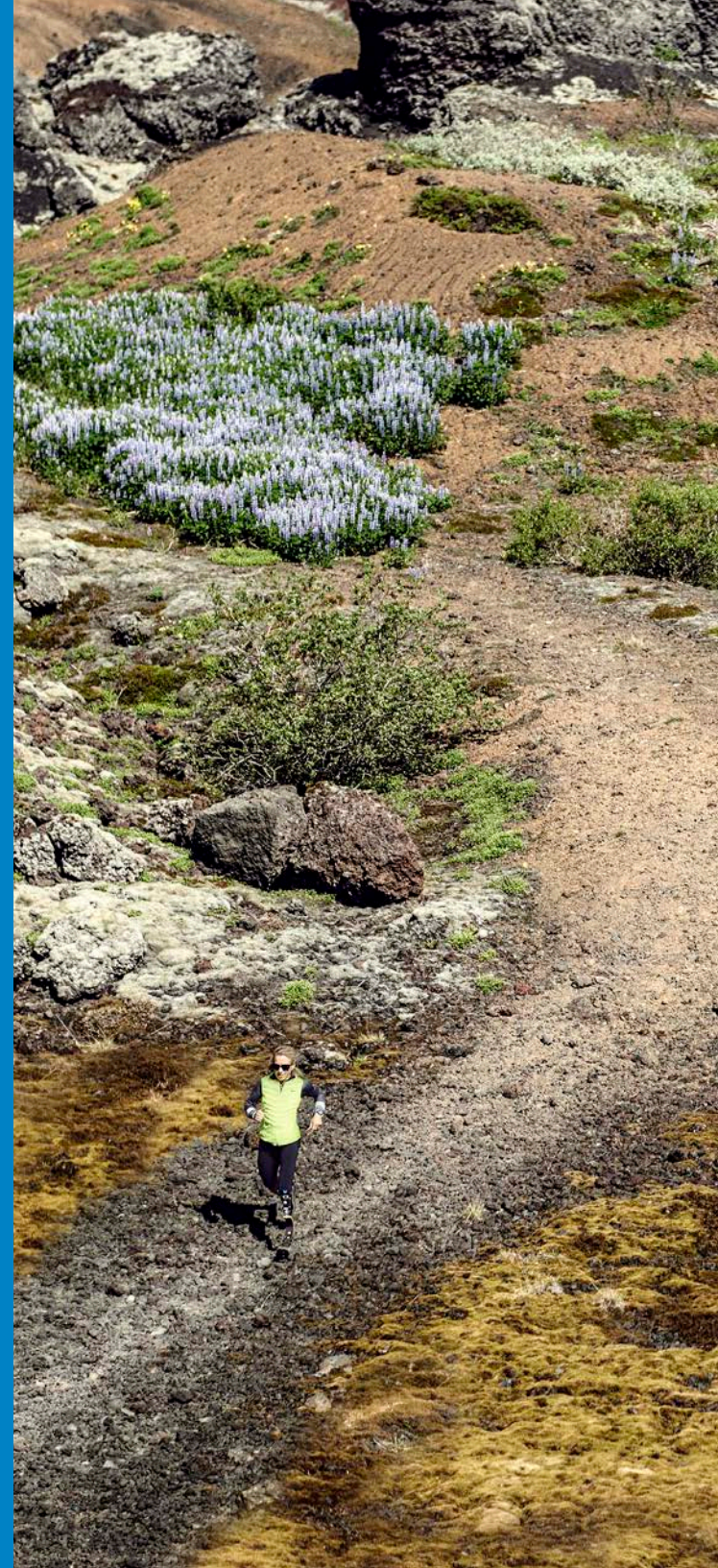




Corporate Social Responsibility Progress Report 2016







Index

Letter from the CEO	4
About Össur	6
Vision and Values	7
Approach to Corporate Social Responsibility	8
Human Rights and Labor Practices	11
Equal Opportunities and Diversity	14
Environment and Quality	20
Environment Compliance Obligations	22
Anti-Corruption	26
Compliance	27
Support and Responsibility	28

Letter From the CEO

Össur takes its responsibility to improve people's mobility seriously. We strive to change the perception of people with disabilities by providing products that help them live lives without limitations. We seek to eliminate physical limitations caused by certain disabilities by delivering innovative solutions that improve the quality of life for those needing our products. We believe that delivering the highest standard of products to end-users is the most important responsibility we have. At the same time, we aspire to maintain the highest standards of ethical, environmental and social responsibility.

Indication based approach and sustainable product development

In product development we adhere to what we call an indication-based approach. This means that we focus on medically indicated and clinically validated product development. Our development process relies on medical and biomechanical evidence, as well as health economic data, in order to develop valuable concepts for individuals and healthcare systems. We believe this approach offers more sustainability as we focus on identifying conditions and offer valuable solutions for both the healthcare system and the end-user.

Developing and delivering valuable concepts for individuals and healthcare systems has led us to initiate two pilot projects, the aim of which is to minimize the environmental impact of our products throughout their entire lifecycle. These projects will help us find more sustainable raw materials, and implement manufacturing methods aimed at minimizing waste, both in the manufacturing process as well as packaging. Additionally, we will offer guidance to end-users on how best to dispose of our products.

First industry conference for female practitioners

We are proud to have led the first Women's Leadership Initiative in our industry. In 2014, we launched a Women's Leadership Initiative to encourage greater diversity and inclusiveness in the Orthotic and Prosthetic industry. The program was intended to support O&P practitioners by providing a forum that encourages interaction, community-building and educational opportunities serving the growing number of women in the industry. In 2016, we hosted the first conference for female practitioners, which will help advance opportunities for women in our industry.



Our customers continue to inspire us

Once again our athletic community raised the bar in various events across the world. Team Össur shined at the Rio Paralympics this year in Brazil, winning 26 medals. We also had the opportunity to participate in the first-ever Cyblathon event that showcased how those with disabilities work through daily challenges with the help of modern technology. The outstanding courage and dedication exhibited by these athletes and all of our customers are an inspiration to us all.

A handwritten signature in black ink, which appears to read "Jon Sigurdsson". The signature is fluid and cursive.

Jon Sigurdsson
Össur President and CEO



About Össur

Össur focuses on improving people's mobility through the delivery of innovative technologies within the fields of prosthetics and bracing and supports.

Össur is known as a technical leader in the field of prosthetics and one of the leading companies in the field of bracing and supports.

The Company was founded in 1971 as a prosthetic clinic and has since then grown through innovation and acquisitions in both prosthetics and bracing and supports. Today Össur has a strong position in the industry and key markets and is in a good position to leverage on future opportunities.

Össur has been listed since 1999 and on Nasdaq in Copenhagen since 2009. Össur is headquartered in Reykjavik, Iceland. Össur has operations in over 20 countries and around 2,800 employees. The Company's sales are well diversified by segments and geography. Sales in 2016 amounted to USD 521 million.

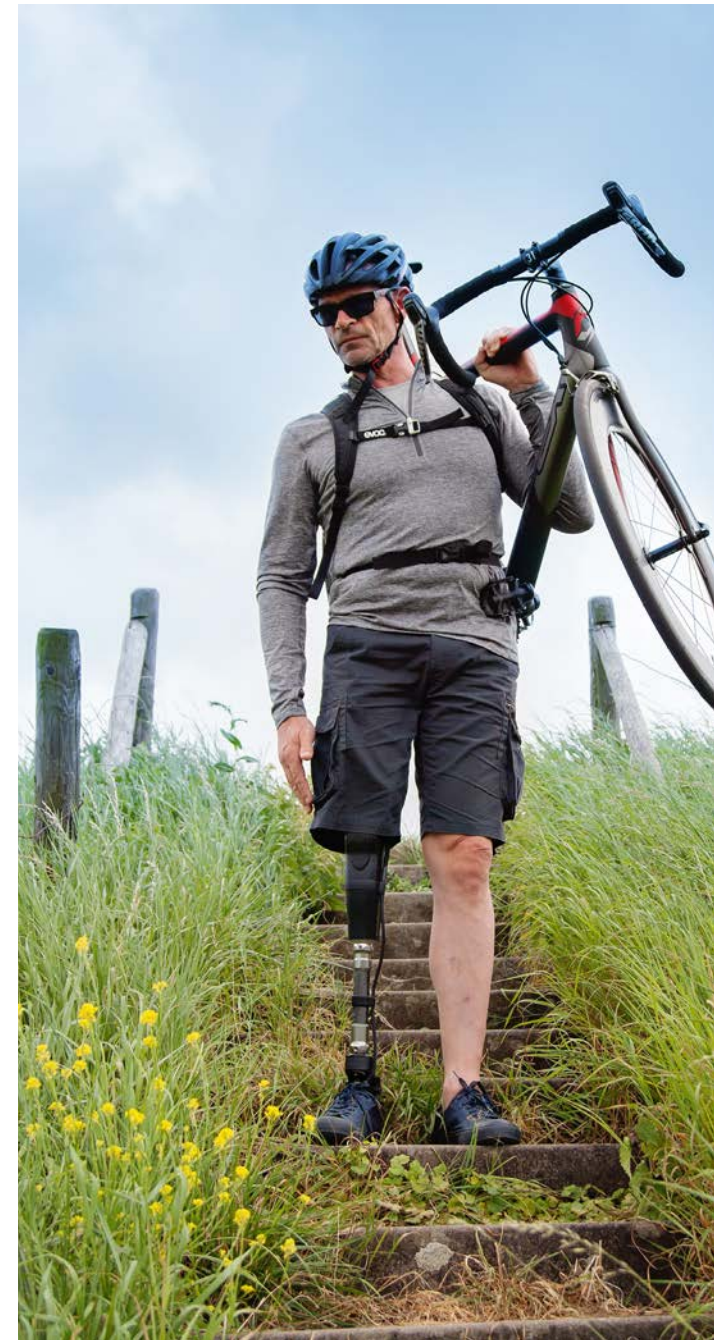
Össur's Two Business Segments

Bracing and Supports

Össur's bracing and supports products are used primarily to support joints and other body parts for therapeutic and preventative purposes. The Company offers a comprehensive line of custom made and off-the-shelf products with primary focus on osteoarthritis and injury solutions.

Prosthetics

Prosthetics are artificial limbs and related products for individuals who were born without limbs or who have had limbs amputated. Össur offers a full range of premium prosthetics both for lower limbs as well as upper extremities.



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

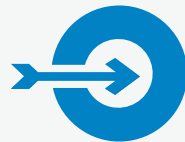
Össur's vision is to be the leading company in non-invasive orthopaedics. Össur's business is improving people's mobility through innovative technologies within the fields of bracing and supports and prosthetics. Össur will continue to generate value for individuals and healthcare systems by focusing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



Innovation

Execute Ideas that add Value

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



Efficiency

Do Business Efficiently

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



Growth

Sustainable Growth

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

Össur's Approach to Corporate Social Responsibility

Scope of reporting

This report constitutes the statutory report for the Icelandic Financial Statements Act No. 3/2006 article 66(d) regarding social responsibility, environmental concerns, human rights and anti-corruption and bribery. The report is published annually and covers the calendar year 2016. In addition, this report also functions as the Communication On Progress (COP) to the UN Global Compact, as well as Össur's statement under Section 54 of the UK's Modern Slavery Act 2015 and California Transparency in Supply Chain Act.

This report contains an overview of the Company's approach to CSR, as well as key measurements and progress. It discusses various aspects of social responsibility and how the Company approaches the subject. Össur has identified its critical focus areas, and has addressed related projects, their scope and initiatives in this report. The report includes data supporting progress of these projects and goals.

UN Global Compact



In 2011, Össur made a formal commitment 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, guiding 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.

UK 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. This includes internationally recognized human rights and labor rights as made operational with the United Nations Guiding Principles on Business & Human Rights in the United Nations Global Compact. This also includes preventing slavery and human trafficking from occurring in any of the Company's activities. The Code of Conduct applies to all persons employed by or affiliated with Össur, including employees, directors and agents. Further details are included in the chapter covering supply chain and anti-corruption.

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 operates in California, conducting sales, marketing and research and development of bracing and support. Össur has procedures in place to evaluate and audit its supply chain to ensure there is no slavery and human trafficking. Further details in the chapter on supply chain and anti-corruption.

UN Global Compact Principles

The UN Global Compact is the world's largest corporate sustainability initiative. It calls on companies to align strategies and operations with the universal principles on human rights, labor, environment and anti-corruption, and to take actions that advance societal goals. By committing to sustainability, businesses can take on a shared responsibility for creating 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 offering businesses guidance on how to empower women in the workplace, marketplace and community. They are the result of a 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 wellbeing 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 system and main manufacturing locations are certified. Global alignment of the environmental management is at the headquarters.



Labor Practices

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



Human Rights

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



Anti-Corruption

Recently a set of 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 on-line 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 Asian product suppliers
- Signed declarations by business partners
- Screening and risk assessment of business partners in high-risk areas
- First level of the training program finished in 2016, with focus on management level across the Company and sales managers

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. As stated in Össur's Code of Conduct, the Company is committed to comply to 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.

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.

The Workplace

Össur has 2,800 employees working in over 20 countries. The Company's values encourage these employees to take social, ethical and environmental stands beyond the Company's legal obligations. In addition, the Company's values help it 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 their decisions can have on the Company's financial value, as well as its environmental or social value.

Össur has in place processes to mitigate the risk of child or forced labor. At Össur all employees have the freedom of association and members of the HR department routinely communicate with the Company's employees to inform them of their rights.

Össur is aware that for some of its business partners there is an increased risk based on geography. Accordingly, Össur has procedures in place when approving suppliers to ensure these suppliers don't violate labor laws. The Company also conducts special audits on its product suppliers in Asia. (See further details located in the supply chain chapter.)



Occupational Health and Safety

Össur considers the health and safety of its employees one of the Company's most important priorities. Over the past few years, numerous projects have been initiated to increase risk awareness among employees. As part of the continuous improvement culture at Össur, employees are encouraged to submit ideas to improve their work environments with a particular focus on safety. The total number of employee-generated ideas implemented in 2016 was about 7,000. Suggestions relating to work-place safety accounted for 16 percent of ideas, while other suggestions dealt with delivery performance, environment, quality, efficiency, personal development and general improvements of the working environment. Additionally, special attention has been placed on fire prevention—all major manufacturing and warehouse locations are audited quarterly by local site safety representatives, and every few years by an external contractor.

Measurements on safety

Measurement Indicator	2012	2013	2014	2015	2016	Goal 2018
Incidents per 100 employees	3.4	2.2	2.0	3.4	1.6	0.6
Incidents causing a lost day	12	12	16	28	21	0

Össur monitors “Incidents per 100 employees” and sets strict safety goals each year. In 2016, the calculation method for incidents was improved to better reflect all types of operations at Össur, and to help decrease the number of incidents that occur each year. An ambitious goal of 1.0 was set for 2016 and the result was 1.2. Incidents causing a lost day of work decreased from 28 in 2015 to 21 in 2016.

One of the initiatives to decrease the rate of incidents was the Job Hazard Analysis (JHA), which is a process that exposes potential risks within operations and aims to minimize or eliminate potential risks to employees. In 2016, a total of 384 potential risks were identified and at year-end 60% of those had been eliminated or controlled.

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.



WOW CYCLOTHON AROUND ICELAND

WOW CYCLOTHON – two teams from Össur participated, cycling the 1358 km road around Iceland. One team was female while the other was male, including one amputee who became the first below the knee amputee to cycle around Iceland.



REYKJAVÍK MARAFÓN ÍSLANDBANKA
REYKJAVIK MARATHON - Össur employees have for more than a decade participated in the Reykjavik marathon, raising money for the association of disabled. In 2016 90 employees participated.

Equally, Össur strives to educate its reimbursement authorities and relevant healthcare professionals, as well as the Company's end users, on the importance of an active lifestyle. Mobility and general health and wellbeing is important for everyone, 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 the 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 employees are a diverse group, but they work as one to improve people's mobility. In a global like Össur, employees interact with one another and with stakeholders from many different cultures and backgrounds. To build a strong and successful team of employees, diversity in its broadest sense is important. Different functions of the company require different types of skill sets. 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 broader responsibilities. Promoting a diverse workplace benefits the Company, bringing a myriad of perspectives



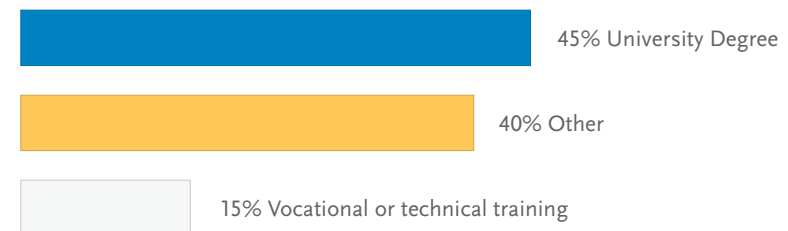
from which to make decisions. This, in turn, can lead to better results for the Company. With its equal opportunities plan, Össur ensures that recruiting and internal promotion strategies are aligned. The Company goal is to utilize the skills, strengths and knowledge of all employees without gender-based or other discrimination.

Össur recruits competent and ambitious individuals who are capable of working on demanding projects. Hiring decisions are based on skills and ability. 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.

Gender ratio



Education



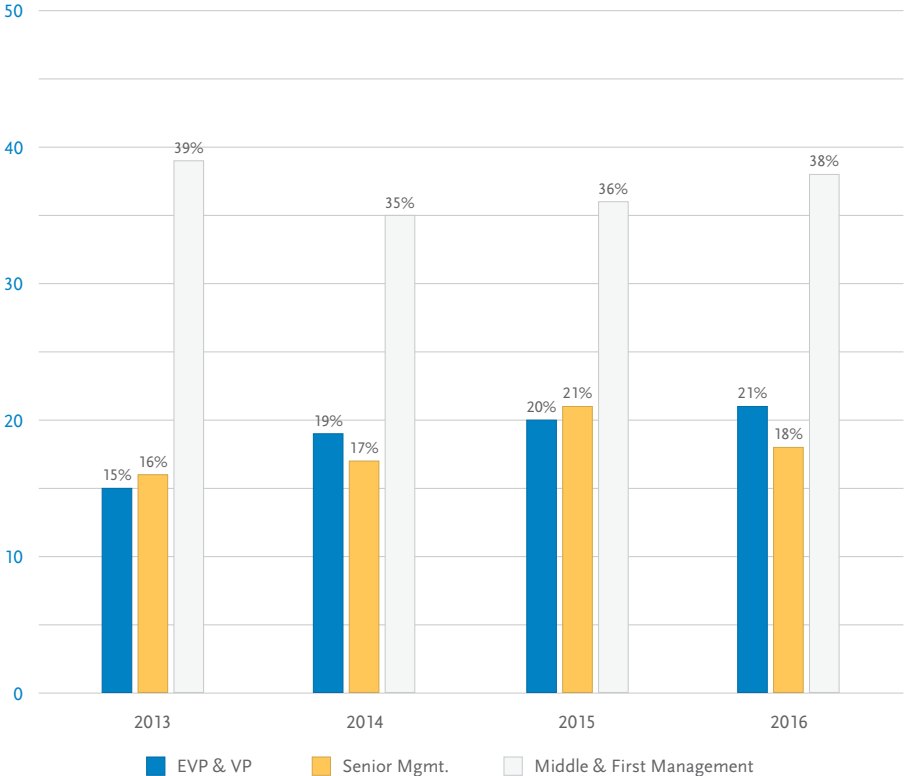
Audit on equal remuneration

In 2014, the Company completed its first external audit on equal remuneration. The audit addressed equal remuneration for women and men in the Company’s operation in Iceland. In 2016, Össur decided to adapt the Icelandic standard on equal remuneration for equal responsibility, IST 85:2012, which is audited by a third party. Össur will be among the first companies in Iceland to be audited in accordance with the standard. In the Americas, salary audits on all employees are done annually as part of standard compensation review procedures.

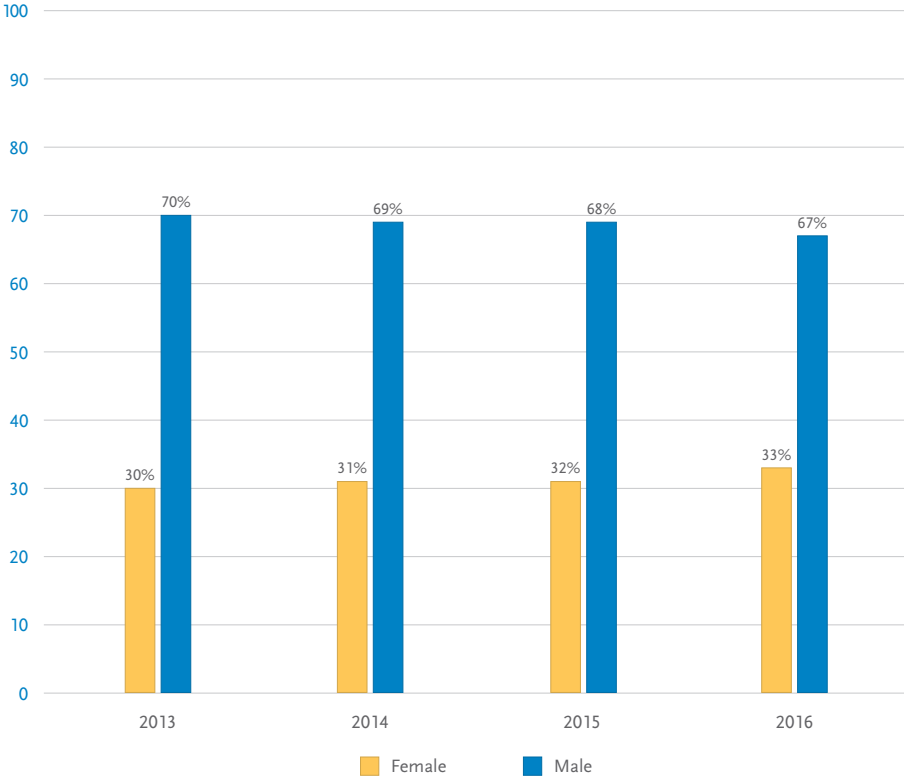
Local initiatives

In addition to a global focus, the Company has local, ongoing initiatives to ensure equality and inclusion. Össur believes that it has a responsibility toward people of all abilities, and as such the Company is proud to offer work to refugees, people with physical limitations, as well as offering support to people who have been off work for longer periods for various reasons. Recently, Össur started implementing a retirement policy, assisting its employees so that they can be better prepared for retirement.

Women in management positions by management level



Management positions by gender



United Nations Women's Empowerment Principles

Encouragement of diversity in the workplace is beneficial as it helps gain diverse perspectives from which to make decisions, which in turn leads to better results. Össur signed the United Nations Women's Empowerment Principles in May 2014.

Women's leadership initiative to encourage diversity in the industry

In 2014, Össur launched a new Women's leadership initiative 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 U.S. This number has more than doubled over the past decade. Women now comprise more than half of all students enrolled in graduate-level O&P programs. Össur spearheaded the women's leadership initiative because it recognizes the importance of providing dedicated resources to help encourage more women to join the profession, and to marshal their growing influence in the field.

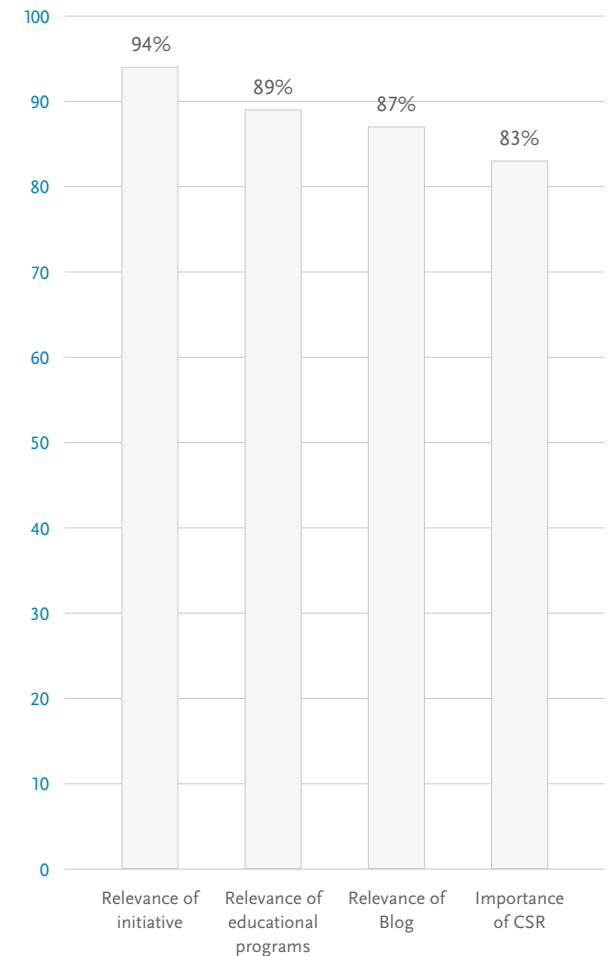
Össur's Women's Leadership Initiative seeks to encourage and support O&P practitioners by providing a forum for discussion and education.

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 each other
- Establish a greater number of female role models for future practitioners
- Create a positive, balanced perception of both male and female industry leaders

In 2016, the women's leadership initiative hosted the first Women's Leadership Conference in the O&P industry. The conference was a three-day event with a diverse group of speakers, providing both leadership education as well as opportunities for female practitioners to meet and share their experiences. Feedback from the participants and other educational blogs and seminars confirm the importance of having this platform. It confirms that women's leadership education and support are still wanted and needed in this profession and that Össur's educational methods are useful.

Feedback on Össur's Women's Leadership Initiative



However, more women need to join the industry. Therefore, a Steering Committee has been formed to provide more focused education and a broader range of input to make ÖWLI more actionable and personally relevant. And increased focus on social media activities will continue by adding more female contributors to the blog, providing a more varied and expansive list of topics and perspectives, as well as the addition of a quarterly “Profile of Women in O&P Leadership” series, where other leaders in the industry nominate their female peers. The next Women’s Leadership Conference will again be hosted at Össur’s offices in Orlando in September of this year.

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 viewpoints. Össur, along with other employers in the Council, will champion diversity in the community, host multi-cultural roundtables, participate in the Women In Leadership Symposiums, and offer education, development and networking opportunities for members.

SUPPLY CHAIN

Össur manufactures its products in four main locations: Iceland, Mexico and two locations in France. In addition, Össur has product suppliers in Asia who manufacture bracing and supports products.

Bracing and supports products are manufactured in Mexico, France and by suppliers in Asia. The majority of prosthetics products are manufactured in Iceland, however small manufacturing units and assembly are in the UK and US, primarily focused on upper extremities. The Company’s main distribution centers are in Holland, the U.S. and the U.K. All manufacturing locations and distribution centers have implemented lean manufacturing processes in addition to extensive loss prevention initiatives which are focused on 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 based on certain criteria. In 2015 it was decided to change the criticality definition of a 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 patient, clinician or others involved is now defined as a critical supplier and, as such, stricter controls are applied. Suppliers that reach a score of 75 points or more on the scale of 100 are considered to show “good results.” Following an 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 the past, questions about socially responsible have been added to the evaluation, and in 2014 all critical suppliers were required to sign statements on human rights and anti-corruption. The goal was to have all critical suppliers sign on to the Company’s requirements by 2017. This initiative is well underway as 90% had signed the statements at year-end 2016.

Measurements on raw material suppliers:

RAW MATERIAL SUPPLIERS	2013	2014	2015	2016
Evaluation of critical suppliers — portion of suppliers evaluated which have reached 75 points or above	70%	69%	73%	88%
Critical raw material suppliers that have signed clauses on human rights and anti-corruption	n/a	56%	88%	90%

Product suppliers

The Asia Manufacturing and Sourcing team is responsible for the product suppliers in Asia. 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 a special focus on compensation and health and safety.

The Company has maintained the same number of suppliers between years; however, the Company has decreased the number of product suppliers by three since 2012, from 11 at yearend 2012 to eight at yearend 2016.

To ensure compliance with Össur’s ethical standards external parties audit the 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 suppliers in order to improve processes. To follow up, Össur has an external party auditing the strategic suppliers with regards to risk and safety. 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 engagement to assist them in further building their business.



Responsible Sourcing

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

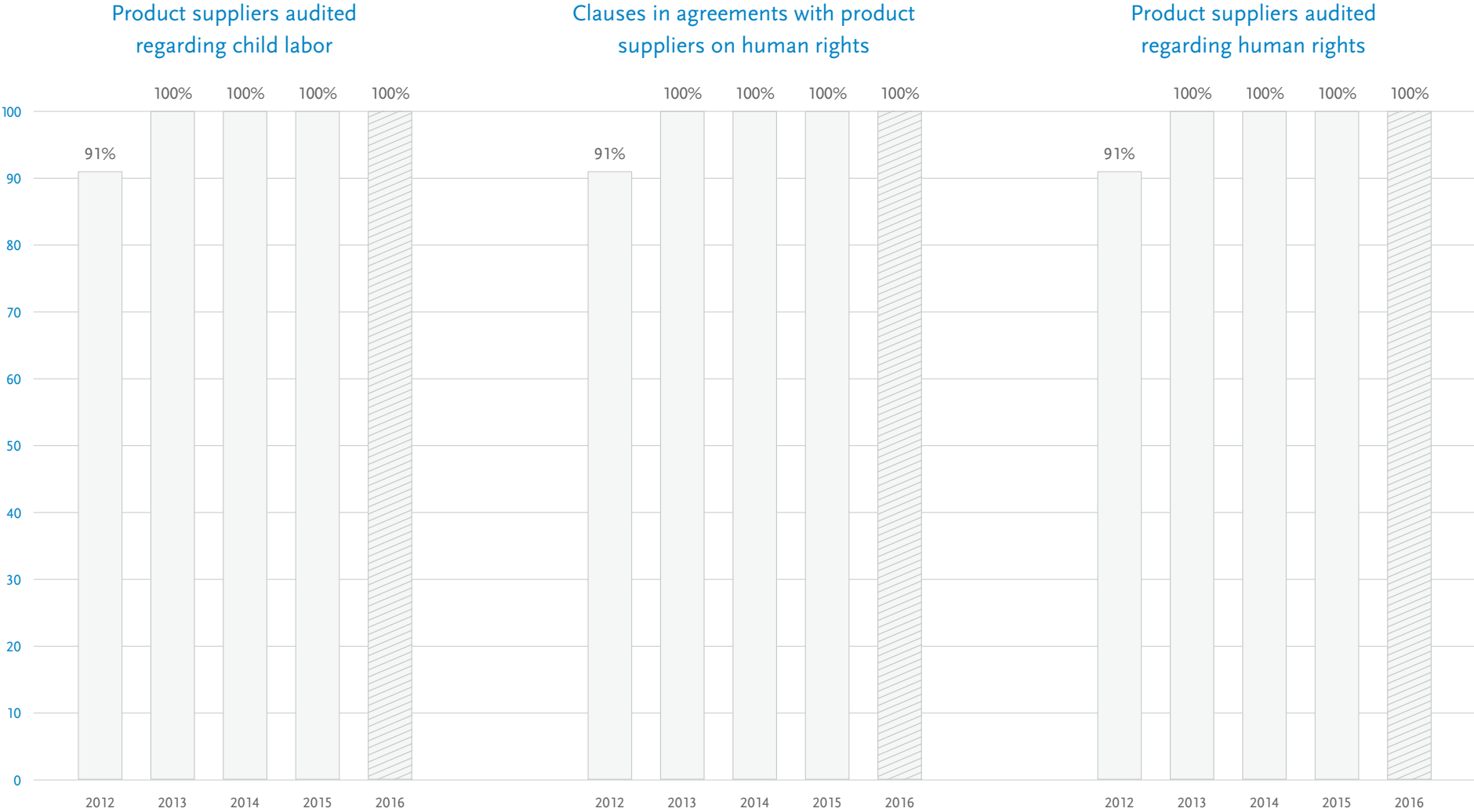
Audits on Product suppliers	2014	2015	2016
Social Compliance Audit*	✓	✓	✓
Fire and safety Audit **	✓	✓	✓
Internal Audits* (audits performed by Össur employees)	✓	✓	✓

*All Suppliers manufacturing outsourced products.
 **Strategic Suppliers manufacturing over 90% of outsourced products.

Engagement with product suppliers in Asia – Main Milestones

- **2009**
 First internal Audits
- **2010**
 Internal Audits 2x pr. year
- **2011**
 Signed the Global Compact
- **2014**
 first social and compliance audit
- **2014**
 First time Protection Audit
- **2015/16**
 Fire protection seminar at strategic product suppliers

Measurements on human rights



Environment and Quality

Quality

Össur has had a certified quality management system in place since 1993 which is based upon ISO management standards. Össur is currently certified with **ISO9001:2000**, **ISO13485:2003/2012** and **ISO14001:2004**. However Össur is currently in the process of implementing updated versions of the 13485 and 14001 standards. The system also complies with the applicable medical device regulations in the countries that Össur sells to, including but not limited to the requirements of FDA Quality System 21CFR820, the European Medical Device Directive EU 93/42/ECC and Canadian Medical Device regulations SOR/98-282.

Quality Policy

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

Customer feedback

Össur values feedback from customers in relation to products and services, as well as how the Company interacts with its customers. Össur regularly conducts surveys among its customers and monitors claims and feedback. Össur has strengthened the customer feedback process allowing improved capture and detailed analysis to identify improvement opportunities. Össur's Quality Centers located in Iceland and California play a key role in cooperation and alignment of processes between departments allowing Össur to provide higher quality products and increased safety for users

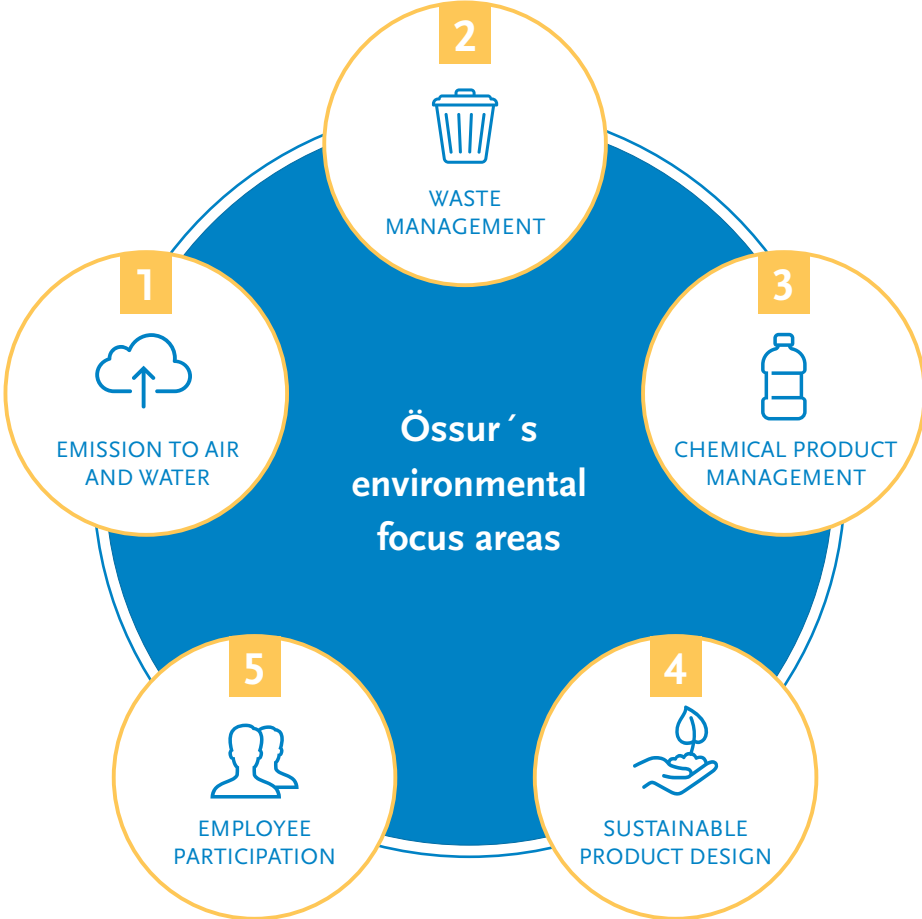


Environment

Össur understands its responsibility to reduce and control its environmental footprint. The main environmental impacts from Össur’s operations come from the manufacturing part of the business, waste generation and the transportation of raw materials and finished goods. Manufacturing uses raw materials such as plastics, silicone and carbon fiber, in addition to the anodizing of metals.

Össur has a certified environmental management system in accordance with ISO14001, at six locations, including all major manufacturing locations. Össur strives to continuously improve its processes in order to better utilize raw materials and reduce the company’s environmental impact.

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

We aim to minimize the negative environmental impact of Össur by:

- preventing, reducing, or controlling waste and pollution from our operations
- meeting all applicable environmental compliance obligations
- focusing on continuous improvement, and encouraging employee participation

Environmental Compliance Obligations



Declaration to take active measures on Climate Issues

As discussed in last year’s report, Össur was one of over 100 companies and institutions in Iceland that signed a declaration on climate issues in relation to the UN Climate conference in Paris in November 2015. This project is a joint venture launched by the City of Reykjavik and Festa, the Icelandic Center for Corporate Social Responsibility. The declaration stated that the participants committed to set goals to reduce the emission of greenhouse gases and waste generation. Össur’s goals for this project relate to the headquarters in Iceland. However, this is seen as the first step in the Company’s commitment toward reducing emissions of greenhouse gases and it will be rolled out to other locations as applicable. Össur’s goal for 2020 is to reduce CO₂ emissions from the headquarters by 50% or 800 tons.

To be able to reach this goal a number of initiatives have to be initiated, as illustrated below. As an international Company with operations in over 20 countries Össur’s employees need to travel. Therefore, Össur has decided to offset CO₂ emission from business travels.

Össur’s goals to reduce emission of greenhouse gases

Emission Factor		Tons CO ₂	Main Initiatives	Reduction Tons CO ₂
Import Export	↔	150 (10%) 550 (33%)	Reduce the percentage of goods shipped via air	-100
Employee travel	✈️	660 (44%)	Carbon offsetting initiatives	-660
Waste management	♻️	100 (44%)	Reduce waste and increase the portion of recycled waste	-20
Company cars	🚗	40 (3%)	Change to electric cars to the extent possible	-5
Electricity	⚡	50 (3%)	Analyse the usage and work towards ways to reduce the usage	-
Total		1500 (100%)		-785



Waste Management

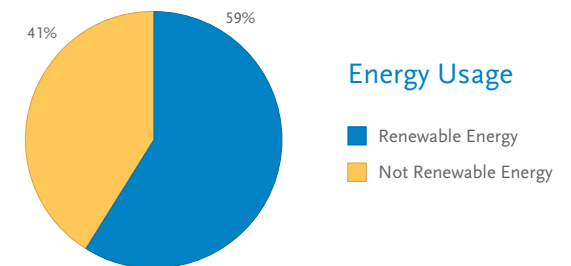
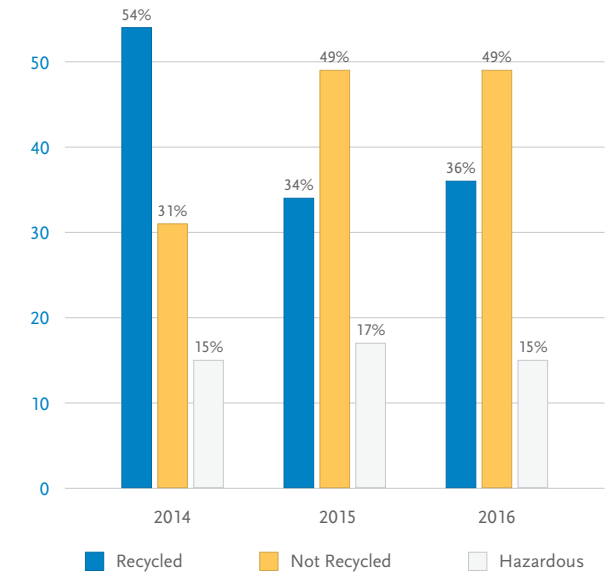
Globally, the primary focus on reducing emissions has been on waste management. Results for 2016 show a slight increase in recycled waste, 36% in 2016 compared to 34% in 2015. When comparing the numbers from 2014 through 2016 it must be noted that the numbers are not fully comparable as the categorization of what was considered recycled was incomplete. This was corrected in 2015 and therefore numbers for 2015 and 2016 are fully comparable. Projects have been initiated to reduce waste generation and increase the proportion of recycled waste, including investment in a cleaning unit, which cleanses and recycles abrasive sand used by robots that cut carbon panels. This investment is expected to have material impact on the portion of both total waste and non-recycled waste—the sand will both be recycled at Össur and, when no longer suitable for cutting it can be reused by other types of industries, such as in road construction. Also impacting the portion of non-recycled waste was the relocation of the warehouse in Europe, which is in Eindhoven, Holland. By mid-year Össur relocated its operation in Eindhoven to a new location, which temporarily affects reduction efforts as Össur was operating in two locations.

As operations differ between Össur’s different locations some improvement initiatives are implemented locally. All locations are encouraged to work on local initiatives in addition to global initiatives. The locations can differ greatly as some are manufacturing units while others are distribution centers. Additionally the types of products manufactured require different processes and in many instances different usages of raw material. To further reduce waste, the Company invested in a machine which custom-makes cardboard boxes for shipments. This is used in the Eindhoven warehouse. As mentioned above, Össur relocated into a new building during the year and used the opportunity to reevaluate processes and invest in new equipment focusing on reducing waste.

Sustainable Product Design

One of Össur’s environmental focus areas is sustainable product design, because product design can greatly affect the Company’s environmental impact. In 2017, the research & development department is initiating pilot projects in the design process, the aim of which is to minimize the environmental impact of product throughout its entire lifecycle. This pilot project will focus on finding better options for selecting raw materials, manufacturing method and packaging when working on new design projects in order to minimize waste in manufacturing, as well as guiding end users on the disposability of products.

Waste Management





Anti-Corruption

Bribery and corruption are risks for companies around the world and a challenge in many markets. Össur has operations in over 20 countries and distributes its products worldwide. Össur's has zero tolerance for corruption. Along with the Company's values – Honesty, Frugality, Courage – Össur's Code of Conduct and Anti-Corruption and Anti-Bribery policies serve as the guiding principles for 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	

Over the past few years Össur has increased its focus on anti-corruption, starting with the writing and implementation of new policies. The next step was risk assessment and the screening of its business partners. The scope of the screening process was based on minimum thresholds of Össur's annual sales and of the Company's business partners' territory. Össur made it a priority to conduct screening of business partners located in countries that have a low score on the Transparency International list on corruption. Risk assessment of business partners in countries with a corruption score below 70 has now been completed. The screening has provided a good overview and understanding of Össur's businesses, primarily businesses that operate in high-risk countries. The screening revealed potential exposures related to corruption and bribery. Distribution agreements were reviewed and updated as part of the process and the agreements now include provisions which distributors undertake to follow Össur's Anti-Corruption and Anti-Bribery policy, and all relevant laws.

In 2016, the Company focused on introducing its policies to employees. Training of employees was prioritized based on position and geography. The training program has two main levels where some employees go through both face-to-face training and on-line training, whereas others receive only on-line training.

In 2017, Össur will emphasize the continued training of key employees and employees located in high-risk areas in addition to building overall awareness and education.



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 a transparent manner.

Össur provides investors, analysts and other stakeholders with timely and accurate information. Every year, Össur hosts investor meetings and teleconferences with the CEO, CFO and IR Manager, following quarterly reports and other key events. As a listed company, Össur complies with various 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 heretofore.
- 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 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: www.ossur.com/investors



Support and Responsibility

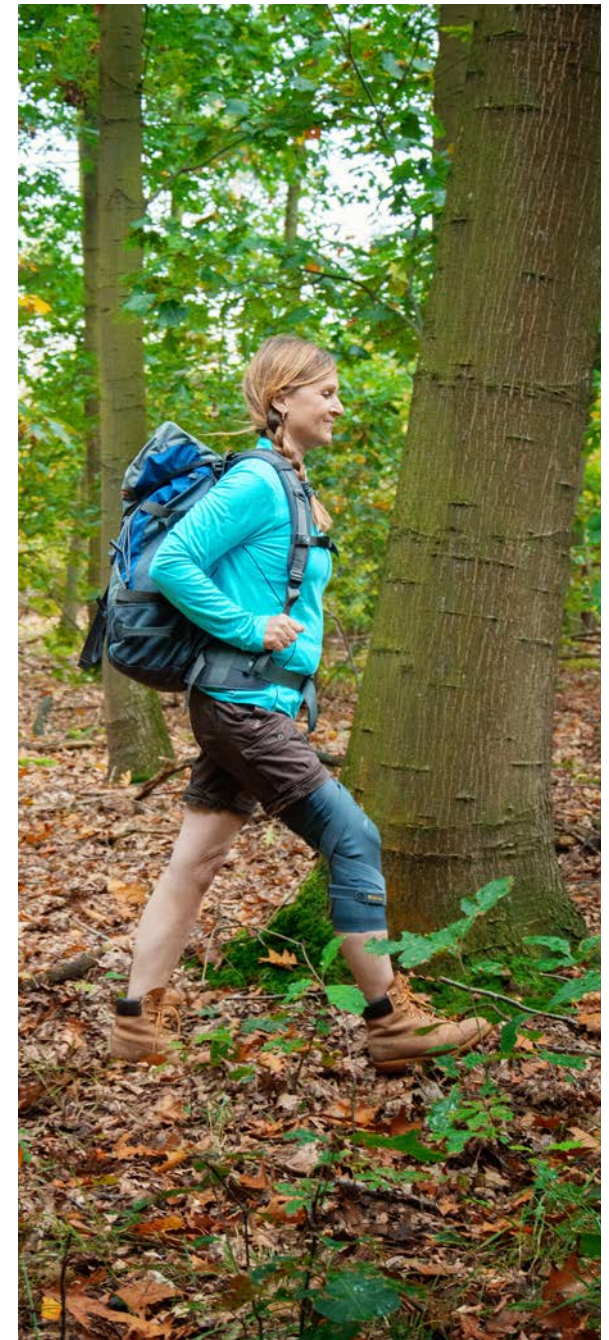
One aspect of responsibility is to show support for the societies and environment in which the Company operates. Össur believes that it has a responsibility towards people of all abilities, not only by providing high quality products, but equally to support third-party initiatives aimed at better care 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 U.S. and Europe on research projects, and has on average in the range of six to 10 interns at any given time. For over a decade, Össur has had an educational program called Össur Academy. The Össur Academy is committed to furthering the level of education and quality of prosthetic and orthopaedic knowledge among professionals, patients 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.

Össur and Ottobock establish a Research Trust Fund

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 has been established at the University of Iceland. It will award international grants for scientific research and innovative projects in the field of advanced neural control of prosthetic limbs. The companies’ initial combined contribution to the Fund is 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, helping them to achieve a life without physical limitations.



My Winning Moment

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 children, finishing a 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 far beyond expectations and more than 250 individuals were courageous enough to share their stories. Ten finalists were chosen during each round and an external jury of industry experts ultimately chose two contest winners. One of the winners was invited to Iceland to visit the Össur Head Office and the other was invited to participate in the San Diego Triathlon Challenge event, which is highly anticipated in the amputee community. 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.

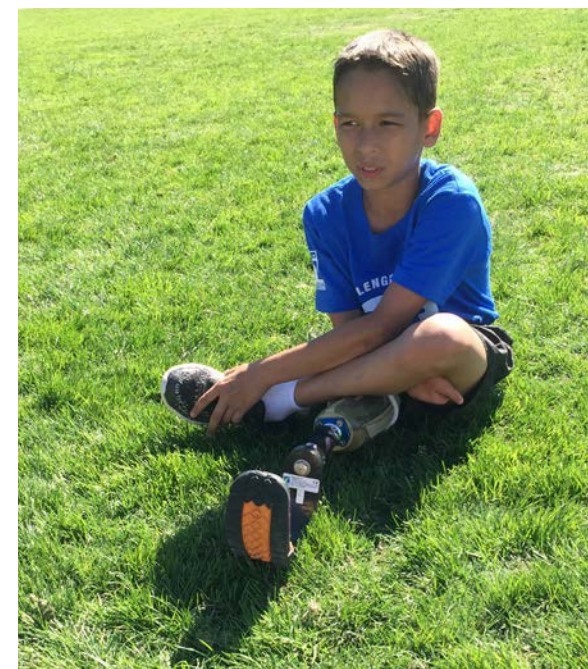
Team Össur

Team Össur is an accomplished group of elite international athletes and sporting role models. Team Össur includes athletes from world-class triathletes to accomplished track and field athletes. 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. These individuals have been on the forefront in showing the world that you should follow your dreams. Athletes like these are important for our community to demonstrate to others that they should follow their dreams and not look at their condition as a disability.

Great Performance at The Rio Paralympics

At the 2016 Rio Paralympic Games, Team Össur members and Össur Ambassadors won 26 medals. If Össur athletes were a country of their own, Team Össur would have ranked 9th overall in the Paralympic Games Medal Table.

In recent years, media interest in Paralympic sport has grown. Team Össur athletes were interviewed by numerous global media outlets during the Rio Paralympic Games and Össur’s clinical expert in the UK became the go-to expert for the BBC and other UK media outlets. This increased awareness is extremely important for the perception of amputees as it helps eliminate the stigma often associated with disabled athletes and gives the general public an opportunity to see them for the elite international athletes that they are. For people of varying abilities to reach the competitive level demonstrated at the Paralympics takes enormous dedication, determination and sporting prowess. Perhaps fittingly, the UK media refers to Paralympians as “The Superhumans.”









© ÖSSUR, 02. 2017