



Corporate Governance Report

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2023

Corporate Governance Report for 2023

This Corporate Governance Report ("Report") covers the financial year that ended on 31 December 2023. The Report 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, see Appendix. This Report has been approved by Össur's Board of Directors.

Statutory Statement on Corporate Governance

This statutory statement on corporate governance is made in accordance with Article 66 (c) of the Icelandic Financial Statements Act No. 3/2006, as amended ("Statement"). The Statement has been approved by the Board of Directors and is published on the Company's website. The Statement covers the financial year that ended on 31 December 2023.

The 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 regarding 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 and the CEO, the aim of the policy and execution.



1. Corporate Governance

The Company follows the Danish Recommendations on Corporate Governance issued on 2 December 2020 by the Danish Committee on Corporate Governance, which are available on the Committee's website: corporategovernance.dk. The Recommendations are the best practice guidelines for companies admitted to trading on a regulated market in Denmark.

The Company complies with the vast majority of the Recommendations. The few deviations are explained below:

- The majority of the Board (3 of 5) is considered dependent. Two members represent the interest of the Company's controlling shareholder. In the Board's opinion, it is normal and understandable that the controlling shareholder has such influence within the Board. One member is considered dependent due to her long tenure (15 years) on the Board. In the Board's opinion, she is in fact acting independently because she has no interest links with the Company's main clients or major shareholders, and she holds no shares in the Company. On the other hand, she ensures diversity within the Board and her skills, knowledge and experience are considered valuable to the Company.
- Not all Board committees have a majority of members that are independent. The Chairman of the Board and the Chairman of the Audit Committee sit on the Nomination Committee and the Remuneration Committee and they are both considered dependent as they represent the controlling shareholder. In the Board's opinion, it is normal and understandable that the controlling shareholder has such influence in those committees.





2. Internal Controls and Risk Management Systems

Internal Controls

The Board of Directors has an ongoing dialogue with the CEO on the identification, description and handling of the business risks to which the Company may be exposed. Material risks and risk management are described in the Annual Report.

The Company's risk management and internal controls, in relation to financial processes, are designed to mitigate the risk of material misstatements. The Company designs its processes to ensure there are no material weaknesses with internal controls that could lead to a material misstatement in its financial reporting. The external Auditor's evaluation of these processes is included in the Auditor's Report.

The Company goes through a detailed strategic and forecast process each year and a strategy and forecast report is prepared. The Board approves the Company's strategy, forecasts and targets each year. Performances against targets are monitored on a monthly basis. This includes a year over year comparison where main reasons for changes are explained. A twelve-month forecast is available at all times and forecasts are updated quarterly and reasons for changes explained.

The basis of the internal control of the Company's financial reporting comprises the control environment, including the organization, decision paths, lines

of authority and responsibilities documented and communicated in various control documents, such as policies and Group-wide guidelines and manuals.

To ensure high quality in the Company's financial reporting systems, the following policies, procedures and guidelines for financial reporting and internal controls have been adopted, to which the subsidiaries and reporting units must adhere:

- Continuous analysis of year over year comparison.
- Continuous follow-up on results achieved compared to assumptions in forecasts.
- Policies regarding anti-corruption, anti-bribery and Code of Conduct.
- Policies for IT use, insurance, cash management, procurement, information security, etc.
- Reporting instructions as well as reporting and finance manuals.
- Internal Control Governance Policy.

The Board of Directors is ultimately accountable for maintaining risk assessment, risk management and internal control system. The CEO together with the Executive Management set the ground of the internal control environment by providing leadership and direction to senior managers and reviewing the

way they are controlling the business. The CEO and the Executive Management are accountable for the selection, development and evaluation of the system of internal control with oversight by the Board of Directors.

The Company does not have an internal audit function but has an established internal control function and uses internal control systems that are monitored by the Audit Committee and assessed by the external Auditor.

External Auditor

An auditing firm is elected at the Annual General Meeting for a term of one year. The external Auditor is not allowed to own shares in the Company. The

external Auditor shall examine the Company's annual consolidated financial statements in accordance with international standards on auditing, and shall, for this purpose, inspect accounting records and other material relating to the operation and financial position of the Company. The external Auditor shall always have access to all the Company's books and documents. The external Auditor reports via the Audit Committee to the Board of Directors on any significant findings regarding accounting matters and any significant internal control deficiencies.





3. Organizational Structure

According to the Articles of Association, Össur is managed by Shareholders' Meetings, the Board of Directors and the CEO. Their roles and responsibilities are described below.

Shareholders' Meetings

The supreme authority in Össur's affairs is in the hands of lawful Shareholders' Meetings, within the limits provided for in the Articles of Association and law.

Resolutions at Shareholders' Meetings generally require a simple majority. However, resolutions to amend the Articles of Association generally require two-thirds of the votes cast and capital represented.

[Minutes of Shareholder's Meetings](#) are available on our website.

At each Annual General Meeting the shareholders:

- Confirm the consolidated financial statements and decide on the distribution of the net profit.
- Approve the Remuneration Policy.
- Decide on the remuneration for the Board of Directors.
- Elect the Board of Directors.
- Elect an auditor.

Other resolutions are made on an ad-hoc basis, such as:

- Amendments to the Articles of Association.
 - Capital reductions.
 - Authorizations for the Board of Directors to increase the share capital.
- Authorizations to the Board of Directors.
 - Purchase own shares.
 - Initiate share buyback programs.

Board of Directors

The Board of Directors is the supreme authority in Össur's affairs between Shareholders' Meetings. The Board shall operate in accordance with the Articles of Association and the Board's Rules of Procedure.

The Board of Directors' work, role and responsibilities are further described in the Board's Rules of Procedure, which are reviewed annually by the Board and updated as necessary.

[The Board's Rules of Procedure](#) are available on our website.

The Board has various roles and responsibilities

- Establish goals for Össur and formulate the policy and strategy to achieve those goals.
- Hire a CEO to manage the daily operations, supervise activities and ensure that Össur's organization and operations are in proper order.
- Ensure adequate surveillance of the accounting and financial management.
- Evaluate the capital structure.
- Evaluate the performance of the Board and the CEO.

The Board of Directors' Annual Schedule

Quarter 1

January Meeting

- Full-year results
- Corporate Governance Statement
- Capital Structure and Capital Allocation Policy
- Agenda for the Annual General Meeting

Annual General Meeting

March Meeting

- Election of Chairman and Vice Chairman
- Appointment of the Audit Committee
- Review of Internal Rules

Quarter 2

April Meeting

- Quarterly results

Quarter 3

July Meeting

- Half-year results

September Meeting

- Strategy

Quarter 4

October Meeting

- Quarterly results

December Meeting

- Strategy and forecast
- Performance evaluation

The Board of Directors is composed of five members, all elected by the shareholders at the Annual General Meeting for a term of one year. The Board shall be represented by at least 40% of each gender. Currently, there are three men and two women on the Board. All Board members, except one, have served for several years, which ensures consistency and good insights into Össur's business and markets. Two of the Board Members are considered independent in accordance with the Danish Recommendations on Corporate Governance.

The Chairman and the Vice Chairman of the Board of Directors are elected each year following the Annual General Meeting. The Chairman's main responsibility is to ensure that the Board performs its duties in an orderly and efficient manner. In the absence of the Chairman, the Vice Chairman performs his duties. Niels Jacobsen has served as the Chairman since 2006 and Svafa Grönfeldt as the Vice Chairman since 2021.

Further information on the [Board of Directors](#) is available on our website.

Board Meetings					
Board Member	Independent	Nationality	Gender	Board Tenure	Board Meetings Attended
Niels Jacobsen, Chairman	No	Danish	Male	18 years	● ● ● ● ● ● ● ●
Dr. Svafa Grönfeldt, Vice Chairman	No	Icelandic	Female	15 years	● ● ● ● ● ● ● ●
Arne Boye Nielsen	No	Danish	Male	14 years	● ● ● ● ● ● ● ●
Dr. Alberto Esquenazi	Yes	American	Male	3 years	● ● ● ● ● ● ● ●
Gudbjörg Edda Eggertsdóttir	Yes	Icelandic	Female	10 years	● ● ● ● ● ● ● ●

Audit Committee

The Audit Committee's main objective is to ensure a competent and independent audit of Össur and supervise the internal control system and risk management. The Audit Committee's responsibilities are further described in the Audit Committee's Terms of Reference, which are reviewed annually by the Board of Directors and updated as necessary. The [Audit Committee's Terms of Reference](#) are available on our website.

The Audit Committee is composed of three Board members. The majority of the Audit Committee shall be independent of Össur, the CEO and the Auditor.

Audit Committee members shall possess the knowledge and expertise needed to perform the tasks of the Audit Committee. At least one Audit Committee member shall have solid knowledge and experience in the field of financial statements or auditing. Arne Boye Nielsen has served as the Chairman of the Audit Committee since 2012.

Further information on the [Audit Committee](#) is available on our website.

The Audit Committee has various roles and responsibilities

- Ensure a competent and independent audit.
- Submit proposals to the Board on the nomination of an auditor candidate at the Annual General Meeting.
- Submit proposals to the Board on an agreement with the Auditor, containing e.g. provisions on the audit fees as well as the general scope of the Auditor's non-audit services.
- Monitor and evaluate the Auditor's work, including the audit of the consolidated financial statements.
- Monitor the preparation of financial statements and report to the Board on significant accounting policies, significant accounting estimates, related party transactions and uncertainties and risks, including in relation to the outlook, prior to the Board's approval of financial statements.
- Monitor and assess Össur's internal control systems and its enterprise risk management and perform other related tasks and duties.
- Assess the need for an internal audit function taking into consideration the scale and complexity of Össur's activities, risk factors and cost / benefit considerations.



The Audit Committee's Annual Schedule

Quarter 1

January Meeting

- Audit report (presented by the Auditors)
- Review of Q4 and full year results
- Proposal to the Board on auditors
- Compliance & Security update
- Internal Control update

Quarter 2

April Meeting

- Election of Chairman
- Review of Q1 results
- Related party transactions
- Compliance & Security update
- Internal Control update
- Status of entities integration and systems implementation

Quarter 3

July Meeting

- Audit plan and fees for the coming year (presented by the Auditors)
- Review of Q2 results
- Related party transactions
- Compliance & Security update
- Internal Control update
- Report on external lending

Quarter 4

October Meeting

- Review of Q3 results
- Related party transactions
- Compliance & Security update
- Internal Control update
- Status of entities integration and systems implementation

December Meeting

- Meeting with the Auditors (including private session)
- Report on internal controls and enterprise risk management
- Assessment of the need for an internal audit

Audit Committee Meetings

Audit Committee Member	Meetings Attended
Arne Boye Nielsen, Chairman	● ● ● ● ●
Dr. Alberto Esquenazi	● ● ● ● ●
Gudbjörg Edda Eggertsdóttir	● ● ● ● ●

Nomination Committee

A Nomination Committee was established in 2022. The Nomination Committee's main objective is to prepare recommendations to the Board in relation to the composition, development, and succession of the Board. The Nomination Committee's responsibilities are further described in the Nomination Committee's Terms of Reference, which are reviewed annually by the Board of Directors and updated as necessary. The [Nomination Committee's Terms of Reference](#) are available on our website.

The Nomination Committee is composed of the Chairman of the Board and the Chairman of the Audit Committee.

Remuneration Committee

A Remuneration Committee was established in 2022. The Remuneration Committee's main objective is to prepare recommendations to the Board in relation to the remuneration policy and remuneration for the Board, the CEO, and the Executive Management. The Remuneration Committee's responsibilities are further described in the Remuneration Committee's Terms of Reference, which are reviewed annually by the Board of Directors and updated as necessary. The [Remuneration Committee's Terms of Reference](#) are available on our website.

The Remuneration Committee is composed of the Chairman of the Board and the Chairman of the Audit Committee.

Board Performance Evaluation

The Board of Directors conducts a performance evaluation each year. The Chairman oversees the evaluation process and proposes actions to be taken, if any. The Chairman seeks external assistance at least every three years.

The Board performance evaluation for 2023 was carried out with external assistance and discussed by the Board in December 2023.

The following categories were assessed:

- Financial Responsibility and Risk Management
- Strategy
- Organizational Themes
- The Executive Management Team's Performance and Collaboration with the Board
- Board Roles, Responsibility and Collaboration
- Board Meetings
- Board Information
- Board Collaboration, including the Chairman's performance
- The Board Team and the Board Committees
- Main Focus Areas for the Board, including actual prioritization and GAP analysis
- Competences in the Board

The conclusion of the performance evaluation for 2023 was that the Board performs at a high level and contributes to Össur's growth and value creation. It is the Board's assessment that the Chairman is the right chairperson for the Board.

Chief Executive Officer

The CEO is responsible for Össur's daily operations and is obliged to follow the Board of Directors' policy and directions, within the limits provided for by the Articles of Association and law. The daily operations do not include measures that are unusual or extraordinary, which may generally only be taken if specially authorized by the Board. The CEO is not a Board member, but shall attend Board Meetings and has the right to participate in discussions and put forward proposals, unless otherwise decided by the Board in specific instances.

The Board of Directors evaluates the CEO's performance each year. Subsequently, the Chairman of the Board and the CEO have a meeting to discuss the results of the evaluation and the actions to be taken, if any.

Executive Management

Össur also has a wider Executive Management consisting of the CEO, the CFO and Executive Vice Presidents. The Executive Management generally meets every week and collectively prepares and implements Össur's strategic plans. The CEO is responsible for the work and results of the Executive Management.

The CEO evaluates the performance of other members of the Executive Management each year and discusses the results of the evaluation with each member and the actions to be taken, if any.

Further information on the [Executive Management](#) is available on our website.



Remuneration of the Board of Directors and the Executive Management

At Össur's Annual General Meeting on 10 March 2023, the shareholders approved a Remuneration Policy, which applies to the Board of Directors, the CEO and other members of the Executive Management. The Remuneration Policy was prepared by the Remuneration Committee and approved by the Board of Directors without any amendments. [The Remuneration Policy](#) is available on our website.

Information on the remuneration of the Board of Directors, the CEO and other members of the Executive Management can be found in the [Remuneration Report](#), available on our website.

Recommendations on Corporate Governance

Össur follows the Danish Recommendations on Corporate Governance issued on 2 December 2020 by the Danish Committee on Corporate Governance, which are available on the [Committee's website](#). The Recommendations are the best practice guidelines for companies admitted to trading on a regulated market in Denmark.

Each year, the Board of Directors evaluates and decides to what extent Össur should comply with the Recommendations and consequently, whether relevant rules, policies and processes should be adopted or updated.

In general, the Board of Directors shares the Committee's views on corporate governance and, accordingly, Össur complies with most of the recommendations. In the few cases where Össur deviates from the Recommendations, the "comply or explain" principle is applied, and well-founded explanations are provided on why the relevant recommendation is not considered appropriate or desirable for Össur.

Össur's Corporate Governance Report is approved by the Board of Directors. The Report includes both the statutory statement on corporate governance as well as comments and information on each item in the Recommendations.



A photograph of two women running on a track, overlaid with a blue tint. The woman on the left is wearing a white t-shirt and dark shorts, while the woman on the right is wearing a white t-shirt and dark shorts. They are both wearing athletic shoes and are captured in a dynamic running pose.

4. Diversity Policy

As concerns the Board and the CEO, the Company follows the provisions on gender equality set out in the Icelandic Companies Act No. 2/1995, as amended. The Board is composed of 3 men and 2 women. When nominating candidates to the Board, the Board shall, in accordance with the Board's Rules of Procedure, take into consideration the legal requirements as well as the composition of the Board and what kind of experience, knowledge, expertise and other qualities the candidate should possess. The Board applies similar criteria for the CEO.

The Company has implemented a Diversity, Equity & Inclusion Policy approved by the Board. The Diversity, Equity & Inclusion Policy guides our actions and makes our intentions transparent. At Össur, we have a passion for helping people pursue a Life Without Limitations. We celebrate different ideas, perspectives and

backgrounds. We are committed to creating a culture of acceptance and belonging, while proudly serving as a diverse, global community. To make a difference in this world, we embrace differences within the world. [The Diversity, Equity & Inclusion Policy](#) is available on our website.

The Policy is prepared in accordance with Icelandic Act No. 10/2008 on the Equal Position and Equal Rights of Women and Men. Reporting on the progress and objectives of the Policy is made in the Sustainability Chapter of the Annual Report which is available on the Company's website.



Appendix

Comments and Information on Compliance with the Danish Recommendations on Corporate Governance



The
Company
complies



The
Company
complies
partially



The
Company
does not
comply

1. Interaction with the company's shareholders, investors and other stakeholders

1.1. Communication with the company's shareholders, investors and other stakeholders

1.1.1. The Committee recommends that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the board of directors obtains the possibility of hearing and including their views in its work.

The Company communicates with its shareholders and investors in English and publishes all press releases and announcements through a recognized distribution vehicle. Additionally, the Company distributes its releases and announcements to its investor mailing list (which investors can sign up to through the Company's website). The Company uses a distribution system that allows it to publish releases simultaneously to the Company's website, the website of Nasdaq Copenhagen, and to the Össur investor mailing list. The system also allows Össur to distribute its releases to international wires such as Reuters and Bloomberg. The Company publishes detailed information on its financial results and operations on a quarterly basis in addition to other key events in line with the disclosure requirements of Nasdaq Copenhagen. The Company meets with shareholders and investors on a regular basis. Quarterly, the CEO and CFO host conference calls to discuss the financial results and investors and other relevant stakeholders can call in and ask questions. In addition, the Company communicates with both institutional investors as well as private investors through physical and virtual meetings. The Company also hosts a Capital Markets Day about every other year. Furthermore, it should be noted that the Company outlines its main stakeholders and provides an overview of the main platforms of communication with each stakeholder group in the Sustainability chapter of the Annual Report. The CEO gives the Chairman updates on these activities on a regular basis.

1.1.2. The Committee recommends that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website.

The Company's communications to its various stakeholders are in accordance with the Company's communication strategy, see 1.1.1, and the relevant policies such as the Investor Relations Policy, available on the Company's website.

1.1.3. The Committee recommends that the company publishes quarterly reports.

The Company publishes quarterly financial reports through recognized publication vehicles.

1.2. The general meeting

1.2.1. The Committee recommends that the board of directors organises the company's general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.

The planning of the Annual General Meeting supports active ownership. On the Company's website, shareholders can obtain all information and documents submitted to the Annual General Meeting, including the convocation, the agenda, and proposals and remarks on each item of the agenda. The shareholders can request a specific item of business to be included on the agenda and can also submit questions or comments on any item on the agenda prior to or at the Annual General Meeting. Furthermore, the shareholders can cast votes on items on the agenda in writing or electronically or grant proxies if they are unable to attend the Annual General Meeting. The Annual General Meeting in 2023 was virtual but shareholders were also welcome to join the meeting in person, which ensured all shareholders had the opportunity to participate.

1.2.2. The Committee recommends that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.

Both the Company's proxy form and voting form enable shareholders to consider each individual item on the agenda.

1.3. Takeover bids

1.3.1. The Committee recommends that the company has a procedure in place in the event of takeover bids, containing a "road map" covering matters for the board of directors to consider in the event of a takeover bid, or if the board of directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the board of directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.

The Board of Directors' Rules of Procedure are in line with the recommendations.

1.4. Corporate Social Responsibility

1.4.1. The Committee recommends

that the board of directors adopts a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company's website. The Committee recommends that the board of directors ensures compliance with the policy.

The Board has approved a Corporate Social Responsibility and Sustainability Policy as well as the Company's Code of Conduct, both available on the Company's website. Össur has committed to the UN Global Compact principles and reports on selected UN Sustainable Development Goals. The Sustainability chapter of the Annual Report includes detailed information on the Company's sustainability strategy, goals and efforts.

1.4.2. The Committee recommends that the board of directors adopts a tax policy to be made available on the company's website.

The Board has approved the Company's Tax Policy, available on the Company's website.

2. The duties and responsibilities of the board of directors

2.1. Overall tasks and responsibilities

2.1.1. The Committee recommends that the board of directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.

In accordance with the Board of Directors' Rules of Procedure, the Board ensures that the Company operates in line with the objectives set out in the Company's Articles of Association, including through the annual strategy process and review, see 2.1.2. The core values - Honesty, Frugality and Courage - are the foundation of the Company's corporate culture. The Company's Code of Conduct, approved by the Board, is built around those values and brings them to life in the daily business operations with the intention of supporting long-term value creation. The Code of Conduct is promoted internally thorough regular awareness initiatives and employees are required to finalize a training of the Code of Conduct. Further information is provided in the Sustainability chapter of the Annual Report which is available on the Company's website.

2.1.2. The Committee recommends that the board of directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.

In line with the Board of Directors' Rules of Procedure, the Board yearly discusses the Company's overall strategic targets at a Board Meeting in September. The Company's strategy and financials are approved at a Board Meeting in December each year, all with the aim of ensuring value creation in the Company.

2.1.3. The Committee recommends that the board of directors on a continuously basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.

In accordance with the Board of Directors' Rules of Procedure, the Board makes an assessment each year whether the Company's share and capital structure supports the strategy and the long-term value creation in the interest of the Company and the shareholders. The Board then updates the Company's Capital Structure and Capital Allocation Policy, if and as applicable, and comments are provided in the Annual Report. The Company's Capital Structure and Capital Allocation Policy is available on the Company's website.

2.1.4. The Committee recommends that the board of directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the board of directors.

According to the Company's Articles of Association, the Executive Board is composed of the CEO alone. The role and duties of the CEO are defined in the Board of Directors' Rules of Procedure, including requirements for timely, accurate and adequate reporting to the Board. The Board's Rules are reviewed at least once a year.

2.2. Members of the board of directors

2.2.1. The Committee recommends that the board of directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.

In accordance with the Board of Directors' Rules of Procedure, a Chairman and a Vice Chairman are elected by the Board at a Board Meeting immediately following the Annual General Meeting. The tasks, duties and responsibilities of the Chairman are set out in the Board's Rules. The Vice Chairman assumes the Chairman's tasks, duties, and responsibilities in the Chairman's absence.

2.2.2. The Committee recommends that the chairperson in cooperation with the individual members of the board of directors ensures that the members update and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner.

In accordance with the Board of Directors' Rules of Procedure, the Chairman shall ensure that members of the Board update their knowledge of the Company and its operations on a regular basis to be able to participate in all decision-making.

2.2.3. The Committee recommends that if the board of directors, in exceptional cases, requests a member of the board of directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the board of directors should approve this in order to ensure that the board of directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the board of directors to take part in the daily management, including the expected duration thereof.

The Board of Directors' Rules of Procedure stipulate the role and responsibilities of the Chairman, the Vice Chairman, and other members of the Board. The Board has not requested any of them to take on special duties for the Company that are not considered a normal part of their Board work. Accordingly, no Board member participates in the daily management of the Company.

3. The composition, organisation and evaluation of the board of directors

3.1. Composition

3.1.1. The Committee recommends that the board of directors on an annual basis reviews and in the management commentary and/or on the company's website states

- which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and
- the composition of and diversity on the board of directors.

The Board evaluates and accounts for its composition each year to ensure the members of the Board have between them the relevant knowledge, professional experience, expertise, and skills required to perform the Board's tasks in the best interest of the Company. Information on the composition and diversity of the Board and the special competencies of each member of the Board can be found in the Annual Report and on the Company's website.

3.1.2. The Committee recommends that the board of directors on an annual basis discusses the company's activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.

The Board annually discusses the Company's activities to ensure relevant diversity at different management levels. The Board has approved a Diversity, Equity & Inclusion Policy, which is available on the Company's website.

3.1.3. The Committee recommends that candidates for the board of directors are recruited based on a thorough process approved by the board of directors. The Committee recommends that in assessing candidates for the board of directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.

The Board has entrusted the Nomination Committee to describe the required qualifications, competencies, knowledge, and experience that should be represented on the Board and to evaluate the structure, size, composition and results of the Board in that regard. The Nomination Committee then submits proposals to the Board on nomination of candidates to the Board. When nominating candidates to the Board, the Board shall, in accordance with the Board's Rules of Procedure, take into consideration relevant legal requirements, the composition of the Board and what kind of experience, knowledge, expertise and other qualities the candidate should possess, as well as the need for integration of new talent and diversity.

3.1.4. The Committee recommends that the notice convening general meetings, where election of members to the board of directors is on the agenda - in addition to the statutory items - also includes a description of the proposed candidates'

- qualifications,
- other managerial duties in commercial undertakings, including board committees,
- demanding organisational assignments and
- independence.

The recommended information on candidates nominated by the Board accompanies the convocation to the Annual General Meeting. However, it should be noted that candidates to the Board have until five days before the Annual General Meeting to notify of their candidature and provide the Board with the necessary information according to the Icelandic Act No. 2/1995 on Limited Liability Companies, as amended, which applies to the Company as it is legally domiciled in Iceland. The information shall be published no later than two days before the Annual General Meeting.

3.1.5. The Committee recommends that members to the board of directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.

All members of the Board are elected individually at the Annual General Meeting for a term of one year in accordance with the Company's Articles of Association.

3.2. The board of director's independence

3.2.1. The Committee recommends that at least half of the members of the board of directors elected in general meeting are independent in order for the board of directors to be able to act independently avoiding conflicts of interests.

In order to be independent, the member in question may not:

- be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company,
- within the past five years have received large emoluments from the company/ group, a subsidiary or a group company in another capacity than as member of the board of directors,
- represent or be associated with a controlling shareholder,
- within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship,
- be or within the past three years have been employed with or a partner in the same company as the company's auditor elected in general meeting,
- be a CEO in a company with cross-memberships in the company's management,
- have been a member of the board of directors for more than twelve years, or
- be closely related to persons, who are not independent, cf. the above-stated criteria.

Even if a member of the board of directors does not fall within the above-stated criteria, the board of directors may for other reasons decide that the member in question is not independent.

The majority of the Board (3 of 5) is considered dependent. Two members represent the interest of the Company's controlling shareholder. In the Board's opinion, it is normal and understandable that the controlling shareholder has such influence within the Board. One member is considered dependent due to her long tenure (15 years) on the Board. In the Board's opinion, she is in fact acting independently because she has no interest links with the Company's main clients or major shareholders, and she holds no shares in the Company. On the other hand, she ensures diversity within the Board and her skills, knowledge and experience are considered valuable to the Company.

3.3.2. The Committee recommends that members of the executive management are not members of the board of directors and that members retiring from the executive management does not join the board of directors immediately thereafter.

According to the Company's Articles of Association, the Executive Board is composed of the CEO alone. The CEO is not a member of the Board and none of the Company's previous CEOs are on the Board.

3.3. Members of the board of directors and the number of other managerial duties

3.3.1. The Committee recommends that the board of directors and each of the members on the board of directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the board duties. The aim is for the individual member of the board of directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.

All members of the Board must assess their expected time commitment and ensure they do not take on more tasks than they can manage in a satisfactory way for the Company. The contribution of each member of the Board of Directors is one of the discussion points in the Board's performance evaluation, see 3.5.1. No concerns have been raised about the ability of members of the Board to perform their duties in a satisfactory manner.

3.3.2. The Committee recommends that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the board of directors:

- position, age and gender,
- competencies and qualifications relevant to the company,
- independence,
- year of joining the board of directors,
- year of expiry of the current election period,
- participation in meetings of the board of directors and committee meetings,
- managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and
- the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year.

A profile of each member of the Board, which addresses all the recommended points, can be found in the Annual Report and on the Company's website.

3.4. Board committees

3.4.1. The Committee recommends that the management describes in the management commentary:

- the board committees' most significant activities and number of meetings in the past year, and
- the members on the individual board committees, including the chairperson and the independence of the members of the committee in question.

In addition, it is recommended that the board committees' terms of reference are published on the company's website.

The Company has three Board committees: The Audit Committee, the Nomination Committee and the Remuneration Committee. The respective terms of reference, published on the Company's website, include provisions on the committees' objective and responsibilities and thus their activities during the year. The number of meetings each year and relevant information on the committee members is also published on the Company's website.

3.4.2. The Committee recommends that board committees solely consist of members of the board of directors and that the majority of the members of the board committees are independent.

The Audit Committee is composed of three members of the Board where the majority of the members are independent. The Chairman of the Board and the Chairman of the Audit Committee sit on the Nomination Committee and the Remuneration Committee and are both considered dependent as they represent the controlling shareholder. In the Board's opinion, it is normal and understandable that the controlling shareholder has such influence in those committees.

3.4.3. The Committee recommends that the board of directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the board of directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the board of directors in:

- supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions,
- reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook,
- assessing the need for internal audit,
- performing the evaluation of the auditor elected by the general meeting,
- reviewing the auditor fee for the auditor elected by the general meeting,
- supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and
- ensuring regular interaction between the auditor elected by the general meeting and the board of directors, for instance, that the board of directors and the audit committee at least once a year meet with the auditor without the executive management being present.

If the board of directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:

- prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department,
- ensure that the internal audit function has sufficient resources and competencies to perform its role, and
- supervise the executive management's follow-up on the conclusions and recommendations of the internal audit function.

The Chairman of the Board does not sit on the Audit Committee and is thus not the Chairman of the Audit Committee. The Audit Committee monitors and reports on the recommended points to the Board. The Company has no internal audit function but has an established internal control function and uses internal control systems that are monitored by the Audit Committee and assessed by the external Auditor. At least once a year, the Audit Committee assesses the need for an internal audit function. The Audit Committee currently does not see the need for an internal audit function.

3.4.4. The Committee recommends

that the board of directors establishes a nomination committee to perform at least the following preparatory tasks:

- describing the required qualifications for a given member of the board of directors and the executive management, the estimated time required for performing the duties of this member of the board of directors and the competencies, knowledge and experience that is or should be represented in the two management bodies,
- on an annual basis evaluating the board of directors and the executive management's structure, size, composition and results and preparing recommendations for the board of directors for any changes,
- in cooperation with the chairperson handling the annual evaluation of the board of directors and assessing the individual management members' competencies, knowledge, experience and succession as well as reporting on it to the board of directors,
- handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors' approval,
- ensuring that a succession plan for the executive management is in place,
- supervising executive managements' policy for the engagement of executive employees, and
- supervising the preparation of a diversity policy for the board of directors' approval.

The Nomination Committee performs the recommended preparatory tasks.

3.4.5. The Committee recommends

that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks:

- preparing a draft remuneration policy for the board of directors' approval prior to the presentation at the general meeting,
- providing a proposal to the board of directors on the remuneration of the members of the executive management,
- providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting,
- ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and
- assisting in the preparation of the annual remuneration report for the board of directors' approval prior to the presentation for the general meeting's advisory vote.

The Remuneration Committee performs the recommended preparatory tasks.

3.5. Evaluation of the board of directors and the executive management

3.5.1. The Committee recommends that the board of directors once a year evaluates the board of directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the board of directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:

- the composition of the board of directors with focus on competencies and diversity
- the board of directors and the individual member's contribution and results,
- the cooperation on the board of directors and between the board of directors and the executive management,
- the chairperson's leadership of the board of directors,
- the committee structure and the work in the committees,
- the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and
- the board members' preparation for and active participation in the meetings of the board of directors.

According to the Board of Directors' Rules of Procedure, the Board shall at least once a year evaluate the performance of the Board and the individual Members of the Board. The performance evaluation includes the recommended topics. The Chairman of the Board oversees the process and proposes the actions to be taken, if any. The Chairman seeks external assistance at least every three years.

3.5.2. The Committee recommends that the entire board of directors discusses the result of the evaluation of the board of directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company's website and at the company's general meeting.

The Board of Directors conducts a performance evaluation each year. The Chairman oversees the evaluation process and proposes actions to be taken, if any. The Chairman seeks external assistance at least every three years.

The Board performance evaluation for 2023 was carried out with external assistance and discussed by the Board in December 2023. The following categories were assessed:

- Financial Responsibility and Risk Management
- Strategy
- Organizational Themes
- The Executive Management Team's Performance and Collaboration with the Board
- Board Roles, Responsibility and Collaboration
- Board Meetings
- Board Information
- Board Collaboration, including the Chairman's performance
- The Board Team and the Board Committees
- Main Focus Areas for the Board, including actual prioritization and GAP analysis
- Competences in the Board

The conclusion of the performance evaluation for 2023 was that the Board performs at a high level and contributes to Össur's growth and value creation. It is the Board's assessment that the Chairman is the right chairperson for the Board.

3.5.3. The Committee recommends that the board of directors at least once a year evaluates the work and results of the executive management according to pre-established criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the board of directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity, succession planning and risks, in light of the company's strategy.

According to the Company's Articles of Association, the Executive Board is composed of the CEO alone. According to the Board of Directors' Rules of Procedure, the Board shall evaluate the work and results of the CEO according to previously established criteria, including whether the CEO has prepared and carried out a business strategy which is consistent with the established goals. The Board shall discuss the results of the assessment and decide which actions are to be taken, if any. This is done at a Board Meeting in December. In accordance with the Board of Directors' Rules of Procedure, the Chairman and the CEO have a meeting at least once a year to discuss the results of the Board's assessment of the CEO's performance and the proposed actions to be taken, if any. The Chairman shall inform the Board of the discussions with the CEO as he/she deems necessary and appropriate.

4. Remuneration of management

4.1. Remuneration of the board of directors and the executive management

<p>4.1.1. The Committee recommends that the remuneration for the board of directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.</p>	<p>As stated in the Company's Remuneration Policy, approved at the Annual General Meeting in 2023, its overall objectives are to align the long-term interest between the Board, the Executive Management, and the Company's shareholders, and to attract, retain, and engage qualified members of the Board and the Executive Management to drive the Company's strategy in a sustainable way.</p>
<p>4.1.2. The Committee recommends that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.</p>	<p>The key terms of share-based incentive programs are submitted to a Shareholders' Meeting for approval. The Company's current long-term incentive programs, approved at the Annual General Meeting in 2023, are performance share units (PSUs) for the Executive Management and restrictive share units (RSUs) for certain key employees. Starting in 2024, PSUs and RSUs will be granted annually with a vesting period of 3 years.</p>
<p>4.1.3. The Committee recommends that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.</p>	<p>The Company's Remuneration Policy includes a cap on the variable part of the Executive Management's remuneration. The Policy also includes a table showing the size and relativity of each remuneration component at minimum performance, at on-target performance and at maximum performance.</p>
<p>4.1.4. The Committee recommends that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure, does not exceed two years' remuneration including all remuneration elements.</p>	<p>The Company's Remuneration Policy states that no special retirement agreements shall be made, but instead shall mutual termination clauses in employment agreements apply and shall not exceed twenty-four (24) months.</p>
<p>4.1.5. The Committee recommends that members of the board of directors are not remunerated with share options and warrants.</p>	<p>According to the Company's Remuneration Policy, the remuneration of the Board shall be approved by the Annual General Meeting. The remuneration is comprised of a fixed base fee and paid in cash. Board members are not entitled to any short-term incentives, such as bonuses, or long-term incentives, such as share options, performance share units, restrictive share units or other incentive programs.</p>
<p>4.1.6. The Committee recommends that the company has the option to reclaim, in whole or in part, variable remuneration from the board of directors and the executive management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration.</p>	<p>As stated in the Company's Remuneration Policy, the Company has the option to reclaim, in whole or in part, any earned, paid or vested variable remuneration payments that have been based on false, misleading, insufficient, or incorrect data, or if the recipient acted in bad faith in respect of other matters, which resulted in too high variable remuneration or variable remuneration which would otherwise not been paid. The option to claw back is valid for up to 12 months after payout or vesting of the variable remuneration.</p>

5. Risk management

5.1. Identification of risks and openness in respect of additional information

5.1.1. The Committee recommends that the board of directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management.

According to the Board of Directors' Rules of Procedure, the CEO is responsible for identifying the greatest business risks involved in achieving the Board's decision on the Company's strategy and goals. Potential risks and the Company's procedures and processes to mitigate these risks are updated annually and are available in the Annual Report and on the Company's website. A description of the Company's internal controls and risk management systems within the financial reporting process is included in the Annual Report.

5.1.2. The Committee recommends that the board of directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.

The Company has established a whistleblower scheme - the Össur Speak-Up Line - where employees, business partners and customers are encouraged to raise any observations or knowledge of misconduct or unethical behavior. Reports can be made anonymously. A Speak-Up Policy and an investigation manual are in place and publicly available to ensure proper handling of reports made.



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