



Corporate Social Responsibility Progress Report

2018



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Letter from the CEO

In our Industry we are one of the leading companies, both in terms of size and when it comes to technologically advanced products. Our mission is to improve people's mobility and when it comes to the prosthetics, we aim at imitating the functions of the human body as closely as possible. Since the products themselves are the single largest contribution to society, it is important that they improve the users' quality of life. Delivering the highest standard of products to our users allows them to get back on their feet. At the same time, we aspire to maintain the highest standards of ethical, environmental and social responsibility.

Health Economics

It is very important to be able to demonstrate the benefits of our products, both to the users and the healthcare systems. For example treating patients with osteoarthritis (OA) can be challenging as it is a long-term, incurable condition. Össur has a brace on the market, a brace that is clinically proven and less expensive alternative treatment option to surgery. However the awareness of bracing as a successful treatment option has now been limited. Therefore we were very pleased that the value of the Össur Unloader One® Knee Brace has been confirmed the first of its kind placebo OA bracing study. The study concluded that the Össur Unloader One® Knee Brace was a more effective and better tolerated brace than a placebo. This goes hand-in-hand with our vision to offer treatment options that have proven benefits for the users as well as the healthcare systems. We firmly believe that over time the health economics of our products like the Unloader bracing will get more and more acknowledgment.

Likewise, prosthetics solutions can offer great benefits to both users and the healthcare systems. By providing people with more functional products it will allow them to be more active and able to lead a healthier life, which will result in less cost for the healthcare systems.

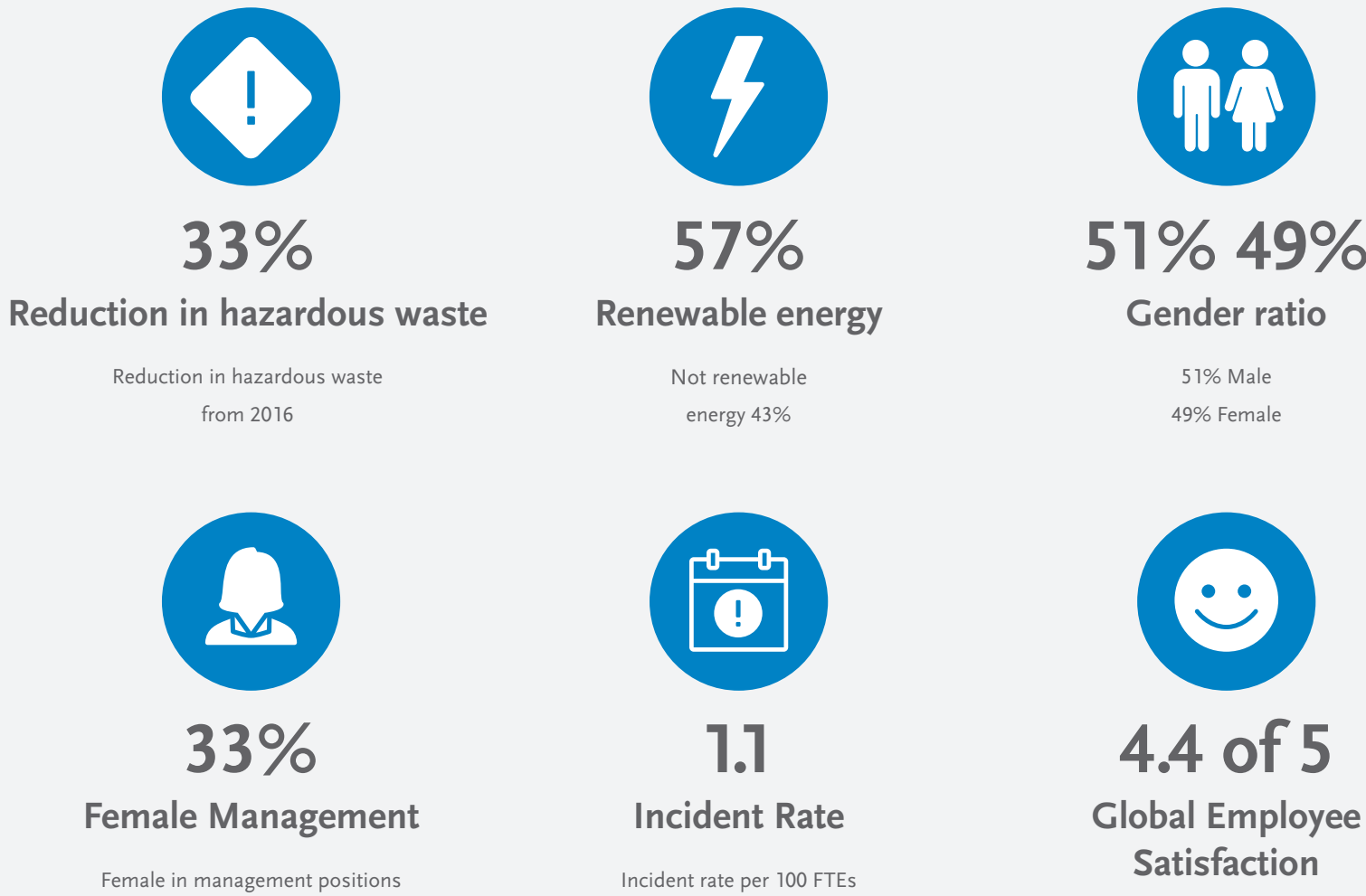
We have been committed to the UN Global Compact since 2011. We believe that by integrating the aspects and ideology behind CSR into our day-to-day business we have created a stronger foundation for our Company and we will be better prepared to make the right decisions and take on future challenges. With this report, we reconfirm our commitment to the UN Global Compact principles.



Jon Sigurdsson

Jon Sigurdsson
Össur President and CEO

Sustainability and CSR Highlights



Össur at a Glance

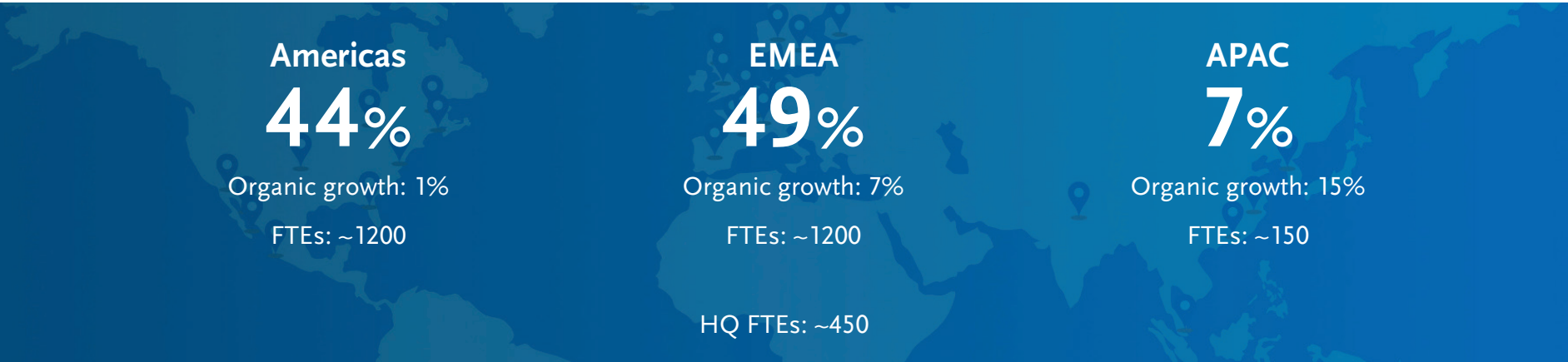
We Improve People's Mobility

Össur is a global leader in non-invasive orthopaedics; innovating, producing, and providing advanced technological solutions within prosthetics and bracing & supports. Our mission is to improve the mobility of our users, so they can live their Life Without Limitations®.

Össur was founded in 1971 and has since then grown through innovation and acquisitions in both prosthetics and bracing & supports. Today, Össur has a strong global position in the industry and key markets, being the second largest player worldwide in both segments and in a good position to leverage future growth opportunities. Össur has been listed since 1999 and since 2009 on Nasdaq Copenhagen. Össur has operations in over 26 countries and more than 3,100 employees.

Our Users Are at the Core of Everything We Do

Every year there are individuals who are born without a limb or lose a limb at different stages of their life due to vascular diseases, diabetes or trauma accidents. There are also individuals who develop knee pain, are diagnosed with osteoarthritis in their joints, incur fractures to their ligaments or injure themselves resulting in movement impairment. Össur's mission is to help these individuals regain their mobility by developing, producing, and providing them with prosthetic and bracing solutions.



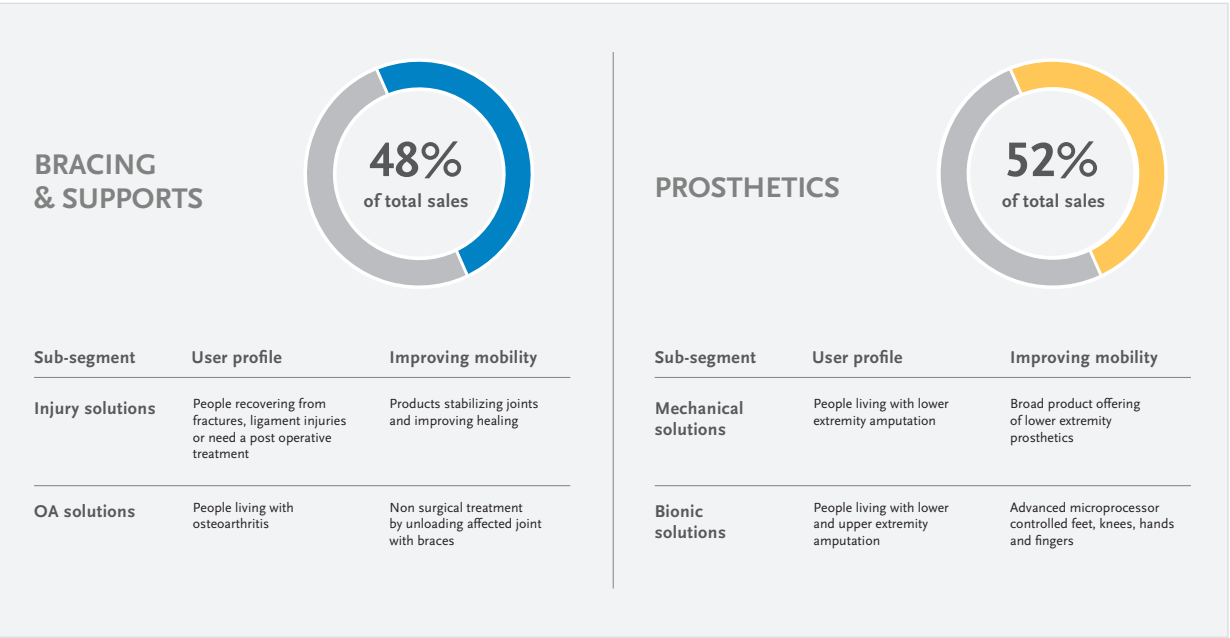
As a global market leader in non-invasive orthopaedics, Össur maintained its market position as the second largest player in both prosthetics and bracing & supports in the year 2018.

World Class Innovation Capabilities

Össur is a pioneer of advanced technology where the brand recognition is based on innovative and scientifically-proven solutions that deliver effective clinical outcomes. By listening and understanding people's needs and pushing the boundaries of technology, Össur continues to create some of the best products and services available in the fields of prosthetics and bracing & supports. Every year 5% of Össur's sales is re-invested in research & development with roughly 150 full-time employees working on new innovative products. In 2018 Össur introduced a total of 25 new products to the market.

Segments

Össur operates within two market segments of the orthopaedic market: bracing & supports and prosthetics. Prosthetic products include artificial limbs and related products for amputees. Bracing & supports products are primarily used to support joints and other body parts, both for preventive and therapeutic purposes.



Our products

Prosthetic solutions

Össur's prosthetics portfolio includes a full spectrum of premium lower and upper limb prosthetic components. The portfolio ranges from solutions to support low active individuals who may struggle to maintain the ideal balance of safety, comfort, and mobility all the way to solutions designed to enable especially active people to engage in high-impact endeavors.

Bracing & supports

OA solutions Össur's osteoarthritis (OA) solutions are designed to enhance quality of life, reduce pain, and improve mobility for people living with osteoarthritis. Össur offers the Unloader One® and Unloader One® Lite knee braces that relieve pain from knee osteoarthritis, as well as the Unloader® Hip which is designed to reduce pain by optimizing load dispersion for patients suffering from mild and moderate osteoarthritis of the hip.

Injury solutions are designed for people recovering from fractures, ligament injuries or for those in need of post-operative treatment solutions. These solutions are designed to support the healing process of bone and soft tissue injuries. Several of these products come with the FUNCTIONAL HEALING® seal that signifies a clinically validated healing solution that helps enhance the body's natural healing process while maximizing mobility.



OUR VALUES

HONESTY
— Stay True —


FRUGALITY
Make Every Step Count —

COURAGE
— Aim Higher —

Össur's core values ensure successful cooperation and partnerships, and are the foundation for our strategy and success.

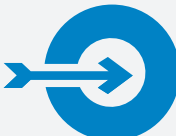
Vision and Values

Össur's vision is to be the leading company in non-invasive orthopaedics. Össur's business is improving people's mobility through innovative technologies within the fields of bracing & supports and prosthetics. Össur will continue to generate value for individuals and healthcare systems by focusing the business strategy on innovation, efficiency and sustainable growth.




Innovation
Execute Ideas that add Value

We embrace innovation in all our actions by creating value for our customers. We will be at the forefront of indication-related innovation to ensure our consistently strong position in the market.



Efficiency
Do Business Efficiently

We strive to increase efficiency and drive continuous improvement. We run efficient operations in the most optimal locations, hire passionate employees and deliver strong profit and cash flow.



Growth
Sustainable Growth

We will achieve growth by successfully commercializing our innovation through our local go-to-market strategy and commitment to our customers' needs. We will further develop our business and leverage untapped market opportunities.

About the report

Scope of Reporting

This Corporate Social Responsibility (CSR) report constitutes the statutory report for the Icelandic Financial Statements Act, section 66d regarding social responsibility, environmental matters, human rights and anti-corruption and bribery, and the EU Directive on disclosure of non-financial and diversity information (2014/95/EU).

The CSR report is published annually and covers the calendar year 2018. This report also functions as the Communication on Progress (COP) to the UN Global Compact, Össur's statement under Section 54 of the UK's Modern Slavery Act 2015, and the California Transparency in Supply Chain Act. Össur also follows the Nasdaq ESG Reporting Guide, issued in March 2017.

The report discusses various aspects within social responsibility and how the Company approaches the subject. Össur identifies its critical focus areas, and addresses related projects, scope and initiatives in this report. The report includes data supporting the progress Össur has made addressing CSR.

California Transparency in Supply Chain Act

The California Transparency in Supply Chains Act of 2010 became effective on January 1, 2012. The act declares that slavery and human trafficking are crimes under state, federal, and international law, and requires retailers and manufacturers doing business in the state of California to disclose their efforts to eradicate slavery and human trafficking from their direct supply chain. Össur has an operation in California, conducting sales, marketing and research and development of bracing & support products. As discussed in this report, Össur has systems in place to evaluate and audit its supply chain to ensure slavery and human trafficking do not exist.

UK's Modern Slavery Act

The UK Modern Slavery Act states that companies must confirm the steps taken to ensure slavery and human trafficking are absent from the business and supply chain. As stated in

Össur's Code of Conduct, the Company complies, both in letter and spirit, with all applicable laws, rules and regulations in conducting its business. In addition, Össur has a Human Rights policy supporting all internationally recognized human rights, including labor rights as made operational with the United Nations Guiding Principles on Business & Human Rights in the United Nations Global Compact. This includes preventing slavery and human trafficking occurring in any of the Company's activities. The Code of Conduct and Human Rights policy are available at www.ossur.com/CSR

Össur's risk assessment shows there is no material risk of child labor or forced labor associated with its operations. However, Össur recognizes that, in relation to suppliers and other third-party business partners, there might be a risk. To mitigate this risk Össur has screened its business partners in high-risk areas and conducts audits on product suppliers. In addition, business partners and raw material suppliers working with Össur are required to sign and confirm Össur's Supplier Code. Further details are in the chapter on supply chain and anti-corruption.

Nasdaq ESG Guide

In March 2017, Nasdaq's Nordic and Baltic exchanges issued voluntary guidelines for Environment, Social and Corporate Governance (ESG) disclosure to support companies listed on these exchanges. The Nasdaq's voluntary reporting guide focuses on the 33 ESG metrics that the World Federation of Exchanges (WFE) has recommended to stock exchanges around the world. Össur has chosen to report in accordance with these guidelines.



UN Global Compact

In 2011, Össur formally committed to the UN Global Compact. Össur is committed to maintaining high standards of ethical, environmental and social responsibility. The company's values—Honesty, Frugality and Courage—serve as the foundation and driving force behind Össur's culture. These values guide employees in their day-to-day activities and in their decision-making.

UN Global Compact Principles

The UN Global Compact is the world's largest corporate sustainability initiative. It is a call to companies to align strategies and operations with universal principles on human rights, labor, environment and anti-corruption, and take actions that advance societal goals. By committing to sustainability, businesses can take a shared responsibility for achieving a better world.

HUMAN RIGHTS

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

LABOR

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- Businesses should eliminate all forms of forced and compulsory labor
- Businesses should abolish all child labor
- Businesses should eliminate discrimination in respect of employment and occupation

ENVIRONMENT

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

ANTI-CORRUPTION

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

Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The Goals apply to all countries and to achieve them, the partnership of governments, private sector, civil society and citizens is required.

The 17 Goals build on the successes of the Millennium Development Goals, but also include new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities.

Össur contributes to the SDGs as a signatory of the Global Compact Principles and Womens Empowerment Principle but has not yet formally committed to specific Goals. Össur is now evaluating the Company's impacts with the aim of selecting relevant Goals and set objectives for improvements. When that is completed, Össur will report on the Goals accordingly.



Main Global Compact initiatives



Environment

Össur works in accordance with ISO14001 environmental management system and the Company’s biggest manufacturing and distribution locations are certified. Global alignment of the environmental management is at the headquarters.



Labor Practices

Össur is determined to offer a safe workplace. Össur’s focus areas include safe workplace and working to eliminate discrimination in any form.



Human Rights

Össur’s most comprehensive project regarding human rights has been in relation to audits on product suppliers in Asia. Other activities include clauses and declarations with respect to human rights in contracts with business partners.



Anti-Corruption

Key focus is continued awareness and education to key employees, particularly in high risk areas.



Stakeholder Engagement – CSR Report

Össur’s main stakeholders are customers, employees, end-users, society, shareholders and investors. Össur communicates with its stakeholders through various platforms and channels.

STAKEHOLDERS	COMMUNICATION PLATFORM
Customers (Healthcare professionals/Medical professionals)	Össur communicates with its customers on a daily basis primarily through its direct sales force and customer service channels. The Össur Academy offers regular product training and ongoing educational support on product and industry-specific topics. Össur also participates in the industry dialogue through board seats and involvement in O&P trade associations. Tradeshows, conferences and industry publications are also utilized to meet and communicate with customers, and customer feedback is collected on a regular basis.
Employees	Communication with employees is daily through the Company’s intranet. Össur hosts staff meetings quarterly discussing financial results and main developments at each time. Workplace audit is carried out bi-annually and a motivational index is measured every second year.
End-Users	Össur communicates directly with end-users through social media, targeted publications and events. In addition, the Company partners with various advocacy groups and associations for training and educational purposes, and often works directly and indirectly with end-users for product testing purposes. Össur also has relationships with end-users who serve as brand ambassadors and conduct community outreach and mentor those seeking advice and support.
Society	Össur communicates with the society on its progress in the UN Global compact progress report. Össur works with various organizations and stakeholders within the healthcare industry through various initiatives, such as the Össur Academy. Össur acknowledges that its operations have both negative and positive impact on the societies it operates in and works towards minimizing the negative impact and maximizing the positive impact. Össur’s also supports associations for people with disabilities in most of the countries it operates. Össur strives to maintain high standards of professionalism and transparency.
Shareholders/Investors	Össur Investor Relations facilitate dialogue with shareholders and potential investors regularly through press releases, web-casts, participation in conferences etc. For further information on IR activities, see www.ossur.com/investors

Environment

Össur aims to minimize and control the Company's environmental footprint. The biggest manufacturing and distribution sites have an environmental management system certified according to ISO14001:2015 and in 2018, the distribution site in Philadelphia, US joined the group of certified locations.

Össur's environmental compliance obligations stem from both legal requirements and from voluntary initiatives, such as participation in climate projects and the UN Global Compact.

The main negative environmental aspect from Össur's operations are transport of raw materials and finished goods, business travel and manufacturing. The primary raw materials used in manufacturing processes are metals, plastics, silicone, carbon fiber and chemical products. This is all reflected in the Company's environmental focus areas: Emission to

Air and Water, Waste Management, Chemical Product Management, Sustainable Product Design and Employee Participation.

Emission to Air and Water

Energy consumption, transport of raw materials and finished goods, business travel and waste result in greenhouse gas emissions. In 2018, 57% of energy consumed by Össur was from renewable energy sources, resulting in a Renewable Energy Intensity factor of 1.3.

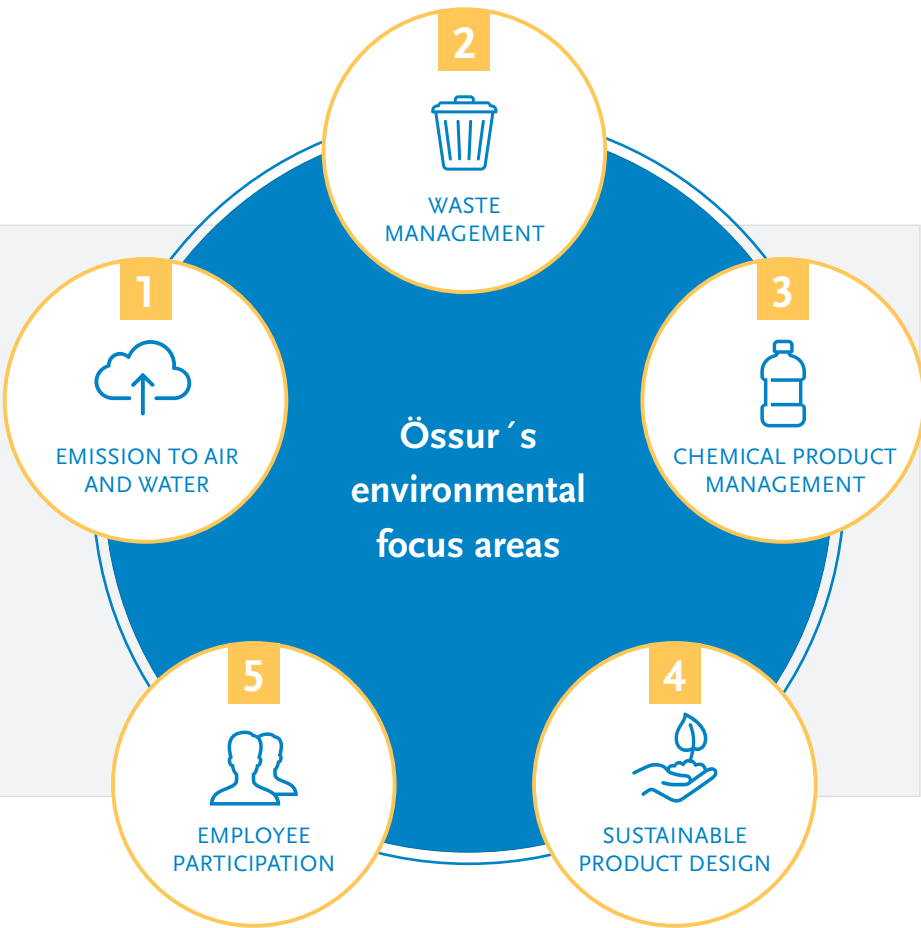
Össur's Environmental Policy

Össur aims to minimize its environmental impact by:

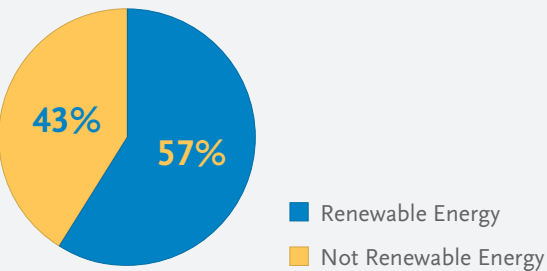
- Preventing, reducing, or controlling waste and pollution from our operations
- Meeting all applicable environmental compliance obligations and commitments
- Focusing on continual improvement of the environmental management system by meeting our objectives
- Encouraging employee participation

Program Strategy

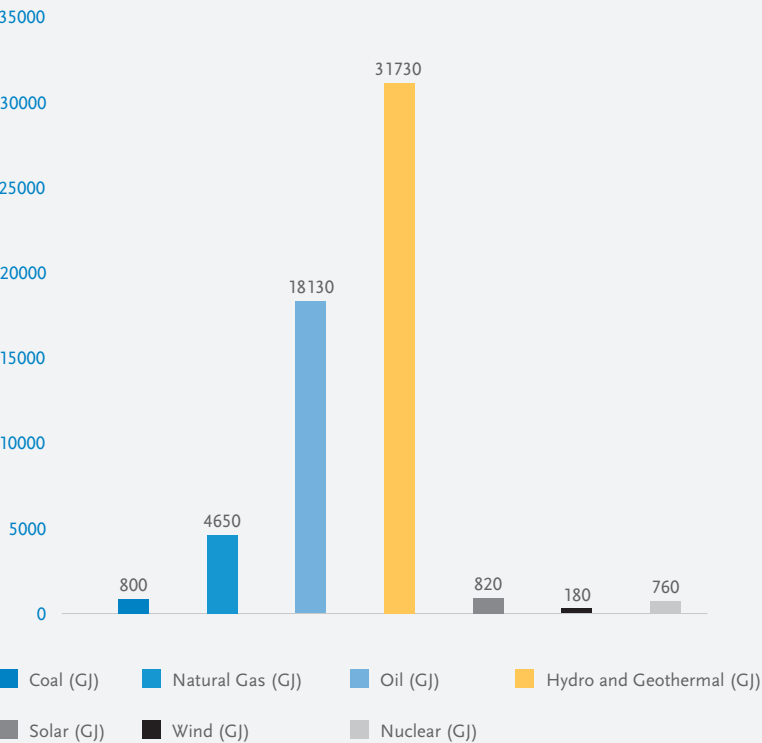
To continually improve environmental performance in a sustainable and effective manner



Energy consumption



Energy consumption by source



This reflects the fact that the Company's main energy source derives from renewable hydro and geothermal energy sources in Iceland. Solar panels installed on the roof of Össur's warehouse in Eindhoven, the Netherlands, generated 37% of all electricity consumed there in 2018, and the surplus generated by the solar panels was returned to the grid for others to use.

Össur is one of more than 100 companies and institutions in Iceland that signed a Declaration on Climate Issues and set goals for 2020 for reduced emission in relation to the UN Climate conference in Paris 2015. These goals apply to the headquarters in Iceland, but the project is an important step in the Company's corporate commitment towards emission of greenhouse gases. In 2018, 880 tonnes of CO₂ emitted from business travel will be offset by supporting Icelandic forestry.

Business travel and freight are large contributors to greenhouse gas emissions in an international company. In 2018, important steps were taken in establishing reliable data sources on emission from these two emission sources for the whole company to be able to monitor and set objective for reduced emission in 2019.

Waste Management

Waste management is an important part of a good business as it includes using raw materials wisely and eliminating waste from processes as much as possible, hence lowering disposal cost and reducing pollution.

In 2018, Össur's biggest distribution site in the US was added to the group of ISO14001 certified locations and data on energy and waste included in the global metric. This is the main explanation for the increase in total waste in 2018 and increase in percentage of recycled waste, as a lot of cardboard waste is generated in a distribution site. The cardboard waste is recycled. Good progress in the management of hazardous waste has resulted in 33% decrease in 2018 compared to 2016. These positive results can be explained by process improvements in the anodization in the CNC machine shop in Iceland and improvements in product design

resulting in the phase out of organic solvents in the manufacturing in Tijuana, Mexico.

Chemical Product Management

Chemical Product Management is an important part of Össur's operations as various chemical products classified as hazardous are used in the manufacturing of medical devices. One of Össur's legal obligations is to ensure employee access to Safety Data Sheet (SDS) for chemical products they use or may be exposed to during their work. In 2018, a global solution for SDS management was implemented at Össur providing an improved global overview of chemical products used. This improved overview will aid Össur's efforts to substitute hazardous chemical products with less hazardous ones, to improve employee safety and reduce pollution from hazardous waste.

Sustainable Product Design

Responsible environmental management does not only apply to manufacturing and logistics, but also to what companies place on the market in the form of products and services. Throughout a product development phase, multiple decisions are taken that can affect the environmental impact of the product, and therefore the company, such as raw material choice, manufacturing methods, supply chain set-up and the choice of packaging material. Therefore, Sustainable Product Design is one of Össur's environmental focus areas.

In 2018, Össur participated in a Nordic project on Circular Economy where the focus was on options to close the product cycle, introducing development of circular products and services and circular business models. The aim is to minimize the environmental impact of a product throughout its entire lifecycle. The Nordic project will continue in 2019. In addition, Sustainable Product Design is now part of Össur's R&D Strategy where development teams will receive continuous education and tools to further advance in this area and facilitate sustainable decision making throughout the development phase of products, services and packaging.

Employee Participation

Employee Participation is the key to a successful implementation of a management system that focuses on continual improvement. Employees are encouraged to propose improvement ideas in their work areas and effort is made to raise environmental awareness through seminars, campaigns, intranet and by other means.



Environmental metrics in accordance with the Nasdaq ESG guidance

ENVIRONMENTAL METRICS (1/2)				
Environmental Metrics	2018	2017	2016	2015
Full Time Equivalents (FTE) within scope	1,274	1,156	1,067	989
Annual Revenue (USD m)	613	569	521	483
E1 Direct & Indirect GHG Emissions (tonnes CO2e)	4,520	4,140	3,800	3,770
Scope 1 (Fuel from company cars; Iceland only)	38	43	41	38
Scope 2 (Energy use)	3,700	3,480	3,210	2,430
Scope 3 (Business Travel & Freight; Iceland only)	1,660	1,280	1,170	1,300
Carbon offsetting; Business Travel	-880	-660	-620	0
E2 Carbon Intensity				
Tonnes CO2e emissions/FTE, with offsetting	3.5	3.6	3.6	3.8
CO2e emission/Revenue (Tonnes/USD m), with offsetting	7.3	7.3	7.3	7.8
E3 Direct & Indirect Energy Consumption	57,000	50,800	47,300	43,800
Renewable Energy consumption (GJ)	32,700	30,100	27,700	29,200
Non-Renewable Energy consumption (GJ)	24,300	20,700	19,600	14,600
Renewable Energy generation (GJ) (Solar cells)	630	600	320	0
E4 Energy Intensity				
Energy consumed/FTE (GJ/FTE)	45	44	44	44
Energy consumed/Revenue (GJ/USD m)	93	90	91	91
E5 Primary Energy Source				
Coal (GJ)	800	620	870	680
Natural Gas (GJ)	4,650	1,840	2,770	1,850
Oil (GJ)	18,130	18,120	15,860	12,050
Hydro and Geothermal (GJ)	31,730	28,910	26,390	28,240
Solar (GJ)	820	780	320	0
Wind (GJ)	180	410	980	960
Nuclear (GJ)	760	70	100	70
E6 Renewable Energy Intensity	57,070	50,750	47,290	43,850
Renewable energy/Non-renewable energy	1.3	1.5	1.4	2.0
E7 Water Management				
Cold water consumed (m3)	94,000	80,000	112,000	No data

ENVIRONMENTAL METRICS (2/2)				
Environmental Metrics	2018	2017	2016	2015
E8 Waste Management				
Waste recycled (tonnes)	660	360	380	310
Waste not recycled (tonnes)	470	360	520	440
Hazardous waste (tonnes)	100	130	150	150
Total waste (tonnes)	1,230	850	1,050	900
Total waste generated/FTE (Kg/employee)	970	740	980	910
Total waste generated/Revenue (Tonnes/USD m)	2.0	1.5	2.0	1.9
% Recycled Waste	54%	42%	36%	34%
E9 Environmental Policy				
Does your company publish and follow an EP: Yes, No? If yes, the location of relevant public information should be declared.	Yes, see Össur website			
E10 Environmental Impacts				
Did your company bear any legal/regulatory responsibility for an environmental impact: Yes/No?	No	No	No	No

Social

Human Capital

Össur employs over 3,100 people in more than 26 countries. Össur encourages employees to take social, ethical, and environmental stands beyond the Company's legal obligations. Every day, employees make decisions that can impact the Company. It's of great importance that employees understand the impact of their decisions and consider the Company's possible gains or losses in terms of financial value, as well as environmental, ethical or social value.

Össur considers forced labor and child labor a limited risk at its facilities. However, Össur recognizes that this might be different when it comes to the Company's suppliers. Accordingly, Össur has procedures in place for approving suppliers, and the Company runs special audits on product suppliers in Asia; see further details in the chapter on the Company's supply chain. At Össur, all employees have the freedom of association.

Diversity

Diversity and equality are extremely important to us. We believe in creating an environment where knowledge, skills and strengths are fully utilized. As individuals, we can expect equal treatment and equal opportunities for growth within Össur.

Össur recruits competent and ambitious individuals who are capable of working on demanding projects and the Company is proud to be able to provide advancement opportunities to its employees. Hiring decisions are based on the skills and abilities of the potential employee. When recruiting for open positions, the Company makes an effort to source diverse candidates, which often includes posting open positions on job sites targeting women, minorities or disabled persons.

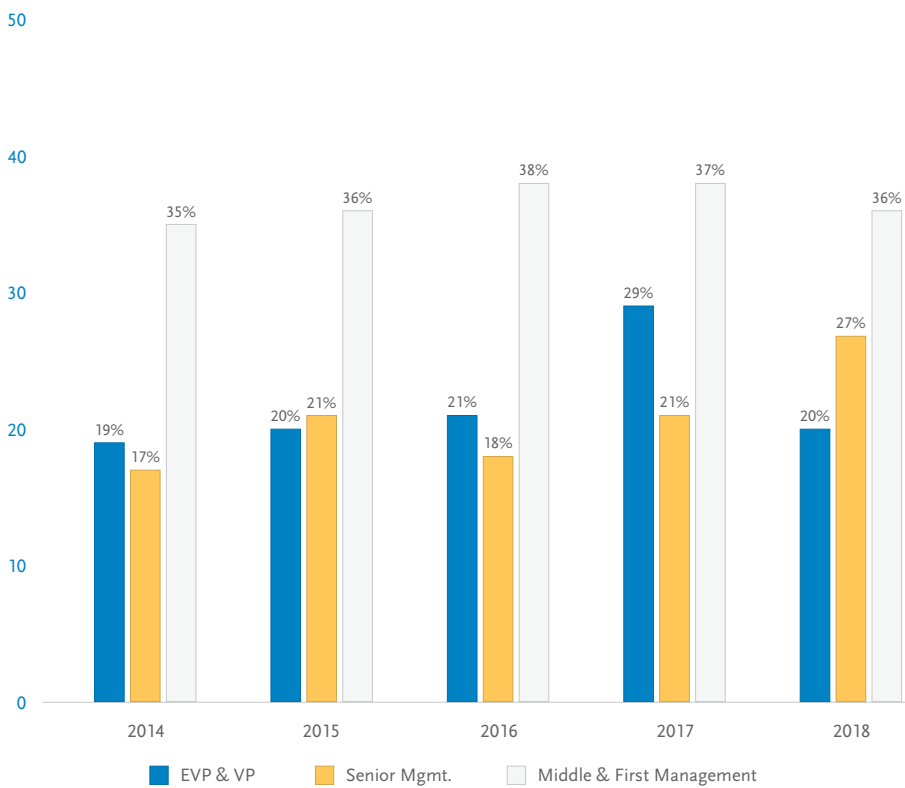
Össur has systematically monitored and measured the development of women in management positions for years. Össur will continue to advocate for women in management positions, primarily women in middle management, as they are the potential talent pool for higher positions.



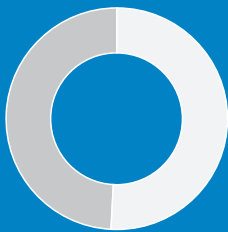
Audit on equal remuneration

Since 2014, Össur has conducted an external audit focusing on the equal remuneration for equal responsibility. In 2016, Össur decided to follow an Icelandic standard on equal remuneration for equal responsibility, IST 85:2012, which is audited by a third party. Össur had its first audit under the IST 85:2012 in 2017 and was among the first companies in Iceland to be audited in accordance with this standard. In the US, salary audits on all employees are conducted annually as part of standard compensation review procedures and in accordance with the Equal Pay Act.

Women in management positions by management level

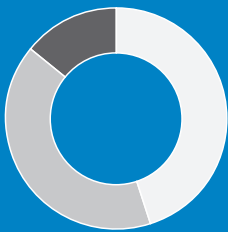


Diversity and Equality



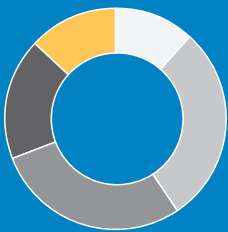
Gender Ratio

- Male 51%
- Female 49%



Education

- University Degree 45%
- Other 41%
- Vocational or Technical Training 14%



Age

- 16-25 11.9%
- 26-35 28.7%
- 36-45 28.7%
- 46-54 17.8%
- 55+ 12.9%



UN Women's Empowerment Principles

The Women's Empowerment Principles are a set of principles for businesses offering guidance on how to empower women in the workplace, marketplace and community. They are the result of collaboration between the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and the United Nations Global Compact.

- Establish high-level corporate leadership for gender equality
- Treat all women and men fairly at work – respect and support human rights and nondiscrimination
- Ensure the health, safety and well-being of all employees regardless of gender
- Promote education, training and professional development for women
- Implement enterprise development, supply chain and marketing practices that empower women
- Promote equality through community initiatives and advocacy
- Measure and publicly report on progress to achieve gender equality

Össur's Women's Leadership Initiative to Encourage Diversity in the Industry

Since 2014, Össur has been working on a Women's Leadership Initiative (OWLI). The aim of the initiative is to encourage greater diversity and inclusiveness in the Orthotic and Prosthetic (O&P) industry. The program is intended to support O&P practitioners by providing a forum that encourages interaction, community-building and educational opportunities that serve the needs of the growing number of women in the field. Currently, the initiative is focused on the US market, the Company's largest market. Women currently comprise about 20% of all O&P professionals in the US. This number has more than doubled over the past decade, and women now comprise more than half of all students enrolled in graduate-level O&P programs. The number of registered members of the initiative continue to grow and were at the end of the year 456, increasing by 52% between 2017 and 2018.

Goals:

- Engage inclusively with both men and women to provide development support to female practitioners
- Bring awareness to gender biases in the workplace and practices that promote diversity
- Create a forum for female practitioners to network and provide support to one another
- Establish a greater number of female role models for future practitioners
- Create a positive and balanced perception of both male and female industry leaders

Össur has hosted 3 conferences since the initiative started, all well attended and well received by the industry. Last year the OWLI initiative reached out to the Canadian O&P industry. The 2019 conference will be in Chicago offering both American education credits as well as Canadian. In addition to the annual conference there are various activities during the year, such as regular blogs and educational webinars.





IN THE SPOTLIGHT
Karen Edwards

Karen Edwards, Director of the Össur Women's Leadership Initiative was named the OPGA's (Orthotic Prosthetic Group of America) 2018 Woman of the Year.

Karen was recognized for her work spearheading the Össur Women's Leadership Initiative where she is truly changing the face of the O&P industry by empowering and giving a voice to the growing number of women in the profession. She has single-handedly raised the bar for professional development for women in O&P and this recognition is very well deserved.



Össur employees

Össur employees are encouraged to submit ideas on how to improve the working environment in terms of safety, environment and improved processes. The best implemented idea in Iceland 2018 was awarded to Shaun Roger Busch, employee in the Silicone Manufacturing. His idea simplified the preparation for a coating process reducing the time used by 85%. He was awarded a stylish Apple Watch.



Occupational Health and Safety

Employee safety is Össur's first priority. Fifteen Össur locations around the world take part in the Safety Program, the key focus areas of which are Employee Safety, Operational Safety and Employee Participation. The program's goal is to continually improve the safety management system to ensure a safe work place.

Within Employee Safety the aim is to identify, prevent and eliminate job related risks through a Job Hazard Analysis (JHA) program, where the goal is to prevent incidents from happening. Likewise, Össur monitors any incidents that happen whether they result in days away from work (recordable) or they were only a near miss. The root cause is analyzed with the aim of preventing similar incidents from happening again.



In 2018, Total Recordable Incidents per 100 employees decreased to 1.1 compared to 1.3 in 2017. There were 23 incidents in 2018 which caused a lost day, compared to 25 in 2017.

Measurements on safety

Measurement Indicator	2014	2015	2016	2017	2018
Incidents per 100 employees	2.0	3.4	1.6	1.3	1.1
Incidents causing a lost day	16	28	21	25	23

Operational Safety is an important part of the safety management system. Össur works systematically on raising awareness of property loss control by performing internal fire safety audits quarterly, and external audits every third year at all major manufacturing and warehouse locations. Audit results are used to continually improve the system and thereby sustain business availability. In 2018, internal fire safety audits were performed quarterly at 19 locations, both at Össur locations and main suppliers in Iceland, EMEA, Americas and Asia.

Employee Participation is crucial to maintain a culture of continual safety improvement, and Össur employees are encouraged to submit ideas to improve the safety of their work environment. The total number of employee ideas implemented in 2018 was around 8400. Suggestions relating to workplace safety accounted for 9% of ideas, while other suggestions dealt with delivery performance, environment, quality, efficiency, personal development and general improvements of the working environment. Össur strives to promote the importance of a healthy lifestyle to its employees and end-users. Össur offers employees regular health checks and promotes preventive health measures. Additionally, Össur supports and promotes activities meant to improve employee health, such as running and cycling events that raise money for charity.

Safety Policy

Safety is our first priority and part of everything we do. Össur operates at all times in accordance with relevant health and safety standards, and all employees are committed to providing a safe and hazard-free workplace. Continuous improvement and preventive measures are the key to our safety program.

Program Strategy

To continually improve our safety management to ensure a safe work place.



Supply Chain

Össur manufactures its products in five locations. The two main manufacturing locations in Iceland and Mexico. Smaller locations are in France, the UK and the US. In addition, Össur has product suppliers in Asia, which manufacture bracing & supports products and small portion of the prosthetic products. Bracing & supports products are manufactured in Mexico, France and by suppliers in Asia. The majority of the Company's prosthetic products are manufactured in Iceland and some product lines have been transferred to Mexico. The Company's main distribution centers are in Holland, the US and Mexico. All manufacturing locations and distribution centers have adopted lean manufacturing processes in addition to extensive loss prevention initiatives which are focused on both personal and plant safety.

Raw Material Suppliers

Össur has more than 800 active suppliers, of which about 200 are considered critical. Annually all critical suppliers are evaluated. Suppliers that reach a score of 80 points or more in the evaluation on the scale of 1-100 are considered to show “good results”, score in the range of 65-80 is considered acceptable and score below 65 is not acceptable. Following each evaluation, the results are sent to the suppliers along with feedback, as well as opportunities for improvement. Suppliers who do not deliver results in line or above the Company's target are offered the opportunity to adapt accordingly, and in some instances, suppliers are replaced. As mentioned in previous reports Össur has been enhancing this process and changed the definition of a critical supplier from a business and health risk to more patient focused measurements and, as such, stricter controls are applied. The results from 2018 reflect this change.

In previous years Össur has been working on getting suppliers to sign statements on Human Rights and Anti-Corruption and Bribery and at yearend 2016 90% had signed such statements. In 2018 these statements started to be replaced by a Supplier Code covering Human Rights, Health & Safety, Working Environment, Environmental Compliance and Anti- Corruption. The code is an appendix to contracts and agreements with suppliers going forward, replacing statements and clauses in previous agreements. Read Össur's Supplier Code in full on www.ossur.com/CSR

Measurements on raw material suppliers

Measurement Indicator	2014	2015	2016	2017	2018
Evaluation of critical suppliers — portion of suppliers evaluated which have reached 75 points or above	85%	95%	88%	92%	83%

Product suppliers

The asia manufacturing and sourcing team is responsible for the product suppliers in Asia, i.e. suppliers that fully manufacture products for Össur. The team consists of 11 people. The team works closely with the suppliers, and on average there are one to two Össur employees at each supplier site up to three days every week. Össur and its partners are instructed to follow a special code of conduct and all contracts address human rights clauses with special focus on compensation and health and safety. In 2018, 4 new product suppliers were on-boarded into Össur's supplier auditing program and agreement with one supplier was discontinued. At yearend 2018, Össur had 10 product suppliers. To ensure compliance with Össur's ethical standards, external parties audit suppliers annually on social compliance and human rights in addition to audits performed by Össur employees. To improve the risk profile of the suppliers, Össur has hosted risk and safety seminars, educating and training the Company's strategic product suppliers in order to improve processes. Össur uses the results to help suppliers make progress and to develop their operations. All of the suppliers have welcomed this cooperation and Össur's willingness to assist them in further building their business.

Responsible Sourcing

In 2016, Össur established a process for the responsible sourcing of suppliers. The process guides the employees in the decision-making process when selecting a new partner, as well as through the regular auditing process for product suppliers in Asia. The process offers guidance on what Össur is willing to accept in terms of performance of social parameters. If a supplier receives an A or B it is considered to be in good order and will be audited again in 12 months. However, if a supplier receives a C or D a follow up audit will be performed in six months. For suppliers that do not achieve the required grade, Össur has certain criteria for what percentage of non-conformities need to be resolved, including all critical non-conformities.



Product Quality & Safety

Össur has had a certified Quality Management system in place since 1993 and it's based upon ISO management standards. Össur is currently certified with ISO13485 and ISO14001. The Quality Management system also complies with the applicable medical device regulations in the countries that Össur sells to, including but not limited to the requirements of the FDA Quality System 21CFR820, the European Medical Device Directive EU 93/42/ECC and the Canadian Medical Device regulation SOR/98-282.

Quality Policy

We strive to provide products and services to exceed customers' expectations. Strongly focused on continuous improvement, we monitor and respond to healthcare needs, complying with all regulatory requirements.

Certifications of Össur sites (total 11 sites)			
	ISO 9001	ISO 13485	ISO 14001
Iceland		✓	✓
Eindhoven, The Netherlands		✓	✓
Manchester, UK		✓	
St. Etienne, France	✓		
Trevoux, France	✓		
Foothill Ranch, California		✓	
Tijuana, Mexico		✓	✓
Albion, Michigan		✓	
Philadelphia, New Jersey		✓	✓
Bayreuth, Germany		✓	
Livingston, UK		✓	

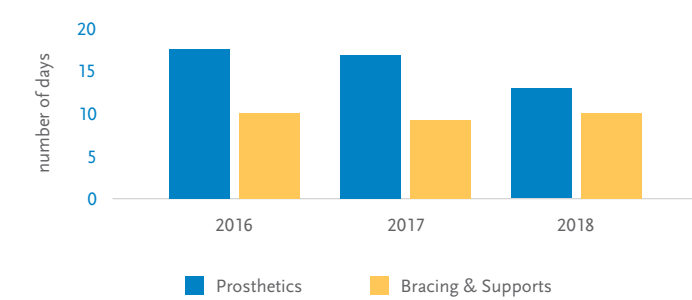
Customer feedback

Össur values feedback from its customers in relation to its products and services. Össur regularly conducts surveys among its customers and monitors feedback carefully. All feedback is evaluated and analyzed and on average Össur responds to its customers in less than 30 days. Feedback on products received from customers is used as one of the key attributes when R&D is working on product improvements as we well as development of new products.

The quality center for prosthetics is in Iceland and the quality center for bracing & supports is in California. The centers play a key role in coordination and alignment with various departments, allowing Össur to provide quality products and increased safety for users. The quality centers coordinate closure of complaints with main distribution locations, in New Jersey in the US and in Eindhoven in The Netherlands, as well as other smaller locations. Feedback is registered by over 180 customer service employees and evaluated by about 60 employees in 15 locations.

Össur strives to secure user safety and uses industry standard ISO14971, Risk management Standard for medical devices as main method with support of internal and external test labs to verify quality of the products prior to release to markets. Feedback on devices placed on the market is also used as one of the key attributes in assessment of risk.

Handling time of customer feedback



Data Privacy

To be able to conduct business and provide service to customers Össur needs to collect and handle personal data. It is Össur's priority to treat data with the utmost respect and confidentiality. Most countries have legislation in place requiring companies to handle personal data securely and in May 2018, the new EU General Data Protection Regulation (GDPR) came into effect. To ensure compliance with GDPR, Össur has established and updated policies and procedures and facilitated awareness trainings about data privacy via internal announcements, e-learning, and dedicated intranet site as well as training sessions for relevant employees. Össur has appointed a Data Protection Officer to head up efforts within the field of data privacy.



The Safety of our Users

Strongly focused on **CONTINUOUS IMPROVEMENT** we monitor and respond to needs.

We comply with international **MEDICAL DEVICE** regulations to ensure user safety.

We use best practice standards to ensure **PRODUCT QUALITY** and user safety.

Good healthcare economics of bionic solutions

The average age of the amputee population is estimated to be between 65-70 years old and only 30-40% of new lower limb amputees are estimated to receive a prosthetic solution. Össur believes that it is cost-effective to fit this group of amputees with functional prosthetic products such as bionics, as it is expected to enable them to stay mobile and be more independent. Physical activity and exercise can have immediate and long-term health benefits and most importantly, regular activity can improve quality of life.

If this patient group receives more functional solutions it is expected that they will need less assistance from the healthcare system which should lead to less overall cost in patient care. Össur strives to deliver clinical evidence demonstrating the benefits of providing elderlies with more functional solutions. Össur intends to work with key stakeholders to evaluate the best solutions for the end users and the healthcare systems.

Society

One aspect of the Company's responsibility is to show support for the societies and environment in which the Company operates. Össur believes that it has a responsibility towards people of all abilities, not only to provide high quality products, but equally to support third-party initiatives aimed at better care and support for people with disabilities. The Company believes it is important that the perception of people of varying abilities is positive and together with Team Össur athletes and Ambassadors, making the achievement of amputates more visible, the perception has changed for the better. Additionally, Össur believes it has a responsibility in relation to the education of healthcare professionals that work in the field of prosthetics and bracing & supports. In this respect, Össur cooperates with universities in both the US and Europe on research projects, and has, on average, six to 10 interns at any given time.

For over a decade, Össur has had an educational program called Össur Academy, which educates prosthetists all over the world. The Össur Academy is committed to furthering the level of education and quality of prosthetic and orthopaedic knowledge among professionals, end-users and their families. The aim is to enable orthotists, prosthetists and other medical professionals to achieve clinical success through accessible information and the services Össur provides. Össur also has a program called "The Össur Orthopaedic Fellowship Program." This is a 12-month academic program designed to enhance the clinical, surgical, and research skills of orthopaedic/musculoskeletal healthcare specialists. Össur offers a research grant program both in the field of prosthetics and bracing & supports. The program is designed to provide funding for scientific research in the areas of lower extremity biomechanics, dynamic/active rehabilitation, ortho biologics, functional bracing, clinical patient outcomes and related healthcare economics.



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. A few of the Company's larger initiatives are:

Challenged Athletes Foundation (CAF)

Through the Challenged Athletes Foundation Össur has helped amputees with grants, training, prosthetics and equipment. The partnership opens doors for athletic greatness.

Amputee Coalition of America (ACA)

A national US non-profit formed in 1989 to offer continued education, mentoring, peer support and consumer advocacy.

Iceland Sport Association for the Disabled

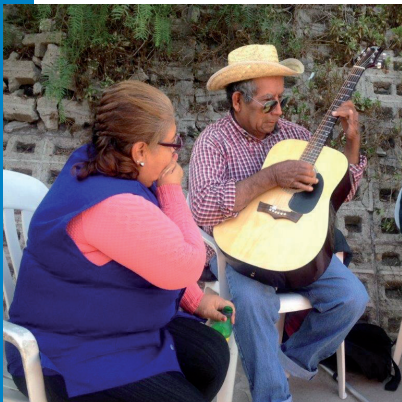
Össur has been a proud supporter of the Iceland Disabled Sports Association for two decades.

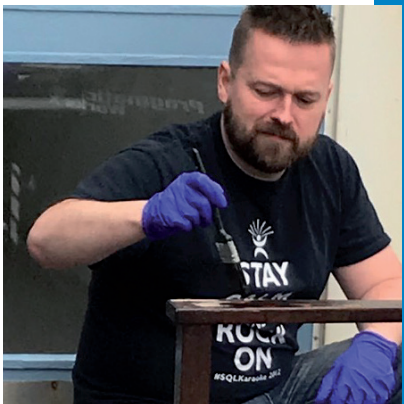
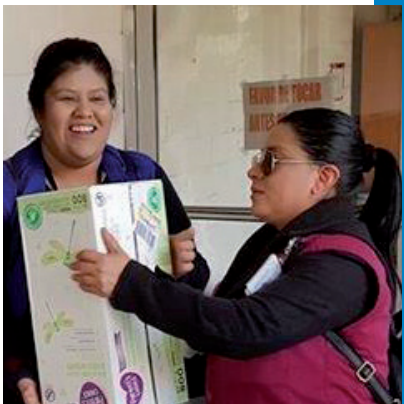
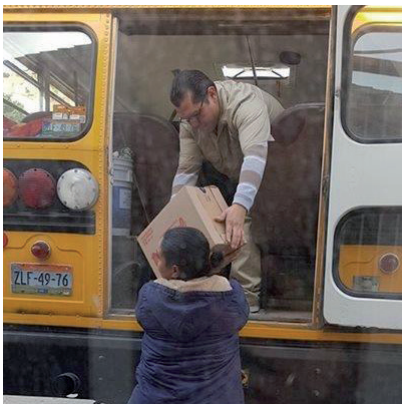
International Confederation of Amputee Associations

Össur is a corporate member of the International Confederation of Amputee Associations; an alliance that shares experiences, knowledge and best practice to inspire improvement in the quality of life of amputees and individuals born with limb deficiency.

Team Össur

Team Össur is an accomplished group of elite international athletes and sporting role models. Team Össur includes athletes from world-class triathletes to accomplished track and field athletes. 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.





Employees engage in community support

Össur encourages employees to participate in community support and each year number of initiatives are supported by employees participating in various events. Össur likes to demonstrate that support to your nearest community does not need to be only through direct financial support. As such Össur employees in Iceland have supported Reykjadalur, a summer camp for children with disabilities in Iceland. For the past three years Össur employees have spent one day at the summer camp assisting with repairs, painting and cleaning, preparing the camp to open for the summer. In Mexico, employees have bought Christmas presents for children in orphanage homes and brought necessities to a local retirement home. In South Africa employees have given food to children living in the poor townships close to the office and brought gifts to children in orphanage homes, to name a few.

In addition, Össur employees participate in numerous events like marathons, cycling events, triathlons and other activities raising money for good causes in their societies.



Össur ranked among the best companies in Iceland

Results from a survey on Corporate Social Responsibility that was performed among the public in Iceland demonstrate that Össur is among the top companies when it comes to CSR. Össur was ranked number 2 with a score of 3.97 out of 5. The questions were related to business ethics, environment, transparency and direct support to the society. Össur has been committed to work with minimizing its impact on the environment and the societies it operates in for years.

The Össur and Ottobock Research Trust Fund

In 2016, Össur and its main competitor Ottobock signed an agreement on a joint philanthropic effort to further develop the field of mind-controlled prosthetics. The fund is named “The Össur and Ottobock Research Trust Fund” and will award international grants for scientific research and innovative projects in the field of advanced neural control of prosthetic limbs. The companies’ initial combined contribution to the fund was USD 1 million. The establishment of this fund confirms Össur’s commitment and belief that advanced technology is one of the greatest benefits for people with disabilities. Advancements in technology will further help people with disabilities achieve lives without physical limitations.

Marketing ethics

Össur markets its products primarily to healthcare professionals. Össur respects and understands the boundary between the expertise of the healthcare professionals and Össur’s expertise in relation to the Company’s products. Össur makes sure that employees in the field as well as employees in customer service receive relevant training. Össur’s Medical Office is responsible for all trials and testing of Össur’s products and verifies that all claims regarding benefits and function of the products are true and can be backed up by data.

Additionally, Össur believes it is important to make sure that the Company’s marketing material reflects its commitment to human rights. Össur’s customers are to a large extent individuals that are considered to be physically challenged and Össur has for many years strived to change the perception of people with disabilities. However, the Company takes its responsibility seriously to promote equal opportunities amongst all groups, irrespective of age, race, national origin, gender, religion, disability or any other protected characteristics. Marketing material and media efforts in general are a strong platform to reach out to people and therefore Össur believes it’s even more important to display its commitment to human rights in its media activities.



Social metrics in accordance with the Nasdaq ESG guidance

Social Metrics	Measurement	Comments
S1 CEO Pay Ratio	22	In 2017 the ratio was 25
S2 Gender Pay Ratio	Audits: equal pay for equal responsibility	Össur Headquarters is certified in accordance with ISO 85:2012 on Equal pay for Equal responsibility and Össur Americas complies with the Equal Pay Act in the US
S3 Employee Turnover Ratio	15%	-
S4 Gender Diversity	Male 51% Female 49%	Historically, Össur has had good balance between male and female employees
S5 Temporary Worker Ratio	4.2%	-
S6 Non-Discrimination Policy	In Place	Policy available at: www.ossur.com/csr
S7 Injury rate	1.1	Down from injury rate of 1.3 in 2017
S8 Global Health and Safety policy	In Place	Policy available at: www.ossur.com/csr
S9 Child & Forced Labor Policy	In Place	See Össur’s Human Rights Policy: www.ossur.com/csr
S10 Human Rights Policy	In Place	Policy available at: www.ossur.com/csr
S11 Human Rights Violations	None	No Human rights violations were reported in 2018
S12 Board Diversity	Men 60%, Women 40%	No employees have a seat on the Board

Governance

Corporate Governance

Össur hf. is an Icelandic company listed on Nasdaq Copenhagen. As a listed company, Össur communicates with its shareholders and other stakeholders about the Company's financial and business developments in an open and honest manner. Össur provides investors, analysts and other stakeholders with timely and accurate information. Every year, Össur hosts investor meetings and teleconferences with the CEO and the CFO, following quarterly reports and other key events. As a listed company, Össur complies with all relevant rules and regulations, and follows the Danish Recommendations on Corporate Governance.

The Company has published a Corporate Governance Report that includes both the statutory statement on corporate governance as well as comments and information on Össur's compliance (or deviations, as applicable) with each item in the Danish Recommendations on Corporate Governance. The report is available on the Company's website: www.ossur.com/investors

The statutory 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 the Company's internal controls and risk management systems in connection with the preparation of financial statements.
- A description of the Company's organizational structure and the role of each function.
- A description of the Company's diversity policy relating to the Board of Directors and the CEO, the aim of the policy and its execution.

Overview of main initiatives regarding Anti-Corruption and Anti-Bribery

2014	2015	2016	2017	2018
Writing and implementation of policies	Risk assessment and screening of business partners and contract review	Training and education of management and employees in sales functions	Continued training and education and awareness building	Scoping of compliance in a larger context, aiming at combining all compliance areas in one global function

Business ethics / Bribery and corruption

Bribery and corruption are real risks for companies around the world and can be a real challenge in many markets. Össur has operations in more than 26 countries and distributes its products worldwide. Össur has zero tolerance for corrupt activities. Along with the Company's values – Honesty, Frugality, Courage – Össur has various policies in place such as a Code of Conduct, an Anti-Corruption and Anti-Bribery policy and a Supplier Code, to name a few. These policies and the Company's values serve as guiding principles for the employees. Össur has been building its Anti-Corruption and Anti-Bribery programs, increasing awareness and providing education and training to its employees.



Risk Assessment

Össur has performed a risk assessment of its sales and distribution network. The scope of the risk assessment was based on certain minimum thresholds of annual sales and the business partner’s territory. Countries with a low score on the Transparency International List on corruption were given priority. The assessment has provided a good overview and understanding of Össur’s businesses, primarily businesses that operate in high-risk countries, and revealed potential exposures related to corruption and bribery. Össur monitors selected high-risk markets and is implementing procedures to mitigate the potential risks.

Training and Awareness

Training of employees has been prioritized based on position and geography. The training program has two main levels. Some employees go through both face-to-face training and on-line training whereas others receive only on-line training. The main emphasis has been on the continued training of key employees and employees located in high-risk areas, or those responsible for the Company’s businesses in high-risk areas, in addition to continued awareness building and education. Össur has policies in place that guide and support employees, such as the Anti-Corruption and Bribery policy and the Supplier Code, which are signed by the Company’s business partners. Review a full list of policies at www.ossur.com/CSR

Whistleblower policy

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.

Human rights

Össur respects and supports internationally recognized human rights, including labor rights as stated in the UN Guiding Principles on Business and Human Rights, as framed in the first six principles of the UN Global Compact. Össur has a Human Rights Policy supporting all internationally recognized human rights, including labor rights. As stated in Össur’s Human Rights Policy the Company is committed to comply with all applicable laws, rules and regulations in relation to human rights, which covers areas such as forced labor, slavery, child labor, sex trafficking, human trafficking, workplace abuse or any other form of discrimination as outlined in Össur’s Human Rights Policy.

Össur encourages its employees to report any suspected violation. Össur prohibits any retaliatory actions against good faith reporting of actual or suspected violations. Furthermore, Össur expects its business partners and all other strategic partners to understand and address the Company’s expectations related to human rights. Read Össur’s Human Rights Policy in full at www.ossur.com/CSR

Tax transparency

Össur’s core values, Honesty, Frugality and Courage, are a strong foundation for the corporate culture and business strategy. These core values also serve as a strong foundation for Össur’s tax strategy. Based on its corporate social responsibility, Össur acts with integrity towards all stakeholders involved directly and indirectly with the Company. As a high profile medical device company, Össur acknowledges that paying taxes is an important part of the Company’s economic impact and contribution to society as taxes fund social investment.

Tax Strategy

Össur seeks to obtain a competitive tax level in a responsible way and as a general rule, Össur pays corporate taxes in the countries it operates in. This means doing business in a way that meets expectations for good corporate citizenship and, paying taxes where profits are earned in accordance with prevailing national and international tax rules. We manage our tax affairs responsibly and transparently and we only undertake tax planning which aligns with our commercial and economic activities. We will not engage in artificial transactions which have the sole aim of reducing taxes. We make fair, accurate and timely disclosure in correspondence and returns, and respond to queries and information requests in a timely manner. We provide all relevant information when requested to do so. If we discover errors in tax returns or correspondence with tax authorities, we disclose and correct them promptly.

In 2018 Össur total income tax payments amounted to USD 17 million, with an effective tax rate of 24%. The effective tax rate has been normalized for one-time benefits impacting the rate in 2018.

Effective tax rate for 2019 is expected to be in the range of 23-24%.

Governance metrics in accordance with the Nasdaq ESG guidance

Governance Metrics	Measurement/Status	Comments
G1 Board Separation of Powers	In Place	The CEO does not have a seat on the Board, he does not act as Chairman or and he doesn’t lead Committees
G2 Board - transparent practices	In place	Board of Directors rules
G3 Incentivized pay	No	Remuneration Policy does not include ESG Strategy
G4 Fair Labor practices	In Place	Human Rights Policy and Supply Code available at: www.ossur.com/csr
G5 Supplier Code of Conduct	In Place	Available at: www.ossur.com/csr
G6 Ethics - Code of Conduct	In Place	Available at: www.ossur.com/csr
G7 Anti-Corruption and Bribery	In Place	Available at: www.ossur.com/csr
G8 Tax transparency	In Place	Available at: www.ossur.com/csr
G10 Other Framework Disclosures	In Place	UN Global Compact, UN Women, Carbon Disclosure Project, Festa Declaration of Climate Issues
G11 External Validation & Assurance	No	The CEO does not have a seat on the Board, he does not act as Chairman or and he doesn’t lead Committees



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