

Corporate Social Responsibility Report 2013/14



Highlights

Credible and transparent with all stakeholders

The Hear the World Foundation, a Sonova Group initiative, was awarded the “COMPRIX 2013” for creative healthcare communication. We were also very pleased that our expanded external reporting and CSR activities have earned Sonova its place as a component of the STOXX® Global ESG Leader Index and the ECPI® Indices.

Broadest product offering in the industry

Sonova is the leading manufacturer of innovative hearing care solutions, present in over 90 countries across the globe. It offers its customers one of the most comprehensive product portfolios in the industry – from hearing aids to cochlear implants to wireless communication solutions. The Group operates through four core business brands: Phonak, Unitron, Advanced Bionics, and Connect Hearing.

Pushing the limits of technology to offer the best solutions

According to two representative surveys Sonova, through its Phonak and Unitron brands, is the preferred provider among hearing care professionals and rates a very high level of customer satisfaction. The surveys were conducted in 2013 among hearing care professionals in North America, Europe, and the Asia-Pacific region by an independent research institute acting on Sonova's behalf.

High innovation rate and fast product introduction

By building on 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 and consistently generate around 70% of our hearing instrument sales from products launched within the previous two years.

Bringing everyone win the delight of hearing

Since 2006, the Hear the World Foundation has been involved in over 55 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 2013/14 was CHF 1.5 million.

Highly dedicated employees win the minds of our customers

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 figure of 10.2%. At our Asian production sites in China and Vietnam, a sophisticated structure of clear progression and career paths has been very successful in retaining staff and is reflected in a turnover rate of 7.6%.

Taking responsibility for our actions toward 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. In 2013, Sonova recorded a sharply lower relative CO₂eq emission value per unit produced, down 11.4% compared with the previous year.



BRAZIL PHOTO REPORT

Sonova's CSR Report complements the focus on Brazil in this year's Annual Report with photos illustrating our commitment to sustainable growth in one of the world's biggest emerging markets. See how Sonova creates new opportunities for all our stakeholders – and for our planet.



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Front cover picture:

The Phonak children's program facilitates optimal care for children and provides workshops for parents, teachers, and audiologists.

A message from the CEO

At Sonova, we pursue the vision to bring everyone the delight of hearing, while taking responsibility for our actions towards our customers, employees, the environment, and future generations.



Dear Reader

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

Continuous innovation is as essential in Sonova's environmental and social roles as it is in our business practices. We are therefore proud to be listed, for the first time, as a component of the STOXX® Global ESG Leaders Index, which tracks the top leading companies in terms of corporate sustainability.

Our progress in environmental matters is evidenced by a sharply lower relative carbon footprint per unit produced despite the continuous growth of our operations.

Our uninterrupted progress in social sustainability is underlined by a steady and encouraging improvement in our already low employee turnover rate and a very high employee satisfaction rate.

Over the past year, we have extended our commitment towards the Hear the World Foundation by adding a further component: alongside our financial and technological project support, employees of the Sonova Group contribute their personal, voluntary involvement and specialist expertise as the third pillar of our Foundation. This strongly supports our vision.

Sonova currently reports according to the requirements of the Global Reporting Initiative (GRI) Application Level B. In the 2014/15 fiscal year, Sonova will start reporting in accordance with the newly-released Global Reporting Initiative (GRI) G4 Guidelines to be aligned with the newest reporting standards.

In the years to come we aim to further continue raising our sustainability performance by maintaining dialog with our key stakeholders and by launching and implementing relevant programs. We invite you to follow and support us on this journey.

A handwritten signature in dark ink, appearing to read 'L. Braunschweiler'.

Lukas Braunschweiler / CEO

This is Sonova

At Sonova, our vision is straightforward: we foster a world where every hearing loss has a solution and all people equally enjoy the delight of hearing. We aim to be the most respected hearing care company in the world – in social as well as business terms.

Sonova Holding AG, headquartered in Staefa, Switzerland, is the leading manufacturer of innovative hearing care solutions. Founded in 1947, the Group is currently present in over 90 countries across the globe and has a workforce of over 9,000 dedicated employees. Sonova generated sales of CHF 1.95 billion in the 2013/14 financial year, with a normalized net profit of CHF 430 million.

Sonova is a technology driven company, but the purpose of our technology is all about helping people. Through our support for the Hear the World Foundation, we pursue our vision of a world where everyone enjoys the delight of hearing and can live a life without limitations.

Sonova offers its customers one of the most comprehensive product portfolios in the industry – from hearing aids to cochlear implants to wireless communication solutions. The Group operates through four core business brands: Phonak, Unitron, Advanced Bionics, and Connect Hearing.

Brands

Phonak and Unitron are active in the design, development, manufacture, distribution, and service of hearing instruments and related products. Research and development is based in Switzerland, with some activities also performed in Canada. Hearing instrument production is concentrated in three production centers in Switzerland, China, and Vietnam. The Group's distribution channels vary from country to country depending on each market's characteristics and the relevant sales strategy.

We are in the process of grouping our service network of hearing care professionals under the Connect Hearing brand. The Connect Hearing Group assures exceptional and state-of-the-art audiological care for our customers, presented in a modern, attractive environment and backed by the highest technological standards in hearing aids and in-store diagnostic and fitting equipment.

Sonova serves cochlear implant customers through the Advanced Bionics brand. Research and development as well as marketing activities of Advanced Bionics are predominantly based in the United States and Switzerland, while production takes place in the United States. Products are distributed through sales organizations in the individual markets.

Awards

Sonova's innovation and business success have brought it numerous further awards during the 2013/14 financial year:

Phonak was recognized as Company of the Year at the 2013 British-Swiss Chamber of Commerce Business Awards for its engagement in both the British and the Swiss market. The Phonak Naída Q hearing aid received Germany's prestigious Plus X Prize for innovative technologies, sport and lifestyle products. At the 19th Annual Communicator Awards, an international awards program in marketing and communication, Phonak's "HearingLikeMe" online community was awarded three prizes: the Gold Award of Excellence in the "Integrated Campaign/Business-to-Consumer" category and two Silver Awards of Distinction in the "Health Website" and "Community Website" categories.

Unitron received the 2014 iF product design prize for its Moxi Kiss hearing instrument, which was chosen from among more than 3,200 entries by a jury of prominent designers.

Six prestigious Stevie® Awards were given to Advanced Bionics at the 10th Annual International Business AwardsSM, including Gold Stevies for Best New Product of the Year (Health and Pharmaceuticals), awarded for ClearVoice™ sound processing, and Best App in the Shopping category for the "Build myNeptune" application.

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Business ethics and governance

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

Our shared core values and beliefs of innovation, engagement, and responsibility reflect the corporate culture that defines and unites us as a company across all brands and regions. 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 are active while also abiding by our internal rules and regulations.

Code of Conduct and internal regulations

Sonova's Code of Conduct provides general principles for ethical behavior and applies to all employees within 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 14 languages, including Chinese and Vietnamese.

All Sonova's workforce was trained in the 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 audits on ethical standards and reports 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 the 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 2013/14 financial year, efforts focused on further developing the compliance organization and implementing the Anti-Bribery Policy and related measures. Training, infor-

OUR VALUES



INNOVATION

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

We offer the best solutions to our customers.

We continuously push the limits of technology.

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



ENGAGEMENT

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

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

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



RESPONSIBILITY

We strive to be credible and transparent towards all stakeholders.

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

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

mation, and communication are essential components of effective compliance: Sonova further strengthened its compliance program by establishing dedicated compliance trainings sessions, creating targeted information tools, and instituting quarterly compliance reporting to the Audit Committee.

Sonova maintains a compliance hotline as another key element of its compliance program. 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.

Anti-bribery

Sonova is committed to high standards of integrity in dealing with its business partners and to compliance with all applicable anti-bribery laws, including the Swiss Criminal Code, the UK Bribery Act and the US Foreign Corrupt Practices Act. Sonova's Anti-Bribery Policy refines the rules of the Code of Conduct and prohibits all forms of corruption. The Policy, like the Code of Conduct, is available in 14 languages.

As a global healthcare company, we also recognize that many countries have specific regulations governing the 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.

Potential bribery / corruption risks are an integral component of our standard due diligence for business partners.

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.

Sonova performs an annual group-wide bribery/corruption risk assessment which takes into account the 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.

Human rights

Sonova believes in treating everyone with respect and fairness at all times. We value the varying experience of diverse individuals from around the world. All employees within the Sonova Group, as well as its business partners, are expected to comply with internationally-recognized human rights standards.

Sonova values the varying experience of diverse individuals from around the world.

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

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.

Taxes

Sonova Holding AG is the ultimate holding company of a Swiss-based multinational group. The headquarters is located in the Canton of Zurich where Sonova Holding AG, as a holding company, is exempted from cantonal income taxes. From its base in Switzerland, the company distributes internationally in over 90 countries world-wide, including about 30 countries with their own distribution organizations. Sonova maintains legal entities in those countries with the purpose of hosting commercial distribution activities, not tax optimization.

Corporate governance

At Sonova, corporate governance is based upon and structured to conform with international standards and practices. The company fulfils its legal duties under the relevant articles of the Swiss Code of Obligations, the SIX Swiss Exchange Directive on Information Relating to Corporate Governance, and the standard defined in the Swiss Code of Best Practice for Corporate Governance.

Board of directors and executive management

Sonova's corporate structure includes a two-tier board. 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 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 is chaired by Robert F. Spoerry, a non-executive member.

The Board of Directors constitutes itself. It appoints a Chairman, Vice-Chairman, and Secretary. The Secretary does not need to be member of the Board. In accordance with the Organizational Regulations, the Board has appointed an Audit Committee and a Nomination and Compensation Committee.

After Heliane Canepa stepped down from her role on the Board of Directors at the 2013 Annual Meeting General Shareholders' Meeting, Sonova nominated Stacy Enxing Seng as a new board member for election at the 2014 Annual General Shareholders' Meeting. Her election would ensure the presence of at least one woman on the Board.

The Management Board is responsible for the preparation, implementation, and monitoring of the strategic roadmap; the management of their respective Group functions; and the preparation, implementation, and delivery of the annual plan and budget. 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.

Remuneration

The Sonova compensation system has three main elements: a fixed base salary, a variable cash compensation that reflects the individual, team, and company's performance during the particular fiscal year, and – for selected executive managers and employees – a long-term incentive element under the Executive Equity Award Plan (EEAP). Performance is measured in terms of financial metrics such as sales, operating expense, EBITA, and earnings per share. Vesting under the EEAP for Management Board members is subject to reaching a pre-defined minimum return-on-capital-employed target.

Individual remuneration for members of the executive board consists of a fixed salary plus variable bonus components. The variable remuneration of the executive management is linked to EBITA and long-term performance. Variable remuneration is limited to 200 % of the target bonus. Approximately 5 % of our employees worldwide are eligible to participate in the EEAP long-term incentive plan.

Procurement organization

Sonova's procurement relies on long-term partnerships. Our product technology demands highly sophisticated and technically advanced production equipment and processes. Our partners' manufacturing facilities are located all around the globe.

Sonova has a centralized procurement organization, chaired by the Head of Corporate Procurement and overseen by the VP Operations. Strategic decisions are all made within the Corporate Procurement Team, which is hands-on and close to day-to-day operations.

The Corporate Procurement Team coordinates global supplier management across all purchasing functions. The team's functions include supplier qualification and selection, on-going supplier management and performance management, and supplier termination. The team continuously reviews principles, standards, strategies, processes, and supplier performance – including each supplier's CSR management – against Sonova's requirements and suggests improvements. These reviews ensure that each supplier maintains active oversight throughout the procurement process and product lifecycle.

New supplier qualification and continuous supplier management

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

Sonova requires that all our suppliers be as committed to sustainable development as we are.

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

CSR Steering Committee

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

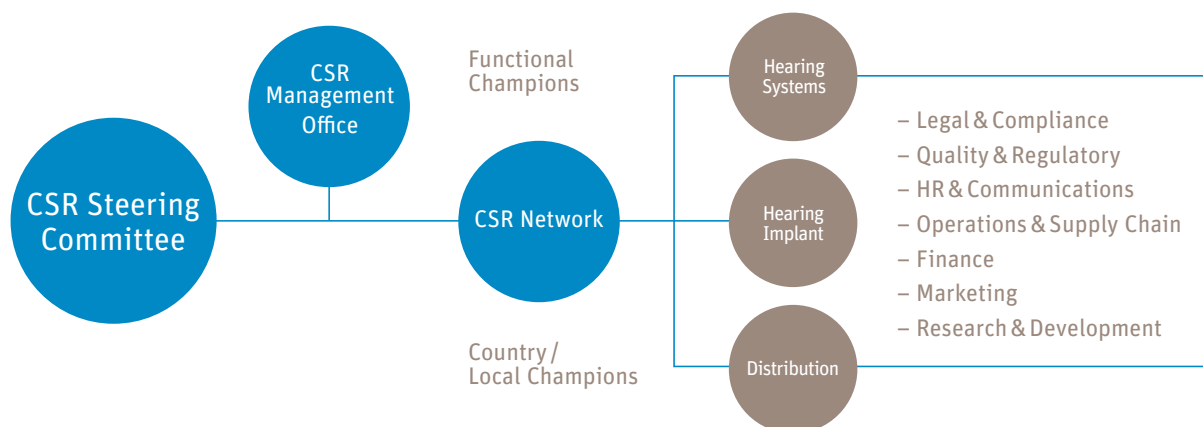
CSR Management Office

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

CSR Network

The CSR organization is supported by a global network of CSR champions from two categories: functional champions and country champions. CSR functional champions are linked to group-wide business functions; they connect with the CSR Management Office on relevant functional issues. CSR country champions represent one or all Sonova group companies in a given territory and are responsible for gathering data and implementing CSR initiatives locally.

CSR ORGANIZATION





At Phonak's House of Hearing, the focus is on good hearing, hearing loss, and innovative solutions. The House of Hearing concept is unique to Brazil; it opens its doors to anyone with an interest in the topic, from teachers seeking instruction on using wireless systems to trade journalists seeking background information about new products and services.

Stakeholder engagement and materiality

Sonova strives for credibility and transparency with all its stakeholders. Materiality assessment and stakeholder dialog keep us focused on relevant means to provide the greatest benefit to our stakeholders and ourselves.

Stakeholder dialog

Sonova actively initiates dialog with its stakeholders 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, sharing knowledge, and generating innovative solutions.

Capital markets

As a publicly listed company, Sonova pursues an open and active information policy. A governing principle of this policy is to treat all stakeholders alike and to inform them at the same time. We actively interact with capital market participants at roadshows, external investor days, and conferences such as AudiologyNOW!, the American Academy of Audiology's annual meeting, and the EUHA (Europäische Union der Hörgeräte-akustiker e.V.) Congress.

Customers

At Sonova, we have the advantage that we can use our global presence to obtain extensive customer feedback. We have close, productive relationships with a broad range of customers, including end-users, distributors, hearing care professionals, clinics, and reimbursement authorities.

Sonova, through its Phonak and Unitron brands, rates a very high level of customer satisfaction.

According to two representative surveys Sonova, through its Phonak and Unitron brands, is the preferred provider among hearing care professionals and rates a very high level of customer satisfaction. The surveys were conducted in 2013 among hearing care professionals in North America, Europe and the Asia-Pacific region by an independent research institute acting on Sonova's behalf. In one survey 1,115 hearing care profes-

sionals in 11 countries anonymously provided information on brand awareness and preference. In another survey among Phonak and Unitron customers, a total of 1,806 hearing care professionals in 24 countries were asked about their level of satisfaction. The result showed a very high level of overall satisfaction with all aspects of surveyed performance for both brands.

Advanced Bionics conducts surveys throughout the year to gain insights into future innovations. Survey participants provide valuable information and ideas for advancing future products and services – helping to create tomorrow's breakthroughs.

As well as its ongoing studies on customer satisfaction and specific studies on focus topics, the Sonova brands run their own online communities. Launched in March 2012, HearingLikeMe.com brings together people whose lives have been touched by hearing loss. More than 12,000 users worldwide – those with hearing loss, parents, spouses, and hearing care professionals – benefit 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. A community of hearing health professionals and cochlear implant recipients, the BEA offers important support services to help recipients "Hear and Be Heard."

Employees

Sonova actively engages with its employees through its appraisal process and through regular employee satisfaction surveys. The annual employee appraisal meeting is an essential tool to clarify satisfaction, provide feedback, and define expectations for behavior and performance. It assists with each employee's personal and professional development and helps build trusting relationships by providing a structure for open dialog. Over the last seven years our employee turnover rate has fallen to a very low level – 10.2% – while our global employee satisfaction rate has remained above 80%.

Regulatory authorities

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

Academic partnerships

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

Materiality approach

Material issues are those that create value for our internal or external stakeholders by avoiding potential risk, improving operational efficiency, or raising reputation. The materiality matrix below lays out the business, social and environmental topics that affect our business activities and therefore require our close attention. To define them, we conducted a systematic assessment of topics with relevance to Sonova and our stakeholders. A panel of experts representing Sonova's top management, group companies, and functional divisions across all geographical regions appraised each topic for its level of relevance both to our stakeholders' expectations and to Sonova's interests.

As a medical technology company, Sonova already complies with numerous international, governmental, and industry regulations, standards, and agreements. Moreover, we have always been committed to environmental and social issues, treating them as an integral part of our business activities. In the 2014/15 fiscal year, Sonova will start reporting in accordance with the newly-released Global Reporting Initiative (GRI) G4 Guidelines; this will entail a broad-based reappraisal of our material aspects.

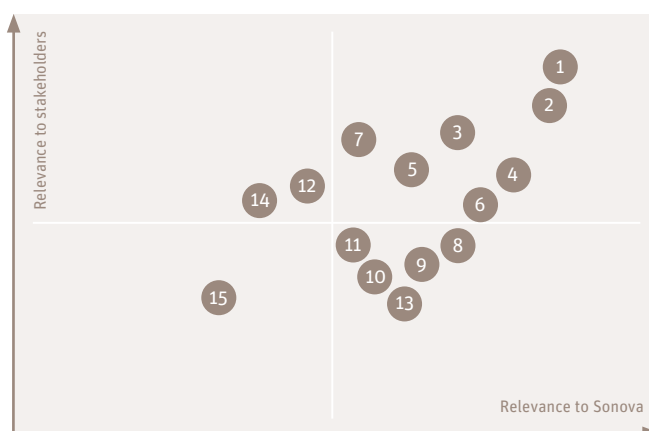
Group risk management

Risk management at Group level is an integral part of business practice and supports the strategic decision-making process. Risk assessment is both "top-down" and "bottom-up" and includes 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 responsibility for risk assessment and monitoring is allocated to the internal audit department. The Management Board, along with the Group companies and functional managers, supports the annual risk assessment and is responsible for the management of risk mitigating initiatives. The Board of Directors discusses and analyses the Group's risks at least once a year at its strategy meeting.

MATERIALITY MATRIX

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





For Sonova, the growth potential in emerging countries like Brazil is even greater than in our established markets. Such opportunities present unique challenges: the aspirations of millions of new consumers are met through new approaches. We unlock the potential of emerging markets with the key of continuous innovation – in the what, the how, and the way we distribute.



Market and economic performance

Sonova is the most comprehensive hearing care provider in the industry. We are uniquely qualified to deliver a full spectrum of solutions, treating all major forms of hearing loss.

Hearing loss – an underestimated problem

Hearing loss continues to be an underestimated problem, although the numbers paint a clear picture: 15 % of the world's adult population, over 600m people, are affected by hearing loss. Around 660,000 children are born with significant hearing loss annually. The proportion of people affected by hearing loss continues to rise, due both to the aging of our societies and the growing noise pollution in our environment.

Serving an attractive and growing market

The hearing aid market continues to grow, driven by long-term socioeconomic forces. It is also a diverse market, requiring a broad range of technologically advanced solutions and extensive customer service channels. At the same time, the market is still relatively under-served: We estimate that, while in developed markets 70 % of people with severe-to-profound hearing loss have hearing aids to help them, only 10 % of those with mild-to-moderate hearing loss currently use hearing instruments. Younger or less affected people are increasing adoption, however, as technology moves toward ever better sound quality and smaller, more discreet devices. For every preference and individual lifestyle, there is now a hearing solution that can greatly improve quality of life. Sonova is ideally positioned to benefit from the trends in this growth market.

We see significant and promising market opportunities in the cochlear implant market. This market is still relatively young: the first implant only gained FDA approval in 1984. Cochlear implants bring the promise of greatly improved hearing experience and clear, intelligible speech to children and adults with significant hearing loss.

Leadership driven by innovation

The core of Sonova's innovation strategy is to maintain full product and solution development pipelines: we target a gross spending on research and development of around 7 – 8 % of sales. The hearing care market responds strongly to innovation and there is ample room for further progress – in instruments, software, and services. By building on 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 and consistently generate around 70 % of our hearing instrument sales from products launched within the previous two years.

Solid financial results

Consolidated sales for the Group were CHF 1,951 million, up 8.7 % in Swiss francs and 11.7 % in local currencies. Both the hearing instruments and cochlear implants segment and all major regions contributed to the increase. Driven almost exclusively by organic growth, sales in the hearing instruments segment reached CHF 1,756 million, an increase of 6.5 % in Swiss francs and 9.5 % in local currencies. The business outpaced the estimated market growth rates and further expanded the Group's leading market position. The cochlear implants segment achieved sales of CHF 195 million, an increase of 33.1 % in Swiss francs and 36.0 % in local currencies. The profitability improved strongly, reaching CHF 12.8 million, representing an operating margin of 6.6 %.

Group EBITA reached CHF 430.1 million, up 11.6 % in Swiss francs and 16.7 % in local currencies versus the prior year (normalized for the effect of one-off costs). Operating margin improved by 50 basis points to 22.0 %, despite adverse currency impact. The Group's strong cash flows resulted in a sound end-of-year balance sheet and solid net cash position of CHF 311.5 million. The Board of Directors proposes to the 2014 AGM a dividend of CHF 1.90, up 19 % from prior year.

Looking ahead – a further step towards our targets

The strong results in the 2013/14 financial year prove the effectiveness of our strategy and confirm our confidence that we can achieve our mid-term financial targets. The coming year will see Sonova continue to build on its market-leading positions, maintain a high pace of innovation, and expand in attractive markets through advanced products and solutions. We expect to sustain profitable growth in fiscal year 2014/15, with consolidated sales anticipated to rise by 7 % – 9 % in local currencies.



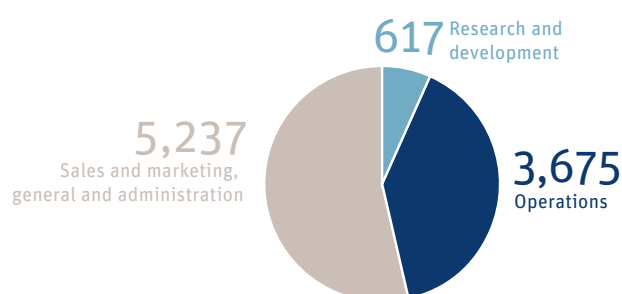
Over 70 percent of the employees at Phonak do Brasil, the Sonova subsidiary in Brazil, are women, many of them in executive positions – such as Marilisa Zavagli, who took over as managing director in 2013.

Employees

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.

EMPLOYEES BY ACTIVITY

Full time equivalent (as of March 31, 2014)



Our leadership philosophy

At Sonova, we strongly believe that the way we lead and work together with our collaborators, customers, and other stakeholders is what sets us apart. Making the best use of our strengths and tapping the full potential of our employees' talents is essential to meeting our business goals in the long term. The Sonova Leadership Principles reflect and build on our shared, group-wide leadership understanding. By implementing and living up to the Sonova Leadership Principles, we achieve our objectives and fulfil our mission in a sustainable way.

These leadership abilities, having been discussed by our group management team, were encapsulated in the Sonova Leadership Competence Model, which was rolled out Group-

wide through a series of local workshops in 2013. All of our leaders will be assessed against this model in their annual appraisal process to ensure that it remains firmly anchored in our leadership culture.

The Sonova Leadership Competence Model also represents an important reference for selecting, developing, and promoting future leaders to secure continued long-term success for our business. It supports our aim to achieve a sustainable internal leadership recruitment rate.

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 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.

Our employees are key to our success

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 the key to sustainable success is developing talent with the goal of ensuring internal succession. Appointing internally to key

EMPLOYEES BY REGION

Full time equivalent (as of March 31, 2014)

	2013 / 14	2012 / 13	2011 / 12	2010 / 11	2009 / 10
Switzerland	1,189	1,127	1,096	1,141	1,026
EMEA (excl. Switzerland)	2,531	2,377	2,231	1,925	1,479
America	3,451	3,304	3,014	2,962	2,805
Asia / Pacific	2,358	2,144	1,882	1,812	1,533
Total	9,529	8,952	8,223	7,840	6,843

FULL-TIME EMPLOYEES

(as a percentage of employees)

	2013/14	2012/13	2011/12
Switzerland	81.8	82.0	82.6
EMEA (excl. Switzerland)	82.1	82.4	87.2
America	95.6	94.7	94.5
Asia / Pacific	94.8	94.0	94.7
Total	90.4	90.0	91.0

PERMANENT CONTRACT EMPLOYEES

(as a percentage of employees)

	2013/14	2012/13	2011/12
Switzerland	97.7	98.6	97.8
EMEA (excl. Switzerland)	96.8	98.0	98.0
America	99.7	99.7	99.7
Asia / Pacific	94.7	98.9	98.8
Total	97.5	99.0	98.8

positions as well as retaining and developing skilled personnel help to ensure that Sonova's knowledge and intellectual property remain within the company, sustaining our competitive advantage.

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 figure of 10.2 %. At our Asian production sites in China and Vietnam, a sophisticated structure of clear progression and career paths has been very successful in retaining staff and is reflected in a turnover rate figure of 7.6 %. The average tenure of our managerial staff is 8.2 years, while the total average workforce tenure is 5.8 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)

	2013/14	2012/13	2011/12	2010/11
Switzerland	8.8	7.3	12.7	11.2
EMEA (excl. Switzerland)	8.4	9.9	11.3	11.6
America	15.6	13.7	18.4	19.1
Asia / Pacific	9.6	14.5	17.6	18.6
Total	10.2	11.5	15.5	16.1

Overall, for every Swiss franc Sonova invests into its employees, the company receives 1.60 in return. This so-called human capital return on investment (HC ROI) compares with an

average multiple of 1.31 for our benchmark sector. 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.

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 40 within the next 2 – 3 years; this will represent approximately 4 % of our workforce at the group's 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).

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 manage proactively the risk of losing expertise in key positions while at the same time identifying and developing the talents for internal succession.

Sonova Academy

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.

Diversity

Engaging diverse teams is another of Sonova's keys to success. We make great efforts to offer a work structure and culture that fosters co-existence of family and work life, for both men and women. Our attractive work environment helps us to employ a well-balanced mix of different skills and personalities. We offer flexible working hours, part time work, job sharing, and home office work. In all our production sites, where shift work is standard, employees returning from maternity leave can choose a working level between 50 % and 100 % for their first year. We operate our own day care centre 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 to have 37.2 % of our management positions filled by women.

RATIO WOMEN IN LEADERSHIP POSITIONS

(as a percentage of employees)

	2013/14	2012/13	2011/12
Switzerland	21.3	21.6	19.9
EMEA (excl. Switzerland)	36.6	35.1	31.0
America	42.3	42.4	41.7
Asia / Pacific	44.3	43.3	42.5
Total	37.2	37.0	35.5

RATIO WOMEN IN EXECUTIVE POSITIONS

(as a percentage of employees)

	2013/14	2012/13	2011/12
Switzerland	10.7	13.5	15.7
EMEA (excl. Switzerland)	25.2	26.0	26.2
America	27.8	38.8	24.8
Asia / Pacific	18.2	19.6	22.2
Total	20.9	22.0	22.4

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.

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 continually 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.

OCCUPATIONAL HEALTH & SAFETY

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

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 occupational health & safety table. 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 0.31. The IR figure at our hearing instrument manufacturing sites in China and Vietnam is zero (0.00) for the 2013/14 fiscal year; it has been kept below 0.32 for the past three years.



At the beginning of the new millennium, Sonova was one of the very first companies to start digitally producing shells for In-The-Ear hearing aids, followed by custom earpieces for Behind-The-Ear and Receiver-In-Canal hearing aids. This fascinating 3D production process is also implemented in Brazil.



Product responsibility

Sonova is committed to compliance with applicable health and safety regulations throughout the product lifecycle. Excellent health and safety performance supports our competitive position and provides value for our customers, employees, and all other stakeholders.

Customer driven innovation

At Sonova, we pay close attention to the views and expectations of the people who use our technology every day and the hearing care professionals who work with our solutions to provide optimal care. We combine this input with our own deep technological and audiological know-how to challenge the limits of technology and strive for ever better solutions. We keep our pipeline of new products full through our relentless determination to help yet more people hear the world.

Regulatory

Sonova's medical devices are regulated by government agencies, healthcare authorities, and other regulatory bodies worldwide. We are committed to maintaining constructive and professional relationships with regulatory authorities on policy, product submissions, compliance, and product performance. These include design controls, marketing approvals, good manufacturing practices, vigilance systems, clinical studies, and any other product regulations and controls required by government agencies.

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

As a manufacturer of medical devices, we are required by regulatory authorities to demonstrate the biological safety of our products with body contact for both implant and external applications by complying with the international standard ISO 10993-1:2009.

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

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

Cochlear implants and their respective accessories from the Advanced Bionics brand are classified as active implantable medical devices (Class III-AIMD), which are regulated by the EU Active Implantable Medical Devices Directive AIMDD 90/385/EEC and must generally undergo a formal PMA process wherever they are launched.

Training

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

Associations

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).

Approvals in 2013/14

Advanced Bionics received multiple regulatory approvals during this year: from the US Food and Drug Administration (FDA), Australia's Therapeutic Goods Administration (TGA), the China Food and Drug Administration (CFDA), Japan's Pharmaceuticals and Medical Devices Agency (PMDA), various European agencies and regulators in other key markets worldwide. These approvals most notably covered the Naída CI Q70 sound processor, the new HiFocus™ Mid-Scala electrode array, and the HiRes™ Optima sound processing algorithm.



Parents of children with hearing loss receive information both from the audiologist and from the “Programa Infantil Phonak.” This children’s program at Phonak Brazil facilitates optimal care for children and provides workshops for parents, teachers, and audiologists.

Community involvement

At Sonova, we take responsibility beyond our business activities. As a global corporate citizen, we help people hear the world by providing highly innovative solutions and support through our Foundation, programs, and employee volunteering activities.

Hear the World Foundation

The Hear the World Foundation, a Sonova Group initiative, has as its stated mission to help people with hearing loss who otherwise would be left unaided. 80 % of people with hearing loss live in countries with low-to-medium income and often have no access to audiological and 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.

Since 2006, the Hear the World Foundation has been involved in over 55 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 2013/14 was CHF 1.5 million. The Sonova Group also provides the Foundation with staff, along with administrative support in finance, legal, and export handling.

Campaigning against hearing loss on a global scale

As well as the projects that the Hear the World Foundation implements all over the world in cooperation with its network of partners, 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 joint "4EARS" campaign, run by the Hear the World Foundation and the Connect Hearing Group, is another program to help children in need: for every Connect Hearing customer who takes a hearing screening, Connect Hearing will donate 10 US dollars to the Hear the World Foundation.

Employee involvement

Three Sonova employees were 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. In addition, two programs were launched that involve employees directly in Hear the World Foundation work: the Employee Volunteering

Sonova employees volunteered the equivalent of more than 70 days to the Hear the World Foundation.

Program gives all Sonova employees the chance to apply for volunteering missions in support of Hear the World Foundation projects. The Employee Fundraising Program encourages employees to establish and run their own fundraising projects to benefit the Hear the World Foundation.

One volunteering program in the 2013/14 fiscal year was a mission trip to Haiti. Prior to the trip, the team ran various fundraising initiatives and raised 8,000 US dollars, matched by Phonak US for total donation to provide local financial support of USD 16,000. A group of six volunteers from Phonak US traveled to the village of Lévêque (known as a community where people with hearing loss gathered from all over Haiti after catastrophic earthquake of 2010) and spent five days conducting hearing assessments on many adults and more than 30 children in the community. During the 2013/14 financial year, Sonova employees volunteered the equivalent of more than 70 days to the Hear the World Foundation and raised more than CHF 30,000 for its activities.

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

Engagement by Sonova Group companies

In addition to the Hear the World Foundation, which is a group-wide initiative, Sonova's group companies contribute support through their own individual programs by 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.



More than 20 million people live in the Greater São Paulo area. New skyscrapers are shooting up, traffic is permanently gridlocked, and those who can afford to travel instead by helicopter. The city has the world's greatest concentration of landing pads.

Environmental issues

Sonova has made an explicit commitment to continuously monitor and optimize environmental performance across the Group. We reduce our environmental impact through responsible, efficient management of our products, services, and infrastructure.

Environmental management

As a manufacturer, distributor, and retailer of hearing aids and implants, Sonova is a company with a relatively low environmental impact. We nevertheless 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 act 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 further continuously reduce its environmental impact by adopting all technically and economically feasible improvements, 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 confine our environmental standards to our own operations, but consider them equally crucial in selecting our suppliers.

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

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 manufacturing and distribution centers of the Sonova Group are planned to achieve this certification during the 2014/15 fiscal year.

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 2013 (or in previous years) for noncompliance with environmental laws or regulations.

Environmental data 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 table on the next page shows environmental data from Sonova Group companies that operate as headquarters, manufacturing sites, or wholesale distribution, therefore excluding Group companies with retail activities only. Tier 1 comprises the eight most energy-consuming Group companies, which account for 91% of Sonova's reported energy consumption and carbon footprint in terms of heating and electricity use.

Scope 1&2 energy consumption as well as other environmental performance figures for Group companies with retail activities only are monitored where feasible (due to their decentralized organizational structure and small, often rented facilities), but not included in this report.

Overall, the entities covered in the environmental data reporting – that is, those with consistent reporting from 2011 to 2013 – account for 95% (2012: 91%) of Sonova's employees (excluding employees of Group companies with retail activities only).

Energy and climate

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.

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 2013, 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 as far as data availability allows. In previous years, our data have been restricted to business-related air travel by employees of Sonova facilities in Switzerland. For 2013, we have collected business-related air travel data on a group-wide level. In future years we aim to expand our Scope 3 monitoring activities further to include emissions resulting from transportation and distribution of our products.

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 62 – out of a maximum of 100 points – in 2012, we successfully increased our score to 74 in 2013. We plan strong efforts to further improve our disclosure and performance score by setting clear targets and reducing our carbon footprint.

KEY ENVIRONMENTAL DATA

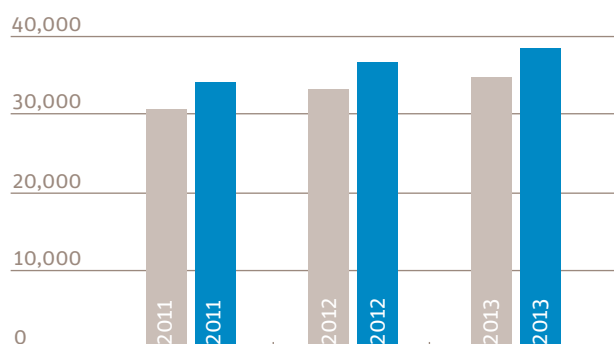
		2013		2012		2011	
	Unit	Tier 1	Sonova Group	Tier 1	Sonova Group	Tier 1	Sonova Group
ENERGY CONSUMPTION							
Total energy consumption	MWh	34,799	38,443	33,291	36,660	30,724	34,192
Combustion (scope 1)	MWh	11,650	12,385	10,140	10,905	6,894	7,804
Electricity (scope 2)	MWh	23,149	26,058	23,151	25,756	23,830	26,388
CARBON FOOTPRINT							
Total carbon footprint	t CO₂ eq	18,863	20,807	18,689	20,415	18,431	20,123
Combustion (scope 1)	t CO ₂ eq	2,297	2,440	2,070	2,219	1,468	1,654
Electricity (scope 2)	t CO ₂ eq	16,566	18,367	16,619	18,196	16,963	18,478
WASTE							
Normal waste sent to disposal	t	787	1,043	829	1,058	685	917
Hazardous waste	t	52	54	52	54	46	46
WATER							
Total water withdrawal	m ³	98,093	113,732	93,874	111,147	76,062	93,810
AIR EMISSIONS							
Volatile organic compound (VOC)	l	1,754	2,097	2,467	3,116	1,924	2,577

Energy consumption and carbon footprint from heating and electricity

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 4.9% to 38,443 megawatt-hours (MWh) in calendar year 2013. Tier 1 Group companies showed a 4.5% increase in energy consumption to 34,799 MWh.

ENERGY CONSUMPTION

TIER 1 IN MWH SONOVA GROUP IN MWH



In line with the increased absolute energy consumption at Group level, the absolute carbon footprint of Sonova Group increased by 1.9% to 20,807 tonnes of CO₂ equivalents (CO₂eq). For the Tier 1 sites, the emission values for 2013 increased 0.9% from the previous year to a total of 18,863 tonnes of CO₂eq.

The main sources for this increase were increased headcount and higher production at all our manufacturing centers. In 2013, Sonova recorded a sharply lower relative CO₂eq emission value per unit produced, down 11.4% compared with the previous year, which demonstrates the improved energy efficiency of our infrastructure and production processes.

Energy efficiency

After a fall of 2.5% in total energy consumption at the headquarters in Stäfa in 2012, we further reduced this figure by 13.5% in 2013 to 6,292 megawatt-hours (MWh). The reduction mainly reflects the completed replacement of the main building cooling system and other measures commenced prior to 2013 which showed their first effects in the period under review.

In December 2013, we completed the remodeling of our manufacturing building at Aurora, Illinois, USA. This included several measures to boost the building's energy efficiency, including replacing the HVAC (Heating, Ventilation and Air Conditioning) system, improving roof insulation, specifying energy efficient lighting systems, and building an enclosed

receiving dock where truck deliveries are unloaded without losing conditioned air to the outside.

Monitoring transportation and distribution

Sonova is a global company: business-related air travel is essential to maintain and improve our operations, and to keep in touch with our internal and external stakeholders. Over the last three financial years, we have monitored business air travel originating at all Sonova facilities situated in Switzerland. A comparative assessment of flight distances and corresponding indirect greenhouse gas emissions saw an increase of 52% for 2013 due to our growing business.

In 2013, for the first time, we evaluated and estimated the carbon footprint of our business-related air travel activities on a Group-wide basis. The estimated carbon emissions from these activities were 9,600 tonnes of CO₂eq in 2013. This is around half the amount of reported emissions under Scope 1 and 2. A project team from Sonova's High Potential Program will investigate the future potential of substituting alternative communication solutions for business-related air travel.

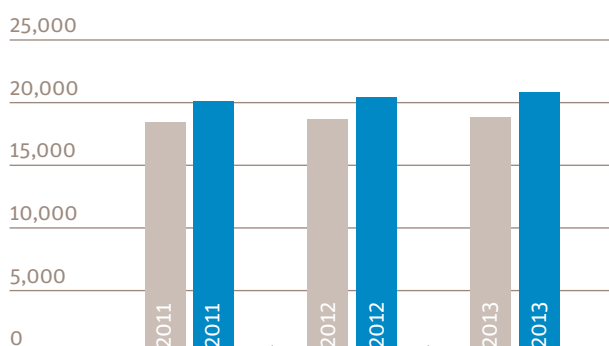
Sonova also estimated the 2013 carbon footprint impact of its corporate car fleet. All vehicles purchased, leased, or rented by the Sonova Group companies were taken into account. The average carbon emissions for a single vehicle were evaluated at 151 grams CO₂/km. The estimated total carbon footprint of Sonova's corporate car fleet is therefore around 5,900 metric tonnes per year. In future, Sonova aims to reduce the carbon footprint of its corporate car fleet and to achieve average carbon emissions of 140 grams CO₂/km. As an example, Phonak US successfully realized a 32% reduction in CO₂ output by adding new car types to its corporate fleet.

Employee commuting

As the availability of public transport differs across countries, our initiatives to promote environmentally friendly commuting are influenced by the local infrastructure. The proportion

CARBON FOOTPRINT

TIER 1 IN TONNES OF CO₂EQ SONOVA GROUP IN TONNES OF CO₂EQ



of employees who commute to the Stäfa headquarters by public transportation is 42.8 %. Our mobility program provides incentives to use public transport, accompanied by targeted awareness campaigns.

To meet the needs of employees and to set new grounds for environmentally friendly commuting, Advanced Bionics in Valencia, California, has installed two charging stations for electric vehicles. This initiative reflects the spirit of Advanced Bionics' newly-received ISO 14001 certification for its environmental management system.

Materials

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

Substances classified as hazardous include solder paste and wire, paint, organic solvents, oil emulsions, mineral oil, and water-based cleaning solution. Employees who work with chemicals and hazardous substances, or come into contact with them, are regularly trained in their safe handling.

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. Despite substantially increased group-wide production volume and total headcount in 2013, we achieved a decrease of 1.4 % to 1,043 tonnes in our solid waste. Materials which can be recycled or reused – such as paper, cardboard, bottles, organic materials and others – are separated and sent for recycling.

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 2013, but the amount of disposed hazardous waste remained stable at 54 tonnes.

As can be seen in the table, the amount of hazardous waste increased from 2011 to 2012. This was largely due to the need to renew machine fluids such as oils during maintenance as required by manufacturers' instructions, or when production equipment was moved from one facility to another.

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 rain-water in a subsurface tank during the rainy season and use it to irrigate the garden area in the dry season. We return the water to the sewage water system without contamination. In absolute terms, water consumption increased at Group level in 2013 by 2.3 % to 113,732 cubic meters (m³). Relative water consumption slightly decreased from 19.5 to 19.4 m³ per employee.

Product environmental footprint

Sonova performs a Life Cycle Assessment (LCA) as part of each product's research and development phase. We aim to reduce the use of hazardous substances, avoid other environmental risks, minimize consumption of resources, and design for recycling and easy end-of-life treatment.

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

Cochlear implants demand considerably more power than hearing aids. The HiRes Optima implant takes advantage of Advanced Bionics' proprietary current steering technology to reduce power requirements of the system and improve battery life without sacrificing performance. Advanced Bionics cochlear implant recipients using this new technology enjoy an average improvement of 55 % in battery life; it also enables us to support the use of disposable zinc-air batteries, a longstanding request from the field.

Sitting just 4mm from the ear-drum and completely invisible, the Lyric hearing aid can be worn without interruption for several months. The new Lyric 3 generation is equipped with a chip that consumes less energy: a Lyric hearing aid consumes only 3 % of the power of a traditional hearing aid.

Emission and pollution

Sonova has experienced no spills from operating processes or other instances of water or atmospheric pollution. We have not used ozone-depleting chlorofluorocarbons (CFCs) in our production processes since 1992. Sonova has low atmospheric pollutant emissions through using volatile organic compounds (VOCs) in paints and adhesives, in coatings, and for surface cleaning. Group-wide levels of VOC evaporated to air decreased by 32.7 % to 2,097 liters, mainly based by the improved methodology of data evaluation.

About the report

Reporting period

The Sonova CSR Report for 2013/14, when combined with the Annual Report for 2013/14, complies with the current G3.1 version of the Global Reporting Initiative (GRI). Sonova reports in an annual cycle. The most recent previous Annual Report and Corporate Social Responsibility Report were released on May 21, 2013. The 2013/14 reporting period covers the financial year from April 1, 2013 to March 31, 2014. Environmental data were collected for the period from January 1, 2013 to December 31, 2013.

Relevant data

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 were, by necessity, partly excluded. Whenever applicable, the exclusion of these Group companies is stated in the respective sections.

Measurement and calculation

Input data are provided from a central database or collected directly from Group companies. The calculation of the metrics follows broadly accepted standards.

The metrics in the Employees chapter are calculated on the following basis:

- The full-time equivalent basis is as of March 31, 2014
- The ratio of women in executive positions is based on those positions eligible for the Executive Equity Award Plan
- 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
- 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

Changes and restatements

There were no significant changes during 2013/14 in the scope, boundary, or measurement methods applied in the report. Nothing significant has arisen during 2013/14 which would require a restatement of information provided in earlier Sonova CSR Reports.

Declaration and assurance

Sonova Holding AG has presented its report to GRI's Report Services, who have concluded that the report fulfils the requirement of Application Level B. An external assurance for the CSR Report 2013/14 has not been conducted. The financial statement of Sonova Holding AG in the 2013/14 Annual Report has been audited by a statutory external auditor.

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Statement GRI Application Level Check

GRI hereby states that **Sonova Holding AG** has presented its report "Annual Report 2013/14 & Corporate Social Responsibility Report 2013/14" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

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

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

Amsterdam, 9 May 2014

A handwritten signature in dark ink, appearing to read "Ásthildur Hjaltadóttir".

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



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

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 25 April 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

GRI CONTENT TABLE

GRI Index	Profile disclosure	Reference
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2.4	Location of organizations headquarters	AR 32 & CSR 3
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3.13	Assurance	AR 58, 116, 132 & CSR 26
4	Governance, commitments, and engagements	
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GRI CONTENT TABLE

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PR 3, 5	Product and services labelling	CSR 9, 18
PR 6	Marketing communications	CSR 18

The detailed GRI Index is available on our Sonova website at: www.sonova.com/en/csreport.

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This Corporate Social Responsibility Report is available in electronic format on our Sonova website at: www.sonova.com/en/csrreport.

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