Environmental,
Social, and
Governance (ESG)
2020 REPORT

April 2021
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Letter from Hanger’s President & Chief Executive Officer and the Chairman of the Board

We are pleased to share Hanger’s second annual disclosure on environmental, social and governance (ESG) issues and provide our long term commitment to deliver positive and sustainable impact and outcomes to our stakeholders and the communities we serve.

In this report, we highlight and update a number of initiatives and processes underway as part of our ESG journey that we see as a mirror image of Hanger’s overall mission and strategy. Hanger’s values and corporate culture are inextricably linked and bound to the heart of our purpose-driven Company.

At Hanger we are defined by the nature of our work as the largest provider of orthotic and prosthetic (O&P) healthcare services in the United States. The O&P industry provides an essential healthcare service, as defined by the Affordable Care Act, and impacts both our patients and society as a whole in a way that cannot be fully quantified in economic terms. Hanger goes back nearly 160 years and is associated with clinical excellence and innovation. Hanger’s clinical team provides compassionate, expert care and customized O&P solutions to improve the lives of millions of people with amputations, limb deficiencies, neuromuscular disorders, and other musculoskeletal anomalies.

Hanger’s corporate purpose is “empowering human potential together.” We partner with patients and their families to drive superior outcomes. We coordinate care with referring medical providers and therapists, and we work alongside payer organizations as advocates for the successful rehabilitation of the people we serve. We also play a vital role in the O&P supply chain, by ensuring clinicians have efficient access to the complex componentry that is fabricated into definitive devices that help restore mobility and physical function. Because of the unique nature of our business, we are fortunate to attract professionals who are motivated by our mission and the quality of our patient care services.

In last year’s report we highlighted our values as a Company and how we live and execute those values as part of our ESG awareness and commitment. Sustainable business at Hanger starts with our values – which we see as linked to our corporate success and that of our stakeholders, these are integrity, patient-focus, outcomes, leadership, collaboration and innovation. We use this framework to define and measure career development and success at Hanger for our approximately 4,700 employees and we recognize and reward a select group annually who exemplify these traits through the Hanger Impact Awards.

Oversight and Accountability

Oversight of ESG at Hanger begins at the Board level, specifically with the Corporate Governance & Nominating Committee, which receives periodic updates and considers the integration and alignment of ESG considerations into Hanger’s overall strategy, as well as how ESG considerations fit into and support our corporate and risk management activities.

Hanger’s ESG task force, formed in 2019, serves as the key conduit for this effort. During 2020 the task force met quarterly to coordinate and collect data that had been determined to be of the highest relevance, priority and accessibility for Hanger’s 2020 efforts. In 2020, the task force expanded from twelve to fourteen executives and senior managers in order to bolster subject matter expertise in key
areas. Representation on the task force includes an interdisciplinary team including human resources, corporate services, legal, supply chain management, revenue cycle management, compliance, clinical and scientific affairs, treasury, and investor relations.

Our sustainability efforts originate with periodic reviews of relevant business activities, opportunities and challenges through an ESG lens. As a result, a key part of the taskforce’s role is to ensure we are bringing activities underway operationally into the ESG realm for disclosure, if relevant.

During 2020, task force members were oriented to existing ESG disclosures among public companies, various frameworks and ESG rating agency data. Because of the unique nature of Hanger’s business, we are proactively leveraging portions of existing industry frameworks while combining elements of our own data and metrics that we believe are relevant to our business and industry. This year we are incorporating elements of the disclosure framework from the Sustainability Accounting Standards Board (SASB) for Health Care Delivery (SICS® HC-DY). Areas discussed include: Quality of Care & Patient Satisfaction; Employee Recruitment, Development & Retention; Patient Privacy & Electronic Health Records; Pricing & Billing Transparency; and Access for Low Income Patients. We have also included discussions of relevant subject matter not addressed by SASB, such as Diversity and Inclusiveness.

COVID-19 Response

The Hanger team leaned into the challenges of COVID-19 early in 2020 well before it began broadly impacting the U.S. The challenges were unprecedented and beyond anything we have encountered in our lifetimes. In some ways, the pandemic provided an opportunity to flex our organizational muscle in a manner which revealed the depth of our collective commitment to the Company’s mission and values. The number of stories and instances of our team living the values we espouse were inspiring as we ensured the safety of our employees and patients and guaranteed the continuity of vital O&P services by ensuring Hanger would have adequate liquidity to endure the pandemic. The latter required short term financial sacrifice from all of us. As a result of this experience, we look to the future in a post-pandemic environment where we can leverage these experiences and achieving our fullest potential as a responsible and sustainable corporate citizen.

In closing, our Board and senior management team at Hanger welcome engagement from our stakeholders on the evolving ESG landscape, our impact and opportunities in this area. Increasingly we will be reaching out to various external stakeholders to better inform our opportunities.

We appreciate your interest and look forward to future dialogue.

Sincerely,

Chris Begley  Vinit Asar
Chairman of the Board  President and Chief Executive Officer
The Relevance of ESG to Our Business

Hanger began evaluating our approach to corporate sustainability reporting in early 2019. Our approach continues to be one that seeks to evaluate environmental, social and governance (“ESG”) factors along a continuum of business risk, financial impact and relevance to our business. We believe that as a purpose-driven organization, Hanger has a profoundly positive impact on the lives of the patients and families we serve. We believe investors and other stakeholders can analyze and better understand Hanger’s opportunities and business risks using an ESG lens. Our goal is to manage risks inherent to our industry and business and turn those into a competitive and sustainable advantage.

- Hanger is a healthcare services company. We do not manufacture the components, parts or materials we use to build the devices we provide to our patients. We are reimbursed by public and private insurance, as well as some direct pay by our patients, to design, fabricate and deliver prosthetic devices, generally artificial limbs, as well as orthotic bracing devices for extremities, the central and cervical spine and head. We also fit and deliver a number of orthotic devices and footwear required due to disease, anatomic change or injury. We have a distribution business that makes O&P componentry available to our clinics as well as independent O&P providers.

- We work in a specialized sub-sector of rehabilitation medicine. Our patient population is extraordinarily diverse, from infants to the elderly. We believe we are unique among public and private healthcare services companies given our focus. Our patient population typically requires significant support, often for life, due to traumatic injuries, falls, cancer, neurological insults, and chronic medical conditions, such as diabetes. As a services Company in healthcare we are highly regulated at the federal and state level. We are subject to medical and health care-specific laws concerning patient privacy and governmental reimbursement.

As a result, our approach to ESG is built on a philosophical foundation of protecting and sustaining Hanger’s collective human capital. This starts with our field organization, the largest in the United States dedicated solely to providing O&P patient care. We employed approximately 1,600 board-certified prosthetists, orthotists and pedorthotists as of the end of 2020, as well as approximately 200 O&P residents completing their required training before entering the field full-time. Our clinicians work as a team alongside trained technicians, fitters, clinic managers and support staff. This field organization is supported by regional management and our corporate and internal support organizations whose purpose is to support our field organization by ensuring they have the requisite infrastructure and support to focus on their primary core competency, taking care of patients. Hanger’s values directly support our mission and are a critical element in the environment we believe allows us to protect, nurture and grow our clinical organization.

- **Integrity**: We do the right thing every time. We are honest, transparent and respectful in all relationships, including those with colleagues, patients and customers.

- **Patient-Focused**: Everything we do begins and ends with patient care. We serve patients in ways that build lifelong trust.

- **Outcomes**: We recognize and celebrate outstanding results. Superior outcomes differentiate us.
• **Collaboration:** We seek to understand each other and our diverse perspectives. We engage in constructive dialogue and rally around our decisions as One Hanger.

• **Innovation:** We learn from our past experiences, but aren’t limited by them. We have a passion to continuously improve. We influence and respond to change to better serve our patients, customers, and colleagues.

Under existing frameworks and reporting approaches to ESG, our primary contribution to the ESG discussion lies within the social realm. In addition, as a public Company we are committed to governance policies and practices that serve the long-term interests of Hanger and its stockholders. From an environmental perspective, the impact of our O&P services business is not as significant as in industries such as manufacturing that directly generate a significant carbon footprint. However, we have a role to play in lowering our carbon footprint and resulting greenhouse gas emissions of our patient-care locations and distribution centers. We are committed to exploring practical opportunities to engage in energy and waste management strategies that will achieve these goals.

**Hanger’s Approach to ESG**

Given the purpose-based nature of our business and the values that guide us, Hanger’s ESG philosophy aligns naturally with and is intended to support our core business strategy. We believe our business is not just fitting O&P devices, but rather is returning independence to our patients with physical challenges and empowering their mobility – a prerequisite for improved health status, improved sense of wellbeing and quality of life. Our corporate vision is to lead the orthotic & prosthetic markets by providing superior patient care, outcomes, services and value. We achieve this through two business segments: Patient Care (82.5% of net revenue, pre COVID-19) and Products & Services (17.5% of net revenue).

Building off our efforts in 2019, in 2020 Hanger’s ESG Task Force expanded from twelve to fourteen executives and key leaders representing an interdisciplinary team including human resources, corporate services (information technology and facilities), legal, supply chain, revenue cycle management, compliance, clinical and scientific affairs, treasury, and investor relations. Five of the 12 members of the Task Force serve on Hanger’s Senior Leadership Team that reports directly to the President and CEO.

The ESG Task Force evaluated a number of options to build an initial ESG framework that aligns with our business, and in 2019 adapted the Sustainability Accounting Standards Board (SASB) frameworks for Health Care Delivery (SICS® HC-DY) as well as Health Care Distributors (SICS® HC-DI) Versions 2018-10. The task force assigned an operational business owner and subject matter expert to each applicable topic. These topics have been supplemented and in some cases modified by us as necessary to make them relevant to our business and its operations.

We have also received additional input from the task force members in areas not addressed in the SASB framework but which meet our ESG criteria of business risk, financial impact and relevance. In addition we have utilized available inputs from rating agencies and ESG publications to build out our framework so it better fits the nature of our business. We intend to also incorporate input from shareholders, suppliers and employees as our disclosures continue to evolve.
Finally, this is not intended to be a definitive list of disclosures, but rather one that will evolve over time to add new areas as the effort matures and areas of additional focus emerge.

Hanger’s key ESG tenets are: *put the patient first; always operate with integrity; nurture our human capital; promote diversity and inclusion, contribute positively to the communities we serve and our neighbors, ensure robust corporate governance and provide sound environmental stewardship.*

The framework that links these tenets to specific ESG factors in Hanger’s business is as follows:

<table>
<thead>
<tr>
<th>HANGER ESG TENET</th>
<th>Environmental, Social Governance Impact</th>
<th>Key Performance Benchmarks/Metric</th>
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| Operate with Integrity                             | Social and Governance                  | • Patient privacy  
• Safety of O&P services and devices  
• Enterprise compliance  |
| Putting the Patient First                           | Social and Governance                  | • Electronic Health Records  
• Quality of care  
• Patient satisfaction (NPS)  
• Pricing and billing transparency  
• Outcomes research  
• Serious Reportable Events  |
| Nurture Our Human Capital                           | Social and Governance                  | • Employee recruitment, development & retention  |
| Promote Diversity and Inclusion                    | Social and Governance                  | • Building a culture of diversity & inclusion  |
| Contribute Positively to the Communities We Serve  | Social                                 | • Access for low income patients  
• Community Relations  |
| Robust Corporate Governance                        | Governance                             | • ESG Oversight By the Corporate Governance & Nominating Committee  
• Structure, compensation, shareholder rights audit and risk oversight  |
| Sound Environmental Stewardship                    | Environmental                          | • Energy management  
• Waste management  
• Climate change impact on human health & infrastructure  
• Supply chain efficiency and integrity  |
Social and Governance Reporting: Putting the Patient First

Quality of Care and Patient Satisfaction (HC-DY-250a)

Net Promoter Score. Within our Patient Care segment, providing each patient with a transformative care experience is our highest priority. In 2017, we launched the Net Promotor Score (NPS) survey, allowing us to listen to patients’ feedback, in real time. The goal of the NPS program is to understand our promoters – patients whose lives have been enriched by our patient care – and continue the behaviors that have helped us win their loyalty and trust. With those patients that are only partially satisfied, our goal is to improve our services, products and processes. For our detractors – those we have not positively impacted – we seek to reach out, learn, strive to make it right, and build the relationship anew.

Since 2017, we have collected more than 160,000 patient responses and have successfully achieved our goal of improving our NPS year over year. At year-end 2020, our Patient Care segment NPS was 86.1 out of 100, which is approximately 2 points higher than the prior year. And this occurred during the COVID-19 pandemic – where our patients and employees were undergoing significant stress due to the personal and professional issues associated with the pandemic. In addition, at baseline, we note that our NPS have been significantly higher than other service providers reported in the healthcare sector. Our leadership team from the clinic level up are also evaluated in part on the trend and absolute results of their NPS within their own applicable geography, from local to regional to national. Daily monitoring of NPS feedback has become an integral part of the Hanger culture, squarely placing the patient at the center of everything we do.

Quality of Care. National healthcare expenditures totaled approximately $3.8 trillion in 2019 and we believe O&P constitutes approximately 0.1 percent of the total. While O&P is a relatively small part of healthcare in aggregate from a dollar perspective, we view our impact in different terms. How do you quantify the ability to resume routines of daily living after a catastrophic limb loss event in dollar terms? The impact on physical and mental health status as well as the economic ramifications of our work is fairly intuitive. However, to be successful in delivering health care in the era of healthcare reform, organizations must by focused on delivering a proposition of value-based care. Reimbursement is shifting from a fee-for service model to capitated payments that reward outcomes over service volumes. The O&P industry must demonstrate the value of its services in order to successfully pursue its mission over time.

With Hanger’s leadership position in the O&P industry comes significant responsibilities. We believe generating credible research to answer important policy and clinical questions with scientific rigor is one of those responsibilities. As a centerpiece of our business strategy, we are developing clinical research that measures and reports the health outcomes impact of O&P patient care.

Over the last several years we have published a series of multi-center peer reviewed publications, the Mobility Analysis of AmpuTees (MAAT), directed by Hanger’s Department of Clinical and Scientific Affairs. Our aim is to clarify the concept of prosthetic mobility as it relates to such considerations as satisfaction,
quality of life, co-morbid health conditions and prosthetic component choices. To date we have published six peer-reviewed journal articles in the MAAT series.

Importantly, our research agenda is not specific to care at Hanger facilities, but rather encompasses the value proposition of O&P care itself on overall patient status, outcomes and cost of care. This effort elevates our entire industry within the medical community. Our research mission is aligned with U.S. government and private payer initiatives to ensure the reporting and measurement of the value of care delivered rather than the volume of care provided.

Hanger collects, develops, and applies clinical evidence to discover new ways to improve orthotic and prosthetic care. Our mission is to explore, expand and facilitate opportunities that advance the science and care related to orthotic and prosthetic healthcare management. We have established outcomes tracking and analysis capabilities by adopting and implementing comprehensive clinical outcomes programs across our national provider network.

This data is collected in the areas of mobility, satisfaction, quality of life, and injurious falls. The collection, analyses and dissemination of clinical outcomes data reflects our primary focus and “social” commitment to the quality of the service and care that we provide to our patients.

Between September 1, 2019 and September 30, 2020 we collected over 31,000 clinical outcomes on lower extremity amputees.

The following studies were published in peer reviewed journals as a result of our clinical research efforts:


- Miller TA, Paul R, Forthofer M, Wurdeman SR. Impact of time to receipt of prosthesis on total healthcare costs 12 months post-amputation. Amer J Phys Med Rehabil.  2020;0:00.


Additional information on Hanger’s Department of Clinical and Scientific Affairs and our nationwide collaborative outcomes research agenda in O&P can be found at https://hangerclinic.com/for-professionals/hanger-institute/clinical-research/.
The following SASB codes for Quality of Care and Patient Satisfaction are deemed not relevant to Hanger’s business:

- HC-DY-250a.1 Average Hospital Value-Based Purchasing Total Performance Score and domain score, across all facilities
- HC-DY-250a.3 Hospital-Acquired Condition (HAC) Score per hospital
- HC-DY-250a.4 Excess readmission ratio per hospital

Serious Reportable Events (HC-DY250a.2). The National Quality Forum has identified approximately 70 serious reportable events (SREs) also known colloquially as “never events.” These refer to incidents that can occur related to surgery or procedures, devices, patient protection, care management, environmental factors, radiologic incidents or criminal events.

Many of these adverse outcomes are not relevant to Hanger’s business, while others are of a nature that they could occur in any healthcare setting. For 2020 Hanger does not believe it experienced any SREs in our clinics.

Our Risk Management function discussed in the section under “Patient Safety and O&P Devices” is an essential part of our prevention and surveillance program to identify safety risks in our clinics and advance workplace programs in concert with our compliance team to avoid such incidents.

Employee Recruitment, Development & Retention (HC-DY-330a)

Talent recruitment and retention efforts for health care practitioners (HC-DY330a.2). As the leading provider of O&P care in the United States, Hanger does not take its leadership position for granted and we stand behind what defines us. The corporate values discussed earlier in this report are our shared heartbeat, placing our patients at the center of all we do.

We understand that the patient experience begins with empathetic team members who are competent, supported, and highly engaged. We aim to attract and retain exceptional people by providing access to extensive resources and career development opportunities, investing in our people at all stages of their career.

We believe that leading through our values is the key to retaining our staff. As an industry leader in O&P, our clinical staff is resourced to deliver high quality patient care to achieve successful outcomes.

Through a culture of learning and innovation, our staff experiences industry leading developmental opportunities. With organizational growth, we also enable career advancement for both clinical and non-clinical roles, contributing to our drive to retain a diverse and empowered workforce.

While we strive to recruit diverse candidates across Hanger for all positions, we are committed to being part of the significant change to attract more diverse candidates into the field of orthotics and prosthetics. We are partnering with graduate O&P programs and cultivating a culture of inclusivity so that that our care providers reflect the very patients we proudly serve.
We are also proud that a significant percentage of our employees qualify as having a disability under the Americans with Disability Act. Many individuals seek out O&P as a career after going through the life altering experience of limb loss.

Currently, 78% of all residents hired within Hanger’s National Residency program are diverse by gender, race or ethnicity. Additionally, 57% of all clinician hires year to date in 2021 are similarly diverse, and 58% of all clinician positions filled through internal re-location were similarly diverse. In total, 32% of our clinicians are female, which exceeds the total female representation rate for the field of orthotics and prosthetics of 28%. Prospective job seekers quickly discover through our external career site (www.careers.hanger.com) and interacting with our people what anchors us as a company. From the simple to the extraordinary, we help make the impossible possible – one person, one challenge, one step at a time.

Employee Retention (HC-DY330a.1). At Hanger, we value employee feedback and encourage our employees to share their views with their managers and senior leaders at all times. In 2012, Hanger began the formal practice of partnering with an external vendor to coordinate the collection of anonymous employee feedback and measure employee engagement; it has been our cadence to launch an all employee engagement survey every three years (2012, 2015 and 2018).

Survey categories include Clarity of Direction, Integrity, Manager and Senior Leadership, Engagement, Pay & Benefits and Patient-Focus. Survey results are summarized and shared with all employees. Hanger’s Senior Leadership Team reviews results and sets action plans to further drive engagement.

Each year, Hanger hosts Hanger LIVE, bringing together more than a thousand Hanger employees and hundreds of exhibitors for educational courses and collaboration with colleagues, manufacturers, and industry partners, in addition to clinical keynote sessions from medical professionals advancing the orthotics and prosthetics (O&P) industry.

We hold #HangerHeroes internal employee engagement campaigns to recognize team members going above and beyond during the coronavirus pandemic, resulting in hundreds of participants submitting photos, videos and notes of encouragement. The campaigns have culminated with a video tribute with special recognition from Hanger’s senior leaders.

For competitive reasons, Hanger is reticent to disclose specific retention or attrition rates at this time based on regrettable factors or provide specific figures for all the categories described in the SASB standard. Hanger strives to be the employer of choice in the O&P industry and we are currently focusing on this area as one of our strategic imperatives in 2021. We see opportunity to further identify O&P professionals who are looking to leave independent practice and take advantage of the myriad of benefits we offer.

For 2020, we had clinician retention in excess of 90%, inclusive of regrettable and non-regrettable departures. Overall employee retention in 2020 was greater than 80% for all other employees (non-clinicians) over the past twelve months.
Pricing and Billing Transparency (HC-DY-270a.1)

In order to ensure all patients are adequately informed about pricing, Hanger provides patients with financial counseling during the initial visit leading to the provision of any device or billable service. The financial counseling session serves as an opportunity to educate the patient on Hanger's billing procedures, pricing and payment options.

Social and Governance Reporting: Operate with Integrity

Patient Privacy & Electronic Health Records (HC-DY-230)

Electronic Health Records Meeting Meaningful Use (MU) Requirements (HC-DY230a.1). As an orthotics and prosthetics health services provider, our clinicians do not meet the Medicare nor Medicaid criteria for “Eligible Professional (EP)” as defined in the HITECH Act, making this requirement inapplicable to Hanger, Inc.

Prior to 2014, in our Patient Care segment, we performed our revenue cycle management functions such as eligibility, patient pre-authorization, patient documentation, claims coding, claims submission, collection, cash application, and claims audit support activities primarily on a decentralized, location by location basis. A major challenge in the provision of O&P patient care is the myriad of proper and sufficient documentation required to establish medical necessity for a device, as well as patient’s pre-existing mobility status. The inability to adequately meet these requirements is a key factor cited by payers when denying claims for reimbursement. In concert with the digitization of other administrative processes, Hanger began the process of migrating our clinics and clinicians to a single robust MU-eligible electronic health records (EHR) platform developed by NextGen Corporation, a publically traded health care technology company. We have invested significant resources to configure the system for Hanger’s work flow and reimbursement systems. All clinicians and office staff are required to use our integrated clinical and administrative systems which serves as a critical reservoir for a host of financial, clinical and operating data. Newly hired clinicians as well as acquired O&P clinics are integrated into the Hanger records system within six months of being acquired by Hanger as standard practice.

Protected health information (PHI) & Personal Identifiable Information (HC-DY230a.2). As a health care covered entity within the scope of the HIPAA regulations, patient privacy is sacrosanct to Hanger.

Our policies and procedures explicitly define how employees are to handle PHI and personally identifiable information (PII). We see PHI and PII equally important and since the policies cover 18 different personal information elements, they are not segmented based on the designation.

Hanger tightly secures all PHI. Policies covering ePHI, which is PHI in digital form, meet the standards of the HITECH Act and track to the ISO 27002 standards. The primary PHI policies most frequently referred to and shared within Hanger include: Use and Disclosure of PHI; Minimum Necessary; Patient Rights; Safeguarding PHI; and Breach Notification.
Employees have 24 hour access to all policies, including from their smart phones and tablets. All policies are reviewed annually, and notifications of such reviews are shared in the monthly “Compliance Hotsheet” as well as on our internal intranet. We also have the “HIPAA Manual” available for employees to review that lays out the finer details of the regulation and how employees to follow them. Employees are educated throughout the year on safeguards to PHI and ePHI through formal and informal trainings.

Data Breaches of PHI, PII and Monetary Losses (HC-DY230a.3, HC-DY230a.4). For the period October 1, 2019 to Sept 30, 2020, there were no ePHI or PII breaches at Hanger, and a total of 11 PHI breaches impacting an aggregate of approximately 6,000 individuals.

For perspective, in an average year we see approximately one million patients, so this represents approximately 0.6% of the patients seen in a typical year. The vast majority of individuals impacted during that period arose from a single incident resulting from unauthorized landlord access to a locked storage unit containing historical paper patient records. We promptly ended our lease with that landlord. The remaining breaches involved limited notifications to small number of patients.

Patient Safety and O&P Devices. In order to ensure product safety and integrity, Hanger maintains a Quality Management Program that oversees multiple aspects of care delivery, provider credentialing, adverse event documentation and peer review. We collect and maintain data on service and device related issues and complaints that are reviewed and remediated within our patient care operations.

The Hanger Quality Committee reviews, evaluates, documents and remediates quality of care concerns and complaints; reviews relevant reports from our risk management department and monitors recommended actions. The Committee also recommends and monitors implementation of special studies/projects that evaluate and address specific quality complaints and negative trends.

A robust corporate risk management function is focused on workplace safety, crisis communications and management, ensuring OSHA compliance, contingency planning and employee safety related to catastrophic weather or other exogenous events that impact workplace or employee health and safety.

Enterprise Compliance. Hanger is committed to a strong corporate culture that promotes the highest standards of ethics and compliance for our business, and has a Code of Business Conduct and Ethics that sets forth principles to guide employee, officer and director conduct.

We operate in a highly regulated industry, governed by federal and state regulations regarding patient privacy, reimbursement, conflicts of interest, and many other federal, state and local regulations. Hanger’s primary business of orthotic and prosthetic services are defined as essential health benefits under the Affordable Care Act.

We maintain a robust compliance function to ensure compliance with applicable healthcare regulations. We believe Hanger leads the O&P industry with an infrastructure designed to ensure our compliance meets or exceeds all required standards. Examples of processes and personnel to support this include:
• A Chief Compliance Officer, who reports directly to our CEO, as well as the Quality & Compliance Committee of our Board of Directors. We have demonstrated our commitment to regulatory compliance by having a large and robust compliance department with an accountable model (reporting to both Hanger’s CEO and Board of Directors).

• Maintenance of a whistleblower policy providing for confidential reporting of any suspected violations of policy.

• An appropriate level of resources including SLT level leadership, independent privacy and internal audit teams, industry respected subject matter experts and an interdisciplinary Enterprise Compliance Committee.

Social and Governance Reporting: Promote Diversity and Inclusion

At Hanger, we recognize and appreciate the importance of creating an environment in which all employees feel valued, included, respected, supported and empowered to do their best work. We recognize that each employee’s unique experiences and perspectives add value as we collectively work to achieve our purpose of empowering human potential together.

Given our belief that it is necessary to engage both diversity and inclusion to lead the orthotic and prosthetic market in providing superior patient care, outcomes, services and value, we know that Hanger will do its best work by ensuring diversity in our workforce and by practicing inclusivity in how we work together.

To that end we have made a public Diversity & Inclusion Pledge that outlines our initial, tangible actions that we believe will help contribute to the dismantling of racism, interrupt bias, and in turn, create a more inclusive profession that will ultimately better serve all:

• Dedicated research - Data indicates that within the United States, amputation is significantly more prevalent among people of color, so as a starting point, we will dedicate clinical research to this area of focus.
• Diverse recruitment - While we strive to recruit diverse candidates across Hanger for all positions, there is currently an underrepresentation of people of color, particularly Black students, graduating from O&P clinical programs; we are committed to being part of the significant change to attract more diverse candidates into these programs.
• Hanger Diversity & Inclusion Council - Chaired by President and CEO Vinit Asar, the Hanger Diversity & Inclusion Council will identify specific actions we can take to increase diversity and foster inclusion at Hanger and within the O&P profession.
• Unconscious Bias Training - We will continue to expand upon our unconscious bias training throughout the organization to bring awareness to individual biases and better address them in the workplace.
• Affinity Groups - We recognize employee affinity groups can play an important role in fostering a more inclusive work environment by providing spaces for employees and allies to connect,
collaborate, and share professional and personal resources. We will continue to encourage employee participation within our existing groups created for individuals with disabilities, people of color, LGBTQ, veterans, and women, and will continue to launch new groups of interest to our team members.

Read our entire D&I pledge here.

We are committed to developing women leaders within O&P. Internally we have three programs dedicated to the development of women leaders: Women in Leadership at Hanger LIVE, Hanger Women Programs and IGNITE (senior executive women at Hanger). Externally, we launched the PowerUP webinar series for women across the O&P professions to support their professional and personal growth. Currently, female representation at Hanger totals 22% of the Senior Leadership Team (direct reports to our CEO) including the Head of our Products & Services segment. Currently, approximately 40% of all managers at the Company are women.

Supplier Diversity Initiative. Hanger’s supplier diversity mission is to proactively identify, build relationships with, and procure goods and services from high performing, cost competitive, small business enterprises owned by minorities, women, or veterans. We began this effort by hiring a dedicated executive to focus on supplier diversity in late 2018. Some of our initial progress is highlighted below:

- Built a fulsome database of existing small and diverse suppliers.
- Established a Company approved supplier diversity policy.
- Completed a supplier diversity strategic plan.
- Working with a service disabled veteran owned small business in pursuit of contracting opportunities.

The Hanger Supplier Diversity initiative rests upon three pillars: Maximizing Opportunities through targeted outreach to diverse suppliers in areas of greatest need and opportunity,; Mentoring and Enrichment: Helping suppliers to understand the Hanger procurement process, the O&P industry as a whole, and how to position themselves for success, ; and Fostering Collaboration: Working with advocacy groups, small business support agencies, and Tier I suppliers to create meaningful relationships to support an inclusive supply chain. We look forward to gaining traction during 2021 and sharing tangible progress with this initiative in 2022.

Social Reporting: Contributing to the Communities We Serve

Access for Low-Income Patients (HC-DY-240)

Access for Low Income Patients. Within our Patient Care segment, in 2020 we funded approximately $7.2 million of O&P services to low income patients. We provided direct full or partial financial assistance to 44,000 patients from the period September 20, 2019 through September 20, 2020.

Above and beyond financial assistance, Hanger clinicians volunteered approximately 5,400 hours of their time to take care of patients in communities and on missions and related activities.
Community Relations. Community relations efforts are designed to enhance our corporate reputation by broadening awareness of Hanger, our mantra of empowering human potential, and the broader orthotics and prosthetics industry. We have invested in significant internal resources across our clinical organization, marketing and corporate communications to support these efforts.

We believe that our success will not be ultimately measured by the devices we fit, but rather by the outcomes of the patients we serve. Approximately 70% of our Patient Care segment revenue is recurring, being derived from replacement of devices as their useful life comes to an end.

Thus, we have a vested interest in the long-term outcomes and success of our patients and all persons in the communities we serve. Our engagement and marketing efforts focus on building life-long bonds with our patients, partnering in patient care with physicians, and facilitating support among those in the amputee community. We have many programs that support this outreach mission, including:

- Volunteer peer visitors – Patients can visit with individuals who have experienced limb loss who encourage them, share stories and provide support at what can be the most traumatic time in a person’s life.
- While COVID impacted our in-person activity during 2020 (see below), we successfully transitioned a number of patient events into a virtual environment. Pre-COVID, in 2019, we hosted over 320 national and local Patient Education Clinic events throughout the country, hosting approximately 6,300 patients and provide orthotic and prosthetic users the opportunity to speak free of charge with a nationally recognized O&P specialist. These events are open to anyone who has a concern or challenge regarding their prosthesis, support or brace. Many of the people in attendance are not currently Hanger patients.
- We provide innovative outreach using technology such as virtual reality, mobility scorecards and benchmarking along with multi-channel social media campaigns.
- Specialized events for specific populations, including bilateral above-knee amputees and upper limb prosthesis users including three day long “Bootcamps” and our unique “Empowerfest” events.
- We maintain a national multimedia interpretation service to allow non-English speaking patients to have improved access to care. Interpretative services were utilized for approximately twelve languages during this first phase of the program.

We have a robust traditional and social media strategy that includes the planning and management of traditional media coverage, both proactive and reactive, as well as social media. The primary objectives are building brand awareness, sharing uplifting stories about those we serve, driving traffic to the website, and cultivating community among our patient base.

In 2020, approximately 2,900 traditional media stories (broadcast and online / print) were managed, of which, an estimated 30 were national news stories, including placements on the TODAY show, CNN’s HLN Weekend Express, The Doctors, and Reuters UK/US. Our primary patient-based social media platforms
(Facebook and Instagram) grew by 26% and 38%, respectively, reaching 6.2 million total people, with a combined 724,000 engagements across the two social media platforms. We also engage in an ongoing #EmpoweredCareers campaign to highlight team member success stories and promote employment branding.

During 2020, we hosted two national events in locations throughout the country for those with limb loss and limb difference to receive peer support, education, and more. Additionally, our national clinical experts host free patient education clinics almost daily, educating those with limb loss and limb difference what’s available with prosthetic technology, and what’s on the horizon, aimed at ensuring each person is reaching their full potential. Our 2021 plans are highly ambitious.

Finally, the Hanger Charitable Foundation aims to advance our communities by supporting 501c3 organizations that help people with physical challenges live life as fully as possible. In the wake of COVID, all grants were suspended in 2020 as most grant applicants also suspended their operations. As of April 2021, the Foundation has opened the first of two giving cycles for the current year and is currently evaluating applications and plans to disburse grants again in May 2021. Some additional highlights:

- The number of Hanger employees donating to the Foundation in 2020 increased by 31% when comparing Dec 2019 to December 2020). This is notable and emblematic of our culture even while employees faced temporary salary reductions and furloughs due to COVID, as discussed previously.
- In December 2020, Hanger, Inc. donated $500,000 to launch the Hanger Foundation Diversity Scholarship Program intended to supplement the cost of Masters of Science in Prosthetics and Orthotics (MSPO) programs at major universities to improve clinician diversity in our industry.
- As a baseline for comparison, in 2019, the Hanger Foundation awarded $240,000 dollars to 32 different non-profit organizations associated with O&P causes.

*Traditional and social media stats, along with events stats, are from Oct. 1, 2019 to Sept. 30, 2020
Environmental Reporting: Sound Environmental Stewardship

Supply Chain Modernization

We manage a large supply chain, consisting of multiple distribution centers and fabrication facilities that provide materials to create orthotic and prosthetic devices, or utilize a scan or mold to produce a device in a central fabrication facility. Our supply chain services both our own clinics and independent O&P clinics.

Supply chain is an area of differentiation for Hanger that provides an opportunity to benefit our business by decreasing the cost of the materials we buy. Currently, approximately 30% of Hanger’s costs are related to cost of materials.

Embedded within that figure are significant costs related to costs of freight, number of packages shipped and costs of packing materials. Our current process for enterprise supply chain management is legacy and manual.

In late 2019, we announced a two-year-plus transformational program, investing an incremental $30-$35 million during 2020 and 2021 in technology as well as re-engineering our physical supply chain assets across our distribution centers nationally. The plan includes a cloud-based ERP system, combined with logistics, warehouse and freight-management reengineering. While these initiatives have a compelling financial return profile, we also believe they will materially improve the efficiency of our sourcing, lower freight costs and decrease our carbon footprint.

We made a strategic decision to pause most of this initiative in 2020, due to the impact of the COVID-19 pandemic. However as of early 2021 we are restarting the project, and anticipate completing key aspects of the project in 2021 and 2022. During the temporary pause, we proceeded with the planned move into a new, state of the art distribution facility in Alpharetta, Georgia. We also experienced a partial year of savings, primarily lower freight costs in 2020, and reducing supply chain expenses by approximately $4 million.

Energy and Waste Management

Currently Hanger does not have centralized management of electric, gas or water utility use in our facilities, including our more than 800 patient care service locations. Recycling services are also localized. As a healthcare services company, Hanger’s business is not significantly or uniquely exposed to the impacts of climate-related risks. We also do not believe we contribute significantly to greenhouse gas emissions (GHG) given the nature of our business. As a result, Hangers’ current environmental metrics are limited.

However, the environment, climate change and management of GHG are currently at the top of the ESG agenda globally. We recognize all corporations have a role to play and should consider evaluating how they can do their part to address this global challenge.

In early 2021, Hanger’s ESG task force formed a sub-committee supplemented by additional expertise internally and externally to determine the practicality and feasibility of measuring and reporting on
environmental topics coincidental to our business, such as energy consumption, waste management and recyclable waste. As we implement advanced financial systems we will evaluate opportunities to measure Hanger’s environmental footprint and determine opportunities to lower our overall energy use in an attempt to move in a carbon neutral direction – but we see this as a long term endeavor.

**Governance Reporting: Robust Approach to Corporate Governance**

Hanger’s Board of Directors is currently comprised of 10 members. Nine of our directors are deemed independent directors that are not otherwise affiliated with the company.

None of our independent directors has a familial, direct or indirect material relationship with Hanger.

We maintain separation of the Chairman of the Board position and the President and Chief Executive Officer position.

Our Directors serve one year terms and are elected each year at our annual meeting of shareholders.

The current gender makeup of Hanger’s Board of Directors is 20% female, consisting of two Directors.

From a diversity perspective, three, or 30%, of our Directors are represented by non-Caucasian ethnicities, including one African American Director.

Four standing committees serve the Board: Audit, Compensation, Corporate Governance & Nominating, and Quality & Compliance. Each committee’s charter is available on Hanger’s Corporate Governance section of our investor relations website, along with our Corporate Governance Guidelines.

Presently, the Corporate Governance & Nominating Committee of our Board of Directors is overseeing our ESG efforts and receiving periodic updates and reports on our efforts.