

2022 REPORT

Environmental | Social | Governance (ESG)

April 2023

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A Letter from Hanger's Chairman of the Board & Chief Executive Officer

We are pleased to share Hanger's fourth annual disclosure on environmental, social, and governance (ESG) issues and reaffirm our long-term commitment to improving patient outcomes and delivering positive and sustainable impact to our stakeholders and the communities we serve.

In this report, we highlight a number of initiatives and processes underway as part of our ESG journey, which we view as a reflection 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 ways that cannot be fully quantified in economic terms. For more than 160 years, Hanger has been at the forefront of clinical excellence and innovation, and Hanger's clinical team provides compassionate, expert care and customized O&P solutions to improve the lives of millions of people with amputations, limb differences, neuromuscular disorders, and other musculoskeletal anomalies.

Hanger's corporate purpose is
"Empowering Human Potential Together."

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 complex componentry used to fabricate definitive devices, which in turn help restore mobility and physical function. Due to 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.

Sustainable business at Hanger starts with our values – which we see as linked to our corporate success and that of our stakeholders. Our Hanger values are integrity, patient-focused, outcomes, collaboration, and innovation. These values create a framework that drive what we do and how we do it, and to define and measure career development and success at Hanger for our approximately 5,600 employees. Each year, we recognize and reward a select group of individuals or teams who exemplify these traits through the Hanger Impact Awards.

OVERSIGHT AND ACCOUNTABILITY

At Hanger, oversight of ESG begins at the board level with our board receiving periodic updates and integrating and aligning ESG considerations into Hanger's overall strategy, including our corporate and risk management activities.

Hanger's ESG Task Force, formed in 2019, serves as the key conduit for this effort. In 2022, the task force met regularly to coordinate and collect data that had been determined to be of the highest relevance, priority, and accessibility for Hanger's 2022 efforts. The task force is comprised of 11 executives and senior managers who provide subject matter expertise in key areas, including human resources, corporate services, legal, supply chain, revenue cycle management, compliance, clinical and scientific affairs, and treasury.

Our sustainability efforts originate with periodic reviews of relevant business activities, opportunities, and challenges through an ESG lens. As a result, a key function of the task force is to ensure we are bringing in-progress operational activities into the ESG realm for disclosure, if relevant.

During 2022, the ESG Task Force reviewed existing ESG disclosures among public companies, various frameworks, and ESG rating agency data. Due to the unique nature of Hanger's business, we proactively combine portions of existing industry frameworks with our own data and metrics that we believe are most relevant to our business and industry. We begin with applicable 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 Inclusion.

In closing, our board and Senior Leadership Team at Hanger welcome engagement from our stakeholders on the evolving ESG landscape, our impact, and opportunities in this area. We continue to reach out to various external stakeholders to better inform our options and identify new opportunities.

We appreciate your interest and look forward to future dialogue.

Sincerely,



Vinit Asar

*Chairman of the Board &
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 the continuum of business risk, financial impact, and relevance to our business. As a purpose-driven organization, we believe Hanger has a profoundly positive impact on the lives of the patients and families we serve. We believe our 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, or paid directly 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 the head. We also fit and deliver orthotic devices and specialized footwear required due to disease, anatomic change, or injury. We also have a distribution business that sells O&P componentry and supplies that are available to 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, disease, neurological disorders, 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 healthcare-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 1,700 board-certified prosthetists, orthotists, and pedorthists by the end of 2022, with approximately 134 O&P residents completing their required training before entering the field full-time. Our clinicians work as a team alongside trained technicians, fitters, and support staff. This field organization is supported by regional management and our corporate and internal organizations, whose purpose is to provide the requisite infrastructure so the field can focus on its core competency—taking care of patients. Hanger's values directly support our mission and are a critical element in the corporate culture that allows us to protect, nurture, and grow our clinical organization.



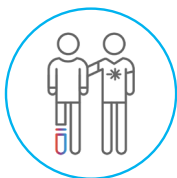
INTEGRITY

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, we are committed to governance policies and practices that serve the long-term interests of Hanger and its stakeholders. From an environmental perspective, the impact of our O&P services business is not as significant as in industries such as manufacturing, which directly generate a significant carbon footprint. However, we have a role to play in lowering our carbon footprint and the resulting greenhouse gas emissions of our clinic locations and distribution centers. We are committed to exploring practical opportunities to engage in energy and waste management strategies to 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, increased sense of well-being, and quality of life. Our corporate vision is to lead the orthotic and prosthetic markets by providing superior patient care, outcomes, services, and value. We achieve this through two business segments: Patient Care (85.2% of net revenue) and Products & Services (14.8% of net revenue).

Hanger's ESG Task Force is comprised of 11 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, and treasury. Five of the 11 members of the task force serve on Hanger's Senior Leadership Team that reports directly to our 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). 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 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 used available input from rating agencies and ESG publications to build our framework so it better fits the nature of our business. We continue to incorporate input from our shareholder, as well as suppliers and employees, as our disclosures continue to evolve.

Finally, this report is not intended to be a definitive list of disclosures, but rather one that evolves over time as our efforts mature and new areas of focus emerge.

Hanger's key ESG tenets are:

- Operate with Integrity
- Put the Patient First
- Nurture Our Human Capital
- Promote Diversity & Inclusion
- Contribute Positively to the Communities We Serve
- Sound Environmental Stewardship

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

Hanger ESG Tenet	Environmental, Social, & Governance Impact	Key Performance Benchmarks/Metric
Operate with Integrity	 Social  Governance	<ul style="list-style-type: none"> • Patient privacy • Safety of O&P services and devices • Enterprise compliance
Put the Patient First	 Social  Governance	<ul style="list-style-type: none"> • Electronic Health Records (EHRs) • Quality of care • Patient satisfaction (NPS) • Pricing and billing transparency • Outcomes research • Serious Reportable Events (SREs)
Nurture Our Human Capital	 Social  Governance	<ul style="list-style-type: none"> • Employee recruitment, development, and retention
Promote Diversity and Inclusion	 Social  Governance	<ul style="list-style-type: none"> • Building a culture of diversity and inclusion
Contribute Positively to the Communities We Serve	 Social  Governance	<ul style="list-style-type: none"> • Access for low income patients • Community relations
Sound Environmental Stewardship	 Environmental	<ul style="list-style-type: none"> • Energy management • Waste management • Climate change impact on human health and infrastructure • Supply chain efficiency and integrity

SOCIAL AND GOVERNANCE REPORTING: PUTTING THE PATIENT FIRST

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

Quality of Care. National healthcare expenditures totaled approximately \$4.3 trillion in 2021 and we believe O&P addressable market 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 the routines of daily living after a catastrophic limb loss event in dollars?

The impact on physical and mental health status, including 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 be 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, through the Hanger Institute, we are developing clinical research that measures and reports the impact of health outcomes in O&P patient care.

From Hanger's Senior Vice President & Chief Clinical Officer



James H. Campbell, Ph.D.
Senior Vice President & Chief
Clinical Officer

Embedded within Clinical and Scientific Affairs, the mission of the Hanger Institute is to explore, expand, and facilitate opportunities that advance science and care in orthotics and prosthetics.

Translating knowledge to the broader rehabilitation community and disseminating results are key components that define clinical research. Scientific peer review is the standard through which

research is judged and critiqued by the established expert community. Our clinical research efforts are robust and have resulted in 32 publications in peer-reviewed literature in the last four years.

Through this process, our research can be translated into evidence and subsequently help improve clinical care. With a high focus on strategic collaboration and partnerships with a wide range of academic and clinical institutions, the Hanger Institute has attracted 12 federally funded grants to further support our research efforts.

At the foundation of our clinical research is the commitment and dedication from our teams to collect clinical outcomes across more than 900 Hanger Clinic locations nationwide. By adopting outcomes collection as a basic standard of care, Hanger is uniquely positioned to understand the life-long journeys of individuals with limb loss and limb difference.



Hanger Institute
FOR CLINICAL RESEARCH & EDUCATION.

THE HANGER INSTITUTE'S CLINICAL RESEARCH EFFORTS

MAAT Series. With seven separate landmark studies that represent one of the largest multi-center retrospective analyses of mobility among users of lower limb prostheses, this series seeks to clarify the concept of prosthetic mobility as it relates to such considerations as satisfaction, quality of life, comorbid health conditions, and prosthetic component choices.

OASIS Series. This series compares the effectiveness of a variety of orthotic and prosthetic components across different patient groups to ultimately impact and enhance patient outcomes.

Resilience of Prosthetic Mobility and Well-Being Following Amputation as a Result of Diabetes. We take a special interest in individuals who undergo amputation due to diabetes/dysvascular disease and further review disparities in the incidence of amputation following diabetic foot ulceration, resilience of prosthetic mobility and well-being following diabetic amputation, and mobility trends by age, amputation level, and etiology.

Understanding the Impacts of Different Prosthetic Components. We recently completed various clinical studies asserting that foot design is a meaningful consideration for lower limb prosthesis users and future patient protocols.

Enhancing Our Understanding of Well-Being Among Users of Upper Limb Prostheses. Well-being is a complex construct for individuals who have undergone upper limb amputation as it is affected by a range of considerations.

Understanding and Quantifying Mobility Constraints Among Users of Lower Limb Orthoses. Analysis of lower limb orthosis users found receipt of a first or replacement ankle-foot orthosis (AFO) was associated with a significant increase in physical function.

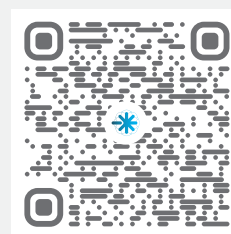
Importantly, our research agenda is not specific to care at Hanger Clinic locations, but rather encompasses the value proposition of O&P care itself on overall patient status, outcomes, and cost of care. This effort elevates our entire industry within the medical community. Our research mission is aligned 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.

Visit HangerClinic.com/For-Professionals/Hanger-Institute/Clinical-Research to find additional information on Hanger's Department of Clinical and Scientific Affairs and our nationwide collaborative outcomes research agenda in O&P.



Translating knowledge to the broader rehabilitation community and disseminating results are key components that define clinical research.

Made possible by strategic collaboration and partnerships with a wide range of academic and clinical institutions, we are pleased to share the 2022 Hanger Institute for Clinical Research & Education's Annual Report.



**SCAN TO
VIEW THE
REPORT**

Net Promoter Score. Within our Patient Care segment, we commit to partnering with patients, caregivers, and colleagues to provide consistent, compassionate, human-centric experiences on their journey to living empowered lives.

With empowering human potential as Hanger Clinic’s mantra, we launched the Net Promoter Score survey in 2017 to bring the voice of the patient into our daily operations, in real time, to better understand the key elements that contribute to positive patient experiences, learn where we have opportunities to improve, and build on our culture of service.

Since launching NPS, we have collected 316,011 patient responses (number of survey submissions) and have successfully achieved our goal of improving our NPS year over year. At year-end 2022, our Patient Care segment NPS was 87.7 out of a possible 100, which is a 1.1 improvement over the prior year.

Daily monitoring of NPS feedback is an integral part of the Hanger culture, squarely placing the patient at the center of everything we do.

Serious Reportable Events (HC-DY-250a.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 2022, 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.

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

NPS Improvement Year-Over-Year			
Year	NPS	NPS Live Clinics	% Enrolled Clinics
2017	81.5	361	50.2%
2018	82.0	560	77.9%
2019	84.3	683	95%
2020	86.1	689	95.8%
2021	86.6	716	97.7%
2022	87.7	741	95.6%

This NPS chart illustrates Hanger Clinic’s commitment to continuous year-over-year improvement in patient experience since 2017.

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

Talent recruitment and retention efforts for health care practitioners (HC-DY-330a.2). As the leading provider of O&P care in the United States, Hanger does not take its leadership position for granted. 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.

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 careers.

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. We provide career development opportunities through defined career paths and a commitment to internal mobility. More than 30% of our open positions are filled by Hanger employees seeking promotions, new locations, and/or different career paths.

We strive to recruit diverse candidates across Hanger for all positions, and are committed to making an impact in increasing the diversity of talent in the field of O&P so that our care providers can better reflect the patients we proudly serve. As part of this ongoing commitment to diversity and inclusion in O&P, and our pledge to help recruit underrepresented students of color into the profession, we provided the initial funding for the Hanger Foundation to create Hanger Foundation Diversity Scholarships that help supplement the cost of Masters of Science in Prosthetics and Orthotics (MSPO) programs. In addition to receiving this scholarship, all recipients are offered a two-year mentorship with the option of pursuing a residency at Hanger Clinic.

We are also proud that many 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, 80.5% of all residents hired within the Hanger Clinic National Residency Program are diverse by gender, race, and/or ethnicity. Additionally, 52.4% of all clinicians hired in 2022 and 64% of all clinician positions filled through internal relocation were similarly diverse. In total, 31% of our clinicians are female, which exceeds the total female representation rate of 28% for the field of orthotics and prosthetics. Prospective job seekers quickly discover what anchors us as a company through our external career site ([Careers.Hanger.com](https://careers.hanger.com)) and interacting with our people. No matter the role, every Hanger employee helps make the impossible possible – one person, one challenge, one step at a time.

Employee Retention (HC-DY-330a.1). At Hanger, we value employee feedback and encourage our employees to share their views with their managers and senior leaders. Hanger periodically engages with an external vendor to coordinate the collection of anonymous employee feedback and measure employee engagement. Survey categories include clarity of direction, integrity, manager and senior leadership, engagement, pay and benefits, and patient focus. Survey results are summarized and shared with all employees. Hanger's Senior Leadership Team reviews these results and creates action plans that further drive engagement.





Each year, Hanger hosts Hanger LIVE, typically bringing more than 1,000 Hanger employees and industry exhibitors together, in-person, for educational courses and collaboration with colleagues, manufacturers, and partners, in addition to clinical keynote sessions from medical professionals advancing the O&P industry. This event offers clinicians an opportunity to complete their continuing education requirements, hear directly from Hanger’s senior leaders about the direction and strategy of the company, and build relationships across our vast organization.

Hanger LIVE 2022, originally scheduled for January 31-February 2, was cancelled in January 2022 due to the Omicron variant that was spreading rapidly across the United States. At that time, Hanger was experiencing the greatest number of COVID-19 cases among our employees since the pandemic started, and the risk of infection was too high among Hanger LIVE attendees.

Hanger LIVE 2023 was held in-person from January 23-25 at the Gaylord Texan Resort & Convention Center in Grapevine, Texas. More than 1,050 Hanger employees and 370 exhibitors gathered for educational courses and collaboration with colleagues, manufacturers, and O&P industry partners. With an event theme encouraging attendees to “ShiftMoveGo,” the opening ceremony featured the first-ever Hanger LIVE Sled Hockey Classic, showcasing a match between Team USA Sled

Hockey athletes. Attendees also participated in clinical education courses and clinical keynote sessions featuring thought leaders in the O&P profession, and a presentation on improving health outcomes by Dr. Scott Wallace, JD, MBA, co-founder and managing director of the Value Institute for Health and Care at the University of Texas at Austin’s Dell Medical School.

For competitive reasons, Hanger is reticent to disclose specific retention or attrition rates. 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.

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. This 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-DY-230a.1). As an O&P health services provider, our clinicians do not meet the Medicare or 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 insurance 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. The inability to adequately meet these requirements is a key factor cited by payors 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 electronic health records (EHR) platform developed by NextGen Corporation, a publicly 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 serve as a critical reservoir for a host of financial, clinical, and operating data. Integration into the Hanger records system for newly hired clinicians is typically immediate. For newly-acquired O&P clinic staff, integration typically occurs within six months of being acquired by Hanger.

Protected health information (PHI) & Personal Identifiable Information (HC-DY-230a.2)

As a healthcare covered entity within the scope of the HIPAA regulations, protecting patient privacy is of the utmost importance at Hanger.

Our policies and procedures explicitly define how employees are to handle personal health information (PHI) and personally identifiable information (PII). We see PHI and PII as 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. Notifications of new policies or policies with substantial changes are shared in the monthly “Compliance Hotsheet” company-wide email and through manager newsletters. Policies are searchable on the intranet and always show at the top of the list for a given topic. Areas such as privacy have a designated subset of all related policies, grouped as the “HIPAA Index,” available for employees. The “Index” allows for a one-stop place to review all subject policies detailing the regulations and how employees are to follow them. Employees are further educated throughout the year on safeguards to PHI and ePHI through formal and informal trainings. Furthermore, videos focusing on privacy topics are available for employee viewing through the intranet.

Data Breaches of PHI, PII, and Monetary Losses (HC-DY-230a.3, HC-DY-230a.4)

For the 2022 calendar year, we had one PII breach impacting 36 individuals (employees and dependents), one security ePHI breach requiring the notification of approximately 1,300 patients, and an additional 12 physical PHI breaches requiring the notification of 40 patients. We saw an increase in 2022 over 2021 primarily due to the ePHI security breach.

Given that more than 1 million patients are seen annually, Hanger continues to have a very low breach to patient ratio. In 2022, the total patients requiring notification was 1,340, which was less than .14% of all Hanger patients serviced that year.

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, which 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 and 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 providing O&P services is defined as an essential health benefit 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 effort include:

- A Chief Compliance Officer who reports directly to our CEO and Board of Directors. We have demonstrated our commitment to regulatory compliance by having a fully-staffed and robust compliance department with an accountable model.
- Maintenance of a whistle-blower policy providing for confidential reporting of any suspected violations of policy.
- An appropriate level of resources, including the Senior Leadership Team (SLT), 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 O&P 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 and 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 Pete Stoy, 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.



Diversity & Inclusion
EMPOWERED BY OUR DIFFERENCES

- **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 Diversity and Inclusion Pledge [here](#).

Supplier Diversity Initiative. Hanger's supplier diversity mission is to proactively identify, build relationships with, and procure goods and services from high-performing and 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 includes:

- Building a robust database of existing small and diverse suppliers.
- Establishing a company-approved supplier diversity policy.
- Completing 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.

- 1. Maximizing opportunities** through targeted outreach to diverse suppliers in areas of greatest need and opportunity.
- 2. Mentoring and enrichment** by helping suppliers to understand the Hanger procurement process, the O&P industry as a whole, and how to position themselves for success.
- 3. Fostering collaboration** by 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 in 2023 and sharing tangible progress with this initiative in 2024.

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 2022, we funded approximately \$20.2 million in O&P services to low-income patients. We provided direct full or partial financial assistance to approximately 46,000 patients from January 1, 2022 through December 31, 2022.

Above and beyond financial assistance, Hanger funded approximately 3,580 hours of volunteer time-off to help people in the communities we serve by building awareness of O&P care and other related activities. Specifically, clinicians volunteered to care for patients and serve on mission trips.



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 O&P industry as a whole. We have invested in significant internal resources across our clinical organization, marketing, and public relations and communications function to support these efforts.

We believe that our success will not ultimately be 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:

- Patients can visit with trained individuals who have experienced limb loss and who provide encouragement and support during what can be the most traumatic time in a person's life.
- Innovative outreach using technology such as 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. After having to cancel the event two years in a row due to COVID-19, Hanger Clinic hosted the largest EmpowerFest to date in April 2022, with an impactful and life-changing experience for all who attended, including both upper and lower limb loss programs featured together for the first time. There were 149 people with limb loss in attendance including 21 kids and 91 support/family members joining them.
- In September 2022, Hanger Clinic held an in-person Bilateral Above-Knee Amputee (BAKA) Bootcamp with 36 patients attending for a life-changing weekend of education and peer support.
- 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 2022, media relations efforts resulted in approximately 4,348 traditional media stories (broadcast, online, and print), reaching an estimated audience of 17.6 billion. An estimated 72 of these placements were national news stories, including USA Today, Forbes, Yahoo News, U.S. News & World Report, ABC World News Tonight, CBS Morning News, and more.



The Hanger Clinic Facebook page facilitated 821,000 engagements, reaching 7 million people with an average post engagement rate of 12%. The Hanger Clinic Instagram page followers grew 20%, facilitating 183,000 engagements and reaching 3 million people. The Hanger LinkedIn page followers grew 17%, facilitating 65,000 engagements and reaching 680,000 people.

Finally, the Hanger Foundation aims to empower people with physical challenges to live life as fully as possible. In 2022, the Foundation had two giving cycles related to their empowerment grants and funded diversity scholarships at four universities. Additional highlights include:

- Hanger employees contributed over \$130,000 to the Foundation in 2022, an increase of 83% over the last five years.
- In September 2022, \$80,000 in Hanger Diversity Scholarships were awarded among four students attending four major universities to supplement the cost of their Masters of Science in Prosthetics and Orthotics (MSPO) programs to improve clinician diversity in our industry.
- In 2022, the Hanger Foundation awarded \$244,666 to 30 different non-profit organizations associated with O&P causes.
- The Hanger employee health and wellness initiative, Healthy Hanger, generated a further \$7,500 in grant funds awarded to three additional nonprofit organizations.
- Working as a coalition with other nonprofit groups, the Hanger Foundation funded \$22,592 and Hanger clinicians volunteered their skills to support O&P patient care needs resulting from the war in Ukraine.

**Traditional and social media statistics are from Jan. 1, 2022 to Dec. 31, 2022.*



ENVIRONMENTAL REPORTING: SOUND ENVIRONMENTAL STEWARDSHIP

Supply Chain Modernization

Hanger's complex supply chain consists of two distribution centers (DCs), an East DC and a West DC, along with fabrication facilities. These DCs ship finished O&P products, as well as components, parts, and materials to create O&P devices at fabrication facilities. The centralized fabrication facilities utilize scans or molds to produce custom devices. Hanger's supply chain services both Hanger's 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 the cost of materials. Freight, the number of shipments, and the cost of packing materials are a significant portion of Hanger's material costs.

In early 2021, Hanger restarted the supply chain optimization project originally suspended due to the COVID-19 pandemic. The two-plus year, \$30 - \$35 million transformational program updates enterprise manual processes, legacy systems, and physical supply chain assets. The plan includes a cloud-based ERP system, combined with logistics, warehouse, and freight-management reengineering through a warehouse management system (WMS). Key aspects of the project were completed in 2021, including the move into a new, state of the art distribution center in Alpharetta, Georgia. This new DC utilizes a custom box solution that right-sizes shipping cartons, reducing cardboard, packing material usage, and transportation cube.

In early 2022, Hanger announced the closure of two small DCs in Chicago, IL and Atlanta, GA. The customers serviced by the closed DCs will be serviced by the remaining DCs in Atlanta, GA and Reno, NV. This strategy will allow more SKUs to be positioned in each DC, reducing the number of shipments necessary to complete an order. While these initiatives have a compelling financial return profile, they also reduce the number of inbound and outbound shipments by an estimated 20%, lowering freight costs and decreasing Hanger's carbon footprint.

In 2023, the final element of the plan, which is implementing a cloud-based ERP system, will be completed, combining Hanger's order to cash processes with the WMS system implemented in 2021. This will connect all elements of the process, reducing the physical paper utilized during the order and financial and reverse logistic processes, creating efficiencies and reducing the supply chain's carbon footprint. The capabilities of the enhanced system will provide the foundation for improved patient care and customer experience through real-time data that will be utilized to address process exceptions promptly and address risks proactively resulting in shorter delivery cycle times. A reverse logistics initiative was initiated to address the unique requirements of Hanger's complex portfolio, aimed at improving the customer experience while reducing the cost, carbon footprint, and process cycle times through enhanced online tools, return policy modifications, and reduced return shipments.

Energy and Waste Management

Currently, Hanger does not have centralized management of electric, gas, or water utility use in our facilities, or our over 900 clinic 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, Hanger's 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.

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 aligned our financial systems in 2022, we evaluated 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. Our next steps will be to develop the objectives of the program to include measure, strategy, and implementation. Our objectives will determine the processes for utility bill processing and analysis, strategic energy sourcing and contract management, and rate monitoring and optimization.

SASB QUICK-REFERENCE GUIDE

SASB Topic	Code	Description	Relevancy	Page
Quality of Care and Patient Satisfaction	HC-DY-250a.1	Average Hospital Value-Based Purchasing Total Performance Score and domain score, across all facilities	Not Relevant	11
	HC-DY-250a.2	Serious Reportable Events (SREs)	Relevant	11
	HC-DY-250a.3	Hospital-Acquired Condition (HAC) Score per hospital	Not Relevant	11
	HC-DY-250a.4	Excess readmission ratio per hospital	Not Relevant	11
Employee Recruitment, Development, and Retention	HC-DY-330a.1	Employee Retention	Relevant	12
	HC-DY-330a.2	Talent recruitment and retention efforts for health care practitioners	Relevant	12
Pricing and Billing Transparency	HC-DY-270a.1	Pricing and Billing Transparency	Relevant	13
Patient Privacy and Electronic Health Records	HC-DY-230a.1	Electronic Health Records Meeting Meaningful Use (MU) Requirements	Relevant	14
	HC-DY-230a.2	Protected Health Information (PHI) & Personal Identifiable Information (PII)	Relevant	14
	HC-DY-230a.3	Data Breaches of PHI, PII, and Monetary Losses	Relevant	15
	HC-DY-230a.4			15
Access for Low-Income Patients	HC-DY-240	Access for Low-Income Patients	Relevant	17