



# ÖSSUR HF. CORPORATE SOCIAL RESPONSIBILITY PROGRESS REPORT 2012



*Life Without Limitations®*





# LETTER FROM THE PRESIDENT & CEO



JON SIGURÐSSON  
ÖSSUR PRESIDENT AND CEO

We at Össur are extremely proud of being in a position to help change the lives of our customers. Our products are the single largest contribution we can make to assist people in need. In fact, our employees are reminded every day of the courageous and inspirational people that make our jobs look easy. What drives our design and innovations is that our products help people overcome hurdles in their everyday lives.

This is our first progress report on the Company's Corporate Social Responsibility (CSR). We are excited to make social responsibility a part of our day-to-day business activities. We started to work on CSR plans in 2008 and have since gradually built awareness among our employees and initiated projects to support our CSR goals. In December 2011 we joined the UN Global Compact initiative, committing to the 10 principles in the areas of human rights, labor, environment and anti-corruption. It was a natural step for Össur to join the initiative. As a global Company, it's important for us to work on these matters in a structured way and report on them in a recognized manner.

Össur has strong core values: honesty, frugality and courage. These values serve as the foundation for Össur's success and will continue to guide us on our journey. In addition, our values help us adapt to the various cultures with which we interact. Operating in 13 countries it is important for us to respect and learn from each other, as only together as a team will our company remain successful. Through our values we ask

our employees to take social, ethical and environmental challenges beyond our legal obligations.

We at Össur believe that by integrating the aspects and ideology behind CSR into our day-to-day business we are creating a stronger foundation for our Company and for future growth. We believe this will help us to be better prepared to make the right decisions and take on future challenges, and will help us not to lose sight of what we stand for. We are excited to continue building on our commitment to CSR and look forward to sharing our experiences, goals and progress in the years to come.

*Jon Sigurðsson*  
*Össur President and CEO*



*Össur strives to be responsible  
for its impact on society and the  
environment.*

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# ABOUT ÖSSUR

Össur is a global leader in the non-invasive orthopaedics market. The Company focuses on improving people's mobility. Össur delivers advanced and innovative solutions within the fields of bracing and supports, prosthetics and compression therapy.

Össur is known as a technical leader in the field of prosthetics and is one of the leading companies in bracing and supports. The compression therapy products are only sold in France.

The Company was founded in 1971 as a prosthetic clinic and has since then grown through innovation and acquisitions in both prosthetics and bracing and supports. Today Össur has a strong position in the industry and in key markets and is in a good position to leverage on future growth opportunities.

Össur has been a listed company since 1999 and on NASDAQ OMX Copenhagen since 2009. The Company has operations in 13 countries and 1850 employees.

## ÖSSUR'S THREE BUSINESS SEGMENTS

### BRACING AND SUPPORTS

Bracing and supports products are used primarily to support joints and other body parts, both for therapeutic and preventive purposes.

### PROSTHETICS

Prosthetic products include artificial limbs and related products for individuals who were born without limbs or have had limbs amputated.

### COMPRESSION THERAPY

Compression therapy is a preferred treatment for venous ulcers and edema.

Össur is headquartered in Reykjavik, Iceland. The Company's sales are diversified by segments and geography. Sales in 2012 amounted to USD 399 million and were split as follows:

### BY GEOGRAPHY

52% Americas  
43% EMEA  
5% Asia

### BY SEGMENT

52% Bracing and supports  
43% Compression therapy  
5% Prosthetics



## MISSION

At Össur, a passionate commitment to innovation and quality has been driving successful customer and business outcomes for decades.

OUR MISSION IS WE IMPROVE PEOPLE'S MOBILITY

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## VISION

Össur's vision is to be a leading Company in the non-invasive orthopaedics market. The Company focuses on improving people's mobility by successfully commercializing innovative technologies within the fields of bracing and supports, prosthetics and compression therapy.

## VALUES

THE COMPANY'S CORE VALUES ENSURE SUCCESSFUL COOPERATION AND PARTNERSHIPS, AND ARE THE FOUNDATION FOR OUR STRATEGY AND SUCCESS.

### HONESTY

We show respect by adhering to facts and reality, fulfilling promises and claims, and admitting failures. We nurture honest communication throughout the Company by sharing information and respecting each other's time and workload.

### FRUGALITY

We use resources wisely. The Company aims to minimize costs across all areas of its business through effective communication, preparedness, planning and optimized processes.

### COURAGE

We are open to change and constantly strive for improvement. We challenge unwritten rules, show initiative and take calculated risks, while at the same time, take responsibility for our ideas, decisions and actions.







# CSR AT ÖSSUR



In 2011, Össur reached a milestone by formally committing to the Global Compact making its principles a part of the Company's strategy, culture and day-to-day operations. Therefore this is the first progress report on the CSR activities Össur publishes and first separate report on CSR activities.

Since 2008 Össur has been monitoring and focusing on various aspects of CSR and reported on main projects and milestones every year in the Annual Report. In the 2012 Annual Report there is a chapter about CSR activities, progress and key focus areas including key measurements.

In the beginning Össur focused on two areas within CSR: environment and fair operating practices. Since Össur committed to Global Compact the CSR activities have been expanded to other areas of the business, in line with the Global Compact principles. In addition

to identify critical areas and aspects to work on, focus has been on identifying promoters within the Company. Össur's strategy, when it comes to CSR, is to make it as natural and integrated part of day to day activities as possible and therefore the Company is in the process of identifying strong promoters and educating employees.

The content of this report reflects the areas identified as important for Össur to monitor. Össur has used materials issued by the Global Compact to develop and structure strategies to work with CSR initiatives. In addition Össur has used GRI indicators (Global Reporting Initiative) to measure status and performance as well as internal measurements.

The report is split into the four areas of concern within Global Compact: Human Rights, Labor practices, Environment and Anti-corruption issues.





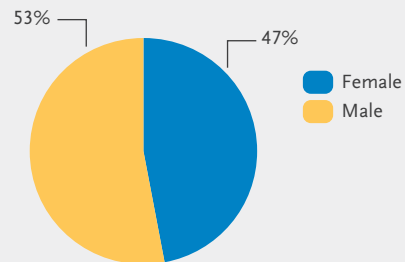


# HUMAN RIGHTS AND LABOR PRACTICES

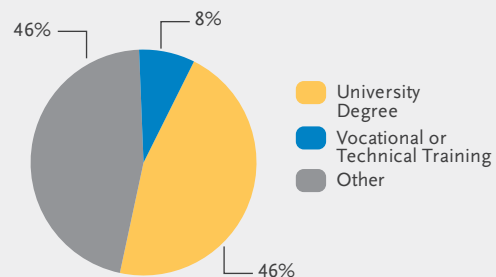
## THE WORK PLACE

Össur consists of 1850 employees in 13 countries and five different functions. The functions are Corporate Finance, Global Marketing, Manufacturing and Operations, Research and Development and Sales and Marketing. Responsibility for how the Company manages its greatest resource, the employees, is extremely important and in this chapter two essential matters are of interest: safety and diversity.

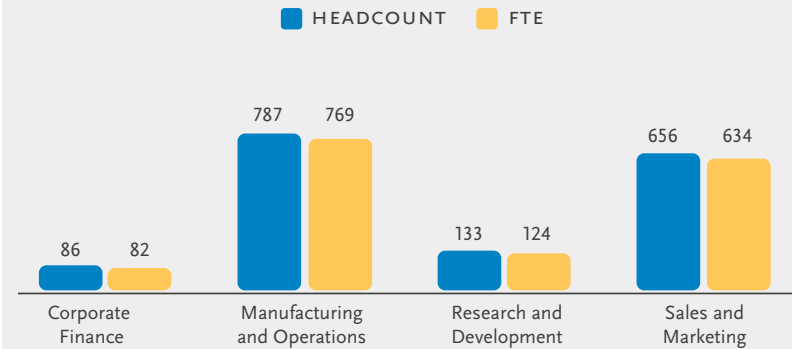
### GENDER RATIO



### EDUCATION



### HEADCOUNT BY FUNCTIONS



## SAFE WORKPLACE

At Össur, safety is the number one priority in the workplace. Over the past few years, Össur has increased its focus on safety, and has shown great progress in minimizing incidents and, most importantly, establishing a safety mindset within the company.

Several projects have been established to support safety in the workplace and significant progress has been made, such as reducing the rate of safety incidents which have decreased from 91 in 2011 to 27 in 2012.

Incidents are defined as accidents where employees are injured.

One of the projects initiated in 2012 is to encourage employees to send in suggestions for improvements in the workplace. Every month, three employee suggestions are selected at each location and implemented. This initiative has been successful, and every month hundreds of suggestions are received and evaluated. This project is important to nourish the mindset within the workplace, which is the premise for continued





**HELGI GUNNARSSON**

fixed the cables under the table, they were on the floor and formed accidents for employees.



**AGNAR JON GUDNASON**

puts a tray under the vices to receive leaking threading oil that would otherwise spill on the floor.



**LESLEY C. WALES**

Her idea was to put a power socket above the packing table.

success in safety matters. The goal of this project is to invest more in employee training and keep encouraging employees to suggest improvements.

At the same time as the Company wants to reduce incidents, Össur realizes the importance of developing a management system that does not penalize the organization if an incident occurs. This helps to make sure injuries are reported. Therefore the KPI metric called "Incident Rate Improvement" was established rather than going by "Number of accident free days."

#### MEASUREMENTS ON SAFETY

ASPECT	MEASUREMENT	INDICATOR	2012	GOAL 2015
LABOUR PRACTICES	Incident rate	Internal KPI	27	17
LABOUR PRACTICES	Incidents per 100 employees	LA7 (GRI)	3,4	2,1
LABOUR PRACTICES	Incident Rate Improvement	Internal KPI	58% (improvement from 2011)	50% improvement in Iceland
LABOUR PRACTICES	Incidents causing a lost day	Internal KPI	12	0



**DIVERSITY**

In a global company like Össur, employees interact with both employees and other stakeholders who come from many different cultures and backgrounds. Therefore, diversity must be addressed. To build a strong and successful team of employees in a global company diversity in its broadest sense is important.

Different functions of the company require different kinds of skill sets on behalf of employees. No employee has the same capabilities and roles are influenced by the individual person. For each and every employee to thrive and add value to the company it is essential for them to be assigned appropriately challenging tasks, and to be trusted to take on responsibilities.

Encouragement of diversity in the workplace is beneficial because it helps in gaining diverse perspectives in which to base decisions, which in turn can lead to better results. Össur does not have an equality policy as requested by Icelandic law; however, developing such a policy will be a focus in 2013. On the Board of directors

one out of five members is a woman or 20%. However, candidates for the board that will be elected at the Company's 2013 Annual General Meeting suggest that the split will be 40% women and 60% men. No woman is at an executive level and few are at a director's level. Össur's challenge has been to attract and retain women in middle management positions.

Össur wants to be an attractive workplace for both genders and to reach that goal the Company needs to create an environment where both men and women have the ability to perform and contribute to the Company's success. This is how Össur can build a strong group of talented employees that have the ability to grow and become the future leaders of the Company. To increase the number of women, Össur will establish a woman's leadership program in 2013. By committing to a policy of equality in order to create a workplace where both genders are expected to take on responsibilities, Össur believes it will increase the number of women working for the Company.

**MEASUREMENTS FOR EQUALITY**

ASPECT	MEASUREMENT	2012	2013
EQUALITY	Equality policy	Not in place	In place
EQUALITY	Audit on salaries for same responsibility	Not started	Finished in Iceland



## SUPPLY CHAIN

Össur is constantly striving for increased efficiency in manufacturing and operations (M&O). The Company's M&O activities take place in five main locations: Mexico, Iceland, the US and two locations in France. In addition, Össur has suppliers in Asia manufacturing bracing and supports products and is a co-owner of a manufacturing facility in Thailand.

The manufacturing facility in Tijuana, Mexico, was established in 2011. It's focused on bracing and supports products, previously manufactured in US and Canada. Since its inception, Össur has been focused on creating a state of the art manufacturing facility in Mexico with lean manufacturing processes. Other bracing and supports products are manufactured at the Company's facilities in France and Thailand, in addition to suppliers in Asia. Manufacturing of prosthetic products takes place mainly in Iceland, however a small amount of products are manufactured in Michigan, USA. About 25% of manufacturing is outsourced to Asia.

## SUPPLIERS OF BRACING AND SUPPORTS PRODUCTS

Össur has outsourced part of its manufacturing to Asia since 2005. During this time, Össur has focused on ethics to establish and maintain good relationships with its partners. Össur and its suppliers are instructed to follow a specific code of conduct, and all contracts with suppliers include clauses on human rights, hours of work, compensation and health and safety. Since 2009, Össur has performed supplier's evaluation and audits on its partners in Asia to further engage with the suppliers and to identify opportunities for improvement. The critical categories for the audits were selected based

on components set forth in the Global Compact's guide on supply chain sustainability. Four main categories identified are: Product, Service, Stability and Human Resources.

Since Össur started conducting supplier audits and began increasing engagement with its Asian suppliers, both effectiveness and product quality has increased. Actions taken include education and implementation of processes, increased focus and control on forecasts, and a different approach to quality inspections. Already, the Company has seen substantial improvements, such as faults or nonconformities are now discovered earlier in the process. This has resulted in reduced costs for Össur, as quality inspection at the Company's warehouses is no longer needed. In addition, delivery performance has improved significantly and cooperation with the suppliers is on a different level.

There are total of 11 suppliers located in Asia that make specially designed bracing and supports products for Össur. In 2012, Össur started to use the GRI (Global Reporting Initiative) to help employees to select relevant

measurements. A table below shows the indicators selected and the performance for 2012.

The Össur-Asia M&O division consists of a team of 11 people, two of which are located at Össur Headquarters and nine located in Asia. Össur's initiatives in Asia are to continue with regular audits. Annually, a large supplier audit is performed, involving both Össur employees and the supplier's employees. In addition, a mid-year audit is performed. However this is not as comprehensive as the annual audit.

To follow up on the 2012 results for the GRI indicators the following items have been added to the mid-year and annual audits:

1. Incorporate review of human resource records on working hours, hazardous environment and training and written health and safety guidelines to annual and mid-year audits.
2. Incorporate audit on workers age and workers pre-requirements to prove age of employees.
3. Össur-Asia M&O employees have to undergo training on labor and safety laws, etc.

## SUPPLIERS IN ASIA

ASPECT	MEASUREMENT	INDICATOR	2012	GOAL 2015
INVESTMENT AND PROCUREMENT PRACTISES	Number of agreement with Asian suppliers that include clauses on human rights concerns	HR1 (GRI)	81%	95%
CHILD LABOUR	Number of suppliers audited regarding child labor	HR6 (GRI)	91%	95%
ASSESSMENT	Number of suppliers audited for human rights	HR10 (GRI)	91%	95%

# ENVIRONMENT AND QUALITY

## QUALITY

Össur is a source of innovative, high-quality, noninvasive orthopaedic products and services. Quality is extremely important and that applies to all parts of the Company's value chain. A certified quality management system has been in place since 1993 and is based upon ISO management standards. Össur is currently certified with ISO9001:2000, ISO13485:2008 and most recently ISO14001. Products sold in Europe are CE-marked as they meet the requirements of the European Economic Area. In the United States, the Company's products adhere to FDA standards. In 2012, the British Standards Institution (BSI) conducted 12 external audits, all of which concluded with positive results.

An effective quality management system and employees that are focused on continued improvements are the biggest contributors when it comes to product quality.

Össur's efforts in terms of quality management are noticed and valued by the Company's customers. According to the most recent customer survey, 97.4% of the customers either agree or strongly agree that the Company's products are of good quality.

### ÖSSUR HOLDS CERTIFICATES FOR THE FOLLOWING ISO STANDARDS:

- ISO13485
- ISO90001
- ISO14001

## ENVIRONMENT

The Company's environmental policy was developed in the beginning of 2012. In order to achieve the Company's goals it was decided to implement the ISO14001 environmental management system. Össur's first location in Reykjavik became certified according to ISO14001 in May 2012, and since then the office in Uppsala, Sweden, has been certified. A total of 10 locations are included in the current implementation plan, and it's expected that by the end of 2013 all will have been certified. With certification of the Reykjavik location, a large part of the company has been certified as a great share of the Companies' production takes place in that location.

The implementation of ISO14001 affects the whole company and the key focus areas are:

- Avoid waste in operations.
- Prevent pollution by avoiding, reducing or controlling pollutant or waste.
- Take environmental issues into account when selecting materials and suppliers.
- Focus on continuous improvements via annual environmental objectives.

Various measurements have been established to monitor the progress and to support the Company in being accountable for the impact it has on the environment. Some of them have a direct reference to GRI measurements. Other measurements included

in the table are not derived from GRI, but have been identified as KPI for Össur and are being monitored on a regular basis.

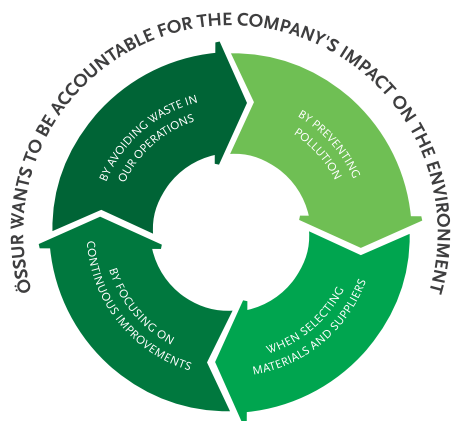
## QUALITY POLICY

ÖSSUR STRIVES TO PROVIDE PRODUCTS AND SERVICES TO EXCEED CUSTOMERS' EXPECTATIONS.

STRONGLY FOCUSED ON CONTINUOUS IMPROVEMENT, WE MONITOR AND RESPOND TO NEEDS, COMPLYING WITH ALL REGULATORY REQUIREMENTS.







## ENVIRONMENTAL POLICY

Össur's goal is to be accountable for the Company's impact on the environment.

- Össur is committed to working in accordance with relevant laws, regulations and other requirements.
- Össur strives to preserve the environment and prevent pollution.
- Össur emphasizes continuous improvements focusing on environmental impact.
- Össur recognizes that its operations impact the environment in a number of ways.

On a global level, the goal for the next two years is to successfully implement the ISO14001 environmental management system. The two locations that already have implemented the system have established goals for their locations. The goals take into account the factors that have the greatest impact on the location in question. For Iceland the goal is to increase the amount of waste that is recyclable on the cost of waste that is considered trash. In Uppsala where no production takes place the company has more impact on the environment with the cars operated. Therefore the goal for that location is to increase the usage of diesel oil instead of gasoline for company cars.

## MEASUREMENTS ON ENVIRONMENT

ASPECT	MEASUREMENT	INDICATOR	2012	GOAL 2015
ENVIRONMENT	Total weight of waste by type and disposal method	EN22 (GRI)		
	• Recycled waste		36%	Increased portion of recyclable waste
	• Trash		47%	
	• Hazardous waste		16%	
ENVIRONMENT	Total number and volume of significant spills	EN23 (GRI)	0	0
ENVIRONMENT	Progress in the implementation of ISO14001	Internal KPI	20%	100%





# ANTI CORRUPTION

## CODE OF CONDUCT

Össur's values—Honesty, Frugality, and Courage—are a foundation of the Company's corporate culture. The values are guidelines for how employees should behave. These values are considered when hiring, enabling Össur to build a company with employees who are responsible citizens and strong representatives of Össur.

Össur has always placed a great emphasis on fair operating practices. Since 2005, Össur has outsourced part of its manufacturing to Asia. Össur and its preferred manufactures are instructed to follow a specific Code of Conduct, and all contracts with manufactures include certain clauses the manufacturers have signed to honor and respect the specific standard of conduct.

The Company also performs audits on a regular basis to make sure that manufacturers honor the Code of Conduct.

Össur does not have an Ethical Policy in place and that will be one of the main projects in 2013. The task is to get an approved ethics policy in place, including education and training about the importance of ethics to the Company's success, as well as possible consequences for both the Company and the employees if these ethics are not met. Next year the Company will also introduce measurements to be used to track current status and progress.

## WHISTLEBLOWING SCHEME

The Company provides employees with ways of reporting conduct that they reasonably believe violates applicable laws, regulations or the Company's policies. The Company treats all reports as confidential and any issue will be discussed only with those individuals who have a "need to know". The Company's policy strictly prohibits any retaliatory action against a person reporting actual or potential compliance issues in good faith, whether or not the reports ultimately prove to be well founded.

## CORPORATE GOVERNANCE

As a listed Company, Össur complies with various rules and regulations. The Company has chosen to follow the Danish Recommendations on Corporate Governance because the Company's shares are traded on NASDAQ OMX Copenhagen.

The Corporate Governance statement includes information on the following items:

- A reference to the corporate governance recommendations the Company follows and how the Company addresses the recommendations, including any deviations and explanations thereto.

- A description of the main aspects of internal controls and risk management systems in connection with preparation of financial statements.
- A description of the Company's organizational structure and the role and composition of each function.

A complete report on the Company's compliance with each recommendation is available on the Company's website.







# REDEFINING ABILITY

For Össur, 2012 was about “Redefining Ability” and ensuring that the products we create make a positive and recognizable contribution to society. It is a philosophy epitomized by Team Össur, an amazing group of elite athletes and sporting role models whom we are proud and privileged to work with. The talents and dedication of the Team have enthused a whole new generation to follow their dreams, on and off the track.

In September, Team Össur took center stage at the Paralympic Games held in London. Blazing a victorious trail through the track and field events, they captured 21 medals (six Gold, seven Silver and eight Bronze), and set six new world records.

Yet, these incredible athletes have done much more than win medals. They have helped to transform perceptions of what ‘disability’ is, in a way that goes far beyond sport. Hopefully, this transformation will create a ripple effect, motivating others whose own mobility has been challenged and encouraging them to play more active roles in society with even greater confidence.

## TEAM ÖSSUR

Team Össur is an accomplished group of elite international athletes and sporting role models. The Team Össur members include people like world class triathletes to accomplished track and field athletes.

Importantly, the talents and charisma of all of these exceptional individuals are helping to raise public

awareness of the true potential of people with limb loss and impaired mobility to lead active and fulfilling lives. Össur is delighted to recognize their work and to sponsor and support them in the constant pursuit of Life Without Limitations. These individuals have been on the forefront in showing the world that you should follow your dreams. Athletes like these are important for our community to demonstrate to others that they should follow their dreams and not look at their condition as a disability.

TEAM ÖSSUR ATHLETES SET  
6 NEW WORLD RECORDS  
AT THE 2012 PARALYMPIC GAMES.

THEY ALSO CAPTURED 21 MEDALS:  
6 GOLD • 7 SILVER • 8 BRONZE

## COMMUNITY SUPPORT

Össur supports and partners with a wide range of organizations around the globe. As a leading orthopaedic manufacturer, it is the Company's responsibility and privilege to champion the industry and serve patients and practitioners in every way possible. In fulfilling this mission, we believe it is our obligation to provide not only world-class products but also lend support to those relying upon them.

## THESE ARE A FEW OF THE COMPANY'S LARGER INITIATIVES:

**Amputee Coalition of America (ACA)** Through the Challenged Athletes Foundation Össur has helped amputees with grants, training, prosthetics and equipment. The partnership opens doors for athletic greatness.

**Challenged Athletes Foundation (CAF)** A national U.S. non-profit formed in 1989 to offer continued education, mentoring, peer support and consumer advocacy.

**Emotional Well-Being Initiative** A partnership with the Amputee Coalition of America and Johns Hopkins University Medical School. These three organizations will be working together to create a new, nationwide program to help prosthetists address the emotional needs of people with limb loss. The program is an example of the type of innovative partnerships that are needed to better address the health care needs of amputees.

**Iceland Sport Association** for the Disabled Össur has been a proud supporter of the Iceland Disabled Sports Association for almost 20 years.



**Stand Tall** The charity foundation based in Hong Kong provides high-end prosthetic devices and rehabilitation to victims of the Sichuan earthquake, which devastated the Chinese community in 2008.



#### FLEX-FOOT® CHEETAH®

When the Flex-Foot Cheetah running foot made its debut at the 1996 Paralympic Games, it was a groundbreaking development, nothing like it had ever existed in the prosthetic world before.

Today, the Cheetah design is recognized the world over and a prominent feature of any amputee sprinting event – more Paralympic medals for sprinting have been won on a Cheetah than on any other foot.



CHEETAH® XTREME  
CHEETAH® XTEND  
CHEETAH® STANDARD



## GOALS AND KEY FOCUS FOR 2013

IN 2013 THE WEIGHT WILL BE ON CONTINUING MONITORING CURRENT PROJECTS AND WORK FURTHER WITH THE SELECTED KPIs. THE GOAL IS TO ENGAGE FURTHER CSR STANDARDS AND WORK ON INCREASED AWARENESS WITHIN THE COMPANY. ESTABLISHMENT OF AN ETHICAL POLICY, INCLUDING HOSPITALITY GUIDELINES, IS ON THE AGENDA.

FOR CSR TO BECOME AN INTEGRAL PART OF THE COMPANY'S BUSINESS MODEL IT IS VITAL TO IDENTIFY MORE CSR CHAMPIONS WITHIN THE COMPANY AND INVEST IN INTERNAL EDUCATION ON THE TOPIC.



## ABOUT THE REPORT

IN THIS REPORT, ÖSSUR DISCUSSES THE VARIOUS ASPECTS WITHIN SOCIAL RESPONSIBILITY AND HOW THE COMPANY APPROACHES THESE MATTERS. ÖSSUR HAS IDENTIFIED ITS CRITICAL AREAS TO FOCUS ON AND ADDRESSES THESE PROJECTS IN THIS REPORT, THE SUCCESS AND ALSO THE CHALLENGES THE COMPANY FACES AND IS WORKING ON. WHEN WORKING ON THE IMPLEMENTATION OF CSR, ÖSSUR USED A NUMBER OF POINTS OF REFERENCE, SUCH AS THE ISO 26000 STANDARDS, THE GLOBAL COMPACT AND THE GRI GUIDELINES. MEASUREMENTS USED IN THIS REPORT ARE INTERNAL MEASUREMENTS, WHICH ARE IMPORTANT FOR THE COMPANY AS WELL AS GRI MEASUREMENTS.



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