

UN Global Compact: Communication on Progress 2008:

Corporate Social Responsibility is part of our core business



“The KARL STORZ Group knows how to combine and interlink tradition, innovation and worldwide business activity. For KARL STORZ Global Compact means that we publicly and demonstrably stand by the ethical principles which for many years have constituted the basis of our entrepreneurial work.

In the history of our family-owned business spanning over sixty years, it has always been a central concern to accept responsibility, not only for our medical products but also for society as a whole. In the years in which I was allowed to accompany my father and company founder during his work, I learned that entrepreneurship and social responsibility are inextricably linked. If I take an important and far-reaching decision today, I naturally consider the consequences for the families involved and hence for society. As a company operating worldwide with 42 subsidiaries in 32 countries and business partners in virtually every country in the world, we are aware that globalization doesn't just “happen”, but that we are part of it and can – and must – actively support and form globalization.

We believe that Sustained Entrepreneurship must be demonstrated as an integral part of one's core business and should not be treated as a subordinate or secondary aspect which is only used if and when required. The ideas of the Global Compact can be safeguarded in the long term only if business objectives are treated on a par with sustainability and ethics.

One of our focal activities within the Global Compact has so far been mainly the extensive communication with our employees worldwide. Our 4,000 employees worldwide have been informed about the Ten Principles and about how they impact their everyday work. With information and transparency, this is our way of involving our people constructively in our self commitment. For the first time, we will publish the COP in the Intranet and send it to all our subsidiaries worldwide.

In 2006 we have approached our subsidiaries and business partners and told them about our Global Compact membership and asked them to give us their support in accomplishing these important targets. In 2008 we have written letters to our suppliers, telling them about our membership and to awaken their interest in the Global Compact.

The outcome of this communication strategy has been that all our partners have now come to know and understand the Global Compact. Based on this understanding, we have now intensified our commitment to the promotion of these principles in 2008. We will consistently follow and pursue this concept further in 2009.

This is now our third COP, designed to tell you about our continued efforts and to support and promote a transparent and trusting mode of work.”

Dr. h. c. mult. Sybill Storz, Managing Partner of the KARL STORZ Group

Implementing the 10 Principles at KARL STORZ GmbH & Co. KG

Principle 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.

The Universal Declaration of Human Rights states amongst others that everyone has the right to enjoy a standard of living which guarantees him and his family health and well-being, including food, clothing, accommodation, medical care and necessary social services and benefits.

As manufacturer of endoscopy products it is our core business to develop and market products for medical care for the good of the patient. But we also know that many people have no access to high-quality medical care. In this context, the management of KARL STORZ adheres to the following maxim: *“It is also for the good of the established industrial nations if the affluence gap narrows and if, as a result, conflict potential in the world is eliminated”* (Dr. h. c. mult. Sybill Storz, Managing Partner of the KARL STORZ Group). Within the options open to us as manufacturer of medical products, we pursue the following objectives:

- Supporting worldwide training activities to enable doctors to carry out minimally invasive interventions. We provide continuing support for medical associations, medical specialists and hospitals in all parts of the world by supplying products and logistics services for training purposes.
- Our “International Business Development” division addresses specific markets in which endoscopic health care is underdeveloped. The ultimate aim is to work in partnership with doctors, medical associations or state institutions to give more people access to a method which involves less trauma for patients and faster recovery.
- The “Women’s Health Initiative” is one of our most successful Public Private Partnership projects which we have operated since 2005 and which has two major objectives: first, offering medical training to local doctors in India. Secondly, creating this training also improves the access to gynaecological treatment for women and girls, particularly in India’s remote rural areas. Before the end of 2009 we will cooperate with the GTZ (Technical Cooperation Society) to investigate the multi-faceted effects of this project on access to medical care, developmental policy targets, etc., and to review the transferability to other areas and regions. The review will focus on whether the concept of the project will also be viable in the long term under economic aspects (“Development of a New Business Model”).
- In world regions in which conditions prevail (e.g. lack of capital resources, poorly developed public health infrastructure, etc.) which prevent the regular procurement of medical engineering products or where the adequate supply and provision of public health institutions does as yet not function properly, we have in the past four years supported a total of 15 projects (8 of these in 2008) with free products (goods value approx. 310,000 €).



The decisive factor in deciding which individual project to support was whether the training and instruction component integrated in the project would ensure that these product donations will have a long-term positive impact and whether the project is likely to contribute to the further development of the local medical skills.

Global Compact Principle 3-6: Labour standards

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 labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.

Stakeholder dialog on the subject of “child labour”

KARL STORZ has no child labour whatsoever. The company produces in eight production facilities in Germany, Switzerland, Great Britain, Estonia and the USA and fully abides by the national labour laws as a matter of course.

In May 2007 our attention was drawn to a publication by the British Medical Association which took a critical look at the subject of child labour in medical engineering in Pakistan. The author, Mahmood Bhutta (Specialist Registrar ORL, Department of ENT, Guy's and St Thomas' Hospital, London), himself of Pakistani extraction, argued that children are misused in the manufacture of medical instruments, above all in Pakistan's Sialkot. He also argued that German companies from the Tuttlingen medical engineering region buy these children-made products cheaply and resell these to their customers with a substantial markup.

Although KARL STORZ tolerates and uses no child labour in Pakistan and elsewhere, the article prompted us to speak to Mr. Bhutta and to demonstrate and clarify our way of working in this field, so that he could get his own picture of our standards. We also see Mr. Bhutta's efforts to sensitize the consumer to this issue as highly worthy of support. KARL STORZ eventually invited Mahmood Bhutta and a representative of the British Medical Association, James Eddington, on October 28, 2008 to Tuttlingen. The meeting was held with Peter Laser (Corporate Social Responsibility & Global Compact Coordinator at KARL STORZ) and Mike Perks (General Manager KARL STORZ United Kingdom).

Mr. Bhutta sees child labour as a major issue. He believes that the problem of child labour can be solved only if viable alternatives are created for the people involved. Prohibiting child labour without providing alternatives (e.g. adequate education, regular and secure incomes for families, etc.) would mean merely treating the symptoms without combating the underlying causes.

After the meeting and the factory tour, Mr. Bhutta said that he is greatly relieved to see the positive conditions at KARL STORZ. He continued to say that he will contact other manufacturers to discuss the issue of child labour. He stressed that he does not wish to accuse, merely actively strive for solutions instead.



**Meeting at KARL STORZ Tuttlingen headquarters
(from left: Mahmood Bhutta, James Eddington,
Peter Laser, Mike Perks)**

Working environment

"I think it is very important to create an environment which employees perceive as pleasant. After all, they spend much of their time at their place of work".

(Dr. h. c. mult. Sybill Storz, Managing Partner of the KARL STORZ Group)

Our employees' health is important for us. It is a crucial factor for personal well-being, efficiency and ultimately for the individual and corporate success. All our executives have been instructed to create and maintain a positive and constructive working atmosphere and to protect our people from mobbing, violence and discrimination.

In practical terms, we also support our people with various offers of sports activities to promote a healthy life (yoga, volleyball, football, special prices for fitness centre).

With diversity against discrimination

Eliminating discrimination and creating equal opportunities are an important concern for us at KARL STORZ. To face the growing challenges of globalization, KARL STORZ has subsidiaries worldwide in 32 countries.

We are also pleased to have a workforce which comes from many different nationalities. We firmly believe that diversity helps our success because we can draw on a wide variety of different skills and abilities of our employees.

An overview graph of the different nationalities:

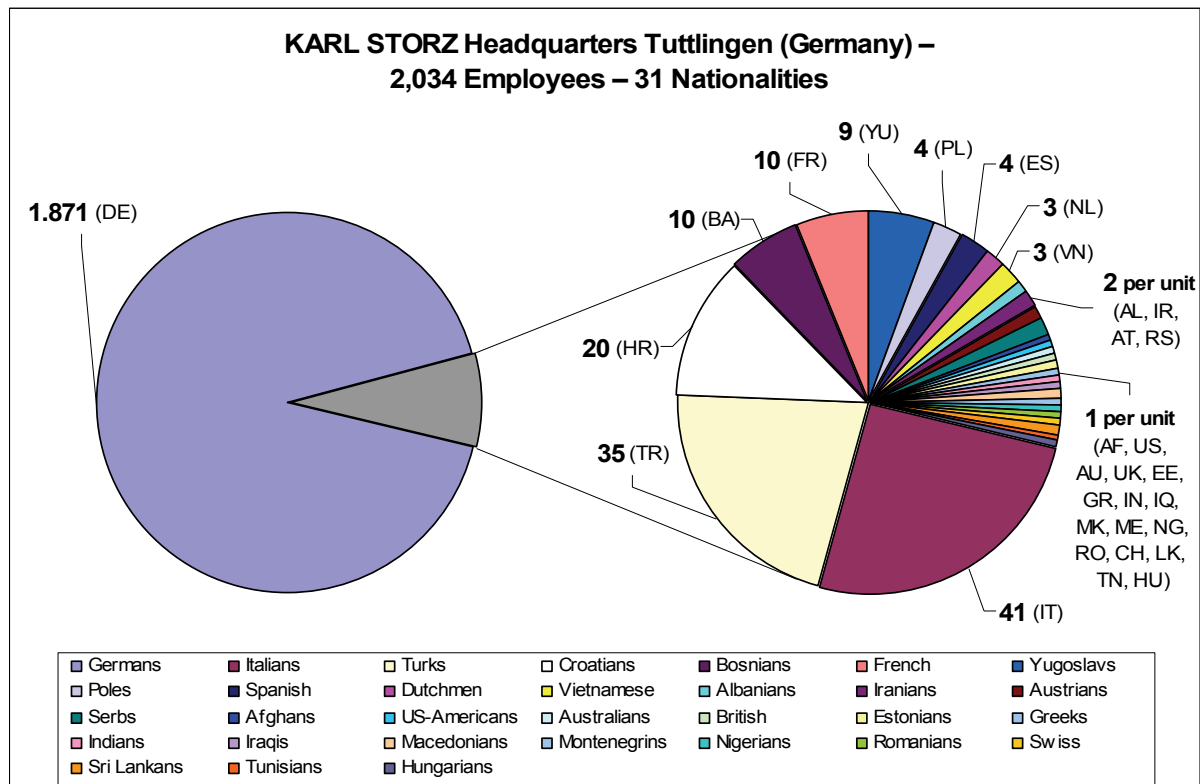


Fig. 1: Tuttlingen employees by nationalities

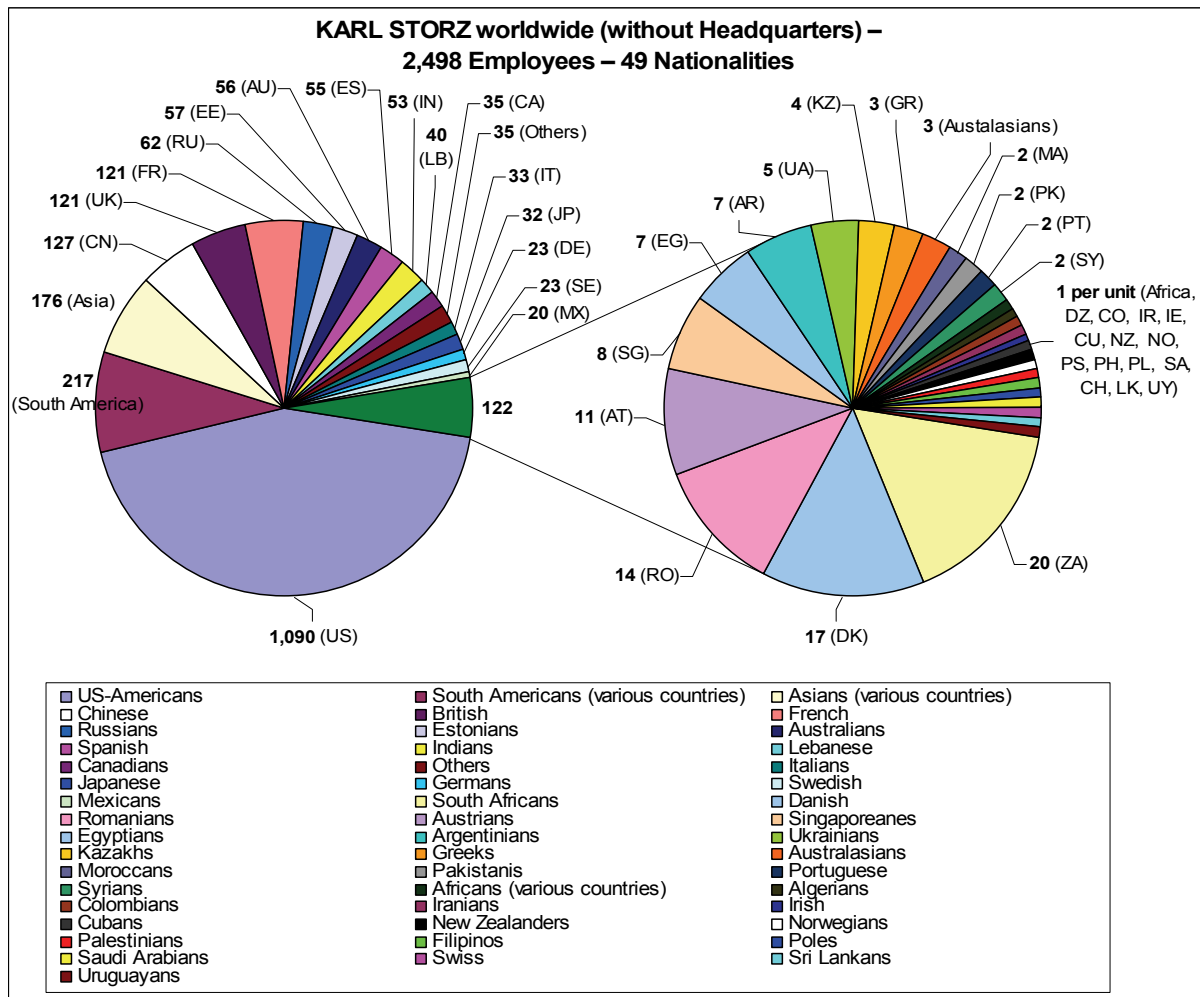


Fig. 2: Employees worldwide by nationalities (without headquarters)

Promoting equal opportunities

“The decisive factor when it comes to filling a vacancy is not the gender, but competence. If one of our female employees is capable and willing to take a leading position, the door is open for her. If she says no to internal promotion because there are no adequate care facilities for her children, then there is something wrong”.

(Dr. h. c. mult. Sybill Storz, Managing Partner of the KARL STORZ Group)

In order to create equal opportunities and a degree of harmony between the private and working life of women and men, KARL STORZ's commitment goes beyond flexible working hour models (almost 70 time model alternatives), home office, step-by-step increase in working hours, etc. KARL STORZ supports a local crèche (“Haus der Familie”) where five places are reserved for children of our employees. To promote cultural open-mindedness at the earliest possible stage, KARL STORZ pays for a teacher of French at the “Haus der Familie” to ensure that the kids learn our neighbour's language in a playful manner. KARL STORZ also supports a local vacation care offer where the children of working parents are looked after for some days during their vacation.

2,034 people work at the Tuttlingen headquarters (December 1, 2008), 875 of these women (43%). In total, 113 men and 9 women work in executive positions in Tuttlingen.

With the aim of getting girls interested in technical vocations, KARL STORZ took part in the “Girls’ Day” 2008. 21 girls from grades 6 to 8 were invited to take a look at the company and its products, followed by an in-depth insight in vocations such as surgical mechanic, precision optician, electronics engineer and precision mechanic.

In November 2008 KARL STORZ received the equal opportunities award by the Ministry of Economics of the Land of Baden-Württemberg. This state-wide award is given to businesses which have shown outstanding commitment to equal opportunities for men and women in business operations and for harmonizing family and work.

http://www.wm.baden-wuerttemberg.de/sixcms/detail.php?id=197770&template=wm_pressemeldung

Transparent dialog among employers and employees

KARL STORZ is very open to a constructive dialog with employees. By law, our employees are free to set up a workers’ representation.

The anonymous employee survey which we announced in the 2007 COP must be postponed to 2009. The survey is designed to enquire proactively into the needs and requirements of our employees with respect to transparent communication.

Global Compact Principle 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.

Intelligent printing systems & paper consumption

In 2008 KARL STORZ Tuttlingen changed all its printers throughout the site. The new print concept cuts the number of machines, with more employees now using central volume printers. The multi-functionality of these printers (incl. photocopiers, fax, and scan function) cuts the total number of printers in use by about a third, saving the power consumed by the older stand-alone units.

The new printers feature a standard mode which turns the printers into a power-saving “sleep” mode after two hours. Another important feature is the fax-to-email function which allows information, once scanned, to reach several recipients by email without the need to be sent by fax or copied. The recipients decide whether to print the document or to create a digital file.

According to the manufacturer, 90 percent of the colour ink cartridges (ink sticks) are recycled. The uniform conversion also helped us to streamline the work processes. Service and maintenance work is now standardized. Consumables can be reordered via the manufacturer’s homepage, with no need for correspondence and expensive storage.

Every printer has a function for querying the paper consumption, with the effect that consumption can be accurately evaluated from next year onward. In 2008, a total of 12 million sheets of paper were needed, with 68% of the total paper volume involving paper with a grammage of 80 gram/m² and 32% paper with a grammage of 60 gram/m². The advantages of 60 gram/m² paper are evident: 25% less cellulose, wood and water, and hence also 25% lower transportation costs and waste.

Last year, the share of paper with the FSC Seal totalled 20%. The FSC Seal (Forest Stewardship Council) confirms that the cellulose used in the production originates exclusively from sustained forestry management and certified forests.

Technical and operational options allowing, we will try to optimize paper consumption and attempt to save resources in the processes.

Vehicle fleet: fuel and CO₂ emissions

In the third quarter of 2008, the KARL STORZ vehicle fleet at the Tuttlingen group headquarters saw four new Smart cars equipped with “micro hybrid drive” technology. This technology with its start-stop function automatically turns the engine off and back on at traffic lights or in congested traffic as soon as the speed drops below eight kilometres per hour. This function lowers the fuel consumption and cuts CO₂ emissions. The vehicles will be used for inner city trips and between the local KARL STORZ locations.

“On these trips alone, our employees cover on average between 30,000 and 40,000 kilometres every year” (Dr. h. c. mult. Sybill Storz, Managing Partner of the KARL STORZ Group).

The vehicles used before in inner-city traffic consumed on average 9 litres of fuel for 100 kilometres. The new Smart technology cuts fuel consumption to 4.3 litres of fuel for 100 kilometres. Due to the very small stowage space the Smart is not suitable for all inner city trips. In 2009, an estimated 5,000 kilometres of short trips will be made with every Smart.

Consumption	Kilometres	Total consumption	CO ₂ emission (2.33kg per litre gasoline)
9 litres /100km	20,000	1,800 litres	4,194 kg
4.3 liters/100km	20,000	860 litres	2,004 kg

With a total distance of 20,000 kilometres per year, the Smarts can so save as much as 940 litres of fuel and 2,190 kg of CO₂ emissions.

A gasoline card system will be introduced in the fourth quarter 2008. After the turn of the year, this will allow us to analyze the mileages driven by all KARL STORZ company cars and their fuel consumption and, if necessary, to take the appropriate actions.

Promoting a sense of responsibility for the environment

To sensitize our employees to the scarcity of natural resources, a letter has been posted at the in-house notice boards asking all our employees to keep the protection of the environment, saving resources and sustainability in mind. This is a subject which, in future, we will develop further in the dialog with our staff.

Global Compact Principle 10: Anti-Corruption

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

KARL STORZ dissociates itself from any kind of corruption including bribery and extortion. Helmut Wehrstein, Member of the Global Executive Committee and anti-corruption officer of KARL STORZ GmbH & Co. KG, outlines the company's commitment as follows:



"Unfortunately, the health industry is also affected by corruption. KARL STORZ therefore expressly dissociates itself not only from any kind of corruption, but also asks all its employees and associates to abide by this principle. The staff in Sales, Marketing, Product Management and Purchase, and all executives at the Tuttlingen headquarters of KARL STORZ recently received a specially drafted information brochure entitled "Avoiding Corruption". In total, the information on the legal and business consequences of corruption went to over 400 people.

The information brochure was accompanied by a binding response form which had to be completed and returned to KARL STORZ's anti-corruption officer. By signing the form, the addressees not only acknowledged that they had read and understood the brochure, but also that they will continue to act in compliance with the principles of avoiding corruption. We at KARL STORZ want to protect our employees and create an environment in which corruption is prevented through transparent processes and clear-cut standards of conduct right from the start. KARL STORZ also offers all its employees the opportunity to report doubtful issues arising in everyday working life and to have these issues reviewed and examined independently.

The initial feedback has shown that the need for information with respect to this complex subject has as yet not been fully satisfied. In order to give more information, an event has been scheduled for the first quarter of 2009 in which the questions and concerns of our employees will be addressed."