

UN Global Compact Communication on Progress 2010

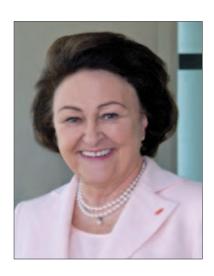
Successful together







2010 Communication on Progress



"The internationalization of the markets means that companies must take more responsibility and act sustainably. Sustainability must not be seen as an isolated task but should be holistically integrated into daily operations because a global company such as KARL STORZ can only be successful in the market if sustainability is equally effective economically, ecologically, and socially. Serious natural disasters, such as those in Haiti and Pakistan this year, remind us of the importance of environmental protection.

In our last Communication on Progress, we emphasized education and training; this year, KARL STORZ actively focused on evaluating environmental aspects of our business processes. Through continuous improvement processes, we can successfully improve step by step.

For example, the renovation of our computer center was successfully completed, which now requires as much as 40% less energy than the previous center.

We believe that being successful together means that each and every employee contributes to KARL STORZ continuing to be represented in the market with innovative ideas and technologies. However, we measure success not only with economic indicators but share and collaboratively promote the values and traditions of our company in terms of sustainability and ethics in daily business life.

To further spread the word about our progress and our support of the Global Compact's Ten Principles, we integrated the principles into our employee manual as well as into our environmental brochure this year."

Dr. h. c. mult. Sybill StorzManaging Partner of the KARL STORZ GmbH & Co. KG

Tuttlingen, December 30, 2010







KARL STORZ ENDOSKOPE - The path to gentle surgeries



The breakthrough in minimally invasive surgery

In 1945, Dr. h. c. med. Karl Storz founded this family business, which is named after its founder. Ever since the company's early days, he strived to tailor the manufactured products to the exact wishes and needs to the doctors who use them by directly collaborating with physicians.

In the past 65 years, the former two-person enterprise has developed into a globally active company with a worldwide presence. A total of 5,300 employees develop new products and implement new ideas every day.

The company continues to greatly value collaboration with physicians and leading research institutions as we did in the early years, so that we are constantly aware of the newest developments in medical technology.

In 1965, Dr. Storz collaborated with Prof. Hopkins to develop the powerful HOPKINS® Rod Lens System. The new technology delivered previously

unimaginable image quality in terms of light intensity, depth of field, contrast, and resolution. About 20 years later, advancements in camera technology permitted the display of the surgical site on a monitor, so that the physician now uses a monitor rather than an eyepiece to view the inside of the patient's body. This advancement promotes ergonomics in the operating room and significantly improves the training of young physicians, since they can now better observe surgical procedures.

Today's minimally invasive surgery makes procedures much less physically traumatic and thereby contributes to reducing fear and worry about necessary medical procedures. The incisions, which are often only a few millimeters long, reduce wound pain and wound healing problems and additionally contribute to much better cosmetic results – permanent scars are reduced to a minimum. In addition, faster healing reduces hospital stays. The rapid development of communication technology ensures better patient information and the informed selection of a treatment option for a specific disease.

Increased demands on the quality of medical care

To further increase the quality of medical care, the World Health Organization (WHO) started the "Safe Surgery Saves Lives" initiative, which aims to reduce serious errors with simple tools. The principle is easy enough: Error prevention through the use of checklists.

The medical technology manufacturer KARL STORZ has responded to this initiative by developing the new software KARL STORZ OR1™ CHECKLIST. OR1™ CHECKLIST is embedded in the OR workflow and enables the OR staff to automatically view and "check off" all relevant data in short and clear steps through a central control interface (touch screen) and to thereby ensure that all required conditions are met. OR1™ CHECKLIST is modular so that it can be adapted to the varied demands of users and specific procedures. Every individual step is securely documented and saved, ensuring a transparent workflow.



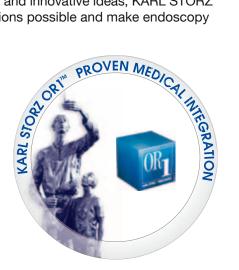


To further optimize the workflow in the operating room and ensure quality, the documentation system KARL STORZ AIDA® was advanced and adapted to the increasing documentation requirements of hospitals and patients. During the procedure, images and videos are already centrally recorded and saved in HD quality via a touch screen from the sterile area. Through central interfaces at the hospital, the data are directly stored under the respective patient in the central Hospital Information System (HIS) and can be accessed any time via the patient identification number. This enables the surgeon to quickly and efficiently create a patient or surgery report with meaningful intraoperative pictures. Patients also benefit from the complete and transparent documentation of every procedure. Working through a checklist reminds the staff of the necessary steps associated with each surgical procedure and therefore contributes to minimizing routine errors and risks.

Prospects of the future

The development of minimally invasive surgery is linked inextricably with the name KARL STORZ. Today, the product portfolio contains over 8,000 products for 22 medical disciplines. Nevertheless, the family-run business does not rest on its laurels but is always on the lookout for innovative improvement and solution options. Our motivation can be described with a quote from Hippocrates: "Healing is a matter of time, but it is sometimes also a matter of opportunity."

Dr. h.c. mult. Sybill Storz, Managing Partner and daughter of Karl Storz, thinks that the potential of minimally invasive surgery has still not been exhausted by a long way. "Operating techniques that place less strain on the patient will continue to develop and give rise to new methods and areas of application." With entrepreneurial foresight, a good instinct for future trends, highly specialized employees, and innovative ideas, KARL STORZ plans to continue to develop products that will make new treatment options possible and make endoscopy even less invasive and even safer.







The implementation of the Ten Principles at KARL STORZ

Integrating the Global Compact Principles into KARL STORZ global supplier management

In 2009, the KARL STORZ supplier evaluation system was reviewed, and new criteria were added on the basis of the Global Compact's Ten Principles. This year, the new supplier evaluation system was tested in an important group of goods with a total of 10 suppliers. The results for the expanded supplier evaluation system were generally positive. Currently, we are still making minor improvements, so that the new supplier evaluation system can be expanded to additional groups of goods in 2011. KARL STORZ values cooperative relationships with suppliers. Continuous improvement of processes and quality is therefore of great importance. Once a year, every supplier receives an analysis of the so-called hard criteria such as delivery reliability and quality. The results are discussed with suppliers and further improved cooperatively. The soft factors are checked in supplier audits as well. In 2010, KARL STORZ conducted about 70 audits at suppliers' facilities to get a sense of the conditions on site.

In addition, a supplier self-disclosure form was introduced in 2010. Before we form a new business relationship, the potential supplier is asked to complete the self-disclosure form, which asks about compliance with the Global Compact's Ten Principles in addition to requesting information on economic criteria.

Global Compact Principles 1 - 2: Human Rights

Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses.

PPP project in Afghanistan – Training professionals of the Balkh hospital in Afghanistan in minimally invasive treatment methods

In collaboration with the Deutsche Gesellschaft für Technische Zusammenarbeit (German society for technical collaboration – GTZ) and the Charité Hospital in Berlin, KARL STORZ started the train-the-trainer initiative "Training professionals of the Balkh hospital in Afghanistan in minimally invasive treatment methods". The professional training of the four physicians is conducted by the Charité Hospital Berlin. KARL STORZ supports this postgraduate training by supplying modern equipment in Berlin and Afghanistan.

Minimally invasive diagnosis and treatment are considered routine in German hospitals. This is not so in Afghanistan. Their advantages, such as the generally shorter hospital stay and the resulting reduction in costs, are only available to patients, the health care system, and, as a result, the entire national economy to a limited extent, as trained professionals and suitable equipment are often lacking.





To close this gap in medical care, this public-private partnership project includes the following three modules that build upon each other:

- 1. Training of four physicians from the Afghan Balkh hospital at the Charité Hospital in Berlin
- 2. Associated continued education and training in Afghanistan using telemedicine equipment
- 3. Supply of modern KARL STORZ endoscopy equipment to the Balkh hospital, including training on product maintenance

The training visit of the four Afghan physicians in Berlin took place in November and December 2010. In addition to the training visits at the Charité Hospital in Berlin, the training included participation in workshops supported by KARL STORZ and events at the Spandau Vivantes medical center. In addition, the four physicians had regular opportunities to further refine their hand-eye coordination using endoscopic simulation systems at the KARL STORZ subsidiary in Berlin. Another training topic was the proper handling and care of the equipment, and this knowledge will be passed on to the hospital technology staff in Afghanistan. During the six-week stay, the Afghan delegation was also received by the German Federal Foreign Office, which contributes to the rebuilding of the Balkh hospital as well.

The participants returned to Afghanistan in mid-December. Their visit in Germany marks the beginning of a train-the-trainer initiative designed for long-term success. The participants can now build on their new skills and knowledge at home and educate and train other physicians and medical staff using KARL STORZ devices, with which the participants are already familiar. In close consultation with the Afghan training participants, KARL STORZ supplies adequate equipment in Afghanistan and trains the three local technicians as well as nurses in operating and maintaining the products to ensure the long-term success of the project. Further in-depth training and downstream monitoring of training are provided by trainers of the Charité Hospital Berlin with the aid of telemedicine applications supplied by the family business from Tuttlingen. With support from the PPP project partners, the four physicians thereby make a long-term contribution to the restoration of medical care in their country.



Afghan physicians and PPP partners in Berlin.
From left to right: Gregory Bledjian (German Federal Foreign Office,
Afghanistan-Pakistan working group), Dr. Götz Bosse (Charité Berlin),
Dr. Nadja Jalal (front, Afghanistan), Dr. Mir Alam Toryalai (back, Afghanistan),
Bernd Schmidt (GTZ), Peter Laser (KARL STORZ), Prof. Dr. Achim Schneider
(Charité Berlin), Dr. Shafiq Shaiq (Afghanistan), Dr. Rokai Rauofi (Afghanistan)



Dr. Mir Alam Toryalai and Dr. Rokai Rauofi (from the left) from Afghanistan practice minimally invasive surgery techniques at the KARL STORZ simulation system.





Helping others to help themselves: Investments in the future

In 2010, KARL STORZ supported a total of 40 charitable projects with product donations. In our decision to support a project, its long-term sustainability and benefit to local people in need are decisive factors. Conveying medical knowledge and training to local professionals improves the self-sufficient medical care for the local population. As examples, some individual projects are briefly introduced below:

• Donation to the earthquake victims in Haiti

Following the devastating earthquake that killed more than 200,000 people, KARL STORZ donated medical equipment for the care of the injured in Haiti. With these devices, the local physicians can perform medical procedures that are urgently needed. The extensive product donation was shipped to Humedica International, which coordinates the medical assistance in the crisis areas in collaboration with the THW (German Federal Agency for Technical Relief). In addition, KARL STORZ donated to "Aktion Deutschland hilft" (Germany Helps Campaign).

Dr. Henri Ford (Los Angeles Children's Hospital) was born in Haiti. After the earthquake, he travelled there a total of seven times to provide free treatment to patients in need. KARL STORZ supported him with a major donation of laparoscopy products.

• Support of the Hôpital Référence de Province de Battambang in Cambodia

For two years, Dr. Oudam Han from Cambodia trained in Lyon, France, at the Hôpital E. Herriot. After returning to Cambodia, Dr. Han will work at the Hôpital Référence de Province de Battambang. To help him apply his new knowledge about the lower urinary tract when he returns home, KARL STORZ supported the impoverished hospital with a product donation.

Support of the organization "All Ears Cambodia"

KARL STORZ has supported the organization "All Ears Cambodia" with product donations for several years. The development of the Prey Talach hospital at the foot of Cardamom Mountains was supported with equipment donations. The hospital is intended to offer access to medical treatment for ear and hearing disorders to about 15,000 people in a rural area.

In addition, health education programs (on hygiene, nutrition, etc.) will be offered. The hospital was successfully opened in 2009. In addition to offering patient treatment, All Ears collaborates with other organizations to help street children. Further, All Ears treats landmine victims in Kampong Chhnang as well as refugees in Kandal and Siem Reap. With another product donation, KARL STORZ supports All Ears in developing a facility to provide for internally displaced people in Andong and Chol Kiri at the Tonle Sap River, which can only be reached by boat.

In 2010, All Ears focused on treating HIV-infected children and patients with leprosy who suffer from ear and hearing disorders.





Rwanda: Product donation to support the establishment of an ENT department

In early 2008, KARL STORZ donated otorhinolaryngology products to support the work of the German physician Dr. Peter Mattinger in Rwanda with adequate instruments. Together with Dr. Maurer from Mannheim, Dr. Mattinger traveled to Ruli, Rwanda again in August 2008 to further expand the ENT department. The focus is on the surgical treatment of chronic middle ear infections and surgical procedures at the nasal concha. KARL STORZ supported this project with a product donation. The advances in the ENT project already enable almost continuous outpatient care in ENT at the Ruli hospital. The next goal is to enable local staff to successfully perform less extensive ENT procedures without assistance, as Ruanda has only eight ENT specialists and all of them are located at a considerable distance to the hospital in Ruli. KARL STORZ supported this project with another product donation in 2010.

Support of the Tamale Teaching Hospital in Ghana

In the past two years, an ENT department was established, and young physicians were trained in new surgical techniques. Dr. James P. Murphy is the only ENT specialist in Northern Ghana, and 3 million people live in his catchment area. The department particularly needs instruments for the removal of foreign bodies in children less than two years of age as well as instruments for the treatment of esophageal cancer in adults. Again, KARL STORZ supported the training hospital with a product donation.

KARL STORZ Telemedicine Innovation Award

In collaboration with health care facilities, companies in the health sector, and other partners, the German Society for Telemedicine presents an annual award for innovations in telemedicine. To promote innovative ideas in telemedicine and their implementation, KARL STORZ has sponsored this award since 2008. This year, the 5,000 € prize was awarded to the project "Nachsorge blutgruppeninkompatibel nierentransplantierter Patienten" (Follow-up care for patients with blood group incompatible kidney transplantations) of the Freiburg Transplant Center. The award honored the innovative care concept that allows patients who have received a kidney with a blood group different than their own to receive care at home. In case of abnormal findings, an alarm sounds at the transplant center, which is staffed around the clock. This concept can improve the quality of life of patients – without reducing the quality of care. The project "Online-Konsil Forensikon" (Forensic online consultation) of the Medical School in Hannover received the Telemedicine prize as well.







"Useful materials for a good cause" - The KARL STORZ fundraising campaign continues

"We Love Africa"

In the context of the soccer World Cup 2010 in South Africa, the project "We Love Africa" was initiated by the association of the same name. This initiative aimed to enable 32 needy children from Africa to receive surgery free of charge. The number 32 represented the 32 participating soccer nations. A total of 32 cities from the federal state of Baden-Württemberg – including Tuttlingen – collaboratively collected donations by actively using the soccer World Cup to promote German citizen's donations to Africa and to help children with surgeries. The registered association KARL STORZ Aktiv collected 6,650 € thanks to the generous donations by employees and business partners during the 2-day sports event in spring and the soccer tournament in the summer. The business management was delighted with employees' donations and increased the total donation to 18,300 €. With this joint donation, KARL STORZ made a major contribution to the city of Tuttlingen for this relief effort. A total of about 750,000 € was collected by "We Love Africa"; and the city of Tuttlingen made the largest donation to the project with 133,230.15 €.







The "United Africa" drummers took visitors and participants of the KARL STORZ sporting event into the world of African music. Mayor Michael Beck did not miss out on the African feeling at the Mühlau sports hall and was delighted with the well-filled Argentinean BigShoe.





Global Compact Principles 3 - 6: Labor

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labor; the effective abolition of child labor; and the elimination of discrimination in respect of employment and occupation.

Providing employees with a safe workplace is a high priority at our company. In the past, we have continually improved the safety measures in production. This year, we focused on traveling employees. A total of four safety training sessions were held for employees who travel worldwide. At the beginning of the training sessions, the places to which the KARL STORZ employees travel most frequently were identified, so that the respective regions could be best addressed. Using case studies, the employees were familiarized with cultural particularities and with risks in crisis areas. For optimal travel preparation, the participants received check lists and lists of additional sources with information on the respective country, important documents, disease prevention, and hints for packing.

Global Compact Principles 7 - 9: Environment

Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.

As a family business firmly anchored in the region, active resource and environmental protection is important to KARL STORZ. Sustainability, quality, and resource protection are firmly anchored in the business philosophy of the Managing Partner, Dr. Storz. The company management strives to integrate ethical, environmental, and sustainability principles in the production and sale of KARL STORZ products. Resource protection principles are therefore integrated in the following subareas:







To publish our activities in the realm of environmental protection, we created an environmental protection brochure in German and English and distributed it to all area managers, field service employees, subsidiaries, as well as to domestic and international dealers. The response was very positive. Our subsidiaries in Sweden and France even had the brochure translated into their languages.



The KARL STORZ subsidiary in Great Britain achieved the environmental certification BS EN ISO 14001 in 2010.

Buildings - intelligent architecture

In the selection, construction, and use of buildings, KARL STORZ aims to employ energy-efficient, environmentally friendly building designs at all 50 KARL STORZ locations. The architect Felix Aries describes the objective as follows:



"When constructing buildings for KARL STORZ, we always had three priorities: Using environmentally friendly materials, whenever available, naturally blending the buildings into the local environment, and creating motivating workspaces."

• Training and logistics center at the headquarters in Tuttlingen (Baden-Württemberg, Germany)

The building was completed in 1999/2000 and expanded eight years later. The complete building design is based on passive energy use and use of environmentally friendly materials, e.g., water-soluble paint, solvent-free adhesives, formaldehyde-free particle board, halogen-free cables, and energy-saving light bulbs. The company values the protection and conservation of the natural surroundings. The vegetated roof acts as additional insulation and partially compensates for soil sealing, and the collected rain water is used to flush toilets. Air conditioning is only used in rooms with most public traffic; other rooms take advantage of the nighttime air during the daytime. The sustainable building design allowed for diverse uses from the beginning, so that 350 new workplaces could be installed without major renovation and resource use in 2008.





• Sales and marketing subsidiary in El Segundo, CA (USA)

The 2009 renovation by KARL STORZ was awarded the LEED Silver Certification by the US Green Building Council (LEED = Leadership in Energy and Environmental Design). This award particularly acknowledged the following features:

- Proximity to public transportation
- Use of as much natural light as possible and installation of energy-conserving lighting systems
- Reusability of 75% of construction waste
- Generation of 10% of building material from recycled materials
- Environmentally friendly wall paint and adhesive
- Use of wood
- Environmentally friendly cleaning concept to reduce cleaning chemicals



Training and logistics center in Tuttlingen (Germany)



Sales and marketing subsidiary in El Segundo, CA (USA)



In 2003, the building concept of the training and logistics center in Tuttlingen was applied to the new sales and marketing subsidiary in Paris, France.

The production and development location in Charlton, Maine (USA) uses a source of water located on the property.





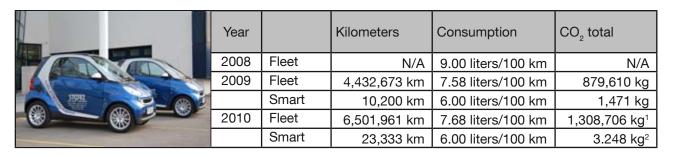
Overview of internal environmental and resource protection

Field	Process	Materials	Miscellaneous
Production Products	Energy efficiency and quick processing times are important criteria to further reduce electricity consumption Resource-conserving individual repair for particularly complex investment goods Modern cleaning and sterilization procedures reduce the water and electricity consumption as well as the use of chemicals	Use of environmentally friendly materials to protect employees and the environment Resource-efficient products with a long life cycle	Waste heat of machines is recovered and used in the building heating system Telemedicine: The supply of digital diagnostics documents at the right time and as needed reduces printing as well as transport
Administration	 Energy efficiency and CO₂ emissions are important criteria when buying new company cars Multi-function printer systems offer several functions (printing, copying, faxing, scanning) and thereby reduce the number of individual devices as well as electricity consumption. Stand-by mode for printers and computers significantly reduces power consumption when they are not in use (more than 210 kW/hour). 	Use of paper with FSC seal Use of 60 g paper Electronic supply of information material to employees reduces paper consumption.	 Telephone and and video conferences replace business trips, when possible, to reduce CO₂ emissions Decentralized sales and marketing structure with 49 subsidiaries worldwide and more than 100 trading partners provide a local presence that reduces business trips of employees from headquarters
Logistics/waste disposal	Contracts with licensed disposal companies Acceptance of old KARL STORZ products from customers Recycling through proper disposal	Use of recyclable packaging materials (e.g., corrugated cardboard, solid board, PE films, PP straps, and PUR foams)	Avoidance of partial shipments Consolidation of shipments reduces packaging material and transportation





Fleet: Fuel and CO₂ emissions



In the third quarter of 2008, KARL STORZ Tuttlingen introduced a fuel card system. As a result of gaps in documentation, only 165 of the 205 company cars could be analyzed in 2009. In 2010, the fleet increased to 210 cars, of which 203 were included in the analysis for 2010.

The analysis showed that a total of 6.5 million kilometers were travelled in KARL STORZ company cars, with 38 more cars being analyzed this year. The number of kilometers per car still increased from 26,864 km to 32,000 km, and the average fuel consumption rose from 7.58 to 7.68 liters/100 km.

Since 2008, KARL STORZ has been using four Smart vehicles with Micro Hybrid Drive Technology³ for local and regional trips. When the purchases were made, we assumed that the four cars together would travel about 20,000 km. Last year, a total of 10,200 km were traveled. This year, the use of the Smart vehicles rose to about 23,000 km.

In 2010, we again could not achieve the manufacturer's advertised average fuel consumption of 4.3 liters/100 km; we only averaged 6 liters/100 km.

We aim to further decrease the average fuel consumption in the long term and to place a higher value on fuel consumption when purchasing new vehicles.

Green IT – the new KARL STORZ computer center

In late 2009, the 16-year-old, overloaded computer center was replaced by a new, self-contained mini computer center featuring low energy consumption and high safety. The new infrastructure had to be flexible and mobile, but sustainability was also a high priority. The servers were consolidated within two months. The approximately 60 physical and 120 virtual KARL STORZ servers were placed and taken into operation in a total of eight modular safes from Rittal.

³ Smart Micro Hybrid Drive with integrated automatic start-stop system. If the motor is not needed, such as at a red light or in a traffic jam, it is automatically turned off to save fuel.



¹ Baden-Württemberg Ministry of the Interior: average CO₂ emission per liter of diesel: 2.62 kg/liter diesel

² Baden-Württemberg Ministry of the Interior: average CO₂ emissions per liter of gasoline: 2.32 kg/liter gasoline



Reduction of power consumption by 40%

As a result of the high server density, a high cooling capacity was required as well. Liquid Cooling Packages (LCPs) with a cooling capacity of up to 30 kW were attached to each rack. The required cold water is generated in an energy-efficient manner by cooling it with outside air. In the winter months, the cooling is therefore simply achieved with outside air. In combination with the small room volume in the modular safes, the new air conditioning of the server rack reduces energy needs by 40% compared to the old computer center.

Safe extinguishing gas

The IT security safes protect their contents from unauthorized access, extinguishing water, fumes, and fire. The employed extinguishing gas Novec[™] 1230 is stored in the system under pressure in liquid form. When released, it immediately becomes gaseous and is safe for humans, the environment, and electronics. According to manufacturer information, the low atmospheric lifespan of the gas of 5 days results in a low Global Warming Potential (GWP) value of 1, which is the lowest possible GWP value¹.

Global Compact Principle 10: Anticorruption

Businesses should work against corruption in all its forms, including extortion and bribery.

In 2008, an anti-corruption brochure was created in collaboration with the KARL STORZ anti-corruption officer. A total of 400 employees signed to confirm that they read and understood the content of the brochure and will act in accordance with the described principles of corruption avoidance. The information brochure was now modified to meet international standards and translated into English. In the first quarter of 2011, additional KARL STORZ employees who are based abroad will receive the brochure. In addition, an information session has been planned with the goals of answering employee questions about the topic of anti-corruption and presenting practical examples. To ensure internal communication, a multi-continental working group was formed that deals with the topic of corruption avoidance.









THE DIAMOND STANDARD