

# Corporate Social Responsibility Report 2014/15



# Highlights

## Admission to Dow Jones Sustainability Index

*Sonova is very pleased to have been admitted this year, for the first time, to the global Dow Jones Sustainability Index (DJSI), one of the world's most recognized sustainability performance benchmarks. Sonova also received the Industry Mover Sustainability Award 2015 for its excellent performance in the DJSI assessment, having achieved the greatest score improvement in the medical technology sector.*

## Solid financial basis

*Sonova generated record sales of CHF 2,035.1 million in 2014/15, an increase of 4.3 % in reported Swiss francs or 6.2 % in local currencies. Group EBITA reached CHF 455.6 million, up 5.9 % in Swiss francs and 9.8 % in local currencies from the prior year. Operating margin improved by 40 basis points to 22.4 %, despite the adverse exchange rate effect.*

## Pushing the limits of technology to offer the best solutions

*In 2014, Sonova conducted two representative surveys among hearing care professionals. These reveal that Sonova, with its Phonak and Unitron brands, is the preferred provider among hearing care professionals in North America, Europe, and the Asia-Pacific region, and that it rates a very high level of customer satisfaction.*

## High innovation rate and fast product introduction

*Sonova maintains its industry-leading position through its relentless commitment to innovation – exemplified by the fact that two-thirds of our hearing aids sales are consistently generated by products less than two years from launch. By maintaining our high level of investment in R&D we will continue to offer the broadest range of technologically advanced hearing solutions to our customers.*

## Bringing everyone the delight of hearing

*Since 2006, the Hear the World Foundation has been involved in over 60 projects on all five continents and has provided the chance of a better life for hundreds of people with hearing loss. The total value of cash and in-kind benefits provided by the Sonova Group to the Hear the World Foundation in 2014/15 was CHF 2.05 million.*

## Diverse workforce that shares our common beliefs and values

*One of Sonova's strengths is the wide range of backgrounds among its teams: innovation thrives on diversity. We make great efforts to offer a fulfilling work environment: this helps us to attract a broad mix of skills and personalities. We aim for a work structure and culture that fosters a good balance of family and work life for both men and women. We are pleased that 38.8 % of our management positions are filled by women.*

## Taking responsibility for our actions towards the environment

*Sonova believes 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. A newly installed solar panel system at our operations center in Suzhou, China, covering 5,000 square meters, generates up to 450,000 kWh of electricity per year.*



## USA PHOTO REPORT

Sonova's CSR Report complements the focus on USA in this year's Annual Report with photos illustrating our commitment to sustainable growth in the world's largest hearing aid market. See how Sonova creates new opportunities for all our stakeholders – and for our planet.



---

# Table of content

---

02	Message from the CEO
03	This is Sonova
05	Hearing care market and economic performance
08	Material aspects
10	Stakeholder engagement
13	Governance
15	Ethics and integrity
18	Product responsibility
20	Human capital
24	Hear the World Foundation
26	Environment
31	Report profile
32	GRI content table

---

## Front cover picture:

Cochlear implant production at Advanced Bionics calls for cutting edge technology as well as skilled craftsmanship, and must meet the highest international safety standards for sterile medical products.

# A message from the CEO



## Dear Reader

Sonova is deeply committed to the principle of sustainable success, closely aligned with our overall business goals, our vision, our company values and our drive for continuous innovation. We are very pleased that Sonova has been admitted this year, for the first time, to the global Dow Jones Sustainability Index (DJSI), one of the world's most recognized sustainability performance benchmarks. Sonova also received the Industry Mover Sustainability Award 2015 for its excellent performance in the DJSI assessment, having achieved the greatest score improvement in the medical technology sector.

Maintaining our compliance with the latest reporting standards, we have adopted the newly-released Global Reporting Initiative (GRI) G4 guidelines, applying the 'Core' option, as the basic framework of our Corporate Social Responsibility (CSR) Report for 2014/15.

Over the past year, the Hear the World Foundation, a Sonova Group initiative and a main pillar of our corporate social responsibility commitment, made a significant contribution through its 25 projects worldwide to furthering our vision of a world where everyone has the chance to enjoy good hearing.

The Foundation donates hearing aids and communication systems, and provides funding for regular audiological care, speech therapy, and self-help groups. Employees of the Sonova Group also offer their personal voluntary involvement and specialist expertise and get actively involved through volunteer support of the Foundation's project partners.

We aim to offer a challenging and flexible work environment, where our employees can grow personally and develop professionally, and global leadership development programs. The progress we continue to make is affirmed by a global employee satisfaction rating above 80 %.

We have further deepened our understanding of the Group's carbon footprint and will continue to optimize our environmental performance worldwide, through efficient management of our supply chain and other measures closely aligned with the group-wide environmental program. Compared with the previous year, we were able to reduce the carbon emissions per employee by 6.7 % in our office buildings.

We are committed to further our efforts by improving the quality of life of millions of those with hearing loss, by continuously innovating the solutions we offer to our customers, by investing in the personal growth and development of our employees, by giving our people meaningful work, and by applying environmentally friendly practices across all our business activities. We invite you to follow and support us on this journey.

A handwritten signature in black ink, appearing to read 'L. Braunschweiler'. The signature is fluid and stylized, with a large initial 'L' and 'B'.

Lukas Braunschweiler, CEO

# This is Sonova

## The company and its brands

Over 15 % of the world's adults are affected by hearing loss, but very few are treated for it. At Sonova we envision a world where everyone can enjoy the delight of hearing without limitations.

Since the foundation of our company in 1947, we have been on a mission to become the recognized innovation leader in the global hearing care market. We are committed to offering the most comprehensive product portfolio in the industry – from hearing aids to cochlear implants to wireless communications solutions – to treat all forms of hearing loss, mastering the most challenging hearing situations and thereby improving the quality of life.

Sonova Holding AG, headquartered in Stäfa, Switzerland, is a stock corporation under Swiss law and listed on the SIX Swiss Exchange. No other company belonging to the consolidated Sonova Group is listed on any stock exchange.

Our business brands – Phonak, Unitron, Advanced Bionics, and Connect Hearing – cover the entire hearing spectrum. With a presence in over 90 countries, we combine global infrastructure and local roots.

Phonak is the world's leading innovative brand for hearing aids and wireless communications solutions individually tailored to each users' needs.

Unitron is built on strong, personal relationships with hearing care professionals, products that make a real difference in the lives of people with hearing loss, and exceptional customer experience.

Advanced Bionics develops cutting-edge cochlear implant technology designed to help children and adults with significant hearing loss enjoy clear, high-resolution sound and optimal speech understanding.

Connect Hearing is a fast-growing international service network of hearing care professionals providing state-of-the art audiological care.

Our Hear the World Foundation supports needy people with hearing loss and gets involved in prevention and awareness-raising initiatives.

Sonova's success stems not just from our products but our people, who come to work each day to develop, manufacture, and distribute solutions that push the limits of technology. We believe that what sets us apart is our open-minded, international corporate culture and close relationships with employees, customers, and other stakeholders.

## Sonova's vision to improve the quality of life

Sonova's vision is to create a world in which every person has the chance to enjoy good hearing. Through its charitable projects, the Hear the World Foundation seeks to fulfill this vision by helping disadvantaged people and especially children with hearing loss in need. The Foundation is an expression of the commitment that drives Sonova's whole business, from research to distribution: to improve quality of life for people with hearing loss.

We continuously improve our uniquely broad offering of products and solutions. Research and development remain a key strategic priority: We foster innovation by investing in R&D the equivalent of 7 to 8 % of sales each year – one of the highest investment levels in the industry. Our ability to share technology capabilities across hearing instrument and implant solutions offers a strong advantage in generating powerful, timely innovation.

Sonova is always working to further strengthen its distribution network, developing new channels and innovative business models to provide high quality hearing care services and treatment to currently underserved markets and populations.

On average, people wait seven years between noticing a hearing loss and taking action about it. By providing easy access to early diagnosis, Sonova is helping to speed up the process for people in need of a hearing solution. The business brands of the Sonova Group, as well as the Hear the World Foundation, offer free hearing test applications and online solutions that give more people access to treatment and lower the barriers to seeking help.

By establishing innovative, influential partnerships with global and local organizations in developing and developed countries, we help those who need us most to get access and benefit from our skills and services. Through combined efforts, we can amplify the impact we make, both in helping to prevent hearing loss and in treating it.



## Operations

**Hearing instruments:** This operating segment comprises the Group companies that design, develop, manufacture, distribute, and service hearing instruments and related products. Research and development is mainly based in Switzerland and Canada. Hearing instrument manufacturing is concentrated in three operations centers in Switzerland, China, and Vietnam. The Group's distribution channels in each country vary depending on its sales strategy and the market's characteristics.

**Cochlear implants:** This operating segment comprises the companies that design, develop, manufacture, distribute, and service cochlear implants and related products. The segment consists of Advanced Bionics and its related sales organizations, which provide cochlear implant systems; Sonova acquired Advanced Bionics on December 30, 2009. Advanced Bionics research and development activities are predominantly centered in the United States and Switzerland; production is based in the United States. Products are distributed through sales organizations in the individual markets.

## Supply chain

Sonova deals with around 430 suppliers to its hearing instruments segment, who deliver components for manufacturing and assembly, and around 120 direct material suppliers to the cochlear implant segment. In spending terms, 68 % of Sonova's suppliers are located in the Asia / Pacific region, 14 % in Switzerland, 9 % in Europe ex Switzerland, 7 % in North America, and 2 % in Africa.

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

## Significant organization changes

In October 2014, Sonova Holding AG successfully completed the acquisition of Comfort Audio i Halmstad AB (Sweden). Comfort Audio specializes in the development, manufacturing, and distribution of innovative assistive listening devices; its product portfolio complements Sonova's broad wireless and non-wireless product and solution offering. With its strong distribution network, particularly in Scandinavia, Comfort Audio substantially broadens Sonova's offering and market reach.

Sonova announced in March 2015 that it had signed an agreement to acquire 100 % of the shares of Hansaton Akustik GmbH, a family-run wholesale hearing aid company based in Hamburg, Germany. This acquisition expands Sonova's strategic market reach in Germany, the world's second largest market for hearing aids, as well as in France and the US. The closing of the transaction is subject to regulatory approval.

## Association membership

Sonova actively participates in associations 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 Instruments Manufacturing Association (EHIMA), the Hearing Instrument Manufacturers' Software Association (HIMSA), and the Hearing Instrument Manufacturers' Patent Partnership (HIMPP).

Lukas Braunschweiler, CEO of the Sonova Group, was named board vice president of EHIMA at its annual ordinary general assembly meeting in 2014. Founded in 1985, EHIMA represents the six major European hearing instrument manufacturers.

# Hearing care market and economic performance

## Hearing – an underestimated topic

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 for themselves: according to the World Health Organization (WHO), 15 % of the world's adult population currently lives with hearing loss. The number of people affected by hearing loss continues to rise, due both to the aging of populations in developed countries and to growing noise pollution in our environment. In addition, according to the UN children's fund UNICEF, around 665,000 children are born with significant hearing loss each year.

Moreover, 80 % of people with hearing loss live in countries with low to medium income; they 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 of such untreated hearing loss are serious: children in developing countries 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. These children have very few prospects for the future.

The impact of hearing loss in adulthood is less recognized, but studies revealed that it can be linked to unemployment, poor health, depression, and dementia. A UK study by the Ear Foundation concluded that the cost of hearing loss and deafness can be conservatively estimated at over £30 billion per annum. These includes both the comparatively low direct costs of treating hearing loss and the much larger costs of dealing with its health and social impacts.

## Market opportunities

The hearing aid market continues to grow, driven by long-term socioeconomic forces. The number of people on our planet will continue to increase, but while populations in developing countries are expected to grow the most, developed countries with stable populations will face a growing proportion of elderly and retired citizens. These trends are likely to create commercial opportunities for Sonova through an increase in demand for hearing care.

The growth of the middle classes in emerging economies will boost consumption significantly: a shift in spending power and lifestyle ambition that presents substantial opportunities for Sonova. Our business strategy therefore calls for a strong focus on the BRIC markets to serve the demands of these newly-empowered consumers with suitable product formats.

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

## Market challenges

The hearing aid market remains relatively under-served: overall penetration rate in developed countries is around 20 %. We estimate that, while in developed markets 70 % of people with severe-to-profound hearing loss have hearing aids, only 10 % of those with mild-to-moderate hearing loss currently use hearing instruments. However, younger and less-affected people are increasing their adoption of hearing aids as technology moves toward ever better sound quality and smaller, more discreet devices.

Product quality and safety are critical; many technological milestones over recent decades have marked a radical transformation in the design and capabilities of hearing devices. This is reflected in a wide range of performance and pricing levels, from standard to premium solutions. However, despite relatively low prices for standard solutions, affordable hearing care is still a challenge for people in emerging countries and for underprivileged social groups in developed regions.

Changes to governmental reimbursement and subsidy regimes affect the amount of funding available to end-users and thus the number of hearing aids sold. This has a significant impact: regions with high reimbursement levels clearly show higher market penetration; the lower end of the market penetration table mostly comprises emerging countries with no reimbursement regimes. According to a survey conducted by the World Health Organization, only 50 % of responding countries have developed plans to prevent and control ear diseases and hearing loss. Many lack trained health personnel, educational facilities, and necessary data to address the needs of those living with hearing problems. These factors, added to the lack of hearing care professionals and infrastructure in certain markets, can impede efforts to raise the penetration rate.





The US is the world's largest hearing aid market, with still ample scope for expansion – which opens up opportunities for an innovative company like Sonova. Over 35 million Americans are estimated to be affected by hearing loss, yet barely 25 percent of them currently use a hearing aid.





As an example, China faces the challenge of a rapidly-growing number of people with hearing loss potentially exceeding the number of qualified hearing care professionals to help them. Phonak therefore supported a hearing aid fitting event in Nanjing in late 2014 to improve the professional expertise of local audiologists.

### Solid financial basis

The Sonova Group is currently present in over 90 countries, with subsidiaries in over 30 countries and a network of independent distributors serving other markets. More than 10,000 employees work for Sonova; their skill and dedication contributed significantly to generating revenues of CHF 2,035.1 million in 2014/15.

The global market for hearing instruments currently stands at around 12 million units per year and for cochlear implants at around 50 thousand units per year. Sonova's estimated share of the hearing instruments market is in the mid-twenties and in the high teens for the cochlear implants market.

The EMEA region and the United States region represent 44 % and 35 % of Sonova's sales, respectively. The Americas excluding the US and the Asia / Pacific region each account for roughly 10 % of group-wide sales. Around 90 % of global sales are earned by the hearing instrument segment, and 10 % by the cochlear implant segment.

The consolidated Sonova Group balance sheet as of March 31, 2015 shows total assets of CHF 2,691.6 million: the Group stands on a solid financial basis. It is the Group's policy to maintain a strong equity base and to secure a continued "investment grade" rating. In 2014/15, Sonova retired the final CHF 80 million tranche of its financial debt assumed in connection with the acquisition of Advanced Bionics in 2009, rendering the Group essentially debt-free. Significant shareholders with voting rights, according to their registered shareholdings, are the founding members Beda Diethelm (9.90 %), Hans-Ueli Rihs (6.04 %), and Andy Rihs (4.79 %).

Sonova Group sales in 2014/15 grew by 4.3 % in reported Swiss francs or 6.2 % in local currencies, reaching CHF 2,035.1 million. Reported sales and EBITA were adversely impacted by exchange rate fluctuations, which included the strong appreciation of the Swiss franc following the decision by the Swiss National Bank in January 2015 to discontinue its minimum exchange rate policy vis-à-vis the euro. Organic growth represented 5.1 % of sales growth, with acquisitions adding another 1.1 %.

Gross profit reached CHF 1,394.7 million for the year under review (2013/14: CHF 1,340.4 million). The Group's reported operating profit before acquisition-related amortization (EBITA) was CHF 455.6 million, an increase of 5.9 % in Swiss francs or 9.8 % in local currencies over the prior year. The reported EBITA margin rose to 22.4 % from 22.0 % last year. Excluding the unfavorable exchange rate development, which reduced reported EBITA by CHF 16.5 million, EBITA margin improved by solid 80 basis points. Operating profit (EBIT) reached CHF 429.1 million, an increase of 6.2 % in Swiss francs over the prior year. The Board of Directors proposes to the 2015 AGM a dividend of CHF 2.05, up 7.9 % from the prior year.

As announced on November 17, 2014, the Board of Directors of Sonova Holding AG has decided to initiate a share buyback program, with a maximum overall value of CHF 500 million. The shares will be repurchased via a second trading line over a period of up to three years until the end of 2017. Shares sold via the second trading line are subject to Swiss federal withholding tax of 35 % on the difference between the repurchase price and the nominal value of CHF 0.05.

# Material aspects

## Materiality

As a medical technology company, Sonova already complies with numerous international, governmental, and industry regulations, standards, and agreements.

The materiality matrix below shows the business, social, and environmental topics that affect our business activities and therefore require our close attention.

## Identification

(G4 – 18)

Sonova draws on a number of sources to compile a broad initial list of topics that could be considered relevant to the organization's economic, environmental, or social impact, or could be influential in its stakeholders' views and decisions. As well as the generic GRI categories and sector disclosures, Sonova's sources for these topics include: peer reviews, public media, global standards reviews, internal documents, interviews, and stakeholder feedback. Topics with no relevance for Sonova or its stakeholders are not included.

## Prioritization

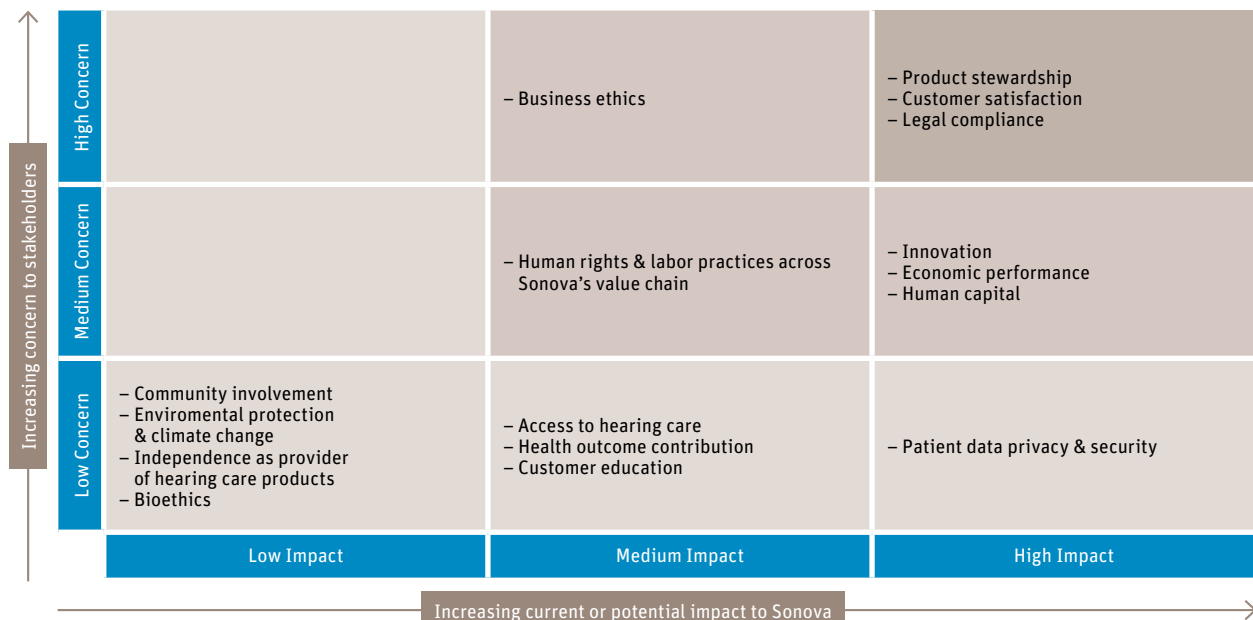
(G4 – 18)

Sonova prioritizes its relevant topics on the basis of interviews with key personnel, management workshops, and expert advice.

Sonova holds management workshops to determine each topic's relevance to Sonova's economic, environmental and social impact. The topics are assessed in terms of their potential to affect the company's ability to deliver on its vision and strategy – whether by affecting revenue and growth, costs, reputation, or compliance, in the short or long term.

To determine each topic's influence on stakeholder assessments and decisions, Sonova identifies its key stakeholders and determines their relative importance; each topic is then assessed for its relevance for each key stakeholder. The relative importance of stakeholders and relevance of the topic to those stakeholders is then charted along the axis of increasing concern to stakeholders.

## MATERIALITY MATRIX



## Validation

(G4 – 18)

The CSR Steering Committee assesses all these material aspects for completeness and determines their significance to the organization's economic, environmental and social impact. They are also assessed in terms of their scope, boundaries, and timing relative to the reporting period. The materiality matrix is then approved by the CSR Steering Committee – the most senior internal decision-making body for determining materiality.

## Aspect boundaries

(G4 – 20&21)

These material aspects are defined by their relevance to the whole Sonova Group and are therefore assumed to be relevant to all or nearly all of the entities covered by this report. Sonova assigns each topic to its appropriate stage or stages of the value-creation process, from raw material supply to after-sales refurbishment or recycling. Where a topic's impact is material both to Sonova-controlled entities and to processes performed outside those entities, the relevant stages include: suppliers and transport, operations, delivery, sales, use, and refurbishing.

Stages that are material to Sonova-controlled entities alone include: innovation, human capital, community involvement, and bioethics. Certain sub-topics of human rights and labor practices could be considered either as material to Sonova's operations or only to processes outside the company.

## Identified material aspects

(G4 – 19)

The topics that appear in the materiality matrix and the table below are discussed under their relevant GRI disclosures and sub-categories or aspects. Where the GRI framework does not provide clear guidance, the topics are either covered as part of other chapters within the 2014/15 CSR Report or will be discussed in the CSR section of the Sonova website.

## Key topics and concerns

(G4 – 27)

The key topics and concerns that have been raised through stakeholder engagement are product stewardship, customer satisfaction, and legal compliance. These topics and concerns are mainly raised by customers and regulators.

MATERIALITY MATRIX	GRI DISCLOSURES AND SUB-CATEGORIES / ASPECTS
Product stewardship	Customer health and safety
Customer satisfaction	Product and service labeling
Legal compliance	Compliance
Innovation	Strategy and analysis
Economic performance	Strategy and analysis, economic performance
Human capital	Employment, training and education
Business ethics	Ethics and integrity, procurement practices, anti-corruption, public policy, anti-competitive behavior
Human rights & labor practices across Sonova's value chain	Labor practices and decent work, human rights
Patient data privacy & security	Customer privacy
Access to hearing care	Strategy and analysis, indirect economic performance
Health outcome contribution	Strategy and analysis, indirect economic performance
Customer education	Customer health and safety
Community involvement	Local communities
Environmental protection & climate change	All GRI environmental aspects (except biodiversity and overall)
Independence as provider of hearing care products	Ethics and integrity, anti-competitive law
Bioethics	Product responsibility



# Stakeholder engagement

## Dialog

(G4 – 25)

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. We understand how the involvement of stakeholders supports our long-term success by enhancing transparency, broadening knowledge, and generating innovative solutions.

We identify and select 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 assess our current stakeholders to define their specific interests in our activities and their influence over our decisions.

## Identified stakeholders

(G4 – 24)

Sonova has identified six key stakeholder groups based on the relevant aspects of our business and products: customers, employees, shareholders, suppliers, academia and opinion leaders, and management.

Further stakeholder groups key to Sonova are: the financial community, media, regulators, insurers, and competitors. Sonova also maintains relationships with numerous other stakeholder groups that have importance to its business.

## Customers

(G4 – 26)

Sonova and its brands continuously push the limits of technology to offer the best solutions, improve and maintain access to hearing care, and enhance the quality of life for millions of people.

Our business model is built on business-to-business (hearing care professionals, clinics, retailers) and business-to-consumer (end-users, patients) customer relationships. Sonova establishes specific channels of engagement appropriate to the differing needs of 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, customer training, audiology conferences, online customer communities, and complaint management channels.

We engage with end-users and patients through satisfaction surveys and online consumer communities such as Hearing LikeMe.com and the Bionic Ear Association (BEA).

HearingLikeMe.com brings together people whose lives have been touched by hearing loss. Up to 15,000 visitors worldwide – those with hearing loss, as well as parents, spouses, and hearing care professionals – benefit monthly from the site's many educational and inspirational articles and videos.

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

## Employees

(G4 – 26)

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

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

## Shareholders

(G4 – 26)

Sonova has around 15,000 registered shareholders, who together own 75% 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 in the General Shareholders' Meeting.

## Supplier

(G4 – 26)

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.



The Bionic Ear Association is all about helping cochlear implant recipients to Hear and Be Heard. Participants exchange experiences and ideas at HearingJourney.com, where anyone interested can ask or answer questions in the online forum.



## HearingJourney

Cochlear Implant Forum

Home Forums

### Current Conversations

Naida order  
updated 4 minutes ago

11 replies

Battery Life  
updated 54 minutes ago

3 replies

Why there is a constant background  
noise  
updated 3 hours ago

14 replies

Activated little over a week  
updated 4 hours ago

6 replies

### Are you new here?

HearingJourney is the place to chat, laugh, and share stories about **cochlear implants** and **hearing loss**. Join today, say hello, and receive a warm welcome from this lively group!

[Register Now](#)

### Top Categories

Off Topic

Threads

Posts

5014

58076

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

### Academia and opinion leaders

(G4–26)

Sonova's tradition 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 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 (Germany), RWTH Aachen (Germany), Vanderbilt University in Nashville (US), Northwestern University in Chicago (US), 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 studies financially, but participate in the actual work by closely collaborating on research projects.

We engage with numerous opinion leaders in a variety of ways. For example, we invited more than 60 participants from all over the world to a tinnitus training workshop at Sonova headquarters in May 2014. Recognized opinion leaders on tinnitus and clinical audiology presented the latest research on assessment and treatment options.

### Management

(G4–26)

The Management Board is responsible for the preparation, implementation, and monitoring of the company's strategy. It executes decisions made by the Board of Directors.

Management Board members are subject to an annual formal performance review process, based on guiding principles designed to align individual, team, and corporate strategic goals and financial targets.

### Media

(G4–26)

Sonova maintains a strong in-depth relationship with the media as part of its commitment to ensure transparency, dialog, and accountability for all of its activities.

We work globally with top-tier media, general media, trade media, financial media, and the major wire services to ensure we reach as many people as possible, creating awareness of hearing loss and of our business.

### Financial community

(G4–26)

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, investor days, and conferences such as AudiologyNOW!, the American Academy of Audiology's annual meeting, and the Congress of the EUHA (Europäische Union der Hörgeräteakustiker e.V.). We also hold regular exchanges with representatives from the social-responsibility investment segment and participate in assessments by sustainability index authorities.

### Regulators

(G4–26)

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, on behalf of our customers, the regulatory principles that will ensure the highest quality standards for hearing instruments and cochlear implants.

### Insurers

(G4–26)

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

### Competitors

(G4–26)

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.



# Governance

## Structure

At Sonova, corporate governance is based on international standards and practices and structured to conform with them. 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.

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.

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.

## Delegation of authorities

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.

## Executive-level positions with responsibility for economic, environmental and social topics

Overall responsibility for economic performance lies with the Management Board. Relevant environmental and social topics are supervised by the CFO and the Group Vice President Corporate Human Resources / Corporate Communications and Operations.

## Consultation between stakeholders and the highest governance body

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

## 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 Corporate Governance chapter of the Annual Report.

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 nine 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 Organizational Regulations 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.

## Conflicts of interest

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 are disclosed in the Annual Report under note 29 to the Group Consolidated Financial Statement.

## Highest governance body's role

The Organizational Regulations and the Committee Charters define the roles and the duties of the highest governance bodies.

## Policy and strategy

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 company strategy documents, policies, and procedures for submission to the Board of Directors' 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

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.

### Risk management

Risk management at Group level is an integral part of business practice and supports strategic decision-making. Risk assessment includes all our corporate functions, all our business segments, and all consolidated Group companies. This approach allows the Group to assess the full range of risk exposures from internal and external impacts and events: financial developments, operational processes, products, customers, management, and staff. We address our risk exposures through specific risk mitigating initiatives, frequent re-evaluations, communication, risk consolidation, and prioritization.

The Board of Directors and the Management Board own and manage the risks of the Group. The Board of Directors discusses and analyzes the Group's risks at least once a year at its strategy meeting.

The risk management function fulfils a consulting and assurance role by supporting Sonova management in identifying risks and risk mitigation measures, by monitoring the implementation of effective risk management practices, and by providing consolidated reports of risk-related information to the Management Board and the Board of Directors.

### Remuneration and incentives

The Compensation Report is an integral part of the Annual Report and covers the remuneration policies for the highest governance body and senior executives. Sonova complies with the "Ordinance Against Excessive Compensation at Public Corporations." This stipulates an annual binding vote on the compensation of executives and board members, to be first held at the 2015 General Shareholders' Meeting.

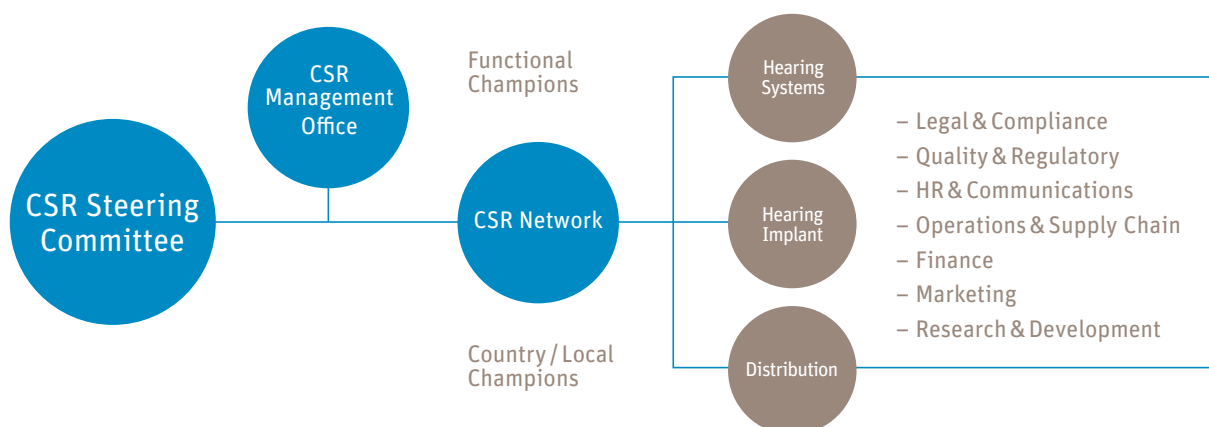
### CSR organization

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.

CSR country champions represent one or all Sonova group companies in a given territory and are responsible for gathering data and implementing CSR initiatives locally.

CSR functional champions are linked to group-wide business functions; they report to the CSR Management Office on relevant functional issues.

### CSR ORGANIZATION



# Ethics and integrity

## Values and principles

Our shared core values – innovation, engagement, and responsibility – shape the corporate culture that defines and unites us as a company across all brands and regions.

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

Sonova's commitment to compliance promotes ethical conduct at all levels of the organization. Compliance means that we follow the laws of each country in which we operate while also abiding by our own Code of Conduct and internal regulations.

## Code of Conduct and internal regulations

Sonova's Code of Conduct defines general principles for ethical behavior; it applies to all employees in the Sonova Group, its subsidiaries, and any contractors or vendors performing work for the Sonova Group or any of its subsidiaries. The Code of Conduct is available in 15 languages, including Chinese and Vietnamese.

The whole workforce was trained in Sonova's Code of Conduct when it came into force; all new employees are trained on its principles as part of their initial orientation. Sonova's internal audit function performs independent performance assessments on ethical standards and reports these to the Audit Committee.

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.

## Compliance program

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. The Group Compliance Manager is responsible for the planning and rollout of the group compliance program and coordinates local implementation with dedicated Compliance Champions across the Group.

During the 2014/15 financial year, Sonova focused on further strengthening the compliance organization and providing comprehensive compliance training on anti-bribery and interaction with healthcare professionals. Since compliance is a result of daily actions, we further embedded its principles in

our processes to ensure that they are an integral part of our corporate culture.

Reflecting Sonova's continued efforts in compliance assurance, no fines or non-monetary sanctions for non-compliance with laws and regulations were levied against the company in the 2014/15 financial year.

## Internal and external mechanisms for seeking advice and reporting concerns

Sonova maintains an internal compliance helpdesk for general questions and advice regarding Sonova Group policies. We also maintain a compliance hotline. This is operated by an independent, qualified service partner and allows employees to raise concerns anonymously. All reports to the compliance hotline are forwarded to the appropriate function in the Sonova Group and followed up in a timely manner for further investigation and clarification. The Audit Committee is updated quarterly on any concerns received through the hotline and the measures taken.

## Human rights

Sonova believes in treating everyone with respect and fairness at all times. We value the varied experience of diverse individuals from around the world. We are committed to conduct business and to align our codes and principles according to internationally recognized standards of the United Nations (UN), the International Labor Organization (ILO), and the Organization for Economic Cooperation and Development (OECD). All employees within the Sonova Group, as well as its business partners, are expected to comply with these standards.

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

- Strengthening access to hearing care, including those currently underserved by the healthcare system.
- Protecting the privacy of our employees, customers, and their patients.
- Never tolerating harassment or discrimination on the basis of sex, race, color, religion, age, ethnic or national origin, marital/parental status, or sexual orientation.
- Respecting the legal rights of employees to join or to refrain from joining worker organizations, including trade unions.
- Ensuring that there is no child or forced labor, and no illegal workers at any point in our supply chain.
- Ensuring that there are grievance mechanisms for employees and other parties to file complaints in a safe and anonymous environment.



Sonova operates within a highly integrated business model: all manufacturing centers are owned by Sonova Holding AG. Thanks to its ownership and financial control over its manufacturing sites, Sonova 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 non-discrimination, child and forced labor, or freedom of association and collective bargaining.

In the 2014 / 15 financial year, Sonova's internal audits and supplier assessments did not identify any operations or supplier businesses in which the right to exercise freedom of association and collective bargaining may have been violated or at significant risk. Nor were any operations or suppliers identified as posing a significant risk for incidents of child, forced, or compulsory labor.

### Anti-corruption

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 refines the rules of the Code of Conduct and prohibits all forms of corruption. The Policy, like the Code of Conduct, is available in 15 languages.

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.

As a general rule, Sonova does not make donations to political parties. Sonova and its employees and representatives may make contributions to support charitable causes, subject to appropriate due diligence. Contributions should be made for bona fide purposes and only where permitted by local law.

The Anti-Bribery Policy has been communicated and taught to all governance body members and employees worldwide. The Sonova Group Supplier Principles (SGSP, see below) cover ethical standards such as compliance with all laws and regulations on bribery, corruption, and prohibited business practices. These have been communicated to all our suppliers.

Sonova performs an annual group-wide bribery/corruption risk assessment which takes into account Transparency International's Corruption Perceptions Index and internal indicators. Potential bribery/corruption risks are also an integral component of our business partner due diligence, which, depending on the business partner risk assessment, is performed not only before entering a business relationship but also regularly thereafter, following a pre-defined process.

### Anti-competitive behavior

Sonova's Competition Law Policy provides the basic principles for doing business based on fair and efficient competition. It specifies how to interact with competitors, customers, distributors, and suppliers in order to comply with competition law regulations.

In the 2014 / 15 financial year, Sonova has neither engaged in nor faced legal actions regarding anti-competitive behavior or violations of anti-trust and monopoly legislation.

### Independence as provider of hearing care products

Retail has long been part of Sonova's overall strategy: the company selectively invests in its own service and retail network, thus contributing to the industry's shared effort to strengthen and expand the provision of professional audiological support, patient care, and services to a growing consumer base.

We are always seeking the best solution for our customers, and we are convinced that this strategy brings us closer to the end-user, improving services and helping to correct the current under-penetration in the retail market. Our aim is high quality services in all aspects of audiology.

This strategy has no significant impact on Sonova's wholesale partners. We treat all our wholesale customers at arm's length and provide our services to all our partners without discrimination. Audiologists and end-users deserve and demand a broad variety of choice, so it is not part of our general retail strategy to have single-brand stores. Even in centers where Sonova wholly owns both wholesale and retail operations, we will continue to offer multiple brands.

### Sonova Group Supplier Principles

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. Sonova's 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 as well as on environmental, human rights, and labor practices criteria. 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 require the suppliers to take preventive and corrective measures, and follow up on their progress until the issue is resolved.

In the 2014/15 financial year, no significant actual or potential negative impacts related to environmental issues, labor practices, or human rights matters occurred in Sonova's supply chain.

### Taxes

In the Canton of Zurich Sonova Holding AG, as a holding company, is exempted from cantonal but not from federal income taxes. Sonova Holding AG owns directly or indirectly the shares of all group subsidiaries. From its base in Switzerland, the Sonova Group distributes internationally in over 90 countries world-wide, including about 30 countries where the Sonova Group owns distribution subsidiaries. Sonova maintains legal entities in those countries to host its local commercial distribution activities, thus ensuring that taxes are paid locally.

### Bioethics

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 (2009).

According to the standard, animal tests need to be considered in biological safety evaluations; in some cases, they cannot be completely avoided. However, we are committed to the "Three Rs" principle – replacement, reduction, and refinement – to limit such 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, e.g.:

- 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 cause the least distress to animals.

We conduct all animal testing through appropriately accredited testing laboratories. All tests are conducted according to recognized current/valid best laboratory/quality practices, such as Good Laboratory Practice (GLP).

# Product responsibility

## Regulatory and standards

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

Our processes for identifying potential hazards related to our products, and estimating, evaluating, controlling, and monitoring these risks, are governed by the EN ISO 14971:2012 standard, which specifies the application of risk management to medical devices. All of our hearing instruments comply with the European Medical Device Directive MDD 93/42/EEC and the international standard EN 60601-1:2006/A1:2013 (Medical electrical equipment – Part 1: General requirements for basic safety and essential performance). Cochlear implants must comply with the requirements of regional or country-specific directives, laws, and standards for active implantable medical devices. All of our operation centers and major group companies are certified according to the EN ISO 13485:2012/AC2012 standard, which specifies the requirements for quality management systems in the design and manufacture of medical devices.

Supplementary technical certifications required by the EU's Radio and Telecommunications Terminal Equipment Directive R&TTE 1999/5/EU ensure that the wireless technology we use meets defined safety and performance requirements.

Each national health care authority has specific requirements for products that are offered in its market. In the US, hearing instruments are regulated by the United States Food and Drug Administration (FDA) Quality Systems Regulations 21 § CFR 820. Hearing instruments are classified as class I medical devices that can be launched without premarket 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 Advanced Bionics are classified as active implantable medical devices (Class III-AIMD), which are regulated by the EU Active Implantable Medical Devices Directive AIMDD 90/385/EEC and must generally undergo a formal PMA process wherever they are launched.

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

## Advanced Bionics' Cochlear Implant Device Reliability Report

Advanced Bionics is firmly dedicated to Total System Reliability. All implant manufacturers report to the international standard on their product's reliability using the cumulative survival rate (CSR) metric. The HiRes 90KTM implant remains the most reliable in the industry, with a CSR of 99.83 % in the first year and 98.40 % after seven years. In addition to reporting implant reliability, Advanced Bionics also reports on the external components of the system.

## Training

Sonova provides a broad range of professional training and courses that address the various 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.

## Product service and labeling

The majority of products from Sonova's brands are subject to information requirements listed under harmonized standards for medical devices developed by recognized European Standards Organizations, US FDA standard 21 CFR 801.420, and various national requirements, such as instructions for use.

## Customer satisfaction

In 2014, Sonova conducted three representative surveys, two among hearing care professionals and one among end-consumers. The first two studies reveal that Sonova, with its Phonak and Unitron brands, is the preferred provider among hearing care professionals in North America, Europe, and the Asia-Pacific region, and that it rates a very high level of customer satisfaction. The other study was conducted for the first time to help Sonova sharpen the consumer perspective in its retail and manufacturing brand management.

## Customer privacy

Sonova protects confidentiality and integrity of data, including the data of employees and customers, by technical and organizational means. We adhere to applicable data-protection regulations.





Lyric from Phonak is a technological innovation that has improved the lives of many people with hearing problems. The world's only 100 % invisible hearing solution was developed over several years by a group of Sonova audiologists, ear nose and throat specialists, and engineers, in collaboration with the University of San Francisco.

# Human Capital

## Our employees are key to our success

Sonova fosters a spirit of innovation, shared engagement, and personal responsibility. Inspired employees are our life-blood. Our agile and self-reliant teams pursue our common vision to enhance the quality of life for millions by bringing better hearing to people with hearing loss.

Global trends – such as demographic changes, the 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 this is vital to sustainable success, developing talent with the goal of ensuring internal succession. Appointing internally to key positions while retaining and developing skilled personnel helps to ensure that Sonova's specialist knowledge and intellectual property remain within the company, sustaining our competitive advantage.

On average, for every Swiss franc Sonova invests in its employees, the company receives 1.63 in return. Our above average results are part of a continuing trend, confirming the attractiveness of our industry and Sonova's leadership position as an employer of choice.

Our professional leadership culture, conscientious treatment of our workforce, and proactive approach to employee retention over the past years have combined to reduce our employee turnover to the very low level of 10–12%. At our Asian production sites in China and Vietnam, a fully-evolved structure of clear progression and career paths has been very successful in retaining staff, reflected in a turnover rate of 10.4%. The average tenure of our managerial staff is 8.5 years, while the total average workforce tenure is 5.9 years. All in all, the low turnover rates and the high tenure figures confirm the evidence of a global employee satisfaction rate above 80%.

## EMPLOYEE TURNOVER RATES

(in percent)

	2014 / 15	2013 / 14	2012 / 13
Switzerland	5.2	8.8	7.3
EMEA (excl. Switzerland)	7.8	8.4	9.9
America	18.5	15.6	13.7
Asia / Pacific	11.5	9.6	14.5
<b>Total</b>	<b>12.2</b>	<b>10.2</b>	<b>11.5</b>

The employee turnover rate is the percentage of the total workforce (excluding fixed-term employees) leaving Sonova employment during the year; this includes continuing and discontinued operations

## Employment

As of March 31, 2015 Sonova employed more than 10,000 people, exceeding the four-digit threshold for the first time. Employee numbers have increased continuously over the past few years and do not show any seasonal or other temporary fluctuation.

## EMPLOYEES BY REGION

Full time equivalent

	2014 / 15	2013 / 14	2012 / 13
Switzerland	1,238	1,189	1,127
EMEA (excl. Switzerland)	2,919	2,531	2,377
America	3,585	3,451	3,304
Asia / Pacific	2,442	2,358	2,144
<b>Total</b>	<b>10,184</b>	<b>9,529</b>	<b>8,952</b>

## EMPLOYMENT NUMBERS BY GENDER – WOMEN

As percentage of employees

	2014 / 15	2013 / 14	2012 / 13
Share of total workforce	63.0	61.3	61.6
Full-time employees	91.7	91.9	90.9
Permanent employees	97.1	98.0	98.4
Turnover rate	12.5	10.1	11.8

## EMPLOYMENT NUMBERS BY GENDER – MEN

As percentage of employees

	2014 / 15	2013 / 14	2012 / 13
Share of total workforce	37.0	38.7	38.4
Full-time employees	96.8	97.7	97.8
Permanent employees	96.7	97.4	97.5
Turnover rate	11.6	10.4	10.9

Sonova maintains fair, open dialog with all its employees. Around 4% of Sonova's workforce is covered by collective bargaining agreements.



Sonova strives to offer an employment structure and culture that fosters balance between family and work life for both men and women. Over 60 percent of Sonova's employees in the US are women, and the proportion of female employees in management positions is over 40 percent.





As part of its continuing strategy to further balance and optimize its global cost base and thus ensure cost competitiveness, Sonova announced in March 2015 that it would transfer part of its product assembly capacity from Stäfa, Switzerland to other centers, while keeping in Switzerland the production of strategically critical core components. The functions affected by this shift will be transferred gradually over the 2015/16 financial year. This will affect around 100 positions in total, and an equitable social plan has been agreed for the employees involved. Minimum notice periods exceed national labor law requirements.

### Organization

The majority of our employees are directly supported by a local human resources manager. At our headquarters in Switzerland, we develop – in collaboration with our group companies – and monitor a comprehensive set of human resource processes, 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 in all our locations.

### Young talent wanted

Sonova's apprentices will be our professionals and managers of tomorrow – that is why our Group invests in our trainees today. Our goal is to raise the number of apprentices at Sonova's headquarters to a minimum of 40 within the next 2–3 years; this will represent approximately 4 % of our workforce at headquarters.

Sonova has a very strong network of research collaboration with various leading universities around the world. Students 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, on as part of their Bachelor's, Master's, or PhD thesis work.

Our talent acquisition process targets the most sought-after group of professionals in our industry: experts in audiology and engineering. 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 and in various business units (Audiology, Marketing, Customer Training, Sales, and Research) before starting on their career path.

### Personnel and career development

We are committed to being a great place to work, where employees know they can develop to the best of their potential and gain recognition for their individual performance. 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. Our global Succession Planning process allows us to mitigate the risk of losing expertise in key positions while identifying and developing candidates for internal succession.

The Sonova Academy is our group-wide education platform. In close collaboration with selected external partners (such as the St. Gallen Management School), our Academy offers targeted programs and provides an opportunity for our senior management and best-performing talents to enhance their personal leadership skills. The Sonova Academy also serves as a cross-business learning network that provides continuity and supports change throughout our organization.

The structure of our Academy reflects the Group's decentralized structure. International programs address themes that are relevant across national and organizational boundaries. The programs are available to participants from around the world and all Sonova business units. Regional programs, while sharing similar concepts, emphasize regional and brand-specific content.

### Work life

At Sonova, we foster an environment in which work is more than just a job. We believe that there are three keys to a successful working life: purpose, achievement, and fulfillment – getting meaningful things done every day, and enjoying doing them. Sonova works to provide these keys by giving our workforce greater freedom to harmonize work, individual lifestyles, and personal life. We provide a wide range of employee benefits, which vary from country to country.

### Diversity

One of Sonova's strengths is the wide range of backgrounds among its teams: innovation thrives on diversity. We make great efforts to offer a fulfilling work environment: this helps us to attract a broad mix of skills and personalities. We aim for a work structure and culture that fosters a good balance of family and work life for both men and women. 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 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, as in our production centre in Vietnam, to help pay for day care. We are pleased that 38.8 % of our management positions are filled by women.

**RATIO WOMEN IN LEADERSHIP POSITIONS**

As percentage of employees

	2014 / 15	2013 / 14	2012 / 13
Switzerland	23.5	21.3	21.6
EMEA (excl. Switzerland)	38.6	36.6	35.1
America	43.9	42.3	42.4
Asia / Pacific	44.0	44.3	43.3
<b>Total</b>	<b>38.8</b>	<b>37.2</b>	<b>37.0</b>

**RATIO WOMEN IN EXECUTIVE POSITIONS**

As percentage of employees

	2014 / 15	2013 / 14	2012 / 13
Switzerland	14.4	10.7	16.2
EMEA (excl. Switzerland)	23.8	25.2	23.6
America	34.9	27.8	30.5
Asia / Pacific	17.9	18.2	18.9
<b>Total</b>	<b>23.0</b>	<b>20.9</b>	<b>22.5</b>

The ratio of women in executive positions is based on those positions eligible for the Executive Equity Award Plan

**Occupational health and safety**

Sonova has established an effective occupational health and safety culture that supports and protects our employees. Our group companies are responsible for implementing measures locally and for continuously refining our programs in areas such as physical activity, healthy nutrition, and medical care. 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 reoccurrence.

The low exposure to health and safety risk is reflected in the figures for this financial year. Any incident which requires external medical health care is considered as a work-related injury and is reported in the table below. In general, such 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. The injury rate (IR), which covers the Sonova headquarters in Stäfa and the manufacturing sites in Asia, is at the very low level of 0.68. The IR figure at our hearing instrument manufacturing sites in China and Vietnam is 0.14 for the 2014 / 15 financial year; it has been kept below 0.18 for the past three years.

**INJURY AND LOST DAY RATE**

	2014 / 15	2013 / 14	2012 / 13
Injury rate (IR)	0.68	0.31	0.91
Lost day rate (LDR)	2.95	0.20	7.13

The injury rate equals the total number of injuries / total hours worked x 200,000

The lost day rate equals the total number of lost days / total hours worked x 200,000

# The Hear the World Foundation

## The Foundation

The Hear the World Foundation, an initiative by the Sonova Group, is committed to working for equal opportunities and a better quality of life for people with hearing loss around the world. 80 % of people affected by hearing loss live in low or medium-income countries; they often have no access to audiological or medical care.

The Foundation provides financial resources, hearing aids, and professional expertise for hearing care services, thereby supporting Sonova's vision of creating a world in which everyone has a chance to enjoy the delight of hearing and live a life without limitations. The Foundation's special focus is on:

- Children: providing audiological care for children in low-income countries;
- Parents: supporting self-help groups for parents;
- Prevention of hearing loss: promoting global awareness of hearing and hearing loss; and
- Professional training: supporting projects that enable audiological training for local professionals.

Since 2006, the Hear the World Foundation has been involved in over 60 projects on all five continents and has provided the chance of a better life for thousands of people with hearing loss. The total value of cash and in-kind benefits provided by the Sonova Group to the Hear the World Foundation in 2014/15 was CHF 2.05 million. The Sonova Group also provides the Foundation with staff, along with administrative support in finance, legal, and export handling.

## Taking every opportunity to prevent hearing loss

According to the World Health Organization (WHO), over one billion young people worldwide are at risk of harming their hearing because of unsafe listening practices. Hear the World therefore actively engages in preventing hearing loss through initiatives such as WHO's International Ear Care Day. In Switzerland, the Foundation also runs an awareness campaign at concerts, where it hands out free ear protection to audience members and informs them about the risks of listening to excessively loud music.

## Employee involvement

Employees of the Sonova Group actively support the Hear the World Foundation. Through their involvement as volunteers, they play a key role in training and educating our project partners all over the world, bringing information on the latest technological developments and passing on their knowledge of – for example – how to fit hearing aids properly.

In our Hear Haiti project, 23 Sonova employees spent a week each on-site conducting hearing screenings, fitting hearing aids, repairing hearing instruments, and training local people. Employees also actively support the Foundation through their own fundraising initiatives.

Three Sonova employees are invited to join the Hear the World Foundation Advisory Board for a term of two years each. Their role is to represent Sonova's workforce in the Foundation, as well as to provide the Foundation with the benefit of their specific personal expertise.

During the 2014/15 financial year, 336 Sonova employees volunteered the equivalent of 527 days to the Hear the World Foundation and raised more than CHF 15,000 for its activities.

## Campaigning against hearing loss on a global scale

In addition to the projects that Hear the World implements with its network of partners around the world, the Foundation has launched its own "52 Children" program. Each week, under this initiative, a child in need is given the gift of improved hearing – helping them reach their development milestones and realize their full potential in life.

The "4EARS" campaign, run jointly by the Hear the World Foundation and the Connect Hearing Group, is also designed to help children in need: for every Connect Hearing customer who takes a hearing screening, Connect Hearing will make a donation of 10 US dollars to Hear the World. This campaign has been conducted in seven countries and raised more than CHF 20,000.

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

## Community involvement by Sonova Group companies

In addition to the Hear the World Foundation, which is a group-wide initiative, Sonova's group companies contribute through individual programs, actively cooperating with hearing care professionals, specialists, administrative authorities, parents, and other stakeholders. They support charities and non-profit organizations, and offer employee volunteering activities to build healthy communities and help people with hearing loss.





Hearing exams, fittings, check-ups, repairs, and local staff training: The Hear the World Foundation supports people with hearing loss in Lévéque, Haiti. Teams of Sonova volunteers visit the island several times each year.



# Environment

## Environmental management

As a manufacturer, distributor, and retailer of hearing aids and implants, Sonova is a company with a relatively low environmental impact. Nevertheless, we believe that excellent environmental performance contributes to our competitive industry position and provides value for our environment, customers, employees, and all other stakeholders.

Sonova has an established corporate environmental policy that supports our commitment to behave proactively and describes our environmental performance management organization and responsibilities, along with their relevant environmental aspects and other management approaches. It also states that we are committed to compliance and performance in line with relevant environmental regulations throughout the entire lifecycle of our products and across all of our business activities.

Sonova endeavors to continuously reduce its environmental impact by adopting all improvements that are technically and economically feasible, with a particular focus on the life cycle of our products and on reducing our group-wide carbon footprint. 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.

Sonova plans strong efforts to further improve our environmental performance. We have updated our environmental program and complemented it with clearly defined targets, of which the three most important are: a 10 % reduction from 2013/14 levels of production-related carbon emissions intensity by 2018/19, a 10 % reduction from 2013/14 levels of air travel-related carbon emissions intensity by 2018/19, and ensuring that 100 % of our key suppliers are rated as having a qualified environmental management system in place by 2018/19.

As part of this continuous improvement in our operations, we have committed to establish ISO 14001-certified environmental management systems at 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 integration of environmental factors in decision-making and improvement in environmental performance.

The following Sonova facilities are currently certified to the ISO 14001 standard: Phonak AG (Stäfa, Switzerland), 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). Further Sonova Group manufacturing and distribution centers are planned to achieve this certification during the 2015/16 financial year.

In 2014, more than 90.1 % of our key suppliers were rated as having a qualified environmental management system in place compliant with ISO 14001 or other recognized standards.

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 2014 (or in previous years) for noncompliance with environmental laws or regulations.

## Environmental reporting

Sonova's environmental data monitoring and reporting includes energy consumption, carbon footprint, materials, waste disposal, water consumption, and emissions of volatile organic compounds. We report and discuss environmental performance to the limits of the available data. The tables on the next pages show environmental data from Sonova Group companies that operate as headquarters, manufacturing sites, or wholesale distribution, excluding Group companies with retail activities only. Tier 1 comprises the eight most energy-consuming Group companies, which account for 89 % of Sonova's reported energy consumption and carbon footprint in terms of heating and electricity use.

Scope 1 and Scope 2 energy consumption for Group companies with retail activities only, along with other environmental performance figures, is monitored only where feasible, given the decentralized organizational structure of these businesses and their small, often rented, facilities. It is not included in this report.

Overall, the entities covered in the environmental data reporting – that is, those with consistent reporting from 2012 to 2014 – account for 92.6 % (2013: 95 %) of Sonova's employees (excluding employees of Group companies with retail activities only).

## Energy and climate change

Sonova's business has a low risk exposure to climate change, which has no financial implications for the organization's activities: few of these are energy-intensive, the operations sites are located in areas with low natural hazard potential, and products and services are not affected by climate change issues. Nevertheless, mitigation of climate change is a global challenge; it requires prompt, effective action from governments, industries, and individuals.



Advanced Bionics, part of the Sonoma Group, has installed two charging stations for electric vehicles at its headquarters in Valencia, California: Four electric cars can be charged during each eight-hour shift. This initiative is in the spirit of the ISO 14001 Certification for Advanced Bionics' environmental management system.





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 grid emission factors and, if available, specific emission factors provided by energy utilities. 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. In 2014, we also investigated the environmental impact of Sonova's corporate car fleet – a further Scope 1 emission source.

For Scope 3 we report emissions from business-related air travel activities. In 2014, we have also analyzed the emissions resulting from transportation and distribution of our products.

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 2.8 % to 37,633 megawatt-hours (MWh) in calendar year 2014. Tier 1 Group companies showed a 1.2 % increase in energy consumption to 33,381 MWh.

After a fall of 13.5 % in total energy consumption at the headquarters in Stäfa, Switzerland in 2013, we further reduced this figure by 3.8 % in 2014 to 6,678 megawatt hours (MWh). In the last three years, we have replaced a total of 14 injection molding systems at the production site in Stäfa. We have also insulated the dryer systems in the molding process to reduce energy loss. Although we have installed eight extra dryer systems, energy efficiency has improved by around 24 % for the whole injection molding process.

#### ENERGY CONSUMPTION

In MWh

	2014	2013	2012
Heating	10,067	10,565	10,904
Electricity	27,566	26,051	25,756
<b>Total</b>	<b>37,633</b>	<b>36,616</b>	<b>36,660</b>

#### GREENHOUSE GAS (GHG) EMISSIONS – SCOPE 1 & 2

In t CO<sub>2</sub> eq

	2014	2013	2012
Scope 1	1,998	2,102	2,219
Scope 2	19,855	18,700	18,196
<b>Total</b>	<b>21,853</b>	<b>20,802</b>	<b>20,415</b>

In line with its increased absolute energy consumption at Group level, Sonova Group's absolute carbon footprint grew by 5.1 % to 21,853 tonnes of CO<sub>2</sub> equivalents (t CO<sub>2</sub>eq). For the Tier 1 sites, emissions for 2014 increased by 3.3 % from the previous year to a total of 19,489 t CO<sub>2</sub>eq.

The main sources for this increase were the greater number of employees and increased production volume at all our manufacturing centers. In 2014, Sonova recorded a slightly lower relative CO<sub>2</sub>eq emission value per unit produced, down 0.5 % compared with the previous year, which demonstrates the improved energy efficiency of our infrastructure and production processes.

A 5,000-square meter solar panel system installed at our operations center in Suzhou, China generates up to 450,000 kWh of electricity per year, which would otherwise require burning 165 tonnes of coal. This system alone will reduce group-wide carbon emissions from purchased electricity by 3.5 %.

#### Monitoring transportation and distribution

Sonova is a global company: business-related air travel is essential to maintain and improve our operations, and to collaborate with our internal and external stakeholders. Over the last four financial years, we have monitored business air travel originating at all Sonova facilities in Switzerland. A comparative assessment of flight distances and corresponding indirect greenhouse gas emissions saw an increase of 6.0 % for 2014 due to our growing business.

In 2014, estimated carbon emissions from business-related air travel activities on a group-wide basis were 10,205 t CO<sub>2</sub>eq. This is around half the amount of reported emissions under Scope 1 and 2 from heating and electricity. Carbon emissions intensity (expressed as t CO<sub>2</sub>eq / million CHF sales) decreased by 2.2 % compared to the previous year.

Sonova also estimated the 2014 carbon footprint impact of its corporate car fleet. All vehicles purchased, leased, or rented by Sonova Group companies were taken into account. The average carbon emissions per single vehicle were evaluated at 144 grams CO<sub>2</sub>/km. The estimated total carbon footprint of Sonova's corporate car fleet is therefore around 4,885 metric tonnes per year. In future, Sonova aims to further reduce the carbon footprint of its corporate car fleet and to achieve average carbon emissions of 140 grams CO<sub>2</sub>/km.

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 44.0%. Our mobility program provides incentives to use public transport, accompanied by targeted awareness campaigns.

Air freight is clearly the dominant factor in our carbon footprint from transporting and distributing our products, accounting for around 97% of relevant CO<sub>2</sub> emissions. For the hearing instruments segment, our carbon emissions are estimated at 7,000 t CO<sub>2</sub>eq in absolute terms and 0.85 kg CO<sub>2</sub>eq per tonne-kilometer in relative terms; distribution from our Group companies to retail shops was not taken into account. The equivalent carbon emissions for the cochlear implant segment were around 1,100 t CO<sub>2</sub>eq and 0.98 kg CO<sub>2</sub>eq per tonne-kilometer, respectively. The data analyzed for this segment covers around 80% of the total carbon footprint, as expressed in tonnes of CO<sub>2</sub> equivalent, from transporting and distributing products, including distribution from Group companies to clinics.

### Carbon Disclosure Project

Sonova strives to be trustworthy and transparent with all our stakeholders; we therefore participate in the Carbon Disclosure Project. The disclosure score reflects the comprehensiveness of a participating company's response in terms of the depth and breadth of its answers. After Sonova recorded a disclosure score of 74 – out of a maximum of 100 points – in 2013, we successfully increased our score to 90 in 2014.

### Materials

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). We comply with the EU directive on Restriction of Hazardous Substances (RoHS), which governs the use of heavy metals and halogenated compounds, and with the EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation for the safe manufacture and use of chemical substances. Sonova's suppliers are also required to prove their compliance with RoHS and REACH regulations in their respective processes and supply chains.

In accordance with REACH Regulation Article 33 (communication of information on substances in articles), Phonak continuously updates the list of substances of very high concern (SVHC) that may be present in its products above the 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 2014/15 financial year, only one substance remained on this list.

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.

### Waste

Sonova's main categories of solid waste sent to disposal are municipal solid waste and material left over from manufacturing processes, such as molding. Due to substantially increased group-wide production volume and employee numbers in 2014, we experienced 6.7% increase in our solid waste, to 1,093 tonnes. Materials that can be recycled or reused – such as paper, cardboard, bottles, organic materials and others – are separated and sent for recycling.

#### WASTE

In metric tons

	2014	2013	2012
Non-hazardous	1,093	1,024	1,058
Hazardous	33	49	54
Recycling	609	627	508
Total	1,736	1,701	1,619

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. Group-wide production volume increased substantially in 2014, but the amount of disposed hazardous waste decreased to 33 tonnes.

The replacement of the injection molding system at the headquarters production site means that we can greatly reduce our use of hydraulic oil: the new systems need only 25 liters of hydraulic oil while the previous systems needed 200 liters. This will have a significant effect on our amount of hazardous waste, as machine fluids such as oils must be replaced at each maintenance.

### Product Stewardship

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.

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.



Several of our Group companies also offer a battery collection program. Connect Hearing Canada, for example, introduced the Little Green Box hearing aid battery collection program in which customers take home the box, collect their hearing aid batteries, and then bring the Little Green Box back to the store for recycling. The batteries collected are forwarded and disposed of through officially authorized disposal agents.

Phonak has developed the next generation Venture technology platform, using a new chip technology that offers twice the processing power while reducing battery consumption by up to 30 %.

Advanced Bionics' HiRes Optima Sound Processing delivers optimized battery life with the same performance as its patented HiRes Fidelity 120 processing. Cochlear implant recipients using this new technology find a 55 % average improvement in battery life.

### Air emissions

Sonova has low atmospheric pollutant emissions from volatile organic compounds (VOCs) in paints and adhesives, in coatings, and for surface cleaning. Group-wide levels of VOC evaporated to air increased by 23.4 % to 4,493 liters.

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

### VOLATILE ORGANIC COMPOUND

In liters

	2014	2013	2012
VOC	4,493	3,642	3,116

### Water

Sonova's manufacturing processes do not require significant amounts of water. We use water provided by utilities primarily for our sanitary services and kitchen and garden areas. We aim to conserve water resources wherever possible. In Vietnam, for example, we collect rainwater 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 2014 by 14.3 % to 124,162 cubic meters (m<sup>3</sup>). Relative water consumption slightly increased from 18.4 to 18.8 m<sup>3</sup> per employee.

### WATER WITHDRAWAL

In m<sup>3</sup>

	2014	2013	2012
Municipal water supply	124,162	108,651	111,147

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

# Reporting profile

## Report

The Sonova CSR Report for 2014 / 15, when combined with the Annual Report for 2014 / 15, complies with the newly released G4.0 version of the Global Reporting Initiative (GRI) standards. Sonova reports in an annual cycle: the most recent previous Annual Report and Corporate Social Responsibility Report were released on May 20, 2014. The 2014 / 15 reporting period covers the financial year from April 1, 2014 to March 31, 2015.

The GRI content table below refers to the content of the CSR Report. Additional relevant information about economic performance and remuneration is provided in the Compensation Report, Governance Report, and Financial Review chapters of the Annual Report.

## Entities

### (G4 – 17)

The information and data provided relate to the entire Sonova Holding AG Group, including its group companies, unless explicitly noted. Some environmental data are limited to those Sonova Group companies that operate as headquarters, manufacturing sites, or wholesale distributors; group companies restricted to retail activities are, by necessity, partly excluded. Whenever applicable, the exclusion of these group companies is stated in the respective sections.

## Restatements and significant changes

### (G4 – 22&23)

Significant organization changes during the 2014 / 15 financial year are reported on page 4. There were no significant changes during 2014 / 15 in the scope, boundary, or measurement methods applied in the report. Nothing significant has arisen during 2014 / 15 that would require a restatement of information provided in earlier Sonova CSR Reports.

## Declaration and assurance

The report has successfully completed the GRI Materiality Disclosure Service. An external assurance for the CSR Report 2014 / 15 has not been conducted.

The compensation report, the consolidated financial statement, and the financial statement of Sonova Holding AG in the 2014 / 15 Annual Report have been audited by a statutory external auditor.

## Contact

Sonova Holding AG  
Laubisrütistrasse 28  
8712 Stäfa  
Switzerland

Phone +41 58 928 33 33  
www.sonova.com

## Corporate Social Responsibility Report

Martin Kistler  
Manager Corporate Social Responsibility  
Email [csr@sonova.com](mailto:csr@sonova.com)

## Annual Report

Thomas Bernhardsgrütter  
Director Investor Relations  
Email [ir@sonova.com](mailto:ir@sonova.com)

## Imprint

Photography USA: Ehrin Macksey, Vietnam  
Photography portrait: Jos Schmid, Zurich  
Publishing system: Multimedia Solutions AG, Zurich

© Sonova Holding AG all rights reserved

**GRI CONTENT TABLE**

GRI Index	Profile disclosure	Reference	External assurance
<b>Strategy and analysis</b>			
1	Message from the CEO	CSR 2	No
2	Key impacts, risks and opportunities	CSR 5 – 7	No
<b>Organizational profile</b>			
3	Name of the organization	CSR 3	No
4	Primary brands	CSR 3	No
5	Location of organizations headquarters	CSR 3	No
6	Number of countries where the organization operates	CSR 3 – 4	No
7	Nature of ownership and legal form	CSR 3	No
8	Markets served	CSR 4, 10	No
9	Scale of the reporting organization	CSR 4, 20	No
10	Employment	CSR 20	No
11	Coverage collective bargaining agreements	CSR 20	No
12	Organization's supply chain	CSR 4	No
13	Significant changes during the reporting period	CSR 4	No
14	Precautionary approach or principle	CSR 14, 17, 18, 26	No
15	External charters, principles, and initiatives	CSR 16, 29	No
16	Membership of organizations	CSR 4	No
<b>Identified material aspects and boundaries</b>			
17	Entities included	CSR 31	No
18	Process for defining the report content and aspect boundaries	CSR 8	No
19 – 21	Aspects identified, boundaries inside and outside the organization	CSR 9	No
22 – 23	Restatements and significant changes	CSR 31	No
<b>Stakeholder engagement</b>			
24 – 26	List of stakeholder groups, identification, engagement approach	CSR 11	No
27	Key topics and concerns	CSR 8	No
<b>Report profile</b>			
28 – 31	Report profile	CSR 31	No
<b>GRI content index</b>			
32	GRI content index	CSR 32 – 33	No
<b>Assurance</b>			
33	Assurance	CSR 31	No
<b>Governance structure and composition</b>			
34 – 41	Governance structure and composition	CSR 13	No
<b>Highest governance body's role in setting purpose, value, and strategy</b>			
42	Highest governance body's and senior executives' roles	CSR 13	No
43 – 47	Competencies and performance evaluation / risk management	CSR 14	No
<b>Highest governance body's role in sustainability reporting</b>			
48	Highest committee or position	CSR 9	No
<b>Remuneration and incentives</b>			
51 – 53	Remuneration and incentives	CSR 14	Yes (AR 64)
<b>Ethics and integrity</b>			
56 – 58	Ethics and integrity	CSR 15	No

## GRI CONTENT TABLE

GRI Index	Performance indicators	Reference	External assurance
<b>Economic</b>			
EC1, 3	Economic performance	CSR 7	Yes (AR 117)
EC8	Indirect economic impacts	CSR 5	No
EC9	Procurement practices	CSR 4, 17	No
<b>Environmental</b>			
EN3 – 4, 6 – 7	Energy	CSR 28, 30	No
EN8 – 9	Water	CSR 30	No
EN15 – 19, 20 – 21	Emissions	CSR 28, 30	No
EN23 – 24	Effluents and waste	CSR 29 – 30	No
EN29	Compliance	CSR 26	No
EN30	Transport	CSR 28	No
EN32 – 33	Supplier environmental assessment	CSR 17	No
<b>Social – Labor Practices and Decent Work</b>			
LA1	Employment	CSR 20	No
LA4	Labor / management relations	CSR 22	No
LA6	Occupational health and safety	CSR 23	No
LA10 – 11	Training and education	CSR 22	No
LA12	Diversity and equal opportunities	CSR 23	No
LA14 – 15	Supplier assessment for labor practices	CSR 17	No
<b>Social – Human Rights</b>			
HR4	Freedom of association and collective bargaining	CSR 16, 20	No
HR5 – 6	Child labor / forced or compulsory labor	CSR 16	No
HR10 – 11	Supplier human rights assessment	CSR 17	No
<b>Social – Society</b>			
S01	Local communities	CSR 25	No
S03 – 4	Anti-corruption	CSR 16 – 17	No
S06	Public policy	CSR 16	No
S07	Anti-competitive behavior	CSR 17	No
S08	Compliance	CSR15	No
S09	Supplier assessment for impacts on society	CSR 17	No
<b>Product Responsibility</b>			
PR1	Customer health and safety	CSR 18	No
PR3, 5	Product and service labeling	CSR 18	No
PR8	Customer privacy	CSR 18	No

AR = Annual Report

CSR = Corporate Social Responsibility Report



## 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 available in electronic format on our Sonova website at: [www.sonova.com/en/csrreport](http://www.sonova.com/en/csrreport).

## Our Brands

**PHONAK**

**unitron**

Connect Hearing 

