



Corporate
Social Responsibility
Progress Report

2017





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Letter from the CEO

At Össur, we take seriously our mission to improve people's mobility. We are constantly striving to change the perception of people who have disabilities by providing products that help them live life without limitations. Delivering the highest standard of products to our users allows them to get back on their feet and that is the most important responsibility we have—it is our contribution to society. At the same time, we aspire to maintain the highest standards of ethical, environmental and social responsibility.

Health Economics

We have always committed ourselves to research and development. In the prosthetics segment, Össur has created products that imitate the functions of the human body, as closely as possible. This means users have increased opportunities to be active, be able to work and be able to take care of their families. Thanks to our prosthetics products, users are less likely to need assistance from the healthcare system. In our bracing and supports segment, we adhere to what we call an indication-based approach. This means we focus on medically indicated and clinically validated product development, offering both users and healthcare systems effective and efficient alternative treatments to well known indications. We believe this approach offers more sustainability as we focus on identifying conditions, and offer valuable solutions and alternative treatments for both the healthcare system and the user.

Sustainable Product Design and Product Cycle

In 2017, the Research & Development department initiated a pilot project in our design process, the aim of which was to minimize the environmental impact of our products throughout their lifecycle. We are pleased that we have been invited to participate in a Nordic Project on Circular Economy, which will assist us in taking this effort to the next level. The Nordic Project is expected to take place through 2018, providing us with important knowledge and support.

Inspiration

We have so many examples of triumph and success in our business that there is no shortage of inspiration. In 2017, Team Össur succeeded at the IPC Para Athletics World Championships winning 15 medals, and there are countless stories of our users pushing the boundaries of limitation. We are also happy to have been voted one of the “Top Workplaces” in Orange County, California, as well as being named the most popular company in Iceland. Mid-year, our #MyWinningMoment campaign, which celebrates overcoming individual challenges, was nominated for two Digital Communications Award. This fantastic program shows the courage and tenacity our users embody as they face any obstacle in their path towards living life without limitations. The success of our users enables us to take pride in everything we do.

Looking Forward

Our passion for what we do make us stand out. Guided by our mission to improve people's mobility, and our vision to be an industry leader in non-invasive orthopaedics, Össur rises to any challenge that might emerge. Our drive for innovation enables us to provide premier solutions for all who face mobility challenges. We would like to thank our amazing employees, customers, and users, as well as our shareholders for making this possible. We look forward to continuing to work with all of you as we invest in our bright future.



Jon Sigurdsson

Össur President and CEO



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 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 25 countries and more than 3,000 employees.

Our Users Are at the Core of Everything We Do

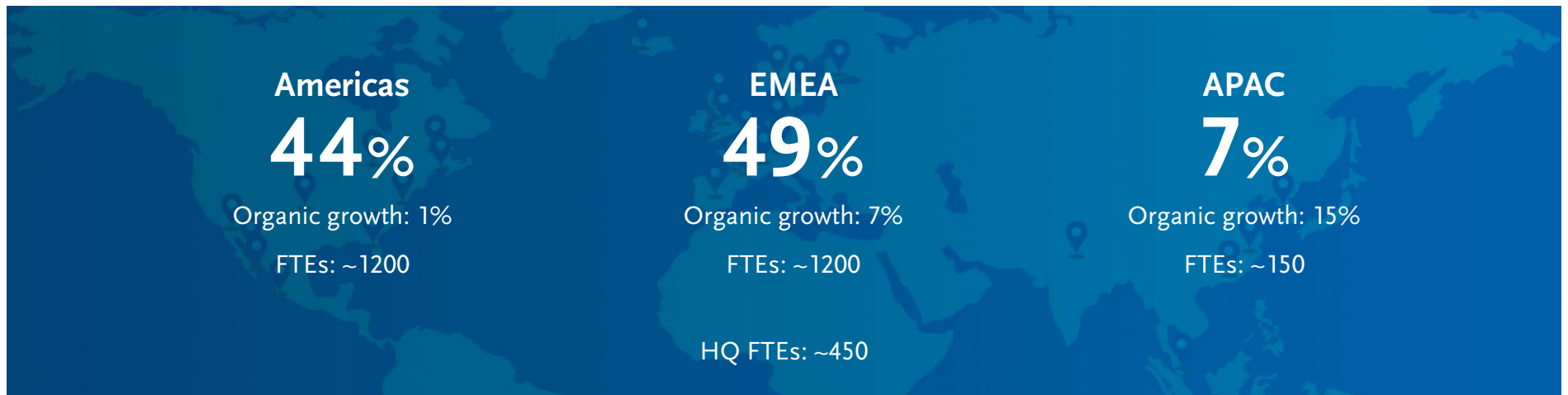
Every year there are individuals who are born without a limb or lose a limb at different stages of their life due to vascular diseases, diabetes or trauma. There are also individuals who develop knee pain, are diagnosed with osteoarthritis in their joints, incur fractures to their ligaments or injure 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.

In 2017 alone, our solutions helped millions of users improve their mobility, so they can live their life without limitations.

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 between 4-5% of Össur's sales is re-invested in research & development with roughly 150 full-time employees working on new innovative products. In 2017 Össur introduced more than 30 prosthetics products and more than 10 bracing & supports 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.





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

OUR VALUES

HONESTY

— Stay True —

FRUGALITY

— Make Every Step Count —

COURAGE

— Aim Higher —

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 and 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.

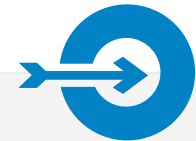


Growth

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.



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.

Össur's Approach to Corporate Social Responsibility

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 2017. 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. Össur also follows the Nasdaq ESG Reporting Guide, issued in March 2017.

This report contains an overview of the company's approach to CSR, as well as key measurements and progress. It 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 that retailers and manufacturers doing business in the state of California 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 and 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.

Nasdaq ESG Guidelines

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.

UK's Modern Slavery Act

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 in 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 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 is 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 can be found in the chapters on supply chain and anti-corruption.

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. The structure and reporting in this report covers the 10 principles of the UN Global Compact in the following chapters: Human Rights, Labor Practices, Environment and Anti-Corruption.

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 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

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

Overview of Main Initiatives That Focus On Supporting the Global Compact Principles



Environment

Össur works in accordance with the ISO 14001 environmental management system and all its main manufacturing locations are certified.



Labor Practices

Össur is determined to offer a safe workplace. In fact, two of Össur primary goals are providing a safe workplace and eliminating discrimination in any form.



Human Rights

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



Anti-Corruption

Global processes and procedures have been established to better evaluate the Company's main risk areas. An internal training program has been established, containing both online training and face-to-face training.

Areas of Action:

- Össur has published its goals for 2020 on the reduction of greenhouse gases
- Continued increase of employee awareness
- Review and improve processes
- Constant monitoring of procedures and measurements of a safe workplace
- Audit on equal pay for equal responsibility in accordance with ISO 85:2012 in 2017
- Women's initiative in the O&P industry
- Audits on health and safety and fire protection at product suppliers in Asia
- Social and compliance audits at product suppliers in Asia
- Signed declarations by business partners on human rights
- Screening and risk assessment of business partners in high-risk areas
- Training and maintaining awareness
- Special focus on employees with responsibilities in high-risk areas

Human Rights and Labor Practices

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 ossur.com/CSR

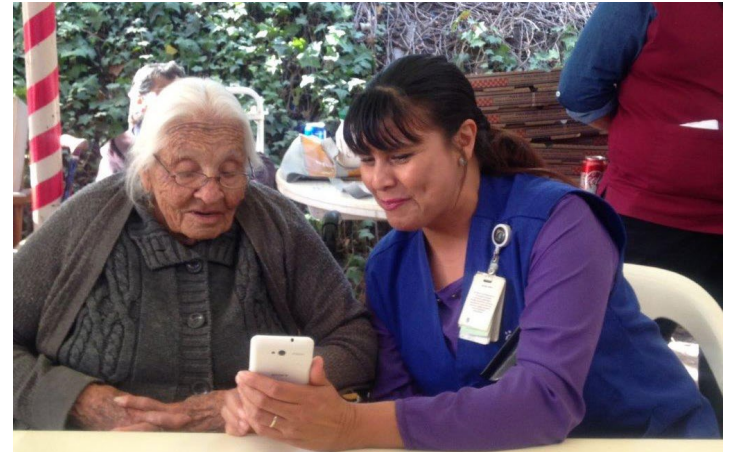
Below are social measurements in accordance with the ESG guidance from Nasdaq Nordic:

Social Metrics		
Social Metrics	Measurement	Comments
S1 CEO Pay Ratio	25	
S2 Gender Pay Ratio	Audits: equal pay for equal responsibility	Össur Headquarters is audited in accordance with the ISO standard on Equal pay for Equal responsibility ISO 85:2012 and Össur Americas complies with the Equal Pay Act in the USA
S3 Employee Turnover Ratio	13%	Excluding Mexico
S4 Gender Diversity	Male 52%, Female 48%	Historically Össur has had good balance between male and female employees
S5 Temporary Worker Ratio	2.7	
S6 Non-Discrimination Policy	In Place	Össur Policies
S7 Injury rate	1.3	
S8 Global Health and Safety policy	In Place	Össur Policies
S9 Child & Forced Labor Policy	In Place	Össur Policies
S10 Human Rights Policy	In Place	Össur Policies
S11 Human Rights Violations	None	No Human rights violations were reported in 2017
S12 Board Diversity	Men 60%, Women 40%	No employees have a seat on the Board



Employees Participate In Community Support

Össur encourages employees to participate in community service, and each year initiatives are supported by employee participation in various events. In Mexico, for example, employees bought Christmas presents for children in orphanage homes. For the past two years, Össur employees in Mexico have also participated in “Help a Senior,” a program where employees visit a retirement home for the homeless. The employees bring necessities to the home and also spend time with retirees, playing lotto, singing and playing cards. The employees are happy to make a difference in their community. These programs are so successful Össur Mexico has received recognition from the Tijuana Government FilantroRed program.





The Workplace

Össur employs over 3,000 people in more than 25 countries. Össur's values encourage employees to take social, ethical, and environmental stands beyond the Company's legal obligations. In addition, these values help the Company adapt to the various cultures in which it conducts business. 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 or social value.

Due to both the location of Össur's manufacturing units and the skills needed with regards to manufacturing operations at Össur, the Company considers forced labor and child labor a limited risk. At Össur, all employees have the freedom of association and the HR department engages in dialogue with employees informing them of their rights on a regular basis.

However, Össur is aware 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.

Occupational Health and Safety

The health and safety of Össur's employees are two of the Company's most important priorities. Thirteen 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 risk through a Job Hazard Analysis (JHA). In 2017, a total of 251 potential risks were identified and 74% were eliminated or controlled by the end of the year. Össur monitors Total Recordable Incidents per 100 employees and in 2017 it was 1.3 compared to 1.6 in 2016. There were 25 incidents in 2017, which caused a lost day, compared to 21 in 2016.

MEASUREMENTS ON SAFETY						
Measurement Indicator	2013	2014	2015	2016	2017	Goal 2018
Incidents per 100 employees	2.2	2.0	3.4	1.6	1.3	1.0
Incidents causing a lost day	12	16	28	21	25	0
Job Hazard Analysis (JHA) percentage of eliminated risks	-	-	-	60%	74%	

Operational Safety is an important part of the safety management system. Össur works systematically on raising awareness of Property Loss Control by performing local operational 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.

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 system to ensure a safe work place.



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 2017 was around 9,700. Suggestions relating to workplace safety accounted for 14 percent 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.

Equally, Össur strives to educate reimbursement authorities and relevant healthcare professionals, as well as the Company's end-users, about the importance of staying mobile. Mobility and general health and well-being is very important, and even more important for amputees and people with impaired mobility. Össur tests and researches the effectiveness of its products to promote health economics and benefits for healthcare systems and end-users.

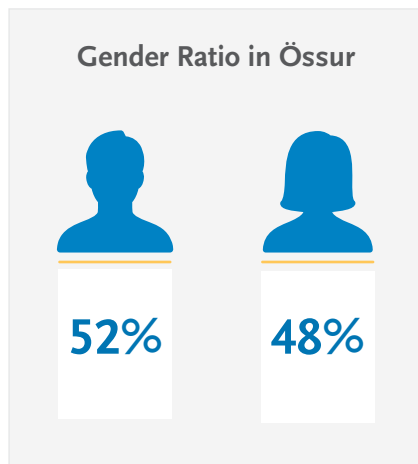


Equal Opportunities and Diversity

Össur nurtures a spirit of innovation, offering an open and vibrant environment where each employee can achieve his or her full potential. The Company's values—Honesty, Frugality, and Courage—guide the employees in their day-to-day activities and decision-making. Employees strive to live these values in their interactions with both colleagues and customers.

Össur has more than 3,000 employees working in more than 25 countries. The Company's employees are a diverse group, but they work as one to improve people's mobility. In a global company like Össur, employees and stakeholders interact with people 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 types of skillsets. 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 broad responsibilities.

The encouragement of a diverse workplace benefits the Company because diversity brings a myriad of perspectives from which to make decisions, ultimately leading to better results. Össur wants to be an attractive workplace. To reach that goal the Company needs to create



an environment where both men and women can perform and contribute to the Company's success. To support the equal opportunity plan, Össur ensures that recruiting and internal promotion strategies are aligned. The Company's goal is to utilize the skills, strengths and knowledge of all employees without gender-based discrimination.

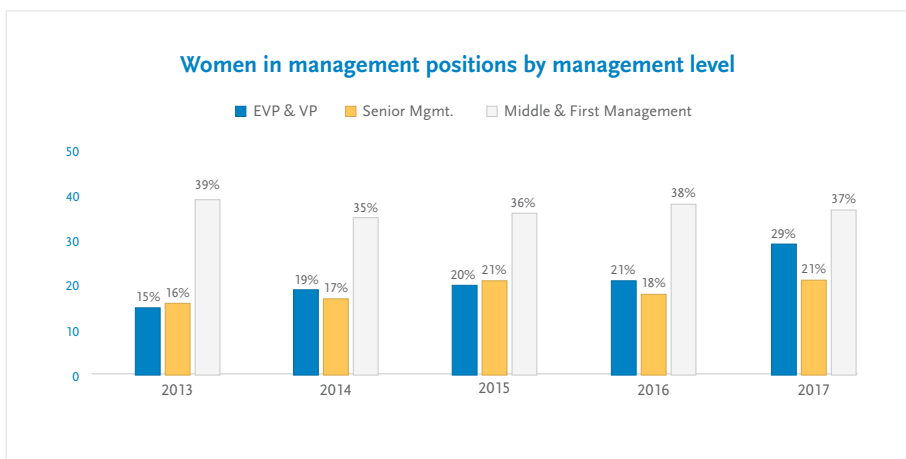
Össur recruits competent and ambitious individuals who are capable of working on demanding projects and the Company is proud to be able to provide advancement opportunities to its employees. Hiring decisions are based on the skills and abilities of the potential employee. When recruiting for open positions,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

Women In Management Positions

Össur has systematically monitored and measured the development of women in management positions for years. In 2017, we saw a 60% increase of women in EVP and VP roles, as well as a 21% increase of women in senior management. Due to the proportionally large group of middle and first management, where female members have decreased by 1%, the overall split between male and female employees remains the same at 33% women and 67% men. The Company is pleased with these results and feels that it has been successful in its goal to increase the number of woman in management positions. 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.

The number of women in management positions has increased, particularly at the Company's higher level.

Demonstrating Össur's commitment to diversity, the Americas region joined the California Diversity Council in 2015, an affiliate of the National Diversity Council. The Council is a non-profit organization that seeks to champion diversity in both businesses and communities across the nation in order to create a truly open society where everyone is valued for their unique perspective and viewpoint. Össur, along with other employers in the Council, will champion diversity in the community, host multi-cultural roundtables, participate in Women In Leadership Symposiums, and offer education, development and networking opportunities for members.



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 Americas, salary audits on all employees are conducted annually as part of standard compensation review procedures and in accordance with the Equal Pay Act.

#METOO



Össur takes the message from the #MeToo movement seriously. The Company has for a long time had a policy of not tolerating sexual harassment or discrimination of any kind. To show support for the #Metoo movement, Össur has increasingly emphasized its non-discriminatory policies, making information and guidelines more conspicuous. In 2017 Össur Americas launched a new anti-harassment training to educate leaders on unlawful harassment and other social issues that can impede diversity. Managers are required to complete this training every two years.

Össur's operation in California has been listed as one of Orange County's Top Workplaces of 2017, for the mid-sized company group, or organizations with 35-499 employees. Össur ranked 30th out of the top 40 companies which is a great honor and demonstrates that the employees value Össur as a great place to work. The companies included in The Orange County Register's Top Workplaces list were selected based on a survey of employees measuring qualities such as company leadership, compensation and training, workplace flexibility and diversity.



For the eighth year in a row, Össur has been named one of Iceland's Strongest Companies. Only 2.2% of Icelandic companies passed the financial conditions to appear on the list, which includes a total of 870 companies. Össur finished in 6th place overall.



United Nations Women's Empowerment Principles

Encouraging diversity in the workplace helps the Company gain diverse perspectives, which leads to better decision-making and results. Össur signed the United Nations Women's Empowerment Principles in May 2014.

Women's Leadership Initiative to Encourage Diversity in the Industry

Since 2014, Össur has been working on a Women's Leadership Initiative (ÖWLI). 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 new 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.

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

In the first year, ÖWLI garnered 150 registrants comprised of O&P Practitioners, residents and students. To-date this number has doubled to 300 subscribers who also include members from industry professional organizations and Össur employees, and includes registrants from Australia, Belgium, Brazil, Canada, Columbia, Iceland, India, Mexico, Sweden, and the UK.

In 2016, the women's leadership initiative hosted its first conference, and the first Women's Leadership Conference in the O&P industry. The second conference was hosted by Össur in September 2017. The conference was well attended and attracted a diverse group of professionals from 14 states in the US and Canada, including two men. The purpose of the Össur Women's Leadership Conference is to bring together a diverse mix of successful women leaders who, by discussing topics that pertain to today's O&P professionals, will educate, inspire, and encourage attendees to reflect on their own goals as they strive to advance within their profession.

In addition to the annual conference there are various activities during the year, such as regular blogs and educational webinars. Each quarter, the blog highlighted one woman in O&P in a feature entitled, "Women in O&P Leadership." Each individual highlighted was nominated by her peers as an example of a leader in the profession. Additionally, this year the blog expanded to include guest contributors including four Össur employees and two practitioners who are ÖWLI registrants. ÖWLI also held three educational webinars on the topics of Time Management, Finding a Sponsor, and Building Confidence. These webinars averaged 45 registrants each and were opened up to Össur employees as well.

In 2017, ÖWLI was also proud to sponsor the first OPGA Woman of the Year award given to a female in O&P who contributed above and beyond to the profession. ÖWLI also provided a travel scholarship awarded to a female student presenting research at the American Academy for Orthotics and Prosthetics national symposium.

Supply Chain

Össur manufactures its products in five locations. The two main manufacturing locations are Iceland and Mexico. Smaller locations are in France, the UK and the US. In addition, Össur has product suppliers in Asia, which manufacture bracing and supports products.

Bracing and supports products are manufactured in Mexico, France and by suppliers in Asia. The vast majority of the Company's prosthetic products are manufactured in Iceland; however, smaller locations are in the UK, France and Michigan. The Company's main distribution centers are in Holland and the US. 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. The critical suppliers are evaluated annually. In 2015, it was decided to change the definition of a critical supplier from a business and health risk to more patient focused measurements.

In addition to business impact, any supplier that provides a component that could cause unreasonable risk to the end-user, clinician or others involved is now defined as a critical supplier and, as such, stricter controls are applied. Suppliers that reach a score of 80 points or more on the scale of 100 are considered to show "good results", score in the range of 65-80 is considered acceptable and score below 65 is not acceptable. In 2017 92% of the critical suppliers scored above 65. 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.

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 will be replaced by a Supplier Code covering Human Rights, Health & Safety, Working Environment, Environmental Compliance and Anti-Corruption. The code will be an appendix to all contracts and agreements with suppliers going forward, replacing statements and clauses in previous agreements.

Read Össur's Supplier Code in full on ossur.com/CSR

Measurements on raw material suppliers					
RAW MATERIAL SUPPLIERS	2013	2014	2015	2016	2017
Evaluation of critical suppliers – portion of suppliers evaluated with good and acceptable results	84%	85%	95%	88%	92%
Critical raw material suppliers that have signed clauses on human rights and anti-corruption	n/a	56%	88%	90%	n/a*

*To be replaced by supplier code

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 division consists of a team of 11 people. The team works closely with the suppliers, and on average there are one to two Össur employees at each supplier, 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 2017, two new product suppliers were on-boarded into Össur’s supplier auditing program. The new suppliers previously worked with companies Össur acquired in 2016. Both are in Asia. During the year agreements with two suppliers were discontinued. At yearend 2017, the total number of product suppliers was eight.

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 its suppliers, Össur has hosted risk and safety seminars, educating and training the Company’s strategic product suppliers in order to improve processes. To follow up, Össur has an external party auditing its strategic product suppliers with regards to risk and safety on a regular basis. 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.

Product Suppliers In Asia – Main Milestones



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. The suppliers will have two chances to fulfill the requirements, and if these requirements are not met Össur will reevaluate possibilities for further cooperation.

Audits on product suppliers	2014	2015	2016	2017
Social compliance audit*	✓	✓	✓	✓
Fire and safety audit **	✓	✓	✓	✓
Internal audits* (audits performed by Össur employees)	✓	✓	✓	✓

*All suppliers manufacturing outsourced products.

**Strategic product suppliers manufacturing over 90% of outsourced products.



Environment and Quality

Quality

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 regulations SOR/98-282.

Quality Policy

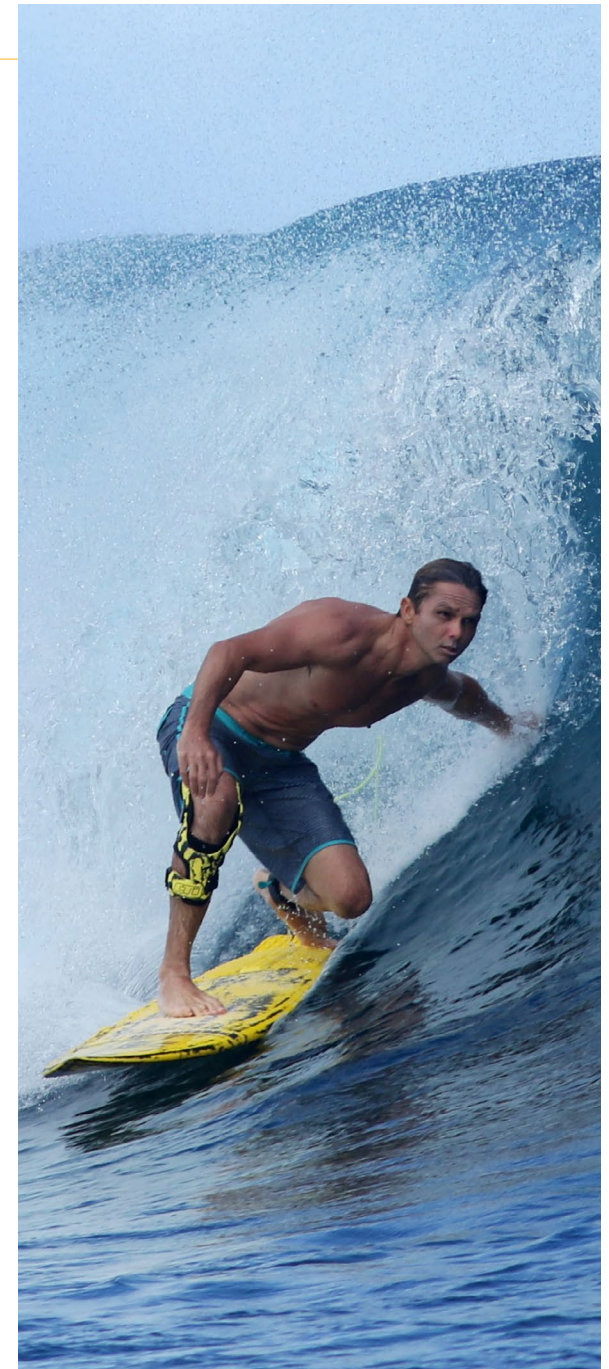
We strive to provide products and services to exceed our customers' expectations. Strongly focused on continuous improvement, we monitor and respond to needs, complying with all regulatory requirements.

Certifications of Össur sites (total 9 sites)

	ISO 9001	ISO 13485	ISO 14001
Reykjavik, Iceland		X	X
Eindhoven, Holland		X	X
Manchester, UK		X	X
St. Etienne, France	X	X	X
Foothill Ranch, California		X	
Tijuana, Mexico		X	X
Albion, Michigan		X	
Paulsboro, New Jersey		X	
Camarillo, California		X	

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. Össur has strengthened the customer feedback process, allowing enhanced capture and responses, facilitating detailed analysis to identify improvement opportunities. Össur's Quality Centers located in Iceland and California play a key role in the cooperation and the alignment between departments, allowing Össur to provide quality products and increased safety for users.



Environment

Össur understands its responsibility to reduce and control its environmental footprint.

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

The main environmental impact from Össur’s operations comes from manufacturing, waste generation and the transport of raw materials and finished goods. Plastics, silicone and carbon fiber are the primary raw materials used in the manufacturing process. The anodizing of metals also takes place during manufacturing. The Company’s environmental impact is reflected in its environmental focus areas: Emission to Air and Water, Waste Management, Chemical Product Management, Sustainable Product Design and Employee Participation.



Össur’s Environmental Policy

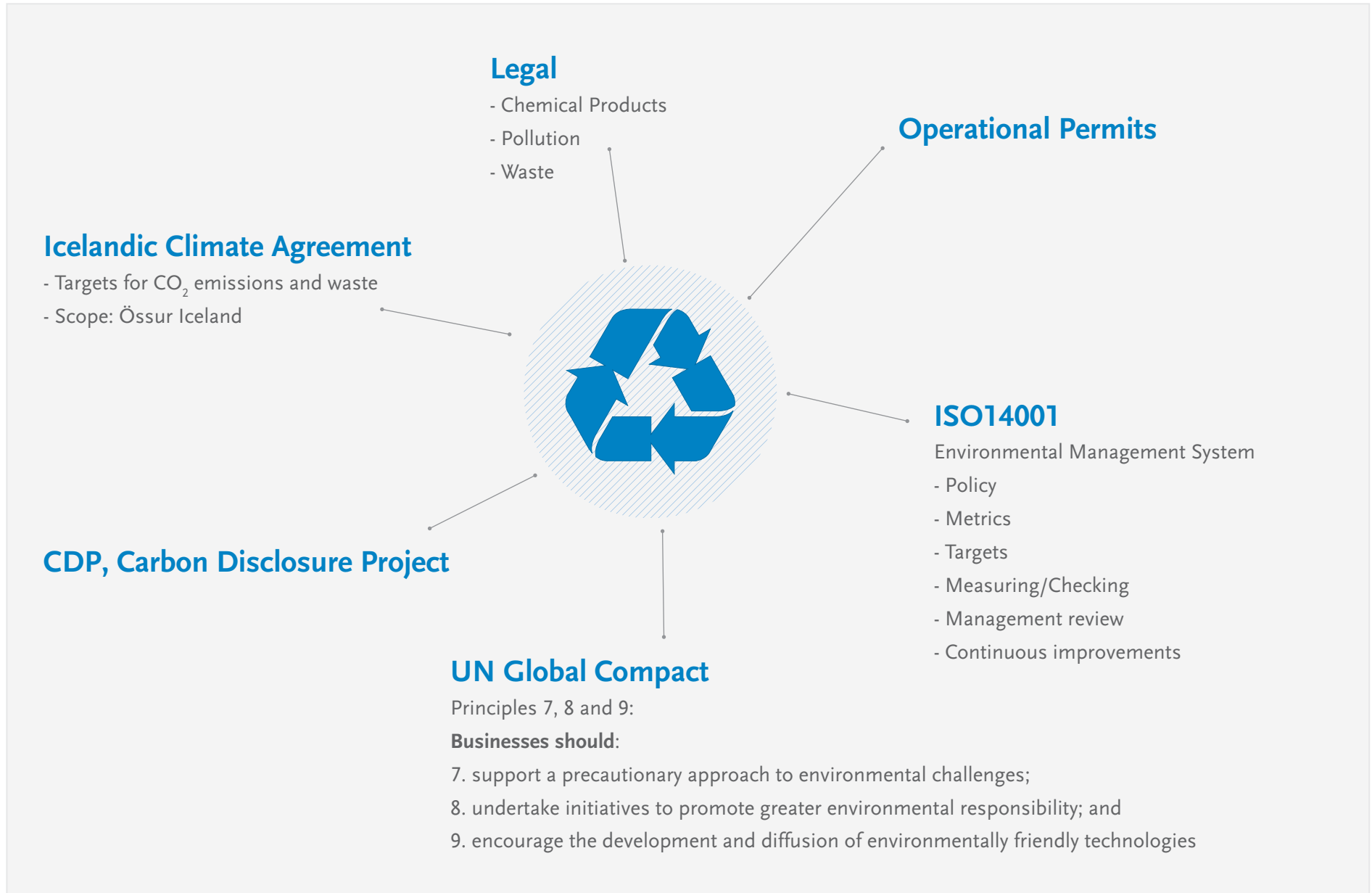
Össur aims to minimize its environmental impact by:

- 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.

Environmental Compliance Obligations



Declaration to take active measures on Climate Issues

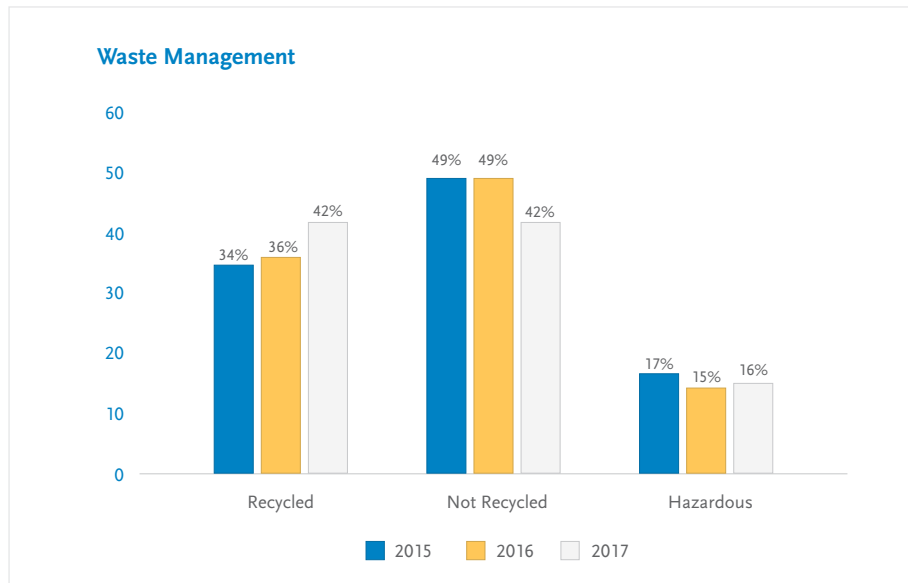
Össur is one of more than 100 companies and institutions in Iceland that have signed a Declaration on Climate Issues in relation to the UN Climate conference in Paris in November 2015. By signing the declaration, the companies committed to set goals for reducing their emission of greenhouse gases and waste generation, and regularly publish information on their progress. Össur's goals apply to the headquarters in Iceland but the project is seen as the first step in the Company's corporate commitment towards emission of greenhouse gases. One of the largest contributors to greenhouse gas emission is business travels. Össur is an international company with operations in more than 25 countries and therefore it is hard to avoid business travels. For that reason, Össur Iceland offsets CO₂ emission from business travel and it is the single biggest contributor to reduced emission in 2017. Waste reduction has decreased between years, however the largest part of the reduction is expected to materialize in relation to changes that will take place within manufacturing from 2019 and 2020.

Greenhouse gas emission is an inevitable part of energy consumption but can differ significantly considering the primary energy source. In 2017, 59% of all energy consumed by Össur was from renewable energy sources, resulting in a Renewable Energy Intensity factor of 1.5. This reflects the fact that the Company's main energy source derives from hydro and geothermal energy. A positive initiative in 2017 comes from Össur's new warehouse in Eindhoven, Holland, where solar panels installed on the roof generated nearly 30% of all the electricity consumed there in 2017.

Össur Iceland Objectives in Declaration of Climate Issues					
Requirement	Reference year 2015	Results 2016	Results 2017	Target 2020	Action items
Reduce emission of greenhouse gases	1500 tons CO ₂ emitted from Össur Iceland's operations	750 tons (-50%)	820 tons (-45%)	Reduce CO ₂ emission by 50%	<ul style="list-style-type: none"> Reduce air transport of goods from 32% to 25% Reduce waste to landfill from 38% to 25% Buy electric company cars when practical Offset CO₂ emissions from business travels
Reduce waste	420 tons of waste generated 983 kg/employee	410 tons (-2%) 979 kg/empl. (-0,4%)	398 tons (-5%) 910 kg/empl. (-7%)	Generate 25% less waste/employee	<ul style="list-style-type: none"> Improved waste management Cutting sand reuse & recycling Carbon fiber recycling
Monitor the results and regularly publish information on the status	Össur's annual CSR report (Corporate Social Responsibility)			The same as 2015	Össur's annual CSR report (Corporate Social Responsibility)

Waste Management

Waste management has been one of the key focus areas at the main manufacture and distribution locations for the past few years. Results for 2017 show a substantial manufacturing of 20% in total waste generated and a decrease in waste per employee from 990 kg/employee in 2016 to 740 kg/employee in 2017. These positive results can be explained by an increased focus on resource efficiency and LEAN management in the manufacturing processes which results in improved efficiency and less waste. It should be noted that comparable numbers for 2016 were unusually high in Europe due to the relocation of the warehouse in Eindhoven, and the clearance of stock from companies acquired in 2016.



Chemical Product Management

Chemical Product Management is an important part of Össur’s operations as various hazardous chemical products 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 hazardous chemical products that they use or may be exposed to during their work. Össur aims to substitute hazardous chemical products with less hazardous ones, when possible,

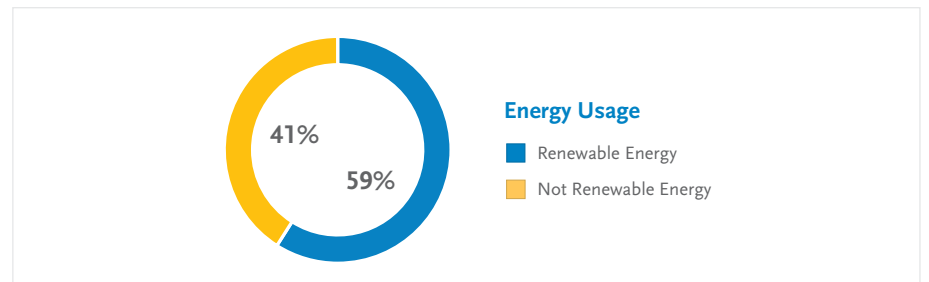
to improve employee safety. In 2017, four hazardous chemical products were substituted for other less hazardous products at Össur Iceland. Chemical Product Management is an important part of job risk assessment. Each Össur location has managed their SDS locally but in 2018 global alignment of SDS management for Össur locations will be executed.

One of Össur’s environmental focus areas is Sustainable Product Design, as product design can affect the environmental impact of the Company. In 2017, the Research & Development department initiated a pilot project in the design process, the aim of which was to minimize the environmental impact of a product throughout its entire lifecycle. To take this effort to the next level, Össur will in 2018 and 2019 take part in a Nordic project on Circular Economy where the focus is on closing the product cycle, development of circular products and services and circular business models.



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.





Below measurements on Environment in accordance with Nasdaq EGS guidelines:

Environmental Metrics	2017	2016	2015
E1 Direct & Indirect GHG Emissions (Össur Iceland only)			
Scope 1 (tons CO ₂ e)	43	41	38
Scope 2 (tons CO ₂ e)	49	47	51
Scope 3 (tons CO ₂ e)	730	670	1,390
E2 Carbon Intensity			
Kg CO ₂ e/item manufactured	1.0	0.8	1.5
E3 Direct & Indirect Energy Consumption			
Renewable Energy consumption (GJ)	30,090	27,690	27,710
Non-Renewable Energy consumption (GJ)	20,650	19,600	14,650
Renewable Energy generation (GJ)	600	0	0
E4 Energy Intensity			
Energy consumed per FTE (GJ/Employee)	44	44	43
E5 Primary Energy Source			
Coal (GJ)	620	870	680
Natural Gas (GJ)	920	1,310	850
Liquid Gas (GJ)	920	1,460	1,000
Oil (GJ)	18,120	15,860	12,050
Hydro and Geothermal (GJ)	28,910	26,390	26,740
Solar (GJ)	780	320	0
Wind (GJ)	410	990	400
Nuclear (GJ)	70	100	70
E6 Renewable Energy Intensity			
Renewable energy / Non-renewable energy	1.5	1.4	1.9
E7 Water Management			
Cold water consumed (m ³)	80,000	112,000	
E8 Waste Management			
Waste recycled (tons)	360	380	300
Waste not recycled (tons)	360	520	440
Hazardous waste (tons)	130	150	150
Waste Intensity (kg/employee)	740	990	900
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? If yes, the location of relevant public information should be declared.	No	No	No

Anti-Corruption

Bribery and corruption are real risks for companies around the world and a real challenge in many markets. Össur has operations in more than 25 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.

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

2014	2015	2016	2017
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 of employees and awareness building

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, and 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. In 2017 and 2018, the main emphasis was, and is, 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 ossur.com/CSR



Compliance

A Whistle Blower 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

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’s 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 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.

A complete report on the Company’s compliance with each recommendation in the Danish Recommendations on Corporate Governance is available on the Company’s website:

ossur.com/investors

Measurements On Governance

Below, measurements on Governance in accordance with ESG guidance form Nasdaq Nordic.

Governance Metrics		
	Status	Comments
G1 Board Separation of Powers	✓	The CEO does not have a seat on the Board, act as Chairman or lead Committees
G2 Board - transparent practices	✓	BOD Rules
G3 Incentivized pay	No	Remuneration Policy does not include ESG Strategy
G4 Fair Labor practices	✓	Össur Policies
G5 Supplier Code of Conduct	✓	Össur Policies
G6 Ethics - Code of Conduct	✓	Össur Policies
G7 Anti-Corruption and Bribery	✓	Össur Policies
G8 Tax transparency	✓	Össur Policies
G10 Other Framework Disclosures	✓	UN Global Compact, UN Women, Carbon Disclosure Project, Festa Declaration of Climate Issues
G11 External Validation & Assurance	No	

✓ = In Place. No= Not in Place

Support and Responsibility

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 great athletes participating in the Paralympics, as well as other elite sporting events, the perception of people with a disability 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 and 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 in place 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 and 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.

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 Research 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.



#MyWinningMoment

To further encourage and motivate amputees, Össur initiated a contest in 2016 called #MyWinningMoment. Amputees were encouraged to share pictures of themselves depicting their personal “winning moment.” Whether playing with their children, finishing their first 5K, or walking down the aisle, everyone has a winning moment. Össur promoted the contest by leveraging many different online and traditional platforms, engaging key customers, as well as Team Össur members and Össur Ambassadors. The participation was beyond expectations so Össur repeated the contest in 2017. Through the power of social media, these many incredible photos and stories reached thousands of amputees and others globally, and helped increase awareness for the quality of life amputees continue to enjoy.



Team Össur

Team Össur is an accomplished group of elite international athletes and sporting role models. Team Össur includes athletes from world-class triathletes that help Össur raise public awareness. Team Össur members are all exceptional individuals helping Össur

to raise public awareness of the true potential of people with limb loss and impaired mobility, demonstrating how to lead active and fulfilling lives.

Paralympian **Sarah Reinertsen** holds World Records in the 100m, 200m, 400m, 5km and marathon distance races, and is the first above-knee amputee woman to complete the Ironman World Championships in Kona, Hawaii. Sara became an above-knee amputee at age 7 due to proximal femoral deficiency. She says Össur technology has helped her tremendously in everyday life as well as in sports, giving her the ability to truly feel like a woman by enabling her to wear high heels for the first time. Sarah actively mentors other women and girls with limb loss, encouraging them to build endurance and using mantras like “keep moving forward” and “fear less, live more” to stay motivated.



“Fear less, live more”

Alan is a Paralympic sprinter and World Record holder from Brazil. As a child, Alan had both legs amputated below the knee following an illness, but was competing in sports by the age of 8. He competed in his first Paralympic Games in Beijing, China, in 2008 and won a silver medal in the 4x100m relay as a member of the Brazilian team. At the 2012 Paralympics in London, Alan won a gold medal in the T44 200m race, and in July 2013, Alan broke the T43 100m World Record with a time of 10.77.



“It doesn’t matter what you dream, what matters is to dream and make it come true.”

Marie-Amélie is a successful French Paralympic athlete who competes in the T44 sprints 100m, 200m, 400m and 800m and in F44 long jump events. Marie-Amélie has won eight Paralympic Medals since 2008. Marie-Amélie had been training since the age of 6 and she was a French junior running champion. In March 2004, she was unfortunately the victim of a serious scooter accident and had to undergo the amputation of her left leg below the knee. After four months of difficult rehabilitation, Marie-Amélie went back to the track to try to run again. Her first competitions in disabled sports took place in 2005 and since then she has won many French championships and annually established new records.

Marie-Amélie Le Fur



“Make of your life a dream!”

Rudy had already undergone 15 surgeries by the age of 5. Rudy had to choose between a life in a wheelchair and walking with artificial limbs. He opted for greater mobility and a full, active life with prosthetics, which necessitated the surgical amputation of both his legs through the knee. Undaunted, he began swimming, then running. Having won his first gold medal at the 2004 Paralympic Games in Athens, Greece, Rudy was also the first bilateral above-knee amputee to finish the Ironman Triathlon. Rudy says Össur has given him the opportunity to live without limitations and he hopes to encourage other amputees to live active lifestyles regardless of the challenges, saying, “A brave heart is a powerful weapon, and people should never let their challenges define who they are.”

Rudy Garcia-Tolson



“If I wasn’t an amputee, I probably wouldn’t have the same drive to do what I do!”







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