



Remuneration Report

2022

Remuneration Report

Össur has a competitive compensation structure in place to retain employees, encourage individual performance, and reach objectives that are in interest of the shareholders. Össur's compensation philosophy is to attract, motivate and retain talented employees and offer remuneration that reflects the market value of the job, considering the job's complexity and responsibilities.

Össur aims to attract and retain exceptional employees for the long-term. To the extent possible, the remuneration of managers and other employees shall be harmonized and fair, considering their responsibilities, local trends, performance and other relevant factors. Pay programs, practices, and pay targets are comparable within the industries and geographies where Össur competes for talent. Remuneration consists of a fixed salary, pension contribution, bonuses, other benefits and share based incentives, which are reviewed regularly against external benchmarks.

The Board of Directors established a Remuneration Committee in 2022 and a new Remuneration Policy will be proposed at the Annual General Meeting in March 2023.

Remuneration of the Board of Directors

The Board of Directors' remuneration is a fixed board fee and is not based on incentives. The Board of Directors fee is approved annually at the Annual General Meeting. For 2022, the Chairman receives a fee that is 2.5 times the base board fee and the Vice Chairman receives a fee that is 1.5 times the base board fee. Members of the Board of Directors are not granted share options. The Board of Directors will propose to the Annual General Meeting an approximately 10% increase in Board remuneration for 2023. The proposal is that the Chairman receives a fee that is 3 times the base board fee and the Vice Chairman receives a fee that is 2 times the base board fee. The board base fee will be lowered from USD 41,000 to 36,000 and a separate payment will be for the audit committee.

Remuneration Paid to Individual Members of the Board of Directors

USD'000	2022	2021	2020
Niels Jacobsen, Chairman of the Board	103	100	100
Svafa Grönfeldt, Vice Chairman	62	60	60
Arne Boye Nielsen	41	40	40
Gudbjörg Edda Eggertsdóttir	41	40	40
Alberto Esquenazi	41	40	40

Remuneration of the President & CEO and the Executive Management

The remuneration for the President & CEO and the Executive Management comprises a fixed salary, bonus for short-term performance, share-based incentives for long-term performance, pension contribution and other benefits, such as car, phone, internet connection, etc.

Bonuses for short-term performance can be up to 67% of the base salary according to Össur's Remuneration Policy. In determining bonuses, special attention shall be given to Össur's overall results, actual growth, long-term profitability and value creation for shareholders. Bonuses for short-term performance are currently based on yearly organic sales growth and EBITDA growth. In 2022, USD 0.26 million was paid out in short-term bonuses to the President & CEO and the Executive Management while in 2021 USD 1.69 million short-term bonuses were paid out to them.

Share-based incentives, including share options, may be offered. The key terms of such share-based incentive agreements or plans are submitted to a Shareholders' Meeting for approval. In 2018, the Annual General Meeting approved a roll-over share incentive program with options granted in the period 2018-2021 with a three-year vesting period in 2021-2024. The current long-term incentive program was approved by the Annual General Meeting in 2021 for the President & CEO, members of the Executive Management, their direct reports (with exceptions) and key specialists in strategic positions. A total of 2,800,000 share options, for one share each, may be granted under the program over a three-year period. Up to 420,000 share options may be granted to the CEO in total (15% of the program) and up to 150,000 shares may be granted to each member of the Executive Management (approx. 5% of the program each). Vesting time is three years from the grant date and the exercise period is one year after the share options have vested. The exercise price is the average share price on Nasdaq Copenhagen 20 trading days prior to the grant date. The President & CEO and

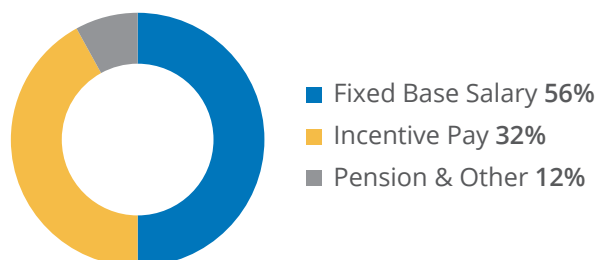
members of the Executive Management are required to hold shares corresponding to 5% of the profit gained of the share options after deduction of taxes until their employment with Össur ends. The Company has the option to reclaim, in whole or in part, remuneration that has been based on false, misleading, insufficient or incorrect data, or if the recipient acted in bad faith in respect of other matters, which resulted in too high remuneration or remuneration which would otherwise not have been granted. A new share-based incentive program will be proposed at the Annual General Meeting in March 2023.

Share options neither carry right to dividends nor voting rights and are valued using the Black-Scholes pricing model. The expected volatility assumptions used to value the options range from 28.13% to 30.35% and the annual discount rate range from -0.5% to 2.4%. Estimated remaining cost due to the share option agreements was USD 2.9 million at the end of 2022. An expense of USD 2.2 million was recognized in 2022.

Pension contributions are paid in accordance with applicable laws and employment agreements. No pension liabilities are undertaken, unless required by law. No special retirement agreements are made, but mutual termination clauses in employment agreements apply. Termination clauses do not exceed twenty-four months. Other benefits are awarded or reimbursed based on employment agreements and local market practices.



Composition of the Executive Management Remuneration in 2022



Remuneration Paid to the Executive Management (in USD'000)

2022	Fixed base salary	Cash based incentive	Pension	Other benefits	Share based incentive	Total remuneration
Executive Management:						
Jón Sigurdsson President & CEO until 31.03.2022	276	0	37	8	94	415
Sveinn Sölvason, President & CEO ⁽ⁱ⁾ from 01.04.2022	409	50	63	31	91	644
Executive management (9 persons; 7 FTE) ⁽ⁱⁱ⁾	2,302	214	305	25	815	3,661
Total	2,987	264	406	63	1,000	4,720

2021	Fixed base salary	Cash based incentive	Pension	Other benefits	Share based incentive	Total remuneration
Executive Management:						
Jón Sigurdsson President & CEO	1,054	707	21	159	416	2,357
Executive management ⁽ⁱⁱ⁾ (7 persons; 7 FTE)	2,429	979	303	50	814	4,576
Total	3,483	1,687	324	210	1,230	6,934

(i) Shares owned by Sveinn Sölvason 68,342 (2021: 25,000)

(ii) Shares owned by members of the Executive Management at year end 994,938 (2021: 972,462)

Share Options Issued to the Executive Management

	Number of shares	Grant/Issue year	Exercise year	Exercise price (in DKK)	Fair value at grant date (in DKK)	Weighted average remaining contr. life in months
Issued to Executive Management:						
Sveinn Sölvason, President & CEO	400.000	2019-2022	2022-2025	29.9-44.6	29.1-43.5	10
Executive management (3 persons)	330.000	2019	2022	32.3-45.5	33.5-47.9	0
Executive management (3 persons)	256.400	2020	2023	45.5-46.3	45.5-47.5	9
Executive management (6 persons)	686.400	2021	2024	44.4-44.6	43.2-43.5	14
Executive management (6 persons)	500.000	2022	2025	28.4-41.6	29.5-44.0	30
Total	2.172.800					
Issued to Management Team:						
Nine Managers	265.200	2019	2022	32.3-49.8	33.5-52.3	0
Twenty Managers	1.276.200	2020	2023	38.5-46.3	38.6-47.5	4
Thirty-eight Managers	1.450.400	2021	2024	44.4-46.8	43.2-47.7	15
Eighteen Managers	625.000	2022	2025	28.4-41.6	29.5-44.0	30
Total	3.616.800					
Total Outstanding at 31 December	5.789.600					13

The remuneration to the Board of Directors, the President & CEO and Executive Management is fully in line with Össur's Remuneration Policy.



The Remuneration Policy of Össur hf.

Board of Directors, President & CEO, and the Executive Management

It is the policy and priority of Össur hf. and its subsidiaries ("the Company") to attract and retain exceptional employees long-term. In order to achieve this, the Company must have in place a competitive compensation structure in each of its operations. To the extent possible, the remuneration of managers and other employees shall be harmonized and fair, taking into account their responsibilities, local trends, performance and other relevant factors.

This Remuneration Policy is designed and implemented to ensure, to the extent possible, the alignment of interest of the Board of Directors, the President & CEO and the Executive Management with the Company's performance long-term and value creation for shareholders.

The remuneration of the President & CEO and the Executive Management shall be determined as follows:

1. Fixed Salary

When determining fixed salary, account should be taken of their responsibilities, local trends, performance and other relevant factors, such as the remuneration of their peers in other international companies of similar size.

2. Bonuses for short-term performance

Bonuses for short-term performance can be up to 67% of the basic salary. In determining bonuses, special attention shall be given to the Company's overall results, actual growth, long-term profitability and value creation for shareholders. Bonuses may be paid quarterly, semi-annually or annually.

Bonuses may be paid with shares in the Company, in part or in full. The shares shall not be delivered until three years after the bonus has been determined.

The Company has the option to reclaim, in whole or in part, bonus 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 bonus payments or bonus payments which would otherwise not have been paid.

3. Share-based incentives for long-term performance

Share-based incentives, including share options, may be offered. The key terms of such share-based incentive agreements or plans shall be submitted to a Shareholders' Meeting for approval. Put options shall not be offered and no loans or guarantees shall be granted.

4. Pension contributions

Pension contributions are paid in accordance with applicable laws and employment agreements. No pension liabilities shall be undertaken, unless required by law.

5. Severance payments

No special retirement agreements shall be made, but instead shall mutual termination clauses in employment agreements apply. Termination clauses shall not exceed twenty-four (24) months.

6. Other benefits

Other benefits are awarded or reimbursed on the basis of individual employment contracts and local market practices.

The remuneration of the Board of Directors shall be approved by the Company's Annual General Meeting each year and paid in cash.

This Remuneration Policy shall apply to all future employment agreements with the President & CEO and the Executive Management. Existing agreements shall remain unchanged and in full force unless otherwise agreed by relevant parties.

The Remuneration Policy is binding for the Board as regards share options, cf. item 3 above. In other instances, the Remuneration Policy shall be of guidance for the Board. Any departure from the Remuneration Policy shall be recorded and reasoned in the Board's Minutes.

This Remuneration Policy has been approved by the Board of Directors of Össur hf. in accordance with Article 79. a. of the Icelandic Companies Act No. 2/1995, taking into consideration the Danish Recommendations on Corporate Governance. The Remuneration Policy is reviewed once a year and shall be approved at the Company's Annual General Meeting, with or without amendments.

