

SONOS

# Sustainability Report

FISCAL

2018

**Sonos is on a mission  
to inspire the world to  
listen better.**

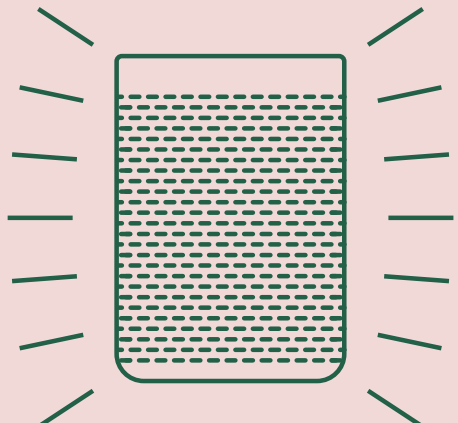
Inherent to that mission is an imperative to do no harm, which is why we are committed to positively impacting society and meaningfully decreasing our environmental footprint.

To accomplish our goals, we focus on five areas:

**Social impact**

An icon on a dark red background showing two stylized figures. One figure is carrying a large piano keyboard. A dog is walking alongside them.

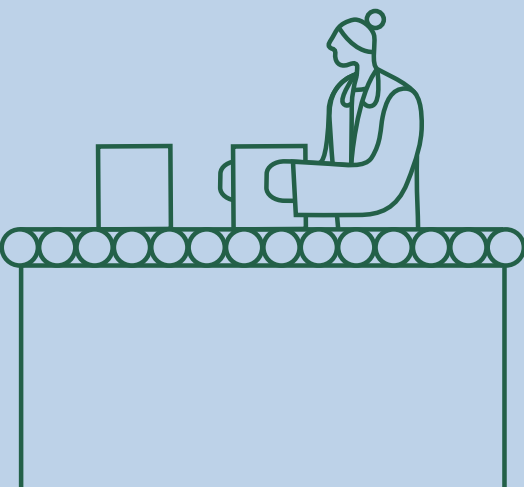
**Product design**

An icon on a light pink background showing a glowing rectangular object with horizontal lines inside and radiating lines around it, representing product design.

**Our people**

An icon on a brown background showing a person in profile carrying a briefcase, with sound waves emanating from the briefcase, representing our people.

**Supply chain**

An icon on a light blue background showing a person sitting at a desk with a laptop, representing the supply chain.

**Facilities**

An icon on a dark green background showing a wind turbine, a recycling symbol, and office furniture (a chair and a table), representing facilities.

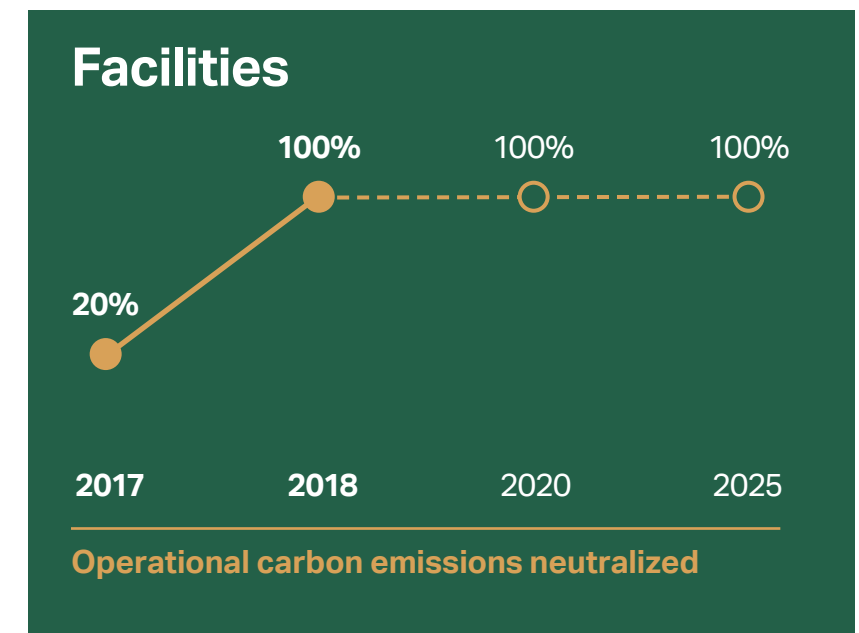
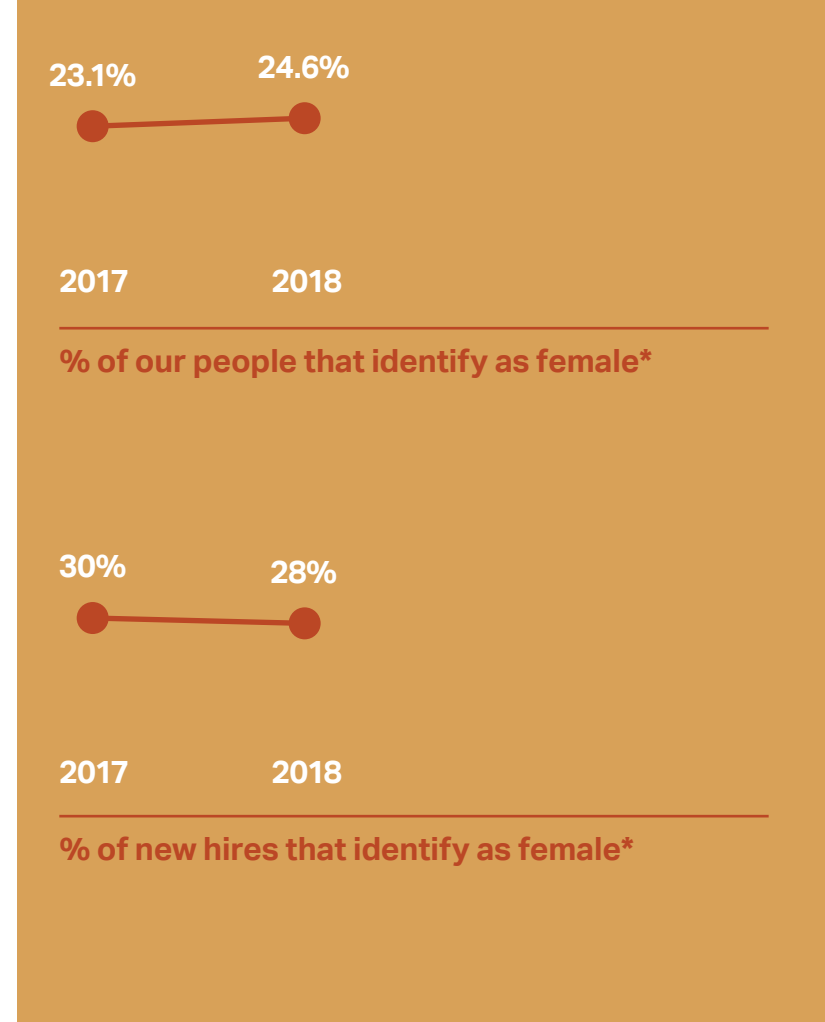
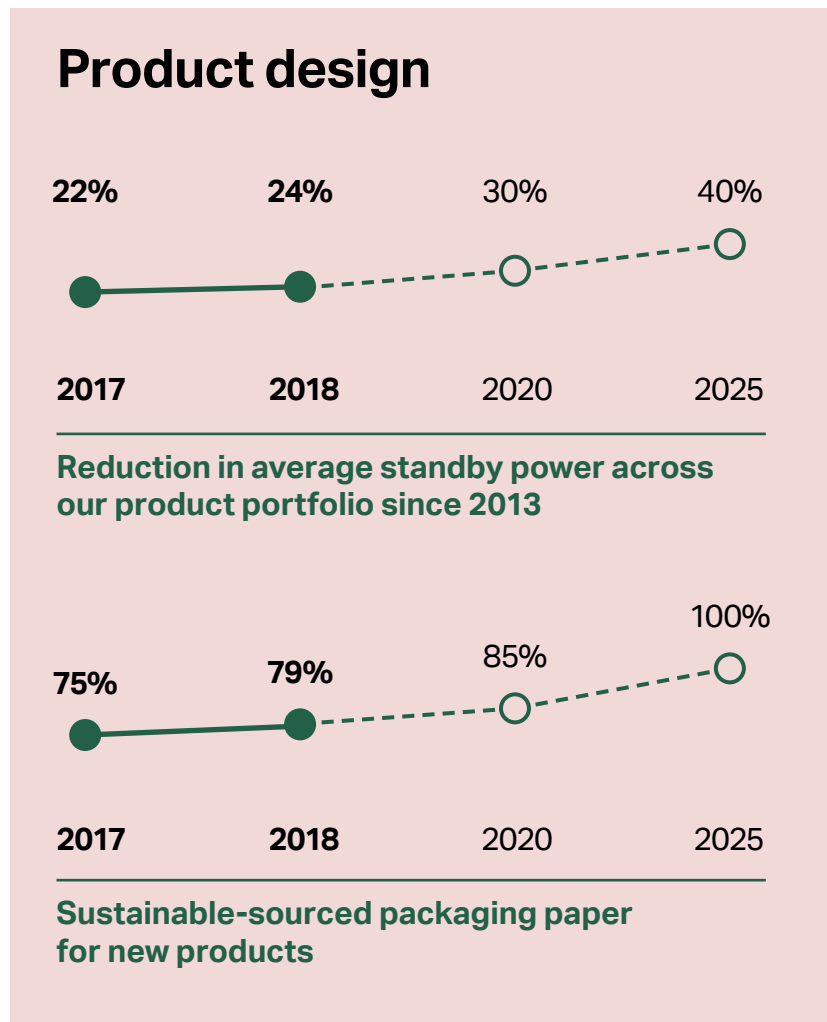
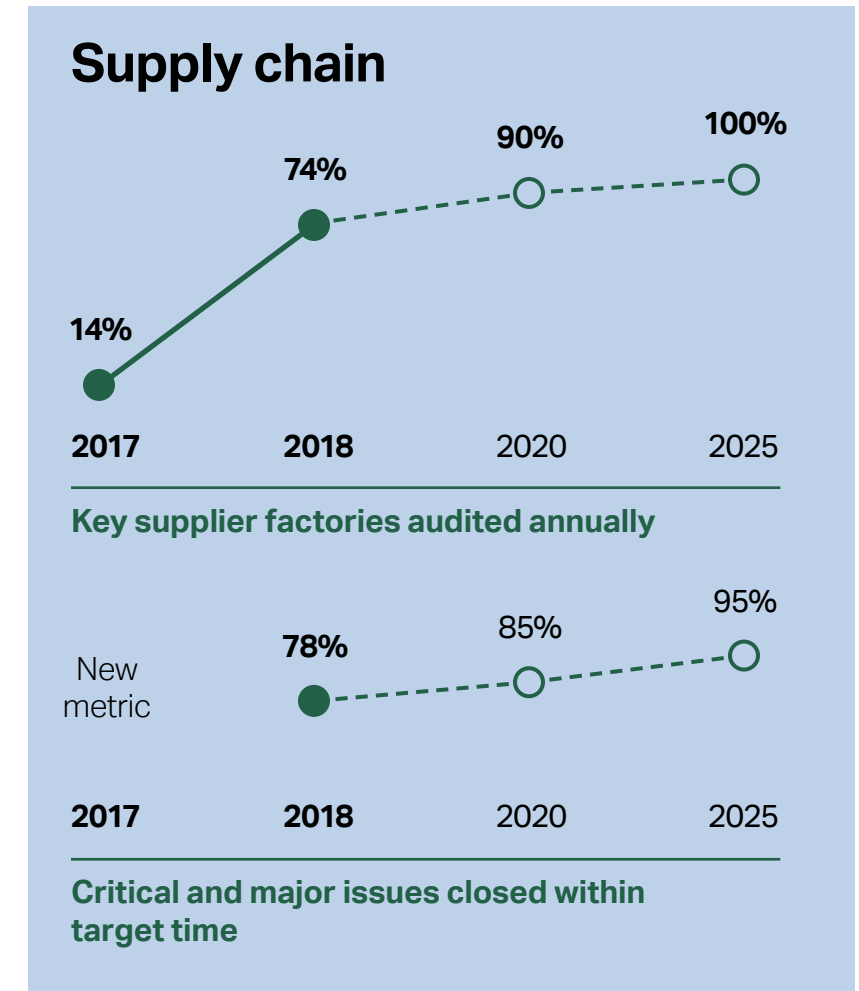
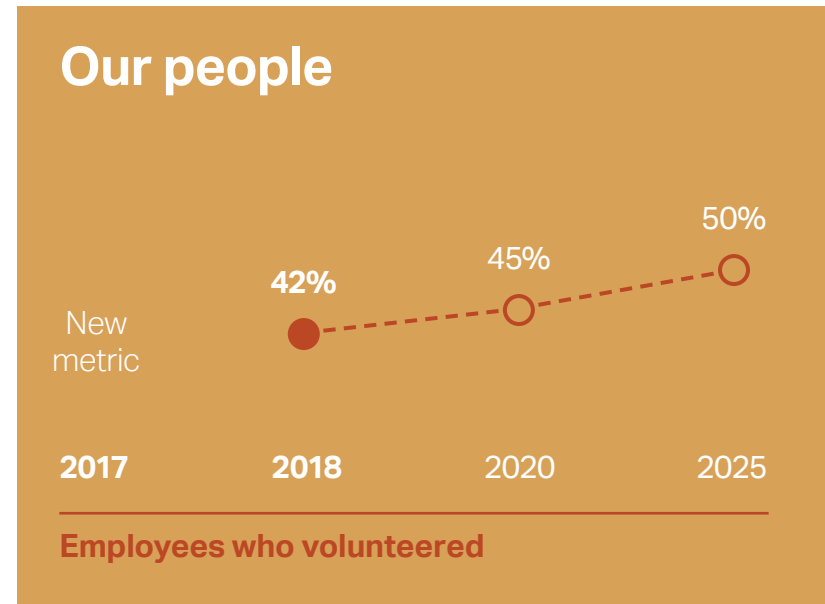
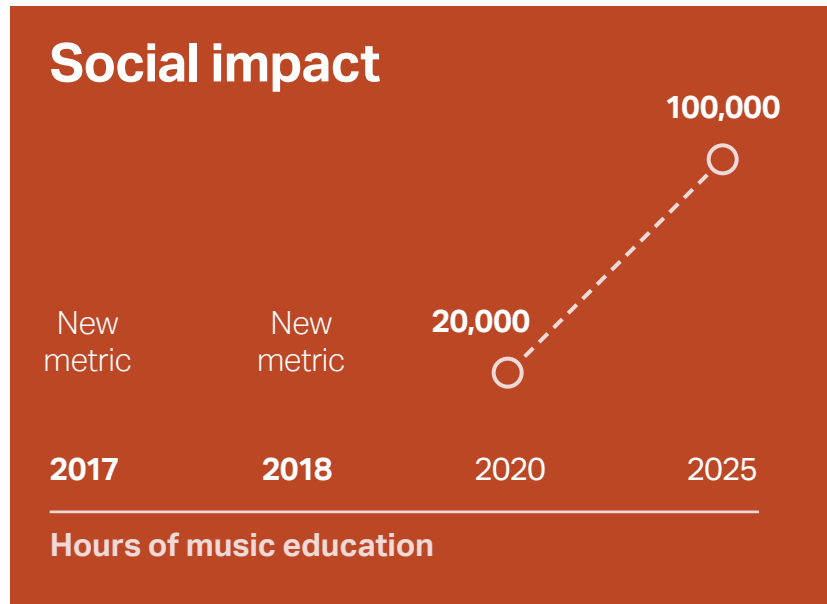
# Performance and Targets

**Key**

● Performance data

○ Targets

\*Performance metrics only.



# Social impact



Sonos works to affect positive change around the world. Through our Sonos Soundwaves program, we're supporting our local communities and the next generation of artists and innovators.

# Soundwaves

## Approach

Sonos Soundwaves supports quality music education around the world, providing children in need with opportunities to think creatively, advance academically, develop social skills, and prepare for successful futures. We partner with nonprofits in our local communities and supply them with financial grants, product donations, and employee volunteers.

In addition to this program, we use our position as a global company to raise awareness about important social issues and speak out on what we believe is right.

## Performance

In 2018 we hosted roundtable conversations with 23 organizations in four cities to understand their needs and those of their communities. Their input informed the development of Sonos Soundwaves, which officially launched in October 2018.

To date, Sonos Soundwaves has formed partnerships with Leerorkest (Amsterdam), Notes for Notes (Santa Barbara), United Borders (London), Zumix (Boston), and Urban Arts Partnership (New York City). These dynamic organizations all seek to reach young people in different ways, from after-school music programs and weekend workshops to helping kids pass standardized tests with the help of hip hop.

## Goals

**20k**      **100k**  
 2020                      2025

### Hours of music education

Our partners prioritize underserved groups, with a strong emphasis on girls and African-American, Latino, immigrant, and refugee communities.

We are ramping up the program and will report on the following metrics in 2019:

- Hours of music education
- Number of students served

We also supported key social causes in Europe, Africa, and North America throughout 2018, speaking out on topics such as net neutrality, immigration, music censorship, voter turnout, prison justice, and data privacy.

## Future Plans

We plan to expand the number of our Soundwaves partners in 2019 to reach our goal of providing 100,000 hours of quality music education.



# The Power of Music Education

Sonos Soundwaves partner Notes for Notes is a nonprofit organization dedicated to providing young people with access to musical instruments, instruction, and recording studio environments so that music can enrich their lives. Just like it did for Marquis.

Prior to joining Notes for Notes, Marquis didn't participate in extracurricular activities and had a failing grade-point average. Within a year of joining, he was maintaining a C average and consistently attending studio sessions. During this time, Marquis developed confidence, creativity, and technical skills that extended to his music and beyond. He has since become an avid composer and regularly writes and records music with his friends.

Sonos has supported Notes for Notes since 2011 and will continue to support the organization to inspire more young people like Marquis.





# Supporting Freedom of Expression

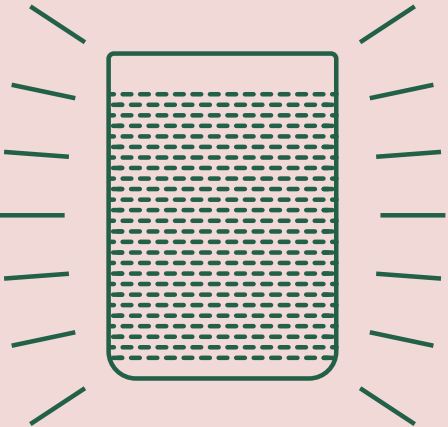
In September 2018, Ferhat Tunç, an award-winning musician, was sentenced for speaking out against Turkey's president on social media. Throughout his career, Ferhat has been the target of various government investigations to levy cases against him for actions as peaceful as sharing his opinions during performances. Currently he faces charges that could amount to a prison sentence of more than 13 years.

And Ferhat is not alone.

Artists and musicians around the world every day face censorship of their views and violations of their human rights. Sonos grantee Freemuse brings awareness to this issue by systematically tracking violations of artistic freedom. Freemuse is also the founder and champion of Music Freedom Day, which raises awareness about artist censorship and celebrates the courageous artists persisting in the face of adversity.



# Product design



Shrinking our environmental footprint starts with great design that reduces the impact of our products and packaging across their entire life-cycle.

# Longevity

## Approach

We believe that one of the most important ways we can support sustainability is to create products that last. The longer a product is in use, the less resources are required to create its replacement.

We specifically design our hardware to function across years of software upgrades. However, as with any technology, there comes a time when the hardware can no longer keep pace. Although it takes our products years to reach this point, when they do, we provide end-of-life solutions that are fair to our customers and safe for the environment.

## Performance

Our approach to product longevity has remained unchanged since Sonos was first founded. Because of this, 93% of all Sonos products ever sold are still in operation.<sup>1</sup>

## Future Plans

Although no product can last forever, we will continue to innovate so our speakers stay in use, longer. When it's finally time for a customer to retire a product, we'll provide an environmentally-responsible solution for recycling.

<sup>1</sup> We consider a product to be in operation if it underwent a software update within the last 12 months.

# Standby Power

## Approach

We work to provide our listeners with instant music, while using minimum power. We achieve this through a clever system of standby functionality that balances the speedy 'time to music' customers expect with minimal energy consumption when products are inactive.

## Performance

In 2018, we achieved an average standby power of 3.69 W throughout our product range. This is a 2.4% reduction from the previous year and a 24.1% reduction since 2013, our baseline year.

We achieved this reduction through low-energy chips and innovative software that switches off parts and components when they aren't in use. As we offer more microphone-enabled products — which require more standby power — innovations such as these become increasingly important for meeting our energy reduction goals.

## Goals

**30%** **40%**  
2020 2025

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**Reduction in average standby power across our product portfolio since 2013**

## Future Plans

In 2019 we will continue partnering with component suppliers to reduce power consumption and developing software to manage standby functions for optimum efficiency.

# Packaging

## Approach

At the simplest level, packaging protects our products from damage and prevents customer dissatisfaction. But our approach to packaging goes beyond this to marry sustainable design with a premium customer experience. Wherever possible, we use recycled paper or certified sustainable paper that can be recycled.

## Performance

In 2018 we increased the percentage of sustainable paper in our new product packaging from 75% to 79%. This increase is largely a result of replacing plastic and foam components with sustainable paper.

## Goals



**Sustainable-sourced packaging paper for new products**

## Future Plans

Beginning in 2020 we will update our packaging platform, transitioning to all environmentally-friendly designs and eliminating glue and plastics as much as possible.



# Working Toward Sustainable Packaging

Packaging is the first interaction customers have with their Sonos product, so it must be simple, effective, and true to our brand. And we know that our customers care about the materials we use. In 2018 we reimagined our packaging with Sonos Beam, Amp, and an array of accessories to achieve a premium experience with sustainability and optimization in mind.

Beam and Amp packaging is 97% to 99% paper-based material and utilizes 83% to 85% post-consumer recycled content. By celebrating the natural corrugate and pulp materials in their unfinished state, we have developed a structural design that adds an aesthetic that conveys warmth and authenticity.





# Our people



We're building a culture where employees can do their best work, where respect comes first, and where people feel comfortable being their whole selves. To get there, we're focused on diversity, inclusion, and giving back.

# Inclusion and Diversity

## Approach

Our mission is to empower listeners everywhere. To make that happen, we need a workforce that reflects the diversity of our customers. That's why we're focused on increasing representation and ensuring opportunity and fairness for all employees. To achieve this, we're evolving our hiring practices, improving employee data, and fostering an inclusive culture through employee resource groups (ERGs).

## Performance

In 2018 women represented 24.6% of our global workforce, a 1.5% increase from 2017. For the past two years, representation of women in our hiring exceeded overall representation of women at Sonos. In 2018 our rate of female new hires was 28% compared to 30% in 2017.

In 2018 our four ERGs formalized their missions and will continue to build communities for people with shared identities and experiences:

- **Black@Sonos:** Advocates for and pursues the growth and development of Sonos employees who identify as Black
- **Moms@Sonos:** Provides a supportive learning community of moms and/or moms-to-be at Sonos and serves as a forum to share ideas around best practices, policies, and programs for the company

- **Pride@Sonos:** Builds awareness and support of Sonos employees who identify as LGBT+ by creating engagement opportunities for the group, the company, and the outside community
- **Women@Sonos:** Provides a forum for Sonos women to connect, share ideas and experiences, and find mentors and advocates

## Future Plans

In 2019 we appointed a Chief Diversity Officer to lead our efforts on equal representation, opportunity, and pay for all employees. In addition to gender equality, we will expand our programs for minority representation, including reporting on voluntary race and ethnicity information from U.S. candidates and employees in next year's report.

We will also launch a new training program, Hiring@Sonos, to raise awareness and establish best practices for recruitment among managers.

# Creating a Place Where Everyone Feels Welcome and Included

Kiera Penpeci is a valued member of our People team and an African-American woman determined to help everyone at Sonos succeed. Growing up as a member of a minority community, she knows first-hand the importance of celebrating diversity and prioritizing inclusivity in the workplace.

When Kiera joined Sonos in October 2017, two employee resource groups, Women@Sonos and Black@Sonos, made an immediate impact on her sense of belonging. The groups put her in touch with colleagues she might not have otherwise met. Hearing their stories and experiences encouraged Kiera to bring her whole self to Sonos.

Kiera went on to co-found Pride@Sonos and played a key role in creating the company's inclusion and diversity task force. Her experiences ignited a passion for activism and helping others.



Kiera says, "As I'm watching diversity and inclusion efforts unfold before my eyes, I'm less interested in what it will do for me. I'm more intrigued by what it will do for those around me and how it can help them thrive in their work."



# Volunteering

## Approach

When our employees volunteer, it strengthens ties with our local communities and inspires our people in new ways. Every year we give employees paid time-off to give back and host company-wide Sonos Day of Caring events.

In addition to volunteering, we donate product through our Sonos Cares donation program and bring the gift of music to like-minded community organizations in need.

## Performance

In 2018 42% of our global workforce volunteered during our inaugural Sonos Day of Caring events. To make volunteering more accessible, we launched a new employee benefit of two paid volunteer days per year, and we promote volunteering opportunities on our Sonos Cares website.

## Goals

**45%** **50%**  
2020 2025

Employees who volunteered

## Future Plans

In 2019 we will expand the Sonos Day of Caring events to twice a year with the goal of increasing the number of employees who volunteer. We will also improve our volunteering data with a tracking tool on the Sonos Cares website.

In addition, we will launch a new partnership with the organization Do it for the Love making product donations to support its mission of healing through music.



# Coming Together in a Time of Need

In December 2017 the Santa Barbara community of Montecito was ravaged by the Thomas Fire, the eighth most destructive wildfire in California's history. One month later heavy rain produced devastating mudslides that swept away entire neighborhoods. Every resident in the community felt the effects.

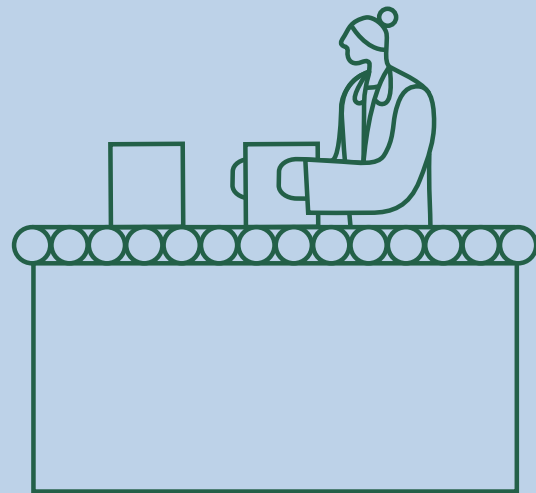
Employees from our headquarters joined the relief effort, led by the Santa Barbara Bucket Brigade, and began clearing debris from impacted areas. Gallon by gallon, the team worked to bring the community back to life.

This is what volunteering is about at Sonos: encouraging and supporting our employees to take time away from work to help a neighbor, friend, or colleague in need. At the same time, employees build stronger relationships with each other while doing something they're passionate about.





# Supply chain



High humanitarian and environmental standards are non-negotiable. We require our suppliers to treat their employees well, maintain safe working conditions, and strictly regulate their environmental impact.



# Supply Chain

## Approach

Sonos works to protect workers and the planet throughout company operations. Factories are audited by Sonos and third-party auditors to ensure compliance with our Supplier Code of Conduct, which uses the well-respected Responsible Business Alliance protocol as a basis.

Our audits assess key issues for workers, including working hours, safety, risk of occupational injury and illness, industrial hygiene, food, sanitation, and housing. We also examine environmental factors, such as permit compliance, pollution prevention, resource efficiency, chemicals management, and waste management.

## Performance

After rolling out our full audit program in 2018, we completed audits for 42 suppliers, 37 of which were done by our internal team. Our audits covered 74% of key suppliers.<sup>2</sup>

We pushed suppliers to make improvements to 510 issues identified in these audits, 78% of which were corrected per the targeted timeline. Of the 510 issues, one was critical, 261 were major, and 248 were minor. The critical issue was a missing environmental permit at one factory, which has been corrected.

## Goals

90% 2020      100% 2025

Key supplier factories audited

85% 2020      95% 2025

Critical and major issues closed within target time

## Future plans

In 2019 we will continue working toward our 2020 targets for audit coverage and remediation times.

<sup>2</sup> Key suppliers represent 80% of our supply chain spend.

# Prioritizing Worker Health and Safety

During an audit of one of our suppliers in 2018, we identified worker health and safety issues, including lack of proper ventilation and personal protective equipment.

We followed up with a list of remedial actions that would bring the factory up to standard, but the supplier was unable to comply within an acceptable time. Normally we prefer to work with an existing supplier to raise standards, but in this case, the level of risk to workers and lack of a rapid resolution made replacing the supplier the only viable option.

As a result of this audit, we identified an alternative supplier and are transferring our business in 2019. The new factory has automated technology for painting and polishing as well as the required protection for workers.



# Facilities



We strive to minimize our energy usage, carbon footprint, water usage, and waste generation.

# Facilities

## Approach

It's inevitable that our day-to-day operations will have an environmental impact. We're committed to keeping that impact to a minimum.

We start by conserving resources through efficient operations, using as little energy and water as possible, which in turn cuts carbon emissions. We then neutralize our carbon footprint with renewable energy credits (RECs) and carbon offsets, an ongoing effort as operations continue to grow year over year.

## Performance

In 2018 we neutralized 100% of our operational energy usage with RECs and 100% of our emissions from employee air travel with carbon offsets, making Sonos's operations carbon neutral.

Our global offices conserved resources locally by supplying community bikes, installing waterless urinals, and transitioning to electronic documents.

## Goals

**100%** **100%**  
2020 2025

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**Operational carbon emissions neutralized**

## Future Plans

We will continue to improve our conservation practices and maintain carbon neutral operations. In 2019, we will focus on reducing single-use plastics in our offices by supplying more reusable dishware.



# Powering Renewable Energy Solutions

We purchase carbon offsets annually to maintain carbon neutrality. This year our offsets directly funded the development of a hydropower plant in China, where many of our products are manufactured. The rapid growth in China's economy has increased the demand for fossil fuel-generated energy, causing significant air pollution and increased carbon emissions. Expanding China's renewable energy capacity is pivotal for local communities.

The plant, located in China's Guangxi province, is one of three hydropower plants in the area that generate clean, emission-free energy by diverting water from flowing rivers into hydraulic turbines. Combined, the sites generate 6,640 MWh power and avoid 3,214 tons of carbon dioxide annually. These power stations notably do not use dams, which can negatively affect the natural environment.

Beyond powering local homes with renewable energy, the stations also generate employment opportunities for residents. These projects have a lasting positive impact on the community while preserving air quality.

