

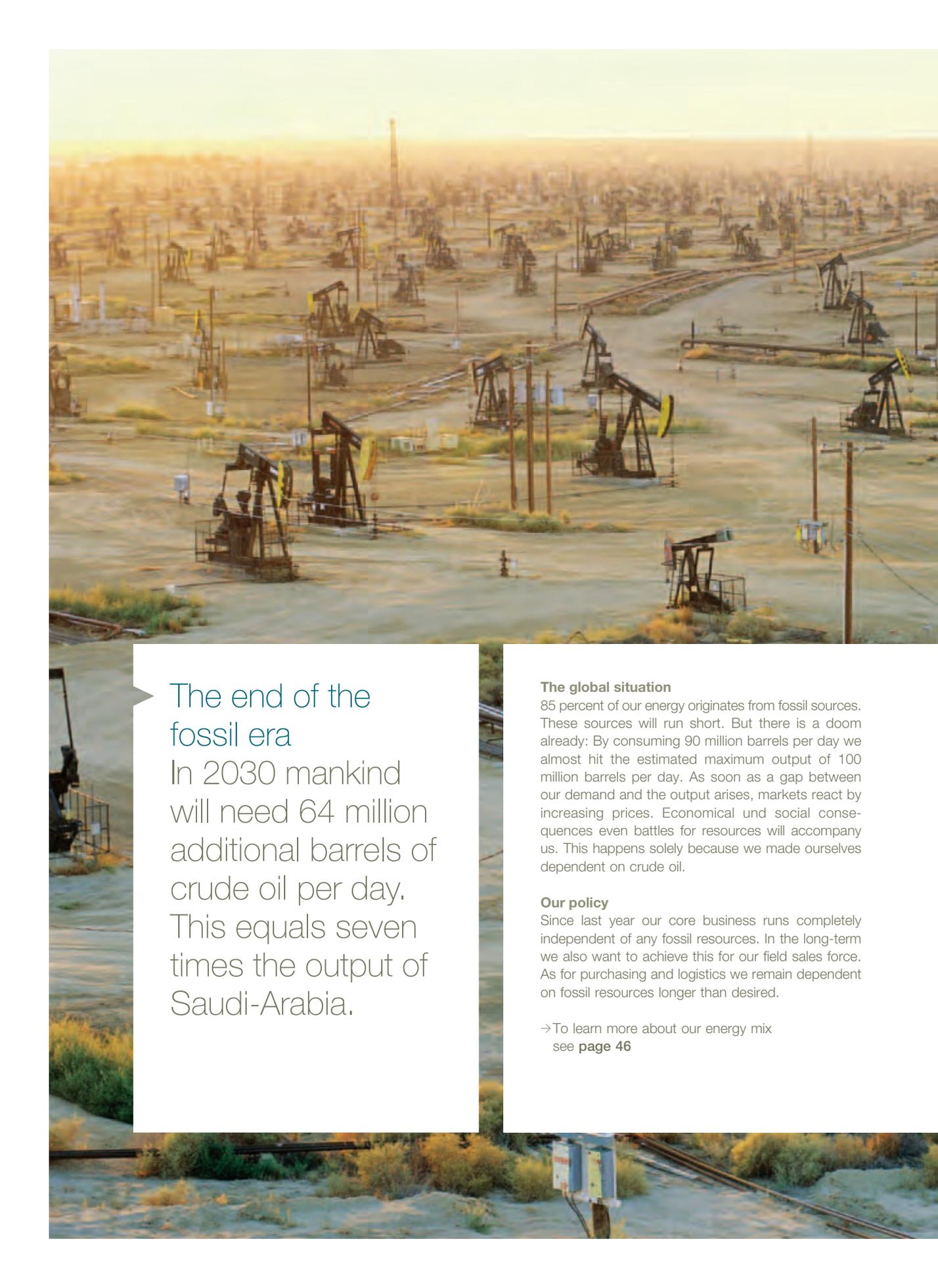


▶ Annual Report 2009/10
On our sustainability efforts
Having global challenges in
mind, we act locally- this is
where we can accomplish
positive effects.

Having global challenges in mind we act locally – this is where we can accomplish positive effects. Mankind faces tremendous social, ecological and economical challenges.

Acting globally fails due to the claims and concerns of individuals. Politics may only agree on the least common denominator; the big problems remain unsolved.

Therefore it is essential that everyone does their part. The same as we do.



The end of the fossil era

In 2030 mankind will need 64 million additional barrels of crude oil per day. This equals seven times the output of Saudi-Arabia.

The global situation

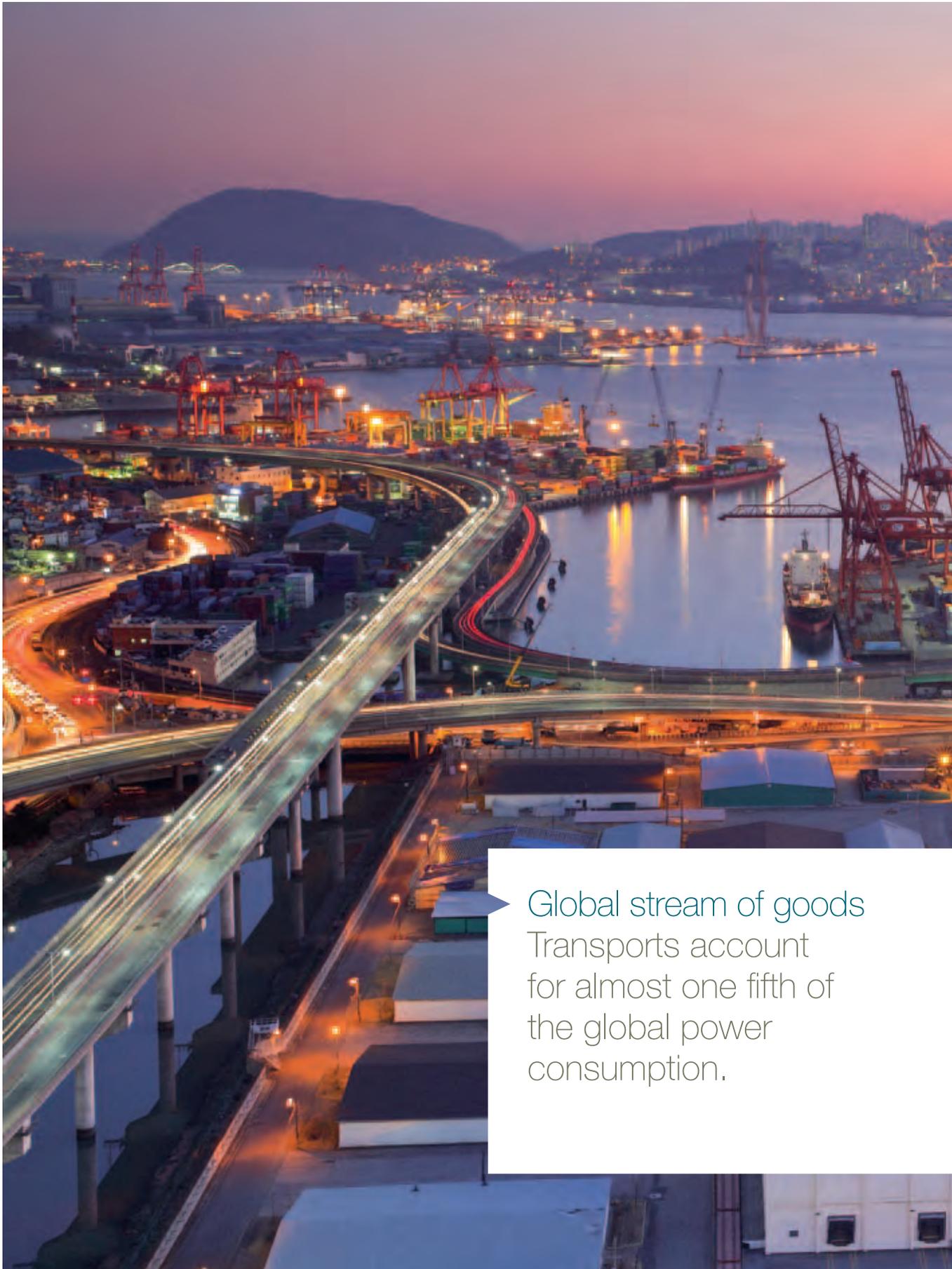
85 percent of our energy originates from fossil sources. These sources will run short. But there is a doom already: By consuming 90 million barrels per day we almost hit the estimated maximum output of 100 million barrels per day. As soon as a gap between our demand and the output arises, markets react by increasing prices. Economical und social consequences even battles for resources will accompany us. This happens solely because we made ourselves dependent on crude oil.

Our policy

Since last year our core business runs completely independent of any fossil resources. In the long-term we also want to achieve this for our field sales force. As for purchasing and logistics we remain dependent on fossil resources longer than desired.

→ To learn more about our energy mix see **page 46**





Global stream of goods
Transports account
for almost one fifth of
the global power
consumption.



The global situation

Global economics with their fragmented work processes require global logistics. This gobbles up huge quantities of energy and is most relevant for global warming. Today the energy that is needed for transportation is covered by fossil sources: Almost 25 percent of the global CO₂ emissions are attributed to the transport sector. The international energy agency estimates that until 2030 there will be an increase in demand for energy and of CO₂ emissions of 50 percent, until 2050 it will be more than 80 percent.

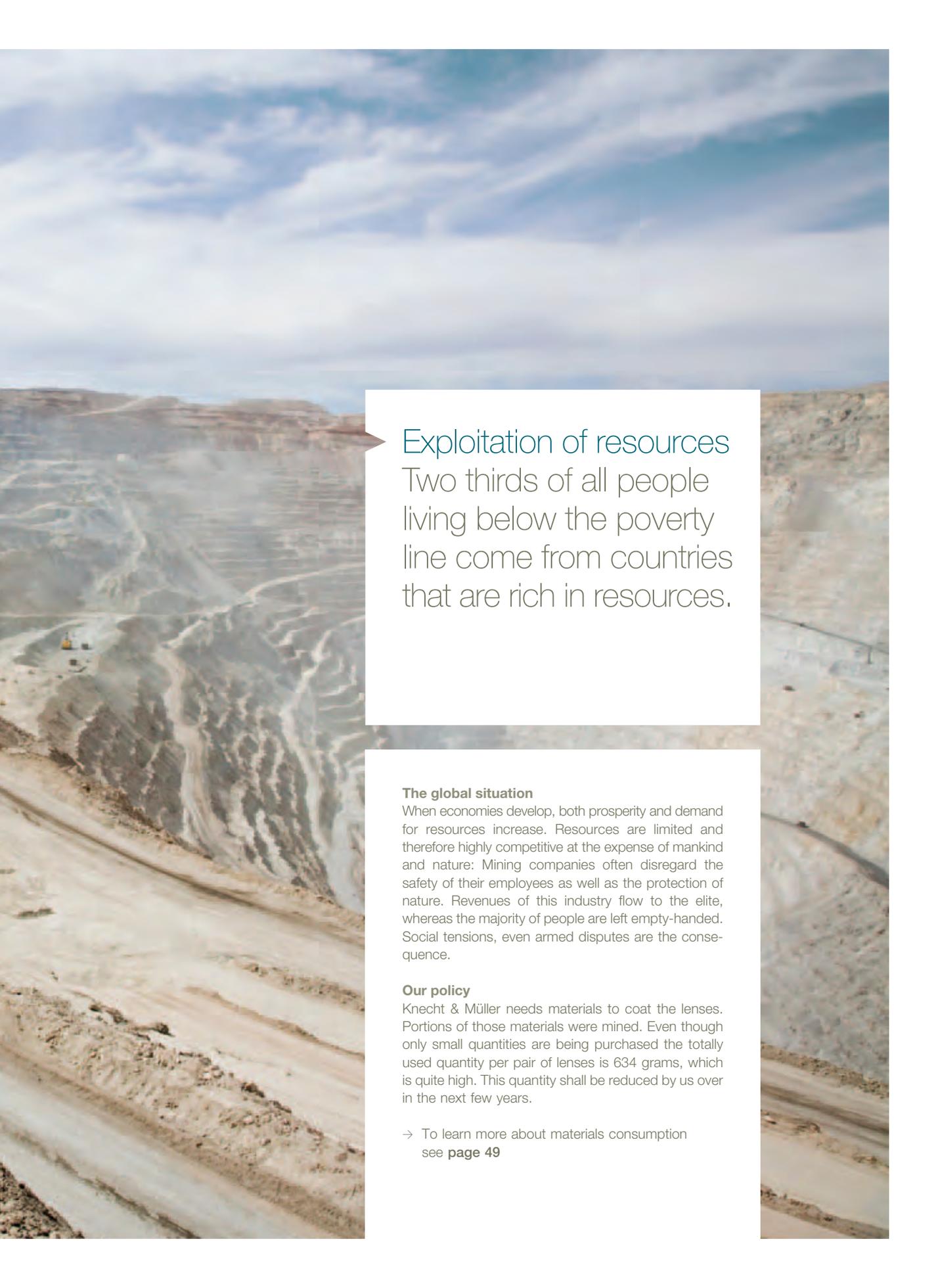
Our policy

We as Swiss producers are integrated in a global supply chain: A good portion of semifinished optical lenses are shipped to us from Asia by airfreight. Since we can neither decide where the blanks are produced nor how they are being shipped, we contribute financially to climate protection and compensate the CO₂ emissions that derive from the transport of our blanks.

→ To learn more about the logistics and our climate strategies see **pages 58 to 61**







Exploitation of resources

Two thirds of all people living below the poverty line come from countries that are rich in resources.

The global situation

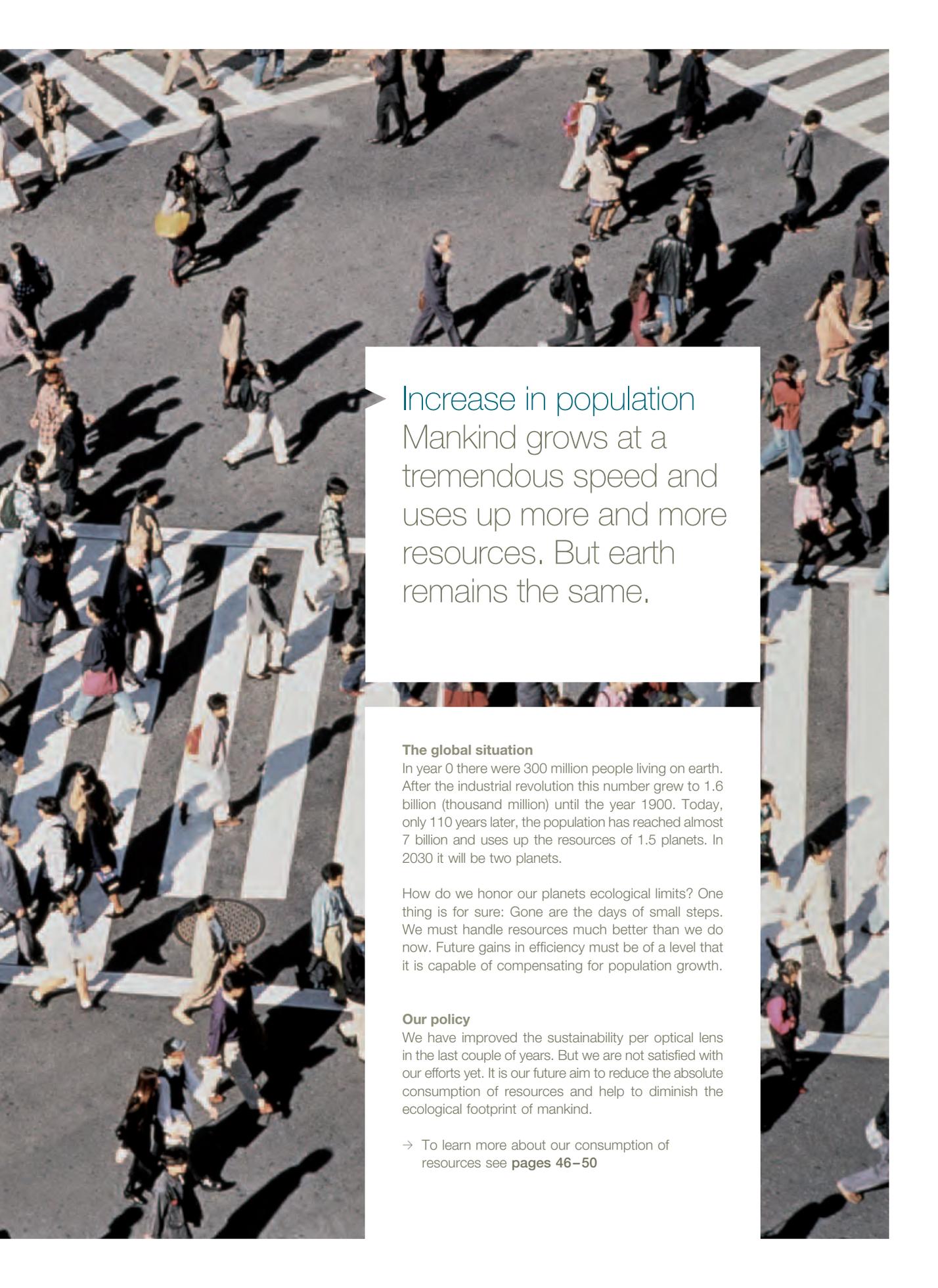
When economies develop, both prosperity and demand for resources increase. Resources are limited and therefore highly competitive at the expense of mankind and nature: Mining companies often disregard the safety of their employees as well as the protection of nature. Revenues of this industry flow to the elite, whereas the majority of people are left empty-handed. Social tensions, even armed disputes are the consequence.

Our policy

Knecht & Müller needs materials to coat the lenses. Portions of those materials were mined. Even though only small quantities are being purchased the totally used quantity per pair of lenses is 634 grams, which is quite high. This quantity shall be reduced by us over in the next few years.

→ To learn more about materials consumption see **page 49**





Increase in population

Mankind grows at a tremendous speed and uses up more and more resources. But earth remains the same.

The global situation

In year 0 there were 300 million people living on earth. After the industrial revolution this number grew to 1.6 billion (thousand million) until the year 1900. Today, only 110 years later, the population has reached almost 7 billion and uses up the resources of 1.5 planets. In 2030 it will be two planets.

How do we honor our planets ecological limits? One thing is for sure: Gone are the days of small steps. We must handle resources much better than we do now. Future gains in efficiency must be of a level that it is capable of compensating for population growth.

Our policy

We have improved the sustainability per optical lens in the last couple of years. But we are not satisfied with our efforts yet. It is our future aim to reduce the absolute consumption of resources and help to diminish the ecological footprint of mankind.

→ To learn more about our consumption of resources see **pages 46–50**



Climate change

Despite the political efforts towards climate protection, world economies reached a record high of 30.6 gigatons of CO₂ emissions.

The global situation

Climate change is one of the society's biggest challenges: Rising sealevels cause floods at highly populated coastal areas. Agriculture suffers from dry weather periods and elsewhere harvests are destroyed by heavy rains. Climate change puts the supply of food for millions of people at risk.

Our policy

We continuously reduced our energy consumption since the conference in Kyoto and switched to renewable energy sources. We compensate the remaining CO₂ emissions by investments in climate protection projects. Since 2006 Knecht & Müller is carbon neutral.

→ To learn more about our climate commitment see **page 60**





Renewable full supply

The reorganization of energy supply is a future project of enormous dimensions, but it's worth the efforts.

The global situation

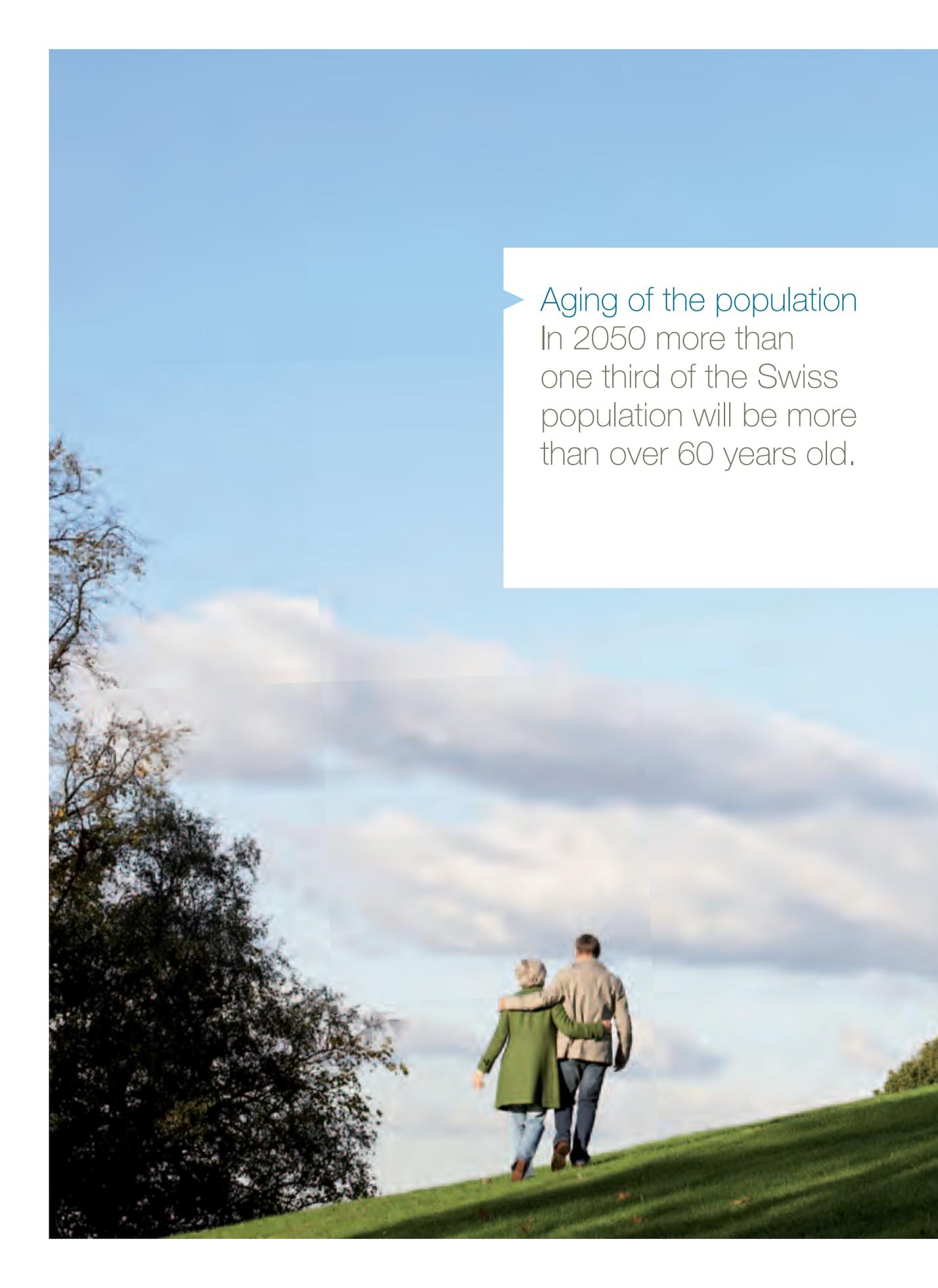
More and more countries plan the nuclear and the fossil power production phase-out. 100 percent renewable energy sources are what we should be aiming at and more energy efficiency is the road to follow. Since governments will have to impose taxes on CO₂ emissions this will be a bumpy road. Any production process with high energy consumption will become more expensive whereas companies with high energy efficiency are favored.

Our policy

We anticipated the development towards renewable energy and today we consume an energy-mix that is 100 percent free from CO₂ emissions. In the next years it is our target to cut energy consumption also in total numbers. To reach this we are committed to find electronic motors, pumps and lighting based on new technologies. We tweak our production line to reach permanently low energy consumption.

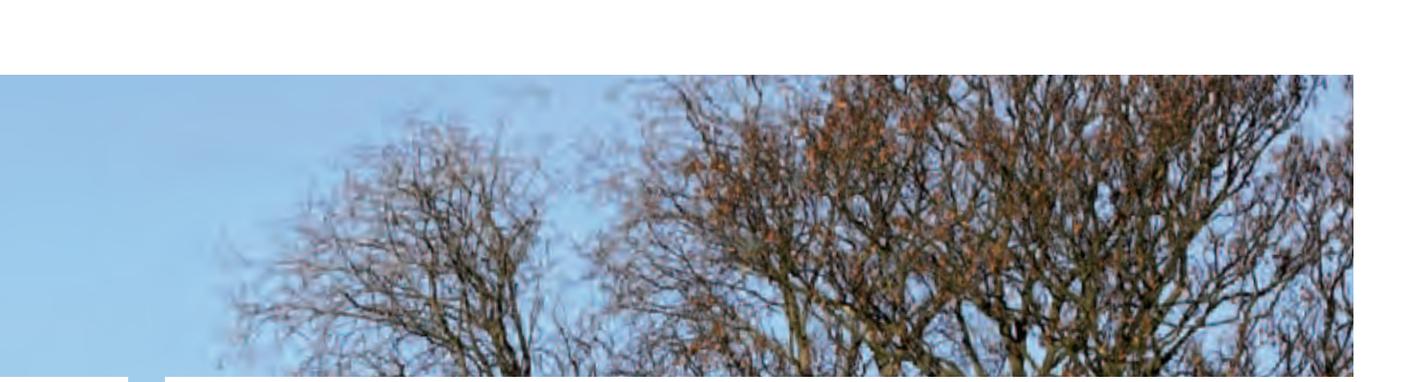
→ To learn more about our energy mix
see **page 46**



A photograph of an elderly couple walking away from the camera on a grassy hill. The woman is wearing a green coat and the man is wearing a grey jacket. They are walking towards the right side of the frame. The sky is blue with scattered white clouds. The overall mood is peaceful and serene.

Aging of the population

In 2050 more than one third of the Swiss population will be more than over 60 years old.



The global situation

Life expectancy in industrially developed countries is as high as never before. In the high ages we want to be symptom-free and as long as possible be in charge of ourselves. This creates higher health care costs. At the same time a decreasing number of working people pay the costs for a growing number of retired people. The demographic change is a burden to economics and to the welfare state.

Our policy

The demand for lenses increases and it is unlikely that this will change soon. We benefit from that. But also our staff gets older and it's hard to find qualified personnel. Increasing health care costs affect our staff, increasing retirement provisions have an effect on our profit and loss statement. Our company's health management becomes more important then: If we achieve a higher added value with a healthy staff, we may safeguard jobs in Switzerland.

→ To learn more about our health care management and added value see **pages 55-56** and **63**



Content

Preamble of the executive board	17
Interview	18
Company's performance	22
Our evaluation of our business environment	26
Our sustainable business strategy	30
Effectiveness: do the right thing	32
Efficiency: we do right what we do	36
Handling resources: treat right what we have	40
Protection against exposure:	
Our production does not harm our environment	52
Fairness: to be decent and fair	62
Solidarity: give one's best attention to the entire picture	66
Operative Targets and means	70
Future prospects	75
Additional information	76



554 trees for Amazonia instead of a GRI Application Level Check

In our report of 2007/2008 we had the application level B confirmed by the GRI (Global Reporting Initiative). This year we kept to the GRI standards, but instead of spending money on an «Application Level Check» we took the amount and gave it to where it is really needed. We handed it over to the association Aquaverde (www.aquaverde.org) which represents the indigene population of Amazonia, to help them protect the rain forest. Our contribution supports the Surui and the Munduruku people to plant 54 trees (one tree per member of our staff).



Note

In terms of «True and Fair View» all diagrams are true to scale.
Moneywise there are two scales applicable:

Amounts of money:	10'000 resp. 50'000 CHF are 1 millimeter
Time:	1 day is 5 millimeters
Material:	10 kilograms are 3 millimeters
Water:	1'000 liters are 3 millimeters
Energy:	1'000 mega-joule is 4.5 millimeters
Emissions:	10 tons CO ₂ are 1 millimeter
Index Value:	100 percent are 40 millimeters

Preamble

Dear ladies and gentlemen

Since many years we are involved in the sustainable development of our company. Our strong beliefs, passion and responsibility are key factors to this. Our focus in everything we do or decide is focused on the people. In everyday life, every single person takes responsibility by making decisions for his family, for his country, for his company and even for the environment. This has an immediate effect on one's living environment. In our society we face more and more tasks that neither the government nor economics can take care of on their own. We therefore feel responsible to support solidarity and fairness and to live by this belief.

«As a privately owned company, we act responsible with and for people»

As a company we take our responsibility to seize and understand other people's concerns, interests and needs. For this reason we monitor our business environment by considering a customer's perspective as well as the one of an investor, of an employee or of a supplier. We are proactive as future generations will have to live with what we decide today. The pillars of our self-concept are technology leadership amongst all manufacturers in Switzerland and our long-term based sustainable sense of responsibility towards all groups involved. We set a high value on our independence regarding both our organizational structure and the financial aspects. This ensures that we only make decisions that are compatible with our conscience and with what we think are best for our customers. We are committed to our local Swiss-based production and the jobs we create and preserve.

«2014 – Our 100 years anniversary is just at hand»

The accurate and consequent approaches to topics like long-term and proactive succession planning for the benefit of the company are exemplary for our philosophy. It shows that it is necessary to being open to topics like this in order to plan for the future and even design it. We are concerned with traditional values, which surely contribute to 100 years of successful business. The experience gained over many decades makes it easier to adapt future developments. Our concentrated knowledge on all levels of the company is a essential advantage over our competitors.

During the last two years we achieved a lot of our aims and we work on others consequently and goaloriented:

Since 2010 we offer three apprenticeships to ensure having qualified employees. Thanks to our excellent and long-lasting relationship with the HOYA Company, we are able to produce individual progressive lenses since 2008. Then in 2010 we started producing an extremely high-end coating named SuperHiVision. Both our turnover and earnings increased during the last two years. Our export business improved – but we are still working on it. During the past 10 years we reduced CO₂ emissions by two thirds (prior to compensation) and we reduced our primary power consumption per surface by one third and the water consumption by one sixth. In total we managed to cut both the consumption of resources and the environmental impact in absolute numbers per year. Since 2006 we totally compensate

our production's environmental impact. In 2008 we extended our responsibility for the climate and also compensate all environmental impacts caused by global logistics (supply and distribution), all business trips and our staff's commuting.

«Accountability is mandatory economics»

This publication is the seventh issue since 1997. Again we publically account for whether and how we reached our operative goals in the years 2009 and 2010. As a family-owned business, we neither publish our balance sheets nor our profit and loss accounts. But we do publish our financial structure, the shares, the members of our administrative and managing boards, the salary of the administrative board member and the wage spread. We inform about the creation of value and how we finance our investments. We express our gratitude to our staff – they stand up for the company's sustainable development even when competition gets harder. We are sure about the multiplier effect to their private lives. We hope you enjoy reading this report and are looking forward to having nice conversations about it. Maybe you wish to comment on what you read on our blog at www.knecht-vision.ch

Peter Müller
President of the
administrative board

Thomas Fischer
CEO

Stein am Rhein in July 2011

«Knecht & Müller puts sustainable development first.»

Interview with Christina Müller and Thomas Fischer

Mr. Fischer, you are Knecht & Müller's CEO since January 1, 2008. What attracted you most becoming CEO?

Thomas Fischer: Since 1984 I have been working in the optical business. Before I came here I was the managing director of a slightly bigger company producing similar products to Knecht & Müller's product range. New and fascinating to me was the aspect of sustainability and that with Knecht & Müller long-term development ranks before short-term profit seeking.

Peter Müller called me one day. He made me his successor as CEO, introduced me to customers and raised my awareness for the Swiss market. I appreciated this smooth transition.

Mrs. Müller, why did you start to work in your parents' business in 2005?

Christina Müller: I actually never planned it this way and my parents never put pressure on me. During school holidays and university breaks I earned my allowance in the company. So I knew which fascinating tasks were waiting for me. In 2005 I started

my career in customer service, switched to marketing in 2007 and am head of marketing since last year. Today I am happy to continue the family tradition.

Are you satisfied with the business in 2009 and 2010?

Fischer: We receive positive signals from the market. The optical group VISUS has chosen us to be their exclusive supplier. We were able to optimize processes and to enhance our profitability.

Sustainable production stringently means to produce economically. We have to be financially successful to be able to invest in the further development of our processes. This backs up our leadership in technology and ensures that even in 10 years from now we will still deliver high-tech products made in Switzerland.

What makes an optical lens high-tech?

Müller: No optical lens is like another. There are differences in comfort and individual adjustment is the key. Both the kind of

ametropia and the expectation one has towards his new lenses differ from individual to individual. For this reason each optical lens is a custom-tailored device for your eyes.

Fischer: We intensified the cooperation with our technology partner Hoya. Even though we are legally independent, the Japanese treat us as if we were a subsidiary. Our employees get hold of information that usually only Hoya employees would get. It is beneficial for both sides: Hoya appreciates us being an innovative partner and we are capable of producing highly sophisticated products in Switzerland.

Which challenges do you face in marketing?

Müller: Knecht & Müller is a small business competing against big players. The demand for marketing is therefore huge. During factory tours consumers tell us that they are extremely interested in our production facilities. In 2009 we had a campaign in cooperation with the Migros magazine where we approached end-users provisionally. This is seductive but we need to



aim the budget at specific targets. In 2010 we carried through a customer survey which gave us important ideas for future marketing activities.

What were the results of this survey?

Müller: The opticians as our direct business partners and customers rely on us producing sustainably. But by now they do not use it as a selling point. Now we gave them marketing means to support and encourage them to put sustainability across to the end-users. Mostly this is about consulting. We need to share perception on sustainability. We care in disentangle the meaning of sustainability for our customers.

When can we share the perception of sustainability?

Fischer: Sustainability is about reflection. Seeing the advantage of sustained work makes it easier to understand what this is all about. I give you an example of how we argue: The usage of industrial waste heat does not only protect the environment but also cuts costs. Customers know exactly if one is authentic.

How would you characterize your customers, Swiss opticians?

Müller: Swiss opticians are demanding. They ask for the best and at the same time they are ready to pay for the higher quality.

Which means that sustainability is not for free?

Fischer: In the end it's more expensive to do without sustainability. If you need to replace cheap goods more often, the cheap product did not save you any money in the end. We are committed to the cradle-to-cradle principle. It means that we do not waste any material or energy source but use it in a closed loop. Waste heat is an energy resource; manufacturing waste is a raw material for other goods. All this asks for investments today but mid-term it makes lenses rather cheaper than more expensive.

What were your efforts in the years 2009/2010 to increase sustainability?

Müller: We replaced our natural gas heating and are now connected to the city's woodchip heating. Furthermore we installed a highly-efficient heat-pump. This enabled us to increase our ecological efficiency and to switch to renewable energy sources completely. An exception to this is the gas our company cars run with. We do a reasonable bit to save the climate.

Does not every company want to be sustainable these days?

Fischer: Not all companies are serious about that, but we are happy to see that there is an increased awareness. We jointly push this topic with other companies, for example as an active member of the

WWF Climate Group. Its members pledge themselves to reduce CO₂ emissions.

What happened in Fukushima should be a clarion call to action regarding how we consume and how we produce goods and services. In the end authentic sustainability will win through, i.e. authentic accountability.

How do you get your staff involved in the company's development?

Müller: First of all we offer a lot of opportunities for personal development. This includes advanced studies, contribution to membership fees at fitness clubs, health check-ups and consulting services regarding financial precautions for the life after retirement. All those offers are well accepted.

We are interested in having healthy and involved employees. They do a good job in every day and provide input that is necessary for the company's future. They come up with ideas like paperless offices or producing our own electricity.

Knecht & Müller builds its own power plants?

Fischer: Yes, hopefully. We fancy a water vortex power plant. It is affordable and it makes sense. Why shouldn't we go for it? In addition to water, wind and solar energy will also be a topic on a long-term basis.

«By investing in processes we guarantee continuous growth. We aim to continue offering state of the art technology in future.»



«A modern optical lens is a custom-tailored device for your eyes.»

Where do you think will Knecht & Müller be in 10 years from now?

Müller: We aim to become even more successful in Switzerland and hope that there will be an increased significance of local production. We want to own our own power plant and only rely on renewable energy sources. It's desirable no to be the only one doing this.

Fischer: We stay independent in Switzerland and want to be master in our own house. We want to offer the best products and make people aware of our idea. By investing in processes we guarantee growth. Yes, we want to continue offering leading technology.

Business Development

We were able to keep up the turnover and the profit situation in the last two years. The Cash-flow actually increased in 2010, but is still on a level which is too low for a sustainable development.

Super HiVision is an innovative coating that sets standards regarding durability, comfort, anti-reflex features.

The turnover in 2009 and 2010 stayed on the level of 2008. Thanks to the good Cash-flow we made significant new investments. In cooperation with the Hoya Corporation we added a second production line to the existing one in Stein am Rhein.

New products and services allowed this positive development. Our efforts regarding sustainability strengthened our market position.

In 2009 the value added per full-time employee was CHF 102'300. In 2010 this number was CHF 99'300. The value added per full time job in 2009 amounted to 102'300 and 2010 99'300 CHF. This is a top value for the total time period.

In 2009 we invested 736'000 CHF in equipment, in 2010 it was 895'000 CHF. We were able to increase the Cash-flow in both business years to approximately 1 Million respectively 1.2 million CHF. Regardless of this positive development, the Cash-flow is still too low.

In 2010 we successfully started the local production of the Super HiVision coating. Through this addition, we cut the required delivery time and created added value for Stein am Rhein as a production location.

The technology transfer from Hoya to us is only possible because of our excellent relationship with our Japanese partners, which is based on mutual trust and respect. Super HiVision is an innovative coating that is robust, resistant with visual and wears comfort for antireflection that sets a new standard. A lens with the Super HiVision coating has highest fat and smut repellent characteristics and is especially easy to clean. Subsequently it meets the user's desire for maximum comfort and absolute dependability.

Amongst other things, 2010 was coined by improvements in the energy sector. We invested in the latest hydro-extractor technology and replaced the 1995 installed system. Both improved the reliability of both cold and hot water for our

An Overview of our accomplishments

Statistic	Unit	2006	2007	2008	2009	2010
Production and Employment						
Production	1'000 surfaces ¹	408	442	418	381	372
Jobs	personnel	51	52	53	56	54
Work positions	full-time jobs	44,8	45,4	46,9	46,9	46,5
Productivity	surface per full-time job chain-linked (2000=100 %)	107	127	116	107	105
Total Production Defect rate in %		8	8	8	8	9
Value added per Employee	CHF per full-time job	91'830	97'930	95'670	102'340	99'300
Investments						
Net business investment	1'000 CHF	905	497	738	736	895
Donations and social investments	% of the net added value	2,5	2,5	2,5	4,3	3,2
Result						
Produced net value added	1'000 CHF	4'067	4'446	4'487	4'769	4'619
Cash-flow	1'000 CHF	774	1'037	1'083	1'050	1'210
Market Share & Innovation						
Knecht & Müller market share	%	13	13	12	11	11
Product innovations introduced into the market	number	4	4	4	7	5
Quality and Customer Satisfaction						
Optician Quality Evaluation	1 = very good, 6 = bad	1,8	ne	1,6	ne	1,6
Number of Customer complaints	index, 2001 = 100 %	94	89	81	–	–
	% of the delivered lenses	–	–	–	4,0	4,5
Employee Structure						
Average Age	years of age	46,1	45,7	45,7	47	44,5
Total males	%	45	43	33	39	44
Share of men per team	%	87,5	78	75	75	75
Employee Satisfaction						
Employee Satisfaction	6 = very good, 1 = bad	4,9	4,8	4,9	4,9	5,0
Fluctuation Rate	segment by % of the total work force	9	8	8	13	12
Investment in our work force						
Advanced education courses	participating employees by %	41	53	60	46	37
Advanced education courses	per employee	11	17	22	42	22
Health Courses	participating employees in %	96	95	95	95	95
Accidents and days absent						
Work Accidents	number	1	0	1	1	0
Days Absent due to accidents and sickness	days per full-time employee	3,1	3,4	3,9	3,9	4,0
Direct cost per absent day	CHF	47'095	52'000	61'000	61'000	61'000
Wage Fairness						
Minimum Gross Wage	CHF	3'494	3'565	3'635	3'850	3'930
Wage Range	highest wage to minimum wage	< 4,5	4,4	4,3	4,1	3,7
Distribution of earnings to employees in %		93,4	92,7	93,3	92,5	93,7
Resource Use						
	per 1'000 surfaces					
Material Use	k	62	59	63	69	79
Water Use	Liter	11'370	11'312	9'364	9'535	11'973
Energy Use	MJ prime energy (not renewable)	6'798	4'478	4'718	5'805	4'680
	MJ prime energy (renewable)	8'957	9'011	9'210	10'406	11'730
Environmental Contamination						
	per 1'000 surfaces					
Waste	kg	77	75	83	91	90
Greenhouse effect potential (Active)	kg carbon-dioxide or equivalent	0	0	0	0	0
Law-abiding						
Penalties for Law Breaches	number	0	0	0	0	0

1 Processing of an optical lens surface can entail the following work steps: 1) Processing, 2) Tinting, 3) Hard coating, 4) Antireflex-Coating (front curve) and 5) Antireflex-Coating (back curve). Each of these processing steps is considered a surface.

2 In 2009 the reclamation rate was methodically compiled under a new system. The rate newly contains all reclamations that have lead to the replacement of a delivered optical lens (Guarantee or goodwill).

production processes and improved our energy efficiency at the same time.

In the same project, we connected into Stein am Rhein's wood chip heater and heating network. Through this action, we obtain our energy completely from renewable energy sources.

In 2010 we began to increase the integration of our share holders into our future considerations for our lasting development plans. Until 2009 these

considerations were mainly focused on the company owner.

In workshops our employees developed various future ideas and through a representative survey among our customers, we were able to discover gaps and obtain their suggestions and desires.

Our employees develop various future ideas in workshops.

How we evaluate the developments in our surroundings

Within the framework of our strategic planning, we regularly analyze our surroundings. In as much as we do not have sustainability strategy, but rather a sustainable business strategy, the analysis has a high value.

From this viewpoint, we evaluate the developments in our global, regional and local surroundings as follows:

Increasing Demand for Visual Correction

The increasing life expectancy stimulates the sales of optical lenses. Visual correction is also stimulated by widespread computer monitor work and mobility (driving). This increases the demand for visual correction. Additionally, optical eyewear is increasingly becoming a fashion item. This triggers growth stimulation.

Under specific indication laser technology can replace optical eyewear.

Falling earnings and increasing productivity pressure

The business of our clientele (opticians) is characterized by creation of value. Today's customers expect scratch protection and antireflection coatings on even simple reading lenses. At the same time, earnings are under pressure by the market entry of discounters. On the one hand, they stimulate the whole market, but also take market shares from the local opticians (our clientele) and put pressure on their prices. We also feel the pressure that our customers are exposed to. Through the decrease in earnings, the productivity pressure increases. This raises the burden on both employees and management. The service intensification has resulted in a need for increased personnel and this in turn pressure to increase productivity. This is reflected in the increase of automation in the production process.

The increasing competition has increased the pressure on employees

For the past several years standard optical lenses have not been produced in Europe, for reasons of economy. The jobs and consequently the added value are therefore in Asian and South American countries. It's not out of question that this development will not continue into the higher value prescription lenses. In the long term, the resulting cost pressure can only be counteracted by higher productivity. The

introduction of shift work to better utilize our equipment capacity could be the result.

Increasing demand for employee qualifications

The increasing competition raises the demands on our employees. Teamwork and communications skills as well as flexibility will be key capabilities, to survive in future markets. However, not all personnel have these capabilities. A lot of them, regardless of formal job training or not, will face larger challenges. We will keep an eye on our employees, because the demands in their private lives and on the job will otherwise result in a burden. We want to identify potential burnouts early and try to prevent them.

Safety at work at a high level, need for catch up and promotion of health awareness

Job safety is one of the most important goals of our company. Danger to health on the job is to be avoided according to the best knowledge and conscience. The increasing competition pressure from emerging economies causes increased physical and psychological stress for employees and management. Although the medical support of our employees is at a high level, we continually promote health awareness.

In the global price and quality competition, intellectual capital is increasingly more important

In the increasing global price and quality competition, the maintenance of intellectual capital becomes more important. We employ numerous employees that have worked for us 10 and more years. These employees have a lot of specific know-how that we systematically pass onto younger employees. Additionally we update the documentation of our improvements towards industry standard processes to comply with our own quality standards. We must tackle the price pressure through continuous optimization of existing processes and development of new technologies. This further development of our knowledge and technology resources is only possible in cooperation with our suppliers.

Climate change is a central topic in today's societies and politics

The climate change is the main topic on the agendas of society and politics. The will to take effective countermeasures is increasing, but is in no way adequate in relation to the importance of the problems and their consequences. It is to be feared that society and economics will face higher and maybe incalculable costs by late counter actions.

Energy efficiency is a key factor, after the Swiss Federal Council's decision to exit Nuclear Energy

The controversial and in part dogmatically conducted discussion about nuclear energy ended. However, how the transition to renewable energy sources after the nuclear energy exit and the necessary measures to improve energy efficiency still remain unanswered. It seems foreseeable that the non-renewable energy suppliers respective CO₂-emissions will be charged guidance taxes in the future. This taxation increases the cost of resource intensive production processes and advantages companies with higher energy and resource efficiency.

Increasing global resourcing intensifies transport logistics

The blanks for organic lenses are mainly produced in Asia and mineral lenses are produced mainly in Europe. The Japanese producers continually develop better synthetic materials that allow thinner and lighter optical lenses. This development directly influences our sourcing logistics and thus the environmental burden. The organic blanks are transported by airfreight over long distances that involve the use of resources and cause environmental contamination. The mineral blanks are delivered throughout Europe by truck with much less environmental contamination. An organic lens consequently has a much worse environmental impact than a mineral lens. The difference in the environmental evaluation is somewhat neutralized through the increasing economic pressures that make finished lenses imported from Asia increasingly more attractive than blanks. This is because finished lenses are much lighter than blanks. Therefore, the number of finished lenses imported from Asia is increasing. As a result, the energy use is reduced and the environmental contamination is less.

No alternative to airfreight in sight

If the lenses were transported through time consuming ocean freight from Asia, we would have to keep countless blank types in stock to assure that our delivery capability is not endangered. This would

highly increase the risk and stock must be written off for technological reasons. Our capability to act would also be cut strongly.

Increasing quality requirements raise the use of resources

The increasing quality demands from our customers cause a rise in electricity consumption. The ecological explosiveness of this development can only be neutralized, if we purchase electricity from CO₂ reduced generated technology and additionally participate in climate protection projects.

Polarization and aggravation in the distribution battle

The fight for distribution of value added has become harder. We are observing an increasing polarization in society, the dissolving of traditional values and strong increase in aggressive behavior. The education differences are getting larger and good jobs for unqualified persons are disappearing quickly. All indications are that less qualified workers in the industrialized countries will belong to the main losers of the world trade liberalization.

Sinking readiness to getting involved in and accepting entrepreneurial risk

The will and readiness to participate in the creation of an alliance is declining. It appears that entrepreneur who are ready to initiate something new at their own risk (and in their own interest and that of common welfare) are scarce.

Social Security Systems are increasingly under pressure

The Social Security Systems are under pressure. This is because the average life expectancy is increasing and health costs have risen strongly. Therefore, the solidarity concept has become a too high financial burden for many people.

Demands for minimum wage and an open-end wage concept

The relatively high value added level of our production enables us to offer jobs in Switzerland that comply with the social political demand for reasonable minimum wages and same wage for the same work and which is still prevailing in Switzerland. The gap between the average incomes and top incomes of administration and management personal is widening. It seems that every normal measurement is missing. This gap has provoked a political reaction that, in part, is overkill. The planned strengthening of shareholder rights in the stock market regulations is welcomed by a liberal position.

After the Swiss Federal Council's decision to exit nuclear power, Energy efficiency will be a key factor.

To compensate the inadequately structured double burden of family and occupation

An ever increasing number of people are exposed to the double burden of family and job. Structures that are intended to lighten the burden are only rudimentarily available. Family supporting daycare centers are an example for this.

Globalization without minimal Social and Ecological Standards

The growing emigration streams require an increased investment in financial and personnel resources to manage the integration. At the same time, the willingness to accept and integrate immigrants is decreasing. Global opening of markets is being pushed forward, but without the world community agreeing on minimum social and ecological standards. This causes market related distortion and unjust situations.

Increasing Social Isolation

As a result of the decreasing importance of the family as the core of society and the development of anonymous structures in retail sales and communications an increasing number of people becomes isolated. To have a job gives one acknowledgement and the feeling of being needed is increasingly important.

The search for the meaning of life is becoming more difficult

Rising prosperity and increasing isolation make it increasingly more difficult for more people to find a meaning in their life. Companies must recognize their responsibility and address this problem.

Inflationary usage of the term sustainability

We observe a blanketing inflationary usage of the word sustainability. Regretfully it can be observed that this important subject area is often used for pure advertising reasons in the communication of many companies. We regret this development and continue to work on our concept of applied sustainability.

Conclusion

We are assuming that there will be a lens market in the future. Our assortment has been optimally aligned for the market. The quality of our production equipment, our know-how, our employees, the company structure and our image form a good basis. Additionally we are financially solid. Therefore our dependency on the very volatile capital market is relatively small.

We are convinced that we will be able to offer relatively secure jobs in the future. We will also be able to make investments in the future, give the owner an appropriate return on investment and pay the community taxes based on our earnings.

Our progress in the energy and resource efficiency will in the future certainly be negatively influenced by increasing demands for quality and stronger globalization sustainability chains. Payment to the energy suppliers and greenhouse gas emissions will reward the competitor that has the best energy efficiency. Here, we will be among the winners.

We assume that neither the market, nor politics alone are capable realizing our conception of social justice und solidarity. The more the government focuses on its core responsibilities, the more the issues of social justice and solidarity become a promotion responsibility of companies and business owners.

Our Sustainable Business Strategy

A company can only then achieve sustainability if all elements of sustainability are integrated in its business strategy.

For this reason, we do not use a sustainability strategy, but rather a sustainability business strategy.

We are aware that this sustainable business strategy in itself contains friction elements. We have a number of strategic goals that are in competition. For example we have the intention to reduce energy generated climate contamination which has a negative effect on our efficiency.

It is the responsibility of the management to avoid this type of conflicting issues and their negative outcome. The decisions need to be made in a way that both goals can be accomplished.

Therefore, we attempt, when possible, to establish and strengthen positive connections between the strategic goals to an extent that is acceptable for everyone involved. Examples for trade-offs are: Through forgoing the use of non-renewable energy sources we are more independent of unstable energy prices and we promote positive climate protection. Through the use of 100% nature made electricity, we annually save society over 100'000 CHF in health costs. Another example of trade-offs: Through higher quality requirements for our high-end products and the subsequent increase in productivity, we have raised the absolute energy and water use. We have not accomplished the corresponding decoupling.

When we started our sustainability development 21 years ago, our strategic and operative goals were relatively simple. We either wanted to increase the amount of renewable resources, or we wanted to reduce something, for example special waste. Our graphic charts pictured either an upwards curve or

one that was close to the zero line. Today, we have reached a level where simple goals no longer make any sense or can no longer be realized. On the other side, we also realize that in the long term, we must reduce the absolute use of resources. We don't have a solution for this challenge yet.

Our sustainability business strategy is based on six directions of impact:

- **Effectiveness:** Do the right things.
- **Efficiency:** What we do, we do it right.
- **Maximum Resource Utilization:** Use what we have to the maximum.
- **Environmental Protection:** With what we do, pollute the environment as little as possible.
- **Fairness:** Decent and fair dealing.
- **Solidarity:** Keep the complete picture in mind with what we do.

We will cover our progress in the implementation of the six strategic objectives in the following sections.

Effectiveness: Do the right thing.

The market determines the degree of effectiveness that is necessary for our competitiveness. Our customers and our competition also define what they expect from us. Our effectiveness shows in our market share. From the absolute share value and its development, we can determine how our customers view our products and services in comparison with our competitors.

To obtain cost effective production, our machines must operate at the highest capacity. Therefore, we must keep our market share at a high level that assures us no loss of ground to our competitors.

The effectiveness of our productivity, we want to secure, safeguard and improve through three principles:

→ **Close customer relationship**

→ **Innovative technology**

→ **Simplicity**

CLOSE CUSTOMER RELATIONSHIP

We want to serve the needs of today's and future customers concerning service, quality and price. To accomplish this, we design our products and services as effective as possible. We offer:

- A very high level of product and service quality
- A reliable and rapid delivery service
- Individual marketing consultation

We react quickly and courteously to customer desires and complaints.

For years we have asked our customers about their satisfaction. There were small deviations between 2004 and 2010. However, their evaluations were above average in all categories. The quality expectations of our customers remained unchanged at a high level for the past two years.

Naturally, a strong customer orientation alone does not guarantee success in the marketplace. Our market share in Switzerland varies between 11 and 12 percent. The market share with strategically important progressive lenses rose slightly. Because of the demographical development in the population, the potential in this segment is very high. Progressive lenses provide a considerable increase in the quality of life for the user. We expect large future growth in this segment. In 2009 we began the very complex production of this product in Stein am Rhein and we are now well prepared for the awaited increase in demand.

We support the independent opticians that are not a part of a marketing group, with individual marketing consultation. This is an interesting potential for customer service.

Customer Satisfaction¹	Mark	Importance ²	2004	2005	2006	2007	2008	2009	2010	
Evaluation of quality by the opticians	1 = very good 6 = bad	91 %	1,6	ne	1,8	ne	1,6	ne	1,6	
Evaluation of the delivery service by the opticians	1 = very good 6 = bad	79 %	1,9	ne	2,1	ne	2,0	ne	2,1	
Evaluation of prices by the opticians	1 = very good 6 = bad	60 %	2,0	ne	2,0	ne	2,1	ne	2,1	
Number of customers for individual marketing support								3	5	
Complaints	numbers	2000	2003	2004	2005	2006	2007	2008	2009	2010
Number of complaints from customers ³	indexiert, 2001 = 100 %	–	89	91	92	94	89	81	–	–
	% of the delivered lenses	–	–	–	–	–	–	–	4,0	4,5
Market share and production										
Market volume of vision correction lenses	1'000 optical lenses	1'851	1'955	1'940	1'983	2'125	2'220	2'250	2'217	2'338
Production	1'000 surfaces	383	496	330	314	408	442	418	381	330
Market share Knecht & Müller	%	13	13	12	12	13	13	12	11	11
Market share of large affiliate chains	%	27	34	35	35	35	38	40	42	44

1 In 2004 we put our customer orientation research on a new methodical basis. Therefore, research results of the past years are no longer comparable, and we have chosen not to publish them. Our research of customer orientation is conducted a minimum of every two years.

2 The portion of opticians that judge the respective criterion as the most important in the selection of main and second level suppliers.

3 Starting in 2009 the complaint rate is compiled through a new methodical method. The new rate contains all complaints that lead to replacement of the delivered optical lenses (under guarantee and goodwill).

In 2010 we cooperated with a specialist for sustainability to develop a high quality customer survey. We wanted to feel the willingness and the interest of our customers to actively live sustainability themselves. As a rule, the term sustainability is associated with ecology and especially with energy saving. Fundamentally, there is total interest for the subject from those questioned with a high quality product assortment. We strongly emphasize, visualize and communicate the connection between economic and ecological themes. We will accordingly also offer coaching to selected opticians and our internet presence will also with best practice examples.

INNOVATIVE TECHNOLOGY AND SIMPLICITY

We promote new technologies and we are striving for market leadership by introducing new resource saving products and production technologies. We have continually and successfully introduced innovative new products over the past.

We are convinced that for a successful and lasting development of our company, aspects such as simplicity, esthetics and elegance are very important. The number of processing steps from start to the finished product has remained stable over the last few years. However, it can't be ruled out that in two or three years, further significant reductions will be possible.

Innovation and Simplicity	Unit	2000	2003	2004	2005	2006	2007	2008	2009	2010
Innovative products introduced into the market	number	5	5	5	2	4	4	4	7	4
Process steps to the finished product	number	20	18	17	16	15	15	15	15	15

Individual progressive lenses mean considerable increase in the user's quality of life. We foresee a substantial growth for this product in the future.

Efficiency: Doing what we do and doing it right.

Two important elements in our strategy are: Secure the productivity and profitability (efficiency) as good as possible in compliance with customer needs (effectivity). The market, the competition (price and profit margin) and the technological development give us the guidelines for the standard of the efficiency and its progression. If we do not want to risk our ability to act, we must be geared to the best in the market. Accordingly absolute efficiency cannot be attained since absolute efficiency is a permanent ongoing process. Efficiency for us is not an end in itself but a prerequisite for the possibility to have a lot of successful added value processes in Switzerland. Therefore, we must secure a higher added value per employee.

To maintain this high level of added value, we must at least create enough free cash-flow that the necessary investments for increasing efficiency and effectivity can be carried through. Additionally, we must secure an appropriate profit that financing by third parties and our own capital source at an adequate level are guaranteed.

For improvement of our efficiency (productivity and profitability) we draw on three courses of action:

- **Continuous investing**
- **Continual improvement**
- **Cost Optimizing**

CONTINUOUS INVESTMENT

We invest continually in new technologies and optimized processes. In 2009 we invested the amount of 600'000 CHF in new equipment for the production of the SuperHiVision coating. In 2010 it was 650'000 CHF for the connection to the community's wood chip-heater system and also the renewal of our own warm and cold water machines.

CONTINUAL IMPROVEMENT

We optimize our internal processes continually and use our capacity to the highest degree possible. The capacity utilization in the reporting year is lower than in the past years. The ecological efficiency in

relation to main energy input per 1'000 m² surfaces, remains constant in both reporting years in comparison to previous years.

COST OPTIMIZING

We continually search for potential saving opportunities in purchasing to reduce costs and increase productivity. By doing this we want to contribute to the company's development, to securing jobs and to necessary added value for the future.

The value added is with a little over 99'000 CHF per full time job at a continuously high level which allows us to offer jobs with appropriate wages in the future.

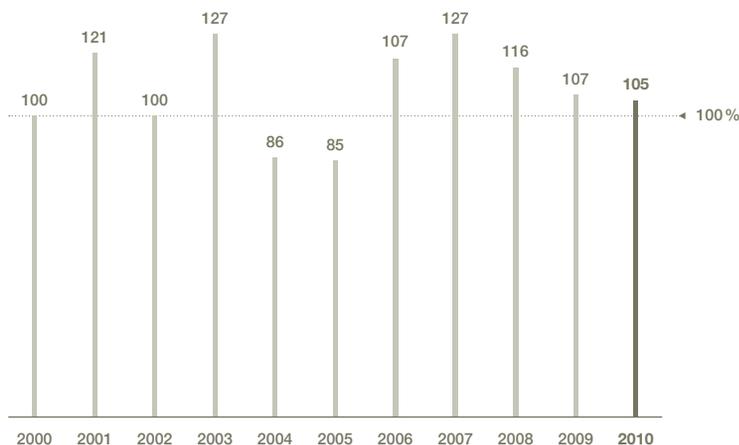
Investments	Unit	2000	2003	2004	2005	2006	2007	2008	2009	2010
Net Investments	in 1'000 CHF	397	371	-581	265	905	497	738	736	895
Productivity										
Production	in 1'000 surfaces	383	496	330	314	408	442	418	381	372
Employment	number of full time jobs	50	46	44	43,5	44,8	45,4	46,9	46,6	46,5
Productivity	surface per full time job	7'653	10'784	7'494	7'218	9'107	9'736	8'913	8'176	8'000
	index, 2000 = 100 %	100	127	86	85	107	127	116	107	105
Value added										
Value added per Employee	CHF per full time job	85'240	91'891	91'682	86'483	91'830	97'930	95'670	102'340	99'300
	index, 2000 = 100 %	100	108	108	101	108	115	112	120	117

Efficiency for us is not a substantive but rather a requirement for the creation and successful retention of a lot of substantial value added in Switzerland.

Cradle to Cradle: In 2010 the present potential on ecological quality of our products was further elaborated in cooperation with EPEA Switzerland. The material flow was evaluated in detail and commented from a Cradle-to-Cradle viewpoint. The waste was analyzed to determine if it would be practical to try and recycle it in the plastic material production. In the process of evaluation, interesting solutions were discovered by a British company. Along the added value chain, a formal cooperation with Mitsui Chemicals, Hoya and Knecht & Müller was established.

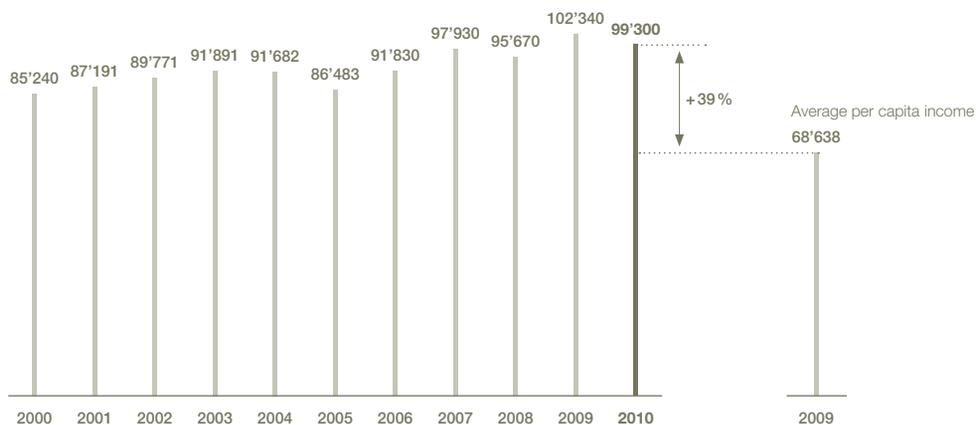
The productivity has decreased, but remains at a good level.

Number of surfaces pro full time job
2000 to 2010, index 2000 = 100 %



High added value secures jobs in Switzerland.

CHF per full time job
2000 to 2010



The high added value per full time job allows us to offer jobs with reasonable wages.

Resource Conservation: Use what we have conservatively.

A company needs qualified employees, capital, technology and raw materials in adequate quantities and quality. The resources will first come to life through corporate culture that is a product of corporate thinking, actions, respect and recognition, honesty, open communications and new dialog. Resources must first be acquired and then maintained. During this process, every company is in continual competition with other companies.

We set the corner stone for our success through skilled management of our resources and when we are economically successful, we can secure the necessary resources.

The key aspects of a sense of responsibility are that we have the resources we need to accomplish the tasks we face. These are:

- **Our employees**
- **Our corporate culture**
- **The technology**
- **Natural resources**
- **Our financial resources**

Job security is a major factor for work force satisfaction.

OUR WORK FORCE

We are convinced that our work force can only bring their optimal capabilities into the job, if they are content and healthy. They should not have fear for the future, but trust in management and have the feeling they are in good hands. Our work force should know that management wants to create jobs that are competitive and therefore secure for the future.

The main supporting beams of the strategy to maintain and develop our most important capital are:

- To keep and strengthen work force satisfaction
- To develop and expand capabilities
- To promote and keep high health standards

Maintain and strengthen work force satisfaction

Secure jobs are a major factor for a content work force. Therefore, we want to conduct the necessary optimization, adaptation and investments that create added value and secure jobs for the Stein am Rhein business location. Furthermore, we strive for a congenial work atmosphere and cultivate a culture of integrity, respect and tolerance.

The work force satisfaction is 5.0 out of 6 possible points at a constantly high level. There was a planned generation change mainly at supervisory level, where the rate of fluctuation has increased in the reported years. The average company membership remains very constant over the past years. The average age of the work force is a little under 45 years of age.

Work force treatment	Unit	2000	2003	2004	2005	2006	2007	2008	2009	2010
Work force satisfaction	6 = very good, 1 = bad	ne	4,9	5,0	4,9	4,9	4,8	4,9	4,9	5,0
Fluctuation rate	termination in % of the work force	15	9	10	8	9	8	8	13	12
Average company membership	in years	10	12	12	12	13	13	13	12	13
Average age of the work force	years	ne	45,5	45,5	46,0	46,1	45,7	45,7	47,0	44,5

Capabilities development and expansion

Our work force should continually expand their abilities. We support this individually and as a team. Additionally, we strengthen the self-initiative of each and every individual and support the ability to recognize and correct wrong and disharmonious conduct. We also stimulate and communicate permanent job related knowledge.

The further training time for individual female and male employees remains after an extraordinary increase in 2009 at a high level. In 2009 we introduced "Knecht leads the way – Learn for the future" - further education courses providing knowledge mainly for private use. In 2010, we conducted a participation workshop for all employees. In this course we wanted to know from our staff how they see the future of our company with reference to a long term development (See page 43).

Our largest capital is our work force with their knowledge, capabilities and experience.

Boost and conserve health

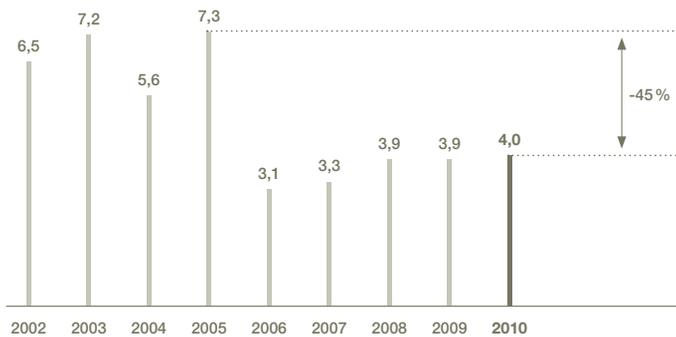
All employees can participate in health education during work hours. 95% of the work force has taken advantage of this offer. In 2010, we allotted 200 working hours for this purpose.

Since 2006 the absentee time for accidents or sickness is about 4 days. Therefore, the level is considerably lower than in the 2002 – 2005 periods,

where it was 6.7 days. In 2010 we offered a complete health check to all work forces. All employees had his or her individual condition determined and was informed by external specialists which appropriate action should be taken. The privacy of each employee was protected and management was only provided a general evaluation of the company's general condition.

The absentee rate of the work force has been almost cut to half since 2005.

Absentee days through accidents and sickness by year
2002 until 2010



The success confirms that we are on the right track. Therefore, we stick to our philosophy and offer our work force regular training in the field of health protection. A meaningful health promotion campaign enables to cut direct costs caused by

accidents and sickness (paid wages during absence). These costs were reduced from 110'000 CHF in 2005 to approximately 60'000 CHF in 2010.

In 2010 we offered all employees the opportunity to have a personal health check-up.

Health protection promotion		Unit	2000	2003	2004	2005	2006	2007	2008	2009	2010
Health Courses	employee participators	ne		54	53	48	49	49	50	50	50
Percentage of the work force	%	ne		95	95	96	95	95	95	95	95
Devoted work hours		ne		216	210	192	196	196	200	200	200
Lost work days from accidents and sickness	number of days per full time job	ne		7,2	5,6	7,3	3,1	3,3	3,9	3,9	4,0
Direct costs for the lost work days	CHF	ne		109'382	85'075	110'902	47'095	52'000	61'000	61'000	63'000
Education											
Education courses	employee participants		18	22	16	20	27	26	32	26	20
Education hours	per employee		1	5	6	12	11	17	22	42	22

MAINTAIN CORPORATE CULTURE

We promote corporate culture that is earmarked by respect and tolerance. We are convinced that these values are fundamental for our long term success. They must be so firmly anchored in the company that they will remain to be continued, even with a management change.

In order to better anchor our values in the company, we involve our employees more in the decision making process of management and of the company owner. Additionally, we actively advise the work force about the new overall concept.

Workshop Participation for Knecht & Müller employees: As employees of the Knecht & Müller Company they are accustomed to internal trainings concerning unusual subjects that are conducted several times annually. After subjects like «Biodiversity», «Tolerance» and «Mental Training» actually nothing else could really be a surprise. This was at least thought until one day last year when an invitation to a Workshop Participation was placed on the bulletin board by the management. So the anticipation was high when everyone gathered in the multi-purpose room on the day of the event. The work force was not greeted by management as usual, but rather by total strangers. Mr. Raeder and Mrs. Wolf from the Eartheffect Company, welcomed the work force and divulged the secret.

→ Continuation on the next pages

The task was to work out visions for the Knecht & Müller Company in groups. How should the company look in 10 to 20 years from the view point of the work force? For a while after the task was explained, there was silence in the room. It wasn't so easy to put aside the thoughts of daily business and to develop something fundamental for the company. However, after several minutes the mental blocks began to dissolve and the ideas began to flow. Each group was required to present their visions and suggestions on a flipchart and then afterwards elaborate in a plenum. The visions ranged from a paperless office including complete recyclable consumption materials, through electricity only from renewable energy sources and free selectable work hours for employees and a delivery time of one day for our products. The visions were as different as the people in the company. Implementation of the ideas were evaluated by management and partly applied.

The work shop was found to be very suspenseful by all of the participants. It will be even more suspenseful to see which visions will be reality in 10 to 20 years.

The success of the maintenance of our intellectual resources is not easy to measure, because the necessary indicators exist only rudimentarily. A possibility would be a survey. We for this purpose have regularly asked our work force to honestly evaluate the company culture based on four aspects

of corporate thinking and actions, respect and acknowledgement as well as honest and open communications and open mindedness for new things. On a scale of 1 (poor) to 6 (very good), we reached with 4.9 points in 2010, a very good result.

Corporate culture	Unit	2003	2004	2005	2006	2007	2008	2009	2010
Corporate Culture Evaluation	6 = very good, 1 = poor	4,7	4,7	4,9	5,0	4,9	5,0	4,8	4,9

RESOURCE «TECHNOLOGY» MAINTENANCE

In order to successfully develop our Swiss business location, we must belong to the best and fastest new technology users. Only through maximum use of the latest technology developments is it possible to obtain the high added value level that we need to secure jobs, to obtain maximum return on our capital investment and finance our investment plans.

The strategy for development of our intellectual resources (technology) is based on two pillars: through regular consultations and meetings with Hoya, our main supplier, we learn about the latest technology developments and discuss future developments. These meetings are held at management and operative levels. We thus strive to effectively integrate these new technologies into our processes.

In 2009 we successfully introduced the production of individual progressive lenses. In 2010 we additionally launched the production of the high value Super HiVision coating an excellent technological development from Hoya.

In 2010 we additionally added production of the high value Super HiVision coating.

We also maintain intensive contact with companies that develop production technologies. This is to remain as close as possible to top new technology developments. And we offer our production facilities for test runs of new machines. Through this cooperation we can test the machines under realistic working conditions and contribute to their further development. In 2010 considerable progress was accomplished through this method.

EFFICIENT AND RESPONSIBLE USE OF NATURAL RESOURCES

Natural resources are limited. We reduce the use of resources and we want to replace a large part the non-renewable resources by renewable resources. In order to accomplish this, we follow two strategies:

- Use renewable energy sources, alternatively reduce use of non-renewable energy sources.
- Optimize material and energy inputs along the value chain.

Since 2010 we no longer need oil or gas for heating purposes.

Use renewable energy sources; respectively reduce use of non-renewable energy sources.

Use renewable energy sources respectively reduce use of non-renewable energy sources. We have drawn a large portion of our electricity needs for the past several years from certified regenerative energy sources. For our warm water and the heater, we use a hydro-extractor. This strategy reflects itself in the composition of our company energy use.

An analysis of our electricity sourcing strategy shows that the electricity quality is the main influencing factor for our environmental accomplishment. Since 2001 we have covered our electricity needs with at

least 75% renewable electricity. Since 2007 it is 100%. In the reporting years, we have a 50% split between nature made star and a combination of the Buendnerland drinking water power plant and the Rhein Power plant near Schaffhausen. We began to draw our heating needs from the closely located Stein am Rhein wood chip central heating system. Therefore we no longer need oil or gas. This investment will reflect a greatly improved CO₂ balance in our prime energy needs.

Energy Quality ¹	Unit	2000	2003	2004	2005	2006	2007	2008	2009	2010
photovoltaic	kWh per 1'000 surfaces	16	13	20	19	15	14	14	16	16
Bio gas plant	kWh per 1'000 surfaces	653	504	663	298	0	0	0	0	0
Small hydro power plant	kWh per 1'000 surfaces	653	706	0	0	0	0	0	0	0
Hydro Power «nature made star»	kWh per 1'000 surfaces	0	463	1'671	1'884	2'033	2'081	55	1'171	1'337
Hydro Power «nature made star» from drinking water power plant	kWh per 1'000 surfaces	0	0	0	0	0	0	2'207	1'312	1'465
Renewable portion in UCTE-Electricity ²	kWh per 1'000 surfaces	156	0	13	88	29	0	0	0	0
Non-renewable portion in UCTE-Electricity ²	kWh per 1'000 surfaces	886	0	72	497	165	0	0	0	0
Electricity use	kWh per 1'000 surfaces	2'365	1'686	2'440	2'787	2'242	2'095	2'276	2'499	2'818
	kWh per year	0,905	0,836	0,805	0,875	0,915	0,926	0,952	0,952	1,048
Renewable Electricity portion in %	portion in %	63	100	97	82	93	100	100	100	100
Heating oil and gasoline/diesel	Unit ³	2000	2003	2004	2005	2006	2007	2008	2009	2010
Gas	kWh per 1'000 surfaces	1'080	738	949	1'117	777	753	816	999	783
Gasoline lead free	kWh per 1'000 surfaces	77	38	70	106	117	133	156	180	140
Diesel	kWh per 1'000 surfaces	0	0	0	0	0	0	0	0	14
Heating oil and gasoline/diesel	kWh per 1'000 surfaces	1'157	776	1'018	1'223	893	886	972	1'179	937

1 From the power socket

2 Electricity from the European power plant (UCTE = Union for the Coordination of Transmission of Electricity)

3 Useful energy under lowest value

Materials and Energy usage through value chain optimizing

Material and energy were saved in the past by cut down or through contract secured alternative replacement by our continual improvement of production, procurement and distribution. Through valuation of the complete added value process with the help of a life cycle analysis (LCA, (Ecology Balance)) we can determine our long term resource needs. When determining our investment decisions our

future resource usage is planned long term. Therefore, we decide at the time of investment in new production machines and technologies for systems based on considerably less energy use. In the two reporting years, no important improvements were made. The potential for savings are becoming smaller and smaller.

Should the resource usage be optimized over the complete added value chain the complete product

life cycle must be given an ecological analysis. Likewise we will need a life cycle analysis. In 2008 our second conducted analysis mainly showed the following results (The short version of the eco balance is available as a download (web address see page 76)

- The quality of the electric current is crucial for the resource use.
- In case of mineral lenses the production is the main source of environmental contamination and resource use. In case of organic lenses transport plays an additional role.
- Because of the electricity mix that we use, organic and mineral lenses are almost the same with regard to resources used and environmental contamination.

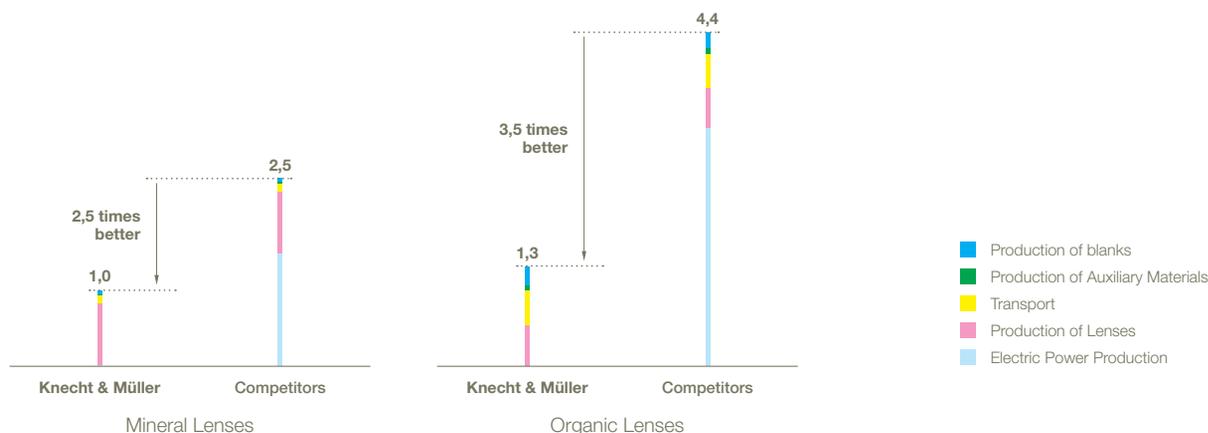
The LCA-Analysis shows that the quality of the electric current used for production is decisive for the ecological compatibility of our products. Therefore, we cover our electricity needs since 2007 from 100% renewable sources. In comparison to our competition that draws their electricity from conventional sources, we can reduce our prime energy use for mineral lenses by factor 3.5 and

organic glass by factor 2.5. Calculated over a year period, we save the energy amount of 11'900'000 mega Joule (based on 2005), that represents the use of 137 average households. For a better understanding: In an automobile with a use of 10 liters per 100 kilometers, it would be possible to drive 3'840'000 kilometers or 96 times around the world.

Regarding the resource usage the mineral lens fares much better than the organic lens. This is because the blanks for organic lenses are transported by airfreight and their processing uses more electric energy through the entire added value chain to the opticians' shops. An organic lens from our production through the complete added value chain to the opticians' shops needs the energy equivalent of about 1.4 liter of oil; former production methods required 4.8 liters. Therefore, the customer saves the equivalent of 6.8 liters of oil per pair of our lenses. One mineral lens from our production requires 1.1 liter of oil in comparison to 2.4 liters of oil required by prior methods.

Optical lenses from Knecht & Müller are 2.5 to 3.5 times better than optical lenses produced with prior methods.

Prime Energy Effort, index, 1 = mineral lenses from Knecht & Müller



Implementation of the knowledge gained from Ecological-Balance (LCA)

The company optimization, that we under consideration of the complete product life cycle implemented, originates from the collection and analysis of the material and energy flow with the help of our ecological controlling system (the detailed material and energy flow calculation in absolute values drawn from 1'000 surfaces, which is available as a PDF at the start of this report (see web Address on page 76). Our central data flow pertaining to resource efficiency (in each case based on per 1'000 surfaces):

- Use of non-renewable prime energy sources
- Water use
- Material use
- Waste accumulation

From ecological and economical viewpoints the reject rate is extremely important.

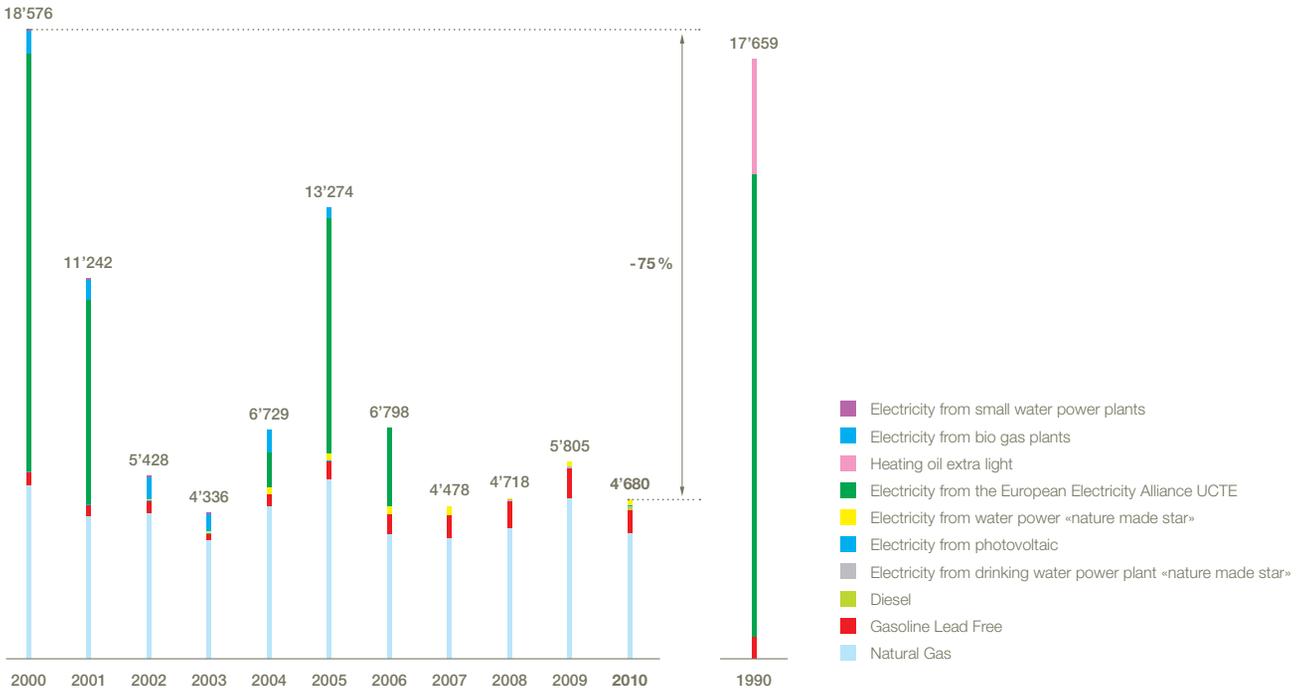
Use of non-renewable prime energy

The fixed energy use of our production is very high. We are achieving the best energy use per optical lens, when we operate at full capacity and when it is operated efficiently. We can only measure the total capacity of our production indirectly. The best indicator for this is the electricity from the outlet per 1'000 surfaces. The better we make use of capacities the less we make use of electricity.

Our efficiency efforts in the energy sector depend on the prime energy use. The prime energy use measures the quantity of main, non-renewable energy suppliers (coal, gas, Uranium etc.) that are necessary in order to provide the quantity of energy that is necessary for our production. In the process,

Prime energy usage since 2000 is 75% down and since 1990 73% reduced.

GJ Prime Energy (non-renewable) per 1000 Surfaces
2000 to 2010



we take into consideration the total added value chain. This life-cycle observation for example shows that electricity from water power plants or photovoltaic contain a small part of renewable prime energy. With this basic approach we can make different qualities of energy comparable.

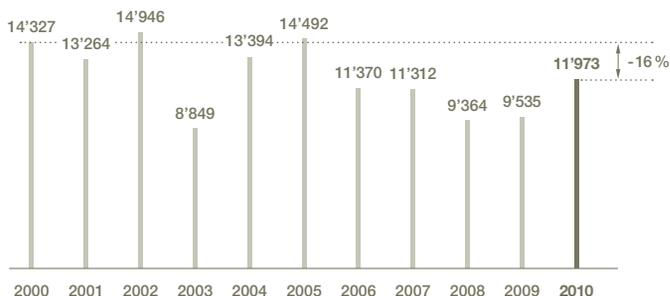
Since 2000, we can cut down our complete prime energy use per 1'000 surfaces by 33% and the use of renewable prime energy by 75% (see table on page 50)

In comparison to the authoritative 1990 Kyoto-Protocol based figures the reduction is actually about two thirds.

However, absolute figures that are applicable for the environment per year have reduced since 2000 by 75%. Therefore, we have taken large steps toward a watt 2000 (See Report 2007/08 page 37)

Water use since 2000 has been reduced by about 16%.

Liters of water per 1000 surfaces
2000 to 2010

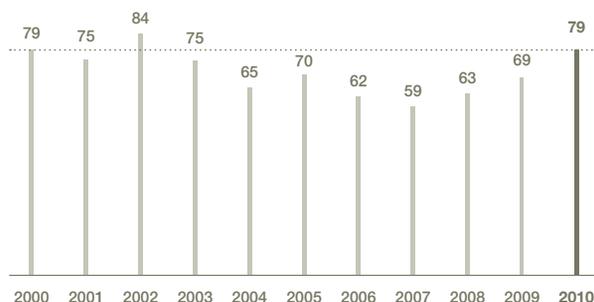


Water usage

The specific water usage was reduced since 2000 by about 16%. For a single lens polished, hard coated, anti-reflex-coated and tinted (2 times 4 surfaces) even with the improvements we still need 96 liters of water.

Material usage is at the same level as 2000

kg material (raw, Kg) material (raw, supporting, operating materials, packing and office supplies)
per 1000 surfaces
2000 to 2010



Material usage

After initial progress of up to 25%, our material use intensified in 2010 in comparison with the year before. We are again at the level of 2000. The material use in one set of lenses with two curves, hard coated, anti-reflex-coated and color tinted (2 times 4 surfaces) is with 634g in relation to the weight of the finished lenses very high.

Waste Quantity

In the two reporting years, we could keep the level of waste stable which is 6.5% above the average of the past several years. The analysis of our organic waste shows that for the waste from production, i.e. the grinding of the blanks no special handling is needed and it can trouble-free be disposed in the waste-to-energy plant.

Reject Rate

Each manufactured product that cannot be used because of quality defects has used unnecessary resources. Through continual quality optimization we try to avoid rejects. However, the numbers remain relatively high. Nevertheless, the reasons for this are the quality demands of our customers as well as ever increasing quality of the optical lens materials that additionally are increasingly more difficult to work with. As a result of the increasingly higher material quality and the increasing esthetical demands, the reject rate trend is high, but remains at a constant level.

Material-, Water- and Energy usage	Unit	2000	2003	2004	2005	2006	2007	2008	2009	2010
Material Use	kg per 1'000 surfaces	79	75	65	70	62	59	63	69	79
Water Usage	l pro 1'000 surfaces	14'327	8'849	13'394	14'492	11'370	11'312	9'364	9'535	11'973
Prime Energy Usage	MJ prime energy per 1'000 surfaces	24'966	11'507	16'815	23'147	15'755	13'489	13'928	16'211	16'410
Thereof non-renewable	MJ prime energy per 1'000 surfaces	18'576	4'336	6'729	13'274	6'798	4'478	4'718	5'805	4'680
Thereof renewable	MJ prime energy per 1'000 surfaces	6'390	7'170	10'086	9'873	8'957	9'011	9'210	10'406	11'730
Waste accumulation										
Waste	kg per 1'000 surfaces	70	75	121	87	77	75	83	91	90
Rejects	% of the total production	–	9	8	9	8	8	8	8	9

FINANCIAL RESOURCES

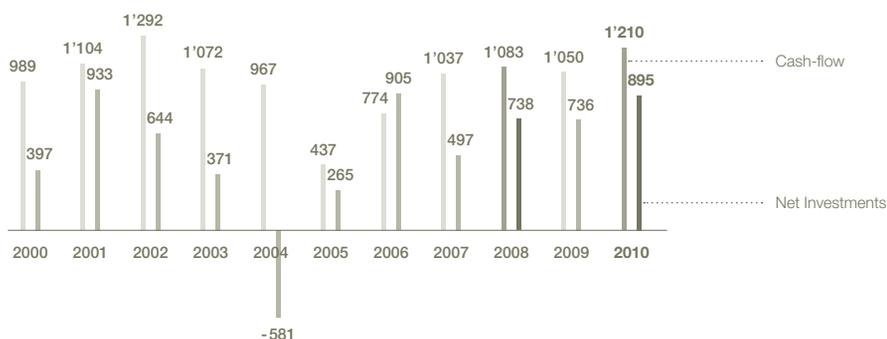
The earnings generated through our operative business must be high enough to meet the interest obligations to our capital providers. If this is not possible they will withdraw their financial support or at least will not provide new money. In this case, the company's long-term growth plans would be terminated. However, if successful, it will make the increasing value of the company attractive for stock investments.

In view of the succession plan, also an appropriate return on investment for family stock holders is also important. Only when we comply with this

entitlement through success in our operative business, we will have freedom of action to regulate the succession plan appropriately. This is both in the best interests of the company and the work force. Parallel, we strive for a very conservative financing. This means, we keep the share of third party capital as low as possible. Furthermore, our investments should be financed completely through our own generated capital (Cash-flow). We thus secure our independence from banks and protect our freedom to act.

Investments can be financed through our own generated capital.

CHF Cash-flow respective. Net Investments
2000 to 2010



The company financing continues to be good. Through our cash-flow, we continue to be able to finance all of the investments from our own earned capital. The cash-flow improved after an all-time-low

in 2005 adequately through the following years, but still not enough for the company's long term goals. Not yet.

Financing of the Investments	Unit	2000	2003	2004	2005	2006	2007	2008	2009	2010
Cash-flow	1'000 CHF	989	1'072	967	437	774	1'037	1'083	1'050	1'210
Net-Investments	1'000 CHF	397	371	-581	265	905	497	738	736	895
Balance Structure										
Fixed Assets	M. CHF	6,52	5,70	4,85	4,77	4,89	4,57	5,37	5,12	5,00
Working Assets	M. CHF	3,66	3,84	3,64	3,62	4,11	4,95	4,92	5,28	4,92
Balance Sum	M. CHF	10,18	9,54	8,49	8,39	9,00	9,52	10,29	10,4	9,92
Equity Financing										
Equity Financing quota	% the complete capital	73	70	68	68	70	70	70	70	70

Cost-benefit of our sustainability strategy

During the time period of 1995 to 2010, we invested 414'000 CHF in long-term development of our company, mainly for resource efficiency, environment, climate protection, health promotion and water cost reduction. The saved energy and water costs, as well as the reduction of work force absenteeism equaled 831'000 CHF within the same time frame.

Through this effort, we were able to confirm that the investments in sustainable development were justifiable. In 2010, we again invested 638'000 CHF in the replacement of the complete hydro-extractor / cooling unit system. Through this investment, we have the newest hydro-extractor generation that provides us optimal energy efficiency and quality cooling and heating for our processes.

Protection against contamination:
Keep environmental contamination as low as possible throughout our production.

The harmfulness and therefore, the compatibility are mainly determined by the extent in which our company protects the environment from contamination, we can also look forward to positive evaluation of our efforts from outsiders. Additionally, we can have increasing trust that our environment in an extraordinary situation will support us with tolerance and understanding. This is of central interest in a surrounding that is permanently adapting to an ever intensifying competition. We are convinced that it is rational, to keep contamination down and secure our room to maneuver in the future.

Protection from contamination through economic activities, we consider as tangible and intangible aspects. Burdened by our production activities:

- **Our work force**
- **Social system and society**
- **The natural environment**

AVOIDING UNNECESSARY STRAIN ON THE WORK FORCE

We minimize unnecessary physical and psychological stress on the job that negatively affects the efficiency. We want to restrict and eliminate work related accidents and sickness at all costs. The quality of life of our work force cannot be negatively influenced by their work. We want to dismantle the stress zone between job and private life, where possible.

For reduction of the individual burden on employees, we work with the following courses of action:

- Configuration of the working hours
- Promotion of the part time jobs
- Application of the EKAS guidelines
- Health management: Training, offering walking courses, paying for fitness club member-ships

Working hours

If possible, we will avoid shift and weekend work in the future. However, we are fully aware that the enormous competition from low wage countries will put us under increasing pressure.

Since the introduction of longer working hours in 2006, our capital intensive production capacity can be better used. Since 2007 our order processing and merchandise delivery has been extended to 7pm. This ensures that our customers receive their orders before opening their shops the next morning.

In addition to maternity leave we introduced an equivalent for fathers.

Work Time	Unit	2004	2005	2006	2007	2008	2009	2010
In the Production	hours	7.00-16.15	7.00-16.15	7.00-18.00	7.00-18.00	7.00-18.00	7.00-19.45	7.00-19.45
In Order Processing and merchandise delivery	hours	7.30-17.45	7.30-17.45	8.00-19.00	8.00-19.00	8.00-19.00	8.00-19.00	8.00-19.00
Work Hours per Day	hours per employee	8	8	8	8	8	8	8
Work days per week	days	5	5	5	5	5	5	5
Employees with part time jobs	number	14	16	16	19	19	19	19
Accidents and Illness								
Number of job accidents	number	0	0	1	0	1	1	0
Lost work days due to accidents and illness	days per full time job	5,6	7,3	3,1	3,3	3,9	3,9	4,0

Part-time jobs

As far as the operational demands will allow, we offer part-time jobs. We already introduced this offer years ago. The additional administrative costs are borne by the company. The development shows that desire for flexible working hours remains stable.

In addition to the official maternity leave for mothers we introduced a similar regulation for fathers in 2010. In addition, we offer a job guarantee so that mothers and fathers can return to work with us after the maternity leave. A part-time job as a starter is also possible.

Check-Up Days 2010: Within the framework of our annual health education, we also have asked doctors to conduct individual check-ups. The individual results are not available to management, but only as an anonymous general health summary report. The main objective was that the employee knew about his personal health condition. In the areas of blood pressure, blood sugar and cholesterol controls there was no relevance found. However, on the other hand 33% of the employees have weight problems, 16% have exercise deficiency and 7% are smokers. We will take appropriate counter measures in our health trainings in 2011 and 2012.

Effective Implementation of the EKAS guidelines

Our jobs places are clean, quiet and well illuminated and they comply with the guidelines of the EKAS (Swiss Commission for job safety).

In 2008, we had the organic gas and material particle content of the air measured in our production facilities. All measurement values are well under the officially defined values for job sites (MAK). The periodical executions of measurements are optional. In 2009, we tested the noise pollution on selected and potentially endangered job sites. All of the values were within the SUVA guidelines. Regardless, we are evaluating improvements on two special job sites.

Our efforts to protect our employees paid out for the first time in 2006: The lost working days through accidents and illnesses were cut in half. The lost working days at this time have stabilized at 4.0 days per full time job. The level is under the average of 6.7 days for the period 2002 to 2005.

In addition to our annual Health Management, we offer walking courses and pay 40% of the membership fees for fitness clubs.

If we manage to keep the burden down, we secure our range of action for the future.

AVOIDING BURDENS ON THE SOCIAL SYSTEMS AND SOCIETY

As in every company we would burden the social security systems if we terminated jobs or if an employee became an invalid. We attempt to avoid putting burden on the unemployment insurance. We are aware that a functioning social security system is also in the interest of companies. With the unemployment insurance we can make necessary employment adjustments, without adding further burden to the party affected.

We want to make certain that all employees can live from their earnings. We refuse to push off a part of the wage cost onto the welfare system. We respect and regard legitimate democratic institutions and try to minimize external costs.

Our strategy to avoid placing burden on the social systems is based on four pillars:

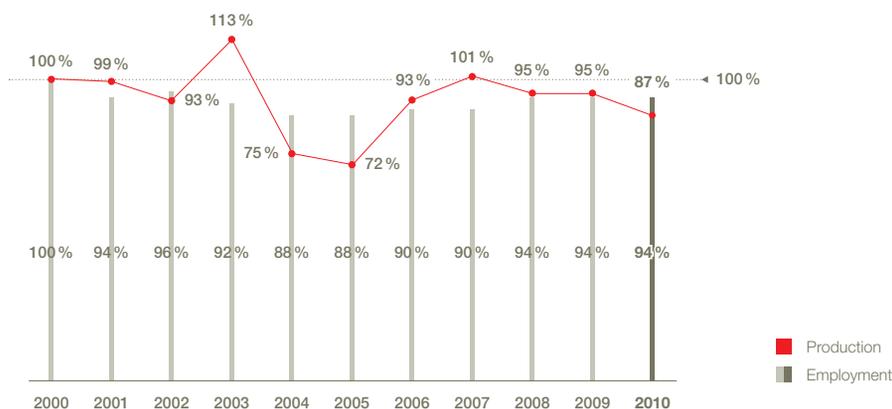
- Avoiding work related invalidity
- Existence securing minimum wages
- Avoiding external costs.

Awareness of responsibility to adjust employment to production variations

When there is a decrease in orders, we do not immediately react by carrying through job reductions, that's how we avoid burden on the unemployment insurance. We try with very means available to stop the decreasing order problem and to turn it around. If this is not successful within six months, we may then reduce the work force. In the reporting year, the work force with 47 full time jobs remains constant regardless of a production reduction.

Responsible adaptation of the work force to the production fluctuations

Production quantities (surfaces) and work force level (full time jobs), 2000 = 100%
2000 to 2008



When orders are low, we do not immediately react with job reduction and thus avoid burdening the unemployment insurances.

Avoiding job related invalidity

We avoid job related invalidity by every means possible. The three actual invalidity cases were not caused by our working conditions or job sites.

Minimum wages that secure existence

We pay appropriate, existence securing minimum wages and also adapt these wages in economically bad years. In 2010, the minimum wage was 3'930 CHF.

Avoid external costs

We use energy suppliers with lowest possible external costs in our Stein am Rhein business location. Thanks to the use of electricity from local renewable sources from 2006 to 2010 we saved external costs of 100'000 CHF annually. This affected primarily health costs. This does not take into consideration the avoided costs of a possible climate change.

Eyewear lenses from Knecht & Müller cause external costs of 78 Rappen. In comparison the same lenses from competitors cause over 6 CHF of external costs and this equals 7.8 times higher society costs.

Although the difference is enormous, based on the cost of eyewear the absolute cost may appear small. However, accumulated over the last eleven years, we saved society about 1 million CHF.

In 2010 we invested 31'700 CHF for drawing electricity from renewable energy sources. In relation to our own external cost savings of 101'700 CHF, this investment will be repaid in 114 days. With the social payback in less than five months, it is a profitable investment in the future.

Adaptation of the work force to the production fluctuation		Unit	2000	2003	2004	2005	2006	2007	2008	2009	2010
Production	in 1'000 surfaces		438	496	330	314	408	442	418	418	381
Employment	full time jobs		50	46	44	44	45	45	47	47	47
Burden on the invalidity insurance											
IV-/SUVA-cases	number of employees ¹		0	1	1	1	1	1	2	2	3
Existence Securing minimum wage											
Minimum gross wage	CHF		–	3'330	3'375	3'425	3'494	3'565	3'635	3'850	3'930
Increase in comparison to last year	%		–	2,5	1,4	1,5	2,0	2,0	2,0	2,0	6,0
Avoided external costs											
Savings for society	CHF		66'435	98'575	91'962	85'025	100'589	110'231	113'375	114'069	101'672

1 Employees that draw a IV-/SUVA-retirement, were granted the like, have received or left the company because of invalidity and with a IV-/Suva-retirement.

The external costs of our eyewear lenses are 7.8 times lower than the past production lenses.

AVOID CONTAMINATING THE ENVIRONMENTAL SYSTEM

We want to avoid environmental contamination and we therefore adjust our benchmarks according to nature and not the business branch.

Our strategy for avoiding and minimizing environmental contamination and the environmental burden is based on five pillars:

1. Optimizing our materials and energy sourcing
2. Optimizing our transports
3. Expansion of the climate responsibility and compensation of the remaining emissions
4. Use of ecological effective technologies
5. Recycling concepts for waste and wastewater

Optimizing of material types and energy sources

We select material types and energy sources that least burden the environment. In doing so, we observe the complete life cycle of our products. As for the production method, we select the method that has the least possible negative effect on the ecological system.

The quality of the purchased electricity influences the use of prime energy considerably (see page 48). Thanks to drawing electricity from renewable sources, we conserve non-renewable sources and the environment.

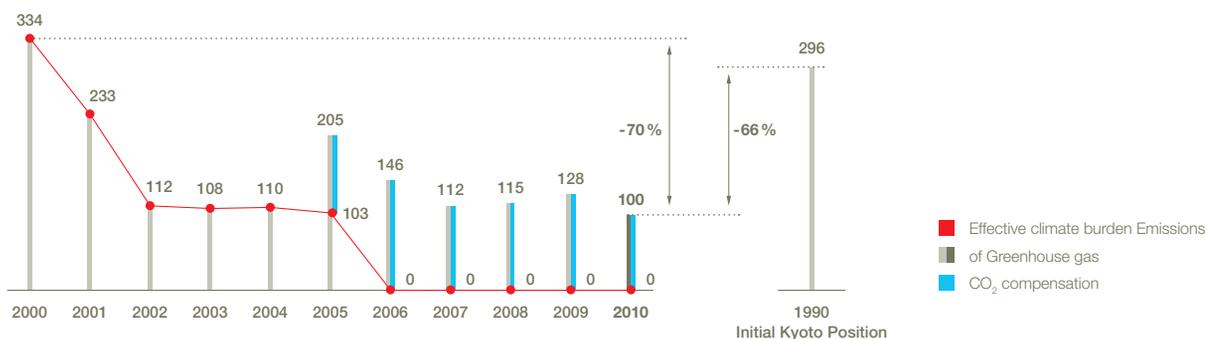
In comparison to year 2000, we reduced the burden in all important environmental areas. Additionally in 2005 to 2010 we purchased CO₂ reduction certificates from the myclimate foundation, in order to compensate for the remaining negative climate influences through implementation of all measures for prevention of greenhouse gas. Our firm is climate neutral since 2006.

Energy related emissions per 1000 surfaces	Unit	2000	2003	2004	2005	2006	2007	2008	2009	2010
Greenhouse potential (effective, that is to say after compensation)	k Carbon dioxide- equivalent	873	218	334	324	0	0	0	0	0
Greenhouse potential (before compensation)	k Carbon dioxide- equivalent	873	218	334	653	357	254	276	335	269
Acidification Potential	k Sulfur-Dioxide equivalent	3,504	0,363	0,737	2,143	0,868	0,321	0,354	0,422	0,354
Fertilisation Potential	k Phosphate-equivalent	1,206	0,042	0,151	0,698	0,251	0,039	0,050	0,055	0,049
Ozone production Potential	k Ethane gas Equivalent	0,652	0,380	0,383	0,467	0,590	0,224	0,138	0,203	0,590
Particulate Matter emission	k Particle (PM10)	0,184	0,032	0,058	0,138	0,078	0,051	0,027	0,046	0,047

We keep the energy-caused Greenhouse effect very low through an almost complete renewable energy-mix. The rest is compensated through investments in high value climate protection projects.

The climate burden through production related energy use has been reduced by 66% since 2000; with compensation since 2006 our firm is climate neutral

to CO₂ equivalent per year
1990 and 2000 to 2010



Optimization of transporting

We select solutions in procurement and distribution logistics with the required delivery times that cause the least possible environmental contamination. The achievement of this goal can only be achieved in a limited form, because about 90% of the lenses are shipped from the Asian region. Our influence in sourcing is largely determined by the business

strategy of our supplier, the Hoya Company and we have no influence. In 2010, the sourcing logistics caused about 75 tons of climate gas emissions. At least, we must state that the Hoya Company carried 50% of the CO₂ compensation costs.

Sourcing	Transport performance		Prime Energy Use		Climate Gas Emissions	
	2008	2010	2008	2010	2008	2010
Per Year	Tkm		MJ Prime Energy		T Carbon Dioxide	
Organic Blanks	75'113	70'366	1'126'562	1'055'457	75,30	70,54
Mineral Blanks	3'260	5'923	29'240	58'162	1,90	3,80
All Blanks	78'373	76'289	1'155'802	1'113'619	77,19	74,34
Airfreight portion	89 %	88 %	97 %	96 %	97 %	97 %
Per Blank	Tkm		MJ Prime Energy		g Carbon-Dioxide equivalent	
Organic Blanks	0,361	0,343	5,42	5,15	362	344
Mineral Blanks	0,076	0,112	0,68	1,10	44	72
All Blanks	0,312	0,296	4,61	4,32	308	288

Reliability and speed are critical in the distribution processes. A lens that is sent at about 7pm must be delivered the next day before shop opening. This only applies to overland transport.

The delivery is area-wide throughout Switzerland and Lichtenstein in the same night until 6am in the morning at the latest. The Branch Association solution is also environmentally advantageous.

In comparison with the 75 tons of CO₂ per year, the distribution of finished lenses in Switzerland with approximately 1 ton of CO₂ (-13% in comparison with the year before) is negligible. The distribution causes about 22g of CO₂ per lens. Regardless, this CO₂ emission has been completely compensated since 2008 (also see page 60).

Distribution	Prime Energy Use		Climate Gas Emissions	
	2008	2010	2008	2010
Per Year	MJ Prime Energy		k Carbon-dioxide equivalent	
Courier (Express)	1'739	1'545	105	93
Post (overnight CH)	28'943	21'953	1'221	926
Distribution Logistics	30'683	23'499	1'326	1'020

Since 2008 we record the commuting travel of our employees and all business flights. The resulting approximate 44 Tons of CO₂ is fully compensated (also see page 60).

Business Flights and Commuting Travel	Transport Performance			Prime Energy Use			Climate Gas Emissions		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Per Year	pkm			MJ Prime Energy Use			k Carbon-dioxide equivalent		
Work Force Commuting Travel	160'000	160'000	128'925	849'920	849'920	684'850	51'632	51'632	41'604
Business Flights ¹	28'082	23'802	15'868	69'363	58'791	39'194	4'690	3'975	2'650
Total	188'082	183'802	144'793	919'283	908'711	724'044	56'321	55'607	44'254

1 Assumed: All Flights are Inter European(Worst-Case)

Expansion of the climate Responsibility

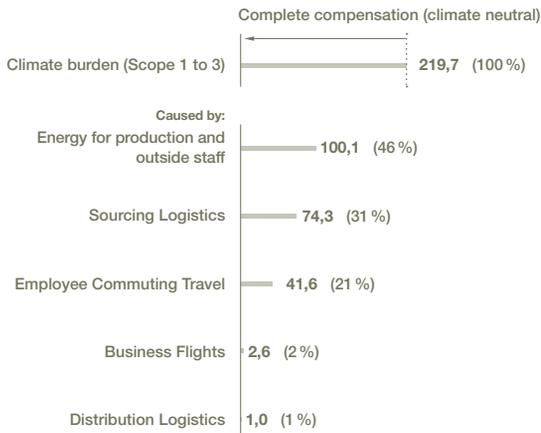
If we collect and add up CO₂ emissions from energy production, fuel for field sales force, sourcing, distribution, business flights and commuting, it shows that about half of the climate influence is from the production and sales force activities. One third is caused by sourcing logistics and one fifth due to the commuting travel of our employees. Production part emission is so low, because we use an electricity-mix, energy that provides absolute maximum reduction.

Since 2008, we have reduced our climate influencing production processes considerably.

Our production energy, the fuel use of our outside staff, sourcing/distribution logistics, the energy use of our employee for their work, generated CO₂ emissions are compensated through the my-climate foundation (Web link to Validation Report see page 76).

Half of the climate emissions are caused by the production's energy use and the fuel use of the outside staff.

t CO₂-Equivalent per Year, 2010



In addition to compensation for climate emissions from our production, we also compensate for our outside staff, sourcing/distribution logistics, business flights and last but not least the commuting travel of employees.

Use of Ecology Efficient Technologies

In 2010, we introduced the following technologies:

- The modern hydro extractor was additionally equipped with a cooling technology. Through this technology during the cold weather period, the cold air from outside is used to cool down the mediums and only in the second priority cold air is produced by the compressor. This saves electricity.
- Through the change from natural gas to the local central wood chip heating source with low transport expense.

With the modern eyewear production technology we have reached the point of maximum reduction of environmental burden. Mineral vaporization is the only area where there is a savings potential, but this will require a new machine. This is planned for 2011. Further advances require technological development that is possibly available in two to three years.

Waste and water sewage concepts

Regarding waste and water sewage, we speak of a recycling concept. Whereby we differentiate into the following main groups:

- *Group 1: Waste from the processing of organic lenses.*
This waste can easily be disposed in the waste-to-energy plant (KVA).

With today's eyewear production technology, we have reached the maximum reduction of environmental pollution.

- *Group 2: Waste from the processing of mineral lenses with high zinc content.*
Since the end of 2008, we have the authorization from the Cantonal environmental protection authorities in Schaffhausen to deposit this waste at the Multi-Component-Depot (Hintere Pflumm) in Gaechlingen (Canton Schaffhausen). Through this solution, the former complicated transport to the underground depot in Germany can be saved.
- *Group 3: Cardboard and Paper*
This waste will continue to be recycled.
- *Group 4: Greywater*
This lightly contaminated water will be used again in non-critical processes.
- *Group 5: Sewage from the racking system*
Measurements taken in 2010 ensured the approval by the Cantonal Environmental Protection Authorities to dispose waste water without problem via public sewage treatment plants.

Justice:
Be decent and fair
in business trading.

All aspects of our business trading are always legal. We strictly keep contractual agreement and expect the same from our contract partners. As far as we may get at it we try to assure that our suppliers also comply with this business principle.

When distributing the value added, we bear in mind the needs and benefits of all interest groups. In the long term, we want equal treatment of the employees (employee success bonus), stakeholders (dividends) and the state (taxes). In cooperation with our interest groups, we strive for a partnership basis.

Our understanding of justice is based on four pillars:

- **Demand for transparency**
- **maintain partnerships**
- **be moderate**
- **Comply with the law**

DEMAND TRANSPARENCY

We demand transparency on all levels, because, transparency is an important basis for just handling. In the evaluation of just treatment in a company, the distribution of value added benefits is especially important.

In 2009 we increased the accomplished value added results (Turnover, minus up-front services by third parties) to a record value of 4.75 million CHF.

This is over 100'000 CHF per full time job. In 2010, the appropriate values were a little lower, but still at a very good level. From the achieved value added, 93.7% was wages for the employees. In 2010, we paid our employees a profit sharing bonus of 30'000 CHF.

Achieved Value Added		Unit	2003	2004	2005	2006	2007	2008	2009	2010
Net Value Added		1'000 CHF	4'227	4'034	3'689	4'067	4'446	4'441	4'769	4'619
Distribution of the Value Added										
Employee	Payroll	1'000 CHF	3'900	3'734	3'528	3'798	4'120	4'113	4'410	4'327
	Profit Sharing	1'000 CHF	90	0	0	0	30	0 ¹	0	30
Outside Capital Source	Interest paid	1'000 CHF	132	225	82	191	133	99	77	70
Share Holder	Dividends	1'000 CHF	90	30	60	60	60	60	60	60
Canton, State	Tax	1'000 CHF	15	5	19	17	33	15	15	16
Company	Withheld profits	1'000 CHF	0	40	0	1	0	0	0	0
Statistic to Value Added										
Value Added Intensity		CHF per full time job	91'891	91'682	86'483	91'330	97'930	95'670	102'340	99'300
Value Added Distribution		to employees in %	94,4	92,6	93,8	93,4	92,7	93,3	92,5	93,7

1 Instead of a profit sharing, the foundation capital of the Personnel Welfare Foundation was dissolved and the funds distributed to employees. The sum was many times higher than the dividend payment made to the share holders.

From the acquired value added, 93.7% was paid as wages to the employees.

MAINTENANCE OF PARTNERSHIPS

We are a reliable partner for our work force, supervisors, customers, and suppliers. They are all treated alike. Our male and female employees are given the same chances. We consider ourselves as predictable employers striving to protect the dignity of our employees at all times and everywhere. The wages are paid regularly, the vacation days comply with the norm.

The male portion of the supervisor positions is with 75% still very high. This is because qualifications and personality are the only criterion. However we are certainly open for change.

Equal Opportunity	Unit	2003	2004	2005	2006	2007	2008	2009	2010
Total Male share	%	38	41	47	45	43	33	39	44
Male share of the Supervisors	%	87,5	87,5	87,5	87,5	78,0	75,0	75,0	75,0

BE MODERATE

We maintain a conservative approach in everything we do. Instead of forcing own maximum interests, we strive for a harmonious balance of interest. We are averse to the use of force as a method to achieve our objectives. We pay fair wages. We pay equal wages to employees if their company membership and the kind of work they provide are the same. We do not pay top salaries for management positions.

We consider the ratio of 3.7 between the minimum wage and highest wage as reasonable. This range has been reduced over the past years. It is smaller in relation to previous years and the gap has narrowed. The dividend paid to the board of directors remained constant for years.

The 75 % stake of male supervisor positions is still very high.

Wage fairness	Unit	2003	2004	2005	2006	2007	2008	2009	2010
Highest wage to minimum wage (wage range)		< 5	< 4,5	< 4,5	< 4,5	4,4	4,3	4,1	3,7
Total annual dividends paid to Share Holders	CHF	16'000	16'000	16'000	16'000	12'000	12'000	12'000	12'000
Added value bonus paid per employee	CHF	1'667	0	0	0	500	0 ¹	0	600

1 Instead of an Added Value Bonus payment, the Personnel Welfare Foundation was dissolved and the capital paid to the employees. The sum is much higher than the dividends paid to the stock holders.

COMPLY WITH THE LAW

We have had no violations of the law over the past years. We neither violate human rights nor the standards of international labour organization of the

united nations (ILO). We comply with the contract obligations, especially the payment terms of purchasing contracts.

Laws and contract terms	Unit	2003	2004	2005	2006	2007	2008	2009	2010
Penalties for violations of the law	number	0	0	0	0	0	0	0	0
Meeting Supplier Payment Terms ¹	%	100	100	100	100	100	100	100	100

1 Unobjected deliveries

Instead of exerting maximum pressure to gain our own interests, we strive for a harmonious solution for all interests.

Solidarity:
When doing what we
do, we keep an eye
on the big picture.

Solidarity is not only a strategically important goal, but rather an obligation. By showing solidarity we express our responsibility towards the weak and disadvantaged. We understand our responsibility as a company to substantially contribute to securing a free economic system.

In that context hierarchy is not a means for the benefit of single persons- for the powerful or the strong- but rather for the benefit the weak and therefore, for the sake of all. We want to be considered as a company acting in accordance with everybody's concerns, interests and needs.

We live solidarity through our:

→ **Involvement**

→ **Engagement**

INVOLVEMENT

We do not just standby when we see an erroneous trend, but rather bring our ideas, capabilities and resources into solving the problem. Should our employees be in an emergency situation, we support them.

In addition to our normal donations to local and regional clubs and institutions, we support alter-

native energy forms, support postgraduates in Life Sciences (mainly in cancer research) and management education in the field of sustainability, promote youth sport projects and projects with focused development aid. In 2010, we donated 3.2% of our net profit to support the general public. In comparison, we paid 1.3% of our net profits to our share holders.

Benefits to the General Public	Unit	2003	2004	2005	2006	2007	2008	2009	2010
Donations	CHF	33'000	33'000	54'000	70'000	73'000	128'700	175'200	113'800
Surcharge for renewable energy	CHF	40'000	40'000	28'000	30'000	25'000	26'000	31'500	31'800
Benefits for the general public	CHF	73'000	73'000	82'000	100'000	98'000	154'700	206'700	145'600
Distributed Portion of our Net Added Value	%	1,8	1,8	2,2	2,5	2,3	3,5	4,3	3,2

In 2010 we donated 3.2% of our Net Added Value to support the general public. In comparison, we paid 1.3% of the added value to our share holders.

ENGAGEMENT

We promote our values and goals within and outside our company. On a regional political level, we try where possible to use regional service companies for services outside of our branch specific needs. We support the work of our employees in local organizations (political organizations, clubs, fire department, culture and other). Subsequently, obligations can be partially carried out during work hours, as long as other co-workers are not disadvantaged. As a result of the retirement of some supervisory staff, our support activities in the reporting years have been reduced. However it remains our mission in the future to motivate and support younger employees to participate in voluntary work.

The developments over the past years have shown that poorly qualified employees of the industrialized nations are the losers in the increasingly liberal world trade. Their jobs are being dismantled and replaced by jobs in countries with lower wages and worse social security systems. This development can be seen as positively or negatively, depending on the point of view. From our employees' perspective the results are increasingly dramatic. We want to continue to work toward keeping our added value level per employee high enough to offer and keep less qualified jobs in Switzerland.

Local Engagement	Unit	2003	2004	2005	2006	2007	2008	2009	2010
Employees in Voluntary Community work	estimated	320	320	290	550	550	275	160	100
Engagement for less qualified jobs for less qualified persons									
Jobs	Persons	52	52	49	51	52	53	56	54
Jobs for employees without completed apprentice-ships	Persons	20	20	16	15	16	15	14	14
	Portion in %	38	38	33	29	31	28	25	26

It remains our mission in the future to motivate and support younger employees to do voluntary work.

Engagement for the WWF Climate Group: with regard to the consultations in the Swiss Parliament concerning the CO₂ law, we have successfully gotten involved.

Our position that we have voiced to diverse members of Parliament contains the following core message:

- Reduce 20% of the greenhouse gases in the domestic area
- The Federal Council may raise values, whereby foreign certificates are also possible

Operative Goals and Measures

We accomplished most of the operative goals that we set up in 2008. Improving the ecological efficiency and reducing electricity use have proven to be most difficult. We want to further strengthen customer relations in 2011-2012. Additionally, we want to improve our employees' qualifications, raise efficiency, boost self-financing, and optimize our product regarding resources and capacities.

In the summer of 2009, we published a detailed report with our most important operative goals on the way to sustainable development. At that time, we established four criterions to reach our goals:

- Verifiable wording
- Quantifiable
- Clear time table
- Explicit delegation of responsibilities

With this report, we render accounting about the goals we reached and those we were not successful yet.

Responsible	Target Goals	Deadline	Goal
Improve Customer Relationship			
Field Staff	Acquisition of 5 new customers in export	End of 2010	Not achieved
Production	keep complaint rate under 3%	End of 2010	Not achieved
	Delivery schedule kept in 95% of all orders	End of 2010	Achieved
Management	3 customer seminars annually	End of 2010	Achieved
	introduction of 3 new products annually	End of 2010	Achieved
Employee qualification improvement			
Management	1 employee survey	End of 2010	Achieved
	4–6 company meetings annually	End of 2010	Achieved
	1 health seminar annually for each employee		Achieved
	Raising the education hours for each full time job by 10%	End of 2010	Achieved
	Intern training for the private sector	End of 2009	Achieved
Direct Supervisor	1 qualification discussion with each employee	End of 2010	Achieved
Increase Efficiency			
Management	Increasing the turnover per full time job annually by 5%	End of 2010	Not achieved
	Annually lowering the material costs by 2%	End of 2010	2009 not achieved 2010 achieved
	Lowering the waste disposal costs by 50% with the same disposal quality	End of 2010	achieved
Self financing increase			
Management	Increase of cash-flows annually by 10%	End of 2010	2009 not Achieved 2010 achieved
Resources - and optimizing of product related burden			
Management	Identification of new possibilities for reduction of paper use	End of 2010	Not achieved
	Reduction of electricity use per optical lens annually by 3%	End of 2010	Not achieved
	Reduction of water use per optical lens annually by 3%	End of 2010	Not achieved
	Achievement of 3 from 3 measures of the cleaner production assessment	End of 2010	achieved
	Company is climate neutral	End of 2007/08	achieved

Key Aspects and Operative Goals 2011/2012

In the next two years, we will concentrate our efforts on the following five areas:

- Strengthening of customer relations
- Strengthening of employee qualifications
- Increasing efficiency
- Improving self-financing
- Absolute reduction of resource use

Strengthening Customer Relations

With this key aspect, we wish to further improve our efficiency. We do not want to lose any customer in Switzerland, increase the market share and win new export customers. In order not to lose any customer, we must maintain the product quality at a high level and keep delivery schedules. Through customer seminars and new products, we want to expand our market position.

We have established the following operative goals:

Responsible	Establish Target Goals	Schedule
Field Staff	Acquisition of 5 new customers in export	2012
Production	Hold complaints under 3%	2012
	Punctual delivery in 95 % of all orders	2012
Management	Making sustainability useful to customers through 3 seminars	2012
	Introduction of 3 new products annually	2012
	New Business Field (Work shop accessories for opticians): 100 new buying customers	2012

Strengthening employee qualifications

With this key aspect, we invest in our most important capital asset, our employees. We want to motivate them through their personal goals and their team work capabilities and stimulate their customer orientation.

In order to accomplish our goals, all employees will be involved in personal qualification conversations at all levels. By doing this we want to take appropriate measures. The number of education days should be increased by 10% per full time job. Through health education courses, we want to solidify last year's improved attendance rate. Additionally we will increase regular company meetings with the entire staff.

Operational we have the following goals:

Responsible	Established Goals	Schedule
Management	Annually 1 employee survey	2012
	4 to 6 company meetings annually	2012
	1 Health seminar annually for each employee	2012
	Increase of the education hours by 10% per full time job	2012
Appropriate Supervisor	1 qualified conversation with each employee and implementation of all necessary measures	2012

Efficiency Improvements

In the next two years, we want to increase the net turnover of each full time job by 5%.

Our efficiency goals in a survey:

Responsible	Established Goals	Schedule
Management	Increase of turnover per full-time job by 5% annually	2012
	Order receipt via digital media by a minimum of 90%	2012

Increased Self-Financing

Over the last two years, we have achieved our goal to increase the Cash-flow of about 20% of the net turnover only partially. In order to make the necessary future investments without external financing and to maintain our independence, we must become more profitable and efficient.

Our established operative goals area:

Responsible	Established Goals	Schedule
Management	Increasing cash-flow by 10% annually	2012
	Reduction of optical lens stock by 10%	2012

Reduction of Resource Use

Under this key aspect, we are searching for solutions for reduction of the absolute resource use and the environmental burden of our product related life cycle.

Through a mix of energy efficiency improvements, the use of renewable energies and compensation for the remaining CO₂ emissions, we also want to be climate neutral in the future. Additionally, we are searching for solutions to reduce the waste quantity.

Our operative goals for the following:

Responsibility	Established Goals	Schedule
Management	Reduction of the electricity effectively by 5% annually	2012
	Reduction of water used in processing by 5% annually	2012
	Reduction of waste by 5% annually	2012
	Company is climate neutral	2012

Review of the prior goals and measures

The operative goals are reviewed annually by management. If the goals are missed, corrective measures are initiated. The results are then published in the next report.

Forecast

We live in a globalized world. Distances only play a subordinate role. The world is digital. With a mouse click we can spontaneously travel thousands of kilometers. But each click has its own individual effect. Today the consumers are better informed than ever before. Internet and Web 2.0 have revolutionized the communication and information procurement.

We challenge the competition and continually search for individual and customer-friendly offers and services. We also see our job in educating both opticians and consumers. Not every offer actually makes sense and actually complies with the desired effects. We want to inform our customers completely about our company's capability characteristics. If for example an optician purchases optical lenses from a discount manufacturer, the quality does not necessarily meet the demands of the Swiss consumer. He then takes the risk but cannot retain the customer long-term since the customer will not be convinced of the quality. To keep everybody informed about the risks via all available media, like Web 2.0, is an essential challenge for us in the years to come.

A quality survey of representative customers conducted by an external specialist has disclosed that in the long term development, our company management's philosophy of sustainability is for our customers understandable, applicable and they can relate to. Our challenge will be to find the optimal information channel and the themes which touch our customers not only emotionally, but also economically. For this purpose training efforts would pay, that bring individual economical benefit for our customers.

Our reporting about our sustainability efforts will be increased via digital communications means in 2011 and can be accessed at our homepage www.knecht-vision.ch.

In the beginning we were laughed at for our activities. Today we are admired. We are convinced of what we do and will continue in finding and working with new energy saving measures such as water vortex power plant technology as a further means of energy development.

In a globalized world where machines and basic technologies are also available to manufacturers in emerging countries knowledge and knowledge management in conjunction with technological innovation are advantageous. We must be quicker when introducing innovations into the market and therefore we need qualified employees and good partners. We will need to concentrate more intensively than ever on personnel development and especially the promotion of High-Potentials in order to promote their capabilities long term for use by our organization.

We fully understand that with our higher location costs we have a price disadvantage against competitors located somewhere in the world that produce under unknown conditions. We are loyal and remain convinced that our location and our point of view are correct and confirm that our philosophy has also convinced many opticians that have a long term and sustainable company philosophy too. However, we are also fully aware that we cannot convince all opticians and do not have this ambition.

We strive for improvement, for achievement, for added value and long term for satisfaction of our customers. We would like to be judged by this commitment.

We are pleased to discuss with the visitors of our homepage via our blog section about interesting subjects that must not necessarily have to pertain to the optical branch, but every theme that interests responsible people.

«We strive for improvement, sustainability, achievement, added value and long term satisfaction of our customers.»

Further Information

Imprint

Reports

At www.knecht-vision.ch we have listed the following documents for download:

2009–2010

- Business Report covering sustainability development 2009 - 2010
- Supplement to the business report pertaining to sustainability development 2009–2010
- Validation Report concerning climate neutrality 2010
- Certificate for the planting of 54 trees in the Amazonia region

2007–2008

- Business Report concerning sustainability development 2007–2008
- Supplement to the business report pertaining to sustainability development 2007–2008
- Validation Report concerning climate neutrality 2008
- Product-Ecology Balance 2008

2005–2006

- Business Report concerning sustainability development 2005–2006
- Supplement to the business report pertaining to sustainability development 2005–2006
- Validation Report concerning climate neutrality 2006
- Product-Ecology Balance 2005

2003–2004

- Business Report concerning sustainability development 2003–2004
- Supplement to the business report pertaining to the sustainability development 2003–2004

2002

- Sustainability Report 2002

2000

- Environmental Report 2000

1997

- Environmental Report 1997

Publisher

Knecht & Müller AG
Mühlenstrasse 12
CH-8260 Stein am Rhein

Peter Müller,
President of the Administrative board
Responsible for sustainability management

+41 52 742 71 23
+41 52 741 46 20

peter.mueller@knecht-vision.ch
www.knecht-vision.ch

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Andreas Sturm, Sturm Consulting, Riehen

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Marcel Suter, Klarkom GmbH, Bern

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Knecht & Müller AG
Mühlenstrasse 12
CH-8260 Stein am Rhein

www.knecht-vision.ch