

# **SUSTAINABILITY REPORT 2010**





#### Introduction

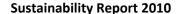
DJO Global, Inc. ("DJO" or the "Company"), is a global provider of medical device solutions for musculoskeletal health, vascular health and pain management. Our products address the continuum of patient care from injury prevention to rehabilitation after surgery, injury or from degenerative disease, enabling patients recover more quickly and live life to the fullest.

With headquarters in Vista, CA, annual revenues approaching \$1 billion and almost 4700 employees in 2010, the Company is the world's largest orthopedic rehabilitation company and the 8<sup>th</sup> largest orthopedic company globally\*. DJO is privately held by Blackstone Capital Partners V L.P. DJO has 19 locations worldwide with operations in the United States, Mexico, Canada, Europe, Africa, Asia and Australia. DJO sells its products in more than 80 countries around the world.

See also section 3.6 entitled Boundary of the Report for additional Company updates reflecting business changes in 2011 that are not included in the boundary of the 2010 sustainability report. These changes will be included in DJO's 2011 sustainability report.



Company Locations for 2010







\*Source - Orthopedic Design and Technology, July 1, 2008

DJO Global has been on its "lean" journey since 2000 and its "green and sustainability" journey since 2007. The goal of this 2010 Sustainability Report, DJO's first such report, is to baseline the Company's current state of sustainability. From the report and established baselines, DJO's Sustainability Reporting Team will develop actions and programs to continuously improve our sustainability as a global organization. Our aim is to be able to answers these questions:

- 1. What actions should we focus on to drive the greatest improvements in our business operations that will strengthen our sustainability (upstream and downstream) and improve our bottom line?
- 2. Which key stakeholders will we dialog with to effect number 1 above?
- 3. How will we share best practices across our sites regarding sustainability?

With the Global Reporting Initiative (GRI) G.3 Sustainability Reporting Guidelines as our template, our goal when we initiated this process was to report on as many GRI Key Performance Indicators (KPI) as possible to best assess the state of sustainability at DJO. While we were able to address nearly every GRI KPI for economic, environmental and social categories, we have rated DJO's first Sustainability Report a Level (B).

Through the development and application of the DJO Way, which embodies DJO Global's culture and values, including our Sustainability Reporting Initiative, we believe that we are making a positive difference by making each process that we touch and each action we undertake more sustainable in our eyes and importantly, in the eyes of our stakeholders. The net result of strengthening the sustainability of our economic, environmental and social business practices is more engaged suppliers, employees and customers, which benefits the patients who use our products. We will continue to live up to our DJO Way motto of **NEVER STOP GETTING BETTER!** 













## Strategy and Profile of DJO Global, Inc.

Profile	Description			
1.1	Statement from CEO presenting overall vision			
1.2	Description of key impacts, risks, and opportunities	11		
2.1	Name of reporting organization	13		
2.2	Primary brands, products and/or services			
2.3	Operational structure of the organization			
2.4	Location of organization's headquarters			
2.5	Number of countries of operations	15		
2.6	Nature of ownership and legal form	17		
2.7	Markets served	17		
2.8	Scale of reporting organization	18		
2.9	Significant changes during the reporting period	19		
2.10	Awards received during 2010	19		
3.1	Reporting Period	20		
3.2	Date of most recent previous report	20		
3.3	Reporting cycle	20		
3.4	Contacts for questions regarding the report	20		
3.5	Process for defining report content			
3.6	Boundary of the report			
3.7	Limitations on the scope or boundary of the report			
3.8	Basis for reporting that can significantly affect comparability	23		
3.9	Data measurement techniques and the bases of calculations			
3.10	Explanation of the effect of any re-statements of information			
3.11	Significant changes from previous reporting periods			
3.12	Table identifying the locations of the Standard Disclosures in the report	24		
3.13	Policy regarding external assurance for the report	24		
4.1	Governance structure of the organization	25		
4.2	Is the chair of the Board of Directors also an executive officer?	25		
4.3	Members of the Board of Directors that are independent and/or non-executive members	26		
4.4	Mechanisms to provide recommendations or direction to the board of directors	26		
4.5	Linkage between compensation and the organization's performance	26		
4.6	Processes in place to ensure conflicts of interest are avoided	27		
4.7	Process for determining the qualifications and expertise of the members of the	27		
	Board of Directors			
4.8	Internally developed statements of mission or values, codes of conduct and principles	28		
4.9	Procedures for overseeing economic, environmental, and social performance	29		
4.10	Processes for evaluating the Board of Directors' own performance	29		
4.11	Address to precautionary principle	29		
4.12	Externally developed economic, environmental, and social charters to which the organization subscribes	30		





Profile	Description	Page No.
4.13	Memberships in associations	30
4.14	List of stakeholder groups engaged by the organization	31
4.15	Basis for identification and selection of stakeholders	31
4.16	Approaches to stakeholder engagement	31
4.17	Key topics and concerns raised through stakeholder engagement	32

## **Economic Disclosures**

## **Management Approach to Economic Disclosures**

Profile	Description	Page No.
EC 1	Economic Value generated and distributed	35
EC 2	Financial Implications due to climate change	35
EC 3	Coverage of defined health benefit plan obligations	36
EC 4	Significant financial assistance from government	36
EC 5	Range of wage ratios	36
EC 6	Spending on locally-based suppliers	36
EC 7	Procedures for local hiring	37
EC 8	Infrastructure investments and services	37
EC 9	Indirect economic impacts	37

### **Environmental Disclosures**

### **Management Approach to Environmental Disclosures**

Profile	Description	Page No.
EN 1	Materials used	41
EN 2	Recycled input materials	41
EN 3	Direct energy consumption by primary source	42
EN 4	Indirect energy consumption by primary source	43
EN 5	Energy saved through improvements	43
EN 6	Initiatives related to renewable energy	44
EN 7	Initiatives to reduce indirect energy consumption	44
EN 8	Total water withdrawal	45
EN 9	Water sources significantly affected	46
EN 10	Water recycled and reused	46
EN 11	Land in/ adjacent to protected areas	47
EN 12	Biodiversity impacts	48
EN 13	Habitats protected or restored	48
EN 14	Strategies/ plans related to biodiversity	48
EN 15	IUCN Red List species in areas affected	48
EN 16	Direct and indirect greenhouse gas emissions	48
EN 17	Other relevant indirect GHG emissions	49
EN 18	Initiatives to reduce GHG emissions	50
EN 19	Emissions of ozone-depleting substances	51





Profile	Description	Page No.
EN 20	NOx, SOx, and other air emissions	51
EN 21	Water discharge	51
EN 22	Total Weight of Waste by Type and Disposal Method	51
EN 23	Significant spills	53
EN 24	Waste deemed hazardous under the terms of the Basel Convention	53
EN 25	Biodiversity value of water bodies and related habits	53
EN 26	Initiatives to mitigate environmental impacts	53
EN 27	Products and Packaging materials reclaimed	53
EN 28	Significant fines and sanctions	54
EN 29	Transportation impacts	54
EN 30	Environmental protection expenditure	55

### **Labor Practices**

### **Management Approach to Labor Practice Disclosures**

Profile	Description	Page No.
LA 1	Workforce by employment type	57
LA 2	Employee turnover	58
LA 3	Benefits provided only to full-time employees	58
LA 4	Percentage of Employees Covered by Collective Bargaining Agreements	59
LA 5	Minimum notice period(s)	59
LA 6	Workforce represented in health and safety committees	59
LA 7	Rates of injury and number of work-related fatalities	60
LA 8	Education programs for workforce and others	60
LA 9	Health and safety topics covered in union agreements	61
LA 10	Training per year per employee	61
LA 11	Programs and skills and lifelong learning	61
LA 12	Employees receiving development reviews	62
LA 13	Breakdown of employee population per category	62
LA 14	Ratio of salary of men to women	63

## **Human Rights Disclosures**

## **Management Approach to Human Rights Disclosures**

Profile	Description	Page No.
HR 1	Investment agreements with human rights clauses	64
HR 2	Screening suppliers and contractors on human rights	64
HR 3	Training on aspects of human rights	64
HR 4	Incidents of discrimination	65
HR 5	Right to exercise freedom	65
HR 6	Incidents of child labor	66
HR 7	Risk for incidents of forced labor	66
HR 8	Security training – human rights policies	66
HR 9	Violations involving rights of indigenous people	66

DJO Global, Inc. 2010





## **Social Aspects and Disclosures**

## **Management Approach to Social Disclosures**

Profile	Description	Page No.
SO 1	Programs to assess impacts on communities	68
SO 2	Units analyzed for risks related to corruption	68
SO 3	Training about anti-corruption policies	68
SO 4	Actions in response to incidents of corruption	69
SO 5	Public policy positions and lobbying	69
SO 6	Value of contributions to political parties	69
SO 7	Total number of legal actions, for anti-competitive behavior	69
SO 8	Fines and sanctions for non-compliance	69

## **Product Responsibility Disclosures**

### Management Approach to Product Responsibility Disclosures

Profile	Description	Page No.
PR 1	Assessment of health and safety impacts	71
PR 2	Non-compliance with regulations and codes during life cycle	71
PR 3	Information required by procedures	72
PR 4	Incidents of labeling non-compliance	73
PR 5	Practices related to customer satisfaction	73
PR 6	Marketing and adherence to laws and standards	74
PR 7	Incidents of non-compliance with marketing related regulations	75
PR 8	Customer privacy and data	75
PR 9	Non-compliance with regulations for use of products	75



DJO Global, Inc. 2010





### **Strategy and Profile**

#### 1.1 Statement from CEO presenting overall vision

DJO Global's vision is to enable people to regain and maintain the joy and comfort of natural mobility after injury, surgery or from degenerative disease. From prevention to recovery, DJO enables people to live their lives to the fullest by providing intelligent medical devices and services which are often times less invasive than traditional modalities. Having these devices become the standard of care will enable DJO to achieve its mission. We embrace an open dialogue with our customers to gather insights that guide our device innovation and continuous improvement.

We are proud that our products benefit so many people around the world and that we have achieved our success through the highest standards of ethical corporate behavior. We believe the combination of these two aspects continue to benefit all of DJO's stakeholders.

2010 was another successful year for DJO Global as measured by most metrics. Our success continues to reflect our culture of urgency, accountability, high performance and continuous improvement shared throughout the organization. Hand-in-hand with our shared culture is our desire to be a good corporate citizen in all aspects of our business, providing the greatest benefit for our employees and their families, the communities where we have a major presence, our investors, the environment and our many other stakeholders. We also recognize the importance of engaging our diverse group of stakeholders to help drive more sustainable business development.

Our Sustainability Report for 2010 represents our first such report to stakeholders and we are quite proud of what we have achieved. But, despite our enthusiasm, our first report is not nearly as comprehensive as we would like it to be in the future. Much of our reporting effort in 2010 was focused on assembling our reporting teams and reporting infrastructure so that we could assess and inventory all of our sustainable business practices throughout the Company and the accomplishments we have achieved in those areas. From there, we identified those practices that have the greatest impact on the Company's business and began a program to dialog with key stakeholders related to those practices.

While we have made great strides across economic, environmental and social sustainability fronts, creating a formalized Sustainability Reporting process, which measures, monitors and dialogs with key stakeholders, places us in a much better position to set future sustainability goals and to report on our progress specific to those goals. We acknowledge that we still need to set short, medium and long-term sustainability goals as our over-arching accountability for our sustainability actions. We are confident this will happen as our knowledge base grows and we understand what sustainability goals we can realistically achieve. We are also confident that future sustainability reports will become more detailed as the years progress.

The goal of sustainable development is to meet the needs of the present without compromising the ability of future generations to meet their own needs. DJO Global believes it has an important role to play in sustainable development and our sustainability mission is to continuously improve our sustainability practices across all of our business operations. We believe sustainable development practices are not only the right thing to do, but are also catalysts that drive competitive advantages and profitable Company growth through strategic innovation, meeting customers' expectations and enhanced empowerment and engagement of our employees. In turn, our efforts will create positive impacts for our employees, customers and other key stakeholders, for the communities in which we operate and for our planet.





With our Corporate Values<sup>1</sup> and the "DJO Way<sup>2</sup>" to guide our daily actions, we will fulfill our sustainable development goals through a commitment to:

- Contributing to local community success
- Embracing diversity, equal opportunity and safety in our workplace
- Employee training
- Listening to our stakeholders' concerns and responding accordingly
- Conducting all aspects of our business in an ethical manner
- Strengthening our environmental practices by reducing, reusing and recycling
- Reducing our carbon footprint, water withdrawal and weight of waste
- Measuring, monitoring and reporting our progress
- Collaborating with key stakeholders including customers and suppliers to effect change



<sup>&</sup>lt;sup>1</sup>Our Corporate Values (shown above)

- 1. Improve Customer Experience
- 2. Improve Quality
- 3. Reduce Lead Time
- 4. Reduce <u>Total</u> Cost

At the center of our sustainability efforts in 2010 and stretching into 2011 is our investment into developing sustainable revenue growth. As we announced early in 2010, we have assembled a new U.S. Commercial Operations team focused on transforming DJO Global into a market-driven organization that will equip the Company with greater capabilities to deliver the best health solutions to medical professionals and their patients. In turn, we believe this will strengthen DJO and all of our stakeholders. This has not been an easy

DJO Global, Inc. 2010

<sup>&</sup>lt;sup>2</sup> The DJO Way is how DJO Global drives its business to exceed customer expectations and continuously improve our products and processes across all of our value streams. The goals of the DJO Way are:





task, especially with the economic headwinds we continued to face in 2010, including reduced healthcare utilization and reimbursement pressures. While none of these challenges are new, we will continue to respond with good business decisions as we navigate through these times.

To attract and retain the key talent necessary for us to sustainably grow our business, especially during challenging economic times in 2010, we focused on strengthening the fabric of our corporate culture. We accomplished this through rigorous Values Campaigning and outreach to employees through surveys, town hall meetings and a variety of other measures to better understand what one of our most important stakeholder groups is experiencing at DJO. We continue to see our nearly 4700 employees worldwide as our greatest competitive advantage, and when we focus on our employees' health and well-being, we are creating a more sustainable business environment that is a 'win-win' situation since happier, healthier employees tend to be more motivated, productive and turn over less frequently.

We view environmental sustainability to be in alignment with our Lean Enterprise culture. DJO, through its lean practices, eliminates waste and non-value added steps from all processes ranging from manufacturing operations to back office operations. Lean thinking is part of DJO's culture and is in line with the three R's of sustainable environmental thinking: Reduce, Recycle and Reuse. DJO is a respected leader in Lean thinking and while we have not in the past labeled our efforts specifically as "sustainable business practices", this is in essence what they are. Longer term, as part of our Lean Enterprise and sustainability culture, one of the initiatives we are undertaking is to have each of our manufacturing facilities ISO 14001 approved. In 2010, our facility in the UK became the first to achieve this distinction. We anticipate this endeavor will take several years.

Our Lean thinking and focus on sustainability is now paying dividends as many of our large customers begin to examine their own sustainable practices and seek to do business with those suppliers like DJO who are also committed to continuous improvement. We believe this will provide us with distinct competitive advantages as we continue to dialog with key customers and mutually strive to meet each other's goals. Some of the areas we are presently addressing with our customers include environmentally friendly packaging materials that contain recyclable materials, greater content of post-consumer waste, recycling labeling and printing with agricultural-based inks. We also have a pilot program in place with one customer to study the end-of-life recycling of one of our medical devices.

DJO will continue to focus on delivering industry-leading results by providing a comprehensive range of products and solutions covering entire patient experience from injury prevention, joint replacement and through virtually every aspect of physical therapy, rehabilitation and pain management. At the same time, we will operate our business in a way that makes all of our stakeholders proud.



Sincerely,
Les Cross
President and Chief Executive Officer





#### 1.2 Description of key impacts, risks and opportunities

In 2010 DJO Global embarked on its first sustainability reporting process, and while that was our first year reporting on our sustainability initiatives, we made good progress. In 2011, driven by our Sustainability Mission Statement, we will focus our sustainability efforts on reducing our global carbon footprint, strengthening relationships with key stakeholders and continuing to improve our product stewardship.

#### **Key Impacts on Sustainability and Effects on Stakeholders**

The following areas of focus will drive our sustainability efforts in 2011.

#### Environmental Stewardship – DJO strives to reduce its energy and water intensity:

Reducing greenhouse gas (GHG) emissions by purchasing electricity generated by renewable sources, working with our transportation partners to streamline operations, improving the commuting habits of our employees and by conservation measures. We strive to reduce our GHG emissions by 5% in 2011;

Reducing consumption of water through more efficient manufacturing operations, installation of low flow appliances and conservation. We strive to reduce our water intensity by 5% in 2011;

Decreasing landfill waste by source reduction, increasing recyclable content and increasing levels of recycling in all DJO locations. Our goal for 2011 is to have most of our major sites around the world map and measure their waste streams so that by 2014 we can eliminate one quarter of the waste bound for land fill. Through Lean techniques we are reducing the amount of scrap in our manufacturing processes. Many of these practices reduce scrap on the front end, eliminating not only the back end scrap, but also the energy required to recycle and reprocess the scrap material. Office-based recycling and corrugate recycling has reduced the amount of waste destined for landfills. We are also working to ensure our e-waste partners are being environmentally responsible

#### Internal programs to strengthen our diversity and culture:

Strengthening our work culture and job satisfaction with employees: We believe that our employees are the cornerstone of our success. DJO makes every effort to increase employee involvement and participation by embracing diversity, equal opportunity in our work place, involvement in employee training and fostering a culture based on defined corporate values.

Local protection of human health and the environment through a continued focus on environmental, health and safety (EH&S) programs to make DJO Global's workplace safer for employees and for the community. Promoting safety in our work place has created a safer environment at a lower cost for the Company. DJO targets our OSHA Total Incident Rate goal to be 2.0 or less.

#### External initiatives to strengthen the communities where we have a major presence:

We are an engaged corporate citizen globally and locally. In the communities where we have a major presence, we are helping to create stronger, safer and more sustainable communities through employee volunteerism, employee and corporate donations and corporate support of employee-based wellness programs.





#### The Impact of Key Sustainability Trends on Long-Term Prospects and Financial Performance of DJO Global

#### **U.S. Commercial Business Commitment:**

As DJO's largest strategic imperative, we are investing significant company resources on strengthening our market-driven approach to sell our products with the goal to deliver above market sustainable sales growth. Properly executed, this goal will benefit all stakeholders from our employees, investors, communities, suppliers and others.

#### Product Stewardship:

The majority of DJO's products are medical devices designed for single patient use, which places a burden on our global landfills. We believe we can reduce this burden by designing better packaging that is smaller, more recyclable and includes a greater content of post-consumer recycled content. We are also examining our existing products to assess where we have the opportunity to use more environmental preferable materials and we are enlisting our supply chain to be responsive to this and other improvements. Further, we are examining product development processes to ensure our new products are designed with environmental concerns in mind. Last, we are piloting a program with one of our key customers to recycle one of our high-use products. We believe the above actions will enable DJO to strengthen its supplier-of-choice status with our customers.

#### **Managing Sustainability Risks and Opportunities**

Performance metrics related to sustainability risks and opportunities are assessed and managed by DJO's Sustainability Reporting Team (SRT), which is composed of a cross-functional representation of investor relations, lean enterprise, human resources, compliance, legal, environmental health and safety (EH&S), supply chain, regulatory, distribution, marketing communications, information technology, finance and research and development. This team reviews the progress of their respective areas, while simultaneously providing oversight into the overall sustainability program at DJO Global.

Additionally, the Company manages all business and financial risks, including business strategy, access to credit, cost structures, operational issues, legal issues, business integrations, new product development, EH&S issues, human resource issues, corporate culture and many others through its Corporate Leadership Team (CLT), a team consisting of the seven senior-most executive leaders. One of the goals of this team is to minimize possible adverse impacts on people, property and the environment as a result of our business activity.

This process is designed to help DJO work together to continuously improve employee health and morale, workplace safety, community relations, and cost structure performance. Both the CLT and the SRT communicates with internal and external stakeholders regarding risks and opportunities. See the DJO Form 10-K Annual Report Part I, Item 1A and Part II, Item 7A for a more complete discussion of Risk Factors.





### **Organizational Profile**

#### 2.1 Name of Reporting Organization

DJO Global, Inc.

#### 2.2 Primary Brands, Products and/or Services

See the DJO Annual Report on SEC Form 10-K for a complete description of the Company's operating segments, including a representative listing of products.

#### **Corporate Profile**

DJO Global is a leading global developer, manufacturer and distributor of high-quality medical devices and services that provide solutions for musculoskeletal health, vascular health and pain management. The Company's products address the continuum of patient care from injury prevention to rehabilitation after surgery, injury or from degenerative disease, enabling people to regain or maintain their natural motion. Its products are used by orthopedic specialists, spine surgeons, primary care physicians, pain management specialists, physical therapists, podiatrists, chiropractors, athletic trainers and other healthcare professionals. In addition, many of the Company's medical devices and related accessories are used by athletes and patients for injury prevention and at-home physical therapy treatment. The Company's product lines include rigid and soft orthopedic bracing, hot and cold therapy, bone growth stimulators, vascular therapy systems and compression garments, electrical stimulators used for pain management and physical therapy products. The Company's surgical division offers a comprehensive suite of reconstructive joint products for the hip, knee and shoulder. DJO's products are marketed under a portfolio of brands including Aircast®, Chattanooga, CMF™, Compex®, DonJoy®, Empi®, ProCare® and DJO® Surgical. Financial and other material information regarding the Company is routinely posted and accessible at www.DJOglobal.com.

We manufacture nearly all of our products in several facilities that are located in Mexico, the United States and Tunisia. A small percentage of our finished goods are sourced from third party suppliers.

#### 2.3 Operational Structure of the Organization

Our current business activities are the result of a combination of two companies with broad orthopedic product offerings in the United States and foreign countries. One of those companies, ReAble Therapeutics, Inc. ("ReAble"), was a leading manufacturer and distributor of electrotherapy products for pain therapy and rehabilitation, a broad range of clinical devices for the treatment of patients in physical therapy clinics, and a broad range of knee, hip and shoulder implant products. In 2006, ReAble was acquired by an affiliate of Blackstone Capital Partners V L.P. ("Blackstone"). The other company, DJO Opco Holdings, Inc. ("DJO Opco"), formerly named DJO Incorporated, was a leading manufacturer and distributor of orthopedic rehabilitation products, including rigid knee bracing, orthopedic soft goods, cold therapy systems, vascular systems and bone growth stimulation devices. On November 20, 2007, ReAble acquired DJO Opco through a merger transaction (the "DJO Merger"). ReAble then changed its name to DJO Incorporated ("DJO") and continues to be owned primarily by affiliates of Blackstone. In 2011, DJO Incorporated changed its name to DJO Global, Inc.





We currently develop, manufacture and distribute our products through the following four operating segments of the Company as of December 31, 2010.

<b>Operating Segment</b>	Businesses	Products and Applications
Bracing and Supports	DonJoy	Orthopedic rigid bracing and soft goods,
32.3% DJO total business	Aircast	to provide immobilization, compression,
	Procare	protection, pain relief and functionality
		for patients following musculoskeletal
		injuries, disease and surgery. Also
		includes Deep Vein Thrombosis
		prevention systems.
Surgical Implants	DJO Surgical	Orthopedic reconstruction joint implant products
6.5% DJO total business		for knees, hips and shoulders used
		primarily by orthopedic surgeons.
Recovery Sciences	Empi	Home electrotherapy - Transcutaneous
35.9% DJO total business		Electrical Nerve Stimulation (TENS) pain
		management devices; home traction devices;
		iontophoresis (transdermal drug delivery) devices
		Navyaganas dan Flactuical Ctime dation (NINAFC)
	Compex	Neuromuscular Electrical Stimulation (NMES) muscle stimulation devices
	Compex	muscle stimulation devices
	CMF Regeneration	Class III medical devices that promote
		healing of non-union bone fractures (OL1000)
		and spinal repair surgery (SpinaLogic)
	Chattanooga	Continuous passive motion machines; clinical
		traction devices; clinical electrotherapy;
		treatment tables; clinical therapy equipment
	All brands and certain third	
International	party	
a= aa/ a.a	products sold into	
25.3% DJO total business	international markets	

#### Management

DJO Global's day-to-day business is managed by a seven member Corporate Leadership Team (CLT) consisting of the highest level executives in the Company. Five of the seven executives have been working as a corporate leadership team since 2002. Since 2002, the company has grown from \$145 million to nearly \$1 billion in annual revenues. Our seven CLT positions (and the year that they joined DJO Global in parentheses) are as follows:





Les Cross – President, Chief Executive Officer & Director (1987)

Vickie Capps – Executive Vice President, Chief Financial Officer and Treasurer (2002)

Tom Capizzi – Executive Vice President, Global Human Resources (2007)

Andrew Holman – Executive Vice President, Sales & Marketing, U.S. Commercial Business (2009)

Stephen Murphy – Executive Vice President, Sales & Marketing, International Commercial Business (1993)

Luke Faulstick – Executive Vice President & Chief Operating Officer (2001)

Don Roberts – Executive Vice President, General Counsel & Secretary (2002)

#### Manufacturing

We use both in-house manufacturing capabilities and relationships with third party vendors to supply our products. Generally, we use third party vendors only when they have special manufacturing capabilities or when we believe it is appropriate based on certain factors, including our in-house capacity, lead time control and cost.

Our manufacturing facilities are generally certified as complying with the standards published by the International Organization for Standardization ("ISO") and the U.S. Food and Drug Administration ("FDA") current Good Manufacturing Practice ("cGMP") and Quality System Regulations ("QSR") requirements, which provide standards for safe and consistent manufacturing of medical devices and appropriate documentation of the manufacturing and distribution process. Many of our products carry the European Community Medical Device Directive ("CE") certification mark.

Our manufacturing facility in Tijuana, Mexico is our largest manufacturing facility. Our Mexico facility has achieved ISO 9001 and certification to the Canadian Medical Device Regulation ISO 13485. Our Vista, California facility has achieved ISO 9001 certification and ISO 13485 and the European Medical Device Directive. Our Clear Lake, South Dakota manufacturing facility has achieved ISO 13485 certification.

We source some of our finished products from manufacturers in China as well as other third party manufacturers. We also currently purchase certain continuous passive motion (CPM) devices from a single supply source, Medireha, which is 50% owned by us. Additional information about the organization of the Company is provided in the Company's Annual Report on SEC Form 10-K.

#### 2.4 Location of Organization's Headquarters

Vista, California USA

#### 2.5 Number of Countries of Operations

We operate manufacturing facilities in Tijuana, Mexico; Sfax, Tunisia; Clear Lake, South Dakota, Austin, Texas and Vista, California (See also "Manufacturing" in section 2.3). Our warehouse and distribution centers are located in Clear Lake, South Dakota; Indianapolis, Indiana; Tijuana, Mexico; Freiburg, Germany; Guildford, United Kingdom; Malmö, Sweden; Herentals, Belgium; Mouguerre, France; and various other cities throughout the world as noted below.

#### Vista, California

Corporate Headquarters; Operations for business reporting segments, sales, marketing, distribution, manufacturing, research and development and customer service; 123,398 square feet.

#### Tijuana, Mexico

Manufacturing and distribution: 286,133 square feet





Indianapolis, Indiana

Distribution: 109,782 square feet

Shoreview, Minnesota

Operations for Recovery Sciences Segment; Medical Billing: 93,666 square feet

Austin, Texas

Operations for Surgical Implant Segment; manufacturing; warehouse; research and development: 52,800

square feet

Clear Lake, South Dakota

Manufacturing; Distribution; Refurbishment and repair: 54,000 square feet

Mouguerre, France

Office; distribution: 22,050 square feet

Freiburg, Germany

Distribution: 48,674 square feet

**Ecublens, Switzerland** 

Office; sales; distribution: 14,100 square feet

Herentals, Belgium

Warehouse: 25,800 square feet

Sfax, Tunisia

Manufacturing: 47,300 square feet

Malmö, Sweden

Warehouse; distribution: 6,458 square feet

**Guildford, United Kingdom** 

International segment headquarters; distribution: 8,234 square feet

Milan, Italy

Office; distribution: 4090 square feet

Mississauga, Canada

Office; distribution: 30,027 square feet

Sydney, Australia

Office, distribution: 3,821 square feet

Cape Town, South Africa

Sales; distribution: 4,265 square feet

Hong Kong, China

Office: 1,248 square feet





Barcelona, Spain

Office; warehouse: 5,835 square feet

Other locations (various): 93,000 square feet

Including the major sites listed above, the Company has plants and holdings in the following geographic areas:

- United States: 15 manufacturing, distribution and office locations in 6 states
- Mexico: 4 manufacturing, distribution and office locations in 1 state
- Canada: 1 office and distribution location in 1 province
- Europe: 14 manufacturing, distribution and office locations in 8 countries
- Asia Pacific: 3 office and warehouse locations in two countries
- Middle East and Africa: 1 manufacturing location and 2 distribution locations in two countries

See also section 3.6 Boundary of the Report, for additional Company updates reflecting business changes in 2011 that are not included in the boundary of the 2010 sustainability report. These changes will be included in DJO's 2011 sustainability report.

#### 2.6 Nature of Ownership and Legal Form

DJO Global, Inc. is a privately held company. Our current business activities are the result of the 2007 combination of two companies with broad product offerings in the United States and foreign countries. One of those companies, ReAble Therapeutics, Inc. (ReAble), was acquired in 2006 by an affiliate of Blackstone Capital Partners V L.P. (Blackstone). The other company, DJO Opco Holdings, Inc. (DJO Opco), was acquired by ReAble on November 20, 2007 (the DJO Merger). ReAble then changed its name to DJO Incorporated. Effective February 10, 2011, DJO Incorporated changed its name to DJO Global, Inc. (DJO). DJO continues to be owned primarily by affiliates of Blackstone. DJO reports its financial results through its wholly-owned subsidiary, DJO Finance, LLC (DJOFL). Substantially all business activities of DJO Global are conducted by DJOFL's wholly owned subsidiary DJO, LLC and its wholly-owned subsidiaries.

#### 2.7 Markets Served

We are a global provider of high-quality orthopedic devices, with a broad range of products used for rehabilitation, pain management and physical therapy. We also develop, manufacture and distribute a broad range of surgical reconstructive implant products. We are one of the largest non-surgical orthopedic and rehabilitation device companies in the world, as measured by revenues. We market and distribute our products through four operating segments, Recovery Sciences, Bracing and Supports, Surgical Implant, and International. Our Recovery Sciences Segment offers to customers in the United States, non-invasive medical products that are used before and after surgery to assist in the repair and rehabilitation of soft tissue and bone, and to protect against further injury; electrotherapy devices and accessories used to treat pain and restore muscle function; iontophoretic devices and accessories used to deliver medication; clinical therapy tables, traction equipment and other clinical therapy equipment; and orthotic devices used to treat joint and spine conditions. Our Bracing and Supports Segment offers to customers in the United States, orthopedic soft goods; rigid knee braces; cold therapy devices and vascular systems which include products intended to prevent deep vein thrombosis following surgery. Our Surgical Implant Segment offers a comprehensive suite of reconstructive joint products to customers in the United States. Our International segment offers all of our products to customers outside the United States.

Many of our products have leading market positions. We believe that our strong brand names, comprehensive range of products, focus on quality, innovation and customer service, extensive distribution network, and our strong relationships with orthopedic and physical therapy professionals have contributed to our leading market

## GLOBAL GLOBAL

#### **Sustainability Report 2010**



positions. We believe that we are one of only a few orthopedic device companies that offer healthcare professionals and patients a diverse range of orthopedic rehabilitation products addressing the complete spectrum of preventative, pre-operative, post-operative, clinical and home rehabilitation care. Our products are used by orthopedic specialists, primary care physicians, pain management specialists, physical therapists, podiatrists, chiropractors, athletic trainers and other healthcare professionals to treat patients with musculoskeletal conditions resulting from degenerative diseases, deformities, trauma injuries and sports-related injuries. In addition, many of our non-surgical medical devices and related accessories are used by athletes and patients for injury prevention and at-home physical therapy treatment.

#### Prevention of injuries

- Bracing & Supports products to prevent joint injury or reduce further injury
- ACL protection
- Muscle strengthening

#### Management of muscle and joint stress and injuries due to active lifestyles

- Cold Therapy (pain / swelling)
- Osteoarthritis Braces (OA off-loading)
- TENS (E-stimulation for chronic pain)
- NMES (E-stimulation for muscle development)

#### Joint Reconstruction

• Hips, Knees, Shoulders

#### Rehabilitation post-injury and post-surgery

- Bracing & Supports (protect joint / graft)
- Cold Therapy (pain / swelling)
- Bone Growth Stimulation (non-union fractures / spinal fusion)
- Clinical Physical Therapy Equipment
- Home Electrotherapy (pain management)

See also section 3.6 Boundary of the Report, for additional Company updates reflecting business changes in 2011 that are not included in the boundary of the 2010 sustainability report. These changes will be included in DJO's 2011 sustainability report.

#### 2.8 Scale of Reporting Organization

As of December 31, 2010, DJO Global had:

- 4,659 employees in 25 countries around the world
- Net sales of \$966.0 million from more than 15 million units produced\*
- Domestic net sales \$721.5 million; 1,888 employees
  - Recovery Sciences \$347.1 million
    - Chattanooga \$58.3 million
    - Regeneration \$97.2 million
    - Empi \$190.9 million
  - Bracing and Supports \$311.6 million
  - o International net sales \$244.5 million; 2,771 employees
    - Germany \$79.9 million
    - France \$54.0 million
    - UK \$12.2 million





- Nordic \$9.8 million
- Canada \$21.8 million
- Iberica/Italy/Benelux \$29.1 million
- ROW \$37.8 million
- o Surgical Implants \$62.7 million
- Total Capitalization for 2010 \$2.656 billion
  - o Total Debt \$1.825 billion
  - o Total Assets \$2.779 billion

\*Note: Tying sales figures to the quantity of production in units is provided as a general measure of Company output and assumes equal weight is given to large and small product units, which have significantly different sales price points and manufacturing costs of goods. While the Company's product output in various businesses is relatively constant as a percentage of sales, differential growth rates, acquisitions, divestitures and other activities can change product mix significantly making this analysis less meaningful.

#### 2.9 Significant Changes during the Reporting Period Regarding Size, Structure or Ownership

In June 2009, we announced our plans to close our Chattanooga manufacturing and distribution facility, located in Hixson, Tennessee, and to integrate all manufacturing, distribution and other business functions of the Chattanooga site into our other existing sites. The transition of Chattanooga activities to our existing facilities was completed during the first half of 2010. As a result of our integration of the operations of our Chattanooga division, we exited facilities in Hixson, and listed the buildings for sale during the first half of 2010.

See also section 3.6 Boundary of the Report, for additional Company updates reflecting business changes in 2011 that are not included in the boundary of the 2010 sustainability report. These changes will be included in DJO's 2011 sustainability report.

#### **2010 Debt Offerings**

On January 20, 2010, DJO issued \$100.0 million aggregate principal amount of new 10.875% Senior Notes which mature on November 15, 2014, pursuant to the indenture governing our existing 10.875% Senior Notes due 2014 that were issued on November 20, 2007. The net proceeds of the issuance (excluding approximately \$2.0 million of interest accrued from November 16, 2009 to January 19, 2010, which will be included in the first interest payment to be made on May 15, 2010), along with cash on hand, were used to repay \$101.5 million aggregate principal amount of existing term loans under the Senior Secured Credit Facility.

On October 18, 2010, DJO issued \$300.0 million of new 9.75% Senior Subordinated Notes, and used a portion of the proceeds to repurchase \$200 million aggregate principal amount of the Company's 11.75% Senior Subordinated Notes for total consideration of \$213.0 million plus \$9.8 million of accrued interest through the settlement date.

#### 2.10 Awards Received During 2010

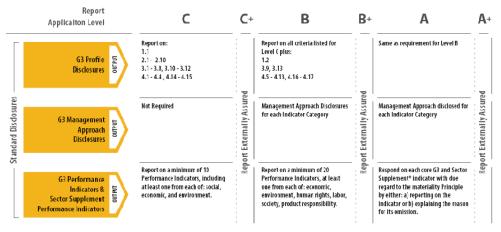
- 1. DJO Mexico Great Places to Work, #1 ranking in the country of Mexico
- 2. DJO Vista Great Places to Work, # 7 ranking in San Diego
- 3. DJO Vista Association for Manufacturing Excellence (AME) Manufacturing Excellence Award
- 4. DJO Mexico Association for Manufacturing Excellence (AME) Manufacturing Excellence Award
- 5. San Diego's "Largest Private Company"





#### **Report Parameters - Application Level Criteria**

This Sustainability Report is at the GRI level [B] for reporting.



#### "Sector supplement in final version

#### 3.1 Reporting Period

Based on 2010 corporate data for the period ending December 31, 2010

#### 3.2 Date of Most Recent Previous Report

The 2010 Sustainability Report is DJO Global's first GRI Sustainability Report

#### 3.3 Reporting Cycle

It is the Company's intention to report on its sustainability annually

#### 3.4 Contact for Questions Regarding the Report

Mark Francois
Director, Investor Relations & Corporate Communications
(760) 734-4766
mark.francois@DJOglobal.com

#### **Report Scope and Boundary**

#### 3.5 Process for Defining Report Content

DJO Global believes in tracking progress across all business operations. It tracks progress through a system of individual dashboards, which measure key parameters of the Company's operations. Sustainability Reporting has provided DJO with the opportunity to reduce the Company's tracking "silos" and bring together the many functional areas into a single report.

DJO Global's 2010 Sustainability Report began with formal training by the Global Reporting Initiative. From there, a core team of members representing compliance, investor relations, lean enterprise, human resources, environmental health and safety, financial reporting, regulatory, supply chain, distribution, product development and marketing communications. With limited company resources, our core team completed the 2010 Sustainability Report as added responsibilities in addition to team's regular job functions.

The team's first course of action was to inventory the Company's current best practices on sustainability. Once those were identified, the core team identified and prioritized those aspects it considered most important to the Company's business objectives, either as a risk to business or as an opportunity to improve its business.





From this list, the core team was able to identify the primary sustainability issues for DJO Global, and in turn, the primary stakeholders associated with these key aspects. This became the basis for the Company's stakeholder dialog. This list includes:

- Sales growth & cost structure
  - o Implement new Commercial Organization to accelerate sales growth
  - Cost structure improvement initiatives
- Environmental responsibility to reduce global carbon footprint and to reduce cost of goods sold
  - Greenhouse gas emission reductions
    - Reduced resource utilization
    - Greater use of renewable energy sources
  - Reducing DJO's waste streams with the long term goal to reduce landfill volumes by 50% for all sites by 2014
- Product responsibility
  - More environmentally friendly products/packaging/end of life programs
  - Supply Chain improvements/use of environmentally preferable materials
  - o Design for Environment
- Standardization of work culture and job satisfaction across all global subsidiaries
  - o Company Values campaigning
- Community support

The Company's determination of materiality for key aspects and indicators reflects the GRI Reporting Guidelines that state that the information in a report should cover aspects and indicators that reflect the organization's significant economic, environmental, and social impacts; or that would substantively influence the assessments and decisions of stakeholders.

The following were identified as the primary audience members interested in DJO Global's 2010 Sustainability report:

Employees Customers

**Suppliers** 

Investors and analysts

Communities

Industry associations

Prospective employees

The guidance that DJO Global used to define reporting content was based on the GRI guidelines and associated principles from the GRI Reporting Framework, version G3.0 (2001-2006). All sections were created with the intention of comparing, demonstrating and benchmarking according to the GRI and associated Principles.





#### 3.6 Boundary of the Report

As of December 31, 2010, DJO Global's business included only one joint venture as noted below in 3.7. All of the remaining DJO Global subsidiaries are wholly-owned and are included in DJO Global's Sustainability Report.

The report boundary includes the following locations:



Company Locations for 2010

In the first half of 2011, DJO acquired four businesses, three of which expanded the Company's domestic footprint. These businesses are listed below for reference, but are not included in the scope and boundary of the 2010 sustainability report. These businesses include:

- Elastic Therapy, Inc. (ETI), is a designer and manufacturer of private label medical compression therapy
  products used to treat and prevent a wide range of venous disorders. ETI's products include antiembolism stockings, surgical weight products and men's and women's graduated compression socks.
  ETI is based in Asheboro, NC and has 226 employees.
- Circle City Medical, under the Bell Horn brand name, markets orthopedic soft goods and medical compression therapy products to independent pharmacies and home healthcare dealers. The company is based in Indianapolis, IN and has 24 employees.
- Dr. Comfort is a leading developer, manufacturer and marketer of therapeutic footwear and related medical and comfort products serving the rapidly growing diabetes care market in podiatry practices, orthotic and prosthetic centers, home medical equipment providers and independent pharmacies. Dr. Comfort is headquartered in Mequon, Wisconsin and has 134 employees.

## GLOBAL GLOBAL

#### **Sustainability Report 2010**



BetterBraces.com, a website that offers various bracing, cold therapy and electrotherapy products.
 Four employees from BetterBraces.com are now located in our Vista, CA facility.

During the first quarter of 2011, DJO changed the name of its Bracing and Supports Segment to Bracing and Vascular Segment to reflect the addition of our recent acquisitions, which have increased our focus on the vascular market.

In January 2011, Mr. Leslie H. Cross announced his retirement as DJO's CEO. In June of 2011, the board of directors of DJO named Michael P. Mogul as the Company's new chief executive officer, succeeding Mr. Cross, who will assume the role of Chairman.

#### 3.7 Limitations on the Scope or Boundary of the Report

This report has been written to provide as complete and accurate coverage of the material topics and Performance Indicators. The definition of the report boundary we believe is sufficient to reflect DJO Global's significant economic, environmental, and social impacts and enable stakeholders to assess the reporting organization's performance in the reporting period.

The Company's single joint venture includes Medireha, a German supplier of certain CPM devices, which is 50% owned by DJO Global. Our distribution agreement with Medireha grants DJO Global exclusive rights to the distribution of products that Medireha manufactures. Although DJO believes it maintains significant influence and control over Medireha's business, and Medireha's ability to supply DJO with CPM devices is significant to DJO Global's sales performance in Germany, DJO Global is not prepared to include the Medireha business within DJO Global's boundary for the 2010 Sustainability Report. We will endeavor to include the Medireha business into DJO Global's sustainability report for 2011.

Additionally, DJO Global acquired its South African distributor late in the third quarter of 2010. As a result, this business is not included in the 2010 Sustainability Report, but will be included in 2011.

As noted in section 3.6 above, acquisitions made in 2011 are not included in the scope and boundary of the 2010 sustainability report.

#### 3.8 Basis for Reporting that Can Significantly Affect Comparability

The basis for reporting the Company's wholly-owned subsidiaries does not affect comparability from period to period. All of DJO Global's subsidiaries are operated with central oversight from DJO's corporate headquarters including financial reporting, environmental practices through DJO's Global Green Team, and social elements through Global Human Resources. In this report, DJO has provided all relevant issues and all information has been selected, compiled, and reported as consistently as possible. The reported information is presented in a manner that we believe enables stakeholders to analyze changes in our performance over time, and supports analysis relative to other organizations.

#### 3.9 Data Measurement Techniques and the Bases of Calculations

Data measurement techniques employed in this report vary widely depending on the specific requirements of the topic being discussed.

#### **Emissions inventory**

- Energy invoices from energy providers
- WRI Stationary and Mobile fossil fuel tools
- WRI Purchased Electricity tool
- Local estimates where energy is included in monthly facility leases





- Employee commuting surveys
- Travel logs from travel partner provider
- UPS Commissioned Carbon Impact Analysis
- Transportation partner estimates

#### Water consumption

- Water invoices from water suppliers
- WBCSD Global Water Tool
- Local estimates where water is included in monthly facility leases

#### Effluents

- Physical measurements and estimates based on logs and actual usage
- Invoices, weights from collection agencies and providers
- Estimations derived by calculating per employee amounts (factors) at various sites where data is
  collected and multiplying these factors by the total number of like employees at all like sites, for
  example manufacturing sites.

#### Sensitive lands

Google Earth

#### Occupational safety & health

- OSHA 300 logs
- Worker's Compensation logs and data
- Insurance data
- Health statistics through Human Resource and Safety programs

#### **Human rights**

- DJO Global Human Resource records
- Contractual language
- Employee surveys
- Personal interviews

#### Communities

- Community events completed
- Qualitative information collected during events
- Financial contributions as reported by DJO finance

Measurement techniques have been standardized throughout the organization wherever possible.

#### 3.10 Explanation of the Effect of Any Re-statements of Information

This is not applicable as this is DJO Global's first report.

#### 3.11 Significant Changes from Previous Reporting Periods

This is not applicable as this is DJO Global's first report

#### 3.12 Table Identifying the Locations of the Standard Disclosures in the Report

See Index (pages 4-7)

#### 3.13 Policy Regarding External Assurance for the Report

DJO Global is not providing for external assurance for this report.





#### **Governance, Commitments and Engagement**

#### 4.1 Governance Structure of the Organization

DJO Global requires all of its Directors, Officers and employees to observe high standards of integrity and honesty and to act with care, diligence and fairness in all business activities. Interactions with all stakeholders and wider society are to be conducted in an ethical and legal manner. To that end, all DJO directors, officers and employees must comply with the Company's code of conduct and all supporting policies, the laws and regulations of all countries in which we operate and with all applicable national and international codes.

The Board of Directors of DJO consists of members of the Blackstone Group, our principal stockholder, our CEO, and several independent directors. The Board sets high standards for the Company's employees, officers and directors. Implicit in this philosophy is the importance of sound corporate governance. It is the duty of the Board of Directors to serve as a prudent fiduciary for all stakeholders and to oversee the management of the Company's business. At DJO, our leadership organization effectively places decision-making at the appropriate level and ensures that proper checks and balances exist. We rely on our Board of Directors to know our Company's business and to conduct thorough reviews and to ask difficult questions. All of our board directors have a great deal of diverse experience along with solid credentials. Corporate officers are accountable to the Board, in addition to their management roles within the Company.

The Board of Directors has extensive involvement in the oversight of risks related to the Company and its business. The Audit Committee of the Board plays a key role in representing and assisting the Board in discharging its oversight responsibility relating to the accounting, reporting and financial practices of the company, including the integrity of our financial statements, the surveillance of administrative and financial controls and the company's compliance with legal and regulatory requirements. Through its regular meetings with management, including legal, regulatory, compliance and internal audit functions, the Audit Committee reviews and discusses most of the principal functions of our business and updates the Board of Directors on all material matters.

DJO's Board of Directors considers whether directors and nominees have the experience, qualifications, attributes or skills, taken as a whole, that enable it to satisfy its oversight responsibilities effectively in light of DJO's business and structure. The DJO Board of Directors is focused primarily on each person's background and experience. We believe that our directors provide an appropriate mix of experience and skills relevant to the size and nature of DJO's business. More information on our Board members and Board committees are described in DJO's Annual Report on SEC Form 10-K.

The Sustainability Reporting Team will continue to serve as the governance body within DJO for environment, health & safety and sustainability. This team will continue to provide direct reporting to DJO's Chief Operating Officer, Luke Faulstick to assist in understanding of the Company's sustainability performance.

#### 4.2 Is the Chair of the Board of Directors also an Executive Officer?

In 2010, our Board of Directors was led by the Chairman of the Board, Mr. Chinh E. Chu, who is a representative of our principal stockholder The Blackstone Group. The Chief Executive Officer of DJO Global is Mr. Leslie H. Cross. The CEO position is separate from the Chairman position. We believe that the separation of the Chairman and CEO positions is appropriate for a privately held company of the size and nature of DJO Global.





In January 2011, Mr. Cross announced his retirement as DJO's CEO. In June of 2011, the board of directors of DJO named Michael P. Mogul as the Company's new chief executive officer, succeeding Mr. Cross, who will assume the role of Chairman.

#### 4.3 Members of the Board of Directors that are Independent and/or Non-executive Members

The DJO Board of Directors consists of seven non-executive directors and one executive director for a total of eight directors. The background and experience of these directors may be found in the Company's 2010 Annual Report on SEC Form 10-K. Directors Chu, Kahr and McEvoy are representatives appointed by The Blackstone Group, our principal stockholder. As a privately held company, the DJO Board is not required to have a majority of its directors be independent. We believe that Messrs. Braginsky, Howe and LaViolette would be deemed independent directors according to the independence definition promulgated under the New York Stock Exchange listing standards.

#### 4.4 Mechanisms to Provide Recommendations or Direction to the Board of Directors

Investors and other interested parties may communicate directly with the full Board of Directors or with individual directors by any of several methods. These include mail addressed to DJO Global, Inc., 1430 Decision Street, Vista, CA 92081, and through the "Contact Us" button on DJO Global's corporate website at <a href="https://www.DJOglobal.com">www.DJOglobal.com</a>.

As a private company, DJO Global does not publish a proxy statement or hold public annual meetings.

DJO Global maintains an anonymous compliance telephone hotline that can be used by all employees. The hotline is available 24 hours per day, seven days a week and is managed by an independent company. Employees are able to provide input to Company management and the Board of Directors through the Company's physical suggestion boxes located in each facility as well as electronic suggestion boxes within the Company's employee Intranet site.

There were no employee or investor originated topics raised to the Board of Directors during the current reporting period.

#### 4.5 Linkage between compensation and the organization's performance

The Compensation Committee of the Board of Directors establishes salaries and reviews benefit programs for the Chief Executive Officer ("CEO") and each of our other executive officers; reviews and approves our annual incentive compensation for management employees; reviews, administers and grants stock options under our employee stock option plan; advises the DJO Global Board and makes recommendations with respect to plans that require Board approval; and approves employment agreements with our executive officers.

Our executive compensation program is designed to attract, retain, and reward talented senior management who can contribute to our growth and success and thereby build long-term value for our stockholders. We believe that an effective executive compensation program is critical to our long-term success. By having an executive compensation program that is competitive with current market practice and focused on driving superior and enduring performance, we believe we can align the interests of our executive officers with the interests of stockholders and reward our executive officers for successfully improving stockholder returns.

Our compensation program has the following objectives:

- Attract and retain talented senior management to ensure our future success
- Encourage a pay-for-performance mentality by directly relating variable compensation elements to the achievement of financial and strategic objectives



- Promote a direct relationship between executive compensation and the interests of our stockholders, with long-term incentive compensation that links a significant portion of executive compensation to our sustained performance through stock option.
- Structure a compensation program that appropriately rewards our executive officers for their skills and contributions to our company based on competitive market practice

At the present time, compensation is not directly tied to DJO Global's environmental performance as it relates to sustainability. Compensation is tied to market rates for base salary and bonus compensation is linked to revenue and earnings performance achieved. A key means by which the latter is achieved are through our Lean Enterprise, DJO Way and Values fundamentals of our Company's Continuous Improvement (CI) focus.

#### 4.6 Processes in Place for the Highest Governance Body to Ensure Conflicts of Interest are Avoided

All directors, officers and employees of DJO Global are expected to be familiar with the Company's Code of Conduct, and to apply it in the daily performance of their DJO responsibilities. The Code of Conduct is intended to focus employees and officers. DJO maintains a Code of Ethics for the Chief Executive Officer and Senior Executives and Financial Officers, and a Code of Conduct for the Board of Directors. All of our Codes of Conduct help employees, officers and Directors in areas of ethical risk, help them recognize and make informed decisions on ethical issues, help create a culture of the highest ethical and business standards, and provide mechanisms to report unethical conduct. The full text of DJO Global's Code of Conduct is available at <a href="https://www.DJOglobal.com">www.DJOglobal.com</a>, by clicking on "Our Company" followed by "Code of Conduct." This is applicable to all employees worldwide including contracted sales people.

The processes used to ensure conflicts of interest are avoided include a quarterly questionnaire to all functional department managers and members of senior management that requires disclosure of any transactions with the Company in which the employee or any member of his or her functional area, or senior manager has a direct or indirect material interest.

Additionally, while the Board of Directors has not adopted a formal written policy for the review and approval of transactions with related persons, all such transactions will be reviewed by the Board on an as-needed basis. An annual Directors and Officers Questionnaire requires disclosure of any transactions with the Company in which the Director or executive officer, or any member of his or her immediate family, has a direct or indirect material interest. Directors also respond annually – as do all Company employees – to an annual reminder of the requirements of the DJO Code of Conduct. Separately, the Company assesses the business relationship between the Company and any other company where Directors hold a position.

## 4.7 Process for Determining the Qualifications and Expertise of the Members of the Board of Directors

When considering whether directors and nominees have the experience, qualifications, attributes or skills, taken as a whole, to enable the DJO Global Board of Directors to satisfy its oversight responsibilities effectively in light of DJO Global's business and structure, the DJO Board of Directors focused primarily on each person's background and experience as reflected in the information discussed in each of the directors' individual biographies. We believe that our directors provide an appropriate mix of experience and skills relevant to the size and nature of DJO Global's business.

In recommending directors, our Board of Directors considers the specific background and experience of the Board members and other personal attributes in an effort to provide a diverse mix of capabilities, contributions and viewpoints which the Board believes enables it to function effectively as the Board of Directors of a company with our size and nature of business.





The Board of Directors has adopted guidelines to be used in evaluating candidates for Board membership. In addition to the characteristics mentioned above, the guidelines provide that candidates should possess individual skills, experience and demonstrated abilities that help meet the current needs of the Board, such as experience or expertise in some of the following areas: the orthopedic medical devices, global business, science and technology, finance and/or economics, competitive positioning, corporate governance, public affairs, and experience as chief executive officer, chief operating officer or chief financial officer of a major company.

Other factors that are considered include independence of thought, meeting applicable Director Independence standards (where independence is desired) and absence of conflicts of interest. The Board of Directors may modify the minimum qualifications and evaluation guidelines from time to time as it deems appropriate.

#### 4.8 Internally Developed Statements of Mission or Values, Codes of Conduct and Principles

#### **DJO Global Vision:**

We enable people to regain and maintain the joy and comfort of natural mobility.

#### **DJO Global Mission:**

From prevention to recovery, DJO Global enables people to live their lives to the fullest by providing intelligent medical devices and services. We embrace an open dialogue with our customers to gather insights that guide our innovation and continuous improvement.

#### **DJO Global Corporate Values:**

Teamwork Fostering People Growth

Urgency and Accountability Consistently Exceeding Expectations

Open to New Ideas Customer Focus

Corporate Citizenship Continuous improvement

The Company Values are constantly reinforced through Company wide training. DJO Global's employee recruiting process includes an assessment of the prospective candidate's fit with the Company's value set.

#### DJO Mission Statement relative to Economic, Environmental and Social performance:

DJO Global believes it has an important role to play in sustainable development and is committed to continuously improving its sustainability practices across all of its business operations. We believe sustainable development practices are not only the right thing to do, but are also catalysts that drive competitive advantages and profitable Company growth through strategic innovation, meeting customers' expectations and enhanced empowerment and engagement of our employees. In turn, our efforts will create positive impacts for our employees, customers and other key stakeholders, the communities in which we operate and to our planet.

With our Corporate Values to guide our daily actions, we will fulfill this mission through a commitment to:

- Contributing to local community success
- Embracing diversity, equal opportunity and safety in our workplace
- Employee training
- Listening to our stakeholders' concerns and responding accordingly
- Conducting all aspects of our business in an ethical manner
- Strengthening our environmental practices by reducing, reusing and recycling
- Reducing our carbon footprint, water withdrawal and weight of waste
- Measuring, monitoring and reporting our progress





Collaborating with key stakeholders including customers and suppliers to effect change

DJO Global strives to continually improve at everything it does. The Company's internal motto is "Never Stop Getting Better."

# 4.9 Procedures for the Highest Governance Body for Overseeing the Identification and Management of Economic, Environmental and Social Performance

The DJO Sustainability Reporting Team reports to the Company's Chief Operating Officer, Luke Faulstick. Mr. Faulstick is responsible for updating the DJO Global Board in the Board's oversight of corporate citizenship related to economic, social and environmental responsibilities. The DJO Board oversees the following:

- Financial matters: Ensuring compliance with regulations and standards for financial reporting through the Board's Audit committee
- Compliance matters: Ensuring compliance with all applicable laws and regulations related to product, legal and all Company policies
- Compensation review: Ensuring compensation practices are consistent with DJO Global policy through the Board's Compensation Committee
- Internal policies and procedures: Ensuring compliance with applicable laws and regulations related to ethical corporate behavior
- Community Efforts: Reviewing the Company's community work and philanthropy initiatives through updates communicated by the Company's CEO and EVP Global HR
- Diversity and inclusion philosophy: Reviewing the Company's commitment and results achieved to meet internal goals through updates communicated by the CEO and EVP Global HR
- Corporate advocacy: Ensuring Company actions meet applicable laws and industry standards through updates communicated by the CEO and EVP Global HR
- Sustainable development: Reviewing the Company's progress through updates communicated by the COO

The Board of Directors met 6 times in 2010.

The specific responsibilities of each of the Committees of the Board are found on DJO Global's website at <a href="https://www.DJOglobal.com">www.DJOglobal.com</a> under Corporate Governance.

# **4.10** Processes for Evaluating the Board of Directors' Own Performance Particularly with Respect to Economic, Environmental and Social Performance

Each of the two Board-level Committees conducts an annual review of Committee performance and of the Committee charter. In addition to this self-assessment, each Committee makes regular reports to the Board of Directors. The Board of Directors conducts an annual review of the performance of the Chief Executive Officer. In addition, Executive Officers of the Company are reviewed for performance by the CEO, by the Compensation Committee and by the general Board of Directors.

# 4.11 Explanation of Whether and How the Precautionary Approach or Principle is Addressed by the Organization

As a responsible corporate citizen, DJO Global continues to use well-defined processes to manage business and product development risks. The Company's Code of Conduct addresses all aspects of Company business from individual employee compliance to corporate compliance and ethical corporate business practices. In all cases, DJO Global's business is conducted in such as manner as to be "committed to full compliance with the laws and regulations of the cities, states and countries in which it operates". This includes all environmental laws and regulations. In the absence of specific laws and regulations, DJO Global will attempt to have its decisions and

## GLOBAL GLOBAL

#### **Sustainability Report 2010**



actions made in such a manner as to protect the public and the environment, however at this time, DJO does not have a formal policy statement in place in support of the Precautionary Principle.

New product development follows a very well defined Knowledge-Based Stage-Gate Development system to ensure new products meet their intended market need, are safe and efficacious and consider environmental concerns, such as design for recyclability and eliminating or minimizing substances of concern. Through the Company's Voice of the Customer and Knowledge-Based design processes, customer needs are well understood and innovation and learning are optimized. Further, with our Design and Process Failure Mode Effects Analysis operating procedures, risk and benefit decisions are appropriately evaluated.

For more information on DJO's product-related and other risks, please see the Company's Annual Report on SEC Form 10-K.

## 4.12 Externally Developed Economic, Environmental and Social Charters to Which the Organization Subscribes

#### **Advocacy in the Area of Addressing Climate Change**

For 2010, DJO Global is a newly registered member in the Carbon Disclosure Project (CDP).

#### **International Standards for Quality Assurance and Regulatory Compliance**

In 2010, DJO was certified as compliant with ISO 13485 Quality Management System for Medical Devices.

#### **International Standards for Environmental Management Systems**

In 2010, DJO Global had three facilities certified as complaint with ISO 14001:

- 1. Guildford, United Kingdom
- 2. Mouguerre, France
- 3. Sfax, Tunisia

# 4.13 Memberships in Associations (Such as Industry Association) and/or National/International Advocacy Organizations in Which the Organization Participates at the Governance Level

Examples of trade, business associations and alliances where DJO Global is an active member are shown below. DJO participates in numerous additional organizations, including many at the regional and local level. Where associations are considered strategic or the Company participates on membership committees or has positions on governance bodies will be noted along side of the association.

DJO Global is a member of the trade group, AdvaMed, and has adopted and complies with the AdvaMed Code of Ethics. AdvaMed advocates for a legal, regulatory and economic environment that advances global health care by assuring worldwide patient access to the benefits of medical technology. The organization promotes policies that foster the highest ethical standards, rapid product approvals, appropriate reimbursement, and access to international markets. <a href="http://www.advamed.org">http://www.advamed.org</a>

DJO is an active corporate member of the Association of Manufacturing Excellence (AME). AME's mission is enterprise excellence through shared learning. DJO is supportive of its employees holding office in this organization to keep DJO at the forefront of continuous improvement and the pursuit of excellence. Key areas of focus by AME are lean, green and sustainability. DJO Global has actively participated and supported AME since 2000.





DJO Global also is an active member of the Lean Product and Process Development Exchange (LPPDE). LPPDE is primarily focused on improving the design and research processes of member organizations. This includes designing products with source reduction and minimal packaging in order to be sustainable. DJO has actively supported and been a member organization of LPPDE since 2007.

The Society of Human Resource Management (SHRM) is the largest human resource management association in the world with over 250,000 members in over 140 countries. SHRM provides a wide range of member services including education, training, research, certifications, legal advice, conferences/seminars and government and media representation. DJO leverages these resources to create policies and procedures and to implement best practices throughout the organization.

The Orthopedic Surgical Manufacturers Association, formed in 1954, is one of the oldest trade associations devoted to the manufacturers of medical devices used in orthopedic surgical procedures. OSMA's mission is to facilitate the timely availability of quality orthopedic technologies by advocating clear, consistent and efficient implementation of government regulations and industry standards; educating membership, regulatory agencies and healthcare professionals; and providing regulatory professionals a forum to collaborate and communicate. DJO Global is an active member with a DJO Surgical representative serving as a member of the OSMA board.

#### 4.14 List of Stakeholder Groups Engaged by the Organization

A list of stakeholders engaged by DJO Global during the 2010 reporting period is noted below:

Customers – Group purchasing organizations (GPO), integrated delivery networks (IDN) and government purchasing organizations

**Employees** 

Communities – Non-profit organizations, public service organizations, local governments, Chambers of Commerce – traditional and Internet-based

**Investors and Analysts** 

Transportation partners – Raw material and finished goods carrier, travel management partner Suppliers – Raw material, component, finished goods, utilities

#### 4.15 Basis for Identification and Selection of Stakeholders

DJO Global's stakeholders include those individuals or groups who impact DJO's day to day business such as employees, investors, customers and suppliers, as well as individuals or groups who are impacted by the Company's business activities and decisions such as our customers and the communities in which we operate.

DJO's basis for identification and selection of stakeholders is based on the above criteria and includes key customers, employees, investors, suppliers, communities and others. These stakeholders may or may not share a similar approach to sustainability, but all offer DJO the ability to more thoughtfully examine its sustainability practices. In some cases, our stakeholders look to DJO to strengthen its sustainability practices, and in other cases, DJO reaches out to encourage stakeholders to examine their own sustainability practices. At least one of DJO's key customers is pursuing similar sustainability practices and during 2010 was actively involved in a dialog to mutually strengthen both entities' corporate sustainability practices, including product responsibility and waste reduction. It is through these key stakeholders that we will continuously improve our sustainability practices.

#### 4.16 Approaches to Stakeholder Engagement

The primary approaches to DJO Global's stakeholder engagement have been through direct face-to-face discussions, conferences via telephone, employee communications through surveys, town hall meetings and

## GLOBAL GLOBAL

#### **Sustainability Report 2010**



email. These communication approaches will vary from time to time. Wherever possible and with cost in mind, DJO Global encourages live face-to-face meetings in lieu of other communication approaches.

#### 4.17 Key Topics and Concerns Raised through Stakeholder Engagement

To date, the key topics that have been raised are listed in the following:

#### **Employees**

- Benefits
- Working conditions
- Labor practices
- Severance/Integration policies
- Company downsizing
- Company Growth
- Company environmental practices

#### **Investors**

- Financial performance
- Environmental disclosures
- Security of manufacturing locations

#### **Trade Groups**

- AdvaMed Industry best practices around "physician affiliation"
- Association for Manufacturing Excellence (AME)

#### Governments

- Centers for Medicare/Medicaid Service including the Office of the Inspector General (OIG)
- Accreditation Commission for Health Care (ACHC)
- Department of Health and Human Services
- Department of Justice (DOJ)
- Food and Drug Administration (FDA)
- Securities and Exchange Commission (SEC)

#### **Communities**

- Boys & Girls Clubs of America
- San Diego State University Athletic Foundation
- California State University, San Marcos
- Casa de Amparo
- Century Club of San Diego
- Dress For Success
- Leukemia & Lymphoma Society
- Marine Corp Scholarship Foundation [annual fund raising event]
- Monarch School
- Vista Community Hospital
- Rady Children's Hospital San Diego Food Bank Backpack Program
- San Diego Sports Medicine Foundation
- Solutions for Change
- USS Midway Museum Educational Programs
- Vista Community Clinic
- YMCA
- Disaster relief efforts





#### **Suppliers**

- Environmental disclosures regarding supplied materials
- Pricing/commodity costs
- Other topics related to procurement
- Waste streams

#### Customers

- Identification of chemical content in products supplied
- Reduce waste generation
- Increase reuse or recycle capabilities
- Reduced or environmentally-friendly packaging
- Conserving energy

#### **Economic Disclosures**

#### **Management Approach to Economic Disclosures**

DJO Global has a long standing commitment to growing its sales and profitability. The Company will continue to do this by:

- Developing a broad and complementary product portfolio that covers the entire patient experience and enables its sales force to maximize account penetration
- Maintaining a leading market position with a defensible, comprehensive product offering
- Diversifying its products, customers, payors and geography
- Building a diverse sales force that provides a distinctive presence with multiple prescriber groups
- Strengthening relationships with payor and providers to create a high barriers to entry
- Being a low cost manufacturer
- Maintaining disciplined cost control
- Continuously improving all Company activities

2010 was a transformational year for DJO Global. Early in the year, we initiated investments into a new U.S Commercial Operations group with the goal to become a more market driven organization, capable of driving sustainable revenue growth. This commitment has required substantial financial and human capital investments, increasing DJO's cost structure. Combined with our competencies in product development, market knowledge and low-cost manufacturing, DJO believes a more market-driven business, focused on delivering the right products and services to customers in ways that create strong relationships and establish differentiated company brands, will enable the Company to achieve these growth goals.

The Company's merger in 2007 also has necessitated several internal integration programs. One of these involves an integration-related cost savings program, which was completed in 2010. In total, the Company saved well in excess of its original \$50 million goal. Savings in total amounted to more than \$80 million.

While the merger offered substantial cost savings opportunities, it also created need for large, capital intensive programs. With many legacy Enterprise Resource Planning (ERP) systems in place, DJO Global decided to make a large investment, in excess of \$40 million over more than three years, to develop a single, Oracle-based system. A single ERP system is designed to harmonize all of the Company's systems from finance to sales tracking, providing the entire organization with a unified data set. This can reduce costs as well as strengthen sales strategies.





While all of these activities are designed to strengthen DJO's sustainable revenue and profitability growth, each goal has a direct impact on several key stakeholders. For example, establishing the U.S. commercial group had a significant impact on the two DJO Global stakeholders, including investors and the Company's employees.

In order to track the success of the U.S. commercial operation, and the many other aspects of DJO's economic performance, the Company employs a series of metrics to measure financial performance and economic goals:

- Sales and growth of new products launched by U.S. commercial operations team
- Cost of goods sold
  - o Gross profit margin trends for business segments
- Operating expense reductions
- ERP implementation program
  - o Capital expenditures investment in 2010.
  - o Successful "go-live" in early 2011.
- Reductions in resource utilization
  - Utility cost intensity
- Customer service/satisfaction levels
- Corporate giving programs







#### **ASPECT: ECONOMIC PERFORMANCE**

EC1 Direct Economic Value Generated and Distributed, including Revenues, Operating Costs, Employee Compensation, Donations and Other Community Investments, Retained Earnings, and Payments to Capital Providers and Governments

Component	Value (in thousands \$)
Direct economic value generated (A)	
Revenues	\$966,283
Economic value distributed (B)	
Operating costs (including cost of goods sold)	\$586,436
Employee wages and benefits	\$168,649
Payment to providers of capital	\$162,376
Payments to government (taxes)	\$6,665
Community investments	\$3,446
Total distributed	\$927,572
Economic value retained	
Calculated as (A) - (B)	\$38,711
Taxes Paid By Region*	Value (in thousands \$)
North America	\$1,950
Europe, IMEA	\$2,228
Latin America	\$336

<sup>\*</sup>Note: Company unable to disaggregate payroll taxes, property and other taxes by Region

# EC2 Financial Implications and Other Risks and Opportunities for the Organization's Activities due to Climate Change

DJO Global senior management and the board of directors continue to evaluate the financial implications and regulatory risks to DJO's business from a variety of sources. At this time, the Company has not been able to predict to what extent, if any, physical climate changes will impact weather patterns, and in turn impact temperatures, sea levels, water availability, employee health and other environmental factors, which in turn, could impact DJO's worldwide operations. Likewise, the Company is not able to predict to what extent, if any, governmental actions, environmental actions or health and safety regulations will impact DJO as a result of climate change. At the present time, DJO is not subject to mandatory greenhouse gas (GHG) emission reporting by the U.S. EPA, but DJO is committed to measuring, reporting and reducing its total annual emissions.

DJO Global understands the importance of addressing issues related to climate change. While the Company emits GHG emissions, as do most businesses, the Company believes its emissions are relatively low. The identification of DJO's GHG sources will enable the Company to set targets for future reductions to minimize its contributions to GHG gas levels in the atmosphere over time.





Part of DJO Global's 2011 energy goals will examine local-market energy providers at the Company's subsidiaries to source a greater content "green" power, such as solar, wind and hydroelectric power. The financial implication of purchasing renewable energy credits sufficient to offset approximately 50% of DJO's worldwide electricity usage is not material (see also EN4, EN5 & EN6). Over time, DJO intends to explore more capital intensive projects that will reduce its GHG emissions further.

While DJO Global cannot at this point predict changes to its water availability at its global subsidiaries, three of the Company's subsidiaries reside in water stressed areas as defined by the World Business Council's Global Water Tool. DJO Global recognizes water is a precious resource and is committed to reducing its water footprint (see also EN8, EN9 & EN10).

#### EC3 Coverage of the Organization's Defined Benefit Plan Obligations

DJO Global's total rewards strategy is to provide compensation and benefits to employees that are competitive with other top global companies within the relevant labor market. DJO Global currently does not maintain any defined benefit plans outside of those that require funding as part of national or local pension law. DJO does offer defined contribution plans that are consistent with local market practice and competitive within the local employment market. Employees are incentivized to contribute to these plans though Company matched contributions. All regular employees are eligible to participate in these plans immediately upon hire with no waiting period.

#### **EC4 Significant Financial Assistance Received from Government**

DJO Global does not receive any financial assistance from the government that is significant or reportable.

# EC5 Range of Ratios of Standard Entry Level Wage Compared to Local Minimum Wage at Significant Locations of Operation

DJO Global does not use regional minimum wage rules to define compensation strategy for employees, but does comply with any applicable minimum wage requirements. DJO offers competitive employee base pay, which is determined through our salary survey process. This process benchmarks compensation at other companies with whom we compete for talent and helps DJO maintain employee pay that is tailored to geographically competitive standards. Along with base pay, where applicable, the Company offers a quarterly bonus plan for all regular employees that is based on Company results. We also offer other programs that keep us competitive in the market and make us an employer of choice.

# EC6 Policy, Practices, and Proportion of Spending on Locally-Based Suppliers at Significant Locations of Operation

DJO Global will conduct business with suppliers who are globally competitive and who will provide the lowest long term cost of ownership. DJO is dedicated to working closely with local suppliers in the vicinity of our global manufacturing and distribution centers to educate them about our strategic purchasing requirements. DJO will help local suppliers understand the need for potential actions to make their business more globally competitive. The use of local suppliers or local content is considered in purchasing decisions. Local suppliers also help reduce the overall cost of transportation and thereby help reduce carbon emissions.

For 2010, our percentages of local purchasing were as follows:

France	27%
Tunisia	30%
Germany	30%
Vista, CA	39%





Mexico 32% Clear Lake, SD 25% Austin, TX 37%

### EC7 Procedures for Local Hiring and Proportion of Senior Management Hired from the Local Community at Significant Locations of Operation

DJO Global believes that our workforce should reflect the places where we do business today and tomorrow. This guides our hiring decisions in addition to the criterion of choosing the best candidate for each job. DJO strives to promote from within where possible and advertises open positions internally through the Company intranet. Where available, DJO utilizes local professional organizations and job boards in an effort to hire the best regional talent available. In the U.S., approximately 90% of all DJO Global senior executives live within a 50 mile radius of their respective main offices in Vista, CA, Shoreview, MN, Austin, TX and Indianapolis, IN.

### EC8 Development and Impact of Infra-structure Investments and Services Provided Primarily for Public Benefit through Commercial, In-Kind, or Pro Bono Engagement

DJO is a proud supporter of the Vista Community Clinic, a private not for profit community health center that provides quality health care and health education to those facing economic, social or cultural barriers. The Vista Community Clinic operates five state-of-the-art clinics with such primary care services as dental, immunizations, testing, pediatrics, pharmacy, laboratory, prenatal/obstetrics, reproductive health, teen clinic, and a wellness clinic. With DJO's support, the Vista Community Clinic services over 57,000 patients, more than 238,000 patient visits each year with about 65% of all patients being uninsured.

DJO Global is extremely committed to making a difference within our communities and selects a number of charitable organizations and activities with which we align ourselves each year. During the 2010 year we dedicated our time and financial resources to the following youth based organizations: Boys & Girls Clubs of America, California State University, San Marcos, San Diego State University Athletic Foundation, Casa de Amparo, Century Club of San Diego, Dress For Success, Leukemia & Lymphoma Society, Marine Corp Scholarship Foundation, Monarch School, Rady Children's Hospital, San Diego Food Bank – Backpack Program, San Diego Sports Medicine Foundation, Solutions for Change, USS Midway Museum Educational Programs and the YMCA.

# EC9 Understanding and Describing Significant Indirect Economic Impacts, Including the Extent of Impacts

DJO Global has many examples of community support that lead to indirect economic impacts, but the Company has not attempted to measure how this support, both monetary and through volunteer hours have economically impacted the communities where the support was given. DJO and its employees believe the Company's community giving program contributes to stronger local communities where we have major operations, and a stronger, safer and more sustainable community in turn, provides benefits back to DJO's local operations.

Some of DJO Global's successful local community programs include the following:

#### At our Vista, CA headquarters:

- Team in Training: DJO employees signed up to be part of the Leukemia & Lymphoma Society's Team In
  Training program to get prepared to run in the Rock & Roll marathon; employees held BBQ
  fundraisers, cell phone recycling programs and had sponsored donations to contribute to the
  fundraising effort.
- Vista Community Clinic (See EC8)

### GLOBAL GLOBAL

#### **Sustainability Report 2010**



Annual Golf Classic/Gala: DJO holds an annual golf tournament. In 2010, the Marine Corps Scholarship
Foundation was the benefactor of this event and received over \$100,000 for college scholarships for
children who have lost a parent in the war against terrorism.

#### In our Mexico manufacturing facility:

- Employee empowerment through new skill set training
- LeaPS system to engender trust among all levels of workers LeaPS is our Lean Production System
  which allows each cell team to complete their own production schedules rather than having a central
  planning function. Each cell team uses the LeaPS system to determine what has been sold around the
  globe so that they can start replenishment.
- Onsite education is provided to employees to complete certifications, diplomas, English as a second language, etc
- Quality of life improvements to improve spare time by providing "swap meet" convenience for basic groceries, clothing, bill paying, etc
- Health days for employees and family members

#### National program to help train surgeons:

Working together, we create many new ideas at DJO Global. And many of the ideas that we develop
come from collaborating with active minds in the medical community. Our Clinical Education and
Research Facility (CERF) located in our headquarters in Vista is open to surgeons and clinicians and
enables continuing education on the latest surgical procedures.

#### International donations for disaster relief:

In January 2010, DJO Global made its largest ever donation of orthopedic medical products to aid the
victims of the earthquake in Haiti. Included in the Company's donation were orthopedic rehabilitation
devices including immobilizers and splints for the neck, shoulder, arm, wrist, knee and foot and ankle
valued at approximately \$200,000. The donation was made to Project HOPE and DJO employees
worldwide also supported the relief effort with cash donations.

#### Example of negative indirect impact:

- Closure of our Chattanooga facilities in Hixson, TN resulted in the loss of approximately 300 positions through our integration initiatives to consolidate all Chattanooga business activities into DJO's existing facilities in Vista, CA, Indianapolis, IN and Tijuana, Mexico. This process was completed in March 2010. This action provided DJO Global with significant cost-reduction benefits as well as enhanced quality and customer service benefits. To reduce the impact from this, Chattanooga employees were given approximately 6 to 9 months notice. Those employees who were displaced over the course of the transition period had the opportunity to apply for other open positions within the Company if they were willing to relocate. Employees who ultimately left DJO were provided with appropriate severance and outplacement assistance.
- Suppliers in the Chattanooga supply chain in some cases were eliminated through in-sourcing of components to our own facilities or moving to sources closer to our new point of manufacture.





#### **Environmental Disclosures**

#### **Management Approach to Environmental Disclosures**

At DJO Global, we take pride in making sure we protect both our people and the environment as part of corporate culture. Our worldwide operations will meet or exceed applicable government and/or DJO Global standards.

With our lean culture to guide us, we strive to eliminate all work-related injuries and adverse health impacts, reduce wastes and emissions and promote resource conservation to minimize our environmental impacts. We will account for our progress on these efforts in our annual sustainability report, which can be found on DJO Global's website. While we have not yet set specific long-term goals, future goal setting at DJO for our environmental, economic and social categories will involve the following areas of focus:

#### **Environmental Stewardship**

DJO strives to reduce its energy and water intensity. Related to Climate Change, we will be reducing GHG emissions by purchasing more electricity generated by renewable sources, working with our transportation partners to streamline operations, examining commuting habits of our employees and by conservation measures. We strive to reduce our total GHG emissions by 5% in 2011. We also continuously examine our distribution network to consolidate freight costs, which also yields environmental benefits.

Reduce consumption of water through more efficient manufacturing operations, installation of low flow appliances and through conservation. We strive to reduce our water intensity by 5% in 2011.

Decrease landfill waste by source reduction, increasing recyclable content and increasing levels of recycling in all DJO Global locations. Our goal for 2011 is to have each of our 19 sites around the world map and measure their waste streams so that by 2014 we can eliminate one quarter of DJO's waste that is bound for land fill. Through Lean techniques we are reducing the amount of scrap in our manufacturing processes. Many of these practices reduce scrap on the front end, eliminating not only the back end scrap, but also the energy required to recycle and reprocess the scrap material. Office-based recycling and corrugate recycling has reduced the amount of waste destined for landfills. We are also working to ensure our e-waste partners are being environmentally responsible.

#### Internal programs to strengthen our diversity and culture

Strengthening our work culture and job satisfaction with employees: We believe that our employees are the cornerstone of our success. DJO Global makes every effort to increase employee involvement and participation by embracing diversity and equal opportunity in our work place, be active in employee training and foster a culture based on defined corporate values.

We will protect our employee's health and the environment with a continued focus on environmental, health and safety (EHS) programs to make DJO Global's workplace safer for employees and for the community. Promoting safety in our work place has created a safer environment at a lower cost for the Company. DJO Global targets our OSHA Total Incident Rate goal to be 2.0 or less.

#### External initiatives to strengthen the communities where we have a major presence

We are an engaged corporate citizen globally and locally. In the communities where we have a major presence, we are helping to create stronger, safer and more sustainable communities through





employee volunteerism, employee and corporate donations and corporate support of employee-based wellness programs.

#### **Product Stewardship**

The majority of DJO Global's products are medical devices designed for single patient use, which places a burden on our global landfills. We believe we can reduce this burden by designing better packaging that is smaller, more recyclable and includes a greater content of post-consumer recycled content. We are also examining our existing products to assess where we have the opportunity to use more environmental preferable materials and we are enlisting our supply chain to be responsive to this and other improvements. Further, we are examining product development processes to ensure our new products are designed with environmental concerns in mind. Last, we are piloting a program with one of our key customers to recycle one of our high-use products. We believe the above actions will enable DJO to strengthen its supplier-of-choice status with our customers.

#### Compliance

DJO Global will conduct all aspects of our business in an ethical manner. The Company requires that all of its directors, officers, and employees observe high standards of integrity and honesty and act with care, diligence and fairness in all business activities. Interactions with all stakeholders and wider society should be conducted in an ethical and legal manner. All must comply with DJO Global's Code of Conduct and all supporting policies, the laws, regulations and codes of all countries in which we operate.

In 2010, we made good progress with our assessment of DJO Global's environmental footprint made possible by our dedicated employees:

- Our first global measurement of our greenhouse gas emissions measurement is the first step in our being able to make GHG emission reductions in future years
- Establishing global Green Teams to help the company better affect its environmental actions

The most senior position with responsibility for DJO Global's sustainability is the Chief Operating Officer, Luke Faulstick.







#### **ASPECT: MATERIALS**

#### **EN1 Materials Used by Weight or Volume**

DJO Global operates in an integrated manufacturing and distribution environment. Basic raw materials are processed through many stages to produce products that are sold as finished goods. Additionally, the Company buys certain finished products from manufacturers to modify or sell to customers.

The six major raw materials streams that feed the integrated production of the Company's finished goods include: fabrics and laminates, polypropylene, nylon, PVC, acetal and metals such as steel, stainless steel and aluminum. The Company purchases these raw materials on both short and long-term contracts.

Fabrics and Laminates	Yards per Year
Fiber laminate	450,000
Suede laminate	160,000
Foam/Fiber laminate	144,000
VF Cuff laminate	60,000
Urethane laminate	25,000
Total	839,000
Polypropylene	Pounds per Year
Gray Boots	756,000
White Shells	168,000
White Liner for Cooler	157,200
Natural Contour	120,000
Total	1,201,200
Nylon	648,000 lbs per year
PVC Film	409,560 yds per year
PVC (resin)	72,000 lbs per year
Acetal	22,800 lbs per year
Metals	Kilograms per year
Aluminum 5052	417,833
Aluminum 6061	183,246
Stainless 304	42,825
Stainless 301	9,519

The Company had adequate supplies of raw materials during 2010, and expects to continue to have adequate supplies of raw materials in 2011.

886,962

#### **EN2** Percentage of Materials Used that is Recycled Input Materials

Carbon Steel

Most DJO Global production processes and products do not involve externally-sourced recycled materials with the exceptions of MRO (Maintenance, Repair and Operations) materials, office supplies and packaging materials. We are increasing the amount of recycle-based materials on a category by category basis. Currently





the external recycle stream in our business is less than 1 percent of total raw material. Many of the externally sourced metals stock we utilize do contain a certain percentage of recycled content, but we are unable to quantify this amount.

Office copy paper:

Contains 30% post consumer recycled content

Packaging materials for bracing and supports:

Outer shipper corrugate containers contain at least 45% recycled material Primary packaging boxes contain 90% post consumer recycled content

**ASPECT: ENERGY** 

#### **EN3 Direct Energy consumption by Primary Energy Source**

DJO Global's total direct energy consumed from burning fossil fuels in 2010 totaled 39,437 gigajoules.

The amount of direct energy consumed by the Company breaks down as follows:

- Approximately 36,837 gigajoules, or 93% is related to 346,369 therms of natural gas used to run our manufacturing facilities as well as heat and cool our office spaces worldwide and from other fossil fuels, including LPG (liquefied petroleum gas) and fuel oil.
- Approximately 2,600 gigajoules of direct energy was consumed from direct mobile sources including Company owned vehicles (gasoline and diesel consuming vehicles) and other stationary sources such as gasoline and diesel powered generators, aggregating to approximately 8,758 gallons of gasoline (1,095 gigajoules) and approximately 10,906 gallons of diesel fuel (1,505 gigajoules).

#### **EN4 Indirect Energy Consumption by Primary Source**

Indirect energy consumed by the Company is primarily related to the global consumption of purchased electricity. In 2010, the Company estimates that indirect energy usage to run DJO Global's worldwide operations to produce products in our manufacturing facilities and run our office spaces came from purchased electricity totaling approximately 25.0 million kWh, or 89,940 gigajoules. This amount includes approximately 2.35 million kWh of electricity, or 8,456 gigajoules that DJO Global estimates its contract manufacturing partners consumed in connection with DJO-related business. In 2010, DJO did not attempt to offset any of its electricity purchases with any meaningful quantities of electricity produced from renewable sources such as wind, solar and hydro, with the exception of our Canadian facility. Late in 2010, (approximately November), DJO's Canadian subsidiary, which accounts for less than 1% of DJO Global's global annual electricity consumption, switched to 100% renewable energy.

In 2011, our Global Green Teams will be focused on purchasing Renewable Energy Credits (REC) from local energy suppliers to offset our GHG emissions. At the time of this writing in April 2011, DJO has completed the purchase of approximately 28.5 million mWh of REC's over a two year period. This quantity of renewable energy will be added into the electrical grid on DJO Global's behalf and will be sufficient to offset approximately 50% to 60% of DJO's 2011 estimated annual global electricity consumption.

Over time, DJO Global intends to explore other, projects that will reduce its GHG emissions, for example, the use of wind power at its Clear Lake, South Dakota manufacturing facility. This location resides in a high wind zone that consistently provides well above average wind forces capable of efficiently driving wind generators to make the plant self sufficient in power generation.





#### **EN5 Energy Saved Due to Conservation and Efficiency Improvements**

2010 is DJO Global's first year for officially reporting its energy consumption and efficiency gains, but the Company has been focused on reducing its energy intensity (energy consumed per unit manufactured) annually for several years through Lean initiatives and through conservation measures. In 2010, DJO Global actively pursued projects to reduce the consumption of natural gas and electricity.

The Company has reduced its aggregate natural gas and electricity usage at its North American manufacturing sites. For 2010, DJO Global is not able to calculate the comparison of its energy consumption for electricity and fossil fuels on a global basis beyond the sites listed below, as most of the Company's international subsidiaries were not capturing their utility usage information during 2009. A global comparison to 2010 will be made in DJO Global's 2011 sustainability report.

#### **Electricity Consumption Reductions:**

Related to Scope 2 Indirect emissions: 4.8% reduction (667 metric tons of CO2) in 2010 vs. 2009. Our Scope 2 emissions are related to the consumption of our purchased electricity. Since these emissions are actually generated by the supplier of electricity, the extent to which we can switch to electricity generated by renewable sources will enable DJO to avoid the upstream generation of GHG emissions. This will be a focus of our Global Green Team in 2011. DJO Global has also made good progress in reducing electricity consumption by implementing new manufacturing processes, lighting and equipment that use less electricity. As a result of these and other measures, electricity consumption at six of our largest manufacturing sites (Vista, CA; Clear Lake, SD; Austin, TX; Tijuana, Mexico; Sfax, Tunisia; and Chattanooga, TN (facility was only in operation 3 months of 2010 with the majority of production moved to our Tijuana, Mexico plant), plus one contract manufacturer in the U.S., (who was able to provide utility consumption information), represents approximately 64% of DJO Global's global electricity consumption in 2010. Compared to 2009, electricity consumption from these sources fell by 4.8%, saving approximately 2,904 gigajoules of energy, or about 667 metric tons of CO2 equivalents on an absolute basis. This reduction also represents approximately 3.2% of DJO Global's global CO2 equivalent emissions related to the consumption of purchased electricity. Additionally, unit output increased by 11.2% in 2010, improving DJO Global's electricity energy intensity by 13.1%. We are not able to compare electricity consumption for 2010 vs. 2009 on a global basis because most of our international sites did not capture usage in 2009. We intend to make a global comparison in 2011 vs. 2010.

#### **Natural Gas Consumption Reduction:**

Related to Scope 1 Direct emissions: 38.8% reduction (252 metric tons of CO2) in 2010 vs. 2009. The majority of our Scope 1 emissions are related to the consumption of natural gas to heat and cool our facilities during and for our manufacturing operations. Conservation measures as encouraged by local Green Teams have also helped effect meaningful reductions. Also, replacing older furnaces with more energy efficient equipment as older equipment is taken out of service contributes to reductions in emissions. With the relocation of our Chattanooga, TN manufacturing operations to warmer climates (facility was only in operation 3 months, January through March of 2010 with the majority of production moved to our Tijuana, Mexico plant), we were able to reduce the consumption of natural gas used to heat the Chattanooga plant. As a result of these and other measures, natural gas consumption at five of our largest manufacturing sites that consume natural gas (Vista, CA; Clear Lake, SD; Austin, TX; Tijuana, Mexico; and Chattanooga, TN (3 months; Sfax, Tunisia does not consume natural gas), plus one contract manufacturer in the U.S., (who was able to provide utility consumption information), represents 19.7% of DJO's global natural gas consumption. Compared to 2009, consumption fell by 38.8% saving 4,539 gigajoules of energy, or 252 metric tons of CO2 equivalents on an absolute basis. This reduction represents approximately 12.5% of DJO's global CO2 equivalent emissions from natural gas consumption. Additionally, unit output increased by 11.2% in 2010 compared to 2009, improving DJO's natural gas energy intensity by 45.0%. We are not able to compare natural gas consumption for 2010 vs.





2009 on a global basis because most of our international sites did not capture usage in 2009. We intend to make a global comparison in 2011 vs. 2010.

# EN6 Initiatives to Provide Energy-Efficient or Renewable Energy-Based Products and Services and Reductions in Energy Requirements as a Result of these Initiatives

DJO Global primarily manufactures and distributes medical devices and orthopedic products that are not dependent on energy for their use and application by patients. Products that do use electrical energy for power in order to provide therapy and treatment include battery operated TENS and other electro-therapy stimulation units. Battery powered devices represent approximately 2% of our total units produced. Certain other products that utilize plug in electricity include cold therapy devices for home use, laser/ultrasound therapy machines, hot/cold therapy collators, powered tables and continuous passive motion machines used in clinical physical therapy settings, but these items, calculated on a percent of units sold represent a small part of the total. Our product development teams consider energy efficiency when developing new technology platforms or new products.

DJO Global provides computers to its employees worldwide. The computers are rated EnergyStar™ 5.0 compliant.

#### **EN7 Initiatives to Reduce Indirect Energy Consumption and Reductions Achieved**

This is DJO Global's first year for aggregating indirect energy consumption and comparisons to prior periods is therefore not possible.

DJO Global's Scope 3 "Other Indirect" GHG emissions totaled 56,223 metric tons of CO2 in 2010 and are attributable to the following sources (See also EN17):

**Employee travel (air travel):** 3,460 (provided direct from corporate travel partner)

**Employee travel (rental car):**305 (estimated from corporate travel partner and

rental car agency reports on miles driven)

**Employee commuting to work (global):** 5,833 (from employee commuting surveys and the

WRI Mobile Transport tool)

Employee sales travel (global): 12,079 (from employee commuting surveys and the

WRI Mobile Transport tool)

**Transportation of raw materials and finished goods:** 16,559 (from transportation partner and WRI Mobile

Transport tool)

**Use of "Energy-Intensive" materials** 8,975 (from research papers on emissions from energy

intensive materials)

**Subcontracted production:** 8,990 (represents 21.3% of total units produced,

therefore 21.3% of total Scope 3 emissions applied.





#### Transportation of waste:

22 (estimated globally by applying a waste-peremployee factor derived from DJO Global's Vista and Mexico operations for transporting both general facility waste and recycled materials transportation)

In 2011, DJO Global's primary efforts to reduce indirect energy consumption will be from the following actions:

#### Employee travel:

Encourage more efficient travel through combined destinations Encourage more teleconferencing such as video conferencing when appropriate Eliminate unnecessary trips

#### Employee commuting:

Encourage car pooling
DJO Global subsidize use of mass transportation
DJO Global sponsorship of work from home programs

#### Employee sales travel:

Encourage the purchase of more fuel efficient vehicles Make sales call patterns more efficient

#### Transportation of raw materials and finished goods:

Increase production volume in Tunisia that is currently made in Mexico but solid in Europe to have production volumes closer to the point of sale. Use more efficient intermodal shipping strategies, for example, ocean freight instead of air freight.

#### Use of "Energy-Intensive" materials:

Through our design processes, our R&D teams will be looking for opportunities to use less energy intensive materials. Primarily this means transitioning from metals to fabrics and plastics or composites. Development in composite and other nanotechnology-based materials is providing new opportunities to reduce strength dependence on metals, one of the primary energy-intensive materials utilized by DJO.

#### Subcontracted production:

Utilize subcontracted production closer to the markets where products are sold to reduce transportation-related costs and GHG emissions.

#### Transportation of waste:

Reduce the output of waste generated through conservation and reusing, reducing and recycling.

#### **ASPECT: WATER**

#### **EN8 Total Water Withdrawal by Source**

Water is a precious resource and DJO Global is committed to reducing its water footprint in addition to its carbon footprint. The Company has undertaken a number of initiatives to reduce water usage at its North American manufacturing sites, including the use of low flow fixtures, water sensors and waterless systems in restrooms; reducing landscape irrigation times; and the use of recirculation systems where water is used in manufacturing operations.





Worldwide, DJO Global sources its water from municipal suppliers. DJO did not utilize any water source from surface water, ground water, rain water or waste water supplies. DJO's total withdrawal in 2010 was approximately 66,062 cubic meters. This global total includes 6,338 cubic meters attributable to outsourced suppliers of finished goods and was determined by applying a water intensity factor (water consumed per unit produced), calculated from our plant in Mexico, and multiplied by the number of units purchased from the outsourced suppliers.

The Company is not able to compare this total worldwide withdrawal figure to prior years as most DJO subsidiaries were not capturing water usage data. Some site comparisons are possible, however, as noted below, particularly for the Company's North American manufacturing sites. A full global comparison for DJO Global will be available in the 2011 sustainability report.

The Company is able to compare its year-over-year water usage at its North American manufacturing sites, including Vista, CA; Austin, TX; Clearlake, SD; Chattanooga, TN and Tijuana, Mexico. These five sites represent approximately 70% of DJO Global's 2010 total global water withdrawal.

Comparing these sites, DJO Global's water consumption in 2010 was down approximately 20.9% on an absolute basis and water intensity was down approximately 32.3% on a units manufactured basis.

#### **EN9 Water Sources Significantly Affected by Withdrawal of Water**

Of DJO Global's worldwide sites, over 90% of the total Company's water consumption occurs through its six largest operations. Each of these six sites and their water sources are listed below:

Site	Water	Source(	s)

Vista, CA Colorado River, San Francisco/San Joaquin Bay, Lake Henshaw

Shoreview, MN Jordan aquifer

Clear Lake, SD Brookings-Deuel Rural Water System: Clear Lake Wellfield and Joint Wellfield

Austin, TX Colorado River

Tijuana, Mexico Colorado River, Carrizo Dam

Sfax, Tunisia National Company of Exploitation and Distribution of Water

DJO has utilized the World Business Council for Sustainable Development water analysis tool to enable us to determine whether or not any of our office, manufacturing and distribution locations around the world operate in a water stressed region as defined by the World Business Council's Global Water Tool. This tool will enable DJO to better analyze and plan for local water-related risks and challenges that may arise from the watershed regions that we operate in, but at this time, the Company has not developed any such specific strategies. The analysis identified three locations as water stressed priority sites from a water management perspective.

<u>Location</u> Water Source(s)

DJO Global Vista Headquarters

DJO Global Tijuana, Mexico manufacturing facility

DJO Global Sfax, Tunisia manufacturing facility

Purchased freshwater

Purchased freshwater

#### **EN10 Percentage and Total Volume of Water Recycled and Reused**

Recycled water and water reuse totals are not compiled for the total company. Some water recycle and reuse data is collected for two specific sites, namely DJO Global's Tijuana, Mexico operations, which is the site of the

### GLOBAL GLOBAL

#### **Sustainability Report 2010**



greatest water consumption for the total company, representing about 39% of DJO Global's total annual water withdrawal, and the Company's world headquarters in Vista, CA, which represents about 12% of DJO Global's annual water withdrawal. Overall, the volume of recycled and reused water is insignificant compared to DJO's total global withdrawal. That said, DJO recognizes the need to continue to look for new ways to conserve, recycle and reuse water in its manufacturing and office locations.

In the Company's Tijuana, Mexico facility, DJO Global has reduced its water usage associated with the testing of its circulation pumps that are part of the Company's cold therapy devices. The Company now re-circulates the water used to test these pumps instead of using a continuous flow process, reducing its water withdrawal and discharge. Additionally, the water used to cool injection molding machines is also now re-circulated. In total these measures have reduced the annual use of virgin water by approximately 37,000 gallons (144 cubic meters), or approximately 0.5% of the Mexico plant's intake.

Some other recycle and reuse measures utilized in Vista, CA include:

- 1) Water is used to lubricate and cool some manufacturing processes. It also helps to trap the fiber dust created in other processes. While the amount of water used in the process is not significant, DJO Global has modified the process to use less water for a longer period between changes. This has cut the water usage by 60% for this process. The Company is also presently evaluating a waterless system for the operation.
- 2) In other DJO processes, the Company has reduced its water usage in certain operations by approximately 67% by recycling water. In addition to this, the Company has switched from a distillation process, which is both inefficient and consumes large amounts of electricity to boil water, to a Reverse Osmosis system. While still not an efficient water system, the RO systems does not consume electricity. The Company continues to look for ways to conserve both water and energy.

#### **ASPECT: BIODIVERSITY**

### EN11 Location and Size of Land Owned, Leased, Managed in, or Adjacent to, Protected Areas and Areas of High Bio-Diversity Value Outside Protected Areas

This indicator helps DJO Global identify and understand risks associated with biodiversity. During 2010, DJO Global reviewed the locations where its operations exist in proximity to areas of high biodiversity value. Refer to section 3.6 for site inventory (company locations).

Each of DJO Global's worldwide facilities was analyzed for its location according to the following registries:

- Ramsar Convention on Wetlands, 1971
- UNESCO World Heritage Sites
- United Nations Biosphere Reserves
- National Biodiversity Strategies and Action Plans prepared under the Convention on Biological Diversity
- Conservation International's Biodiversity Hotspots and Wilderness Areas
- World Wildlife Fund's Global 200 Eco Regions
- Bird Life International's Important Bird Areas
- IUCN's Centers of Plant Diversity

None of DJO Global's facilities are located within or in proximity to any areas considered high in biodiversity.





A number of DJO Global's sites are located with the World Wildlife Fund Global 200 Eco-regions:

- Vista Mediterranean forests, woodland & scrub
- Tijuana Mediterranean forests, woodland & scrub
- Spain Mediterranean forests, woodland & scrub
- Tunisia Mediterranean forests, woodland & scrub
- Italy– Mediterranean forests, woodland & scrub
- Australia Temperate broadleaf & mixed forests
- Shoreview Temperate grasslands, savannas & shrub-lands
- Clear Lake Freshwater
- Hong Kong Tropical & subtropical moist broadleaf forests

Additionally, two of DJO Global's sites, Vista, CA and Austin, TX are located within the IUCN's Centers of Plant Diversity.

## EN12 Description of Significant Impacts of Activities, Products, and Services on Biodiversity in Protected Areas and Areas of High Biodiversity Value Outside Protected Areas

None of DJO Global's facilities are located within or in proximity to any areas considered high in biodiversity. The Company is not aware of any events in 2010 that could have caused any significant impact on biodiversity in protected areas or areas of high biodiversity value.

#### **EN13 Habitats Protected or Restored**

At this point in time, DJO Global has not undertaken any projects to protect or restore any habitat.

EN14 Strategies, Current Actions, and Future Plans for Managing Impacts on Biodiversity This indicator does not apply to DJO Global (see EN11 and EN12).

## EN15 Number of IUCN Red List Species and National Conservation List Species with Habitats in Areas Affected by Operations, by Level of Extinction Risk

This indicator does not apply to DJO Global.

#### **ASPECT: EMISSIONS, EFFLUENTS AND WASTE**

#### EN16 Total Direct and Indirect Green-house Gas Emissions by Weight

2010 is DJO Global's first year for capturing global greenhouse gas (GHG) emissions from direct and indirect sources (Scope 1 and Scope 2, respectively) and is therefore our baseline year. As such, we are not able to compare global GHG emissions to earlier years. Our 2011 GHG emissions will be compared to 2010 in our 2011 sustainability report.

Approximately 28.9% of the Company's 2010 GHG emissions resulted from direct and indirect emissions related to the consumption of energy. This offers DJO Global an important avenue to approach its newly established annual GHG emission reduction target of 5% by continually exploring ways to conserve fossil fuel and electricity consumption through employee behavior, more efficient equipment and lighting, as well as purchasing electricity from renewable sources.

Direct GHG emissions (Scope 1 emissions), are emitted from sources owned by DJO Global, and include Kyoto greenhouse gases such as carbon dioxide, methane and nitrous oxide. The Company does not believe it is an emitter of sulphur hexafluoride. Our 2010 direct GHG emissions are expressed as carbon dioxide equivalents.

### GLOBAL GLOBAL

#### **Sustainability Report 2010**



Indirect GHG emissions (Scope 2 emissions), are the consequence of DJO's consumption of purchased electricity. Emissions from purchased electricity are actually emitted by the company generating the electricity.

DJO's contract manufacturers located within the United States were asked to provide utility records. Based on the estimated percentage of their business that DJO represents, the Company was able to estimate the portion of their Scope 1 and Scope 2 emissions that applied to DJO. Emissions from contract manufacturers outside of the United States that supply DJO with certain purchased finished goods were estimated by applying known energy intensity factors (energy consumed per unit manufactured), calculated from the Company's manufacturing operations in Mexico, to the total quantity of units purchased from these contract manufacturers.

DJO Global's primary sources of Scope 1 and Scope 2 green house gas emissions in 2010 are as follows:

- Scope 1: Stationary and mobile consumption of fossil fuels totaled 2,220 metric tons (2.8% of total GHG emissions). These emissions result primarily from the consumption of natural gas used in some manufacturing operations and to heat and cool our buildings (See also EN3). Measurement of Scope 1 emissions was made from utility records, fuel receipts and extrapolations from fuel receipts and estimations from contract manufacturers.
- Scope 2: Indirect energy usage from purchased electricity totaled 20,646 metric tons of CO2 equivalents (26.1% of total emissions). Purchased electricity is used to power DJO Global's manufacturing operations, as well as its office spaces (See also EN4). Measurement of Scope 2 emissions was made from utility records and estimations from contract manufacturers.

#### **EN17 Other Relevant Indirect Green-house Gas Emissions by Weight**

This is DJO Global's first year for aggregating indirect greenhouse gas emissions and therefore comparison to prior periods is not possible. DJO's other relevant indirect GHG emissions are reported below and the sources noted along side (See also EN7)

DJO Global was not able to estimate other relevant indirect emissions for its U.S.-based contract manufacturers, but believes the GHG emissions related to this are insignificant to the Company's total Scope 3 emissions. Emissions from contract manufacturers outside of the United States that supply DJO Global with certain purchased finished goods were estimated by applying known energy intensity factors (energy consumed per unit manufactured) from the Company's manufacturing operations in Mexico to the total quantity of units purchased.

DJO's global Scope 3 "Other Indirect" GHG emissions totaled **56,223 metric tons** of CO2 in 2010 and are attributable to the following sources (See also EN7) with figures expressed in metric tons:

**Employee travel (air travel):** 3,460 (provided direct from corporate travel partner)

**Employee travel (rental car):**305 (estimated from corporate travel partner and rental car agencies report on miles driven)

Employee commuting to work: 5,833 (from global employee commuting surveys and

the WRI Mobile Transport tool)





**Employee sales travel:** 12,079 (from global employee commuting surveys and

the WRI Mobile Transport tool)

Transportation of raw materials and finished goods: 16,559 (from global transportation partner and WRI

Mobile Transport tool)

**Use of "Energy-Intensive" materials 8,975** (from research papers on emissions from energy

intensive materials)

**Subcontracted production:** 8,990 (represents 21.3% of total units produced,

therefore 121.3% of total Scope 3 emissions applied.

Transportation of waste: 22 (estimated globally by applying a waste-per-

employee factor derived from DJO Global's Vista and Mexico operations for transporting both general facility waste and recycled materials transportation)

#### **EN18 Initiatives to Reduce Greenhouse Gas Emissions and Reductions Achieved**

DJO Global has identified and implemented a number of ways to reduce its GHG emissions. In 2011, our goal is to achieve a global GHG reduction of 5% (see also EN7). All of our GHG reporting and initiatives to reduce GHG emissions are voluntary. The Company is not able to make a global comparison of GHG emissions in 2010 vs. 2009 as most international sites were not capturing the corresponding information. As a consequence, our base year for global GHG emissions is 2010 (see EN5, EN7, EN16 and EN17).

#### DJO Global Initiatives implemented:

- Centralized our distribution network to consolidate freight costs. We established a distribution center (DC) adjacent to our manufacturing facility in Mexico that serves the western states of the U.S.
   Simultaneously, we established a second DC in Indianapolis, IN that serves the eastern states of the U.S.
- Implemented "Floor Loading" in the trailers that leave our DC's to maximize the size of the load. Floor loading enables DJO Global to carry 15% more finished goods per load
- Use less air freight and more ocean freight to reduce transportation related CO2 emissions
- Recycling shipper boxes used to transport finished goods between the Company's manufacturing plant in Mexico and its distribution center in Indianapolis
- DJO Global is working with other transportation partners to streamline load sizes and eliminate paper generation
- DJO Global is studying the opportunities to generate its own electricity at certain locations from renewable sources, such as wind
- DJO Global's facilities in Canada switch to 100% renewable electricity in late 2010
- Initiated a Sustainability Reporting process throughout DJO Global enabling the Company to measure its emissions
- Use of environmentally friendly cleaning products by DJO Global staff and cleaning crews
- Implemented automated lighting and air conditioning controls
- In 2010, DJO Global's surgical division explored the use of re-usable plastic outer transport boxes to carry sterilized surgical instrumentation to hospitals instead of corrugate containers, saving virgin paper and corrugate costs. The Company is exploring the expansion of this program in 2011
- Encourage employees to turn off computer monitors at the end of the work day and utilized sleep mode when not in use





- Relocated Chattanooga manufacturing capacity to more energy efficient DJO Global locations
- Replacing older furnaces with more energy efficient equipment as older equipment is taken out of service
- Purchased 28.5 MWh of Renewable Energy Credits over a two year period to offset DJO Global's GHG emissions from purchased electricity (2011 event)
- Implemented new manufacturing processes and equipment that use less electricity
- Designed and implemented energy efficient lighting systems in many DJO Global facilities

#### **EN19 Emissions of Ozone-depleting Substances by Weight**

DJO Global does not use or emit ozone-depleting substances (ODS) in its products or services.

#### EN20 NOx, SOx, and Other Significant Air Emissions by Type and Weight

DJO Global is not a significant emission source for NOx, SOx, persistent organic pollutants (POP), volatile organic compounds (VOC), hazardous air pollutants (HAP), stack and fugitive emissions, particulate matter (PM) or other regulated compounds.

The relatively small amount of VOC emissions from the Company's manufacturing sites is related to the use of primer, paint and other coatings, adhesives and cleaning solvent. These emissions are regulated by various authorities and used under the requirements of permits by authorized agencies. For the most recent data available from DJO Global's Vista, CA location where Defiance braces, VenaFlow and CMF units are assembled; the emissions of VOC in 2010 are estimated at 4.0 tons of CO2. This estimate includes a reduction of VOC emissions from the use of lower VOC clear coat paints.

#### **EN21 Total Water Discharge by Quality and Destination**

In general, DJO Global consumes very little of the water withdrawn as noted in EN8 and it can be assumed that nearly all of the water withdrawn becomes water discharged. Except as noted below, nearly all discharged water is not utilized in production processes and therefore does not contain chemical contaminants. DJO Global does not attempt to measure the discharge streams for quality or destination.

The primary discharge streams from DJO Global facilities are sanitary waste, which are directed to sewage treatment facilities. There are limited discharges of wastewater directly to subsurface or surface waters via septic tank systems, for example in our Clear Lake, SD facility.

Certain aqueous waste streams are generated in very small amounts. These effluents are contained, hauled off-site and treated by licensed waste haulers and facilities. DJO Vista generates a non-hazardous wastewater stream from the Defiance brace operation in small amounts that are collected in drums and periodically hauled off-site for treatment. In the most recent year available this amounted to slightly more than 900 gallons of effluent generated and treated.

#### **EN22 Total Weight of Waste by Type and Disposal Method**

In 2010, DJO Global was not able to accurately measure waste streams at all of is global sites. Accurate records are kept at the Company's manufacturing facilities in Tijuana, Mexico and Vista, CA. To arrive at DJO's total waste quantities, wastes from these sites were divided by the total number of employees at each site where the waste was generated, to calculate waste per employee. Waste per employee factors were then multiplied by the total number of DJO Global employees working at like kind facilities applicable to the specific waste stream. General waste streams were applied to DJO's worldwide work force. Manufacturing-related waste streams were applied to DJO's total manufacturing work forces at Vista, Tijuana, Clear Lake, Austin and Tunisia.





Based on this estimation process, plus other actual and estimated quantities the total of waste for 2010 was as follows:

Total DJO Global Waste	<b>Total Tons</b>	Type
General waste	1055.8	Landfill
Manufacturing Waste Recycling	982.9	Recycled
E-waste	55.8	Recycled
Dell Computers	10.2	Recycled
Hazardous waste	12.3	Recycled
Hazardous waste	5.1	Landfill
Corrugate/Paper	297.4	Recycled
Manufacturing Waste	474.1	Landfill

DJO Global Vista has undertaken steps to reduce the impact of general waste generation. A baler is used to compact cardboard/carton materials, which are then recycled instead of being mixed with common trash. This has reduced Vista's total landfill volume by more than 25%. In addition, for the non-recyclable trash/waste a large compactor is used to significantly reduce the volume of this stream prior to transport to a local landfill. As part of DJO Global's green team efforts, most of the Company's 19 locations recycle glass, plastic bottles, aluminum cans, white paper, printer/toner cartridges, cell phones, batteries and fluorescent light bulbs.

#### Hazardous waste

Certain wastes by their nature are defined as hazardous and subject to stricter treatment and/or disposal standards. Hazardous waste totals include 4.0 tons and 4.2 tons of special waste (non-hazardous but special handling) from DJO's Vista, CA facility, 4.3 tons from DJO's Clear Lake, SD facility and 1.5 tons from DJO's Mexico manufacturing plant. Waste per employee factors were generate from these three facilities and then multiplied by the total number of DJO Global employees at manufacturing sites to arrive at a total global figure.

#### **Electronic Waste**

DJO Global uses a multi-pronged approach to managing electronic waste. The Company's Vista headquarters is the centralized purchasing center for all of the Company's business related computers globally and domestically for cell phones. Our computer supplier in 2010 had a take-back program and as these devices were decommissioned, the supplier recycled them. The supplier is an e-steward.org approved recycler.

In the U.S., DJO Global utilizes a cell phone recycling partner to recycle, reuse or to refurbish decommissioned cell phones. Our partner is fully compliant with EPA's Universal Waste Rule established May 11th, 1995 and utilizes e-steward.org listed recyclers for phones that are recycled.

All other e-waste is managed by local e-waste recyclers. In 2010, DJO Global Vista audited its e-waste partner and found substantial compliance with proper (accepted) recycling measures. None of the recycled electronic waste was shipped to third party recyclers overseas. No hazardous materials were shipped. For 2011, DJO Global's Global Green Team will be focused on identifying all waste streams including e-waste and ensuring its partners are recycling in an accepted manner.





#### **EN23 Total Number and Volume of Significant Spills**

There have been no spills in the last 5 years. There have been no accidental releases of hazardous substances that can affect human health, land, vegetation, water bodies and ground water.

# EN24 Weight of Transported, Imported, Exported, or Treated Waste Deemed Hazardous Under the Terms of the Basel Convention Annex I, II, III, and VIII, and Percentage of Transported Waste Shipped Internationally

Refer to EN22. No hazardous waste was transported across international boundaries.

### EN25 Identity, Size, Protected Status, and Biodiversity Value of Water Bodies and Related Habitats Significantly Affected by the Reporting Organization's Discharges of Water and Runoff

DJO Global's water discharges are related to storm water runoff and to a lesser extent, a small volume of sanitary waste water discharged into local ground waters via septic tank operations. The runoff from storm waters, a common issue for businesses, is directed into the municipal storm drain system. DJO Global's operational processes are confined to building indoors and therefore are protected from rainfall and hence do not pose a threat to the environment including water bodies and related habitats.

DJO Global's corporate headquarters in Vista, CA, has a very specialized storm water filtration and sediment collection system. The system helps protect our beaches so that contamination is filtered before entering the storm drains that lead to our beaches and bays. The Company also has special vegetation swales that filter the parking lot water run-off though a natural system of grass, vegetation and soil. This filters into another special unit (Vortex Separator) which screens the storm water and collects any debris (paper, cans, cigarette butts, etc) before discharging the water into the main storm drain which runs to the ocean.

#### **ASPECT: PRODUCTS AND SERVICES**

### EN26 Initiatives to Mitigate Environmental Impacts of Products and Services, and Extent of Impact Mitigation

DJO Global attempts to mitigate the environmental impact from its packaging materials by selecting materials that are recyclable and incorporate a high degree post-consumer recycled content wherever possible. In 2010, DJO Global engaged its primary packaging supplier in an effort to promote more environmentally friendly packaging components. As a result, the majority of the packaging components used in the Company's Bracing and Supports business, for example, which represents approximately 32% of DJO Global's revenue are constructed from 90% post-consumer waste content, are printed with agri-based inks and are fully recyclable. In addition, packaging boxes have been reduced or resized to minimize wasted air space and minimize corrugate and paper use. Where applicable, better recyclability is achieved using low density polyethylene (LDPE) bags instead of high density polyethylene bags. Corrugate shipping containers contain at least 45% recycled content. DJO Global has a practice of dialoging with its primary packaging partners and end user customers in an effort to continuously improve the environmental friendliness of its packaging and will continue to do so in the future.

### EN27 Percentage of Products Sold and Their Packaging Materials that Are Reclaimed by Category

DJO Global's product line is varied, with the majority of it being bracing and supports products, intended for single patient use. At the end of 2010 however, the Company, in conjunction with one of its larger customers, undertook a pilot program to look at the opportunity and feasibility to take back a certain high-use medical bracing and supports product to serve as feedstock in the re-manufacture of the product. The results from this program will be reported in the 2011 DJO Global Sustainability Report. DJO Global has not initiated any product packaging take back programs, but packaging materials have been designed to be more environmentally friendly (see EN26).





Certain other of the Company's medical products can be reused after proper refurbishment and strict inspection to ensure that they meet the standards for new products. Products that may be refurbished for resale include electrotherapy devices for pain management, continuous passive motion (CPM) machines for orthopedic rehabilitation and vascular system pumps used to prevent post surgical deep vein thrombosis in recovering patients. All these products undergo rigorous processes of disassembly, repair, cleaning, remanufacturing, testing and verification to ensure that they meet new product standards, functionally and cosmetically. By preventing these products from needlessly ending up in landfills, the environment is protected without any loss of safety or quality to the patient.

#### **ASPECT: COMPLIANCE**

### **EN28 Monetary Value of Significant Fines and Total Number of Non-Monetary Sanctions for Non-Compliance with Environmental Laws and Regulations**

DJO was not assessed with significant fines or non-monetary sanctions in 2010 for non-compliance with environmental laws and regulations. It is the Company's goal to ensure this achievement is continued, and to also improve the compliance processes. Increasing corporate understanding of the various federal and regional environmental laws and regulations for the locales wherein DJO operates will support this goal.

#### **ASPECT: TRANSPORT**

# EN29 Significant Environmental Impacts of Transporting Products and Other Goods and Materials Used for the Organization's Operations, and Transporting Members of the Workforce

Transportation of DJO Global's products and other goods and materials used for operations is a significant component of the Company's environmental impact and is primarily related to GHG emissions from the combustion of fossil fuels.

In past years DJO Global relied heavily on air freight shipment for both U.S. domestic and International shipments. With only one distribution center at that time, located in Vista California, and with a majority of its U.S. customer base on the East Coast, DJO utilized air freight to meet customer orders and satisfy the customer's time requirements. During this same time frame, DJO also had distribution facilities in Europe. Inventory in Europe was replenished from Vista utilizing air freight.

In 2005 two major changes were implemented that positively impacted fuel emissions: DJO opened a mid-West distribution center to better serve its East coast customers. With this new distribution center, DJO has been able to minimize its use of air freight by servicing those customers via ground freight. DJO also restructured its planning logic and moved European replenishment to ocean freight to minimize the use of air freight. At the time both decisions were made to reduce shipping costs.

With truck freight consuming eight times less energy than air freight and ocean freight consuming fourteen times less energy than air freight, these two changes allowed DJO to reduce its transportation-related GHG emissions and costs, although we are not able to quantify this in 2010. In 2010, our distribution strategy remains intact, and is therefore part of our 2010 baseline GHG emission reporting. DJO believes it has a responsibility to continuously reduce its fossil fuel-related GHG emissions. Toward this end, DJO reached out to its primary transportation provider in mid-2010 for assistance in quantifying the CO2 equivalent emissions related to transporting DJO's products worldwide and assessing DJO's carbon footprint related to transportation (see also EN17). All outer corrugate shipping containers utilized to service its mid-West distribution center are reused until they are eventually retired, at which time they are recycled.





While DJO does provide transportation to approximately one-third of its employees in its manufacturing facility in Tijuana, Mexico, the GHG emissions related to this transportation is not significant (less than 1% GHG emissions related to employee commuting) but is captured in the Company's calculation of GHG emissions related to employees commuting to work.

DJO has not attempted to quantify the significance of "noise" as an environmental impact.

DJO has not had any significant spills at any of its global operations.

#### **ASPECT: OVERALL**

#### EN30 Total Environmental Protection Expenditures and Investments by Type

EPA Expenditu	ıres & Investments
Mexico	\$88,594
Vista	\$19,292
Total	\$107,886

For 2011, it is DJO Global's intention to report on costs specifically identified as environmental operations for all DJO sites worldwide.

#### **Labor Practice Disclosure**

#### **Management Approach to Labor Practice Disclosures**

At DJO Global, we strive to create a working environment that is considerate of all employees, regardless of where DJO's business is being conducted around the world.

It is DJO's policy to provide a work environment that meets the highest standards of equal opportunity employment. Employees, customers, patients or suppliers will not be discriminated against because of age, disability, gender, military status, national origin, pregnancy, race, religion, sexual orientation or any other factor not related to DJO legitimate business interest.

DJO maintains a policy of equal treatment of all employees and applicants for employment without regard to race, color, religion, national origin, sex, sexual orientation, age, veteran status, disability or other characteristics unrelated to a person's qualification and/or job performance, or any other basis protected by state, federal or local law, in all employment decisions including, but not limited to: recruitment, hiring, job assignment, compensation, training, apprenticeship, promotion, demotion, transfer, lay-off, discipline and separation, and with regard to all other terms and conditions of employment.

In addition, DJO maintains outreach programs for minorities, women, individuals with disabilities, veterans of the Vietnam Era, and disabled veterans that have been adopted in compliance with applicable laws and regulations. These programs set forth the specific outreach and equal employment opportunity responsibilities of managers, supervisors, and all employees. All employees are expected to ensure that equal opportunity is available to all and to demonstrate sensitivity to and respect for others.

### GLOBAL GLOBAL

#### **Sustainability Report 2010**



It is the policy of DJO Global that employees be provided a work environment which is respectful and free from any form of inappropriate or unprofessional behavior, such as harassment including sexual harassment, pestering or bullying and any form of unlawful discrimination based on sex, gender, race, sexual orientation, gender identity, disability, age, ethnic origin, or other inherent personal characteristic protected by law.

We outline DJO Global's policies in our "Code of Conduct", which is provided to all new employees and may be found on DJO's public website and our internal website that is accessible to DJO employees only. Our internal website also contains a listing of all DJO policies, including competitive pay, comprehensive benefits, learning and training, career opportunities, health programs, a diverse and inclusive work environment, a harassment and drug-free work environment, handling protected patient information, how to ask a question and more.

To ensure employees remain at the top of their responsibilities and remain in compliance with all applicable laws, DJO requires continuous learning through mandatory and selected training programs, including:

- Antitrust: Talking With Your Competitors
- What You Need To Know About Email
- Information Security
- Confidentiality Under HIPAA: Patient Rights
- The AdvaMed Code on Interactions with Healthcare Professionals
- Legal Basics for Medical Device Sales Representatives
- Diversity at Work
- Preventing Workplace Harassment
- Preventing Sexual Harassment
- Performance Management (annual focal review focused on personal development and attainment of annual personal objectives)
- Catalyst Leader Program (development of future leaders in the organization through a focused training and rotation program for 9 months each year)

DJO Global takes workplace safety very seriously and through management leadership, employee commitment and continuous improvement, the Company is committed to creating a safe and healthy work environment for all employees worldwide that meets or exceeds governmental safety regulations. As discussed in DJO's Code of Conduct, each employee must be aware of the rules and procedures that apply to the workplace and diligently follow the rules. There is a corporate Environmental, Health and Safety (EHS) representative. The Company ensures employees receive training on proper ergonomics and handling of hazardous materials to prevent injuries, damage to products or equipment and avoid environmental contamination.

Through our culture and our work practices, DJO Global is committed to complying with all labor and employment laws pertaining to freedom of association and collective bargaining, privacy, immigration, working time, wages and hours, as well as laws prohibiting forced, compulsory and child labor and employment discrimination. DJO is also focused on driving the necessary programs to make the Company's workplace safer for employees and for the community.

More than just legal compliance, we want to create the best possible working environment for our employees to succeed in, because when our employees succeed, DJO Global succeeds.







And while we strive to create working environments that foster success, nothing is more gratifying than having our efforts recognized and rewarded through independent evaluation. In 2010, our manufacturing and distribution plant in Tijuana, Mexico was named the number-one "Best Place to Work in Mexico, 2010" by Great Place to Work Institute, Mexico. This operation represents over 43% of DJO's total work force. Additionally, we are equally proud of the fact that DJO's Vista, California headquarters was recognized by the San Diego Business Journal as one of "San Diego's Top Ten Best Places to Work in 2010." Vista represents an additional 17% of our global work force. We could not have earned these distinctions without great employees who embrace our culture of urgency, accountability and continuous improvement.

The most senior position with responsibility for Labor Practice Disclosure is the Executive Vice President of Global Human Resources, Tom Capizzi.

#### **ASPECT: EMPLOYMENT**

### LA1 Total Workforce by Employment Type, Employment Contract, and Region



DJO Global Company Employees for 2010

**Total DJO Global Workforce:** 4,659 global employees as of December 31, 2010





#### **Breakdown by Employment Type:**

Full-time DJO Global employees: 98% Part-time DJO Global employees: 2%

#### **Breakdown by Employment Contract:**

Full-time DJO Global employees: 96% Temporary DJO Global employees 3%

See also section 3.6 Boundary of the Report, for additional Company updates reflecting business changes in 2011 that are not included in the boundary of the 2010 sustainability report. These changes will be included in DJO's 2011 sustainability report.

#### LA2 Total Number and Rate of Employee Turnover by Age Group, Gender and Region

DJO Global reports attrition based on the number of regular employees who leave the Company and is based on both voluntary and involuntary reductions. In 2010, 1,248 regular employees left or retired from DJO Global. The attrition rates by demographic are reflected below:

#### The rates of attrition by gender:

- 13 percent for males
- 12 percent for females

#### DJO Global does not report attrition based on age.

#### The rates of attrition by region, based on average headcount for these groups are:

- 20 percent for North America
- 4 percent for Latin America
- 4 percent for Europe
- 2 percent for India, Middle East and Africa
- <1 percent for Pacific

### LA3 Benefits Provided to Full-Time Employees That Are Not Provided to Temporary or Part-Time Employees, by Major Operations

DJO Global's compensation strategy is to provide compensation and benefits to employees that are competitive with other top global companies within the relevant labor market. As such, DJO offers a wide variety of benefit plans to its employees. Plans vary considerably by country as DJO's benefit plans are designed to coordinate with the social security benefits provided in each country, and social security systems vary widely.

DJO offers the following benefits to its US based employees which constitute 42% of the total global workforce:

- Pension Plans either defined benefit or defined contribution where market practice dictates
- Medical Plans often including prescription drug coverage dental and vision
- Life Insurance Company paid and voluntary
- Disability protection
- Paid Vacation, Sick and Holiday Leave
- Paid Jury Duty
- Paid Bereavement
- Accident Insurance





- Auto and Home Insurance programs
- College Savings Plans
- Employee Referral Bonuses
- Tuition Reimbursement Plans
- Employee Assistance Plans

These plans are offered to all eligible regular full-time and less-than-full-time employees who work 20 or more hours per week. Less-than-full-time employees participate in these plans on a prorated basis. Temporary employees do not typically have access to these benefits.

#### **ASPECT: LABOR/MANAGEMENT RELATIONS**

#### LA4 Percentage of Employees Covered by Collective Bargaining Agreements

DJO Global currently does not have any employees covered by collective bargaining agreements in the US and the UK. In other countries where local law requires such agreements, DJO has minimal operations. There are no significant collective bargaining agreements in any DJO location worldwide.

## LA5 Minimum Notice Period(s) Regarding Significant Operational Changes, Including Whether It Is Specified in Collective Agreements

DJO Global keeps employees informed of operational changes through a variety of channels. Important news announcements are communicated through DJO's email system for instant access. In addition, leaders provide important news communications that are delivered throughout the organization. Quarterly all-employee meetings hosted by Corporate and site leadership executives share Company quarterly results and new business activities to all levels of employees.

While there is no global minimum timeframe for notifying DJO Global employees of significant operational changes, the Company makes every effort to give a reasonable amount of notice to all employees in the event of a significant business change. DJO recognizes and respects all Labor and Employment Laws that govern our operations worldwide and notifies employees of operational changes in excess of or in compliance with these laws.

#### **ASPECT: OCCUPATIONAL HEALTH AND SAFETY**

## LA6 Percentage of Total Workforce Represented In Formal Joint Management-Worker Health and Safety Committees That Help Monitor and Advise On Occupational Health and Safety Programs

This is estimated that about 10% of the total workforce that participates in formal committees. DJO Global locations actively engage employees to improve safety and health at the facility level with 5S+1 safety and workplace organization teams that routinely meet and also do workplace inspections. A site safety scorecard is used to quantify the observations and compare areas against each other and over time.





### LA7 Rates of Injury, Occupational Diseases, Lost Days, and Absenteeism, and Total Number of Work-Related Fatalities by Region

There have been no fatalities at DJO Global locations. The domestic and global data for most recent year:

Location	CA	IN	Field	MN	SD	TX	US DJO	Mexico	North America
Average Employee Headcount	772	97	244	411	180	184	1888	2013	3901
# Recordable Injuries & Illnesses	26	5	4	3	11	0	49	21	70
Injury & Illness Incident Rate	3.2	5	1.6	0.7	5.9	0	2.5	0.9	1.7
Days Away Restricted Time Rate	2.6	N/A	0	0.2	1.1	0	1.2	1	1.1
# Lost-time Cases	7	N/A	0	1	1	0	9	20	29
# Restricted Cases	14	N/A	0	0	1	0	15	1	16
# Lost-work days	258	N/A	0	67	31	0	356	463	819
# Restricted days	599	N/A	0	0	177	0	776	72	848
N/A = Not Available		•	•			•	•	3	

### LA8 Education, Training, Counseling, Prevention and Risk-Control Programs in Place to Assist Workforce Members, Their Families or Community Members Regarding Serious Diseases

DJO Global offers medical education, counseling, and preventative information to its employees primarily through the voluntary medical benefit programs offered to all employees who work 20 hours or more. Depending on the coverage and enrollment options chosen, employee family members may also receive various preventive, diagnostic and treatment services offered by the plans. Programs vary by country and other criteria.

DJO Global Employee Assistance Programs								
		Education/ Training		Prevention/Risk Counseling Control			Trea	atment
Program recipients	Yes	No	Yes	No	Yes	No	Yes	No
Workers	Х		Х		Х		Х	
Workers' families	Х			Х	Х		Х	
Community Members		Х		Х		Х		Х

DJO makes the following available in the area of Occupational Health and Health Promotion services in its domestic operations and some international sites:

- Workers' Compensation Employee clinical treatment services for work-related conditions and limited non-work related conditions through various clinics nationwide
- Through our medical plans, enrolled employees and their family members are offered periodic health assessment examinations that provide screening for a variety of diseases. Specific counseling and follow-up are provided to assist employees in reducing or mitigating any identified risks
- Health Promotion programs are offered on a free or minimal cost basis:
  - o The corporate PHIT (Paul Healy Integrated Training) fitness program includes on site group exercise and access to a certified nutritionist on site





- Periodic "Health Fairs" are held on site to educate on a wide variety of health issues. These fairs offer chair massages, nutritional information and resources for community health programs available
- Select sites offer flu vaccinations and discounted memberships to local fitness facilities
- All of these programs include education on important health risks, opportunities to assess those risks and a variety of interventions that individuals can participate in to reduce their risk
- In our Mexico site, a full-time nurse is on site for all employee health needs. Anything that cannot be facilitated by the on-site nurse is referred to the local clinic, which is 2 minutes from the facility

Additionally, Employee Assistance Programs are offered to select domestic locations. These programs provide assistance and individual counseling for a variety of personal issues impacting employees and their families.

#### LA9 Health and Safety Topics Covered in Formal Agreements with Trade Unions

DJO Global does not have any formal trade union agreements in any of its company locations around the world. All DJO employee relationships are either on the basis of short-term employment contracts (from 1 month to 36 months) or "at will" employment. Our major operations in Europe including our facilities in Mouguerre, France and Freiburg, Germany operate under a works council approach with each works council member elected by the site employees.

#### **ASPECT: TRAINING AND EDUCATION**

#### LA 10 Average Hours of Training per Year per Employee by Employee Category

Training is highly dependent upon job classification, but also by job specific duties. Excluding job specific duties, the average training hours per employee for our primary company locations (those with 50 or more employees) are as follows:

Management/Administrative: 42 hours per year Professional/Technical: 85 hours per year Production/Distribution: 86 hours per year

These hours include mandatory global Code of Conduct, compliance, classroom and other training sessions. Mandatory compliance, Code of Conduct and regulatory awareness trainings are delivered to DJO employees on-line through the company's Compliance & Ethics Education Center. The training programs offered through this portal feature both audio and video content as well as interactive quizzes and a final test to ensure training has taken place. The sessions are time-recorded and tracked per employee through the system's tracking software ensuring that all users have participated and successfully completed the courses. Additionally, non-compliance and non-participation issues are reinforced through a tiered disciplinary process with financial consequences and disciplinary action up to and including termination of employment.

### LA11 Programs for Skills Management and Lifelong Learning That Support the Continued Employability of Employees and Assist Them in Managing Career Endings

DJO Global is committed to keeping employees engaged throughout their careers. The Company makes every effort to provide outplacement assistance to employees displaced by layoffs or plant closures. In addition to reference letters and assistance with filing for various State unemployment benefits and services, DJO maintains a standardized severance policy which provides financial compensation as well as company paid outplacement assistance through external partner organizations in appropriate instances. Benefits vary by length of service and job level but are consistently applied and provided wherever possible.





Current late stage career management is limited, but DJO recognizes this as an opportunity to develop new and innovative pathways to retain key employees and plan for the transfer of knowledge to the next generation of leaders. One of our goals for 2011 is to further the definition of this program for DJO Global.

#### LA12 Percentage of Employees Receiving Regular Performance and Career Development Reviews

DJO Global has a performance management process that supports the Company's culture and value system and ensures each employee's quarterly and annual goals drive both company and individual performance and growth. All domestic employees and international management staff currently participate in the Company's annual paperless online performance reviews and goal setting process. The appraisal process includes:

- Individual and manager performance feedback and ratings on previous year's goals and company values
- Goal setting process for the coming year
- Compensation review
- Mid-year goal adjustment and informal coaching review

The annual appraisals occur in the first quarter of the year following the reporting period (for the reporting period 2010, appraisals were conducted in Q1 2011). For the 2010 reporting period all domestic and international managers completed the paperless process making up approximately 50% of all global employees. An additional 40-45% of the remaining international employees received annual reviews through each site's individualized process.

#### ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

### LA13 Composition of Governance Bodies and Breakdown of Employees per Category According to Gender, Age Group, Minority Group Membership and Other Indicators of Diversity

In order to provide equal employment opportunities to all individuals, all employment decisions at DJO Global are based solely on merit, qualifications, and business needs. DJO maintains a policy of equal treatment of all employees and applicants for employment without regard to race, color, religion, national origin, sex, sexual orientation, gender identity, age, veteran status, disability or other characteristics unrelated to a person's qualification and/or job performance, or any other basis protected by state, federal or local law, in all employment decisions including, but not limited to: recruitment, hiring, job assignment, compensation, training, apprenticeship, promotion, demotion, transfer, lay-off, discipline and separation, and with regard to all other terms and conditions of employment.

Pursuant to privacy laws in most of the countries where DJO has its operations, information regarding age, minority group and other diversity indicators is not collected or reported. DJO strives to maintain a diverse workforce in all of its locations with a goal of representing the local community's diversity within the local site's employment. The global measures available to report include:

Global age range: 18 to 77Average global age: 40

Global workforce by gender: 46 % Male 54% Female





#### LA14 Ratio of Basic Salary of Men to Women by Employee Category

DJO Global strives to establish and maintain a system of compensation that, with reasonable availability of resources, is consistent with total compensation in comparable labor markets for similar jobs being performed. Our compensation system is driven by a number of factors including, but not limited to, the current market value of a position based on the skills, knowledge and competencies required of a fully competent incumbent; internal equity of a job as compared to other similar jobs within the organization; the strategic value of a position, and the Company's ability to pay based on current economic and business factors. The Compensation system must be flexible enough to ensure that the Company is able to recruit, retain and motivate a highly qualified work-force, while providing the structure necessary to effectively manage the overall compensation program. DJO's compensation philosophy, as approved by the Board of Directors, is to target base salaries at the market median and incentive compensation at the 75<sup>th</sup> percentile of the market; total compensation is targeted at the upper quartile.

### **Human Rights Disclosures**

#### **Management Approach to Human Rights Disclosures**

Our corporate culture and our resultant workplace practices, derive from our belief in respecting the dignity, rights and ambitions of all people. Upholding fair employment practices contributes to a culture of respect for one another inside the Company, while keeping DJO in compliance with all applicable labor and employment laws. It also strengthens our relationships outside the Company with the many stakeholders we interact with on a daily basis.

DJO Global's Human Resource and Compliance functions manage our ethics and compliance efforts by providing employee training, information and guidance regarding issues of legal compliance and ethical conduct. We outline DJO Global's policies in our "Code of Conduct", which is provided to all new employees and may be found on DJO Global's public website and our internal website that is accessible to DJO Global employees only.

DJO Global believes that through its Code of Conduct training for all employees, we are fostering an environment of high ethical compliance. DJO's Code of Conduct addresses many of the ethical principles and policies that deal with issues such as confidential Company information, handling protected patient information, fraud and abuse, manufacturing and promotion of products, bribery, political contributions, diversity, equal opportunity, respect in the workplace, insider trading, environment, health and safety and how to ask a question. In situations where employees or other stakeholders believe there have been instances of non-compliance with DJO's Code of Conduct, we have provided mechanisms whereby these issues my be brought to the attention of supervisors, senior leadership or even the board of directors, all free from the threat of retaliation.

The DJO Global Code of Conduct addresses the following:

DJO is committed to complying with all laws pertaining to freedom of association and collective bargaining, privacy, immigration, working time, wages and hours, as well as laws prohibiting forced, compulsory and child labor, equal opportunity. Beyond legal compliance, we want to create the best possible working environment for our employees to succeed in, because when our employees succeed, DJO succeeds.

All DJO employees are expected to ensure that equal opportunity is available to all, to demonstrate sensitivity to and respect for others and to promote a work environment that encourages diversity and





supports the ongoing development of individuals' skills and abilities. Employees are also expected to respect and care for the Company, including the Company's name, property and ideas, and avoid conflict of interest situations, or outside influences which could interfere with an employee's ability to represent the Company appropriately or perform his or her job responsibilities fully.

DJO seeks to have a positive impact on the reduction of unlawful child labor and child exploitation. DJO expects the suppliers and contractors with whom it does business to embrace similar values and standards. For 2011, DJO will be pursuing the inclusion of this expectation in supplier agreements.

It is DJO's policy to provide all employees with an environment of mutual respect that is free from any form of harassment and discrimination. Harassment and discrimination of any form is not acceptable and will not be tolerated in any of DJO's locations around the world.

DJO maintains a toll-free anonymous Compliance Hotline that is available 24 hours a day, 7 days a week. There is also an email compliance option for employees. These options are available to all DJO employees who wish to ask questions about DJO policy, seek guidance on specific situations, report violations of DJO's Code of Conduct or other unethical business practices.

The most senior position with responsibility for Human Rights Aspects is the Executive Vice President of Global Human Resources, Tom Capizzi.

#### ASPECT: INVESTMENT AND PROCUREMENT PRACTICES

### HR1 Percentage and Total Number of Significant Investment Agreements That Include Human Rights Clauses or That Have Undergone Human Rights Screening

In 2010, DJO Global did not have any significant investment agreements beyond of our 50% ownership in the small manufacturing and repair facility for CPM devices called Medireha. There are no human rights clauses in the agreement between DJO Global Incorporated and Medireha. While we have no reason to believe any human rights issues exist in the Medireha business, it is our intent to perform an audit of the facility in 2011.

### HR2 Percentage of Significant Suppliers and Contractors That Have Undergone Screening on Human Rights and Actions Taken

DJO Global seeks quality products and services through mutually beneficial and ethical relationships with suppliers who act responsibly, respect the environment and demonstrate integrity in the marketplace. At this time, no suppliers or contractors have undergone formal human rights screening. DJO conducts periodic on site visits to top suppliers representing the top 50% of DJO spend. For 2011, our goal is to include human rights clauses for our top ten foreign suppliers and to develop an audit process to ensure compliance.

### HR3 Total Hours of Employee Training on Policies and Procedures Concerning Aspects of Human Rights that Are Relevant to Operations, Including the Percentage of Employees Trained

DJO Global does not have any specific training related to human rights. The Company does conduct significant training in the USA to ensure employees remain in compliance with all applicable laws through mandatory and selected training programs as noted in Labor Practice Disclosure. Applicable to HR3, this includes:

- Diversity at Work
- Preventing Workplace Harassment
- Preventing Sexual Harassment





- Confidentiality Under HIPAA: Patient Rights
- The AdvaMed Code on Interactions with Healthcare Professionals

While nearly all of this training occurs in the USA, which represents approximately 41% of total global employees, DJO believes its culture, values and belief in respecting the dignity, rights and ambitions of all people are understood and upheld by all DJO employees globally. All employees are expected to ensure that equal opportunity is available to all and to demonstrate sensitivity to and respect for others.

#### **ASPECT: NON-DISCRIMINATION**

#### HR4 Total Number of Incidents of Discrimination and Actions Taken

Based on available records, there were no incidents of illegal discrimination in 2010. DJO Global defines incidents of discrimination as substantiated findings of a violation of local law and/or DJO's internal policies, which state:

"It is DJO's policy to provide a work environment that meets the highest standards of equal opportunity employment. Employees, customers, patients or suppliers will not be discriminated against because of age, disability, gender, military status, national origin, pregnancy, race, religion, sexual orientation or any other factor not related to DJO legitimate business interest."

"DJO Global is committed to providing a work environment that is free from discrimination and unlawful harassment." DJO prohibits sexual harassment and harassment because of race, color, gender, national origin, ancestry, religion, creed, physical or mental disability, medical condition, marital status, gender identity, sexual orientation, age, or any other basis protected by federal, state or local law.

The Company also prohibits discrimination or harassment based upon the perception that a person has, or is associated with a person who has, any of these characteristics. "All employees are expected to conduct themselves in a business-like manner that provides respect for others. Any behavior or action that is coercive, intimidating, harassing, or sexual in nature is inappropriate and prohibited."

DJO's policy prohibits discrimination, harassment or the inappropriate treatment of employees, applicants, business partners, clients, agents, customers, vendors, visitors and persons providing services pursuant to contract. The Company is committed to taking all reasonable steps to prevent discrimination or harassment from occurring and ensuring that workplace actions are based on dignity, courtesy and respect. DJO actively encourages reports of potential policy violations through on-going communications and training, and offers employees several different avenues to do so. They may raise concerns with any manager of the Company, Human Resources, or through the DJO Anonymous Compliance Hotline. The Hotline is a safe, reliable and convenient alternative to reporting ethical concerns in person. It is available 24 hours a day, seven days a week.

#### ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

### HR5 Operations Identified in Which the Right to Exercise Freedom of Association or Collective Bargaining May Be at Significant Risk and Actions Taken to Support These Rights

DJO Global currently does not have any employees covered by collective bargaining agreements in the US and UK. In other countries where local law requires such agreements, DJO has minimal operations. In those locations, DJO has not recognized any operations that put collective bargaining at risk.





It is DJO's policy to comply with all labor and employment laws in the cities, states and countries where we operate, including those laws as applied to freedom of association, collective bargaining, equal opportunity, a harassment free and nondiscriminatory workplace, privacy, fraud and abuse and corruption.

#### ASPECT: CHILD LABOR

### HR6 Operations Identified as Having Significant Risk for Incidents of Child Labor and Measures Taken to Contribute to the Elimination of Child Labor

DJO Global has not identified any operations with a significant risk for incidents of unlawful child labor or the potential for minors to be exposed to significant hazardous conditions. DJO prohibits unlawful child labor and child exploitation and complies with all child labor laws in all the countries in which it has operations. For 2011, our goal is to include a statement in accordance with the ILO conventions in our supplier agreements.

#### ASPECT: FORCED AND COMPULSORY LABOR

### HR7 Operations Identified as Having Significant Risk for Incidents of Forced or Compulsory Labor and Measures Taken to Contribute to the Elimination of Forced or Compulsory Labor

DJO Global has not identified any operations that have a significant risk for incidents of forced or compulsory labor. DJO recognizes and respects all labor and employment laws in all the countries and districts in which it operates and believes in giving all employees the dignity, rights and respect they deserve.

Through the Company's Code of Conduct manual, which is applicable to all DJO employees worldwide, DJO ensures its culture, values and belief in respecting the dignity, rights and ambitions of all people are understood and upheld by all DJO employees. All employees are expected to ensure that equal opportunity is available to all and to demonstrate sensitivity to and respect for others. DJO Global does conduct extensive and required annual employee Code of Conduct training that includes Diversity at Work, Preventing Sexual Harassment and Preventing Workplace Harassment.

DJO Global recognizes and respects all labor and employment laws – As stated in our Code of Conduct, "The Company is committed to full compliance with the laws and regulations of the cities, states and countries in which we operate", including those respecting freedom of association, privacy and equal employment opportunity.

#### **ASPECT: SECURITY PRACTICES**

### HR8 Percentage of Security Personnel Trained in the Organization's Policies or Procedures Concerning Aspects of Human Rights that Are Relevant to Operations

DJO Global does not conduct any training specific to human rights with security personnel. All US based security personnel are made aware of DJO's Code of Conduct policy as part of their agreement to provide security for the Company.

#### **ASPECT: INDIGENOUS RIGHTS**

### HR9 Total Number of Incidents of Violations Involving Rights of Indigenous People and Actions Taken

DJO Global has not had any incidents of violations involving rights of indigenous people.





#### **Social Disclosures**

#### **Management Approach to Social Disclosures**

DJO Global's contributions to society are guided by our corporate Values: Corporate Citizenship, Team Work, Fostering People Growth, Urgency and Accountability, Open to New Ideas, Customer Focus, Consistently Exceeding Expectations and Continuous Improvement.

DJO's Code of Conduct summarizes many of the ethical principles and policies created to deal with issues such as compliance with all laws and regulations, including laws related to fraud and abuse, bribery, fair dealing with competitors, suppliers and customers, political contributions, equal employment opportunity and environment, health and safety. This code applies to all full and part-time DJO officers, directors, employees and temporary staff. It also applies to all DJO business partners, including our independent sales force, except those parts of the code specifically applicable only to employees. All employees at DJO are expected to apply these principles and policies in the daily performance of their job responsibilities.

As a growing company committed to improving the quality of life of the people who use our products, DJO Global, its employees and suppliers believe in giving back to the local communities where DJO Global holds a significant or strategic presence to better address community quality of life issues. DJO's Community Outreach Process provides qualitative and quantitative input into many quality of life issues the community faces such as housing, health, and education.

Our Community Outreach Program involves corporate support of local programs, national campaigns and volunteerism. Corporate citizenship is a Company value that strengthens the fabric of DJO as an organization and supports the Company's mission of "from prevention to recovery, DJO Global enables people to live their lives to the fullest by providing intelligent medical devices and services. We embrace an open dialogue with our customers to gather insights that guide our innovation and continuous improvement."

DJO also uses its knowledge and influence in our medical industry to help drive positive change on issues significantly affecting medical device companies today. Many of these issues impact DJO's future, and our ability to understand social trends and to stay informed of pending government, trade and other activities, will enable us to find positive solutions that address the common good.

DJO's compliance and legal professionals offer expertise in policy development, process expertise and relationship development. They identify government actions and other issues important to DJO and then develop and execute responses to positively affect the outcome for our company and our industry. DJO believes it must establish and strengthen its relationships with key stakeholders that impact DJO's business.

The compliance team advocates DJO's position on key issues affecting our business. The team regularly meets with key government stakeholders and industry trade associations to share our position and help shape policy decisions that improve our industry's competitiveness, consistent with our Code of Conduct and sustainability efforts.

The most senior position with responsibility for Society Aspects is the Executive Vice President of Global Human Resources, Tom Capizzi.





#### **ASPECT: COMMUNITY**

### SO1 Nature, Scope, and Effectiveness of Any Programs and Practices That Assess and Manage the Impacts of Operations on Communities, Including Entering, Operating and Exiting

A substantial portion of DJO's growth has been by acquisition and as such, many of our significant locations around the world were already operating in their existing communities prior to DJO's presence. Where possible, DJO continues to maintain the current community practices until such time the Company is able to evaluate the site's conformance with the "DJO Way". Through the development and application of the DJO Way, which embodies DJO's culture and values, we believe that we are making a positive difference in our communities where we have a major presence.

In the circumstance where DJO must leave a community for business reasons, the process that DJO follows is to work with the local business leaders to source alternate employment for displaced employees, provide job training through local institutions and outplacement services for employees seeking new positions. When exiting a community, DJO always strives to ensure all affected employees, partners (suppliers or vendors) are treated with dignity and respect. Employees are typically provided severance and in most cases retention bonuses where their service is required during the transition period.

See also section 3.6 Boundary of the Report, for additional Company updates reflecting business changes in 2011 that are not included in the boundary of the 2010 sustainability report. These changes will be included in DJO's 2011 sustainability report.

#### **ASPECT: CORRUPTION**

DJO Global complies with the US Foreign Corrupt Practices Act (FCPA) and has the expectation that all of its employees comply as well. The FCPA prohibits corporations, individuals and third party business contractor, consultant, foreign partner or representative from engaging in certain activities to obtain or retain business or to influence a person working in an official capacity. The FCPA makes it illegal to pay, offer to pay, or authorize payment of anything of value to any foreign government official, government staff member, political party or candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity.

### SO2 Percentage and Total Number of Business Units Analyzed for Risks Related to Corruption

No DJO business units were analyzed for risks related to corruption in 2010. In 2011, DJO intends to implement a compliance program to assess potential corruption risk internally and through third parties and to provide more in depth and specific training to identify and monitor potential conflicts.

### SO3 Percentage of Employees Trained in Organization's Anti-Corruption Policies and Procedures

Employees of DJO Global may not pay, offer to pay, or authorize payment of anything of value to any foreign government official, government staff member, political party or candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity.

In the U.S., all employees receive education on DJO's corporate policies, Code of Conduct and corporate expectations as part of their corporate training. Training is conducted upon hire and annually thereafter. Included in the training modules are DJO's policies and procedures related to the law and policies prohibiting corrupt practices when dealing with foreign countries.





#### **SO4** Actions Taken in Response to Incidents of Corruption

There were no reported incidents or outstanding cases of corruption at DJO Global in 2010.

#### **ASPECT: PUBLIC POLICY**

#### SO5 Public Policy Positions and Participation in Public Policy Development and Lobbying

Laws of certain jurisdictions prohibit the use of company funds, assets, services or facilities on behalf of a political party or candidate. Notwithstanding restrictions in the political sphere, DJO encourages its employees to participate in the political process as individuals. DJO works through AdvaMed on key medical device policies. However, DJO has no formal policy related to this aspect.

### SO6 Total Value of Financial and In-Kind Contributions to Political Parties, Politicians and Related Institutions by Country

Presently, DJO Global does not track total financial or in-kind contributions to political parties, politicians and related institutions by country. It is DJO's policy to not make political contributions to political parties.

#### ASPECT: ANTI-COMPETITIVE BEHAVIOR

### SO7 Total Number of Legal Actions for Anti-Competitive Behavior, Anti-Trust and Monopoly Practices and Their Outcomes

In 2010, there were no legal actions initiated, pending or completed for anti-competitive or anti-trust behavior.

#### **ASPECT: COMPLIANCE**

# SO8 Monetary Value of Significant Fines and Total Number of Non-Monetary Sanctions for Non-Compliance with Laws and Regulations

In 2010, DJO Global did not receive any significant monetary fines or non-monetary sanctions for non-compliance with laws and regulations in any of its worldwide operations.

In the United States, OSHA, the Occupational Safety and Health Administration, is the federal and state regulatory body which protects employees in the workplace and evaluates organizations for compliance with environmental laws and regulations routinely.

A serious violation is defined by CAL OSHA as where a substantial probability that death or serious physical harm could result and where the employer knew, or should have known, of the hazard. A penalty of up to \$7,000 for each violation must be proposed. A General Violation is defined by CAL OSHA as a violation which is specifically determined not to be of a serious nature, but has a relationship to occupational safety and health of employees. There were no such serious or general violations in 2010.





### **Product Responsibility Disclosures**

#### **Management Approach to Product Responsibility Disclosures**

DJO Global is committed to the health and safety, information and labeling, marketing and privacy as it pertains to our product responsibility.

As stated in our Code of Conduct (available on our website at <a href="www.DJOglobal.com">www.DJOglobal.com</a>):

In developing and manufacturing medical devices and other products, the Company has established and will comply with standards that meet or exceed regulations issued by the Food and Drug Administration or the laws and regulations of the country of development and manufacture. In manufacturing its products, the Company will comply with all applicable laws and regulations, including those relating to the environment and occupational health and safety.

Promotional materials are considered "labeling" and are regulated by the U.S. Food and Drug Administration (FDA) as well as internationally by Medical Device Directive 93/42/EEC for those products that are CE marked. The promotion regulations are designed to safeguard public health by ensuring that health care professionals and consumers are provided with information regarding the product's uses, risks, and benefits that is truthful, adequate, balanced, and based on valid scientific evidence and sound clinical medicine.

Promotion and claims made about products must be consistent with all applicable regulations. No public communication should be made with the intent of promoting products as safe and effective for any use before FDA and/or other appropriate regulatory agency approval is obtained, as required. However, the FDA does not intend to restrict the full exchange of scientific information, so it distinguishes between a company's promotional activities (which must focus on approved uses) and company-supported scientific and educational activities which are independent of promotional influence. Additionally, the FDA requires that product claims made to compare different products can only be made under certain limited circumstances.

Certain Company employees, such as those individuals who process patient claims or supply DJO products to patients, have direct access to patient information. In order to comply with privacy regulations, such as the Health Insurance Portability and Accountability Act and to maintain the respect and trust of patients and the health care professionals with whom DJO does business, employees must safeguard patient Protected Health Information (PHI) from misuse, alteration, theft, fraud, unauthorized disclosure and unauthorized use.

Employees with authorized access to PHI must protect this information not only from individuals outside the Company, but also from other Company employees whose duties do not require access to the information. The law requires that the Company disclose patient information only for the purposes of treatment, payment and health care operations, unless patient consent has been obtained. A copy of the Company's Notice of Privacy Practices is posted on the DJO public website and employees are encouraged to review this document. Should an employee become aware of a potential unauthorized release or mishandling of PHI, that individual should immediately contact the DJO Corporate Compliance Department.

The most senior position with responsibility for Product Aspects is the Senior Vice President, Global Quality Assurance and Regulatory Affairs, Ken Fisher.





#### **ASPECT: CUSTOMER HEALTH AND SAFETY**

# PR1 Life Cycle Stages in Which Health and Safety Impacts of Products and Services Are Assessed for Improvement and Percentage of Significant Products and Services Categories Subject to Such Procedures

Global portfolio management is employed across all product channels which includes product assessment for improvement opportunity. DJO Global applies a collaboration of risk management and management review to identify opportunities for improvement and to assess, monitor and control undesirable impacts on people, property and the environment which may result from the manufacture and/or the use of DJO products.

With corporate oversight, management review of product quality is conducted semi-annually or when new information is made available including changes in regulation or awareness of any relevant issue that may affect the health and safety of DJO products in use.

DJO applies a risk management system throughout the product life cycle to assess foreseeable adverse impacts to people and environment and to eliminate or minimize their effect. Consistent with today's standards, risk management and critical supplier qualification reviews are conducted during design, market release, postmarket and as information is received from internal and external resources to ensure that our products meet the intended use and do not pose unacceptable health and safety risk to people and/or the environment.

Sustainable Practice / Conservation of Resource	Yes	No
Development of product concept	٧	
R&D	٧	
Certification	٧	
Manufacturing & Production	٧	
Marketing and promotion	٧	
Storage distribution and supply	٧	
Use and service	٧	
Disposal, reuse, or recycling	٧	

All of the aforementioned policies, procedures and tools apply to one hundred percent (100%) of DJO products.









# PR2 Total Number of Incidents of Non-Compliance with Regulations and Voluntary Codes Concerning the Health and Safety Impacts of Products and Services during Their Life Cycle, by Type of Outcomes

DJO Global businesses are subject to Quality Management System audit by certification bodies, government authorities and distributor partners/customers. None of DJO's businesses has received a report or indication of non-compliance to regulations or voluntary standards. Consistent with the Company's commitment to the health and safety in the use of our products, DJO Surgical has initiated 9 voluntary recalls in the past year.

2010 Non-compliance with regulations	Incidents
Incidents of non-compliance with regulat	ions 0
resulting in a fine or penalty;	
Incidents of non-compliance with regulat	ions 0
resulting in a warning;	
Incidents of noncompliance with voluntary codes	0
Voluntary Product Recalls	9

#### **ASPECT: PRODUCT AND SERVICE LABELING**

## PR3 Type of Product and Service Information Required By Procedures and Percentage of Significant Products and Services Subject to Such Information Requirements

DJO Global designs, manufactures and distributes many medical devices that are subject to the labeling requirements by the U.S. Food and Drug Administration, Health Canada, European Union Medical Device Directive and other Competent Authorities.

Our products and their accessories meet safe use standards when used in the manner and environment set out in our Instructions for Use / Operator's Manuals. The product development process and subsequent changes to materials and components take into consideration chemical content that are considered hazardous to people and the environment.

DJO Global is in the process of developing a program in compliance with EU REACH regulations, which will require complete information on products containing Substances of Vary High Concern (SVHC) manufactured in or imported into the EU.

Information Requirements	Yes	No
Sourcing of Components of the product or service		٧
Content that might produce environmental impact		٧
Safe use of product	٧	
Disposal of product and impacts		٧





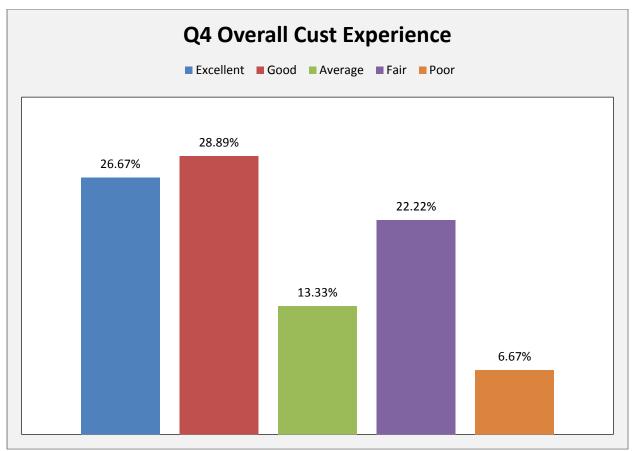
## PR4 Total Number of Incidents of Non-Compliance with Regulations and Voluntary Codes Concerning Product and Service Information and Labeling by Type of Outcomes

DJO Global has not received any report of non-compliance with regulations and voluntary codes. An internal review of label compliance is currently underway.

Number of Incidents	Yes	No
Incidents of non-compliance with regulations resulting in a		٧
fine or penalty;		
Incidents of non-compliance with regulations resulting in a		٧
warning;		
Incidents of non-compliance with voluntary codes		٧

### PR5 Practices Related to Customer Satisfaction, Including Results of Surveys Measuring Customer Satisfaction

Customer Satisfaction is measured utilizing a variety of mechanisms across all DJO Global product categories. Distribution tools include return reply comment cards, web based surveys and links available to customers via electronic correspondences. Services accessed include Customer Care, Shipping, Product Quality, Billing and Sales Representatives. Category ratings for professionalism, timeliness, product availability and marketing support are analyzed quarterly. Feedback gained is assessed, disseminated and utilized to improve services and overall customer satisfaction. 2010 Summary results for the Bracing & Supports Division are illustrated in the following:



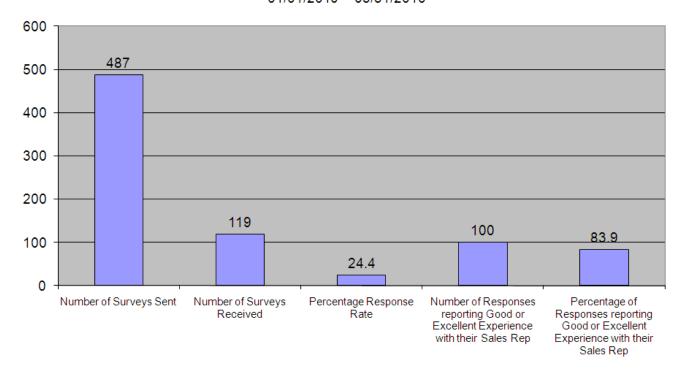
Q4 2010 Overall Customer Experience Survey





2010 Summary results for the CMF and Bracing & Supports Division are illustrated in the following chart:

#### Patient Satisfaction Survey Response Rates CMF & Insurance Bracing Channels 1st Quarter 2010 01/01/2010 - 03/31/2010



Customer surveys are done continuously throughout the year using feedback cards and a website link. Formal web-based surveys of all customers are completed at least annually. In 2011, our goal is to add the capability of a phone-based survey tool that will allow continuous customer satisfaction surveys. A capital project to provide this capability is being drafted.

#### ASPECT: MARKETING COMMUNICATIONS

### PR6 Programs for Adherence to Laws, Standards and Voluntary Codes Related to Marketing Communications, Including Advertising, Promotion and Sponsorship

DJO Global requires its sales and marketing personnel to observe high standards of integrity and honesty, and to act with care, diligence and fairness in all business activities. The DJO Sales & Marketing Code of Conduct is an extension of the DJO Code of Conduct. It reflects the principals, guidelines, and requirements set forth in DJO policies and procedures, the AdvaMed Code of Ethics, state and federal laws.

DJO is committed to providing information that is truthful and balanced based on valid scientific evidence and sound clinical medicine. Promotion and claims made about products must be consistent with all applicable regulations, market clearance and approvals as applicable. Marketing communications and materials are reviewed by Regulatory Affairs and legal (when necessary) to ensure that they are compliant with local laws, regulations and DJO policies and procedures. This includes product marketing information on the website, literature, news releases, trade shows and product packaging.





DJO does not sell products that are generally considered unsafe, banned in any markets or that are subject of stakeholder questions or public debate regarding its safe and effective use.

# PR7 Total Number of Incidents of Non-Compliance with Regulations and Voluntary Codes Concerning Marketing Communications, Including Advertising, Promotion, and Sponsorship, by Type of Outcomes

No incidents of non-compliance concerning marketing communications were identified for the last twelve months (LTM) (see PR 6).

Incident Reports	Yes	No
Incidents of non-compliance with regulations resulting in a		٧
fine or penalty;		
Incidents of non-compliance with regulations resulting in a		٧
warning;		
Incidents of non-compliance with voluntary codes		٧

Additional information is also provided in DJO's Annual Report on SEC Form 10-K for the year ending December 31, 2010 – Part 1, Item 3 Legal Proceedings.

#### **ASPECT: CUSTOMER PRIVACY**

### PR8 Total Number of Substantiated Complaints Regarding Breaches of Customer Privacy and Losses of Customer Data

DJO Global respects the privacy of its patients/customers and takes the responsibility seriously. In the US, DJO complies with HIPAA and safeguards patient information from misuse, alteration, theft, and unauthorized use and disclosure. DJO's Notice of Privacy Practices is posted on our public website. Policies are in place to address any potential patient privacy breach and have been updated to comply with the new HITECH Act. DJO also uses modern security and data encryption of all mobile data devices such as Blackberries and laptop personal computers. This helps secure patient data in the event of theft or loss of a device. In 2010, privacy breaches impacted fewer than 20 individuals. DJO followed all federal and state laws in response to these breaches and there is no evidence of any resulting patient harm. Corrective actions were implemented to prevent similar occurrences in the future.

#### **ASPECT: COMPLIANCE**

### PR9 Monetary Value of Significant Fines for Non-Compliance with Laws and Regulations Concerning the Provision and Use of Products and Services

DJO Global is unaware of any significant fines resulting from our products in use in 2010.





