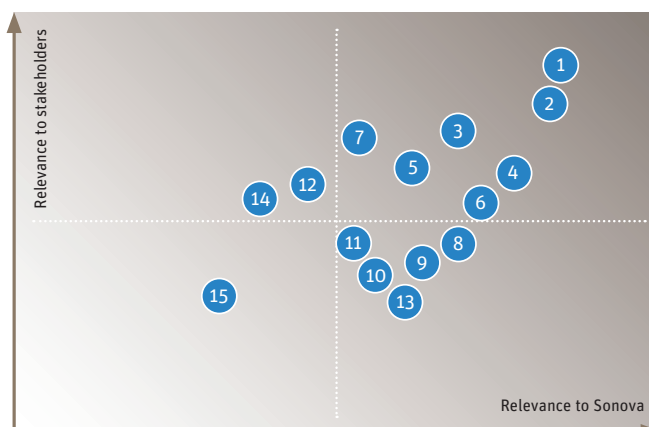
## CAPITAL MARKETS

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.

Sonova held its first Annual Investor & Analyst Day in September 2012 at our headquarters in Stäfa, Switzerland, adding a new channel of investor relations alongside the Annual General Shareholders' Meeting and the publication of full and half-year results. We also actively interact with capital market partici-

## MATERIALITY MATRIX

- 1 Business Ethics & Legal Compliance
- 2 Product Health, Safety & Performance
- 3 Patient Data Privacy & Security
- 4 Employee Satisfaction
- 5 Energy & Climate
- 6 Training & Education
- 7 Forced & Child Labor
- 8 Diversity & Equal Opportunity
- 9 Community Involvement
- 10 Occupational Health & Safety
- 11 Material & Waste
- 12 Environmental Footprint of Products
- 13 Public Policy
- 14 Freedom of Association & Collective Bargaining
- 15 Emission & Pollution



pants at roadshows, external investor days, and conferences such as AudiologyNOW!, the American Academy of Audiology's annual meeting, and the EUHA (Europäische Union der Hörgeräteakustiker e.V.) Congress.

## CUSTOMERS

At Sonova, we are in the advantageous position of being able to leverage our global infrastructure to obtain extensive customer feedback. We have close, productive relationships with a broad range of customers, including end-users, distributors, hearing care professionals, clinics, and reimbursement authorities.

Much of our dialog with hearing care professionals and medical specialists takes place at the two largest audiology conferences, which meet in our key US and German markets. The AudiologyNOW! and EUHA conferences offer excellent opportunities for educational training, exploring new technologies, and networking with specialists from all over the world.

In November 2012, Phonak conducted an online customer service quality study involving 21 of its group companies. Nearly 1900 Phonak customers were asked about their satisfaction with Phonak overall and with sixteen different points of contact with the brand, including products, support, marketing, packaging, and so on. The results of the study show that customers are generally very satisfied with Phonak and its products.

## EMPLOYEES

The annual employee appraisal meeting is an essential leadership tool to clarify satisfaction, provide feedback, and define expectations for behavior and performance. It aims to assist each employee's personal and professional development and contributes to a trusting relationship by providing a structure for open dialog.

Sonova also conducts specific employee surveys. The results from one of these provided the basis for finalizing our corporate vision, mission, and values. Realizing that 38 % of Sonova employees are under the age of 34, we conducted a dedicated employee survey for this age group. More than 500 employees participated, giving us the means to identify expectations and further develop our value proposition as an employer.

## REGULATORY AUTHORITIES

Sonova's products are regulated Medical Devices, which means that the company must meet statutory patient safety standards and functional performance claims. We recognize our responsibility to share our specialist knowledge in external working groups to help define the regulatory principles that will ensure the highest quality standards for hearing instrument and cochlear implants patients.

## ACADEMIC PARTNERSHIPS

Sonova's tradition of innovation is reflected in its strong partnerships with leading scientific institutions all around the world. We collaborate intensively with universities such as the Swiss Federal Institutes of Technology in Zurich and Lausanne, the University of Zurich, the University of Manchester (UK), the University of Cambridge (UK), the University of Oldenburg, RWTH Aachen, Vanderbilt University in Nashville, Northwestern University in Chicago, and the University of Western Ontario in Waterloo (Canada). We foster a close collaboration with these partners by offering support toward diploma theses for Master's or PhD students. We do not just sponsor research financially, but participate in the actual work by intensively and closely collaborating on the projects.

### ADVANCED BIONICS

## CUSTOMER DIALOG: HEAR AND BE HEARD

At Advanced Bionics we are dedicated to improving lives by developing technologies and services that help our recipients achieve their full potential.

Our commitment to putting patients first and providing the best possible hearing performance remains at the forefront of all that we do.

### AB InTouch Surveys

Advanced Bionics conducts surveys throughout the year to gain insights into future innovations. Participants in the survey are providing valuable information and ideas for advancing future products and services – helping to create tomorrow's breakthroughs.

### Educational Resources for Your Journey to Hearing

Learning to listen with a cochlear implant is an exciting journey. Advanced Bionics supports this journey to better hearing by providing live and recorded webinars on a variety of topics related to hearing loss and cochlear implants. These courses provide information and resources to better understand the process of learning to hear with a cochlear implant.



# *Sonova in Vietnam: a socially responsible success story*

TEXT BY JENNI ROTH  
PHOTOGRAPHY BY EHRIN MACKSEY

*More than 70 per cent of Vietnamese people are younger than 35, and they are keen to push their country forward. They work hard now that Vietnam has recovered from the long war and the 1986 reforms ("Doi Moi") have promoted an economic boom. Since then, the Vietnamese economy has grown faster than most other nations, while its low wages attract investors from all over the world. Sonova is one of the few examples where this success is also socially sustainable.*



Dogs are barking, motorbikes honking. Somewhere, a telephone rings... and now an alarm clock: It is 5.30 am – still dark outside – in Binh Duong, a 30 kilometers north of Ho Chi Minh City. Van wipes the sleep from her eyes, stretches, and climbs down the wooden ladder from the loft bed to her kitchen.

Twelve square meters is home for this young Vietnamese woman. It contains all she needs: a kitchenette, washing machine, freezer, and a TV. A knee-high plastic table and a family portrait on the wall of Van, her husband Thang, and their four-year-old daughter Lam Phuong, who is still dozy when her mother wakes her up.

There is little time for breakfast. Van has to go to work – and you never know with the traffic. With her helmet on her head and her daughter on the black Honda scooter, she edges out of the alley and into the daily madness. Filtering through thousands of motorbikes, she gets hardly a glimpse of life on the roadside – people weaving baskets, waiting on tables, frying spring rolls, making coffee, sewing, bargaining, and sleeping.

Most of the children have already arrived at the Petit Sun Kindergarten. There are 180 of them, cared for by twelve teachers. Van says she had a good feeling when she first visited: “I’m not afraid that they might beat or mistreat the children here; that’s something you hear about other kindergartens.” Moreover, Van doesn’t even have to pay most of 500 000 dong (roughly 22 Swiss francs) fee: the expenses are paid by her company.

Her company is Phonak, an affiliate of Sonova. Only a few kilometers away from her home, in the Thuan An Industrial Park, the white and green building with its high glass front stands out among the concrete-block factories of companies from all over the world. Next to it, a well-tended garden – star-fruit trees, orchids – and a parking lot for motorbikes.

#### HIGHER COST OF LIVING, HIGHER WAGE

Van squeezes into a parking space and walks through the building to the lockers,

TWELVE SQUARE METERS IS HOME FOR THIS YOUNG VIETNAMESE WOMAN.



MOST OF THE CHILDREN HAVE ALREADY ARRIVED AT THE PETIT SUN KINDERGARTEN.



FILTERING THROUGH THOUSANDS OF MOTORBIKES, SHE GETS HARDLY A GLIMPSE OF LIFE ON THE ROADSIDE.





greeting colleagues as she goes. She takes a striped blouse from locker 29 and puts it on over her t-shirt. The badge on its front pocket reads, "Level 4." Van makes a face: if only she had passed the last evaluation test! Then she would have reached level 5 and earned a million more dong, roughly equivalent to 45 Swiss francs – or a month's rent.

Van still makes 25 per cent more than she did last year, to secure the stability of her family income despite the "price storm" of inflation. Vietnam has a high inflation rate, but many companies do not raise their wages enough to keep pace. Phonak goes further: "We don't just rely on official inflation figures, but do our own

*"We can get extra money every time I work more than forty hours set out in my working contract."*

annual price survey to establish the actual cost of living in our area," says Thai Phuong, General Manager of Phonak Vietnam. Managers from other companies (whom Thai Phuong prefers not to name) shake their heads at this exaggerated correctness.

Although she doesn't earn much more overall than other workers in similar jobs, Van enjoys a higher base salary than other companies pay. Low basic salary is a popular way by which managers often try to save costs, but it means that employees also receive lower overtime pay, lower retirement salary – and, if needed, lower unemployment benefits. Van appreciates both the higher base pay and the

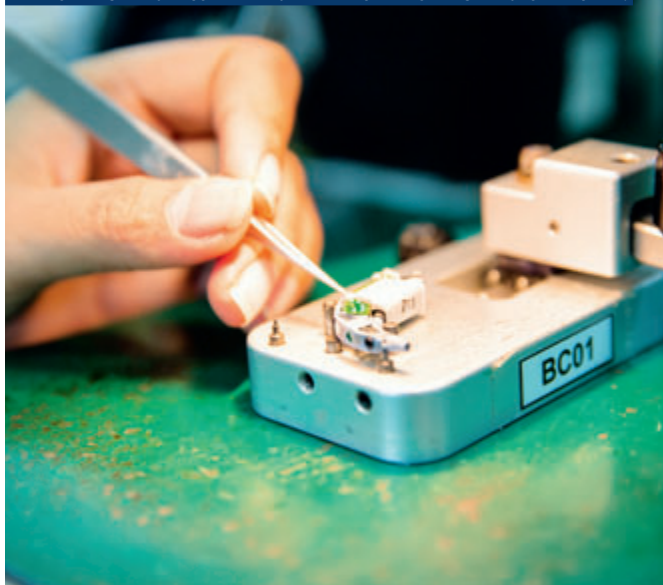
ONLY A FEW KILOMETERS AWAY FROM HER HOME, IN THE THUAN AN INDUSTRIAL PARK, THE WHITE AND GREEN BUILDING WITH ITS HIGH GLASS FRONT STANDS OUT AMONG THE CONCRETE-BLOCK FACTORIES OF COMPANIES FROM ALL OVER THE WORLD.



VAN ENJOYS A HIGHER BASE SALARY THAN OTHER COMPANIES PAY.



THE WORKERS' FINGER COMPLETING THE DELICATE WORK AS IF AUTOMATICALLY.





MUSIC STARTS AT EXACTLY TEN O'CLOCK – THE FITNESS BREAK.



fact that she can get “extra money every time I work more than the forty hours set out in my working contract.”

Inside the production area, with its sky-blue walls, the workers’ concentration is almost palpable. Small figures with long black hair, wearing blue jeans with their striped blouses, women sit in long rows at their workbenches, heads bent over their microscopes. Van, too, peers intently through her Leica-made eyepiece, her fingers completing the delicate work as if automatically. But a beautiful workspace and high-end equipment are not themselves enough to motivate a team – as Van’s boss knows very well.

#### PERSONAL COMMITMENT

Thai Phuong therefore chooses out one employee every week for an informal conversation. He asks about the family, about their wellbeing, about wishes and problems. “Employees seem to be satisfied, but I don’t want to rely just on some off-the-shelf assessment system to tell me that. Here, it’s all about human beings.”

---

*"Here, it's all about human beings."*

---

This attitude makes Thai Phuong something of an exotic in his own country. Real teamwork is still a foreign notion for many parts of Vietnamese society. Traditionally, the family took the highest priority and everyone looked out for him or herself. Thai Phuong wants his company to be “organic,” where individual and group needs coincide – as in an orchestra, where everyone plays his or her own instrument, but harmonious interaction transforms individual notes into a concerto. Statistics confirm the value of this strategy both for employees and company: annual employee turnover rate is only about sixteen per cent, much lower than the average for comparable companies in Vietnam.

THAI PHUONG CHOOSES OUT ONE EMPLOYEE EVERY WEEK FOR AN INFORMAL CONVERSATION. HE ASKS ABOUT THE FAMILY, ABOUT THEIR WELL-BEING, ABOUT WISHES AND PROBLEMS.



HIGH-END FOOD IN A COMPANY CANTEN MAY SEEM LIKE A GIFT FOR THE EMPLOYEES, BUT IT'S NOT PURELY ALTRUISTIC: THE GENERAL MANAGER IS ALSO WAITING IN LINE.



EVERY MONTH, VU CREATES NEW MENUS. THE MANAGEMENT LEAVES HIM A FREE HAND; THE ONLY REQUIREMENT IS TO USE LITTLE FAT AND PROVIDE 250 GRAMS OF VEGETABLES PER MEAL FOR EVERYBODY.



#### COMFORTABLE WORKING ATMOSPHERE

Music starts at exactly ten o'clock – the fitness break. Van stands up and copies the exercises demonstrated by colleagues up front. She turns her head to left and right, bends her knees, moving her arms in circles, then leans back and stretches to both sides. She laughs: “that’s great for the neck!” After three minutes, everyone returns to work. Air conditioning murmurs in the background – another luxury. Other companies have only fans that shift the hot air around the room, even in summertime temperatures of 40 degrees. Even the best working atmosphere doesn’t help against hunger, though: Van’s stomach is rumbling. Time for lunch.

#### HIGH-END FOOD FOR EVERYONE

Nguyen Ngoc Hoang Vu pushes back his white cook’s cap and peeps through the round window on the kitchen door. The employees edge forward step by step, as at an airport passport control, from the big rice bowls toward the serving counter. Today, Vu is offering spinach, steamed cabbage, and fish or beef. The

canteen is flooded with light and, with its wooden tables and chairs, looks almost Scandinavian. “Not even the food is typically Vietnamese,” says Vu, 32: “Vietnamese eat very unhealthy food – lots of glutamate, too few vegetables.”

Every month, Vu creates new menus. The management leaves him a free hand; the only requirement is to use little fat and provide 250 grams of vegetables per meal for everybody. High-end food in a company canteen may seem like a gift for

*"It's almost better than at home."*

the employees, but it’s not purely altruistic: the General Manager is also waiting in line. “I just got so fed up with that fast food you get in all the cafeterias!” says Thai Phuong.

Van has already taken her portion of rice from one of the two big bowls. At the serving desk, she decides to use fork and knife instead of chopsticks – there is something exotic about it. She sits down at one of the long tables and pours salted chillies on her meal: “It’s almost better than at home.”

#### WELCOME TO A BETTER LIFE

That’s a real compliment from a woman who longs for “thịt vịt luộc” – boiled chicken with ginger fish sauce, a typical dish from Thanh Hòa, Van’s hometown more than 1,000 kilometers north of here. She grew up in a place where some of the richer men would grow long fingernails as a sign that they did not have to labor in the fields. Van has short nails, but she never wanted to work on the land: when she turned 18, she packed her things and, against the will of her father, took a train to the south, hoping for a new and better life.

#### GOOD HEALTH MEANS GOOD WORK

Van was lucky. She has indeed found a better life, with regular work and a secure



WE AIM TO GIVE THE PEOPLE THE CHANCE FOR A REAL CAREER. THAT BENEFITS THE COMPANY AS WELL AS THE INDIVIDUAL.



AND IF SOMEONE DOES GET ILL, DOCTOR NGUYEN THI NHUNG IS THERE TO HELP: HER OFFICE IS NEXT TO THE CANTEEN.



IT IS 4.30 PM, THE END OF VANS WORKING DAY. SHE PUTS HER WHITE ELECTROSTATIC DISSIPATIVE FOOTWEAR BACK ON THE SHELF AND THINKS ABOUT PICKING UP HER LITTLE DAUGHTER FROM THE KINDERGARTEN AND HOLDING HER IN HER ARMS AGAIN.



income. Moreover, her boss cares about the health of his employees; after all, every day's illness delays production. And if someone does get ill, Doctor Nguyen Thi Nhung is there to help: her office is next to the canteen. In the cupboard behind her she keeps vitamins, bandage material, and information: as she says, many young Vietnamese might not even know about birth control methods. Every employee of Phonak Vietnam has the right to a complete health check, says Van, "with blood tests and everything."

#### WORKING FOR A BETTER CAREER

Van describes it as "a beautiful thing to work for a good purpose." She thinks particularly of her family, and of the career she is trying to build for herself. She points out the woman at the workbench next to hers, who is learning the electronic assembly process. Thai Phuong explains, "many workers in Vietnam try to advance their careers by repeating their studies or opting for vocational training. Often, though, this turns out to be a waste of time and money.

*"A beautiful thing to work for a good purpose."*

We aim to give the people the chance for a real career. That benefits the company as well as the individual."

#### SAVING ENERGY

Phonak Vietnam is clearly a socially sustainable enterprise – and, wherever possible, it aims also to be environmentally sustainable by saving energy. It is no accident that its building was one of the first ones in the country to be constructed from thermally-insulating autoclaved aerated blocks. Thai Phuong agrees that the decision to use it wasn't cheap –but insists that the payback from energy saving, better working conditions, and positive

impact on the environment are worth every single penny.

Van doesn't care as much about environmental issues, at least not now: it is 4.30 pm, the end of her working day. She puts her white electrostatic dissipative footwear back on the shelf and thinks about picking up her little daughter from the kindergarten and holding her in her arms again. •



Jenni Roth is a freelance journalist based in Berlin who travels around the world to research stories focusing on the economy, society, and culture for press and radio. In 2010, she lived in Vietnam for several months. When visiting again for this report, Jenni was impressed once more by the pace of change in the country.

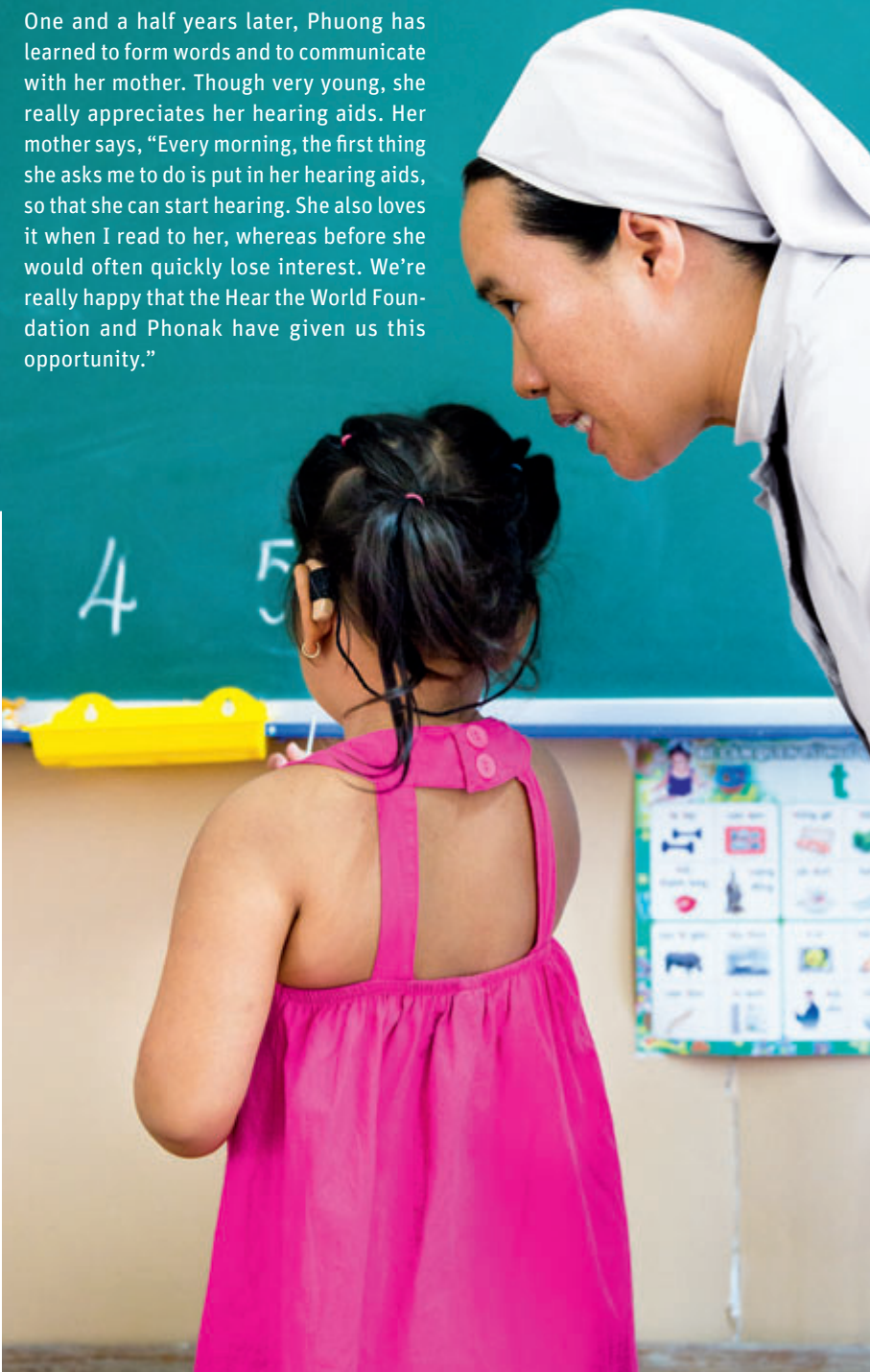
# Hearing aids for a good purpose

Le Kim Phuong is lucky: four years old, she is one of 350 pupils at the Thuan An Center close to the Phonak factory. It is the biggest school for children with hearing loss in Vietnam, and probably the oldest one. Founded almost 150 years ago by a French priest, its development reflects the history of hearing healthcare technology and education: from pocket hearing aids to implants, from sign language teachers to internationally trained audiologists and specially educated teachers for people with hearing loss.

For years, Phuong's mother had tried everything to teach her daughter to talk properly, speaking loudly or moving her lips very slowly. But the child simply couldn't hear, nor learn speech – and a hearing aid was too expensive for the mother, who lives without her husband. It was a frustrating situation for everyone. But then neighbors mentioned the school, where Phuong not only began an appropriate education, but also, after three months, got high-end hearing aids.

One and a half years later, Phuong has learned to form words and to communicate with her mother. Though very young, she really appreciates her hearing aids. Her mother says, "Every morning, the first thing she asks me to do is put in her hearing aids, so that she can start hearing. She also loves it when I read to her, whereas before she would often quickly lose interest. We're really happy that the Hear the World Foundation and Phonak have given us this opportunity."

The classes are free of charge, and so are the hearing aids – though they would normally cost from six up to 65 million dong a piece. "Most of our parents don't even make more than five or six million a month," says Nguyen Thanh Thu Thuy, the school's director, who studied in the Netherlands. She receives funding for education and technology from the Global Foundation for Children with Hearing Loss, which has been supported by the Hear the World Foundation, a Sonova Group initiative.





# EMPLOYEES

*At Sonova, we foster a spirit of shared engagement and personal responsibility – the driving forces of innovation. Inspired employees are our life-blood. Our agile and self-reliant teams work to enhance the quality of life for millions by bringing better hearing to people with hearing loss.*

## OUR EMPLOYEES ARE KEY TO OUR SUCCESS

At Sonova, we aim to cultivate and sustain an open, transparent, and inspiring work environment. We believe in a diverse workforce, united by common values. We offer attractive work conditions in order to attract and develop a sustainable talent base.

Sonova is active in more than 100 countries. The majority of our employees are directly supported by a local human resources manager. At our headquarters in Switzerland, we develop and monitor a wide range of human resource standards and policies, which are then implemented locally according to country-specific regulations and customs. We assess the impact of all our activities through a set of key performance indicators. Regular audits ensure compliance with internal regulations and local labor law, so that we can continue to provide excellent working conditions and monitor progress.

Global trends – such as demographic changes, the limited availability of specialist talent, and the need to adapt quickly to shifting markets – highlight the strategic importance of

proactive human resource policies for Sonova. We apply a sophisticated talent acquisition process to find and hire the right people. We know that the keys to sustainable success are developing talent and ensuring internal succession. Appointing internally to key positions and retaining skilled personnel help ensure that Sonova's knowledge and intellectual property remain within the company, sustaining our competitive advantage. Working in close collaboration with selected external partners, the Sonova Academy offers targeted programs for systematic career development and gives our best-performing talents and senior management the opportunity to enhance their personal leadership skills. The Sonova Academy also serves as a learning network across our decentralized organization to provide continuity and to support change.

Since 38 % of our employees are under the age of 34 (the so-called Generation Y), we are well aware of the need to ensure a good fit between employee and company, so that both can benefit from a long, productive, and fulfilling career. Our talent acquisition process targets the most needed group of professionals in our industry: experts in audiology and engineering.

*Employee turnover rate 11.5 %*

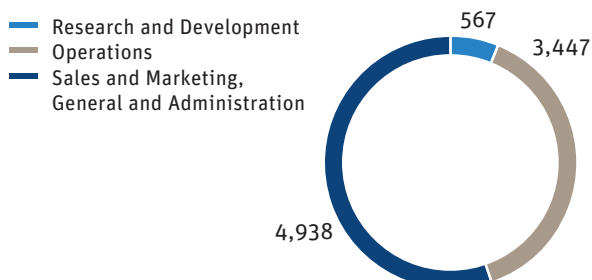
*Women in leadership positions: 37.0 %*

*HC ROI: Every Swiss franc invested into its employees generates 1.57 in return*

To support our constant need for top audiologists, we have gone a step further and started to offer an international Audio-logical Traineeship program, with training placements in the US, Canada, and Switzerland.

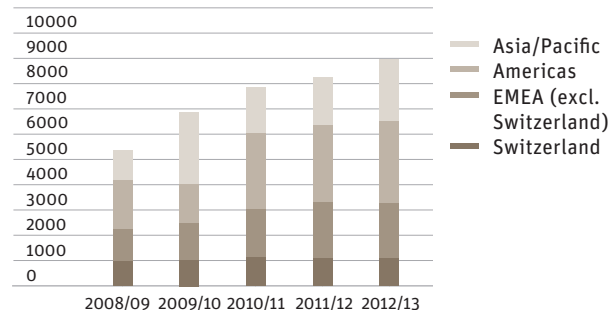
## EMPLOYEES

### EMPLOYEES BY ACTIVITY<sup>1)</sup>



<sup>1)</sup> Full time equivalent (as of March 31, 2013)

### EMPLOYEES BY REGION<sup>1)</sup>



<sup>1)</sup> Full time equivalent (as of March 31, 2013)



## STRIVING FOR ENGAGED EMPLOYEES

Sonova prides itself on offering meaningful, interesting work, a transformational leadership style, and a feedback-oriented culture. We regularly review the competencies, performance, potential, and career plans of all our employees, providing constructive feedback and investing time to develop each individual's strengths. A fully integrated global talent management system supports all our activities through the complete career path. Over the past five years, overall employee satisfaction rate remained stable over 80 %.

Leadership is a critical factor for sustainable business success; we have therefore established an enhanced leadership program. Through intensive feedback, coaching, and exercises we challenge our managers to become even more effective at leading and developing their employees, their teams, and their organizations.

A professional leadership culture, conscientious treatment of our workforce, and a proactive approach to employee retention over the past years has reduced our employee turnover by 4.6 % to a current figure of 11.5 %. At our Asian production sites in particular, implementing different career levels and defining careers paths has been very successful in retaining staff.

Engaging diverse teams is another of Sonova's keys to success. Our pleasant work environment helps us attract a well-balanced mix of different skills and personalities. We offer flexible working hours, part time work, job sharing, and home office work. In all our production sites, where shift work is standard, employees returning from maternity leave can choose a working level between 50 % and 100 % for their first year. We operate our own day care center at our headquarters in Stäfa and financially support lower-salary employees, as in our production centre in Vietnam, to help pay for day care. We are proud to have 36.2 % of our management positions filled by women.

Overall, for every Swiss franc Sonova invests into its employees, the company receives 1.57 in return.<sup>1)</sup> This so-called human capital return on investment (HC ROI) compares with an average multiple of 1.23 for the pharmaceuticals sector. Our above-average results are part of a continuing trend, confirming the attractiveness of our industry and Sonova's leadership position.

## OCCUPATIONAL HEALTH & SAFETY

Sonova has established an effective occupational health and safety culture that supports and protects our employees. We regularly monitor and analyze the potential health and safety risks of our operations and implement both legally-required and voluntary occupational health and safety programs. Sonova's operations have a relatively low exposure to health and safety risk, but we are committed to continuous improvement here as elsewhere. We therefore investigate each incident to determine its cause and to take steps to prevent any recurrence.

Our group companies are responsible for implementing measures locally and for continually refining our programs in areas such as physical activity, healthy nutrition, and medical care. Phonak Vietnam, for example, employs a medical doctor full time and provides annual health checks to its employees. The injury rate (IR) in the manufacturing sites for hearing instruments in China and Vietnam is 0.17.<sup>2)</sup> This figure has been kept at a low level for the past several years. (2010/11: 0.11, 2011/12: 0.32).

1) excluding special items

2) IR = (total number of injuries/total hours worked) x 200 000; the operation center in Stäfa, Switzerland is not included because of different data gathering method.

## GENDER & TURNOVER

### RATIO WOMEN IN LEADERSHIP POSITIONS<sup>1)</sup>

(as a percentage of employees)

	2012/2013	2011/2012
Switzerland	21.6	19.9
EMEA (excl. Switzerland)	35.1	31.0
Americas	42.4	41.7
Asia/Pacifics	43.3	42.5
<b>Total</b>	<b>37.0</b>	<b>35.5</b>

### RATIO WOMEN IN EXECUTIVE POSITIONS<sup>1) 2)</sup>

(as a percentage of employees)

	2012/2013	2011/2012
Switzerland	13.5	15.7
EMEA (excl. Switzerland)	26.0	26.2
Americas	38.8	25.6
Asia/Pacifics	19.6	22.2
<b>Total</b>	<b>22.0</b>	<b>22.4</b>

### EMPLOYEE TURNOVER RATES<sup>3)</sup>

(in percent)

	2012/2013	2011/2012	2010/2011
Switzerland	7.3	12.7	11.2
EMEA (excl. Switzerland)	9.9	11.3	11.6
Americas	13.7	18.4	19.1
Asia/Pacifics	14.5	17.6	18.6
<b>Total</b>	<b>11.5</b>	<b>15.5</b>	<b>16.1</b>

1) 93 % of employees covered

2) Executive = EEAP eligible positions

3) 100 % of employees covered/related to regular employees (excl. fixed-term employees)/includes continuing and discontinued operation

## EMPLOYEE ENGAGEMENT

# HEAR THE WORLD: EMPLOYEE INVOLVEMENT

Three of our employees were appointed to the Hear the World Foundation Advisory Board for a term of two years each, with the role of interface between the foundation and Sonova's workforce. We have also launched two programs that involve employees directly in Hear the World activities. The Employee Volunteering Program sends qualified employees on a "mission trip" in support of a Hear the World Foundation project. The Employee Fundraising Program encourages employees or teams to conduct their own fundraising projects to benefit the Hear the World Foundation.



*“I don't feel there is enough said about Hear the World and its sustainable initiatives. It is exciting to give the latest information to Sonova employees about the Foundation projects and talk about the good work we are doing as a company. I am sure the global roll out of Hear the World will generate excitement throughout all group companies.”*

JEAN ANNE JORDAN, SCIENCE & TECHNOLOGY, PHONAK

*“I wanted to join the Hear the World Advisory Board for the same reasons I have chosen to work in the hearing industry. I find the work interesting and exciting, and it appeals to my core values as an audiologist, professional trainer and, more fundamentally, as a human being. There is a sense of wonder about our technology and the benefits it brings. I would like to extend that sense of wonder to a wider group of people.”*

JANE BEVAN, EDUCATION & TRAINING, ADVANCED BIONICS



*“I wholeheartedly endorse the purpose of the Hear the World Foundation. I would like to help promote identification with our company and its commitment to social responsibility.”*

MARTIN KIRCHBERGER, SCIENCE & TECHNOLOGY, PHONAK<sup>1)</sup>

<sup>1</sup> Martin composed the Hear the World song dedicated to the foundation to help create awareness for hearing loss and its prevention.

# PRODUCT RESPONSIBILITY

*Sonova is committed to performance in compliance with applicable health and safety regulations throughout the product lifecycle. We believe that excellent health and safety performance supports our competitive industry position and provides value for our customers, employees, and all other stakeholders.*

## MANAGEMENT APPROACH

Sonova's medical devices are regulated by government agencies, healthcare authorities, and other regulatory bodies worldwide. We are committed to maintaining constructive and professional relationships with regulatory authorities on policy, product submissions, compliance, and product performance. Overseen by the Management Board, our employees are responsible for complying with product regulations wherever we do business. These include design controls, marketing approvals, good manufacturing practices, vigilance systems, clinical studies, and any other product regulations and controls required by government agencies.

Sonova maintains a strong commitment to product safety throughout our product portfolio, complying with all relevant international quality and sustainability standards. Our legal manufacturers are required to take full responsibility for their quality management systems for the entire life cycle of their products and services.

The legal manufacturer for cochlear implants is Advanced Bionics AG, located in Stäfa, Switzerland. For hearing instruments, Phonak AG (Stäfa, Switzerland) and Unitron Hearing Ltd. (Kitchener, Canada) are the legal manufacturers.

Sonova provides a broad range of professional training and courses that address all specializations in the hearing care industry. We also organize conferences, e-learning seminars, road shows, face-to-face in-clinic training, and scientific marketing material to help transfer our knowledge and train hearing care specialists.

## REGULATORY

Product health, safety, and performance is a topic of great relevance to Sonova. All of our hearing instruments comply with the European Medical Device Directive MDD 93/42/EEC. All of our operation centers and major group companies are certified according the ISO 13485:2012 standard, which

specifies the requirements for quality management systems in the design and manufacture of medical devices.

Supplementary technical certifications required by the EU Radio & Telecommunications Terminal Equipment Directive R&TTE 99/5/EU ensure that the wireless technology used meets safety and performance requirements. Part of this directive also limits intended and unintended radio frequency signals to avoid interference with other equipment.

In the US, hearing instruments are regulated by the United States Food and Drug Administration (FDA) Quality Systems Regulations 21 § CF R 820. Hearing instruments are classified as class I medical devices that can be launched without pre-market approval (PMA), under an exemption in accordance with the 510(k) approval process. Wireless hearing aids are class II, exempted both from PMA and 510(k) requirements.

Cochlear implants and their respective accessories from the Advanced Bionics brand are classified as active implantable medical devices (Class III-AIMD), which are regulated by the EU Directive Active Implantable Medical Device AIMDD 90/385/EEC and must generally undergo a formal PMA process wherever they are launched, not just in the EU and the US.

## ACHIEVEMENTS IN 2012/13

Phonak AG was deeply involved in establishing the new International Electrotechnical Commission (IEC) particular standard for hearing aids IEC 60601-2-66, 'Medical electrical equipment Part 2-66: Particular requirements for the basic safety and essential performance of hearing instruments and hearing instrument systems'. This standard will be accepted worldwide by competent authorities and health related organizations.

Advanced Bionics products are now commercially available in 72 countries, a significant increase over the previous financial year. Among numerous other innovations, Advanced Bionics introduced the HiFocus Mid-Scala electrode on the HiRes 90K Advantage implant to the market in 2013. Sonova regulatory teams in the US and Switzerland collaborated intensively to provide audited clinical data and documents necessary to pass the product audits. The EU clinical data is very promising and will be presented at several international conferences this year. Developed through extensive research and using state-of-the-art manufacturing processes, the HiFocus Mid-Scala electrode has been designed to preserve the delicate internal structures of the cochlea and to give surgeons maximum flexibility when choosing their surgical approach. Advanced Bionics invests a great deal of effort into regulatory clinical studies worldwide, resulting in well-founded regulatory and marketing claims.

# SUPPLIERS

*Suppliers are an integral part of our value chain: a risk to them is also a risk to our company and our customers. Sonova requires that all our suppliers be as committed to sustainable development as we are. We emphasize healthy and safe working environments, respectful and dignified working conditions, environmentally friendly production, and legal and ethical behavior.*

## MANAGEMENT APPROACH

Sonova has a centralized procurement organization, chaired by the Head of Corporate Procurement and overseen by the GVP Operations. Strategic decisions are all made within the Corporate Procurement Team, which is hands-on and close to day-to-day operations. The team continuously reviews principles, standards, strategies, processes, and supplier performance, including each supplier's CSR management. These reviews ensure active supplier oversight throughout the procurement process and product lifecycle. The Corporate Procurement Team coordinates global supplier management across all purchasing functions. It continuously reviews suppliers' compliance with Sonova's requirements and suggests improvements. Its functions include supplier qualification and selection, on-going supplier management, supplier performance management, and supplier termination.

Sonova's procurement relies on long-term partnerships. Our product technology demands highly sophisticated and technically advanced production equipment and processes. Our partners' manufacturing facilities are located all around the globe. We audit 86 % of our purchase by value (85 % by quantity) in respect to their social and environmental aspects.

## SONOVA GROUP SUPPLIER PRINCIPLES

Our 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 is incorporated into all development and supply agreements. The SGSP requires suppliers to put in place and maintain systems that ensure:

- Healthy and safe working environments;
- Respectful and dignified working conditions;
- Environmentally friendly production; and
- Legal and ethical behavior.

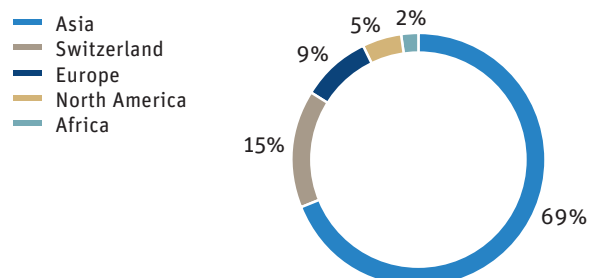
## NEW SUPPLIER QUALIFICATION AND CONTINUOUS SUPPLIER MANAGEMENT

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

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

## PROCUREMENT

### PURCHASE VOLUME BY REGION (in percent)



# COMMUNITY INVOLVEMENT

*At Sonova, we assume responsibility beyond our business activities. As a global corporate citizen aware of our core competencies, we aim to help people hear the world by providing support through our foundation, initiatives, programs, and employee volunteering activities.*

Sonova operates in more than 100 countries all over the world. Wherever we do business, we are committed to the highest standards of quality and integrity. These standards, together with our corporate values, build the base for our interactions with the communities in which we operate. Our approach incorporates components such as financial support, product donations, hearing health care and audiological care for children, prevention programs, and educational and training programs. In addition, Sonova's employees contribute time, dedication, and expertise to numerous community-based initiatives.

## HEAR THE WORLD FOUNDATION

In 2012, we confirmed our social commitment to people with hearing loss by expanding the mission of the Hear the World Foundation to a strategic initiative of the Sonova Group. The Foundation helps to turn aspirations into reality, even for those people who might otherwise be left aside. Its stated mission is to assist in sustainable ways where people with hearing loss can be helped. The Foundation provides financial resources, hearing aids, or professional expertise to extend hearing care services and support our vision to create a world

in which everyone has a chance to enjoy the delight of hearing and live a life without limitations.

The total value of cash and in-kind benefits provided by Sonova to the Hear the World Foundation in 2012/13 was CHF 710 000. Personnel resources for guiding and managing the Foundation were provided free of charge by Phonak AG.

## ENGAGEMENT BY SONOVA GROUP COMPANIES

In addition to the Foundation, which is a group-wide initiative, our group companies contribute support through their own individual programs, adapted to their respective core competencies. The group companies actively cooperate with hearing care professionals, specialists, administrative authorities, parents, and other stakeholders. They also support charities and non-profit organizations, and offer employee volunteering activities to build healthy communities and help people with hearing loss.

### PROGRAMS

#### PHONAK CHILDREN PROGRAM



The PCP is an initiative that aims to communicate new and improved possibilities for children with hearing loss. Through this program, we strive to promote services with better technical and professional efficiency for children with hearing loss, and their parents. The program's primary goal is to support and work on projects that will improve the quality of education.

#### UNITRON COMMUNITY CONNECTION



The Unitron Community Connection (UCC) is an employee-run fundraising program at Unitron's head office. The UCC sponsors the Lions Foundation of Canada Hearing Ear Dog Guide program, a non-profit organization that provides assistance dogs, free of charge, to individuals with various physical needs, including those who are deaf or who have a severe to profound hearing impairment.

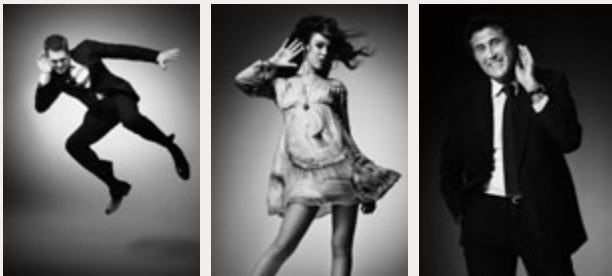
#### BIONIC EAR ASSOCIATION



The mission of Advanced Bionics' Bionic Ear Association (BEA) is to improve the quality of life of individuals with severe-to-profound hearing loss by providing valuable information, education, and awareness on cochlear implants. A community of hearing health professionals and cochlear implant recipients, the BEA offers important support services to help recipients Hear and Be Heard.



# HEAR THE WORLD FOUNDATION



*As leading hearing healthcare company, Sonova takes on its social responsibility by providing support to needy people, fostering prevention programs, and regularly raising awareness of the importance of good hearing. The Hear the World Foundation – a Sonova Group initiative – advocates equal opportunities and increased quality of life for people with hearing loss globally. To this end, the Foundation involves itself with financial resources and the provision of hearing aids.*

## HEARING LOSS – AN UNDERESTIMATED TOPIC

Hearing loss continues to be an underestimated topic, although the numbers paint a clear picture: over 630 million people globally are affected by hearing loss, whereby around half the cases would be avoidable by prevention. Around 660 000 children are born with significant hearing loss annually. A main challenge: 80 per cent of the people with hearing loss live in countries with low to medium income and often have no access to audiological and medical care. Only one in forty people with hearing loss in developing countries wears a hearing aid.

The consequences are serious: specifically in developing countries children with unaided hearing loss have very few prospects for the future, as children who are unable to hear well have problems learning to speak and thus only minimal chances of school education and development in keeping with their age group. Hearing aids as well as audiological and medical care would remedy this. However, access to these remains beyond the grasp of most families.

## HEAR THE WORLD FOUNDATION – CAMPAIGNING AGAINST HEARING LOSS ON A GLOBAL SCALE

Since 2006, the Hear the World Foundation has been involved in over 45 projects on all five continents and has, already given hundreds of people with hearing loss the chance of a better life.

A declared focus of Hear the World's mission is on providing Hearing Health Care for children with hearing loss. The foundation offers aid in places where families do not have access to audiological care for their children for geographical, social



**HEAR  
THE WORLD  
FOUNDATION**

*a Sonova Group initiative*

or financial reasons. The Foundation pays special attention to the establishment of hearing screenings for new-born babies within the scope of partner projects, as the earlier damage to hearing is detected, the better the therapeutic options and the chances of good hearing.

In addition to the projects that the Hear the World Foundation – together with its network of partners – implements all over the world, the foundation also launched its own “52 Children” program. Thanks to this initiative, every week a child in need is given the gift of improved hearing and a significantly enhanced quality of life.

Other key areas of the foundation’s work are Prevention Programs, Professional Training, and Programs for Parents.

#### THE HEAR THE WORLD AMBASSADORS

Hear the World is supported by over 60 celebrity ambassadors. Photographer and musician Bryan Adams captured them all in the Hear the World pose for conscious hearing, with their hands cupped behind their ears. Impressive photographs of stars, such as Sting, Annie Lennox, Julianne Moore, Peter Gabriel, Dionne Warwick, Take That and many more resulted. They all contribute towards raising public awareness for the importance of good hearing as well as the consequences of hearing loss. Thanks to this unparalleled commitment, the Hear the World Foundation in 2012 has been awarded the Guinness World Records title for the world’s largest photographic awareness campaign.

For more information visit <http://www.hear-the-world.com> and become a fan at <http://www.facebook.com/CanYouHearTheWorld>.

## SPECIAL OLYMPICS WINTER GAMES: BETTER HEARING FOR 55 ATHLETES FROM 35 COUNTRIES

The Hear the World Foundation is an official Healthy Hearing sponsor and partner of the Special Olympics. In the context of this two year partnership, the Hear the World Foundation supported in January 2013 the World Winter Games in Pyeongchang, Republic of South Korea.

The Special Olympics are the world’s biggest sport movement for people with intellectual and multiple disabilities. Almost a quarter of the parti-



cipating athletes at Special Olympics are affected by hearing loss. Many of them do not wear a hearing instrument, because they cannot afford one and they do not have access to the necessary medical and audiological care in their home countries. The Special Olympics Healthy Hearing Program tackles this problem head on by offering the athletes comprehensive screenings. This service is offered as part of the larger, multidisciplinary Healthy Athletes program, aimed at ensuring

access to quality health services for all participating athletes. The Hear the World Foundation supports this program by donating high-quality Phonak hearing instruments to athletes with aidable hearing loss and organizing free follow-up care in the athletes’ respective home countries. Furthermore, local Phonak volunteers support Special Olympics on-site with their expertise.

# ENVIRONMENTAL ISSUES

*Sonova has made an explicit commitment to continuously monitor and optimize environmental performance across the Group. We set the priorities and provide the resources needed to reduce our environmental impact through responsible, efficient management of our products, services, and processes.*

## MANAGEMENT APPROACH

Sonova is committed to compliance and performance in line with relevant environmental regulations throughout the entire lifecycle of its products. Although we are a high-technology company with relatively few energy- or material-intensive activities, we believe that excellent environmental performance contributes to our competitive industry position and provides value for our customers, employees, and all other stakeholders, as well as for our environment. We continuously endeavor to reduce further our environmental impact and to ensure that we comply with all environmental standards – indeed, we often apply standards before they become required by regulations.

Sonova insists on environmentally friendly business practices throughout its supply chain. We do not restrict environmental considerations to our own operations, but also consider them crucial in the selection of our suppliers.

We will continue to reduce our environmental impact, focusing on the life cycle of our products and on reducing our group-wide carbon footprint, adopting all technically and economically feasible improvements.

As part of this continuous improvement in our operations, we have committed to establish ISO 14001-certified environmental management systems for all our key manufacturing and distribution centers; these require our employees to make sound environmental decisions when designing, manufacturing, and servicing our products. For non-manufacturing sites, we have implemented an adapted environmental management system to ensure the integration of environmental factors in decision-making and improvement of environmental performance.

In the 2012/13 financial year Advanced Bionics AG (Stäfa, Switzerland), Advanced Bionics LLC (Valencia, USA), Phonak Operation Center Vietnam Co., Ltd (Binh Duong, Vietnam), and Unitron Hearing (Suzhou) Co., Ltd (Suzhou, China) obtained ISO 14001 certification, joining the already certified Phonak

AG (Stäfa, Switzerland). Thanks to their concerted efforts, all Sonova's key manufacturing and distribution centers are now ISO 14001-certified.

No fines or non-monetary sanctions were levied against Sonova in 2012/2013 for noncompliance with environmental laws or regulations. We plan to strengthen our environmental management systems further to ensure that our environmental performance continuously improves.

## ENVIRONMENTAL DATA REPORTING

Sonova's environmental data reporting includes energy consumption, greenhouse gas emissions, materials, waste disposal, water consumption, and emissions of volatile organic compounds. We report and discuss environmental performance to the limits of the available data. Group companies with retail activities are not included in this report, due to their decentralized organizational structure and small, often rented facilities.

The table on the next page shows environmental data from all Sonova production sites in Switzerland, with, under "Group Companies", combined data from our operation centers in China and Vietnam and the majority of our subsidiaries worldwide, excluding Group companies with retail activities only.

*Despite increased production, relative carbon emissions per employee decreased*

*All key manufacturing and distribution centers are now ISO 14001-certified*

*Sonova has relatively few energy- or material-intensive activities*

Overall, the entities covered in the environmental data reporting – that is, those with consistent reporting for both 2011 and 2012 – account for 91 % (2011: 87 %) of Sonova's employees (excluding employees of Group companies with retail activities). In future years, we aim to achieve a 100 percent data reporting coverage for our headquarters, operation centers, and Group companies with wholesale activities.

## ENERGY & CLIMATE

Mitigation of climate change is a global challenge; it requires prompt, effective action from governments, individuals, and industries. At Sonova, we aim to reduce the carbon footprint attributable to our direct and indirect energy consumption, including energy used in transportation and distribution. Our strategy requires a steady increase in the energy efficiency of our own operations, integrating environmentally friendly energy purchase and generation, and optimizing transportation and distribution logistics. We have set up implementation

initiatives that concentrate on our most energy-intensive facilities, while considering other sites that show realistic potential for improvement.

Our environmental management system monitors the greenhouse gas emissions due to our electricity, heating oil, and natural gas consumption. We measure our carbon footprint using country-specific emission factors from the ecoinvent Centre and data from the Swiss Federal Office for the Environment. The measurement methodology and reporting format for our carbon footprint are based on the standards and guidance of the Greenhouse Gas Protocol. We differentiate between direct emissions (Scope 1) from sources such as burning natural gas, and indirect emissions (Scope 2) from sources such as using electricity.

For Scope 3 – emission due to business travel activities – we report as far as data availability allows. This is limited to business travel by employees of all Sonova facilities situated in Switzerland. Other emissions are not included in the reporting – this includes emissions resulting from the transportation and distribution of our products or employee commuting. We aim to improve the collection of data on transport emissions from our own fleet, from the transport of our goods by external suppliers, and from business travel.

On a direct comparison basis (that is, a year-to-year comparison of the same selection of Group companies), total energy consumption at Sonova Group increased by 6.0 % to 36,463 megawatt-hours (MWh) in calendar year 2012. The decrease in energy consumption at our Swiss sites was offset by an increase in energy consumption at other operation centers and Group companies. Group Companies (excluding Switzerland) showed a 8.5 % increase in energy consumption to 28,527 MWh. The main sources for this increase were increased headcount, the expansion of Phonak US with its acquisition of new facilities in Aurora, and the higher production at Advanced Bionics in Valencia, California.

In line with the increased absolute energy consumption at Group level, the absolute carbon footprint of Sonova Group increased by 1.1 % to 20,412 tonnes of CO<sub>2</sub> equivalents (CO<sub>2</sub>eq). For our Swiss sites, on the other hand, the emission values for 2012 decreased 2 % from the previous year to a total of 1,315 tonnes of CO<sub>2</sub>eq. At Group level, Sonova recorded a slightly decreased relative emission value for 2012 of 3.51 tonnes of CO<sub>2</sub>eq per employee. The corresponding value for Switzerland, with a relatively low carbon conversion factor for electricity, stayed stable at 1.19 tonnes of CO<sub>2</sub>eq per employee. Efforts are now underway to extend the positive trend in the relative emission value.

#### ENVIRONMENTAL FIGURES

	Calendar year	2012	2011	2012	2011	2012	2011
	Unit	Switzerland		Group Companies (excl. Switzerland)		Sonova Group	
Energy							
Total energy consumption	MWh	7,936	8,098	28,527	26,300	36,463	34,398
Mineral oil	MWh	1,551	1,890	0	11	1,552	1,902
Natural gas	MWh	979	643	8,362	5,246	9,341	5,889
Electricity	MWh	5,405	5,565	20,165	21,043	25,570	26,607
Greenhouse gases (CO <sub>2</sub> -equivalents)							
Carbon footprint (absolute)	t CO <sub>2</sub> eq	1,315	1,362	19,097	18,834	20,412	20,196
Carbon footprint (per employee)	t CO <sub>2</sub> eq/employee	1.19	1.20	4.05	4.60	3.51	3.87
Direct emissions (fossil energy)	t CO <sub>2</sub> eq	596	622	1,657	1,043	2,254	1,665
Indirect emissions (electricity)	t CO <sub>2</sub> eq	719	740	17,439	17,791	18,158	18,531
Water							
Water consumption	m <sup>3</sup>	15,254	16,662	94,084	77,398	109,337	94,060
Waste							
Normal waste	t	106	144	928	776	1039	920

## ENERGY EFFICIENCY AND HEATING REPLACEMENT

After a fall of 19.1% in total energy consumption at the headquarters in Stäfa in 2011, we further reduced this figure by 2.4% in 2012 to 7,296 megawatt-hours (MWh). The reduction is due to optimizing ventilation in the offices, partially replacing the cooling system, and installing a new electrical control system for the building. The heating system for the main building was switched from oil to natural gas. Lower carbon emission conversion factors for natural gas, combined with increased energy efficiency from the other measures, produced a reduction in greenhouse gas emissions of 4%.

Our operations center in Suzhou, China implemented two energy efficiency projects in 2012, based on the initiative of local employees: reusing cool air from the pad printing process for the coating process and optimizing air compressor use. The energy savings potential from these two projects is estimated at 200 MWh/year.

## MONITORING TRANSPORTATION AND DISTRIBUTION

Sonova is a global company: business travel is essential to maintain and improve our operations, and to keep in touch with our internal and external stakeholders. Despite our growing business, however, we aim to keep the number of business trips level. To underline this commitment, we launched a revised Travel Policy in 2012/13; this sets clear guidelines for business travel and promotes alternative communication solutions.

Over the last three financial years, we have monitored business air travel originating at all Sonova facilities situated in Switzerland. As a result, air travel has decreased: a comparative assessment of flight distances and corresponding indirect greenhouse gas emissions saw a reduction of 1.1% for the 2012/13 fiscal year.

In the years to come, we plan to extend our monitoring activities for transportation and distribution. This includes transportation of our products as well as business travel.

## EMPLOYEE COMMUTING

We encourage all our employees to act conscientiously towards the environment. As the availability of public transport differs across countries, our initiatives to promote environmentally friendly commuting are influenced by the local infrastructure.

The proportion of employees who commute to the Stäfa headquarters by public transportation is 42.6%. Our mobility program provides incentives to use public transport, accompanied by targeted awareness campaigns. The annual bike-to-work program continues to show promising results: 112 employees joined the bike-to-work contest, committing to travel from home to the Stäfa site by bicycle throughout one month.

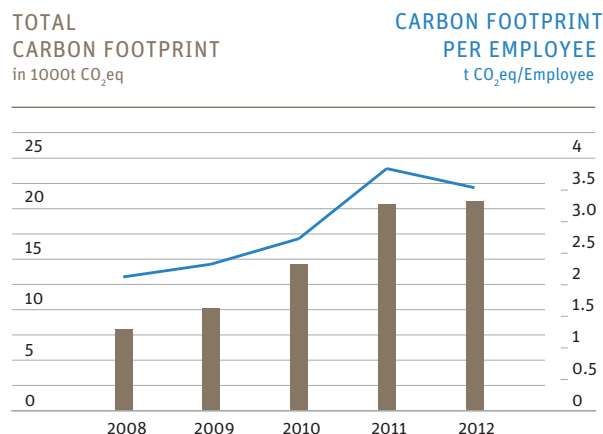
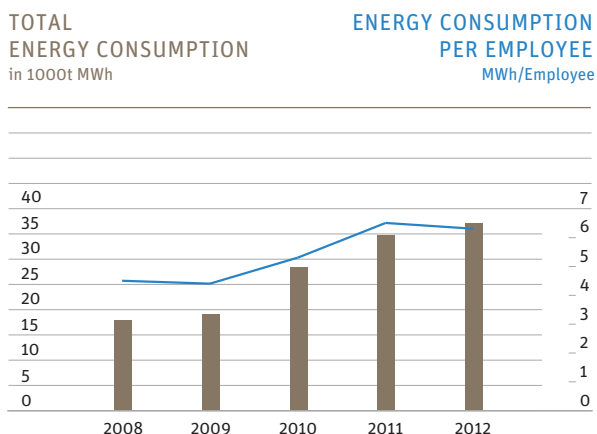
Various mobility programs are implemented in other Group companies. For example, 95% of the workforce at the operation center in Suzhou, China uses shuttle bus transportation, which is provided free for all employees. In Kitchener, Canada, parking spaces are reserved for employees who take part in the carpool program.

## MATERIALS

The main materials used in Sonova products are polymers (e.g. nylon, silicone, acrylonitrile-butadiene-styrene, acrylic polymers), metals (steel, titanium, tin), and semi-metals (e.g. silicon).

We have complied, since its launch in 2006, with the EU directive on Restriction of Hazardous Substances (RoHS), which governs the use of heavy metals and halogenated com-

### ENERGY CONSUMPTION & CARBON FOOTPRINT





pounds. Our electronic materials and processes such as soldering conform to RoHS requirements. Waste substances classified as hazardous 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.

We have set up a process for sampling, grinding, and chemical analysis of our finished goods to confirm that Sonova's products comply with the RoHS directive, along with the EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation for the safe manufacture and use of chemical substances. The analysis generated results that were considered by EU authorities to be satisfactory evidence of compliance. We are working to further phase out the use of hazardous substances in our products and processes, where technically and economically feasible.

Sonova's suppliers are also required to adopt these objectives in their own processes and supply chains, and to prove their compliance with REACH regulation.

#### WASTE

Sonova complies with legal requirements to transport and dispose of hazardous waste solely through officially authorized disposal agents. Our main solid waste categories are municipal solid waste and material left over from manufacturing processes such as molding. Group-wide production volume and total headcount both increased substantially in 2012, which resulted in a 12.9% increase in the amount of solid waste to 1,039 tonnes.

The newly introduced ISO 14001 certification at our key manufacturing and distribution centers has changed the methodology used to measure and record special and hazardous waste. The new monitoring methods are being rolled out Group-

wide, which means that no data is currently available for the 2012 reporting period.

Paper and cardboard waste are separated and sent for recycling. We use only Forest Stewardship Council (FSC)-certified paper internally. We have introduced SAP e-documentation for product ordering at the headquarters in Stäfa; this will be extended incrementally Group-wide, which should further decrease internal paper use. All cardboard boxes used in procurement are FSC-certified, and we aim to reduce the use of bleaching chemicals in our cardboard.

All organic waste at Stäfa site is collected, homogenized, and stored on site for removal by a qualified local subcontractor, who takes it to a nearby anaerobic digester where it is used to produce environmentally friendly, renewable biogas energy. We also separate oil and fatty substances from the canteen wastewater; they, too, are turned into energy.

We aim to reduce the amount of waste sent to landfill and to increase our use of materials that are recycled or made available for reuse. In the fiscal year 2013/14, we plan to send the scrap plastic material from the molding process at the Stäfa manufacturing site for external recycling into granulate material.

#### WATER

Sonova's manufacturing processes do not use significant amounts of water. We use groundwater and surface water primarily for our sanitary services, and kitchen and garden areas. We aim to use water from local sources and return it to these sources without contamination, conserving water resources wherever possible. In Vietnam, for example, we collect rain-water in a subsurface tank during the rainy season and use it to irrigate the garden area in the dry season.

In absolute terms, water consumption increased at Group level in 2012 by 16.2% to 109,337 cubic meters (m<sup>3</sup>), primarily due

#### CARBON REPORTING

## CARBON DISCLOSURE PROJECT: INCREASING TRANSPARENCY BY REPORTING CARBON EMISSIONS

Sonova strives to be trustworthy and transparent with all our stakeholders. We participated in the Carbon Disclosure Project for the first time in 2012 and will extend our reporting scope in the future. We believe that our participation will improve our ability to manage risks and opportunities in the field of carbon emissions.

#### Score

The disclosure score reflects the comprehensiveness of a company's response in terms of the depth and

breadth of its answers. In 2012, Sonova recorded a disclosure score of 62, showing that we have an increased understanding and measurement of company-specific risks and opportunities related to climate change.

#### Outlook

Sonova plans strong efforts to further improve our performance in climate change mitigation, setting targets, defining clear strategies, establishing initiatives, and extending our reporting scope.

to increased total headcount. Relative water consumption remained stable at 18 m<sup>3</sup> per employee.

#### PRODUCT ENVIRONMENTAL FOOTPRINT

Sonova performs a Life Cycle Assessment (LCA) as part of each product's research and development phase. We aim 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. We plan to extend this life cycle approach to include assessment of the impact from shipping and distribution of our products.

Sonova also complies with the EU directive on Waste Electrical and Electronic Equipment (WEEE), which requires such equipment to be returned to the manufacturer for recycling or environmentally friendly disposal. We provide a broad range of repair and refurbishment services to lengthen the life cycle of the products and their components. Furthermore, several of our Group companies offer a battery collection program. The batteries collected are forwarded and disposed of through officially authorized disposal agents.

We plan to strengthen our efforts to reduce the environmental impact of our packaging by using recyclable material that is itself composed of postconsumer recycled materials. We also aim to lower shipping weight to reduce transportation fuel consumption.

#### EMISSION & POLLUTION

Sonova has experienced no spills from operating processes or other instances of water or atmospheric pollution. We have not used ozone-depleting chlorofluorocarbons (CFCs) in our production processes since 1992. Sonova has low atmospheric pollutant emissions through using volatile organic compounds (VOCs) in paints and adhesives, in coatings and for surface cleaning.

Due to the newly-introduced ISO 14001 certification at our key manufacturing and distribution centers, the method used to measure and record VOCs has changed. The new monitoring method is being rolled out Group-wide, which means that no data is currently available for the 2012 reporting period.

---

#### About the report

The Sonova CSR Report for 2012/13, when combined with the Annual Report for 2012/13, complies with the current G3.1 version of the Global Reporting Initiative (GRI). Sonova's reporting period covers the financial year from April 1, 2012 to March 31, 2013. Environmental data were collected for the period from January 1, 2012 to December 31, 2012. The data provided relate to the entire Sonova Holding AG, including its group companies, unless explicitly noted.

#### Contact

Sonova Holding AG  
Martin Kistler  
Manager Corporate Social Responsibility  
Laubisrütistrasse 28  
8712 Stäfa  
Switzerland

Phone +41 58 928 33 33  
Direct +41 58 928 28 46  
Fax +41 58 928 33 45  
martin.kistler@sonova.com  
www.sonova.com

#### Imprint

Concept/Design: hilda design matters, Zurich  
Publishing System: Multimedia Solutions AG, Zurich



## Statement GRI Application Level Check

GRI hereby states that **Sonova Holding AG** has presented its report "Annual Report & Corporate Social Responsibility Report 2012/13" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level C.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 26 April 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint circular watermark.

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.*  
[www.globalreporting.org](http://www.globalreporting.org)

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 22 April 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

Sonova Holding AG  
Laubisrütistrasse 28  
8712 Stäfa  
Switzerland

PHONE +41 58 928 33 33  
FAX +41 58 928 33 99  
E-MAIL [csr@sonova.com](mailto:csr@sonova.com)  
INTERNET [www.sonova.com](http://www.sonova.com)

This Corporate Social Responsibility Report  
is also available in German.

© Sonova Holding AG All rights reserved