



Remuneration Report

2019





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 consist of a fixed salary, pension contribution, bonuses, other benefits and share based incentives, which are reviewed regularly against external benchmarks.

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. Currently 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 stock options. The Board of Directors remuneration increased by approx. 3% in 2019.

Remuneration paid to individual members of the Board of Directors

USD'000	2019	2018	2017
Niels Jacobsen, Chairman of the Board	97	94	91
Kristján Tómas Ragnarsson, Vice Chairman	58	56	55
Arne Boye Nielsen	39	38	37
Guðbjörg Edda Eggertsdóttir	39	38	37
Svafa Grönfeldt	39	38	37

Remuneration of the President & CEO and 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.

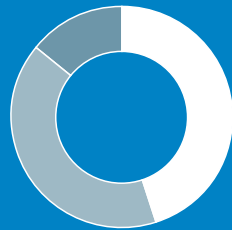
Bonuses for short-term performance can be up to 67% of the base salary according to Össur's Remuneration Policy. In determining bonuses, special attention shall be given to Össur's overall results, actual growth, long-term profitability and value creation for shareholders. Bonuses for short-term performance are currently based on yearly organic sales growth and EBITDA growth. In 2019, short-term bonuses to the President & CEO amounted to 27% of base salary and for the Executive Management amounted to approx. 14% of base salary.

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 2015, the Annual General Meeting approved a roll-over share incentive program with options granted in the period 2015-2018 with a three-year vesting period in 2018-2021. In 2018, the Annual General Meeting approved a new roll-over share incentive program for the President & CEO, members of the Executive Management, their direct reports (with exceptions) and key specialists in strategic positions. A total of 5,400,000 share options for one share each may be granted under the program over a three-year period. 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 employee must remain continuously employed with Össur until expiring date, either as an employee or in any other way deemed satisfactory. The participants 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.

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 26,2% to 29,9% and the annual discount rate range from -0,9% to -0,5%. Estimated remaining cost due to the share option agreements was USD 1.3 million at the end of 2019. An expense of USD 1.1 million was recognized in 2019.

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 Executive Management remuneration in 2019



- Fixed base salary 65%
- Incentive Pay 25%
- Pension & other 10%

Remuneration paid to Executive Management

2019	Fixed base salary	Cash based incentive	Pension	Other benefits	Share based incentive	Total remuneration
Executive Management:						
Jón Sigurðsson President and CEO ⁽ⁱ⁾	1,083	289	0	177	145	1,694
Executive management ⁽ⁱⁱ⁾	2,020	236	218	107	514	3,096
Total	3,103	525	218	285	659	4,790

2018	Fixed base salary	Cash based incentive	Pension	Other benefits	Share based incentive	Total remuneration
Executive Management:						
Jón Sigurðsson President and CEO ⁽ⁱ⁾	1,031	573	0	175	283	2,062
Executive management (6 people) ⁽ⁱⁱ⁾	2,106	390	268	125	600	3,489
Total	3,137	963	268	300	883	5,551

2017	Fixed base salary	Cash based incentive	Pension	Other benefits	Share based incentive	Total remuneration
Executive Management:						
Jón Sigurðsson President and CEO (i)	992	594	0	153	349	2,088
Executive management (6 people) (ii)	2,131	424	189	219	691	3,654
Total	3,122	1,019	189	372	1,041	5,742

(i) Shares owned by Jón Sigurðsson 525,540 (2018: 660,708)

(ii) Shares owned by members of executive management 918,159 (2018: 970,109). The executive management team consists of six persons at each time.

Share options issued to Executive Management

	Number of shares	Grant/Issue year	Exercise year	Exercise price (in DKK)	Fair value at grant date (in DKK)
Jón Sigurðsson President and CEO	958,000	2016/'18	2019/'21	25.9/27.7	25.8/28.0
Members of executive management (1 person)	225,000	2016	2019	26.8	26.9
Members of executive management (3 persons)	675,000	2017	2020	25.0/28.1	26.1/26.7
Members of executive management (5 persons)	550,000	2018	2021	28.5/27.7	27.7/28.0
Members of executive management (5 persons)	320,000	2019	2022	32.3/45.5	33.5/48.0
Total	2,728,000				

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 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.
If bonus payments have clearly been based on false, misleading or insufficient data, such payments shall be repaid to the extent correct data shows that no or lower bonus would 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.



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