Pioneering trusted medical solutions to improve the lives we touch
In 2022 we have continued to make good progress pivoting the business to sustainable and profitable growth. Read more in our Chief Executive’s review on pages 14 to 19.

\[
\text{OUR 2022 HIGHLIGHTS}
\]

**FINANCIAL**

<table>
<thead>
<tr>
<th>Measure</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group revenue</td>
<td>$2,073m</td>
<td>$2,038m</td>
</tr>
<tr>
<td>Operating profit</td>
<td>$207m</td>
<td>$204m</td>
</tr>
<tr>
<td>Adjusted(^1) operating profit</td>
<td>$404m</td>
<td>$362m</td>
</tr>
<tr>
<td>Adjusted(^1) operating profit margin</td>
<td>19.5%</td>
<td>17.7%</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>3.1¢</td>
<td>5.9¢</td>
</tr>
<tr>
<td>Adjusted(^1) basic earnings per share</td>
<td>12.7¢</td>
<td>13.1¢</td>
</tr>
</tbody>
</table>

**STRATEGIC**

<table>
<thead>
<tr>
<th>Focus</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOCUS</td>
<td>2022</td>
</tr>
<tr>
<td>Acquired Trad Life Sciences</td>
<td>2022</td>
</tr>
<tr>
<td>Announced exit of hospital care</td>
<td>2022</td>
</tr>
<tr>
<td>9.6% revenue growth(^2) in top 10 markets</td>
<td>2022</td>
</tr>
<tr>
<td>INNOVATE</td>
<td>2022</td>
</tr>
<tr>
<td>- Launched InnovaMatrix(^3), GentleCath Air™ for Men and Extended Wear Infusion Set</td>
<td>2022</td>
</tr>
<tr>
<td>SIMPLIFY</td>
<td>2022</td>
</tr>
<tr>
<td>- 22.2% reduction in general and administrative spend(^4)</td>
<td>2022</td>
</tr>
<tr>
<td>BUILD</td>
<td>2022</td>
</tr>
<tr>
<td>- Pricing Centre of Excellence (CoE) delivered improvement</td>
<td>2022</td>
</tr>
<tr>
<td>- Embedded Pricing, Sales and Marketing CoEs</td>
<td>2022</td>
</tr>
<tr>
<td>EXECUTE</td>
<td>2022</td>
</tr>
<tr>
<td>- 13% reduction in complaints per million</td>
<td>2022</td>
</tr>
<tr>
<td>- Manufacturing productivity improvements</td>
<td>2022</td>
</tr>
</tbody>
</table>

Read more about our progress on our FISBE strategy on pages 14 to 19.

We also made considerable progress embedding our ESG framework, Convatec Cares. See pages 40 to 74.

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1. Certain financial measures in this Annual Report and Accounts, including adjusted performance measures above, are not prepared in accordance with IFRS. All adjusted performance measures are reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 304 to 308.

2. In constant currency.
Convatec is a global medical solutions and technologies company, committed to the people we serve - patients living with chronic conditions, their care givers and the healthcare professionals who support them.

Since 1964 we have supported patients in managing long-term conditions, with leading market positions in Advanced Wound Care, Ostomy Care, Continence and Critical Care and Infusion Care.

### OUR CATEGORIES

**Advanced Wound Care (AWC)**

Advanced dressings for the management of acute and chronic wounds resulting from ongoing conditions, such as diabetes, and acute conditions resulting from traumatic injury and burns.

Read more about this category on page 22

**Ostomy Care (OC)**

Devices, accessories and services for people with a stoma (a surgically created opening where bodily waste is discharged), commonly resulting from causes such as colorectal cancer, inflammatory bowel disease and bladder cancer.

Read more about this category on page 24

**Continence & Critical Care (CCC)**

Products and services for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes, and products used in intensive care units and hospital settings.

Read more about this category on page 26

**Infusion Care (IC)**

Disposable infusion sets for diabetes insulin pumps, or for pumps used in continuous subcutaneous infusion treatments for conditions such as Parkinson’s disease.

Read more about this category on page 28

### OUR PROMISE: FOREVER CARING

We are passionate about serving and supporting people with deeply personal and challenging medical conditions.

We consistently deliver excellent work, say what we do and do what we say.

We respect each other. We help colleagues around us grow, develop and thrive, so we can all fulfil our potential.

We take personal ownership of all our work; taking the initiative, innovating, taking smart risks and never settling for second best.

We behave ethically, are honest and trustworthy, operate with the highest standards of integrity, uphold policies and make a positive difference.

### OUR VALUES

- **Improve care**
  - We are passionate about serving and supporting people with deeply personal and challenging medical conditions.

- **Deliver results**
  - We consistently deliver excellent work, say what we do and do what we say.

- **Grow together**
  - We respect each other. We help colleagues around us grow, develop and thrive, so we can all fulfil our potential.

- **Own it**
  - We take personal ownership of all our work; taking the initiative, innovating, taking smart risks and never settling for second best.

- **Do what’s right**
  - We behave ethically, are honest and trustworthy, operate with the highest standards of integrity, uphold policies and make a positive difference.
We are determined to help address the growing ‘care gap’ between the support patients want and what healthcare professionals can provide.

This gap is one that we can help bridge by providing layers of care to help patients live fulfilling lives. A survey conducted in 2022 found 87% of patients with long-term conditions face stigma, while many nurses feel they lack the time and resources to provide adequate support. Forever caring is our promise to support healthcare teams and carers, as well as the patients they care for. Health conditions can be unpredictable and unfair. We believe healthcare should be the polar opposite.

Above all else, forever caring builds on our heritage as a business supporting those with deeply personal and challenging medical conditions. As we bring Convatec’s vision to life - pioneering trusted medical solutions to improve the lives we touch - we know the needs of our patients and healthcare providers continue to change, and we must continue to change with them.

How we realise our vision

By delivering on our strategic intent of pivoting to sustainable and profitable growth, we realise our vision and deliver lasting value for our stakeholders.

OUR VISION
Pioneering trusted medical solutions to improve the lives we touch

OUR PROMISE
Forever caring

OUR VALUES
Focus on strengthening customer loyalty in key markets and categories
Innovate to increase vitality and velocity of trusted medical solutions
Simplify to improve productivity across our organisation
Build and embed mission-critical capabilities and winning culture
Execute with excellence while integrating environmental, social and governance (ESG)
Simplify to improve productivity across our organisation

OUR STRATEGY: FISBE
Read more on page 15

OUR VALUES
Improve care
Deliver results
Grow together
Own it
Do what’s right

OUR ESF FRAMEWORK: CONVATEC CARES
Customers Delivering for our customers
Colleagues Enabling our people to thrive
Commerce Behaving ethically and transparently
Communities Protecting the planet and supporting communities

We have continued to successfully execute our FISBE strategy, strengthening Convatec’s competitive position and delivering on our forever caring promise for patients and customers

Karim Bitar
CEO
Our business model

Designed to enable us to deliver on our promise and create value for our stakeholders

Customers and patients are at the heart of what we do - we are always thinking about how we can better support them.

INPUTS OUR BUSINESS MODEL THE VALUE WE CREATE

OUR RESOURCES AND RELATIONSHIPS

A talented and diverse workforce
Category knowledge and understanding
Innovation and intellectual property
Relationships with patients and healthcare professionals
A robust quality function and supply chain
Strong quality brands
Global sales and marketing platform
Customer insights and support programmes

Read more about our vision, promise, strategy and values on page 6

1. Identify unmet customer needs or pain points
   Consistently and systematically map customer journeys, to better understand the needs of patients and healthcare providers

2. Human factor design
   Design products and services to improve the customer experience or to meet an unmet need

3. Process and solution development
   Leverage common R&D technologies and design for manufacturing expertise to deliver optimum solutions at scale and with attractive cost profiles

4. Clinical development
   Focus on medical strategy and clinical development to generate evidence of improved patient outcomes, health economic efficiency and better patient access

5. Regulatory submission
   Understand the regulatory backdrop and work with regulatory bodies to enable access for patients

6. Manufacture with quality and at scale
   Leverage common technologies and capabilities to manufacture high-volume, high-quality consumables at the right price

7. Commercialise globally
   Leverage global commercial infrastructure to enhance access for patients and customers. Where feasible, adopt a global approach to brand launches

8. Customer support across the continuum of care
   Offer high-quality services and tools which support the patient across their continuum of care

9. Measure and learn
   Focus on measuring Net Promoter Score and reviewing complaints to ensure we are delivering for patients – taking any feedback into account as we consider future innovations

10. Generate profit
    Constantly explore ways to improve productivity and efficiency of how we operate to deliver sustainable and profitable growth

11. Reinvest and distribute
    Utilise strong free cash flow to reinvest in the business (either organically or inorganically) or return capital to shareholders

Patients
   Solutions to improve the lives we touch

~850m finished products

Healthcare professionals (HCPs)
   Providing value-added solutions, support and advice

230k HCPs engaged in medical education

Health plan contracts
   Enabling healthcare systems to reduce costs and increase efficiency

>1,700 health plan contracts

Employees
   Providing employment and development opportunities

~10,000 employees

Shareholders
   Generating returns for investors

$88.1m cash dividends paid to shareholders

Society
   Making a positive contribution through community engagement and paying tax

$52.9m corporate tax paid

~850m finished products

230k HCPs engaged in medical education

>1,700 health plan contracts

~10,000 employees

$88.1m cash dividends paid to shareholders

$52.9m corporate tax paid
Dear Shareholder

Despite the global macroeconomic challenges in 2022, Convatec has once again delivered strong financial results this year. Fundamental to this has been the continued execution of our FISBE strategy which has been key to Convatec’s progress as it pivots to sustainable and profitable growth.

Execution of our strategy

During 2022 we have further refined our focus on the attractive chronic care market through the strategic entry into the wound biologics segment1 via the acquisition of Triad Life Sciences coupled with the decision to withdraw from lower-growth, lower-margin hospital care activities to support the delivery of the Group’s future growth prospects, the framework, governance, metrics and targets, together with information on our stakeholders and why it is important for Convatec to actively engage with them.

Given these results, Convatec’s underlying financial strength and the Board’s continuing confidence in the Group’s future growth prospects, the Board is pleased to recommend a final dividend of 2.1x of 2021 (6.9% higher on a constant currency basis).

Operational performance was consistent with our expectations, with a focus on delivering upon the strategic delivery. This includes the execution of the Group’s strategy as it relates to future growth and underpins the Company’s strategy.

Looking ahead

The considerable progress that Convatec has made since I became Chair in 2019 would not have been possible without the hard work, drive and unwavering commitment of our employees and leadership team, for which I would like to thank them on behalf of the Board.

I would also like to thank our shareholders for their support, many of whom met with me or other members of the Board over the last year. Amongst other things, their input and engagement as part of a consultation process helped us as we developed a new Remuneration Policy which is set out in the Directors’ Remuneration report, and which will be put forward for approval at the Annual General Meeting in May 2023.

Finally, the Board remains focused on execution of the Group’s strategy as it evolves, maintaining a sharp focus on strategic delivery. This includes oversight of the innovation pipeline and the launch of new products. While the macroeconomic environment remains uncertain, I believe the Group is well placed not only to maintain its market-leading status but to successfully deliver sustainable and profitable growth into the medium term.

Dr John McAdam CBE
Chair
8 March 2023

A word from the Chair

Convatec’s Chief Executive Officer, Jonny Mason, took over the reins in January 2022 and the Board is pleased to recommend a final dividend of 4.330 cents per share to be paid on 25 May 2023 to shareholders on the register at the close of business on 14 April 2023. The final dividend will be subject to shareholder approval at our Annual General Meeting on 18 May 2023 and, if approved, will bring the full year dividend to 6.047 cents per share, an increase of 3% over 2021.

Board changes

There have been a number of changes to the composition of the Board over the last year. Jonny Mason joined Convatec as Chief Financial Officer Designate on 31 January 2022 and became Chief Financial Officer and a Director of the Company on 12 March 2022. Jonny replaced Frank Schuikes, who stepped down as CFO and from the Board on 11 March 2022.

Kim Lody and Sharon O’Keefe joined the Board as independent Non-Executive Directors on 1 February 2022 and 1 March 2022 respectively. Both have brought considerable and relevant healthcare experience and insight, and have already contributed a great deal to Board discussion and debate.

Rick Anderson stepped down from the Board on 3 March 2022, as did Dr Regina Benjamin on 12 May 2022.

Sharon was also appointed in May 2022 as Convatec’s dedicated Non-Executive Director workforce liaison champion, meeting with colleagues throughout the organisation since her appointment, ensuring that the Board is appropriately briefed and that employee interests are considered in decision-making.

The progress we have made on Board diversity over the last few years is very encouraging, not only meeting the FTSE Women Leaders Review gender and Parker Review ethnic and cultural targets, but also already meeting the new diversity targets in the Listing Rules. While remaining focused on recruiting on merit and on the best candidate for the role, it is the Board’s intention to maintain both gender and ethnic diversity levels on the Board at least in line with these targets.

We remain equally committed to drive overall diversity, equity and inclusion in Convatec’s senior management and throughout the Company, and further information on this can be found later, in the Responsible business review.

Following these Board changes early in 2022, the Board considers that it has an appropriate mix of skills, knowledge, experience and diversity on the Board to fulfil its vision and support the delivery of the Company’s strategy.

Culture, values and behaviours

Our values guide our colleagues’ everyday behaviours. As a Board we are determined to reinforce a culture that is shaped by these values: this is essential as we strive to deliver our vision of pioneering trusted medical solutions to improve the lives we touch. Throughout this Annual Report we set out the progress we have made over the last year in reinforcing a responsible, engaging, inclusive and high-performing culture – one which delivers against our forever caring promise.

Convatec Care

During the year we saw the launch of Convatec Care, our evolved Environmental, Social and Governance (ESG) framework, which supports our aim of pivoting to sustainable and profitable growth and underpins our long-term success. The framework is built around four pillars:

- Delivering for our customers
- Enabling our people
- Behaving ethically and transparently
- Protecting the planet and supporting communities

There is detailed commentary against each of these pillars in the Responsible business review (pages 40 to 74), as well as further insight into the ESG framework, governance, metrics and targets, together with information on our stakeholders and why it is important for Convatec to actively engage with them.

Convatec remains committed to the highest standards of corporate governance. The Governance report on pages 100 to 165 provides further detail on Convatec’s wider governance framework as well as further detail on the Board’s stakeholder engagement activities.

The continued execution of our FISBE strategy has been key to Convatec’s progress as it pivots to sustainable and profitable growth.

1. Wound biologics segment as defined by SmartTRAK. Includes skin substitutes, active collagen dressings and topical drug delivery.
2. Net debt (excluding lease liabilities)/adjusted EBITDA.
We believe that Convatec represents an attractive defensive-growth opportunity for investors. By pioneering trusted medical solutions to meet the needs of patients suffering from chronic conditions we generate attractive returns and strong free cash flow which can be reinvested to benefit more patients, our wider stakeholders and society as a whole.

We are focused on the chronic care market:

>90% of our revenues are from serving chronic care patients. These revenues are often recurring in nature as patients rely on our solutions.

The chronic care market is large:

$14bn global market size

It is fast growing:

4-8% p.a.¹

There are three global trends driving structural growth and increasing demand for our solutions.

1. An ageing global population

<table>
<thead>
<tr>
<th>Year</th>
<th>Global population aged 60+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2050</td>
<td>2.1bn</td>
</tr>
<tr>
<td>2020</td>
<td>1.0bn</td>
</tr>
</tbody>
</table>


2. Chronic conditions are rising

Approximately one in three adults globally suffer from multiple chronic conditions (e.g. diabetes, cancer). Source: The global burden of multiple chronic conditions, Cother Hajat and Emma Stein.

3. People are now living longer

Average life expectancy in the world (years)

<table>
<thead>
<tr>
<th>Year</th>
<th>Life Expectancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>73</td>
</tr>
<tr>
<td>1950</td>
<td>47</td>
</tr>
</tbody>
</table>


We expect to expand our operating profit margin over time by:

i. Simplification and productivity

- Reduce adjusted G&A spend to 7% of sales
- Improve commercial productivity
- Increase automation

ii. Improving mix

- Exiting lower-margin, lower-growth business and acquiring higher-growth, higher-margin businesses
- Natural benefit given our faster-growth categories are higher margin
- Improving the mix within our categories

iii. Increasing operating leverage as revenue grows

The business generates strong cash flow

Adjusted EBITDA²

$500m

Adjusted free cash flow (post-tax)³

$202.6m

This supports future growth and serves stakeholders

Target leverage³

~2x over time

Invest organically in opex and capital

Progressive dividend targeting payout ratio of 35-45% of net profit

Bolt-on M&A

Any surplus capital returned to shareholders

This results in attractive financial outcomes

**MEDIUM-TERM OUTCOME**

- **Sustainable and profitable growth**
  - Double digit EPS² and FCF⁴ CAGR

**OPPORTUNITY**

- **Potential M&A to enhance growth**
  - Strengthen positions in technology, geography and capability

- **Expanding operating profit margin**
  - 4-6% organic revenue growth p.a.
  - Mid-20s operating profit margin over time

**MEDIUM-TERM TARGETS**

- **Sustainable top-line growth**
  - 4-6% organic revenue growth p.a.

We refer to operational reviews on pages 22 to 29 for further detail.

¹ Market size and growth based on aggregate of category estimates, internal analysis and publicly available sources, including SmartTRAK and Global Industry Analysts Inc. reports. See pages 22 to 29 for detail.

² APMs see pages 224 to 228.

³ Net debt (excluding lease liabilities) / adjusted EBITDA 2.

⁴ Adjusted.
Convatec continued to successfully execute its FISBE strategy, strengthening its competitive position and delivering on our forever caring promise for patients and customers. The various strategic initiatives actioned during the period have enhanced the quality of the business and improved our financial performance and prospects.

**Attractive growth prospects**

Convatec operates in the structurally-growing, attractive chronic care markets. We focus on four categories. These have a combined market size[1] of $14 billion p.a. and market growth rates[2] of between 4-8% p.a. We are leaders in the categories in which we operate and expect to grow revenue in line with or faster than each market.

We serve a diverse set of chronic care markets, producing high-volume, high-quality consumables resulting in attractive recurring revenues. This diversity provides resilience and synergies, notably in areas such as: biomaterial sciences, product and clinical development, automated manufacturing and shared supply chain capabilities. Consistent with our FISBE strategy we have been investing in our innovation pipeline, building mission-critical capabilities, expanding capacity and increasing our resilience.

**A chronic care focused business well positioned to deliver sustainable and profitable growth**

We continued to make progress executing our FISBE strategy, thereby strengthening our competitive position and our ability to consistently deliver sustainable and profitable growth.

Over the course of 2022, through acquisitions and exits, we further focused the Group on chronic care categories - entering the fast-growing wound biologics[3] segment while exiting our hospital care business. Our continued focus on innovation has resulted in three new products being launched (2021: one new launch), and the R&D Function has been strengthened by an increased emphasis on intellectual property.

We continue to invest in building core capabilities. Our Centres of Excellence (CoE) (in Marketing, Pricing and Sales) are having a positive impact which, coupled with our simplification and productivity agenda, are driving better results.

The progress made under FISBE 1.0 has resulted in a stronger, higher-quality business. Further details on the progress made under each pillar can be found on pages 16 to 19. We hosted an Innovation Day on 13 May 2022 and then a Capital Markets Event in November where we outlined our refreshed strategy, FISBE 2.0.

**We delivered a strong financial performance**

Group reported revenue of $2,073 million rose 1.7% (2021: $2,056 million). Adjusting for the significant FX headwind, revenue grew 6.5% on a constant currency basis and 5.6% on an organic basis, slightly ahead of our initial guidance.

Adjusted operating profit[2] rose 11.6% and 12.2% on a constant currency basis despite significant COGS inflation of 8.6%. Adjusted operating profit[2] margin was 19.5% (2021: 17.7%) with mix / price, operations productivity, significant G&A spend reduction and 80bps of foreign exchange tailwind more than offsetting significant inflation and continued investment in commercial capabilities.

Reported operating profit was broadly flat over the previous year, as G&A savings were partially offset by higher operating expenses arising from selling and distribution as well as costs related to the exit of hospital care.

Adjusted diluted EPS[3] was down 3.1% with operating profit growth more than offset by higher adjusted tax expenses and Finance expense from higher market interest rates.

Reported diluted EPS was down 46.6% impacted by higher adjusting items mostly related to the exit of hospital care and Triad Life Sciences acquisition.

Capital expenditure during 2022 was $344.2 million as we continued to invest for future growth, expanding our manufacturing facilities in Infusion Care, beginning to increase the automation at our production facilities and developing new digital technologies to deliver enhanced customer experiences. We were able to accelerate our plans, making good progress on several significant projects, notably the expansion of capacity in Osted and Reynosa for our Infusion Care business, and beginning to increase automation at our Deesdale wound care facility. We also invested in acquiring intellectual property for our Ostomy Care accessories portfolio.

Cash conversion was 55.6% (2021: 73.0%) primarily reflecting increased capital expenditure and the strategic decision to build inventory for resilience, coupled with the timing of receivables. We expect phasing of some receivables to reverse in H1 2023 while strategic capex investment and inventory will remain elevated in 2023.

Net debt[4] increased by $187 million after the acquisition of Triad Life Sciences ($373 million) and investment in BlueWind Medical ($31 million). Leverage[5] was 2.6x (2021: 1.9x) in line with our guidance. We continue to target leverage[6] of 2x over time but will be comfortable going up to c. 3x for appropriate M&A opportunities.

**Delivering continued strategic progress**

The execution of our FISBE strategy is progressing well. We continue to make progress in each of the five pillars as we drive towards our vision of pioneering trusted medical solutions to improve the lives we touch. In November, at our Capital Markets Event, we announced that in 2023, our strategy will evolve to FISBE 2.0.

Footnotes within the CEO review are defined as follows:

1. Market size and growth based on aggregate of category estimates, internal analysis and publicly available sources, including SmartTRAK and Global Industry Analysts Inc. reports see pages 22 to 29 for detail.

2. Wound biologics segment as defined by SmartTRAK. Includes skin substitutes, active collagen dressings and topical drug delivery.

3. APH sees pages 224 to 228.

4. Net debt excludes lease liabilities

5. Net debt / Adjusted EBITDA
We have also made progress on product sustainability as it relates to technology & innovation, part of our wider ESG agenda. GreenDesign Guidelines are an important part of our development process, and we are systematically examining the environmental footprint of our solutions and considering ways to reduce waste.

We are developing a much richer longer-term pipeline, as mentioned at the Capital Markets Event, and have further visibility on product launches – for example, we’re already working on the next generation hydrofiber® technology platform.

We continue to pursue our R&D without walls approach, as well as driving organic projects we will pursue inorganic activity. We will continue leveraging the IDEAL process, launched in 2021, and are seeking to improve cycle time. Our goal is to more frequently refresh our portfolio to provide an improved customer experience. This deeper and broader innovation pipeline will underpin our growth in the future. To measure progress against this ambition we are targeting that by the end of 2025, 30% of our revenue will be generated from new products launched in the previous five years.

In 2023, we will continue to strengthen our product pipeline, innovation capabilities and improve our cycle time. In IC, we began the US rollout of Convofaam in January 2023, which will strengthen our competitive position in the large foam segment. We intend to roll out ATT’s new products, Innovafurin® and Innovafurin® P, for which we have already received clearance. In CCC, we will be preparing for the launch of GentleCath® Air for Men, our new hydrophilic compact male catheter (utilising our proprietary FeelClean™ Technology), began rolling-out in France and the UK, with plans to roll out in the US and other key markets in 2023, and has been well received.

The Extended Wear Infusion Set (EWIS), our innovative seven-day wear technology improving value and use to customers whilst also reducing its environmental impact, available in Europe and now the US.

It is by continually refreshing our product portfolio and ensuring it is differentiated that we can deliver sustained and profitable growth over time. In addition, we acquired a minority stake in BlueWind Medical Ltd, the developer of an innovative implantable tibial neuromodulation device for the over-active bladder segment, securing a relationship with a company developing a proprietary and differentiated solution to treat over-active bladders in the continence space.

**Innovate**

**Simplify**

We have also established and invested in a Global Business Services function (GBS), which enables us to deliver economies of scale by centralising expertise, and drive productivity by standardising, simplifying and automating processes.

In 2022 we have started seeing benefits from redesigned processes. The volume of transactions processed through GBS increased to a substantial scale. We served over 13,000 customers in nine different languages, paid over 200,000 invoices and delivered management accounting reports for 70 countries from a single location. Additionally, by reducing reliance on external consultants, and developing in-house expertise, we were able to reduce G&A spend, bringing it below 9% of sales.

We understand there is significant further opportunity to improve the working experience of colleagues and to save costs. On an ongoing basis, we are leveraging our GBS platform, increasing the scope of activities as well as geographic coverage. We are adding more digital tools and more automation, such as self-service apps.
INTRODUCING CONVATEC’S EXECUTIVE LEADERSHIP TEAM

Our refreshed brand and new company promise of forever caring was launched in May. It has been well received by customers and HCPs. In the second half of the year we rolled out new digital and social media digital interfaces reflecting the refreshed brand across all of our focus markets.

Our Salesforce CoE has now established a single CRM platform in North America and Europe, and we have begun rolling it out across GEM. This is driving enhanced sales productivity by increasing call rates and improving account targeting.

Going forward we will leverage the Marketing CoE more broadly across the Group and build new capabilities, particularly focused on customer experience and measurement of Net Promoter Scores.

Culture is a critical element in building high-performing teams and creating a motivating work environment. Results from our latest Organisational Health Index (OHI) survey were strong, sustaining our top performance from 2020. We will continue to cultivate talent, recognise colleagues and focus on Diversity, Equity & Inclusion (DEI) and Wellbeing over the next year.

One year on since launching Convatec Cares, our refreshed Environmental, Social & Governance (ESG) approach, we have made good progress integrating ESG across our business and value chain.

- Elevated ESG through our strategic planning process and engaging all business units and functional areas on priorities, targets and commitments. Emissions reduction in line with our net zero commitment, we reduced Scope 1 & Scope 2 greenhouse gas emissions by 32% in 2022. We are on track to validate our Scope 1, 2 and 3 (near term) Science-Based Targets in 2023. Our manufacturing sites increasingly use renewable electricity, and we expect that to reach 100% by the end of 2023.
- Progress in DEI and Wellbeing approach where now 36% of our CELT are women, 40% of our Board are women, and we are on track to ensure 40% of our senior management (CELT member plus their direct reports) are women by the end of 2024.
- Elevated our focus on supply chain sustainability, improving the average Ecolab’s score of our suppliers by 5%.
- We committed more than $2 million in both product and cash donations in 2022, including a humanitarian relief response for Ukraine valued at over $1.5 million. This year we’ve also committed more than $100,000 in response to the earthquakes in Turkey and Syria in both product and cash donations.

We announced today a new $2 million health partnership with Partners In Health (PIH), a leading international NGO focused on building equitable health systems globally. The innovative partnership expands recruitment and support of Community Health Workers and improves their training on chronic conditions. Living in the communities where they work, Community Health Workers are trusted neighbours who are able to provide high-quality health services. Over three years, Convatec’s support - through cash, product donation and training - will enable PIH to reach over 250,000 children and adults, with a particular focus on programmes in Mexico, Peru and the United States.

Group 2023 outlook

We are pleased with the growth we achieved in 2022 and are focused on pivoting to sustainable and profitable growth.

We expect organic revenue growth to be between 4.5 - 6%, consistent with our medium-term targets shared at our Capital Markets Event in November. Growth will be HE weighted because of stronger comparatives in H1 2022, especially in Infusion Care, and because ATT will contribute to organic growth following the anniversary of the acquisition.

The reported revenue will be impacted by the exit of hospital care and related sales, which generated $102 million in 2022.

We remain focused on expanding our operating margin² by growing revenue, improving our mix price and delivering on our simplification and productivity agenda. We remain confident we expect to remain a significant headwind in 2023 with COGS inflation of 5-7%. In addition we anticipate labour inflation in opex of 5-7% which is approximately double that of 2022. On this basis, we expect modest improvement in the adjusted operating margin² in 2023 to at least 19.7% on a constant currency basis. Furthermore, our medium-term target of mid-20s operating margin² remains unchanged.

Based on current interest rates, we expect adjusted net finance expense for the full year to be $70-80 million. The cash tax rate for the year is expected to be around 18%, while the adjusted book tax rate is expected to be approximately 25%. Capex will remain elevated at around $120-140 million for the full year reflecting the continued growth investments we are making across the Group and we intend to increase inventory by c.$20 million to further strengthen supply chain resilience.

We are confident about the future prospects for the Group as we continue to pivot to sustainable and profitable growth.

Karim Bitar
Chief Executive Officer
8 March 2023
We are continuously tracking our progress

We use a mix of financial and non-financial metrics to measure delivery of our strategy.

FINANCIAL KPIs

<table>
<thead>
<tr>
<th>Metric</th>
<th>Group revenue growth</th>
<th>Adjusted operating profit margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>%</td>
</tr>
<tr>
<td>2022</td>
<td>$2,072.5m</td>
<td>19.5%</td>
</tr>
<tr>
<td>2021</td>
<td>$2,038.3m</td>
<td>17.7%</td>
</tr>
<tr>
<td>2020</td>
<td>$1,894.3m</td>
<td>18.5%</td>
</tr>
</tbody>
</table>

Relevance to strategy

Group revenue performance reflects the growth of our business and our progress towards achieving our ambition of delivering attractive revenue growth year-on-year.

Relevant to strategy

Adjusted operating profit margin reflects how effectively we are running our business - a key factor if we are to deliver sustainable and profitable growth.

2022 performance

- 6.9% increase on constant currency basis
- A&D revenues grew 12.7% driven by strong organic growth in GEM and Europe, supported by the contribution from the Thred acquisition
- DC revenues grew 2.8% driven by strong growth in GEM and robust performance in Europe
- CCC revenues grew 2.6% driven by continued strength in new patient starts and high customer retention, supported by Cure Medical and Patient Care Medical acquisitions, partially offset by a decline in Critical Care
- IC revenues grew 10.2% driven by continued demand for our innovative infusion sets by diabetes patients

2022 performance

- Adjusted operating profit margin increased by 280bps to 19.5%
- Pricing, mix and productivity improvements, combined with significant G&A savings and an 80 bps foreign exchange tailwind more than offset inflationary headwinds and increases in strategic investments

FINANCIAL KPIs

Quality (number of complaints per million (CPM) products sold)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Adjusted free cash flow (post-tax)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td>2022</td>
<td>$202.6m</td>
</tr>
<tr>
<td>2021</td>
<td>$274.7m</td>
</tr>
<tr>
<td>2020</td>
<td>$347.4m</td>
</tr>
</tbody>
</table>

Relevance to strategy

Adjusted free cash flow reflects how effectively we are able to convert the profit we generate into available cash (after accounting for working capital movements, making capital investments and paying tax).

Quality (number of complaints per million (CPM) products sold)

| Metric | CPM measures the number of complaints we receive per million products sold.

Relevance to strategy

CPM is a strong indication of our manufacturing quality and is key to ensuring that we develop trusted medical solutions. It is also a reflection of our core capabilities and our ability to execute effectively.

2022 performance

- 26% decrease compared to prior year
- Adjusted EBITDA increased by 7.7% driven by good revenue growth and a reduction in operating costs
- However, this was more than offset by higher capital investment to support future growth and increased inventory to improve resilience

2022 performance

- Overall, year-on-year reduction of 12.8% as the Quality CoE begins to have a positive impact
- Driven by implementation of continuous improvement across our manufacturing and quality operations
Advanced Wound Care

Strong organic growth supported by entry into the wound biologics segment through the acquisition of Triad Life Sciences.

2022 performance
During 2022, the business achieved strong growth in GEM and Europe which more than offset a decline in North America where our limited position in the foam segment and lower surgical volumes continued to weigh on performance. As a result, the business saw overall growth across all segments globally.

Revenue of $621 million increased 4.8% on a reported basis or 12.7% on a constant currency basis. This performance reflected the acquisition of Triad Life Sciences, now known as Advanced Tissue Technologies (ATT), which generated $35 million of revenue. On an organic basis revenue rose by 6.8%.

We made continued strategic progress in AWC during the period. In March 2022, we strengthened our position with our entry into the wound biologics segment through the acquisition of Triad Life Sciences. Our commercial execution continued to improve, as we leveraged our common Customer Relationship Management (CRM) platform in North America and Europe. ConvaFoam was cleared for launch at the end of 2022 and began the US rollout in early 2023, which will strengthen our competitive position in the large and rapidly growing foam segment.

In 2023 we will focus on:
- Successfully launching ConvaFoam in the US and preparing for a European launch in 2024: driving development of ConvaVac and preparing to launch in 2024
- Growing the InnovaMatrix® platform in the US and developing the product outside the US
- Continuing to strengthen commercial execution globally

ABOUT AWC

2022 revenue
$621m

Market size
$7bn

Market growth
C. 5%

By category

<table>
<thead>
<tr>
<th>Segment</th>
<th>2022 market size (€m)</th>
<th>5-year projected CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>suNPWT</td>
<td>0.4</td>
<td>~20%</td>
</tr>
<tr>
<td>Biologics</td>
<td>2.2</td>
<td>~7%</td>
</tr>
<tr>
<td>Foams</td>
<td>1.8</td>
<td>~6%</td>
</tr>
<tr>
<td>Antimicrobials</td>
<td>0.9</td>
<td>~6%</td>
</tr>
<tr>
<td>ABDs</td>
<td>0.3</td>
<td>~5%</td>
</tr>
<tr>
<td>Other AkDs</td>
<td>1.4</td>
<td>~2%</td>
</tr>
</tbody>
</table>

Category position

No. 2
Global advanced wound dressings

No. 1
Global antimicrobial dressings
Global alginate and fibre dressings
Global hydrocolloid dressings

Key competitors
- 3M
- Smith & Nephew
- Mölnlycke

1. Size, growth and position information contained in this Operational review are estimates and are based on internal analysis and publicly available sources, including SmartTIRR and Global Industry Analytics Inc. reports. AWC includes single-use and multi-use wound dressings, smart dressing solutions, films, superabsorbents and hydrogels.

2. Excluding biologics, composite/island dressings and film.

3. Wound biologics segment as defined by SmartTIRR includes skin substitutes, active collagen dressings and topical drug delivery.

OUR KEY BRANDS

AQUACEL®
AQUACEL® Ag
AQUACEL® Adhesive
AQUACEL® Advance
Ayelle
Convatec®

INNOVATE

Acquisition of Triad Life Sciences
The acquisition of Triad Life Sciences (now known as Advanced Tissue Technologies, or ATT) has expanded our AWC portfolio with biologically-derived innovative products to address unmet clinical needs in surgical wounds, chronic wounds and burns.

It has strengthened Convatec’s AWC position in the US and secured access to an innovative technology platform that is highly complementary to Convatec’s existing portfolio, enabling the Group to meet a wider range of needs of both patients and health care practitioners.

The ATT commercial team has made good progress selling InnovaMatrix® AC into Physician Offices in the US aided by the reputation of Convatec in the wound space. In 2023 we will leverage our broader commercial infrastructure in the US to serve more patients. Additionally, following regulatory clearances in 2023, we intend to expand our portfolio with both Innovadur® and InnovaMatrix® Powder in 2023.

The transaction has been immediately accretive to sales growth and has an attractive financial profile, supporting our strategic intent of pivoting to an attractive profit profile.

Read more about our full product suite online www.convatecgroup.com/our-categories/advanced-wound-care/
Ostomy Care

Improving performance by supporting patients across the continuum of care.

Bruno Pinheiro
President & Chief Operating Officer, Ostomy Care

2022 performance
Under the new leadership of Bruno Pinheiro, our OC business continued to make good strategic progress during 2022. He and the team increased the focus on driving an improved experience across the continuum of care. The highly-rated Home Services Group is helping to grow the number of new US ostomy patients, while in Europe during the year, we launched new digital services to support both health care professionals and patients better.

Revenue of $522 million declined 4.5% on a reported basis but increased 2.8% on a constant currency basis and 3.4% on an organic basis.

The business achieved continued strong growth in GEM, particularly in Latin America and China, while Europe achieved a robust performance with some pricing initiatives helping to offset the continued planned rationalisation of lower-margin non-Convatec products at Amcare UK. In North America, new patient starts remained stable, supported by HSG ostomy sales.

Overall, we have continued to improve our mix and expand our margins. We saw good demand for Convatec products, for example our accessories sales saw strong growth in 2022, following the relaunch of the Esenta brand. Across all geographies, revenue from Convatec ostomy products grew 5.5% on an organic basis.

In 2023 we will focus on:
- Driving new patient starts and continuing collaboration with HSG
- Improving consistency of commercial execution across the continuum of care
- Preparing to launch Esteem 2.0 in H1 2024

Market size*
c. $3bn
Market growth
C. 4%

Segment
2021 market size ($bn)
5-year projected CAGR
GEM
0.6
6%
Europe
1.6
3%
North America
0.8
3%

Category position
No. 3 Global ostomy
No. 2 US

Key competitors
- Coloplast
- Hollister/Dansac

* Size, growth and position information contained in this Operational review are estimates and are based on internal analysis and publicly available sources.

OUR KEY BRANDS

Estem
Natura
Natura
Stomahesive

Esenta accessories
Moldable
Ostomy pouch

Driving growth in our key emerging markets

China and Latin America leading the way
Our presence in the global emerging markets has been a key driver of growth in Ostomy Care during 2022. Growing double digit, they now account for ~25% of OC’s revenues.

Three of Convatec’s key focal markets are in the Emerging Markets: China, Brazil and Colombia.

We estimate that our growth in OC in China in 2022 has been approximately 3x greater than the market. This has been achieved by developing deeper relationships with our existing hospital clients, focusing on new hospital listings, enhancing our e-commerce offering and continuously upgrading customer service. Furthermore, we worked with the local government, pharmacies and volunteers to deliver products during the ongoing lockdowns.

In Latin America, we expanded our presence in Colombia and Brazil, through a combination of our Convacare clinics, direct distribution to private hospitals and establishing partnerships with insurance providers.

In 2023, we will continue to grow share in the emerging markets with a focus on patient access and loyalty.

Read more about our full product suite online www.convatecgroup.com/our-categories/ostomy-care/
Continence & Critical Care

Continued strength in new patient starts and high customer retention drove US growth, supported by Cure and Patient Care Medical acquisitions.

2022 performance
Revenue of $546 million rose 0.6% on a reported basis, 2.4% on a constant currency basis and 3.6% on an organic basis. A good operating performance in Continence Care was supported by contributions from the Cure Medical and Patient Care Medical acquisitions, as well as an improving pricing environment in North America.

Continence Care achieved revenue of $409 million in 2022, up 5.0% on an organic basis, with continued strength in new patient starts and high customer retention. This was complemented by good demand for our Cure and GentleCath™ portfolios in the US and Latin America, and our developing presence in France and the UK following the launch of the GentleCath™ Air for Men compact catheter.

During 2022 the strategic decision was taken to exit hospital care and related industrial sales. The hospital care activities, reported as part of CCC, generated $72 million of revenue in 2022 (2021: $79 million). From 31 May, when we closed the Belarus factory, revenue has been excluded from organic calculations. The related industrial sales, reported as part of IC, generated $16 million of revenue in 2022 (2021: $22 million).

Critical Care revenue of $157 million declined 1.3% on an organic basis with Flexi-Seal™, which remains in the Group portfolio, declining following strong COVID-19 impacted comparatives.

In 2023 Continence Care will focus on:
- Continuing to drive US growth via - Exceptional service - Both Cure Medical and GentleCath™ portfolios (including the new GentleCath™ Air for Men) - Expanding in Europe and Global Emerging Markets - Preparing to launch GentleCath Air™ for Women in late 2023/early 2024

From 2023 onwards, Flexi-Seal™ (2022 revenue: $6 million), our faecal management system, will move from Critical Care to Ostomy Care. The remaining industrial sales, predominantly continence related supplies for B2B customers (2022 revenue: $17 million), will move from Infusion Care into Continence Care. Going forward the CCC category will be renamed Continence Care and we will restate comparatives.

Critical Care achieved revenue of $157 million in 2022, up 5.0% on an organic basis, with continued strength in new patient starts and high customer retention.

Category position
No. 1 ~40% market share Retailer in intermittent catheters in the US (Home Services Group)
No. 2 ~23% market share Manufacturer of intermittent catheters in the US

Our key brands
- Cure Medical
- GentleCath
- Flexi-Seal™
- FeelClean™
- Bard
- Wellspect

* Continence & Critical Care comprises the global intermittent catheter segment plus the faecal management segment.

ABOUT CCC
2022 revenue $546m
Market size* c. $2.2+bn

Market growth c. 4%
Category position No. 1
~40% market share Retailer in intermittent catheters in the US (Home Services Group)

No. 2
~23% market share Manufacturer of intermittent catheters in the US

Key competitors
- Coloplast
- Hollister
- Bard
- Wellspect

Expanding our presence in Continence Care
How one lives with their medical device is equally important to the device itself
As long-time makers of catheters, we know there are no “silver bullets” that solve all customer needs. Users have very different wants and select a product based on diverse criteria. Sometimes it is about the technology and its impact on the anatomy. Sometimes it is the packaging and usability. Sometimes it is about the portability. An important part of offering solutions is helping customers in their daily lives and having a broad range of products with different underlying technologies and designs.

During 2022 we expanded our portfolio by leveraging our state-of-the-art FeelClean™ technology and brought to market a pocket-sized, discreet GentleCath™ Air offering for men. In addition, we continued innovating on our Cure Medical ready-to-use hydrogel platform, which has been developed through a long track record of user-driven, rapid innovation.

Our broader portfolio enables us to expand in key European markets, where discreet catheters comprise ~45% of the catheters distributed. During 2022 we enhanced our presence in France, built a new team in the UK and established our foundational leadership in Italy. In 2023, we will also seek to bring these solutions into established Convatec Global Emerging Markets.

Read more about our full product suite online www.convatecgroup.com/our-categories/continence-critical-care/
Infusion Care

Continued strong growth driven by strong demand for our infusion sets for diabetes patients.

2022 performance
Our Infusion Care business continued to strengthen in 2022. To respond to the underlying demand for automated insulin delivery systems and their accessories, during 2022, we built additional capacity at our Osted, Denmark and Reynosa, Mexico plants. We continued to innovate, launching our MioAdvance Extended Wear Infusion Sets (EWIS) in the US, and are diversifying our customer base by growing applications outside of diabetes, such as Parkinson’s.

Revenue of $384 million increased 7.5% on a reported basis, 10.2% on a constant currency basis and 9.8% on an organic basis. The difference between constant currency and organic growth was due to the impact of the industrial sales exit. This strong growth was primarily driven by continued demand for our infusion sets used by diabetic patients. Growth was also supported by increasing demand for differentiated infusion sets for alternative therapies, such as pain management, albeit off a small base.

In 2023 we will focus on:
- Scaling up production of MioAdvance EWIS
- Expanding the usage of infusion sets for the delivery of other subcutaneous therapies, including launching with AbbVie, once regulatory approval is received for their Parkinson’s drug therapy
- Successfully launching a tailored infusion set for Tandem Mobi once regulatory approval is received

In 2022, we continued to innovate, launching our extended wear infusion sets in the US, which is better for our patients and the environment.

Read more about our full product suite online www.convatecgroup.com/our-categories/infusion-care/

Key partners
- Beta Bionics
- Medtronic
- Roche
- Sooil
- Tandem

Category position
No. 1 globally
Infusion sets for insulin pumps

Key competitors
- Smiths
- Ypsomed
- Gerresheimer
- Apex Medical

* Infusion Care comprises infusion set for diabetes and biologic drug delivery segment outside of diabetes.
** Based on growth of the automated insulin delivery market from 2022 to 2032.
We made good progress in 2022 in executing our FSSE strategy and demonstrated that we are pivoting to sustainable and profitable growth. Revenue grew by 1.7% on a reported basis and 6.9% on a constant currency basis. We delivered an adjusted operating profit margin of 19.3%, representing expansion of 180bps over the previous year and with mix/pricing, operations productivity, significant G&A spend reduction and 80bps of foreign exchange tailwind more than offsetting significant inflation and continued investment in commercial capabilities.

Adjusted basic earnings per share reduced year-on-year primarily due to adjusted operating profit growth being more than offset by increases in adjusted net finance, non-operating and income tax expenses. These are explained in further detail on page 12.

The competitive position of the Group was further strengthened during the year, entering the attractive wound care market with the acquisition of Triad Life Sciences, whilst exiting the lower-margin and lower-growth hospital care and industrial sales activities. We also made good progress with our simplification and productivity initiatives, most notably reducing G&A spend in the year.

In November 2022, we successfully refinanced our bank facilities with $1.2 billion committed for five years at slightly improved margins over base rates, with $960m of the previous facilities. The Group’s $500.0 million senior unsecured notes remain in place and are committed until 2029. The Group’s financial prospects are attractive and we have confidence in our ability, over the medium term, to deliver sustainable annual mid-single-digit organic revenue growth and to expand our adjusted operating profit margin into the mid-20s.

Reported revenue growth +1.7%  
2022 $2,072.5m  
2021 $2,038.3m

Adjusted operating profit margin growth1 +180bps  
2022 19.5%  
2021 17.7%

Reported operating profit growth +1.8%  
2022 $207.3m  
2021 $203.6m

Adjusted operating profit growth1 +11.6%  
2022 $403.7m  
2021 $361.7m

Reported basic earnings per share 3.1¢ (2022)  
3.4¢ (2021)

Adjusted basic earnings per share2 12.7¢ (2022)  
13.1¢ (2021)

1 These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measures prepared in accordance with IFRS on pages 224 to 228.
2 Wound biologics segment defined by SmartMAM. Includes skin substitutes, active collagen dressings and topical drug delivery.

“The Group performed well in 2022, delivering good revenue growth and expansion in the adjusted operating profit margin to 19.5%, notwithstanding the significant inflationary headwinds.”

Jonny Mason  
Chief Financial Officer

Group financial performance

Reported Revenue  
2022 $m  
2021 $m  
Advanced Wound Care (AWC)  
620.7  
592.3  
Ostomy Care (OC)  
522.1  
546.5  
Continence & Critical Care (CCC)  
546.3  
542.9  
Infusion Care (IC)  
383.4  
356.6

Revenue  
2022 $2,072.5m  
2021 $2,038.3m

Adjusted basic earnings per share (cents per share)  
3.1¢  
3.4¢

Diluted earnings per share (cents per share)  
3.1¢  
3.4¢

Dividend per share (cents)  
6.04¢  
5.87¢

1 These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measures prepared in accordance with IFRS on pages 224 to 228.

Revenue

Group revenue for the year ended 31 December 2022 of $2,072.5 million (2021: $2,038.3 million) increased 1.7% year-on-year on a reported basis or 6.9% on a constant currency basis. The Group experienced significant foreign exchange headwinds of 5.2% on its reported revenue growth. The majority of the Group’s 2022 revenue was denominated in US dollars (52%), however there are other significant currencies in which revenue is denominated, notably EUR (20%), GBP (8%) and DKK (2%). These currencies depreciated significantly against the US dollar during the year, as disclosed in Note 20 - Financial risk management to the Consolidated Financial Statements.

Adjusting for the foreign exchange headwind and acquisition and divestiture-related activities, Group revenue grew by 5.6% on an organic basis. This was driven by continued strong growth in Advanced Wound Care and Infusion Care, with good growth seen in Ostomy Care and Continence & Critical Care. Given the largely reimbursed markets that we serve, there was limited opportunity to pass on the significant inflation we have seen in 2022. However, initiatives executed through our Pricing Centre of Excellence have successfully delivered positive price impact on revenue. For more details about category revenue growth, refer to the Operational reviews on pages 22 to 29.

1 Acquisitions were Triad Life Sciences in 2022 and Cure Medical and Patient Care Medical in 2021. Divestiture-related activities in 2022 were the discontinuation of hospital care, related industrial sales and associated Russia operations, whilst in 2021 it was the divestment of our continence activities.

Revenue by category

Advanced Wound Care (AWC) reported growth 4.8% on a reported basis or 12.7% on a constant currency basis, supported by the contribution from the Triad Life Sciences acquisition in March 2022, with strong growth across the Global Emerging Markets and Europe and supported by the launch of the Esenta accessories range. This was partially offset by the planned product rationalisation and transitioning the portfolio away from the lower-margin non-Convatec Ostomy products.

Ostomy Care (OC) reported growth 6.0% on an organic basis. This was driven by continued strong growth in Advanced Wound Care and Infusion Care, with good growth seen in Ostomy Care and Continence & Critical Care. Given the largely reimbursed markets that we serve, there was limited opportunity to pass on the significant inflation we have seen in 2022. However, initiatives executed through our Pricing Centre of Excellence have successfully delivered positive price impact on revenue. For more details about category revenue growth, refer to the Operational reviews on pages 22 to 29.

Optimization of Russia activities associated with the exit of hospital care, related industrial sales and associated Russia operations, whilst in 2021 it was the divestment of our continence activities.

Revenue fell by 4.5% on a reported basis but increased 2.8% on a constant currency basis. We continued to see good growth in Convatec products of 4.9% on a constant currency basis, driven by strong growth across the Global Emerging Markets and Europe and supported by the launch of the Esenta accessories range. This was partially offset by the planned product rationalisation and transitioning the portfolio away from the lower-margin non-Convatec Ostomy products.

The 60bps difference between constant currency growth and organic growth reflects the discontinuation of Russia activities associated with the exit of hospital care.

Continence Care revenue grew 6.0% on a reported basis or 2.6% on a constant currency basis. Sales in Continence Care grew well by 6.5%, driven by our 180 Medical service business, which was supported by the acquisitions of Cure Medical and Patient Care Medical in 2021 and early progress with catheter sales outside of the United States. This growth was partially offset by the planned product rationalisation and transitioning the portfolio away from the lower-margin non-Convatec Ostomy products. The 60bps difference between constant currency growth and organic growth reflects the discontinuation of Russia activities associated with the exit of hospital care.

Incontinence activities associated with the exit of hospital care, related industrial sales and associated Russia operations, whilst in 2021 it was the divestment of our continence activities.

IC revenue grew 7.5% on a reported basis or 10.2% on a constant currency basis, reflecting continued strong demand for our innovative infusion sets for diabetes patients, coupled with promising progress in non-diabetes therapeutic areas such as Parkinson’s disease, primary immune deficiencies and pain management.

See pages 22 to 29 for detail on the performance of each category.
Revenue impact of strategic exits during 2022

The strategic exit of hospital care and industrial sales will impact revenue in line with the table below. The numbers show the 2022 revenue attributable to these activities. The ongoing activities are more focused on higher-margin and higher-growth chronic-care categories.

<table>
<thead>
<tr>
<th>2022 reported</th>
<th>2022 revenue from ongoing activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Wound Care</td>
<td>$420.7</td>
</tr>
<tr>
<td>Ostomy Care</td>
<td>$323.4</td>
</tr>
<tr>
<td>Continence &amp; Critical Care</td>
<td>$474.5</td>
</tr>
<tr>
<td>Infusion Care</td>
<td>$357.9</td>
</tr>
<tr>
<td>Total</td>
<td>$2,072.5 (102.3)</td>
</tr>
</tbody>
</table>

1. Sales related to discontinuation from hospital care related industrial sales and associated Russia operations.

Reported net profit

Reported operating profit was $207.3 million, an increase of $53.7 million on the prior year. Reported gross margin decreased year-on-year from 55.1% to 53.3%, driven by inflationary headwinds on raw materials and freight.

The reported gross margin was also impacted by increases in one-time divestiture and termination costs (primarily relating to the exit from the hospital care and industrial sales activities) of $21.4 million and the release of the fair value uplift of inventory arising from the acquisition of Triad Life Sciences of $8.7 million.

In line with the Group's APM policy, the following adjustments were made to derive adjusted operating profit and adjusted profit before tax.

### Adjusted net profit

Adjusted gross profit increased by 10% to $1,246.6 million (2021: $1,133.7 million). The adjusted gross margin of 48.0% was broadly flat to the previous year (2021: 48.0%), with the significant inflationary pressures on both raw materials and freight costs partly offset by foreign exchange tailwinds and mix and price benefits.

The Group achieved adjusted operating profit of $403.7 million (2021: $361.7 million), an adjusted operating margin of 19.5% (2021: 17.7%). There was a decrease in operating expenses in the year, with adjusted G&A reduced by $15.2 million (11.7%) and adjusted selling and distribution expenses reduced by $4.7 million.

Adjusted net profit Nil 2.2% to $258.8 million (2021: $263.0 million) given the $8.6 million increase in adjusted net finance expense from higher market interest rates coupled with a $34.4 million increase in the adjusted income tax expense (which is explained below).

### Taxation and tax strategy

<table>
<thead>
<tr>
<th>Profit before income taxes</th>
<th>Reported</th>
<th>Adjusted</th>
<th>Adjusted2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax expense</td>
<td>$23.2%</td>
<td>($15.0)%</td>
<td>($15.0)%</td>
</tr>
</tbody>
</table>

1. These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS on pages 224 to 228.

The Group’s reported income tax expense was $19.0 million (2021: $33.7 million). The effective tax rate of 23.2% for the year was higher than the prior year (2021: 22.3%) mainly due to the increase in US tax expenses following the acquisition of Triad Life Sciences and non-deductible contingent consideration relating to the acquisition of both Triad Life Sciences and FISBE 1.0.

The increase in US tax expenses was partially offset by the recognition of deferred tax assets for previously unrecognised tax losses of $20.1 million in the US (2021: $6.8 million) and $17.6 million in respect of the contingent consideration payable on the acquisition of Cure Medical.

For further information, see Note 6 - Income taxes to the Consolidated Financial Statements.

Strategic transformation

During 2022, the Group completed the first phase of its FISBE strategy (FISBE 1.0), a global multi-year transformation programme which commenced in 2019. FISBE 1.0 started to position the Group for sustainable and profitable growth and in 2022, we saw improved organic revenue growth performance and adjusted operating profit margin growth. Transformation costs associated with FISBE 1.0, treated as an adjusting item, were minimal in 2022 ($14.3 million).

FISBE 1.0 strengthened the Group, with the business becoming more focused on chronic care, developing a deeper and broader innovation pipeline, delivering three new product launches during 2022, and improving commercial and operational execution, for example the significant reduction in complaints per million across the past three years.

The Group has explored and executed acquisitions and divestitures to strengthen the strategic positioning of the Group and increase its focus on the four key categories. During 2022, this included the acquisition of Triad Life Sciences, the equity investment in the strategic shareholding of Blackwell Medical Ltd (Blackwell), and the strategic decision to divest a share of hospital care activities and related industrial sales as announced on 12 May 2022 and other potential transactions. Further details are provided in Note 10 - Investment in financial assets, Note 26 - Acquisitions, Note 27 - Divestitures and the Non-IFRS financial information section to the Consolidated Financial Statements.
Financial review continued

As announced at the Capital Markets Event on 17 November 2022, following the completion of FISBE 1.0, our strategy is now evolving to deliver the pivot (FISBE 2.0). This is discussed further on pages 15 to 19. Medium-term targets associated with FISBE 2.0 include delivering sustainable mid-single-digit organic revenue growth per annum and expanding the adjusted operating margin into the mid-20s. This is to be delivered through simplification and productivity initiatives, improving the product margin mix and operating leverage. Furthermore, there may be potential M&A opportunities to further strengthen the Group. The outcome of delivering these targets will be sustainable and profitable growth with double-digit adjusted EPS and adjusted free cash flow compound annual growth over the medium term.

Acquisitions and investments

As noted above, in line with our strategic transformation and consistent with the “Focus” pillar of FISBE (see page 16), we acquired Triad Life Sciences, a US-based medical device company, on 14 March 2022 for an initial consideration of $325.3 million. The acquisition of Triad Life Sciences strengthens the Group’s Advanced Wound Care position in the US, securing access to a complementary and innovative technology platform that enhances advanced wound management and patient outcomes. In addition to the initial consideration, there is further contingent consideration payable of up to $352.0 million. Based on the achievement of two short-term milestones (totaling $50.0 million) and sales performance during the first two years post-completion (maximum earnout of $275.0 million based on stretching financial performance over the period), the two short-term milestones were successfully achieved in 2022, resulting in $50.0 million being paid during the year. Based on the latest available information, the discounted fair value of the remaining contingent consideration as at 31 December 2022 was $130.8 million. Refer to Note 26 – Acquisitions to the Consolidated Financial Statements for further details.

Management have identified that reasonably possible changes in certain key assumptions and forecasts may cause the calculated fair value of the contingent consideration to vary materially within the next financial year and accordingly, management have deemed this to be a key estimate. See Note 14 – Critical accounting judgements and key sources of estimation uncertainty to the Consolidated Financial Statements for further details.

The Group also has contingent consideration of up to $10.0 million in respect of the acquisition of Convatec Medical in 2021, which is based upon post-acquisition performance targets and due to be paid within three years of the acquisition date. Based on the latest available information, the discounted fair value of the remaining contingent consideration as at 31 December 2022 was $9.2 million (2021: $125.3 million).

On 9 May 2022, the Group invested $30.7 million in the bladder market, related to the Continence space. Refer to Note 10 – Investment in financial assets to the Consolidated Financial Statements for further details.

Strategic decision to exit from hospital care and industrial sales

On 12 May 2022, it was announced that the Group would be withdrawing from its hospital care activities and related industrial sales during the remainder of 2022. The withdrawal from these lower-margin and lower-growth activities is consistent with the Group’s FISBE strategy, with the Group focusing on higher-growth chronic care markets with higher margins and higher levels of recurring revenue. The manufacturing plant in Belarus, which produced hospital care goods, ceased manufacturing on 31 May 2022 alongside the discontinuation of associated Russian activities. The remainder of the hospital care and industrial sales activities will be mostly phased out in the second half of 2022. The majority of the exit and closure activities have been completed at the year end. There are minimal residual sales expected in 2023. Further details are provided in Note 27 – Divestitures to the Consolidated Financial Statements.

Dividends

Dividends are distributed based on the distributable reserves of the Company, which are primarily derived from the dividends received from subsidiary companies and are not directly linked to the Group’s underlying earnings. The distributable reserves of the Company as at 31 December 2022 were $760.9 million (2021: $1,990.3 million). The Board declared an interim dividend of 1.717 cents per share in August 2022 and has recommended a final 2022 dividend of 4.330 cents per share, which would bring the full year dividend to 6.047 cents per share (2021: 5.871 cents per share). The Board’s recommendation is subject to the Audit Committee and the Board’s approval. The dividends are payable in September 2022.

Further information about the Group’s dividend policy and dividends paid can be found on page 162 and information on capital maintenance and the available distributable reserves position can be found on page 164.

Sources of cash and free cash flow

Sources of cash

One of the Group’s primary sources of cash is net cash generated from operations.

Net cash generated from operations

<table>
<thead>
<tr>
<th>Reported</th>
<th>2022</th>
<th>Reported</th>
<th>2021</th>
<th>Adjusted</th>
<th>2021</th>
<th>Adjusted</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td></td>
<td>$m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>432.0</td>
<td>420.1</td>
<td></td>
<td>500.0</td>
<td>464.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based payments</td>
<td>16.6</td>
<td>14.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working capital movement</td>
<td>62.5</td>
<td>31.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on foreign exchange derivatives</td>
<td>1.7</td>
<td>4.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash generated from operations</td>
<td>384.5</td>
<td>400.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. EBITDA is reconciled to the most directly comparable financial measure prepared in accordance with IFRS in the cash conversion table on page 228.

Reported net cash generated from operations decreased by $16.6 million to $334.5 million during the year, mainly due to working capital movements. The increase in working capital in the year ended 31 December 2022 was driven by increased inventory levels of $36.3 million to build resilience across the Group and increased working capital in trade and other receivables of $63.6 million due to sales phasing. This was partially offset by increases in trade and other payables of $40.7 million primarily due to the increase in derivative financial liabilities as a result of the mark-to-market valuation at the year end and an increase in restructuring provisions.

Free cash flow

Adjusted free cash flow (post-tax), is one of the four key financial performance indicators we use to monitor the delivery of our strategy.

<table>
<thead>
<tr>
<th>Reported</th>
<th>2022</th>
<th>Reported</th>
<th>2021</th>
<th>Adjusted</th>
<th>2021</th>
<th>Adjusted</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td></td>
<td>$m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>432.0</td>
<td>420.1</td>
<td></td>
<td>500.0</td>
<td>464.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based payments</td>
<td>16.6</td>
<td>14.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working capital movement</td>
<td>62.5</td>
<td>31.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on foreign exchange derivatives</td>
<td>1.7</td>
<td>4.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash generated from operations</td>
<td>384.5</td>
<td>400.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net debt bridge</td>
<td>88.1</td>
<td>168.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash conversion</td>
<td>55.6%</td>
<td>73.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>62.9</td>
<td>62.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free cash flow (post-tax)</td>
<td>164.7</td>
<td>213.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Adjusted free cash flow (post-tax), was $202.6 million (2021: $274.7 million). The $35.8 million increase in adjusted EBITDA, primarily driven by a reduction in adjusted operating costs (see commentary in Adjusted net profit section), was more than offset by the $50.1 million increase in capital programmes as well as the increase in working capital.

Cash conversion was 55.6% (2021: 73.0%) and adjusted cash conversion was 51.1% (2021: 71.9%). The decline in the ratio in 2022 primarily reflected the strategic decision to increase capital expenditure and build inventory for resilience, coupled with the timing of receipts from customers.

The $1.7 million loss (2021: $4.3 million loss) from foreign exchange derivatives was a result of hedging activity to help mitigate the impact on underlying exposures from volatility in foreign exchange rates.

Liquidity and net debt

Net debt bridge ($m)

<table>
<thead>
<tr>
<th>2021</th>
<th>January 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td></td>
</tr>
<tr>
<td>500.0</td>
<td>(142.2)</td>
</tr>
<tr>
<td>(100.5)</td>
<td>(133.4)</td>
</tr>
<tr>
<td>(75.0)</td>
<td>13.2</td>
</tr>
<tr>
<td>(88.1)</td>
<td>168.5</td>
</tr>
</tbody>
</table>

1. Adjusted EBITDA was reconciled to the most directly comparable financial measure prepared in accordance with IFRS in the cash conversion table on page 228 and reconciliation of earnings to adjusted earnings table on page 224 respectively.

2. Net debt bridge is calculated as the carrying value of current and non-current borrowings, net of cash and cash equivalents and excluding lease liabilities.

3. EBITDA, working capital and tax & others are on an adjusted basis. The reported numbers are disclosed within the grey bars above and commented on further below.

Adjusted EBITDA was $500.0 million and excludes $39.2 million in respect of working capital movements arising from acquisitions and divestitures, primarily driven by the Triad Life Sciences acquisition and the exit from hospital care and related industrial sales during the year. Other items excluded to derive Adjusted EBITDA were $5.0 million of acquisition and divestiture expenses, $16.7 million of termination costs and $16.7 million of share-based payments, offset by a decrease in termination accruals of $3.1 million. These numbers can be seen within the non-IFRS financial information section on page 228.

Adjusted working capital & FX on derivatives of $100.5 million includes the $39.2 million working capital movement arising from acquisitions and divestitures as explained above. A reconciliation of adjusted working capital to reported working capital on the non-IFRS financial information section on page 228.

The Group continued to make significant investments to strengthen and grow the business such as expanding the manufacturing facilities in its Infusion Care business, adding more automation to our production lines and developing new digital technologies to deliver enhanced customer experiences. Consequently, capital expenditure during 2022 was $144.2 million.

Convatec Group Plc Annual Report and Accounts 2022

Convatec Group Plc Annual Report and Accounts 2022
The Group made several strategic investments in 2022 to strengthen its competitive position, including the acquisition of Triad Life Sciences for an initial consideration of $323.3 million and two additional payments totaling $50.0 million for the successful achievement of two milestones in 2022 in relation to that acquisition. The Group also made a $30.7 million equity investment in BlueWind Medical, inclusive of transaction costs.

Debt servicing payments of $77.2 million are comprised of net interest payments of $49.9 million, lease payments of $20.7 million and the amortisation of financing fees of $4.6 million.

Tax & others of $73.0 million, on an adjusted basis, consisted of income taxes paid of $52.9 million, foreign exchange on cash and cash equivalents of $15.9 million, $5.0 million of acquisition and divestiture expenses and $10.2 million of termination costs, offset by foreign exchange on borrowings of $11.0 million. Excluding $5.0 million of acquisition and divestiture expenses, $10.2 million of termination costs and $16.7 million of share-based payments, tax & others, on a reported basis, was $41.1 million.

Dividend cash payments of $88.1 million were made to shareholders in the year. This represented 78.2% of total dividends declared in the year, with the remaining 21.8% electing to settle via scrip dividends.

Borrowings and net debt

<table>
<thead>
<tr>
<th>2021</th>
<th>2022</th>
<th>2021</th>
<th>2022</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior notes</td>
<td>Credit facilities</td>
<td>Cash and cash equivalents</td>
<td>Lease liabilities</td>
<td>Total debt excluding leases $1,068.3m (2021: $818.2m)</td>
<td>Net debt excluding leases $1,018.8m (2021: $868.2m)</td>
</tr>
<tr>
<td>$493.9m</td>
<td>$436.4m</td>
<td>($90.5m) ($488.3m)</td>
<td>$143.8m</td>
<td>($492.1m) ($493.9m)</td>
<td></td>
</tr>
</tbody>
</table>

Net debt/adjusted EBITDA at 31 December 2022 2.1x

As at 31 December 2022, the Group’s cash and cash equivalents were $143.8 million (31 December 2021: $436.4 million) and the debt outstanding on borrowings was $1,219.1 million (31 December 2021: $1,544.6 million).

The Group successfully refinanced its bank facilities in November 2022, with $1.2 billion committed for five years at slightly improved margins over base rates compared to the previous facilities, comprising a multicurrency revolving credit facility of $950.0 million and a term loan of $250.0 million, both with maturity in November 2027. The Group's $500.0 million senior unsecured notes, issued in October 2021, remain in place with maturity in October 2029.

The Group successfully refinanced its bank facilities in November 2022, with $1.2 billion committed for five years at slightly improved margins over base rates compared to the previous facilities, comprising a multicurrency revolving credit facility of $950.0 million and a term loan of $250.0 million, both with maturity in November 2027. The Group's $500.0 million senior unsecured notes, issued in October 2021, remain in place with maturity in October 2029.

At 31 December 2022, the Group was in compliance with all financial and non-financial covenants associated with the Group’s outstanding debt.

The Group has two financial covenants, being net leverage and interest cover, each of which is defined, where applicable, within the borrowing documentation. The table below summarises the Group’s most restrictive covenants threshold positions and as at 31 December 2022 and 2021.

Covenants

<table>
<thead>
<tr>
<th>31 December 2022</th>
<th>31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum covenant net leverage</td>
<td>2.495x</td>
</tr>
<tr>
<td>Covenant net leverage</td>
<td>2.28x</td>
</tr>
<tr>
<td>Maximum covenant interest cover</td>
<td>5.0x</td>
</tr>
<tr>
<td>Covenant interest cover</td>
<td>1.97x</td>
</tr>
</tbody>
</table>

1 Net leverage is net debt/adjusted EBITDA and interest cover is adjusted EBITDA/interest expense (net) in accordance with the definitions contained in the underlying borrowing documentation and are not the same as the definitions of these measures presented in the Adjusted Performance Measures section on pages 224 to 228 and applied in the commentary in this Financial review.

Group financial position

<table>
<thead>
<tr>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$143.8m</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>($90.5m) ($488.3m)</td>
</tr>
<tr>
<td>Senior notes</td>
<td>$436.4m</td>
</tr>
<tr>
<td>Credit facilities</td>
<td>($492.1m) ($493.9m)</td>
</tr>
<tr>
<td>Intangible assets and goodwill</td>
<td>$1,219.1m</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>$393.1m</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$553.2m</td>
</tr>
<tr>
<td>Share-based payments, tax &amp; others</td>
<td>$143.8m</td>
</tr>
<tr>
<td>Net debt/adjusted EBITDA</td>
<td>2.1x</td>
</tr>
<tr>
<td>Intangible assets and goodwill</td>
<td>1.9x</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>1.0x</td>
</tr>
<tr>
<td>Total assets</td>
<td>$3,674.0m</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>($533.1m) ($494.2m)</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>($1,440.2m) ($1,410.0m)</td>
</tr>
<tr>
<td>Equity</td>
<td>($1,009.7m) ($1,694.8m)</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>($3,939.2m) ($3,847.0m)</td>
</tr>
</tbody>
</table>

Intangible assets and goodwill increased by $591.0 million to $2,149.5 million (2021: $1,205.5 million). This was primarily due to intangible assets and goodwill arising from the Triad Life Sciences acquisition of $444.6 million, partially offset by the in-year amortisation of intangible assets of $147.4 million, the net effect of foreign exchange change of $44.7 million and an impairment charge of $5.7 million against intangible assets.

We regularly review our trading performance to establish whether there were any triggers that would require an impairment review of goodwill or other intangible assets. During 2022, there was an impairment of $4.3 million in respect of a product-related intangible asset which has been phased out as part of the hospital care exit. There was also a $1.4 million impairment relating to a legacy acquisition-related customer relationship intangible asset as part of the rationalisation of activities in the portfolio.

The annual Cash Generating Unit (CGU) impairment review was conducted on the CGU groups and, taking into consideration our future forecasts and reasonably possible scenarios, significant headroom remained in the carrying value of all CGU groups in comparison to the sensitised recoverable value. No impairment losses were recorded in respect of non-current assets other than fair value impairments of $7.4 million included in underlying goodwill and intangible assets.

Further information on goodwill and other intangible assets can be found in Note 9 - Intangible assets and goodwill to the Consolidated Financial Statements.

Other non-current assets

Other non-current assets, including property, plant and equipment (PPE), right-of-use assets, investment in financial assets, deferred tax assets, restricted cash and other assets increased by $48.5 million to $553.2 million (2021: $504.7 million). The increase reflected the continued investment in our manufacturing facilities, with additions in PPE of $100.0 million offset by depreciation of $39.7 million, the net effect of foreign exchange on $17.8 million of other receivables, restricted cash in the Consolidated Financial Statements.

Intangible assets and goodwill increased by $91.0 million to $2,149.5 million (2021: $1,205.5 million). This was primarily due to intangible assets and goodwill arising from the Triad Life Sciences acquisition of $444.6 million, partially offset by the in-year amortisation of intangible assets of $147.4 million, the net effect of foreign exchange change of $44.7 million and an impairment charge of $5.7 million against intangible assets.

For further information on borrowings see Note 21 - Borrowings to the Consolidated Financial Statements.
Non-financial information statement

In accordance with the requirements of Section 414CB of the Companies Act 2006, the information below is provided to help our stakeholders understand our position in relation to key non-financial matters including, where appropriate, the relevant policies and processes we operate.

### Key non-financial matter

<table>
<thead>
<tr>
<th>Policies and processes we implement</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental matters</td>
<td>Climate change and environmental strategy</td>
</tr>
<tr>
<td>Employees</td>
<td>Our vision and values</td>
</tr>
<tr>
<td></td>
<td>Code of Conduct</td>
</tr>
<tr>
<td></td>
<td>Diversity, Equity &amp; Inclusion and Wellbeing</td>
</tr>
<tr>
<td></td>
<td>Our people strategy</td>
</tr>
<tr>
<td></td>
<td>Employee induction, training and development programmes</td>
</tr>
<tr>
<td></td>
<td>Employee engagement</td>
</tr>
<tr>
<td></td>
<td>Diversity targets and review of metrics</td>
</tr>
<tr>
<td>Human rights</td>
<td>Human Rights and Labour Standards</td>
</tr>
<tr>
<td></td>
<td>Modern Slavery Act Statement</td>
</tr>
<tr>
<td>Social and community matters</td>
<td>Community engagement</td>
</tr>
<tr>
<td>Anti-corruption and anti-bribery</td>
<td>Third Party Compliance Manual</td>
</tr>
<tr>
<td></td>
<td>Compliance helpline and website</td>
</tr>
<tr>
<td>Principal risks and impact of business activity</td>
<td></td>
</tr>
<tr>
<td>Non-financial key performance indicator</td>
<td></td>
</tr>
<tr>
<td>Our business model</td>
<td></td>
</tr>
</tbody>
</table>

### Financial control environment

The Group continues to closely monitor the financial and IT general control environment, using a single system for the self-certification of effectiveness of key financial controls across our operations globally. The response rate remained high throughout the year. The Global Financial Controls (GFC) team, acting as the second line of defence, monitors responses and reviews all notified control failures to ensure that there is no risk of material financial misstatement.

Focused support and training is given to Global Business Services (GBS) and market finance teams to review controls and ensure that the control framework continues to operate effectively. A similar self-certification process is operated by the IT governance, risk and compliance team for IT controls covering cyber, privacy and financial systems.

The global financial control framework was refreshed in 2022 to increase focus on material risk, with the introduction of a less resource-intensive framework for the smaller operating entities, and additional controls to address new risk areas identified. The control frameworks will continue to evolve to respond to the development of corporate governance requirements in the UK.

Independent assurance on these control frameworks is provided by the Internal Audit team, with a review of the global financial controls and the IT general controls performed in the year, in addition to sample testing carried out by the GFC and IT Governance teams and reviews of financial controls of specific markets and GBS.

Jonny Mason
Chief Financial Officer
8 March 2023

### Current liabilities

Current liabilities decreased by $36.1 million to $333.1 million (2021: $369.2 million), reflecting a $144.8 million decrease in the current portion of borrowings as a result of a change in profile of the Group’s borrowings under the new credit facilities, largely offset by a $95.2 million increase in provisions primarily driven by the contingent consideration payable on the Triad Life Sciences acquisition and an increase of $20.8 million in derivative financial liabilities, due to movements in the MTM valuations at the year end.

### Non-current liabilities

Non-current liabilities increased by $39.2 million to $1,449.2 million (2021: $1,410.0 million). This included an increase in non-current borrowings of $12.1 million, resulting from a change in profile of the Group’s borrowings under the new credit facilities and an increase in provisions of $50.4 million driven by the contingent consideration payable on the Triad Life Sciences and Core Medical acquisitions. This was partially offset by a reduction in other non-current liabilities primarily due to a reduction in the Group’s pension obligations and the rectification of escrow amounts from non-current liabilities to current liabilities.

### Going concern

In preparing their assessment of going concern, the Directors considered available cash resources, access to committed funding, financial performance and forecast performance, including continued implementation of the FISBE strategy, together with the Group’s financial covenant compliance requirements and principal risks and uncertainties.

Management also applied the same severe but plausible downside scenarios utilised in the preparation of the Viability statement. Under each scenario, the Group retained significant liquidity and covenant headroom throughout the going concern period, i.e. 12 months from the date of this report. A reverse stress test, before mitigation, was also considered to demonstrate what reduction in revenue would be required in the next 12 months to create conditions which may lead to a potential covenant breach. For a breach of covenants to occur in the next 12 months, before mitigation, the Group would need to experience a sustained revenue reduction of more than 10% across all categories and markets. This was considered implausible given the Group’s strong global market position, diversified portfolio of products and the mitigations available to the Board and management. For further information on the Viability statement, see pages 98 and 99 and for Going concern, see Note 1.2 to the Consolidated Financial Statements.

Accordingly, the Directors continue to adopt the going concern basis in preparing the Consolidated Financial Statements.
Realising our vision, responsibly

Our approach to Environmental, Social and Governance (ESG) aims to drive the actions necessary to help us to realise our vision whilst acting in a way that engenders trust with all our stakeholders.

Q&A

Karim Bitar, CEO
Chair, ESG Steering Committee

Q There’s continued momentum behind ESG. How do you approach ESG at Convatec?
A Improving lives is at the heart of our business: we help people through our products and services. Importantly, the way in which we conduct business also adds value. That’s why we launched our ESG framework, Convatec Cares, last year - it’s structured to align what we do and how we do it, allowing us to be more than the sum of our parts. Embedding ESG throughout our organisation is a strategic priority for us and I’m proud of the progress we’ve made. Our commitment is to ensure that words are backed up with actions and outcomes - recognising the benefits to all stakeholders in doing so.

Q Among the hundreds of possible ESG data points that a company can be ranked on, how do you decide what to prioritise?
A Navigating the complexity of ESG considerations can be challenging. This is why we rely on stakeholder feedback - gathered formally through an independent materiality assessment every 18 months, and informally through regular stakeholder interactions. This way, we prioritise the things that matter most to the business as well as those around us.

Q The nature of ESG is cross-disciplinary and cross-functional. What’s your approach to ESG governance at Convatec?
A Our ESG framework allows us to bring teams together and organise our initiatives to drive value, while also defining clear and accountable ownership. Our CELT-led ESG Steering Committee has oversight of ESG strategy, oversees sub-committees and working groups on key focus areas and updates the Board to ensure visibility, engagement, support and challenge at all levels.

ESG practices are central to Convatec’s long-term success by enabling our pivot to sustainable and profitable growth and bringing our vision to life.
Our Board has ultimate oversight of ESG, including climate-related risks and opportunities, at Convatec. The Executive Director responsible for these issues is our CEO, Karim Bitar. As a Board member, he brings together continuity and responsibility for our ESG strategy. The Board reviews progress in respect of the execution of our ESG strategy, including two formal touchpoints for ESG updates, as described below.

See pages 105 and 117 for information about the Board’s activities in this area during 2022.

Role of the Audit and Risk Committee
The Board’s Audit and Risk Committee (ARC) is responsible for reviewing and approving our ESG and Task Force on Climate-related Financial Disclosures (TCFD) reporting, in terms of data integrity and compliance with regulatory requirements, as well as for oversight of the annual assurance of the Responsible business review (page 74). See page 133 for more information on the ARC’s activities in this area.

Our ESG Steering Committee is chaired by the CEO and includes six members of our Convatec Executive Leadership Team (CELT). The Chief Human Resources Officer is the day-to-day CELT sponsor for ESG, providing ESG stewardship across the Group with the support of the CEO.

The Committee oversees the formulation and delivery of the ESG strategy and meets three times a year. It drives the strategy, progress and required actions to manage our ESG-related risks and capitalise on opportunities. This is then reported to CELT for discussion, review and challenge. The Committee updates the Board twice a year. Together, these measures ensure that all members of CELT understand our business response to ESG topics and are committed to delivering against our commitments to become a more sustainable business.

The Committee oversees three sub-groups, which are composed of leaders across the business. The TCFD Working Group, which includes leaders from risk, finance and operations, met quarterly in 2022 to advance the essential work needed to meet TCFD requirements. The Human Rights Committee, which comprises leaders from HR, legal, compliance, procurement and supply chain, monitors progress on protecting labour and human rights in our operations and supply chain and met twice in 2022. In 2022, we formed a Diversity, Equity & Inclusion (DE&I) and Wellbeing Council, which meets annually. In 2023, we intend to launch a working group on product sustainability.

Our central ESG team works across the Group to bring together stakeholder activities, initiatives and priorities, and support the work of the Committee. We also have a dedicated Environmental, Health and Safety (EHS) team within our Global Quality & Operations function. They work across our manufacturing and R&D facilities to deliver environmental management systems in line with our corporate requirements, aligned with ISO 14001, and remain aligned to Group ESG priorities.

In 2022, ESG was elevated through our Company-wide strategic planning process. Leaders from each business unit and functional area prioritised our ESG targets, integrated them with business plans, internal targets, commitments and actions, and allocated resources against them. The process was designed to prioritise the risks and opportunities presented by our ESG commitments, as well as clarify the necessary processes and activities needed to deliver on our targets.

Given the importance, complexity and dynamic nature of ESG considerations, the strategic planning process also clarified various roles and responsibilities for positioning the Group to meet our targets. This strategic planning cycle ensures appropriate financial and operational plans are in place.

In 2023, the ESG Steering Committee will facilitate our approach to key sustainability topics such as:
- Engagement with the workforce and the Group’s DE&I and Wellbeing approach, as well as protection of human rights in the supply chain
- Leads on relevant key stakeholder engagement across Convatec (and beyond)
- Establishes and oversees sub-groups to drive execution and focus in particular areas

Details on the relevant skills and experience of our CELT members can be found online on pages 112 and 113. The VP, Internal Audit & Enterprise Risk regularly attends the ESG Steering Committee, with particular focus on climate-related risks and opportunities.

In 2023, the ESG Steering Committee will facilitate our ESG agenda through a wider focus on transition planning, Scope 3 emissions, the supply chain, and progress through innovation and strategic community partnerships, while supporting data-driven decision-making and embedding ESG in our FISBE strategy. See page 74 for information on our ESG assurance scope.
Engaging stakeholders

We proactively engage with our stakeholders to understand their issues, build positive relationships and inform Company practices and decision-making.

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<th>How we engage</th>
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<td>The people who use our products and rely on our services</td>
<td>Our products and services are delivered for our customers and patients, who have chronic conditions. They need: - Safe, effective, accessible and innovative products - Support and information</td>
<td>- Direct-to-consumer channels - Home delivery companies - Specialist nurses and call centres - Targeted consumer research - Responding to specific consumer questions, feedback and complaints</td>
<td>- Incorporation of relevant consumer feedback in our research and development processes - Service provision reviews based on customer feedback, and implementation of enhancements as required - Tracking and management of customer issues</td>
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We understand the importance of operating responsibly and generating value sustainably. As we pivot to sustainable and profitable growth, our focus is on the operational, people-led and environmental issues that are most material to us and our stakeholders.

During 2022, we were guided by our materiality matrix developed in 2021, which (through research with internal and external stakeholders) identified the top 18 issues important to the business and our customers, colleagues, communities and shareholders. These are:

1. Product safety
2. Health and safety
3. Talent attraction and growth
4. Colleague wellbeing
5. Integration of ESG into core business process
6. Sustainable product design
7. Carbon and energy (operational)
8. Labour standards/Modern slavery
9. Customer access
10. Business ethics
11. Waste (operational)
12. DE&I
13. Responsible and resilient supply chain
14. Advocacy and community relations
15. Board-level accountability for ESG performance
16. Data security and privacy
17. Water (operational)
18. Biodiversity impacts on plant and animal life

To stay aware of and responsive to our stakeholders’ needs, we will conduct stakeholder importance (impact materiality). Impacts of the business and its value sustainably. As we pivot to operating responsibly and generating value sustainably, we will conduct stakeholder importance (impact materiality) of ESG issues on our business success (financial materiality), but also the impacts of the business and its value chain on people and the planet (impact materiality).
Our ESG targets

Our ESG targets serve as milestones on our ESG journey and ensure we execute against our Convatec Cares framework. We track our progress throughout the year and report to management and the Board.

Complete definitions for each target are provided on pages 241 and 242. The 2022 progress against a select set of metrics have been reviewed as part of the assurance process. For further details please see the assurance statement on page 74 and basis of reporting at www.convatecgroup.com/sustainability/esg-reports-and-data.

Delivering for our customers

**Target** | Progress in 2022 | Status | Read more
---|---|---|---
Quality | Align existing quality metrics to industry best practice and continue focusing on product safety by Q4 2022 | Reviewed legacy product quality disclosures to bring 2022 approach into line with industry practice | Page 52

Quality target: Reduce complaints per million (CPM) by 8% for 2023 against a 2022 baseline | 15% reduction against 2021 | Page 53

Product vitality: Vitality Index of 35% by Q4 2025 | 26% (25% in 2021) includes product acquisitions | Page 50

Product development: Implement Green Design Guidelines as part of product development process and expand user base to at least 50 users by Q4 2022 | Incorporate GDGs into new product development process and 108 users added to GDG platform | Page 50

Product development: Expand use of GDG digital tools, with at least five new product launches assessed by Q4 2023 | Implemented and tested assessment process | Page 51

Enabling our people to thrive

**Target** | Progress in 2022 | Status | Read more
---|---|---|---
Health and safety: Increase our Operations Hazard Observation Rate to above 200 per 2,000,000 hours worked by Q4 2022 | 254 per 2,000,000 hours worked (190 in 2021) | Page 61

Health and safety: Maintain our annual Operations Hazard Observation Rate above 200 per 2,000,000 hours worked | See above | Page 61

Health and safety: Maintain our annual Operations Hazard Observation Rate above 200 per 2,000,000 hours worked | See above | Page 61

4.2 Sustain Operations Lost Time Injury Rate below 0.22 by Q4 2025 | 0.20 per 200,000 hours worked (0.3 in 2021) | Page 61

Diversity, equity & inclusion and wellbeing: | | |
5.1 Reach at least 40% females in combined CELT and senior management by Q4 2024 | 38% (52% in 2021) | Page 60

5.2 Reduce voluntary turnover to less than 10% by Q4 2023 | 12.9% in 2022 (11% in 2021) | Page 60

Behaving ethically and transparently

**Target** | Progress in 2022 | Status | Read more
---|---|---|---
1. Human rights: Complete the review, update and publication of our Human Rights and Labour Standards Policy and our Supplier Code of Conduct, by Q4 2023 | Updated and republished | Page 63

2. Human rights: Launch annual compulsory training programme on Human Rights for all employees by Q4 2023 | | Page 63

Human rights: Strengthen our risk-management practices focused on labour standards and modern slavery through our procurement and supply chain, including through the introduction of a new responsible supplier assessment platform by Q2 2023 | Conducted due diligence and competitive process to assess potential solutions, resulting in contract award | Page 63

3. Code of conduct: Ensure at least 95% of employees trained on an annual basis by Q4 2023 and in subsequent years | On track (96% trained in 2022) | Page 62

Procurement and supply chain: Ensure that 80% of Convatec’s spend is with suppliers with whom we have engaged to request their participation in our EcoVadis platform by Q4 2023 | 66% of spend supported by suppliers engaged to participate with EcoVadis EcoVadis participation requested in 23 of 53 request for proposal/ request for information events | Page 64

Protecting the planet and supporting communities

**Target** | Progress in 2022 | Status | Read more
---|---|---|---
4. Emission reduction: 3.1 Achieve net zero carbon (in line with our SBTi target) by 2045 | | |

4.2 Complete the Scope 3 materiality assessment and develop the measurement strategy by Q4 2022, with the intention of publishing our Scope 3 GHG inventory by Q4 2023 | | Page 69

9.3 Reduce our combined Scope 1 and 2 greenhouse gas (GHG) emissions by 5%, against a 2021 baseline by Q4 2022 | Scope 1 and 2 GHG emissions reduced by 32% | Page 68

Science-based target commitment: Set quantitative targets for Scope 3 GHG emissions, against a 2021 baseline, aligned with the SBT criteria by Q4 2022 | Scope 1 and 2 SBTi proposed | Page 68

Reduce our combined Scope 1 and 2 emissions by 75% in line with our SBTi by 2050 | See 9.3 above | Page 68

10.2 Set quantitative targets for Scope 3 GHG emissions, against a 2021 baseline, aligned with the SBT criteria by Q4 2022 | Scope 3 materiality study completed and measurement strategy developed | Page 69

10.3 Achieve validated SBT for Scope 1, 2 and 3 emissions by Q4 2023 | Scope 1 and 2 SBTi proposed | Page 68

Community contributions: Establish new NGO partnerships and funding commitments by Q4 2022 | $250,000 donated to the Disaster Emergency Committee (DCC) through ongoing partnership $220,000 supporting NGO partnerships around our manufacturing sites | Page 73

Contribute at least $50 million in cash and in-kind support to our community partners to improve lives by Q4 2025 | See above | Page 73

11.3 Contribute responsibly to a range of HCP and patient education programmes. Set specific targets for 2023-25 on reach and impact | Over 25% HCPs and patients participated in educational programming led by Convatec. In process of setting impact metrics (see below) | Pages 73 and 74

Continue to expand the reach of our HCP education programmes, including through the development of a global medical education digital platform and re categorisation of activity to improve impact by Q4 2023 | Ongoing development of Medical Education Centre of Excellence strategy | Pages 73 and 74
Innovation journey
To fulfil our vision and drive growth, we are continuing to strengthen our research and development (R&D) capabilities, alongside bringing new products to market. We have invested £92 million in 2022 in R&D and continued to make progress towards our goal of reaching and sustaining 30% new product vitality by 2025, supported by strategic acquisitions. Our approach to innovation continues to build momentum in the following ways:

- Increased investment: We have more than doubled spend on R&D investment in new products and capabilities since 2019, enabling our new operating model which integrates R&D teams across functions to leverage shared capabilities with cross-functional review, new product development process gate reviews and semi-annual portfolio reviews.

- Innovation mindset: We recognise that the users of our solutions are people, not just patients. Our solutions therefore involve digital and service offerings as well as our products. We also understand that many of our products are produced and used in high volume and must be of the highest quality.

- Simplified processes: We use a single business and product development process across all four product categories, from ideation through to launch, that we refer to as IDEAL. This process goes beyond R&D and involves commercial, technical and operations teams. Leadership and competencies. With a new operating model, we attracted global talent for R&D, technical and operations teams.

- Continuous improvement: We are embedding a continuous improvement mindset.

- Portfolio management: Our investment mix is being properly managed to ensure it maximises value for all our stakeholders. It starts with detailed regular reviews as described above. We look through all projects to prioritise where resources are best deployed. In between reviews, we have our budget and strategic planning process and regular engagement with the Board.

- Continuous improvement: While proud of our progress, scaling up investment and output has not been without challenge. We take every opportunity to iterate the IDEAL process and new methodologies such as low volume production and rethinking our approach to continuous improvement philosophy in our innovation mindset.

New products and solutions
In 2022, we delivered on our plan to launch three new products. These products offer significant benefits for the user. For example, our GentleCath Air™ for Men uses third-generation catheter technology, which means it does not use a coating that can cause trauma and deposit in the urethra. The innovative reservoir, designed from porcine placenta, is designed for hard-to-wear patients and provides a major advantage extended wear infusion set (EWS) reduces the user’s body burden by 50%, as described on the right.

During 2022, a total of 83 patent filings were made (2021: 33) and ideation has been supported by new capabilities in preclinical research that looks at the biocompatibility of the materials used. This format is designed to develop new knowledge and support future designs of Convatec products.

Additional data such as performance and safety information can be collected during these wear studies. This information supplements existing preclinical data on the device such as the biocompatibility of the materials used. This format is designed to develop new knowledge and support future designs of Convatec products.

Sustainable product design
Our new product development (NPD) programme continues to progress the proposed materials against certain externally defined lists of ‘substances of concern’, including the requirements of California Proposition 65 and REACH25. This approach is consolidated within our Ethical issues and NPD policy.

As well as focusing on our key product development priorities, we are strengthening our focus on more sustainable product portfolios. In 2021, we launched the pilot of a digital tool for our GDG, which cover a range of aspects including consideration of carbon footprint, circularity, substances of concern and non-quantitative ‘red flags’ (e.g. potential use of substances which
are fully legal, but could be seen as less favourable to the wider environment). This tool can also assess the sustainability of new products compared to existing products. In 2022, we developed an extensive raw material database and an additional 29 existing products were incorporated into our digital tool to offer a baseline for comparison when assessing new products. Our ESG target to expand the user base to 50 trained users by Q4 2022 was achieved, and the GDGs have been integrated into our IDEAL process to ensure the selection of materials that reduce the future environmental impact of our products and packaging.

Given our focus on patient safety and the regulatory framework in place for MedTech products, it is not straightforward to change device form and components. Extensive requalification and reappraisal of products are necessary after any change before modified products can be launched. It can also be problematic to include recycled content in device materials due to regulatory constraints regarding quality and traceability.

**Product quality**

Product quality is key for our customers and vital in earning Convatec’s reputation as a trusted provider. In 2021, we set an ESG target to align existing quality metrics to industry standards and our continued focus on product safety and efficacy. In 2022, we remained committed to:

- Baseline quality metrics to industry standards. We’ve enhanced and implemented new key performance indicators that provide more granularity and proactive insights on the state of the quality system, prioritising timeliness, ageing, and effectiveness, which has enabled us to improve our overall efficiency in problem solving.
- Established goals to increase level of compliance in response to the market, and implemented company-wide training. We are set to launch training for specific roles in 2023.
- Prepared a strategy to decrease response time to our customers via speed of execution within our quality system.

While we continuously monitor customer feedback and have reduced complaints rates during 2022, our first priority continues to be ensuring patient safety and that we take any necessary action with urgency. We have set a new ESG target to reduce complaints per million (CPM) and will place particular focus on those related to adverse events. In 2022, we will be segmenting our overall complaint rates to provide clearer distinction on how we are improving and maintaining the overall product safety profile of our products, as defined by our risk management systems. This will introduce greater visibility to a quality performance target of continued improvement in overall events.

Product safety is also a key priority for our customers and for our reputation as a trusted provider. In 2021, we successfully achieved re-certification of our quality system. Regulators consider most of the products and solutions we develop to be of low risk to users. Nevertheless, we have a rigorous and robust supplier audit mechanism and quality management system. Notified bodies, such as the British Standards Institute (BSI) also review our quality processes and procedures. In 2022, we established a new quality compliance programme, focused on continuously improving our overall quality compliance profile through a rigorous corporate formal audit programme. This is already delivering results, strengthening core capabilities, and continuously enhancing our overall quality culture.

We conducted a total of 153 audits on suppliers during 2022 (2021: 187). Our ability to perform onsite audits improved in 2022, so we prioritised on-site follow-ups with our critical suppliers. We performed fewer audits compared to 2021, due to the exit of our hospital care business, which saw a reduction in our supply base.

In rare circumstances it may be considered necessary to conduct a product recall, following a detailed internal quality investigation. Recalls are controlled by standard operating procedures, all of which underwent continuous improvements in 2022 as part of our focus to elevate standards across the quality system. In 2022, we executed 11 product recalls (2021: 8). While there was no risk of harm to patients, the distributed products did not meet the elevated requirements of the quality system.

**Case study: Sustainable Flow Wrap Packaging**

Currently around 45 million ostomy wafers are produced each year across the nine different production lines at the Haina, Dominican Republic, ostomy facility. Historically, these have been packaged using PVC and a paper-plastic hybrid backing, which cannot be recycled and creates waste product.

In 2022, we conducted a study of flow-wrapped wafers with users and healthcare professionals in four countries, and concluded that changing to a flexible flow wrap would not affect usability. Rather, the advantages of flow wrap for our HCPs and customers are substantial in that packs are easier to open and store and are visually improved, thanks to the incorporation of the Convatec colour-coding system developed to help HCPs pick the appropriate size.

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Responsible business review - customers continued

CASE STUDY: SERVICES

In a historically product-focused industry, we recognize that our support services are an essential part of our forever caring promise. In 2022, we grew many of our service offerings.

Home Services Group

In 2022, we expanded the reach of our Home Services Group (HSG), which incorporates Amcare™ in the UK and 180 Medical across the US. A dedicated provider of support and solutions to the stoma, continence and wound care communities, HSG has played an important role in our commitment to delivering for customers.

180 Medical expanded its digital offerings in 2022. The number of online chats with customers and potential customers more than doubled during the year. 180 Medical’s e-script platform grew to 24% of our facility and doctor referral volume. The 180 Medical Customer Portal has also undergone updates in 2022 so that customers have more oversight of their accounts, and can confirm orders, view and track shipments, pay bills, request changes, update contact information, and even complete certain kinds of documentation by themselves.

Amcare™ move to a cloud-based platform that empowers CUSTOMER Support Services Teams by reducing order processing times and creating a workflow system has led to more efficiencies in our processes in 2022. We now ship more than 10,000 orders to our customers each week, with over 99% of shipments delivered by next day. As we head towards 2023, we will continue to develop the capabilities, tailoring this bespoke system to match our needs. We have added further technology systems to our operation to enhance our efficiencies and capabilities to better serve our employees and customers. When combined with our continued training and education of our employees, this system investments have ushered in a new era of care and technology to Amcare™ and our UK and Ireland operations.

The emphasis on customer support services in 2022 increased the Net Promoter Scores (NPS) of HSG. The Amcare™ NPS for existing customers rose from 40 to 61, and for new customers from 40 to 77. 180 Medical attained an NPS score of 79 in 2022. In addition, 180 Medical reached a major milestone of over 9,000 excellent reviews on Trustpilot, which is an overall 4.8 out of five stars.

Reliability of supply

Satisfying and exceeding our customer expectations throughout the prioritization. In 2022, we’ve continued to make strong progress to enhance product availability and reliable delivery. Close collaboration across relevant functions is enabled by our Sales and Operations Processes. This key enabler is designed for short, medium and long-term requirements, anticipating demand stability and to ensure production, inventory and logistics readiness. This is supported by a rigorously managed performance framework overseeing end-to-end reliability.

When it comes to resilience, in the short term, we have and will continue to invest in strategic inventory, including raw materials and finished goods in adequate quantities, so that our customers can be secure in the knowledge that products will be delivered, despite the global context of supply chain challenges. In 2022, impacts to shipping lanes placed particular pressure on raw material and finished goods transportation. We’re continuing to expand our efforts to establish ability source raw material and manufacturing options. We’ve added capacity throughout the network so that we can produce sufficient products to insulate our customers against future supply chain disruptions. Overall, notwithstanding supply chain pressures, we significantly reduced and stabilised lead-times associated with moving finished goods to key market warehouses. Our resilience plans mitigate impacts wherever possible, which includes building safety stock of raw and finished goods materials and adjusting transportation methods in key markets. We also effectively manage product introduction and strategic alternatives of transport to ensure ongoing efficiency to move product without delay.

We are in the process of globalising the real-time tracking system of our end-to-end process to provide visibility of inbound shipments, inter-site movements and downstream deliveries to customers. This enables our customers to track their orders right through to delivery. Wherever possible, we work with logistics partners to secure freight capacity and increase end-to-end inventory levels to reduce any interruption in supply to our customers.

Access to healthcare

Access to healthcare is a basic human right that should be available to all who need it. This fundamental principle is integrated in our vision and we work hard in our business to ensure the following:

1. Availability: We continue to evolve our sales channels to best meet our customers’ needs. Progressing patient and HCP support, in 2022, Ostomy Care launched two mobile apps (page 54). In GEM, our healthcare practitioner medical educational training programmes, such as Convatec’s Asia-Pacific Education programme (CAPE), ultimately expand access to products in markets that are rapidly developing and where access has been historically limited.

2. Adaptability: Based on feedback from users and healthcare professionals our products address a broad range of patient needs reflecting the different challenges that individual users experience. Getting the range of products right relies on research and stakeholder engagement (see pages 44 and 45).

3. Usability: Products may ‘do a job’, medically, but the social and emotional context of the people we serve, we need to provide solutions that go beyond the provision of a functional product. To lower access barriers, we help patients identify the device which best suits their needs, provide easy-to-follow literature, videos, and online support and deliver millions of products a year.

4. Affordability: Affordability is a key issue which we strive to address through competitive pricing and innovation to increase product effectiveness and, as a result, reduce healthcare costs and improve patient’s lives. In 2022 we launched a global Pricing Centre of Excellence, which considers the role of economic affordability in product availability.

Data privacy

We operate a privacy governance framework to ensure that we protect and properly process personal data and comply with all privacy regulations from global to local, such as Convatec’s Asia-Pacific Consumer Privacy Act (CPPA).

This framework includes policies, procedures, controls and records that operate across our business on a global basis. The implementation of this framework is supported by mandatory employee training, which forms part of our induction process for new employees and annual updates for existing employees, undertaken by our Group compliance programme. Its effectiveness is overseen by several internal governance groups, including our Cybersecurity Steering Committee. Our various data policies, procedures and controls are regularly assessed by our internal audit team. In particular, we maintain close relationship with data protection authorities to ensure that we protect and properly process personal data. In 2022, there were no reportable issues to data protection authorities.

In 2022, we added significant capacity to store and process data around the world by setting out the roles and responsibilities for managing the storage and use of personal data and properly processing personal data across the organisation. This is achieved by implementing executive leadership programme. Its effectiveness is overseen by the ARC.

From time to time, we may experience theft or inadvertent disclosure of personal data. In 2022, there were no reportable issues to data protection authorities and no significant volume of data subject access requests were received.

For further information on our privacy policies, security and privacy risk, see page 93.
2022 highlights
- Maintained a strong performance on Mckinsey's global Organisational Health Index (OHI), outperforming peers and the industry.
- Expanded our Total Safety Leadership training to further enhance our focus on health and safety.
- Rolled out new career pathways globally – a new career architecture and grading framework.

2023 priorities
- Continued progress towards our target of 40% women in leadership positions.
- Roll out a range of new DE&I and wellbeing programmes, starting with mentoring.
- Expand range and accessibility of leadership and development programmes.

Our people strategy
Our mission is to "create a stimulating, inclusive and rewarding environment for our people to thrive and grow together, for the benefit of our customers, colleagues, communities and shareholders.” To do this we focus on:
- Aligning talent to value and building a diverse talent workforce.
- Building high-performing teams.
- Embedding our values-based culture across the Group.
- Developing our reputation as a best-in-class employer with a compelling employee value proposition, whilst raising our profile in the communities we serve.

As we focus on employee experience, we remain committed to giving our people access to a range of services and data directly through convenient, intuitive and responsive tools. In 2022, we expanded our HR transformation programme launched in 2021, in which we focus on:
- Processes: We have worked extensively with HR teams to develop and agree a simple, standardised way of working in HR across most areas of our operation for the first time. These standard processes were put into effect as we implemented changes and improvements to Workday and progressed HR transformation.
- Improving career pathways (page 59): This work brings to life a new, consistent career framework, helping colleagues around the world understand more clearly where their role sits, and informs their future career planning and development.
- Simplifying global payroll offering: Strengthening payroll compliance, efficiency and consistency, governance and insight through improved automation.
- Refreshing the HR operating model: Moving forward, our model with employee experience at its heart will set out how HR people partners, Centres of Excellence teams (Total Rewards & Recognition, Talent Management, Acquisition, Learning & Development), HR Service Delivery and HR Business Partners all come together and how our Global Business Services capability will support and make easier day-to-day HR solutions that benefit everyone.

Q&A
Q: How are you fostering an inclusive culture at Convatec?
A: We’ve worked hard to create a working environment that allows everyone to be themselves and feel supported to grow. In March 2022, we launched our integrated strategic framework that serves as a central, company-wide starting point for our DEI & Wellbeing journey. We appointed CELT sponsors for each of our Employee Resource Groups (ERGs) and continue to support colleagues through flexible working.

Q: What are you doing to build high-performing teams?
A: We are committed to deliver business value by attracting, developing and retaining the best talent. In 2022, we refreshed our employer brand, enhanced our performance management and succession planning approach and continued to invest in best-in-class recruitment practices to attract the best talent. As part of our learning and development programme, we launched a set of team principles across the Group this year as a starting point to foster a high-performance culture at Convatec.

Q: How are you continuously improving employee experience?
A: Historically, some of our systems and processes have been difficult to navigate and fragmented due to disparate systems, manual ways of working and dated tools. This has prompted us to optimise the service experience for employees through simplification and digitisation.

As part of this, we are shifting to more global processes and standard ways of working, so that we can bring greater consistency to how HR and other functions support the business and significantly improve colleague and line manager experiences. This includes making better use of our digital tools including Workday (our people data system) so that it is more widely available and will help us shift to greater levels of being data driven.

CASE STUDY: BLACK EXECUTIVE LEADERSHIP PROGRAMME

In 2022, a second Convatec cohort finished the Black Executive Leadership Programme (BELP). The BELP, in association with Mckinsey, was launched in February 2021 to build core leadership and management capabilities for our black leaders across Convatec, as well as establish an expanded network of peers across industries for continuous engagement and learning. Upon successful completion of the prestigious programme, each participant was assigned a Convatec executive sponsor for additional capacity building and developmental leadership opportunities.

We are seeing the value of our HR transformation, from strengthened business partnering and core capabilities. We are unlocking efficiencies by making Workday more widely available in order to strengthen our data-driven approach and simplify processes, while creating a stronger platform to support our people to grow. Notwithstanding, we continue to navigate a backdrop of dynamic talent and labour market considerations, including the impacts of flexible and hybrid working, automation and digitisation, and managing employee wellbeing and mental health.

Building a winning culture
Our people strategy was designed to help shape an engaging, inclusive and high-performing culture that enables all our people to give their best and fulfil their potential wherever they work. Our values guide our behaviours and how we run our business every day. They are embedded in our policies and processes, including our performance reviews, which assess both the ‘what’ and ‘how’ of each employee’s contribution.

2022 saw us redouble efforts to strengthen employee engagement. We hosted our first Global Town Hall, in which all offices and manufacturing sites around the globe joined in a live update and conversation with CELT. Reports are regularly provided to the Board for feedback to help assess and

“The programme enabled me to develop new skills and learn from colleagues’ experiences.”

BELP participant monitor culture, including progress on our people strategy, Organisational Health Index (OHI) results, and engagement on talent and succession planning (see page 58).

Recognising and appreciating colleagues and the contribution they make is important, and so in 2022 we launched Convatec Champions – a more impactful way of recognising colleagues across the Company. Built on a best-in-class digital platform, any colleague can nominate another colleague for recognition via an interactive platform to recognise good work and behaviours aligned to our promise and values.

At the end of 2022 we employed 10,060 people (2021: 10,142). Employee turnover in 2022 was 28.7% (2021: 19%), largely driven by our exit from the hospital care category. As a result of this, we closed our factory in Minsk, Belarus in May 2022. Voluntary turnover in 2022 was 12.9% (2021: 11%). Information on our employee profile is illustrated in the graphs on the following pages, while our definitions for employee count and gender diversity is detailed on page 60. While our employees are spread across our global footprint, based in 46 countries, approximately 58% of our workforce is employed at one of our manufacturing locations (2021: 59%). In addition to our facilities in the Dominican Republic, Mexico and Slovakia, we have manufacturing operations in the UK (two locations), Denmark (two locations) and the Netherlands. Of countries with no manufacturing operations, the US has the largest concentration of employees.

Information on our employee profile for good.

ENABLING OUR PEOPLE TO THRIVE

OUR PEOPLE

Wellbeing programmes, starting

– Roll out a range of new DE&I and wellbeing programmes, starting with mentoring.

– Expand range and accessibility of leadership and development programmes.

– Continued progress towards our target of 40% women in leadership positions.

– Roll out a range of new DE&I and wellbeing programmes, starting with mentoring.

– Expanded our Total Safety Leadership training to further enhance our focus on health and safety.

– Rolled out new career pathways globally – a new career architecture and grading framework.
Strengthened employee engagement

In 2022, we hosted our second iteration of the Big Conversation, an initiative designed to demonstrate how we come together as one company through our vision, strategy, promise and values. Colleagues who participated have given the Big Conversation an employee Net Promoter Score (eNPS) of 62 and rated us 4.7 out of the conversation at 4.7 out of 5.

In October 2022, we conducted our third OHI survey, having completed the previous assessment in 2020, in partnership with McKinsey & Co. We achieved our strongest response to date with 90% of colleagues sharing feedback on what is working well and what can be improved.

We are proud to have maintained our strong position on the global index, achieving an overall score of 75 (November 2020: 76), effectively sustaining our top quartile position. Our last survey in 2020 saw us deliver an 18-point increase on the first OHI in 2019, which McKinsey noted as a significant improvement. In 2022, to sustain that level (despite the challenges of the last two years and the level of change within the organisation), is considered positive. The most recent OHI benchmark data positions Convatec as one of the top 25% in its sectors, including customer focus, employee engagement and reward and recognition.

We made significant improvements in most of the areas that were identified as priorities following feedback received in the 2020 survey. For example, scores on customer focus, employee engagement and reward and recognition have all risen by between two and four points. As we set a clear path to become even more focused on the customers and patients we serve, we are seeing progress towards that, with increased confidence in some important areas of FISBE, especially Focus (including strategic clarity and shared vision) and Building capabilities. During 2023, to address the survey’s findings and the areas that require improvement, each CTEL member has developed an action plan and at a Group level we will be focusing on innovation, simplification and work environment.

Building high-performing teams

This year we launched a global high-performing teams programme for our Global Leadership Team, building on work CELT has been doing with the University of Michigan Ross Business School since 2021. In May 2022, as part of the first Global Leaders Meeting that brought together our top 100 leaders for the first time since 2018, we commenced a six-month learning journey with the Michigan team. The journey focuses on building capabilities to embed the five principles of high-performing teams (team principles) within Convatec. The learning journey will continue into 2023 with a focus on leadership capability to build an inclusive culture, and extend to a broader population of people leaders in the business.

Strengthening core capabilities

In 2022, we launched our first Learning Excellence Academy curriculum which outlines learning and development opportunities available to all colleagues and teams. Through this work, we’ve highlighted strategic and leadership capabilities as well as functional development opportunities. In addition, we strengthened our focus on leadership and management training to ensure managers have easy access to processes and tools needed to lead their direct reports.

To ensure we have the relevant manufacturing skills and competencies, we created a globally consistent Core Training Matrix for our key manufacturing sites. We have mapped all the required training needs, by process and positions and the timing at which each training should be delivered: this is complementary to the existing quality/ regulatory matrix already in place. Full deployment will be completed, for all manufacturing across sites by 2023.

All training is designed to improve our ability to deliver for customers, consistent with our forever caring promise. For example, all colleagues and contractors must complete complaint handling training, available in several languages.

In addition, a range of resources support employee growth and development throughout their careers, including a portal to access formal, self-directed, and informal resources that is available to equip employees with the knowledge and skills to develop and perform effectively. Categorised into three levels of leadership communities, from aspiring leaders to strategic leaders, it provides employees with skills such as personal effectiveness, managing change and strategic leadership and delegation.

Our Continuous Improvement team received international recognition in Problem Solving & Decision Making, where we were recognised in six different categories and received awards in three categories. The Kaizen Trophee (KT) Excellence Awards are given to individuals, teams, and organisations who have developed themselves as being the best in the world in the application of critical thinking skills to improve business system performance.

Next generation talent

Part of building core capabilities is engaging with and training the next generation. Partnering with Coleg Cambria, we have built an apprenticeship programme for our manufacturing site in Wales, UK. The three-year apprenticeship programme, aimed at students and young adults aged 16+, adds value through approaching multi-skilling in a structured way. The recruitment process seeks to dismantle barriers (such as requiring previous experience) by assessing applicants on topics like communication, teamwork, and ability to follow instructions. In 2022, our Deece site had eight apprentices in engineering and manufacturing, and more are in the pipeline for 2023. The programme also allows Convatec colleagues to engage in meaningful mentorship opportunities.

In 2022, the Michalovce site in Slovakia partnered with Technical University Kosice. Through this partnership, Convatec supports Biomedical Engineering students on their diploma theses, recruits students, and participates in career days.

To encourage innovation among students, we took part in the hackathon in Denmark, where university students could participate in competitions and learn to develop infusion care solutions related to patient safety, digitalisation, and sustainability.

In the spirit of next-generation development, we sent three ‘rising stars’ to the One Young World Summit in Manchester, UK, an annual summit where young leaders from around the world work together on social action programmes. We will support the summit again in 2023.

Career pathways

Career development is a core element of our people mission. In Q4, we reorganised our career pathways framework as the first step to better support development and progression and offer a new common, globally consistent and clearer approach. The revised methodology simplifies the sizing, organising and internal titling of all roles to help colleagues self-navigate their own career development and understand what it takes to move from one role to another. Over time this common approach will also enable greater data and insights to ensure more equitable pay practices as part of our employee deal: career, performance, contractual, experiential, and emotional elements.

Diversity, Equity & Inclusion (DE&I) and Wellbeing

Our colleagues represent multiple nationalities, as well as the many cultures, religions, races, sexual orientations, backgrounds and beliefs. We recognise that we will only ‘grow together’ and ‘improve care’ if we harness the power of our differences and encourage diverse thinking.

Our colleagues should feel included, valued and respected—just because it’s the right thing to do, but because people are the best versions of themselves when they feel they are being treated fairly and respectfully. Diverse opinions and perspectives spark innovation. We cannot expect to meet diverse customer needs without embracing the diversity of our colleagues.

Our Company-wide DE&I and Wellbeing Framework, rolled out in 2022, has four priority areas:

1. Cultivate an inclusive culture for our colleagues
   - Inclusion was built into high-performing teams training for CELT and the global leadership team
   - DE&I goals were set for all people leaders as part of 2022 objectives setting process
   - Our third OHI survey included DE&I and Wellbeing questions to strengthen our understanding of practices moving forward

2. Build a diverse workforce with greater gender and ethnic diversity across our leadership
   - Diversity metrics were established for senior management roles
   - Employee Resource Groups (ERGs) had a CELT sponsor appointed and our new DE&I and Wellbeing Council was formed
   - Expanded our management accelerator programme for black leaders into Europe from the US last year

3. Support wellbeing as a priority for colleagues
   - Strengthened our employee assistance programme, including a focus on financial wellbeing
   - Rolled out global digital recognition platform, Convatec Champions
   - Ongoing support for hybrid and flexible working through: Our ‘Work Life’ approach

4. Enhance our reputation through leveraging our scale, partnerships and programmes
   - Strengthening reporting, such as the steps we take towards meeting our ESG target of 40% females in senior management by Q4 2024
   - Black Executive Leadership Council (BELC) and Office of Diversity Information
   - Partnering with local colleges for apprenticeships recruitment (page 99)

For more on our DEI and Wellbeing journey, click here www.convatecgroup.com/sustainability/enabling-our-people/dei-spotlight-ft-page/
Incresing diversity

We track employee diversity through our HR systems, and the Board will continue to review our diversity profile on an annual basis. In 2022, we improved the productivity of our HR systems, expanding fields and providing colleagues with greater control to update their personal information if they choose, including in fields such as pronouns, ethnicity, gender identity and disability.

In 2022, we increased membership and governance of our three ERGs which include LGBTQIA+ (Pride), Black Employees and Women’s Network. To build employee engagement, the ERGs promoted and celebrated key moments on the calendar such as Pride Month, Black History Month and International Women’s Day, as well as hosting speaker sessions, leadership opportunities, and photo competitions. Our ERGs have CELT-level sponsorship which includes engagement, mentorship, and strategic support. ERGs also engage in community partnerships, working with universities such as HBCUs and charities such as those that engage with OKC Pride.

As at 31 December 2022, women represented 40% of our Board membership, 38% of our senior management team and 36% of CELT. Our Diversity and Wellbeing target is to reach at least a combined 40% of females in senior management and CELT roles by Q4 2024, and our current progress in 2022 is 38% for senior management and CELT combined (33% in 2021). Our gender diversity profile as at 31 December 2022 is below.

Our gender pay gap

In 2022, the remuneration committee reviewed our UK gender pay ratio. The median hourly pay difference between our UK male and female employees (all UK-based entities) at 5 April 2022 was 12.2%, which is below the UK median pay gap of 14.9% (Source: Office for National Statistics). Further information about our pay data is included in our Gender Pay Gap Report which can be found at www.convatecgroup.com/sustainability/reports-and-data. Since 2021, we have enhanced our disclosure to include all UK-based entities, including those not in scope of the statutory requirement.

Cost of living

In response to rising pressures on the cost of living in the UK and US, we undertook a supplementary mid-year pay review and made salary adjustments for employees in lower grades. The out of cycle pay was recognised in the rise in the cost of living and inflationary pressures in these countries. For employees globally we continue with our annual salary review increases.

In 2023, we will prioritise supporting employees in lower grades globally. Traditionally, we have focused on financial wellbeing support available as part of our global employee assistance programme (EAP), which included a range of educational sessions open to all colleagues.

Paying a living wage

We are committed to providing fair pay for our employees, and in 2022, we conducted a global living wage assessment to ensure that 100% of our locations continue to pay at or above the national or local living wage. Following our accreditation by the UK Living Wage Foundation in November 2021, we have also been confirmed as a ‘real living wage’ employer in the UK for the financial year and continued to work with our contractors to ensure they pay their employees at the same rates. We require all our contractors to comply with local laws on employment rights. We understand concerns from our employees about the rising cost of living.

As a company, we actively look at ways to support our colleagues in line with our core values and our forever caring promise. Through various channels, we shared the resources offered by our EAP, including financial planning support. Mindful of the pressures for many people and families, we have expanded support for those hardest hit by rising inflation and assessed the issue during our 2023 annual budgeting process.

Health and safety

In the relatively higher-risk locations such as our manufacturing and R&D sites, we have a dedicated Environment, Health and Safety (EHS) team. Our global EHS team leads the development of the EHS strategy, policies and standards; audits performance; supports the site teams to improve workplace practices; and ensures both legislative and company requirements are met. The global EHS team reports to the Chief Global Quality & Operations Officer, who is a member of CELT and the ESG Steering Committee. EHS performance is reported to senior management on a monthly basis, with updates provided to CELT and the Board during the year.

During 2022, we maintained our focus on key initiatives such as electrical safety, machinery and equipment safety, and developing safety-specific standard work instructions (SWI), delivering improvements and increased engagement with all operations colleagues. The improvements realised through safety SWIs were well received and are now an integral part of our ongoing operations and training plans.

Our manufacturing sites in Rhydymwyn, Desidee and Michalovce maintained their ISO 45001 (Environmental) certification, while Desidee and Michalovce also have ISO 45001 (Occupational Health & Safety Management) certification. These types of accreditations further support our responsible business commitments. We keep under review the benefit of investing further in voluntary certifications and standards for other locations.

During 2022 there were no fatalities. The target of reducing our Operation’s Lost Time Injury Rate (LTIR) per 200,000 hours worked to below 0.2 by 2025 is on track. In addition, we have also achieved our target of increasing the Operations Hazard Observation Rate to above 200 per 200,000 hours worked by Q4 2022, attaining a rate of 234 in 2022, reflecting the increased engagement and proactive approach of eliminating hazards before anyone has been hurt.

Overview

Our H&S performance table

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<th>Fatalities</th>
<th>Group Lost Time Injury Rate</th>
<th>Group Hazard Observation Rate</th>
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<td>0.18</td>
<td>0.20</td>
<td>31</td>
</tr>
</tbody>
</table>

1 The data is based on OSHA definitions and rates are calculated based on 200,000 hours worked, as described in our basis of reporting (page 241).

2 Lower rates are desirable for Lost Time Injury Rates; higher rates are desirable for Hazard Observation Rates.

Read how we are using electric vehicles on page 61

In line with our values, and our forever caring promise, we want to do all we can to help keep our people and their families safe.

Our Fleet Safety Programme is designed to help us enhance safety for all our colleagues travelling on Company business. We are currently working with expert partners in North America and EMEA to enhance existing safety we care protocols in these regions, combining training modules, driver assessments and other support.

These programmes were strengthened for company drivers in 2023 and will be opened to all employees during 2023.
2022 highlights
- Achieved Code of Ethics and Business Conduct annual compliance among 96% of employees.
- Strengthened and refreshed our Code of Ethics and Business Conduct.
- Continued our global business risk mitigation efforts.
- Strengthened audit process in procurement and supply chain.
- Improved average EcoVadis supplier ratings by 6.5%.

2023 priorities
- Update global ethics and compliance policies and employee education.
- Strengthen our risk management activities with a particular focus on third parties and adherence to labour standards and modern slavery protocols within our supply chain.
- Day on December of EcoVadis platform to include additional suppliers.

Ethics and compliance
CELT meets with our Head of Ethics and Compliance on a quarterly basis to review the compliance programme, including its risk assessment and mitigation efforts; investigative and monitoring oversight; and policy development and educational delivery. The Audit and Risk Committee also meets with the Head of Ethics and Compliance biannually. This helps assure that ethics and compliance concerns are discussed and actioned at the highest levels of the Company. Regular corporate-wide and localised communications and education assure that all of our people are aware of the ethics standards expected of them.

Our extensive ethics and compliance programme incorporates several policies and procedures including:
- Maintaining a Code of Ethics and Business Conduct (Code of Conduct) that is updated regularly and mandating annual training for all employees either online, with electronic acknowledgement of completion, or through participation in town hall meetings.
- Making available an independently provided Compliance Helpline and web link for employees and third parties (convatec.ethicspoint.com), to seek guidance and to report suspected deviations or policy breaches.
- Making it easy for issues to be reported by colleagues, reviewed by our Ethics & Compliance team and with appropriate, that any resulting investigation and outcome of any significant issues are overseen by the AIC (see page 13).
- Serving as a second line of defence by regular onsite or computer-based monitoring of business activities to assure that they are consistent with policy; the Code of Conduct or industry best practices.
- Providing a third line of defence through our risk assessment process, which involves direct engagement with global market or functional leaders, and our commitment when areas of concern are identified, to work with those leaders on an ongoing basis to improve business practices, where needed.

Q&A
Evelyn Douglas
EVP, Chief of Corporate Strategy & Business Development, General Counsel & Company Secretary

Q. How are you staying ahead of ethical business practices in a fast-moving industry, with a range of factors beyond your control impacting your business?
A. We regularly review and update our policies, procedures and practices to consider and include the most current issues, and accompany these with clear communication and training so our teams know what’s expected of them. We also believe it must be as easy as possible to identify and resolve any potential concerns, which is why we maintain a compliance helpline. To keep a pulse on the external environment, we also utilise a range of ratings and disclosure programmes to help us identify risks and opportunities.

Q. A growing trend in ESG is addressing sustainability topics further out in the supply chain. What is the role of partnerships in ensuring Convatec meets its commitments to ethics and transparency?
A. We can be transparent about how we behave in our own operations, but we are also working to understand how our partners in the supply chain tackle ethics and transparency around issues such as environmental protection and human rights. In 2022 we expanded our practices with the help of EcoVadis, and that will continue to evolve in 2023 with strengthened due diligence and risk assessment through our value chain.

Q. How does Convatec ensure that ethics permeates everything we do?
A. Doing what’s right and owning it are two of the values that we must live out, every day, and we start by setting the tone from the top that we take this seriously. As an example, during our annual Ethics & Compliance Week, CELT members shared their support of Convatec’s compliance tools and their role in enabling a culture of doing what’s right through a series of communications and virtual events. We are investing in our business practices, including regular annual regular training for all colleagues, to ensure that our decisions at all levels continue to embody these values and to embed ethical behaviour in everything we do.

Although we believe that our conflict-of-interest measures operated effectively in 2022, we piloted a web-based survey mechanism that invites managers to identify actual or potential conflicts of interest. We are planning on expanding the scope of survey participants to most office-based management level employees by 2024.

During Ethics & Compliance Week we launched our refreshed Code of Ethics and Business Conduct and raised awareness of a range of ethical decision-making resources. Last year, we set a target for at least 95% of employees to be trained on the Code of Conduct annually by Q4 2023 and we achieved that target in 2022.

We are committed to creating a working environment where everyone is treated fairly with respect, dignity and consideration and where there are opportunities for all. We used the platform of International Human Rights Day on 10 December to launch our refreshed Human Rights and Labour Standards Policy, which incorporates principles and guidelines set out in the United Nations Universal Declaration of Human Rights, Modern Slavery Act and the UN Guiding Principles on Business and Human Rights, addresses a range of issues including equal opportunities, anti-harassment and dignity at work. As a policy that underpins the way we work with each other, with partners and with suppliers, it was updated in 2022 to include:
- explanation of our process for evaluating suppliers to ensure they align with our principles and practices;
- articulation of our approach to labour standards, including compliance with relevant laws and regulations in the countries in which we operate;
- explanation of the Convatec Human Rights Committee and its role in monitoring implementation of the policy and leading any additional steps required.

In 2022, our cross-functional Human Rights Committee, led by the Chief Human Resources Officer & ESG, Stewardship, and including colleagues from legal, compliance, supply chain, and HR, the Committee reviewed and updated our human rights-related policies and practices and identified strategies to strengthen supplier due diligence.


We monitor and assess suppliers using third-party risk platforms, which provide in-depth, real-time coverage of a range of factors that could impact on supplier performance (including geopolitical, climatic and civil unrest), as well as ongoing concerns that have been caused by our suppliers (for example, major pollution and strike incidents). We also operate processes that are designed to ensure vendors are informed of, and aware of, a risk event occurs and that these events are tracked through to satisfactory resolution and/or closure of the potential risk.
Our business over the long term
sustainable supply chain will benefit
We believe that developing a more
more collaborative relationships.

business  practices.

regulatory framework which
with our vision and values, and the
teams, we are clear that relationships
Procurement and Supply Chain
companies, and distribution
services, transport and logistics
parties along the value chain,
beneficial relationships with third
We aim to build long-term, mutually
partners

continued

Our spend is concentrated towards a
relatively small number of suppliers. For example:
- Ten suppliers represent approximately 80% of our contract
manufacturing spend.
- Three suppliers represent approximately 70% of our logistics
spend, while
- Our raw materials supply chain is more diverse, with 45 suppliers
representing approximately 80% of our total raw material spend

Like many medical device companies, our products are often sold by third
time of raw material, and

We believe that developing a more sustainable supply chain will benefit our business over the long term through increased efficiency, product improvements, risk reduction, and more collaborative relationships.

CASE STUDY: LABOUR STANDARDS AND MODERN SLAVERY

In 2022, we made good progress towards our ESG target of engaging with suppliers who represent 80% of Convatec’s spend by Q4 2023. Utilising the EcoVadis platform helps identify improvement areas to focus on with our supply chain partners. We take a proactive role in supporting key suppliers to take actions that can prompt feedback from their assessment score, as part of our overall approach to responsible supply chain stewardship. In 2022, these actions have helped contribute to a 6.5% increase in the average score of our rated partners.

As an example, led by our Global Procurement team, we worked with a key small and medium sized (SME) provider of raw stock that we use in our adhesive foam products. Following their assessment, we reviewed their action plan and supported them to make improvements. This included sharing good practice materials and policy examples to strengthen their focus on labour standards and human rights, environmental, and ethical practices. This work resulted in the supplier meeting our expectations for a partner of this nature and them creating a revised employee handbook for their employees. Overall, this practice led to a 6.5% increase in their EcoVadis rating from 2021 to 2022, which as well as enhancing their relationship with Convatec, also strengthens their commercial position in the market.

Convatec has been included in Sustainalytics’ 2023 Top-Rated ESG Risk Rating Companies List for our progress in 2022. Note, in 2021 Sustainalytics changed its methodology for better comparability of scores across industries. We now follow the Risk Rating metric.

In 2022, Convatec received a rating of A+ (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. We achieved above industry average scores on human capital development – which considers topics such as efforts to attract and retain talent (see page 19) and governance – that assesses strategic oversight of company management (page 14). During the year, we achieved a B score with ISS.

Disclosures
The landscape of ESG ratings and disclosures is complex and constantly evolving. We continue to disclose against various reporting schemes that we believe offer most value to all our stakeholders and keep our approach under regular review. In 2022, we disclosed against Carbon Disclosure Project (CDP) (see page 48), SASB and GRI (see www.convatecgroup.com/sustainability/esg-reports-and-data/), Women’s Forum Disclosure Initiative, FTSE Women Leaders Review, and maintained UK Living Wage Foundation accreditation. Our TCFD disclosure is found on page 76.

Memberships
In addition to the disclosures below, we have maintained UN Global Compact (UNGC) membership since 2008, reporting annually against the ten principles of the UNGC (page 47). We also support MedTech Europe’s sector engagement on sustainability, and are members of the Asia Pacific Medical Technology Association (APACMed), the Association of British HealthTech Industries (ABHI) and the All-Party Parliamentary Corporate Responsibility Group.

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Ratings

<table>
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<th>Rating organisation</th>
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<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISS</td>
<td>C</td>
<td>B</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>Sustainalytics Risk Performance</td>
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<td>74/100</td>
<td>73/100</td>
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<td>15.8</td>
<td>15.9</td>
<td>14.5</td>
</tr>
<tr>
<td>MSCI</td>
<td>A</td>
<td>AA</td>
<td>AAA</td>
<td>AAA</td>
</tr>
</tbody>
</table>

1. As at September 2022. Lower scores are desirable for Risk Rating while higher scores are desirable for Overall Performance.

Disclaimer: The use by Convatec of any MSCI ESG Research LLC or its affiliates (MSCI) data, and the use of MSCI logos, trademarks, service marks or index names herein, does not constitute a sponsorship, endorsement, recommendation or promotion of Convatec by MSCI. MSCI and any other trademarks or service marks are the property of MSCI and its affiliates, and are provided “as is” and without warranty. MSCI indexes and indices are trademarks of MSCI.
2022 highlights

- Set Scope 1 and 2 SBTs, completed Scope 3 materiality assessment, and determined Scope 3 baseline.
- Reduced Scope 1 and 2 greenhouse gas emissions by 32%.
- Deployed a $1.5 million disaster relief response in Ukraine, including cash and product.

2023 priorities

- Set Scope 3 SBTs.
- Validate all SBTs.
- Set Scope 1 and 2 SBTs, including cash and product.
- Validate all SBTs.
- Set Scope 3 baseline.
- Completed Scope 3 materiality study that confirmed our TCFD disclosure aligns with our policies and other sources such as mandatory Energy Savings Opportunity Scheme (ESOS) audits, energy audits and consultant reports.

Our net zero transition

We understand the importance of the 2015 Paris Agreement and the need for change in order to achieve net zero carbon emissions by 2045. To ensure that we follow the climate science and build on our progress made to date in reducing emissions, we committed to validating science-based targets (SBT) by the end of 2023. As such, our key focus this year has been to quantify our baseline Scope 3 emissions, whilst developing the carbon emission reduction pathway for our operational emissions, setting 1°C SBT aligned Scope 1 and 2 targets in this report to be achieved by 2030.

Our net zero transition strategy areas of focus are:
- Governance – to facilitate and ensure coherent action across the Group to reduce the Group’s impact on the environment.
- Carbon and energy – to achieve validated Scope 1, 2 and 3 SBTs to ensure carbon emissions reductions in our own operations are in line with the Paris Accord.
- Improve the energy efficiency of our processes through the implementation of our energy transition. By maintaining a clear focus on the Scope 1 and 2 SBT reductions required, a pathway for Scope 1 and 2 emissions reductions has been developed. The most impactful actions were identified by site teams during this process, carefully applying those that would be suitable at a particular site. See below for our identified Scope 1 and 2 levers. Each lever was assessed and categorised appropriately by site facilities teams and the global energy and environment team. Under the energy efficiency levers, the suites of projects built up from 2019 was referenced at each site as well as other sources such as mandatory Energy Savings Opportunity Scheme (ESOS) audits, energy audits and consultant reports.

Energy consumption

In 2022, total energy consumption across the Group was 137,644 MWh (2021: 141,960 MWh).

Total energy consumption (by function) (MWh)¹²

<table>
<thead>
<tr>
<th>Year</th>
<th>Manufacturing locations</th>
<th>Non-manufacturing locations</th>
<th>Total manufacturing and non-manufacturing</th>
<th>Total energy consumption</th>
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</thead>
<tbody>
<tr>
<td>2022</td>
<td>141,961</td>
<td>103,131</td>
<td>245,092</td>
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</tr>
<tr>
<td>2021</td>
<td>101,727</td>
<td>95,523</td>
<td>197,250</td>
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</tr>
<tr>
<td>2020</td>
<td>104,512</td>
<td>97,233</td>
<td>201,745</td>
<td>201,745</td>
</tr>
<tr>
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<td>104,512</td>
<td>97,233</td>
<td>201,745</td>
<td>201,745</td>
</tr>
</tbody>
</table>

Energy consumption (by fuel source) (MWh)¹²

<table>
<thead>
<tr>
<th>Year</th>
<th>Manufacturing locations</th>
<th>Non-manufacturing locations</th>
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<td>97,233</td>
<td>201,745</td>
<td>201,745</td>
</tr>
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</table>

Energy intensity (GWh/$m revenue)¹²

<table>
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<th>Non-manufacturing locations</th>
<th>Total manufacturing and non-manufacturing</th>
<th>Total energy consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>0.056</td>
<td>0.070</td>
<td>0.064</td>
<td>0.064</td>
</tr>
<tr>
<td>2021</td>
<td>0.070</td>
<td>0.054</td>
<td>0.064</td>
<td>0.064</td>
</tr>
<tr>
<td>2020</td>
<td>0.070</td>
<td>0.057</td>
<td>0.064</td>
<td>0.064</td>
</tr>
<tr>
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<td>0.070</td>
<td>0.057</td>
<td>0.064</td>
<td>0.064</td>
</tr>
</tbody>
</table>

1. 2% is estimated for 2022 data; 2021: 2.7%
2. See our basis of reporting (link on page 241) for our 2021 methodology restatement

Q&A

Q: How will Convatec meet its net zero carbon target?

A: We’ve started by focusing on our operations, setting emissions reduction targets and expanding our renewable energy infrastructure in our manufacturing sites. With our net zero target now in place, we have begun the SBT process to inform the reduction targets we need to meet to reach net zero before 2045.

Q: How is Convatec working with its supply chain to advance its environmental strategy?

A: While we can more easily manage things we control directly, we cannot meet our targets without working with partners in our supply chain. In 2022 we finished a Scope 3 materiality study that confirmed over 90% of our emissions are Scope 3. To reduce these, we are working with expert partners to set SBTs and regularly meet with suppliers and distributors about their environmental strategies.

Q: Apart from environmental work, how does Convatec contribute to its communities?

A: We believe developing strong partnerships in the communities we operate in is important in doing what’s right, and this year we elevated the voice of the community in our programmes and commitments. In addition to our support of humanitarian relief in Ukraine, we also developed partnerships around our manufacturing communities, during Forever Caring Month and encouraged colleagues to use their volunteering days.

LEVERS WE USE FOR EMISSIONS REDUCTION

Scope 1
- Improve the energy efficiency of existing coal fired power plant systems
- Replace natural gas fired power generation systems with electric heat pumps
- Electrification of leased vehicle fleet

Scope 2
- Improve the energy efficiency of existing plant and machinery
- Replace district heating systems with electric heat pump technology
- Smart metering systems

Q: How does Convatec contribute to its communities?

A: Convatec’s contribution to its communities is through supporting and engaging with manufacturing communities around the world. In 2022, we continued to focus on supporting communities and enhancing our approach to community engagement, including through our communities and development of the carbon footprint, including assessing our value chain Scope 3 emissions.

- Waste – to reduce the amount of production waste leaving our plants and to reach zero waste to landfill by 2030.
- Water – to achieve sustainable water withdrawal at high water-stressed locations and develop our water management practices at all locations.

See also: EHS policy statement at www.convatecgroup.com/investors/governance/our-policies-and-statements and our TCFD disclosure on page 75.

Our energy transition

Since the launch of our energy, utilities and waste programme in 2019, 64 efficiency projects have been fully implemented, with a further 11 awaiting approval and 12 at feasibility stage. The knowledge gained across our global operations teams through the sharing of project feasibilities and implementation results have provided a solid foundation to develop our net zero energy transition. By maintaining a clear focus on the Scope 1 and 2 SBT reductions required, a pathway for Scope 1 and 2 emissions reductions has been developed. The most impactful actions were identified by site teams during this process, carefully applying those that would be suitable at a particular site. See below for our identified Scope 1 and 2 levers. Each lever was assessed and categorised appropriately by site facilities teams and the global energy and environment team. Under the energy efficiency levers, the suites of projects built up from 2019 was referenced at each site as well as other sources such as mandatory Energy Savings Opportunity Scheme (ESOS) audits, energy audits and consultant reports.
Energy efficiency

It is vital that we reduce the energy we use, as the cleanest source of energy possible is the one not used. We continue to identify projects to improve our energy efficiency. Information about some of the energy-saving initiatives implemented during 2022 is included below.

Our greenhouse gas emissions

Our greenhouse gas (GHG) reporting follows the methodologies set out in ‘The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)’, developed by the World Business Council for Sustainable Development and the World Resources Institute. We participated in the Carbon Disclosure Project (CDP) and our response is available on the CDP website. Our disclosure score, published in December 2022 is C (2021: B). The score is representative of activity in 2021 and since then we have set out our ESG strategy and greatly improved the volume, consistency and sophistication of our data and carbon reporting processes.

This year, we completed a SBT readiness assessment of our Scope 1 and 2 baseline emissions. Improvements in the data are included in our basis of reporting document (page 241) and this includes the restatement of previous years’ data due to a materiality of 35% variance of overall reported emissions in our baseline year (2021).

Our GHG emissions relate to consumption of natural gas, diesel, district heating and refrigerant gases, used to provide, heat and cool our facilities and production processes. Our company vehicles are also included. This data is provided by service providers and employees.

Our 2022 GHG emissions under the market-based method totalled 24,653 tonnes CO₂ in 2022, a reduction in market-based GHG emissions of 3.4% was achieved at our manufacturing locations, through improved energy efficiency and sourcing of renewable electricity at an additional two of our nine global locations. Our fleet of 1,157 vehicles generated emissions of 6,016 tonnes CO₂e in 2022, our refrigerant gas emissions amounted to 764 (2021: 615) tonnes CO₂e, emitted, with 12.4% of those emissions estimated.

We seek to reduce our Scope 1 emissions through our energy efficiency programme, including initiatives such as the implementation of emerging technologies like heat pumps and hydrogen to replace our natural gas-fired processes. In 2022 we have commissioned and studied into our process and comfort heating systems by a third-party provider to understand the technologies available to us, the associated emissions reductions, business case and also market readiness.

Vehicular emissions

Convatec’s team in Brazil is replacing current petrol and diesel vehicles with electric vehicles (EVs) to distribute Convatec products to hospitals and clinics in the urban area of Sao Paulo, in partnership with DHL.

Each EV saves approximately five tonnes of CO₂ and 1,900 litres of diesel per year compared to non-EVs. To support employees who use EVs, we have installed charging stations for personal use at our Deeside facility.

Renewable energy

As part of our proposed aligned Scope 1 and 2 SBTI targets, we committed to procuring 80% of our electricity from renewable sources by 2025, reaching 100% by 2030. We now expect to achieve the 80% target by the end of 2023.

During 2022, we actively progressed renewable energy programmes across our manufacturing operations sites. In Mexico, we purchased international Renewable Energy Certificates (IRECs) from certified in-country solar and wind sources to match our annual electricity consumption. Renewable energy aimed for approximately 37% of total energy consumption in the data set as 22% in 2021. Information about the methodology we use for disclosing renewable energy in relation to our Scope 1 and 2 emissions can be found on page 241.

Scope 3 carbon materiality study

We engaged teams across the business to collect data in each of the 15 Scope 3 categories. A high-level screening of the data was conducted in partnership with UL Solutions, to assess the materiality of each of these categories to quantify those deemed to be material.

The headline result of the study was that 95% of total emissions arise in our value chain. The methodology used was based on the GHG protocol framework. (Source: GHG protocol; Scope 3 standard)

Vehicle emissions

Convatec’s team in Brazil are replacing current petrol and diesel vehicles with electric vehicles (EVs) to distribute Convatec products to hospitals and clinics in the urban area of São Paulo, in partnership with DHL.

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Responsible business review - communities continued

Waste

During 2022, we have undertaken analysis of our waste processing and disposal practices, completing a study of the waste generated from our manufacturing plants and the fate of each type. We have identified preliminary goals, including provisional targets which will be finalised and subject to SRB validation alongside our Scope 3 target at the end of 2023. We are also developing roadmaps with site manufacturing teams, reaffirming baselines and opportunities for reducing waste and minimising environmental impact.

The table below shows our waste recycling and disposal performance over the last five years for both hazardous and non-hazardous waste. Non-hazardous waste represents 69% (2021: 74%) of the total waste generated and the chart indicates the proportion of this waste recycled was 26% (2021: 18%) and the proportion disposed of to landfill is 47% (2021: 66%). The change in the split between recycling and landfill seen during 2021 compared to 2020 is attributable to increased recycling levels in the Dominican Republic, Slovakia and the UK.

Hazardous waste represents 31% (2021: 26%) of total waste generated and 99% (2021: 99%) of this is recycled. The vast majority of hazardous waste (97%: 2021: 95%) is generated at our Lhymeny site and its treatment is described in the previous section. Of the remainder, 1% (2021: 1%) is disposed of to landfill.

Following our decision to exit hospital care, we worked with a number of partners to donate products, minimising waste and disposal of products we no longer sell.

Environmental impact of products and packaging

Our products are the most visible element of our environmental performance and encapsulate many of the environmental impacts along the value chain, from extraction of raw materials, through manufacture and logistics, use by customers, and final disposal.

By better understanding where the most significant impacts are created, we are better able to focus on the priorities for attention. In previous years we have undertaken projects to build our knowledge in this key area. As highlighted above, we need to do more work and this will be a key priority in 2023 and is captured in our ESG targets on pages 49 and 48.

Our new product development process and Green Design Guidelines help to facilitate this progress further, as described on pages 51 and 52.

We are in the process of establishing an environmental strategy delivery team collaborating across operations and a review of the carbon impact of our packaging will be considered as part of this initiative.

Socio-economic contribution to society

Through running our business, we aim to make a social-economic contribution to society. This contribution, which is important to a range of stakeholders, is summarised in the table below.

Using the volunteering policy launched in 2021, colleagues engaged in a range of charitable activity throughout 2022. We celebrated and shared their stories during Forever Caring Month, an initiative that encouraged colleagues to demonstrate our forever caring promise in their communities. Throughout November and December, colleagues shared and celebrated their volunteering stories and how it contributed to growing pride and trust with communities. As part of the initiative, Convatec also partnered with charities around our more manufacturing sites with over $220,000 donated on issues most important to us and our communities. Over 1,000 lives were impacted through programming supported by our contribution.

Waste recycled (tonnes)¹

<table>
<thead>
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<td>Non-hazardous waste</td>
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</tr>
<tr>
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<td>11,806</td>
<td>10,060</td>
</tr>
<tr>
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<td>2,100</td>
<td>3,671</td>
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<tr>
<td>Generated</td>
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<td>Hazardous waste</td>
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</tr>
<tr>
<td>Disposed of</td>
<td>69</td>
<td>82</td>
<td>72</td>
<td>78</td>
</tr>
<tr>
<td>Recycled</td>
<td>5,789</td>
<td>5,604</td>
<td>5,337</td>
<td>5,716</td>
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<tr>
<td>Generated</td>
<td>5,858</td>
<td>5,688</td>
<td>5,409</td>
<td>5,794</td>
</tr>
<tr>
<td>Total Generated</td>
<td>18,938</td>
<td>22,277</td>
<td>19,335</td>
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</table>

Fate of non-hazardous waste generated (٪)¹

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycled</td>
<td>26%</td>
<td>18%</td>
<td>15%</td>
<td>27%</td>
</tr>
<tr>
<td>Incineration (with energy recovery)</td>
<td>27%</td>
<td>16%</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Incineration (without energy recovery)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>6%</td>
</tr>
<tr>
<td>Landfill</td>
<td>47%</td>
<td>46%</td>
<td>75%</td>
<td>59%</td>
</tr>
</tbody>
</table>

¹ Data includes an additional R&D site.
Disaster relief in Ukraine: our approach

With the onset of war in Ukraine, we coordinated a tiered response valued over $1.5 million to support humanitarian relief. This included:

- Monetary donation - In line with our commitment as a member of the UNGC and industry best practice, we donated $250,000 to the Disaster Emergency Committee (DEC), who coordinate a tiered response valued over many months. A small working group comprised of Convatec colleagues from across the business met weekly through March – April 2022 to coordinate the effort, determining culturally appropriate products, necessary translations and brokering the charity partnerships.

Supporting communities

Our forever caring promise is a commitment we make to customers and those we serve every day. It’s also a promise we make to the communities in which we operate.

In recent months, we’ve made good progress refreshing our approach to support communities. In recognising that the way in which we operate enhances the contribution we make to local communities, we are developing stronger partnerships with select non-governmental organisations (NGOs) to ensure that partnerships can be targeted to achieve maximum impact. We will develop these partnerships over the long term in the places where we operate, and whose activities focus on issues of healthcare access/equity, education, or disaster relief.

2022 VALUE TO COMMUNITIES

In line with our forever caring promise, we support HCPs through our medical educational programming. We provide grants to support HCPs and third parties (such as regional bodies, associations, educational and hospital institutions) engaging with educational and scientific meetings, programmes, workshops, events, activities and public education, non-contingent on the use of Convatec products. In 2021, we set a target to contribute responsibly to a range of HCP and patient education programmes, and we delivered on this in several ways throughout 2022.

In celebration of 25 years of our Hydrofiber® dressing AQUACEL™, we pledged $250,000 to fund medical education in partnership with the Welsh Wound Innovation Centre (WWIC). Throughout 2022, WWIC hosted four courses, in a four-day online format, covering topics including wound assessment, pressure ulcers/injuries and hard-to-heal wounds. WWIC have educated over 631 delegates from 12 countries, exceeding our original goals for the programme.

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In recent months, we’ve made good progress refreshing our approach to support communities. In recognising that the way in which we operate enhances the contribution we make to local communities, we are developing stronger partnerships with select non-governmental organisations (NGOs) to ensure that partnerships can be targeted to achieve maximum impact. We will develop these partnerships over the long term in the places where we operate, and whose activities focus on issues of healthcare access/equity, education, or disaster relief.

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Disasters Emergency Committee

From a Group-level perspective, our approach is to support partnerships on issues that closely align with our vision and values, and where the majority of our people and impact is made.

It is also the case that team-driven volunteering and charity work in any community is valuable and also an important part of our impact. Our two-day volunteering policy makes it easy for colleagues to engage in community service. Business unit functions and our EIRs also contribute to further local market activities as well.

Partnerships

In line with our ESG commitment to establish new NGO partnerships and funding commitments, in 2022:

- We partnered with the Disasters Emergency Committee (DEC) to support their efforts for Ukraine relief, including through three donations and employee appeals throughout the year (see left).
- We launched Forever Caring Month, supporting eight partner charities near our manufacturing sites (see page 71).

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Disasters Emergency Committee

In line with our forever caring promise, we support HCPs through our medical educational programming. We provide grants to support HCPs and third parties (such as regional bodies, associations, educational and hospital institutions) engaging with educational and scientific meetings, programmes, workshops, events, activities and public education, non-contingent on the use of Convatec products. In 2021, we set a target to contribute responsibly to a range of HCP and patient education programmes, and we delivered on this in several ways throughout 2022.

In celebration of 25 years of our Hydrofiber® dressing AQUACEL™, we pledged $250,000 to fund medical education in partnership with the Welsh Wound Innovation Centre (WWIC). Throughout 2022, WWIC hosted four courses, in a four-day online format, covering topics including wound assessment, pressure ulcers/injuries and hard-to-heal wounds. WWIC have educated over 631 delegates from 12 countries, exceeding our original goals for the programme.

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To support future medical education programming, we advanced our multi-channel education capabilities for both HCP and patient programmes within AWC via our Wound Hygiene integrated medical education and communication programmes. Educational publications, webinars and symposia, podcasts and competency-based skills training have to date, been implemented in 38 countries worldwide. A global resource centre, woundhygiene.com provides both theoretical and practical information for HCPs, with plans to expand to patient education in early 2023.

In 2022, our Convatec Asia-Pacific Education (CAPE) activities expanded in several dimensions. Our digital Convateach platform – a multi-channel, global education tool that connects HCPs across regions and disciplines – was improved through the development of new training materials, case commentaries and new features and expanded to an additional 1,000 new users by launching in China in July 2022. We held a CAPE Summit as a virtual conference covering AWC and OC, with Continuing Medical Education (CME) accreditation supported by multiple live experts in their field from countries across our Global Emerging Markets (GEM). The summit was attended by over 1,800 participants over two days. The number of total HCPs touched through our 2022 CAPE virtual and in-person programmes reached over 331,000 across the GEM region through nearly 7,000 events in 2022.

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Governance
Summary of disclosure
The Board has oversight of all climate-related matters, with the CEO carrying overall responsibility.
- The ARC is responsible for reviewing and approving Convatec’s ESG and TCFD Disclosures and monitoring the integrity of the targets and related metrics.
- In addition to the above two bodies, climate risks and opportunities are further assessed and managed by the ESG Steering Committee and CELT, who feed upwards to the ARC and Board on climate actions and cascade the organisation’s climate objectives for implementation and delivery by their teams.

Next steps
- Following the identification and assessment of climate-related risks and opportunities in 2022, during 2023 we will incorporate their consideration as part of our business strategy planning and financial planning processes.
- Given that our response to climate change is dependent on many parts of the business, we plan to devote more time to climate matters in relevant Board committees, in addition to those already assigned to the ARC.

Climate-related governance principles over internal processes, supply chains, and capital allocation
The organisation follows a bottom-up approach when it comes to internally responding to climate-related issues. Each business unit and functional area has an individual risk register which includes impacts of climate-related risks. In addition, the TCFD Working Group has conducted a climate scenario analysis in 2022, which takes a top-down assessment of climate risks and opportunities across the Group.

We have a risk management process to address our principal risks and uncertainties, including the Environment and Communities risk, which incorporates climate change strategies as one of the key principal risks drivers, including transition risks. Several members of senior management have a climate-related personal objective attached to the individual performance elements of their remuneration.

Strategy
Summary of disclosure
- Engagement with Group and operating functions to understand the relevance of climate-related matters to the business and the relative level of potential impact in comparison to climate-related risks as well as other business risks
- Identification and assessment (including scoring and ranking) of climate risks and opportunities using climate scenario analysis
- Potential future financial impact of physical climate risks and opportunities assessed for productivity loss and damage to Convatec-controlled assets across International Panel on Climate Change (IPCC) scenario pathways.
- Transition risks and opportunities are qualitatively assessed against three climate scenarios, and across short-, medium- and long-term time horizons.

Next steps
- Complete climate scenario analysis by quantifying the financial impact of priority transition risks and opportunities (where data and methodologies allow)
- Incorporation of the climate analysis outcomes into the Group’s strategic planning process in 2023, which will inform a range of financial planning decisions

- Continue to develop near- and long-term transition plans to achieve our net zero goals and demonstrate alignment of our investment portfolio and strategy to a low-carbon economy across the value chain and the local communities we operate in.

Approach to climate scenario analysis
In 2022, we identified three priorities to progress the existing identification and assessment of climate-related risks and opportunities. These actions enable us to embed climate considerations in business planning processes.

In the future, we will also continue to develop near- and long-term transition plans to deliver on our net zero goals and demonstrate alignment of our investment portfolio and strategy to a low-carbon economy across the value chain and the local communities we operate in.

TCFD disclosure continued
Introduction to climate scenarios

The future is increasingly uncertain over the long time horizons used in climate scenario analysis. In our climate scenario analysis, we draw upon scenarios from the IPCC, the International Energy Agency (IEA) and the Network for Greening the Financial System (NGFS) to inform the assessment of climate impacts. The table below summarises the specific scenario sources we have used.

<table>
<thead>
<tr>
<th>Scenario storyline</th>
<th>Middle of the road</th>
<th>High warming</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris-aligned scenario, where global CO2 emissions are cut severely, with ambitious and gradual efforts to limit temperature rise.</td>
<td>Limited to no action, with society continuing along past trends and emissions increasing.</td>
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</tr>
<tr>
<td>Scenario sources</td>
<td>- NGFS Orderly transition</td>
<td>- NGFS Disorderly transition</td>
</tr>
<tr>
<td>- NGFS Disorderly transition delayed transition scenario</td>
<td>- IEA Stated Policies scenario</td>
<td>- IPCC v SSP-8.5</td>
</tr>
<tr>
<td>- IEA announced pledges scenario</td>
<td>- IPCC v SSP-4.5</td>
<td></td>
</tr>
</tbody>
</table>

The matrices below describe the climate-related risks and opportunities considered material to the business, and the relative significance of these.

**RISK MATRIX: CONSOLIDATED RISK SCORES ACROSS TIME HORIZONS AND CLIMATE SCENARIOS**

- **Higher magnitude, higher likelihood**
  - M1. Increase in price for purchased goods and services
  - M5. Limited availability of renewable energy
  - P2. Increased pricing of GHG emissions applied to direct operations
  - P4. Increased regulation on raw materials used in our products
  - T1. Cost to invest in climate mitigation and adaptation of operations
  - T2. Restricted access to alternative materials due to efficacy priorities
  - R1. Increased investor concern and scrutiny over climate credentials
  - R3. Customers opt for suppliers providing ‘more sustainable’ products
  - R4. Sudden and rapid change in consumer perception of materials used

- **Lower magnitude, higher likelihood**
  - M2. Change and volatility in energy prices, increase the operating costs of direct operations
  - M4. Higher costs to procure sustainable materials
  - P1. Additional costs to comply with evolving regulations and exposure to climate-related litigation
  - P3. Increase in regulations that affect our manufacturing processes
  - R2. Customers request greater climate ambition and transparency
  - R5. Increased investor concern and scrutiny over climate credentials
  - P3. Increase in repair costs, and loss of productivity at manufacturing sites due to extreme and gradual weather changes
  - M1. Increase in price for purchased goods and services
  - T4. Unsuitable or ineffective use of data to inform decision-making on climate issues

- **Lower magnitude, lower likelihood**
  - M3. Increased competition to buy oil and gas by-products (e.g. chemicals, plastics)
  - T3. Increased competition for IP ownership on new low-emission products and materials
  - R6. Unsuitable or ineffective use of data to inform decision-making on climate issues

The results of our assessment, shown below, represent the relative opportunity against each other. Whilst, the matrix shows the spread of opportunity, we believe we have a high ability to execute across all time horizons and climate scenarios. The identified opportunities align with our business strategy which means, whilst we may face some barriers related to the cost and development of technology plans are being developed or are in place to take action. Over time the significance of realising these opportunities becomes even more important as the likelihood and magnitude of transition and physical risks increase.

In the opportunity matrix, each position is based on the aggregate score for each scoring criterion (size of opportunity and ability to execute), consolidated across all time horizons and climate scenarios. Similar to the risk matrix, this aggregated view helps to simplify where the Group should concentrate its efforts going forward.

The time horizons used for this assessment are short term (0 to one year) to reflect baseline risk and align with our business plan, medium term (one to five years) to align with the strategic planning cycle in which climate matters will ultimately be integrated, and long term (five years to 2050) to align with global goals for net zero and as 2050 is a common end-year for scenario projections.

Risk and opportunity assessment

In our qualitative assessment, we draw upon data from climate scenarios as an evidence-based approach to understanding how climate issues will manifest over time, across scenarios. As such, we score each risk identified against vulnerability, impact and likelihood and opportunity against size and ability to execute (see detailed methodology on page 84). This assessment is granular, and the outcome provides ConvaTec with detail on the significance of each risk at different intersects of time and climate scenarios.

The matrices below describe the climate-related risks and opportunities considered material to the business, and the relative significance of these.

In the risk matrix, each risk position is based on the aggregate score for each scoring criterion (vulnerability, impact and likelihood) consolidated across all time horizons and climate scenarios. While it is important to understand the possible shift of risk impact over time and climate scenario, this aggregate view helps to simplify the results and supports the overall prioritisation of the risks.

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Our assessment of climate-related risks shows that there is potential for significant impacts from hazards across TCFD risk categories including market changes, policy intervention, technological developments, and physical climate change events. We recognise that managing and reducing the impact of our direct operations is important, but the next step and greater challenge for the Group will be to consider our value chain impact, especially the materials we use which will require significant investment in R&D.
Our climate-related risks and opportunities described

The identified risks and opportunities to our business can be grouped into four broad areas of impact which help to understand the relationship between different risks as well as associated opportunities:

1. Supply chain and raw materials used
2. Direct operations and processes
3. Stakeholder expectations
4. Physical damage and disruption

The groupings of individual risk and opportunity drivers into the respective broad areas of business impact are set out in the analyses below.

The table below describes these key impact areas and provides the average score of all risks and all opportunities that feed into it. This score provides an indication of the potential financial impact to Convatec, showing how the impacts may vary over time and climate scenarios.

Supply chain and raw materials used:

The largest proportion of emissions in our value chain are derived from the materials we use, the majority of which come from petrochemicals. Exploring the feasibility of more sustainable alternatives across our product portfolio is an important means to reduce the embedded GHG emissions and to manage transition risks associated with a change in material availability and price.

Risk drivers:

- Suppliers face increased costs as we transition to a low-carbon economy, which may be passed on to Convatec.
- Possible bottlenecks for any sustainable material alternatives as demand increases.
- Period of increased competition for petrochemical-based materials as road transport demand for oil declines.
- Regulation, e.g. taxes on single-use plastics, as well as sudden shifts in consumer perception of materials, could inhibit the use of certain materials.
- Limited options to use sustainable materials without compromising product efficacy, or restricted access to solutions if competitors patent designs.

Risk assessment:

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Time period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
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<tr>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Opportunity drivers:

- Implementation of Convatec’s GDG tool to inform where to focus appraisal of alternative lower-emissions options in the design/redesign phase to promote alignment of our product portfolio with the low-carbon transition.
- Lower emission materials may also increase diversity and resilience of supply, e.g. by reducing reliance on petrochemicals.

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<table>
<thead>
<tr>
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<tr>
<td>Low</td>
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<td>Medium</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Possible strategic and financial impact:

Unable to deliver products on time or in the worst cases, at all, as material shortages mean we cannot manufacture products.
- Increased costs for procurement, which could impact profit margins, or result in loss of sales if products are not priced competitively.
- Large investment costs in R&D to identify and use sustainable material alternatives and to also achieve regulatory compliance.

Possible management response:

- Develop a supplier engagement strategy to increase the volume of suppliers with green credentials.
- Continue roll out of the GDG and associated Footprinter tool, ultimately using it for emission measurement and design decisions.
- Invest in suitable resources to monitor trends in material alternatives and availability.

Possible metrics and targets:

Emissions from raw material purchases, with the goal to reduce embodied emissions of products.

Direct operations and processes:

In a transition to a low-carbon economy, we will be affected by global and national policy interventions aimed at increasing the cost of emitting carbon. While we are not currently subject to global carbon pricing mechanisms, we may face the impact of increased carbon consumption as well as restrictions on environmentally intensive processes such as sterilisation. During the energy transition, there is uncertainty about how the supply of renewable energy sources will meet the exponential increase in demand and we could be faced with limitations in procuring renewable energy.

Risk drivers:

- Incentives to shift to low-carbon energy driven by changes in energy prices and the introduction or expansion of carbon pricing mechanisms in regions where we operate.
- In the energy transition there may be limited availability of renewable energy due to a lack of procurement opportunities, extreme costs and constraints in the availability of renewable sources.
- Resource and financial investment into the implementation of low-emission and renewable technologies are required to achieve decarbonisation through the value chain.

Opportunity drivers:

- Continued implementation of energy efficiency and GHG reduction measures (e.g. LED light lamps, low GWP refrigerant charged cooling systems).
- Increasing the number of sites with self-generation renewables will decrease our exposure to potential future increases and volatility of electricity prices.
- Switching from natural gas to lower-carbon or renewable energy sources for heating will reduce our exposure to future increases in the cost of consumption of fossil fuels.

Possible strategic and financial impact:

- Increased operational costs if we are unable to decarbonise and reduce reliance on carbon-intensive fuel and chemical sources.
- Large upfront costs to direct capital towards decarbonisation.
- Operational cost savings through the implementation of efficiency measures and avoided transition costs.

Possible management response:

- Introduction of a bespoke carbon price to use within capital allocation to support the direction of investment towards projects that avoid GHG emissions or deliver GHG reductions.

Possible metrics and targets:

Non-renewable energy - aim to reach 100% renewable electricity by 2050.

Stakeholder expectations:

We recognise that managing climate-related risks and opportunities is essential to long-term value and building climate resilience.

Risk drivers:

- Increased volume of legislation and reporting requirements will require us to direct appropriate resources to respond and managing stakeholder scrutiny.
- Potential increase in investor expectations to be more transparent in disclosure and to appropriately manage risks and opportunities.
- In the energy transition there may be limited availability of renewable energy due to a lack of procurement opportunities, extreme costs and constraints in the availability of renewable sources.
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Possible metrics and targets:

Non-renewable energy - aim to reach 100% renewable electricity by 2050.
Physical damage and disruption:
In the future, global climate change and an increase in the frequency of extreme weather events will have an impact on our value chain. While we are aware of the physical climate hazards most prevalent across our manufacturing sites and can implement adaptation and controls to reduce the risk, we have less influence over suppliers managing climate risk.

Risk drivers:
- Damage and disruption at manufacturing sites due to extreme and gradual weather changes.
- Delays in receiving goods from suppliers due to disruption from climatic events at supplier sites.
- Disruption in production both upstream and downstream due to extreme weather conditions, which, for example, may prevent travel on roads (snowstorms) or unloading/loading at ports (storms).
- Rising temperatures and increased frequency of heat wave events.
- Water security reduces due to increasing demand and a shrinking supply of water, especially considering the decline in water quality.
- Floods and storms (e.g., hurricanes) increase in severity and frequency, driven predominantly by the increased likelihood of extreme precipitation events.

Opportunity drivers:
- Implementation of water efficiency measures including replenishment initiatives and exploring alternative water sources at priority sites (especially those in high water stress regions—Haina and Reynosa). This will mitigate the potential impact of degrading water quality and water availability due to climate change.

Strategic report
Includes: RE4
- Implementation of water efficiency measures including replenishment initiatives and exploring alternative water sources at priority sites.
- Reduced water stress and severe weather events at manufacturing sites.

Possible strategic and financial impact:
- Increased costs to manage damage and disruption at manufacturing sites.
- Unable to meet customer orders on time due to unforeseen disruption in the value chain both at supplier sites and logistics.
- Forced to move operations to an alternative location.
- Loss of revenue and missed growth targets.

Physical risk impact assessment:
Historically, we have undertaken physical climate risk assessments across our property portfolio to maintain our capability to manage and respond to events. The outputs of the analysis inform our business continuity plans for our manufacturing sites and key suppliers. This year, we conducted a qualitative climate scenario analysis to understand how our owned and controlled operations may be financially impacted by climate change over longer time horizons, and under different temperature outcome scenarios. Four locations and seven assets were included in the assessment scope due to their contribution to Group revenue or due to their locational exposure to higher physical climate risks.

Potential physical and financial impact:
- Increased costs due to potential climate hazards and events.
- Reduced revenue due to disrupted supply chains.
- Increased costs to implement adaptation and controls.

Physical hazards:
- Storms: Heating Degree Days, Extreme Wind Speed, Extreme Precipitation
- Floods: Mean Sea Level Rise, Extreme Water Level, Riverine Flood Depth

The analysis was based on data from Climate Insights, a tool owned and developed by CLIMsystems (part of SLR). The data from the Climate Insights tool shows the potential future climate change in climate variables based on global climate models (GCMs) of the coupled model intercomparison project (CMIP6) for the periods from 2010 to 2055 with a five-year step under the selected scenarios of SSP-1-2.5, SSP-2-4.5 and SSP-5-8.5 (see page 78 for scenario description). The climate data provided is then correlated to our business data, including revenue generation and building value, to provide an annual assessment of the potential value at risk (VaR) experienced from repair costs for asset damage, and revenue loss due to decreased productivity driven by the loss of employee efficiency and site closures. As such, it is not a forecast of potential annual costs or revenue losses but is a useful indication of the potential impacts from physical climate change events which are likely to increase over time. The analysis is not intended to account for any mitigation actions that the business would implement.
TCFD disclosure continued

Resilience and transition plan

One of the major challenges we face is how to manage climate-related risks so that we can increase the delivery of sustainable solutions. To address this challenge, we have developed a strategic planning process and ESG strategy through core business planning processes. Agreed mitigating actions identified will feature in our overall Group risk management approach which is described within the Risk Management section of this report (pages 88 to 97). The identification of additional mitigations to reduce risk exposure on an ongoing basis is developed by risk owners in each relevant area of the business. Agreed mitigating actions are included in the annual strategic planning process and ESG strategy.

Scenario based climate risk assessment

We further developed our assessment of climate risks by undertaking periodic comprehensive climate scenario analysis. This includes the identification and assessment of transition and physical climate risks and associated opportunities, across future climate scenarios, and time horizons (see pages 78 to 82).

Climate risks and opportunities were identified through detailed business workshops in 2021 from interviews with relevant business teams involved in our Environmental, Social and Governance (including Investor Relations, Finance, Risk Management, Strategy, Innovation and Operations) aimed at first refining and then prioritising risks by financial impact and likelihood.

Climate risk governance

We recognise the importance of identifying and assessing climate-related risks, which feature as drivers of our Environment and Communities principal risk. This includes those risks associated with global climate change, and more broadly the ability to demonstrate a move to a greener future and deliver positive outcomes for the communities our operations directly impact.

The business has reviewed the risks and opportunities identified within the scenario-based assessment, and where applicable factored them into the ongoing strategic risk management process. Consensus was achieved on the principal climate risks and opportunities through a workshop with relevant business teams (including Investor Relations, Finance, Risk Management, Strategy, Innovation and Operations) aimed at first refining and then prioritising risks by financial impact and likelihood.

Next steps

- Integration: In 2023, we will complete the quantification of transition financial impacts from material climate risks. In parallel, the business will work towards integrating the assessment into the ERM and strategy planning process. This will include development of key climate risk indicators and tolerances to provide guidance to risk management decisions.

- Climate risk governance: As part of our risk management process, we will assign risk owners that will be accountable for determining which aspects of climate risk governance responses are required.

- Risk controls: Integration of climate risks into our ERM Framework will help to ensure appropriate control measures are put into place that are best aligned to our business. Agreed mitigation actions will be included in the annual strategic planning process and ESG strategy.

We are committed to delivering medical solutions, in an environmentally and socially conscious way. In 2022, our first priority was to identify measures to reduce our operational impact in the manufacture of products. In 2023, we will explore opportunities to manage our Scope 3 emissions and develop a supplier engagement strategy. The actions identified will feature in our transition plan. In 2022 we committed $3 million in climate mitigation and have identified an estimated approximate $42 million of mitigation and adaptation projects across eight manufacturing sites that have or will be starting from 2022 to 2037.

As the analysis in the tables and graphs demonstrate, the most significant physical climate-related risks to the Group’s key assets arise from floods and storm-related events. It is important to note that these financial results do not account for mitigation and adaption measures which will allow us to reduce our exposure and potential impact over time. Our strategic risk management process allows us to analyse our physical climate-related risks at each site and we have a programmed capital investment to develop further resilience activities at a key location which will allow us to mitigate and reduce any potential financial impact, i.e. flood defences, enhanced temperature control systems and building reinforcement measures.

The analysis of the risks and which sites are potentially most impacted by which climate-related risks will be used to help prioritise investment decisions. As we go through our strategic planning process in 2023, the analysis will inform our discussions and help ensure we are evaluating climate-related physical risks on an ongoing basis and developing plans to mitigate and minimise the impact on our business.

In addition to the capital investment programmes to mitigate the risks of physical climate-related risks on our business, we also consider other adaptation measures across our broader operations and supply chain to help reduce the potential impact of risks going forward, i.e. levels of safety stock holding to minimise any impact of production downtime, alternative production locations for key product lines and different sources of raw material suppliers.

In the event that we do experience an impact on our operations from extreme weather events, we operate global insurance programmes that provide levels of financial cover against property damage and business interruption from the impacts of natural catastrophe events such as floods and windstorms.

The tool will be incorporated with other design tools and processes to improve the data accuracy of emissions reporting and transition to lower-impact products. We expect this integration to occur over several years.

Overview
Strategic report
Governance
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Additional information

Convatec Group Plc Annual Report and Accounts 2022
Convatec Group Plc Annual Report and Accounts 2022

Climate risk and opportunity scoring criteria

We assess the likelihood, magnitude, size of opportunity and ability to execute across three climate scenarios and short-, medium- and long-term horizons.

Risk score
Vulnerability
Likelihood
Change
occuring
Magnitude
Size of impact
Adaptive capacity
Ability to adjust or respond
Sensitivity
Depends on what systems could be affected
Exposure
Presence of systems that could be affected

Opportunity score
Size of opportunity
Ability to execute

Climate risk and opportunites

Absolute potential financial impact in 2050 from all physical hazards in upper global warming scenario

<table>
<thead>
<tr>
<th>Location</th>
<th>2050 By driver</th>
<th>2050 By location</th>
<th>2050 By climate hazard</th>
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Risk management

Climate-related risks are considered within the Environment and Communities principal risk which sits under the Strategic Risks category of risks in our Group risk management framework (page 97). This is in recognition of the strategic importance the business places on the need to align with a net zero transition. The Environment and Communities principal risk includes risks associated with the failure to adopt, transition to, and integrate a low-carbon economy strategy through core business activities, to meet stakeholder expectations and net carbon zero targets.

The approach to identify, assess and manage this risk on an ongoing basis follows our overall Group risk management approach which is described within the Risk Management section of this report (pages 88 to 97). The identification of additional mitigations to reduce risk exposure on an ongoing basis is developed by risk owners in each relevant area of the business. Agreed mitigating actions are included in the annual strategic planning process and ESG strategy.
The Board undertakes a bi-annual assessment of the Group’s principal risks. The CLG is supported by the Group risk team and a network of risk champions across the business, who are tasked with maintaining identification, assessment, management and awareness of key risks and control measures on an ongoing basis throughout the year.

Ownership and management of all risks is assigned to relevant members of CELT, who are responsible for ensuring the effective operating of the internal control processes and for implementing effective key risk mitigation plans. Environment and Communities is owned by the EVP Corporate Responsibility & ESG Stewardship. CELT is supported by the Group risk team and a network of risk champions across the business, who are tasked with maintaining awareness of key risk and control measures.

### Scenario based climate risk assessment approach

We have worked with our climate strategy adviser, Corporate Citizenship (part of SUEZ) to further develop our climate risk and opportunity assessment approach. Initiated in 2022, the work will assist the integration of climate considerations into our risk management process. Risk identification was based on a range of sources: a review of regulatory requirements related to climate change; climate policy and climate scenario research; review of peer disclosures and interviews with internal experts. Once risks were identified and scored, they were then validated in a workshop with senior stakeholders representing all relevant Group functions. These risks were then presented to the ARC for review and where appropriate, incorporated into the group principal risk assessment.

Central to the assessment of climate risks (and opportunities), is the need to account for risks with a high likelihood of occurrence and specific to the climate pathways. Climate scenario analysis is undertaken to respond to this uncertainty and complexity by creating a range of hypothetical futures. Thinking about a range of future scenarios supports strategic and risk management decision-making, taking into account a range of different potential outcomes. In accordance with the TCFD implementation guidance, the climate risk process seeks to assess climate impacts through a combination of both qualitative and quantitative measures (where data and methodologies allow).

The following diagram describes the qualitative assessment criteria used to score and rank the identified climate-related risks and opportunities to assess the potential impact to its business and cashflows, identified climate-related risks have been assessed against likelihood of occurrence, magnitude of impact and vulnerability, where vulnerability is a function of exposure, sensitivity and adaptive capacity. Sensitivity reflects the predisposition of organisations, assets, societies, processes, or systems to be adversely affected by risk. Adaptive capacity refers to characteristics or actions that may reduce the level of risk posed by a hazard and thereby alleviate vulnerability.

Climate opportunities have been scored based on the potential size of opportunity through avoided costs or increased revenue, as well as the ability to realise the opportunity. Each term is scored on a five-point scale and scoring thresholds are defined for each indicator to ensure a consistent and comparable approach is applied across all impacts, climate scenarios and time horizons. The potentially subjective nature of qualitative scoring is countered by reference to sector and policy research, interviews with internal experts, as well as climate scenario databases including the IPCC WGI Input-Output Analysis and NGFS IASA Scenario Explorer.

The output is the prioritisation of possible impacts on which the business agenda focuses to control measures and investment. Where methodologies allow, we have sought to better understand the business impact from a selection of priority physical and transition impacts through the quantification of potential financial impact across different climate scenarios (see page 83).

By interpreting climate impacts into corporate financial terms, the business can integrate climate considerations into financial planning and strengthen the case for investment in mitigation and adaptation measures.

### Metrics and targets

#### Summary of disclosure on priority activity in 2022

- Complete GHG inventory reported for Scope 1, 2 and 3, alongside additional climate metrics including energy use and water, and waste generation.

#### Next steps for 2023

- Formalise risk monitoring of existing climate metrics and targets and assess whether additional metrics are required in order to sufficiently manage risk.
- Propose GHG near-term reduction targets to SBTi, confirming that we are aligned with the latest climate science and pathways under the Paris Agreement.
- Review alignment against the TCFD cross-industry climate-related metric categories to meet full alignment with the TCFD recommendations as well as in recognition of Convatec’s support to provide relevant and comparable information to stakeholders.

We use a range of metrics to understand our baseline impact on the environment. There are four key areas that we monitor: emissions, energy use, waste and water. As disclosed on pages 66 to 71, some of these metrics are used to measure our exposure to certain risks and to track performance over time. For example, if a performance trend was upward this would indicate the potential impact may be greater and therefore highlight that additional action and mitigation are needed. Further information on our performance against climate metrics is included on pages 66 to 71, while the detail below shows our alignment against the TCFD cross-industry climate-related metric categories.

- **Scopes 1-3 emissions**: The Group’s operational emissions are calculated and reported annually, and for the first time we are reporting a complete Scope 3 inventory (page 49).
- **Climate-related risks**: In 2022, we undertook quantitative and qualitative climate scenario analysis for transition and physical risks respectively. Internally we are using the results of this assessment to inform the appropriate response for priority risks.
- **Climate-related opportunities**: A qualitative climate scenario analysis was conducted for opportunities. Internally we are using the assessment results to prioritise the areas which could have the greatest impact, and to inform management response options for identified opportunities.

#### Capital deployment

We have an estimated capex spend of circa £40 million of mitigation and adaptation projects across eight manufacturing sites that have or will be starting from 2022 to 2023.

- **Remuneration**: In 2023, there will be ESG objectives in the personal objectives of each CELT member for bonus purposes. In respect of the two executive directors, the new Executive Remuneration Policy (which will go to the AGM for approval) will include an ESG objective, contributing to 5% of their overall bonus.

While measuring and monitoring our environmental performance is valuable, having associated targets keeps us responsible for the active management of climate impacts. For 2023, we are launching new targets across our key environmental impact areas. These targets reflect our strategy and mission to limit the negative impact we have on the planet and to play our part in reducing the likelihood of an extremely high warming future scenario.

- **Emissions**: We have set net zero targets internally, which will align our Environmental, Social and Governance (ESG) Strategy. We have proposed GHG near-term reductions targets for submission to SBTi for validation in the current year. This target aligns Convatec with global climate goals and with customer requests to report a science-based target.
- **Energy**: Procure 80% renewable energy improvement by 2025 and 100% by 2030. This target will reduce our exposure to potential future increases in the overall cost of consumption for fossil fuels.
- **Waste**: To deliver on our targets for water consumption reduction at high water-stressed locations and develop our water management practices at all locations. To deliver on our targets to reduce the amount of production waste leaving our plants to be zero waste to landfill by 2030.

In 2023, we will continue our work to understand what resources and financial investments are needed in the near term in order to enact change and meet these targets. As part of this, we will leverage the different tools and software implemented across Convatec to understand where the largest impact areas are and the next steps to address. This information will support the identification of suitable measures that address the root cause in order to have the greatest impact. For further information on measures implemented in the last year to manage our impacts, see pages 66 to 71.
Risk culture
The Board is responsible for risk management and promotes a transparent and accountable culture. It does not inhibit sensible risk-taking that is critical to growth and delivery of the Group’s vision and strategy, but it does set the boundaries for such risk-taking. The Board and its committees set the tone for CELT and other senior management to promote and cascade this culture through the Group and with external stakeholders.

The Board, its committees and CELT ensure that our risk management systems are robust, effective and take account of appropriate exposures. The Board supports effective risk management across the Group by implementing and overseeing a framework of appropriate and effective controls that enable risk to be assessed and managed.

The risk-related responsibilities of the Board’s committees
Audit and Risk Committee (ARC)
- Monitors and reviews all risk management processes, including the effectiveness of risk identification, appetite, mitigation and control measures.
Nomination Committee
- Overseeing to ensure that the Group has a talented, diverse and effective Board and CELT, combining extensive corporate experience with knowledge of our markets and regulatory environment, as well as a pipeline of future senior talent capable of identifying and managing risk to enable effective strategy delivery.
Remuneration Committee
- Oversees the implementation of appropriate reward arrangements to drive a high-performing culture that manages risk in line with our risk appetite.

Our risk appetite
The Board sets the level of risk we are prepared to accept to deliver our strategy and realise our vision. In 2022, we formally reviewed our risk appetite and the risk tolerance levels of each principal risk. Our risk appetite is defined through four risk appetite statements, which are detailed on this page, and each principal risk is aligned to one of the four statements, with risk tolerance levels set in line with the current and forecasted business environment. On an ongoing basis, the ARC monitors the level of risk to which the Group is exposed and how the business continues to mitigate the risk and operate within the stated risk appetite levels. In 2023, we will continue to enhance our approach to risk appetite through embedding identified metrics and obtaining assurance over the key controls for each of our principal risks to support the Group to operate within our risk appetite, and as a management tool for business decisions.

Board risk appetite statements
- Seek
  - Risk is taken in order to choose strategic options that offer potentially higher business rewards and/or there is confidence in the level of robust systems of internal control to respond effectively and limit the duration of potential impact.
  - Accept
    - Risks that arise from events that are outside realistic boundaries for Convatec’s immediate direct influence and control. A focus is required to build a reasonable level of resilience to impacts on strategic objectives.
- Manage
  - Risk is accepted by Convatec in order to achieve strategic objectives, and where the risk is able to be managed to a level that would not result in material impact to strategic objectives.
- Avoid
  - Risks arising from Convatec’s people, processes, and systems that are controllable and where there is no appetite for risk taking in this area. The objective is to eliminate the risk or to reduce it to an absolute minimal level of tolerance.

Risk management framework
We continue to strengthen our risk management approach through the development of a process that is based upon ISO 31000, Risk Management, and complies with the requirements of the UK Corporate Governance Code

Our process undertakes a continuous bottom-up review of risk (current and emerging), across each area of our business, to identify the main threats to delivery of our strategy. The resulting business risk profile is used to inform our biennial principal risk update process, working with subject matter experts from the business and supported by the CELT sponsor(s). We identify, assess and prioritise our business and principal risks in accordance with our defined risk assessment criteria. Risk ratings are used to prioritise our risks and are a product of the expected impact and the likelihood of that impact to occur as a result of an event, taking into consideration identified risk controls and certain additional risk mitigation measures that have been implemented and are monitored to further reduce our risk exposure and ensure alignment with our risk appetite. Consequently, this process results in our principal risks being managed at the residual risk level rather than inherent risk. The ARC oversees the risk management process each quarter. For further information, please see page 131.

Audit and Risk Committee (ARC)
- Considers the risk environment through reporting from management, internal audit and the external auditor and considering external developments (e.g. geopolitical events).
- Reviews, and reports to the Board on the effectiveness of the internal control environment and risk management systems.
- Sets the internal audit annual plan and external audit scope to provide assurance on a materiality basis that the Group operates within the Board’s approved risk appetite through appropriate and effective controls and mitigations.

Convatec Executive Leadership Team (CEL’T)
- Sponsors a coordinated approach to establishing and embedding enterprise risk management.
- Employs a central risk team to establish and facilitate the risk management process across the Group to provide risk information for management oversight and decision.
- Manages the principal risks appropriately to operate within the Group’s risk appetite.
- Ensures that risk recognition and appetite are integral to determining strategy.
- Delivers strategy by managing risks.

Principal risks: Risks with potential material consequences at a Group level or where the risk is connected and may trigger a succession of events that, in aggregate, become material to the Group. Risks may materialise individually, simultaneously or in combination to impact the delivery of our strategic priorities and the long-term value of Convatec.

Business risks: Risks identified from any aspect of the Group that are relevant to one or more categories, functions and/or Centres of Excellence, and can be either positive or negative.

Leadership Teams
- Identify new and emerging risks to the Group’s strategy.
- Review management of specific risks on a quarterly basis against the Group’s risk appetite.
- Identify additional mitigations to reduce risk exposure on an ongoing basis.
- Assign senior business representatives (Risk Champions) for each category and function to take a lead role in the identification of risk, and updating risk information for senior management oversight.

Governance and oversight
The work of the Board and the ARC is underpinned by a formal structure of delegated authority and supported by Group policies covering key areas of operation, including risk management. The diagram below shows the key roles, responsibilities and overall arrangements for collecting, monitoring and reviewing risk information.

Overview
- Sets the Group’s risk appetite.
- Ensures appropriate risk management and internal control systems are in place to enable the identification and robust assessment of the principal and emerging risks.
- Ensures effective processes exist to manage the principal risks, takes a balanced view of those risks against Convatec’s strategy and risk appetite.
- Assesses the Group’s prospects and resilience through the Viability statement.
- Sets the Board from the top and the culture for managing risk.
- Sets strategic priorities in light of the Group’s risk profile.

Strategy and objectives
- Articulation into principal risks
- Board risk appetite statements
- Risk identification
- Risk description
- Risk assessment
- Risk categorisation
- Risk response
- Tolerate
- Treat
- Transfer
- Terminate
- Risk reporting
- Monitoring and challenge

Risk management process
- Strategy and objectives
- Risk analysis
- Risk identification
- Risk description
- Risk assessment
- Risk categorisation
- Risk response
- Tolerate
- Treat
- Transfer
- Terminate
- Risk reporting
- Monitoring and challenge

RISK MANAGEMENT FRAMEWORK
- Strategic enterprise level
- Board risk appetite statements
- Articulation into principal risks
- Business risks and tolerance
- Operational exposure management

OUR RISK MANAGEMENT PROCESS
- Strategy and objectives
- Risk analysis
- Risk identification
- Risk description
- Risk assessment
- Risk categorisation
- Risk response
- Tolerate
- Treat
- Transfer
- Terminate
- Risk reporting
- Monitoring and challenge

- Governance
- Financial statements
- Additional information

Convatec Group Plc Annual Report and Accounts 2022
2022 risk landscape

Our principal risks remain consistent with those identified in our 2021 annual report as this has not changed to reflect the challenges from the macroeconomic environment, including global inflationary cost pressures, the ongoing supply chain and commercial challenges of the Russian invasion into Ukraine and the continuing fallout from the COVID-19 pandemic. Since 2020, the risk profile has been elevated as a result of these global forces, and we have continued to manage and mitigate the adverse effects as we position our business further to globalisation and increase our exposure to emerging markets, as we have to, in order to deliver our strategy.

We continued to positively manage the adverse effects of a range of measures that we have taken to date. We have anticipated and/or adapted to changing market conditions, including a continued provision of ethics training and focused global compliance resources and initiatives. During the period, we identified exposures and addressed risks of non-compliance through implementation of appropriate mitigation and control activities. We continued to monitor our progress towards transition to lower carbon generation, as we have done in the past, and identified relevant cost pressures. We also continued to monitor the effectiveness of our escalating sanctions and anti-corruption measures.

Compliance risks

We continued to strengthen and adapt our compliance framework and our response as we continue to manage the increases in material investment in emerging markets. We took steps to ensure the maintenance of ongoing compliance with local laws across different jurisdictions, including the continued provision of ethics training and focused global compliance resources and initiatives. During the period, we identified exposures and addressed risks of non-compliance through implementation of appropriate mitigation and control activities. We continued to monitor our progress towards transition to lower carbon generation, as we have done in the past, and identified relevant cost pressures. We also continued to monitor the effectiveness of our escalating sanctions and anti-corruption measures.

Financial risks

The current climate, driven by global inflationary pressures, continues to bring challenge to the business. We have experienced external supply chain pressures in cost inflation for raw materials, freight and on all other aspects of the business cost base, as well as through constraints in our global supply chain. The business continues to effectively manage and respond to the issues faced and to work closely with third parties on potential areas of exposure to minimise any possible impact on economies. The value of customer data and healthcare models, market competition and major unforeseen economic events. The value of customer data has increased and any shortfall in our ability to adapt to an increase in the management of customer data, expanding data commercialisation capability and technology and widening range of virtual capability allows for potential disintermediation and/or bundling of other products and services by emerging, non-traditional competitors entering the market.

Attraction, recruitment and retention

Our success is dependent on maintaining and growing the capability and capacity of members of our senior management teams and workforce, specifically attracting, retaining and recruiting key talent and skills in critical roles, such as certain customer-facing employees as well as technical experts focused on the development of new products and technologies. The rising cost of living for our workforce and competition for talent across our markets is intensifying the challenges in retaining and/or recruiting key talent and skills across our business. We expect this pressure to continue into 2023 and programmes of work are in progress to reduce our exposure to workforce engagement and talent attraction and retention risks.

New market growth and product delivery

We expect to launch new products for AWC and IC in 2023 and products across all of our categories continuing into 2024. Delivery of our product pipeline is supported by our product development and launch process, which acts as a key market going forward and continue to monitor the development of key markets around the world, with a particular emphasis on China and the US. From a performance perspective, we will continue to strengthen our competitive position by evaluating potential partnerships and acquisitions. We may decide to discontinue particular products, which may result in the lack of confidence to deliver against stated plans.

Emerging risks

On a biannual basis, our Enterprise Risk Management (ERM) team engages with senior management to identify any emerging risks that may relate to new or changing market conditions. Recent global economic conditions have meant that global inflationary pressure has increased, resulting in rises in our manufacturing and operating cost base. Whilst the management of our supply chain is a core competence, we monitor the evolving situation and have taken appropriate steps to prepare for foreseeable challenges in the current environment over high inflation on commodities, lead times and shortages for raw materials and manufactured goods, fluctuations and adverse movement in key currency exposures, the resilience in place and identify relevant metrics to aid with detection. As at the date of this report, to date, no emerging risks have been identified.

Long-term third-party market

Our current and future products rely on regulated manufacturing processes and approved supply chains. We are dependent on our ability to effectively manage the security of supply in our key raw materials and unfinished goods, critical services and manufacturing energy supply to avoid any future chronic sourcing issues/cessation in service by single or sole source suppliers for key product lines.

Risk management continued

In 2022, we continued to drive good momentum in the business through strengthening our competitive position and financial performance as we execute our FSSE strategy, seek to improve efficiencies across the business and deliver acquisitions and divestment to support our strategic growth aims in all key markets. We responded quickly and decisively to stand up a rapid-response team and take action to the growing crisis in Ukraine and its effect on our manufacturing and commercial operations. In our product development pipeline, we successfully delivered three key products to our targeted markets and continue to focus on improving pipeline delivery through our defined innovation framework. Our ESG agenda continues to develop to achieve our net-zero commitment and science-based target initiative as well as the recommendations of the TCFD.

Operational risks

The current climate, driven by global inflationary conditions, continues to bring challenge to the business. We have experienced external supply chain pressures in cost inflation for raw materials, freight and on all other aspects of the business cost base, as well as through constraints in our global supply chain. The business continues to effectively manage and respond to issues faced and to work closely with third parties on potential areas of exposure to minimise any possible impact on economies. The value of customer data and healthcare models, market competition and major unforeseen economic events. The value of customer data has increased and any shortfall in our ability to adapt to an increase in the management of customer data, expanding data commercialisation capability and technology and widening range of virtual capability allows for potential disintermediation and/or bundling of other products and services by emerging, non-traditional competitors entering the market.

Other factors

For further information relevant to our risk profile see:
- Our business model – pages 8 and 9
- Key performance indicators – pages 20 and 21
- Operational review – pages 22 to 29
- Responsible business review – pages 40 to 74
- The Task Force on Climate-related Financial Disclosures – pages 75 to 87
- Viability statement – pages 98 and 99
- Governance – pages 102 to 165

Convatec Group Plc Annual Report and Accounts 2022

Overview

– Key performance indicators – pages 20 and 21
– Operational review – pages 22 to 29
– Responsible business review – pages 40 to 74
– The Task Force on Climate-related Financial Disclosures – pages 75 to 87
– Viability statement – pages 98 and 99
– Governance – pages 102 to 165
Below is an overview of the Group’s principal risks that could impact the delivery of our strategy and the realisation of our vision, in order of priority. The Board has oversight of all principal risks that the Group faces.

The Board reviews and agrees our principal risks on a biannual basis, taking account of our risk appetite together with our evolving strategy, current business environment and any emerging risks. Our principal risks are set out over the following pages in order of priority (based on the rating of residual likelihood and impact, as described opposite). They are also reflected in the key adverse scenarios underlying the Viability statement (see pages 98 to 99).

### 2022 RISK MANAGEMENT CASE STUDY

The Russian invasion of Ukraine, supported by Belarus, and the resultant sanction framework implemented by the US, EU and UK (amongst others) required the Group to consider the complexities and risks associated with our presence in Russia and Belarus.

We responded quickly to the evolving situation in Ukraine and the surrounding region when it first emerged at the beginning of 2022. A rapid response team (RRT), comprising of CELT members and senior leadership was formed to take real-time strategic decisions on behalf of the Group. The RRT was supported by a cross-functional senior leadership working group to manage events on a day-to-day basis and provide a structure to form recommendations for the Group to consider.

### Risk identification and assessment:
- Short term - focus on maintaining the security of supply for our manufacturing plants, sustain product supply to our customers and respond promptly to the emerging statutory framework of sanctions.
- Medium to long term - existing and future operational and commercial presence in Russia and Belarus, supply chain management; compliance with all laws and regulation in an evolving environment; and financial exposure and obligations.

### Risk response:
- Assessment of current level of operational and supply chain preparedness and resilience to short-term impacts on customers; and
- Sanction framework checks in place with shareholder registrar, Compliance, Treasury, banking partners, supply chain and finance teams.

### Risk monitoring:
- Working group in place with dedicated workstreams; and
- Continued assessment of potential impacts to the business with appropriate mitigation plans.

On 12 May 2022, it was announced that the Group would be withdrawing from its hospital care activities and related industrial sales during the remainder of 2022. The withdrawal from these low-margin activities is consistent with the Group’s FSIBE strategy, with the Group focusing on higher-growth chronic care markets with improved margins and higher levels of recurring revenue. Given the geopolitical situation in the region, the manufacturing plant in Belarus which produces hospital care goods ceased manufacturing on 31 May 2022 alongside the discontinuation of associated Russia activities. The remainder of the hospital care and industrial sales activities were mostly phased out in the second half of 2022.

### Risk heatmap

The graphic below summarises our assessment of the expected impact and the likelihood of that impact to happen as a result of our principal risks occurring after taking into consideration the mitigating actions and effective controls in place to manage each risk, with an indication of the change in the risk profile since December 2021.

#### Key drivers
1. Operational Resilience and Quality
2. Information Systems, Security and Privacy
3. Financial
4. Strategy and Change Management
5. Customer and Markets
6. Legal and Compliance
7. Policy and Economic Environment
8. People
9. Global Quality & Operations Officer
10. Tax and Treasury

#### Risk category:
- Strategic
- Operational
- Financial
- Compliance

#### Impact:
- Decreased
- Unchanged
- Increased

#### Likelihood:
- High
- Medium
- Low

### Risk details and link to strategy

#### Category: Operational
- Decrease in global market due to increasing geopolitical uncertainty and risk.
- Decreased

#### Risk mitigation
- Exercise of the Group’s management and control frameworks to ensure resilience and adaptability.
- Increased

#### Link to strategy
- Global Quality & Operations Officer

### 1. Operational resilience and quality

#### Risk

Supply and manufacture of products and packaging are reliant on the resilience of supply chain partners and manufacturing assets, and robust clinical and quality system processes. We invest in and develop our assets to ensure our supply chain and processes provide a level of operational integrity and performance. Failure to respond to events, including geopolitical issues and any increase in extreme weather patterns from climate change, that result in production and/or supply chain delays, adverse product quality and health and safety, and environmental incidents could result in underperformance, a requirement to recall a product, reputational harm or a loss of stakeholder confidence in our ability to deliver our strategic ambitions.

#### Key drivers
- Business continuity management.
- Supply chain resilience capabilities.
- Quality standards and resolution of existing and emerging quality issues within the supply chain, manufacturing and packaging processes.
- Health and safety of employees and contractors. Protection of the environment.
- Maintaining manufacturing plant performance.
- Single source or sole suppliers for raw materials and services.

#### Risk mitigation
- Executive-led operational business continuity governance group provides high-level oversight. Business continuity plans for manufacturing facilities, inventory movement and our key supply chain to maintain capability to respond rapidly and appropriately to any incident.
- Procurement and supply chain processes to monitor, manage and provide assurance to supply-based risk across our markets, inventory, energy security, key suppliers and supply routes, ports and countries of operation.
- Dedicated engineering, health, safety and environment, and quality project teams and processes to prioritise and address risk to manufacturing processes, facilities and people.

#### Risk details and link to strategy

- Opportunity: Increase the efficiency and effectiveness of operations to support future market and customer demands.
- Risk profile change: 2022: no material change

#### Category: Operational
- Decrease in global market due to increasing geopolitical uncertainty and risk.
- Decreased

#### Link to strategy
- Global Quality & Operations Officer

### 2. Information systems, security and privacy

#### Risk

Failure to ensure that our systems, data management and related controls supporting our global business are effective, available, integral and secure, and recoverable, including those of our third-party partners, could adversely affect our ability to maintain continuity in our operations and the trust of our customers and other stakeholders. Information security breaches can lead to data theft, fraud or accidental disclosure and result in non-compliance with global data protection laws. Any real or perceived failure to comply with laws and regulations, or to adjust to changes in conditions and increase in complexity, could result in adverse consequences such as penalties, regulatory investigation, a decrease in corporate trust from stakeholders or additional compliance measures.

#### Key drivers
- Data management and privacy.
- Cyber security.

#### Risk mitigation
- Cybersecurity leadership council, ethics committee and privacy leadership team provide governance and oversight with policies, methodologies, training and accountability framework in place to manage the protection and use of personal data.
- Global Information Security and Compliance function supports the business with an IT general control framework in place to protect systems and data. Independent cyber assessment and data review programme in place.

#### Risk details and link to strategy

- Opportunity: Enhance the efficiency and resilience of our IT systems and processes to support effective delivery of our operations.
- Risk profile change: 2022: no material change
3. Innovation and regulatory

Risk
Failure to invest in and develop safe, effective, profitable and sustainable long-life products to meet customer and market expectations, fail to meet needs or respond to disruptive new technologies, could result in lost market share, underperformance and a lack of stakeholder confidence to deliver in line with expectations. We are subject to oversight by a number of regulatory jurisdictions that continue to implement significant obligations and scrutinise our ability to operate. Failure to fulfil emerging obligations, provide safe clinical processes, or produce products and packaging that meet stringent and transparent customer, environmental and performance criteria, or operate inadequately or environmentally inappropriate manufacturing and quality systems, could increase the requirement to recall products, with the potential for regulatory action and/or liability claims, due to non-compliance with regulatory bodies, a failure to meet stakeholder expectations or patient harm from faulty products.

Key drivers
- Product innovation transition from end-of-life technology and ageing products.
- Compliance with regulatory frameworks and anticipation of emerging regulatory environment.
- Disruptive and new technologies. Changing customer and market needs.
- Maintaining legal manufacturing structure, authorised representative and assurance process for pre-market, manufacture, and post-market compliance.
- Managing safe clinical services for sustainable growth.
- Sustainable approach to responsible products, packaging and development.

Risk mitigation
- Central Technology & Innovation team provides strategic direction for continued R&D investment, product development, medical education, regulatory approval and new product reimbursement and launches to cultivate the product pipeline.
- Product portfolio reviews provide oversight on short-, medium- and long-term innovations and the balance across product categories and market regions.
- Regulatory teams and regulatory intelligence process supports the business to meet the latest standards and expectations in all our jurisdictions and manages our relationship with regulatory bodies.

4. Customer and markets

Risk
Growth and value in our markets rely on our product portfolio, future innovation, M&A pipeline and digital strategy delivering to expectations and customer demands, along with a competitive pricing strategy. There is continued pressure on pricing and margin containment from rising global inflation rates and large and consolidating buying groups, as well as on reimbursement rates for products to continue to meet the home care setting from government or commercial payers managing and reducing their costs. Competition, behaviour, attractiveness and effectiveness of our portfolio from market trends or public perception, and maintaining a low-cost base, all contribute to pressure on sales and reduce prices and margins. Failure to identify change or plan effectively to changes in market conditions, competition, customer demand, expectations and behaviour could result in underperformance and adverse results.

Key drivers
- Local or national government healthcare budget provisions.
- Operational, contracting and price review process.
- Product portfolio rationalisation.
- Competitive markets and behaviours and consolidation of buying groups.
- Changes in customer buying patterns and service level expectations.
- Manufacturing costs in a low-margin driven pricing environment and as a result of changes in consumer and government behaviour/attitude to sustainability.

Risk mitigation
- Key market and geography focus supported by the Global Pricing CoE established in key regions to adapt to changing market conditions and provide insight and information in a timely manner to respond to increasing and, with regular pricing and revenue reviews undertaken.
- Executive operational reviews, product portfolio and industry innovation teams on new product development and launch.
- Market environment monitored and key strategic markets, such as China, assessed for further growth opportunities. Supply chain team manages and mitigates market and region challenges and logistics.

5. Political and economic environment

Risk
Our global operations and markets are subject to various political interventions and changes to corporate governance requirements, particularly in relation to global inflationary and supply chain pressures, security of raw material and energy supply. Healthcare system reform, regulatory reform, governance of industry operations, amendment to existing tax and disclosure regimes and fiscal terms, and protection of consumers and business customers. Continuing volatility in the international political environment, together with the potential for new levels of tariff structure changes, sanctions or other trade limiting actions. A failure to identify and adapt to these factors could impact sourcing costs and services, as well as our ability to maintain a presence in current and future markets and countries.

Key drivers
- Financial markets, inflationary and supply chain pressures and macroeconomics.
- National healthcare reforms, political movements and trend changes.
- Geopolitics and security of the supply chain.
- Uncertainties affected by global pandemics, interstate conflict and social unrest affecting key markets.
- Adverse national trading relationships, customs duties and tariffs.

6. People

Risk
Failure to effectively recruit, retain and develop a diverse and inclusive workforce with strong succession to align the right talent, particularly in our senior management and through the development of the talent pipeline, to enable key business imperatives. Intensifying global cost of living and inflationary pressures increases the challenges in retaining and recruiting key talent and skills. Failing to successfully manage transformation and/or the effects of high business disruption could impact employee effectiveness, engagement and wellbeing and adversely affect our ability to transform our business, achieve our strategic objectives and deliver growth.

Key drivers
- Attraction, recruitment and retention of key skills and capabilities, including salary and remuneration inflation challenges in critical areas.
- Effective succession and knowledge management planning strategy for senior leadership and key roles.
- Mental and occupational health and wellbeing of the workforce.
- Resource planning, people capability and capacity, including the speed and volume of management change.
- Performance and development management, diversity, equal opportunities and labour relations.
- Company culture, values and workforce engagement.

Risk mitigation
- Executive and senior leadership focus on maintaining a diverse and effective leadership team with a pipeline of senior future talent and retention and development of key skills across the organisation. Continuing focus on ED&I.
- Talent to value approach embedded in the strategic planning process. Talent management reviews create pipeline of talent for critical and leadership roles.
- Global and employee pulse surveys in place. Implementation of appropriate reward arrangements to attract and retain top talent.
- Senior talent, maintain strength in key skills and respond to regional cost of living issues.

Key drivers
- Financial markets, inflationary and supply chain pressures and macroeconomics.
- National healthcare reforms, political movements and trend changes.
- Geopolitics and security of the supply chain.
- Uncertainties affected by global pandemics, interstate conflict and social unrest affecting key markets.
- Adverse national trading relationships, customs duties and tariffs.

Risk mitigation
- Compliance, IR, Legal, Regulatory and Tax teams support the business, liaise with external stakeholders and respond to changing requirements where appropriate.
- Global supply chain function manages our presence in markets and across regions. Third-party contracts in place to maintain the security of supply. Monitoring of supply chain through implemented systems and third-party partners.
- Dialogue with governments in relation to specific matters.
- Membership of appropriate industry bodies and participation on industry issues including development and implementation of best practice.

Risk details and link to strategy
Category: Operational
Opportunity
Create a sustainable level of expertise and key skills across the Group.
Link to strategy:
Read more on pages 56 to 61

Read more on pages 12 to 13

Read more on pages 50 to 55
7. Legal and compliance

Risk

Our business is subject to a complex environment of laws and regulations across multiple jurisdictions. Any real or perceived failure to comply with required and/or new and emerging laws, regulations and sanctions or to adjust to a change in conditions and increase in scrutiny, or exposure to litigation from contractual obligations or intellectual property could result in adverse consequences such as penalties, government investigation, a decrease in corporate trust from stakeholders, competitive disadvantage or additional compliance measures.

Key risks

- Market conduct compliance
- Legal obligations in relation to customer conduct, including sales practices and distributor activity
- Product and patient liability
- Commercial litigation
- Financial crime
- Complexity and transparency of IP and patent environment, including in tax and operations.

Risk mitigation

- Our Code of Conduct, Group policies and standards govern how we conduct our affairs through our values and culture. Executive level Compliance Steering Committee and Audit & Risk Committee provide oversight to the Group on annual compliance assurance programme, mandatory training, compliance initiatives and emerging exposures. Independent whistleblower process in place.
- In-house legal counsel team with external counsel engaged when appropriate. Contract database, contract approval process and Grant of Authority scheme in place. Third-party risk control framework for onboarding due diligence process and due diligence training. Patent counsel manages patent protection and ongoing market IP monitoring process.
- Sanction framework checks in place with shareholder register, Compliance, Treasury, banking partners, supply chain and finance teams.

Risk details and link to strategy

Category: Compliance
Appetite: Cautious
Accountability: Evelyn Douglas, EVP, Chief of Corporate Strategy & Business Development, General Counsel & Company Secretary
Link to strategy: 

Create an industry-leading legal and compliance approach to our obligations and stakeholder expectations.

2022: no material change

Read more on pages 62 to 65

8. Strategy and change management

Risk

Delivery of our strategy will involve growth in a network of markets, simplifying the business and generating efficiencies, maintaining a low-across base and investments to position ourselves to deliver whilst sustaining a stable platform for investment. Any failure to ensure that we deliver material growth in key markets, integrate N&A activity and establish strategic partnerships, contend with new market entrants and maximise the value of data could fail to create shareholder value, erode investor confidence, and have a significant impact on the Group’s revenues and profits. The successful delivery of business change requires a multi-faceted, whole-organisation approach. The success of our more scale change initiatives carries complexity and a material delay or challenge to our change programme and the realisation of planned benefits may affect objectives, strategic growth, investor confidence and cause financial loss.

Key drivers

- Transformation execution
- Programme management and governance
- Mergers & acquisitions and divestitures
- Strategic partnerships
- Strategy definition and execution
- Investor relations and stakeholder management.

Risk mitigation

- The Board approves the Group’s strategic plan setting the strategic direction and confirming strategic choices that are embedded in targets across the business.
- Central strategy team supports the business delivering against the embedded strategic planning process and timetable to define delegated targets in business plans.
- Central Financial Planning, Performance & Delivery function provides overarching global oversight to delivery of change management and efficiencies programme. The work functions to ensure capital is allocated in line with strategy and towards projects best able to deliver expected business benefits.

Risk details and link to strategy

Category: Strategic
Appetite: Seek
Accountability: Evelyn Douglas, EVP, Chief of Corporate Strategy & Business Development, General Counsel & Company Secretary
Link to strategy: 

Create a continuous streamlined business model that assesses value-adding opportunities, maximises investment returns and delivers strategy to meet stakeholder expectations.

2022: no material change

Read more on pages 15 to 19

9. Environment and communities

Risk

Long-term success relies on addressing the challenges to the sustainability of our operations (including environmental and social aspects), supply chain resilience, products and the ability to manage the impact of climate change, developments in the political environment and increasing pressure and scrutiny from external groups, society, customers and communities in which we operate. The identification of requirements and expectations of stakeholders is increasing, which requires a level of transparency and accountability of sustainable corporate culture to underpin the way in which the Group operates. Failure to implement appropriate plans across environmental, social and governance aspects, including incorporating the recommendations of the TCFD and SBT and deliver on net zero commitment, could hinder efforts to mitigate long-term risks and bring a range of reputational and commercial impacts to the business across a range of stakeholders.

Key drivers

- Environmental and climate change strategy delivering our net zero commitment and Science-Based Targets initiative.
- Recommendations of the TCFD and emerging ESG reporting requirements and standards.
- Responsible and sustainable behaviours across the supply chain.
- Product impacts and sustainable product design.
- Sustainable corporate culture in DEI and transparent ways of working.
- Community investment programme.

Risk mitigation

- Executive ESG Steering Committee, including functions from across the business, provides oversight and direction on Group strategy and execution.
- ESG framework implemented, aligned to our Group reporting and regulatory requirements, with published policies and independent third-party expert assurance in place.
- Supply chain partners managed through contracts, supplier code of conduct and performance monitoring with third-party assurance process in place for key suppliers.

Risk details and link to strategy

Category: Strategic
Appetite: Manage
Accountability: Natalia Kozmina, EVP Chief Human Resources Officer & ESG Stewardship
Link to strategy: 

Achieve an effective balance between short-term needs and delivery versus longer-term requirements and commitments, in response to anticipated exposures from changes and events in the climate, the environment and society.

2022: no material change

Read more on pages 66 to 74

10. Tax and treasury

Risk

Our business operates across multiple jurisdictions with complex tax laws and regulations and it manufactures and/or operates across markets with multiple currencies. Changes in tax law and regulations as well as any organisational change that affects the Group’s tax structure that supports strategy, liquidity access to meet financial obligations, financial obligations and liquidity reserve. Refinancing of our capital and management and efficiencies programme. The function works to advise the business regularly on obligations, requirements and future improvements to the tax governance framework.

Key drivers

- Multiple tax jurisdictions and emerging changes to tax law and regulations.
- Complex global tax regulatory environment and complex Group trading structure and intra-group trading. Unprogated tax liabilities.
- Global economic environment, including exposure from interest rate and foreign exchange rates.
- Financial obligations, cashflow management, access to funding and credit rating.
- Counterparty exposure.
- Financial reporting and controls in key processes.

Risk mitigation

- Central global tax function monitors changes in tax laws and regulations, as well as support during major internal projects, to advise the business regularly on obligations, requirements and future improvements to the tax governance framework.
- Central global tax function works with the business and Finance team in major jurisdictions to understand tax changes and provide support.
- Central corporate Treasury function manages the capital structure that supports strategy, liquidity access to meet financial obligations and liquidity reserve. Refinancing of our capital and management and efficiencies programme. The function works to advise the business regularly on obligations, requirements and future improvements to the tax governance framework.

Risk details and link to strategy

Category: Financial
Appetite: Manage
Accountability: Jonny Mason, Chief Financial Officer
Link to strategy: 

Robust tax arrangements, financial performance and balance sheet to increase stakeholder and shareholder confidence.

2022: no material change

Read more on pages 30 to 38
An understanding of the Group’s strategy, to pivot towards profitable growth, and its business model (pages 16 to 19 and pages 8 and 9) are central to the process to assess the Group’s prospects, liquidity, resilience and viability. The principal and emerging risks, as disclosed by the Company (see pages 91 to 97) are relevant to the Group’s strategy and its successful implementation.

**Assessment of future prospects**

The Group’s annual planning process consists of monthly monitoring of progress against the financial budget and key objectives for the current year by CELT and the Board, reforecasting throughout the year in respect of the expected outcome for the current year, preparing a detailed budget for the following year and updating a rolling five-year strategic plan, following a detailed review by the Board, which forms the main basis on which to assess the longer-term prospects of the Group.

In 2022, the Board approved a detailed operational plan and execution model to deliver sustainable and profitable growth over the medium to long term. The Board subsequently approved the financial plan that underpins the Group’s five-year strategic plan. The financial plan forecasts the Group’s profitability, cash flows and funding requirements for the relevant period.

Our strategy is consumer-centric, agile, focuses on innovation and ensures clear accountability. It has been developed from strategic plans for each of our business units and functional areas, the outputs of which have been benchmarked at a Group level and assumptions such as macroeconomic activity, market sector growth forecasts, competitor activity and exchange rates. Thus, the Group has been given a clear strategic plan for improving the operational effectiveness and execution of all elements of the Group.

Key factors affecting the Board’s view of the Group’s prospects over the period to conclusion are:

- The fundamentals of our markets, products and brands remain sound, as do their performance and the strategic leveraging of our product portfolio through our consumer-centric, agile and commercialising new technologies and services and striving to reduce complexity and increase efficiency.
- Established positions in large, structurally growing markets; strong brands and a range of differentiated products; a well-diversified business platform across a range of market segments and geographies; and cash generation capabilities.
- Refining the Group’s bank facilities with £1.2 billion committed for 5 years in addition to the Group’s £500 million 2029 senior unsecured notes.
- The five strategic pillars that will support the delivery of the strategy, which are set out on page 15.

The key assumptions considered in the strategic plan, on which this viability assessment is based, include:

- Our markets remain structurally sound and have the potential to grow at existing levels with no significant change to re-import environments.
- Margin improvement is driven by successful execution of our operational excellence programmes in order to deliver productivity gains in excess of pricing and other headwinds.
- Although the persistence of COVID-19 remains uncertain, its impact on operations remains limited and have been embedded into the assumptions for the strategic planning cycle.
- Climate risk has been considered but is not expected to have an impact during the viability period of three years.
- Through the execution of our strategy, we simplify our business, remove excess costs and re-invest in future innovation.
- Maintaining the existing dividend policy over the viability period.

**Viability assessment**

Throughout the year, the Board has undertaken a robust assessment of the principal risks affecting the Group and also emerging risks, particularly those that could threaten the business model and the Group’s viability over an extended period, including an assessment of the likelihood of them materialising. These risks and the actions being taken to manage or mitigate them are explained in detail on pages 93 to 97. This analysis has then been applied to allow the Board to assess the prospects, liquidity, resilience and viability of the Group.

The directors are of the view that the assumptions included within the financial plan remain a three-year period from January 2023 to December 2025 ("the Viability Period"). Although the Board has reason to believe that the Group will not be materially worse off over a longer period, the Board has chosen to conduct the assessment for this three-year period because:

- Our R&D and production cycles tend to be of a duration of less than three years with key innovation pipelines programs targeting launch within the Viability Period.
- Significant capital investments are being made over the next year to realise the Group’s strategy over the medium to long term. The Group’s business model means that its capital investment is discretionary and it has the ability to respond in a timely manner to reasonably possible Group-specific market and financial risks and therefore does not require a longer time horizon assessment.
- Implicitly, it is harder to accurately forecast the latter years of a five-year planning period.

The viability assessment has consisted of stress testing the forecasts underlying the strategic plan for three years, testing both plausible and plausible scenarios in which a number of the Group’s principal risks and uncertainties materialise within the Viability Period. We have modelled scenarios in which the Group faces two principal risks where we believe independent, interdependent and simultaneous. These scenarios focused on both external factors, such as the possibility of economic recession in some markets leading to higher interest rates and increased inflation headwinds, and internal factors, such as a regulatory breach resulting in a loss of revenues.

We continue to strengthen and develop the link between the Group’s principal risks materialising and the viability of the Group and scenarios. The risk management strategies are updated and the Board is provided with the key assumptions and emerging risks are explained in detail on pages 93 to 97. This analysis has then been applied to allow the Board to assess the viability of the Group.

**Scenario analysis**

This assessment was informed by Management’s and the Board’s combined judgement as to the potential financial (particularly liquidity) impact of these risks if they were to materialise, together with their likelihood of occurrence. The Directors reviewed and discussed the process undertaken by Management and also reviewed the results of reverse stress testing performed against the forecast base case to determine the performance levels that would result in a breach of covenants. For a breach of covenants to occur in the next 12 months, before mitigation, the Board would need to experience a sustained revenue reduction of more than 10% across all categories and markets. This was considered to be implausible given the Group’s strong global market position and diversified portfolio of products and investments available to the Board and management, as described above.

In addition, the Board undertook an independent review of market information, including investors’ and analysts’ views and continued to have regular updates from market commentators on the future viability of the Group and the market prospects. This review was undertaken to ensure that the viability assessment was based on reasonable and prudent assumptions.

The viability assessment has concluded on the Group’s viability and the market prospects, liquidity, resilience and continuing to pay a dividend policy. The Directors through adjustments to the Group’s strategy and other means in the normal course of business for example lower capital investment or reduced dividends.

This assessment was informed by Management’s and the Board’s combined judgement as to the potential financial (particularly liquidity) impact of these risks if they were to materialise, together with their likelihood of occurrence. The Directors reviewed and discussed the process undertaken by Management and also reviewed the results of reverse stress testing performed against the forecast base case to determine the performance levels that would result in a breach of covenants. For a breach of covenants to occur in the next 12 months, before mitigation, the Board would need to experience a sustained revenue reduction of more than 10% across all categories and markets. This was considered to be implausible given the Group’s strong global market position and diversified portfolio of products and investments available to the Board and management, as described above.

The Group’s Goongos Concerent statement is detailed on pages 172 and 173.

**Karin Bitar**

Chief Executive Officer

**Jonny Mason**

Chief Financial Officer
Governance at a glance
Board statements
Board statements required by the UK Corporate Governance Code 2018
Chair’s governance letter
The Chair’s overview of governance developments during the year
How we have applied the Code’s core principles
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Directors’ Remuneration report
Letter from the Chair of the Remuneration Committee
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Our Annual Report on Remuneration
Our Remuneration Policy
Directors’ report
Directors’ responsibilities statement
### Governance at a glance

#### Governance Highlights
- **Board**
  - Consideration of, and agreement for, the acquisition of Triad Life Sciences.
  - Consideration of, and agreement for, the minority investment in BluWind Medical Ltd of $30.0 million, a company developing an innovative solution for the continence market.
  - Consideration of, and agreement for, Convatec’s withdrawal from hospital care activities and related industrial sales.
  - Ongoing review of other M&A opportunities.
  - Oversight of execution against the FISBE 1.0 strategy and the development of FISBE 2.0.
  - Capital expenditure discussions and approvals for manufacturing expansion.
  - Approval of the refinancing of the Group’s banking facilities.
  - Review and approval of the Group’s Strategic Plans and Budget.
- **Nomination Committee**
  - Review of, and recommending changes to Board Committee composition, taking into account Directors’ skills, knowledge and experience.
  - Consideration of progress against diversity, equity & inclusion and wellbeing strategic targets.
  - Review of succession and talent at Board, CELT and wider global leadership team levels.
  - Consideration of CEO succession plan.
- **Audit and Risk Committee**
  - Consideration of the Group’s internal controls environment, including cyber security and data privacy.
  - Review of interim and full-year results statements prior to recommending to the Board for approval.
  - Oversight of Convatec’s enterprise risk management framework and risk reporting.
  - Review of the BES corporate governance and audit reform proposals and the measures taken or to be taken by the Company in response.
  - Review of TCFD and other non-financial reporting and disclosures.
  - Review and approval of the external audit plan for the 2022 external audit.
  - Review of 2022 internal audit reports and 2023 internal audit plan.
  - Evaluation of the effectiveness of the external auditor and internal audit function.
- **Remuneration Committee**
  - Review of remuneration advisers to the Committee, selection and appointment of Willis Towers Watson.
  - Consideration of shareholder feedback following the 2022 AGM and determination of next steps.
  - Development of the new Remuneration Policy taking into account extensive shareholder consultation throughout the year.
  - Review of remuneration arrangements under the LTIP and annual bonus scheme.

#### Board Statistics

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Gender</th>
<th>Length of Tenure</th>
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</thead>
<tbody>
<tr>
<td>Requirement</td>
<td>Male: 40%</td>
<td>1 year or less: 3</td>
</tr>
<tr>
<td></td>
<td>Female: 40%</td>
<td>1-2 years: 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2-3 years: 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3-4 years: 3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4 years or more: 2</td>
</tr>
</tbody>
</table>

#### Board and Committee meetings:

- **Board scheduled meetings**
  - 8 meetings
- **Audit and Risk Committee meetings**
  - 7 meetings
- **Nomination Committee meetings**
  - 2 meetings
- **Remuneration Committee meetings**
  - 5 meetings

1. As at 31 December 2022 and at 8 March 2023.
2. As at 8 March 2023.
3. In addition, there were several strategic or project-specific meetings of the Board and sub-committees that were held at short notice throughout the year.
Dear Shareholder

I am pleased to present this Governance report which covers, amongst other things, key governance developments throughout the year, progress against our diversity strategy at Board and senior management levels and the Board’s stakeholder engagement activities.

Our key governance priorities

Sound corporate governance and effective oversight provide the foundations of successful and sustainable businesses. During 2022, the Board not only maintained a sharp focus on execution and delivery against the Group’s FISBE strategy, including reviewing progress against our simplification and productivity agenda, but also considered the Group’s future corporate strategy and delivery. This included reviewing a number of corporate development opportunities, such as M&A transactions and strategic investments.

Set out later in this report is further detail on some of the key agenda items and decisions made during the year and how the Board considered key stakeholders in making those decisions. We also provide detail on the activities of the Board committees.

Our culture

We have a clear vision statement which encapsulates our purpose and ambition and a set of values that reflect our culture, all of which have become embedded throughout the Group and influence our everyday behaviours and how we do business. The launch of ‘Convatec Cares’, our ESG framework, supports what we do and reflects our vision and values, and how they are integral to our wider strategic framework, set out on page 8.

The Board remains committed to promoting a culture with our values and forever caring promise at the heart. We have continued to assess and monitor culture through reports provided regularly to the Board and Nomination Committee, including reviews of the results of Convatec’s Organisational Health Survey, the outcomes of which are described on page 158. In addition, we received reports on progress against our people strategy as well as talent and succession planning.

An evolving Board

As reported in last year’s Annual Report, Jonny Mason joined Convatec as Chief Financial Officer designate on 31 January 2022 and became Chief Financial Officer and a Director of the Company on 12 March 2022. Jonny replaced Frank Schulkes, who stepped down as CFO and from the Board on 11 March 2022.

Kim Lody and Sharon O’Keefe joined the Board as Non-Executive Directors on 1 February 2022 and 1 March 2022, respectively. Rick Anderson stepped down from the Board on 3 March 2022, as did Dr. Regina Benjamin on 12 May 2022.

Following these Director changes, during the first half of 2022 the Nomination Committee reviewed the resulting Board composition and determined that there continues to be an appropriate mix of skills, knowledge, experience and diversity on the Board to fulfil the Board’s vision and support the delivery of the Company’s FISBE strategy. The Board supported that assessment.

Membership of each of the Board’s committees and changes in the Committees’ memberships are set out in the respective committee reports on pages 123, 126 and 159.

Workforce engagement

2022 saw the appointment of Sharon O’Keefe as Convatec’s dedicated Non-Executive Director workforce liaison champion. She has since attended and decribed the Board on a number of employee engagement activities, including a multi-day Convatec Global Leaders Meeting; an event which provided her with an excellent opportunity to engage with Convatec’s top 100 leaders. Further details of Board-level workforce engagement can be found on page 118. We are planning yet more direct employee engagement activities for the Board in 2023, including an off-site Board meeting at one of our manufacturing sites.

Convatec’s ‘Our Work Life’ initiative continued to gather momentum and reinforces our approach to working in more agile and flexible ways, as well as supporting employees’ physical and mental health and wellbeing. This initiative includes our annual ‘Convatec Day’, a global mental health awareness campaign, as well as workshops, activities and focus groups.

Our other key stakeholders

Our key stakeholder groups are identified and detailed on pages 44 to 45. Recognising that the sustainable success of our business is dependent on our stakeholders, and mindful of our duty under section 172 of the Companies Act 2006, we have ensured that all Directors have timely access to information about stakeholder issues and concerns. Information about how the Board has taken account of section 172 considerations in our Board discussions and decision-making processes is set out on pages 118 to 121. Our section 172 statement is on page 45.

A key engagement during the year was with our shareholders, as we sought further insight and understanding of concerns following the significant minority vote against Convatec’s Directors’ Remuneration report resolution at our Annual General Meeting (AGM) in 2022. We are grateful to shareholders for sharing their thoughts and views which have been invaluable as we have developed our new Remuneration Policy which will be put forward for shareholder consideration and vote at the 2023 AGM in May.

Environmental, social and governance (ESG)

The Board oversees our responsible business programme and details of work in this area during the year are included on page 117.

In recent years, we have laid strong foundations to ensure we operate in a responsible and sustainable way (see pages 40 to 74) and in 2022, we made progress against sustainability targets, including against new targets which were set in 2021.

Our CEIT-led ESG Steering Committee, chaired by the CEO, met three times during the year.

The remit of the ESG Steering Committee includes reviewing progress on our sustainability targets, setting new targets where required and enhancing our TCFD disclosures. The Committee provided regular updates to the Board on progress against ESG strategic aims, and to the Audit and Risk Committee in relation to TCFD disclosures and ESG assurance.

Goverance practices

During the year the Board held four in-person Board meetings, in March, July, September and December, and four Board meetings by video conference, in April, May, August and October, a pattern which we expect to continue through 2023 and beyond.

Our 2022 AGM took place as a hybrid meeting, with the added functionality of enabling shareholders to attend, fully participate in voting and ask questions, both in person and remotely. Our 2023 AGM will similarly be held as a hybrid meeting.

Board evaluation

In accordance with the Code requirements, a performance evaluation of the Board and Board Committees was carried out in the autumn of 2022. This was conducted by way of an externally facilitated questionnaire to Board members and select senior managers, with findings then collated externally and reports provided to the Board and Board Committees. Details of the evaluation process and key points arising from the 2022 review can be found on page 123.
Diversity
The Board is committed to achieving diversity and inclusion across the Group and, in doing so, ensure transparency against our targets. We have chosen to report against the new comply or explain diversity targets under the Listing Rules within this Annual Report. As at 31 December 2022 and the date of this report, we comply with these targets. Further details can be found within the Nomination Committee Report on page 124.

We are compliant with the recommendations of the Parker Review on ethnic diversity and will continue to monitor Board composition to ensure that we maintain an appropriately diverse Board in all respects. As at 31 December 2022 and the date of this report, the proportion of women on our Board was 40% (2021: 30%) and one member of our Board is from a minority ethnic background.

Our objective is to achieve 40% of senior management roles (members of CELT and their direct reports, excluding administrative staff) held by women by the end of 2025. As at 31 December 2022, women held 38% of our senior management roles (2021: 32%).

During the year, the Board and Nomination Committee have considered diversity, equity & inclusion and wellbeing insights globally across a range of metrics, with a focus on gender, and insights from our Employee Resource Groups. Initiatives to increase diversity, equity & inclusion and wellbeing are being consistently implemented across the Group and the Board and Nomination Committee will continue to review the Group’s efforts and the implementation of our people strategy.

Our diversity policy for the Board, senior management and the wider workforce is a key pillar of our ESG strategy and is fully aligned to our FISBE strategy and our people strategy. The objectives of our diversity policy are set out on page 59.

The Code
During the year, we have complied with the Code other than:

- Provision 36: formal policy for post-employment shareholding requirements. The Remuneration Committee was of the view that the structure of the Deferred Bonus Plan and LTIP sufficiently supported the requirement for Executive Directors to maintain a meaningful shareholding in the Company for a period of time after they leave the Group. The Committee has considered feedback from shareholders and evolving investor sentiment on post-employment shareholding requirements and a new post-employment shareholding requirement forms part of our new Remuneration Policy which shareholders will be invited to vote upon at our 2023 AGM (see page 157).
- Provision 38: pension contribution rate for Executive Directors to be aligned to those available to the workforce. Karim Bitar’s pension benefit previously reflected the shareholder Remuneration Policy in force at the time of his appointment, however his pension benefit was aligned to the wider UK workforce from 1 January 2023. (See page 143.)
- Provision 40: 40% of the Group’s workforce should have an employment engagement on executive remuneration. The Remuneration Committee has not undertaken consultation with the workforce when considering executive remuneration, however the Committee has considered wider pay practices across the Group and is mindful when applying salary increases.

We explain how we have applied the Code’s principles on pages 107 to 109. These core principles also serve as a framework for the following sections of this Annual Report which explain our governance structure and the processes we operate to support the Group’s long-term success.

2023 priorities
The Board remains committed to the highest levels of corporate governance. As a Board, we will continue to oversee delivery of our FISBE strategy, especially as it evolves this year. We will also continue to monitor our simplification and productivity initiatives, including the continuing transition of key central functions to our Global Business Services team in Lisbon.

In 2022, we saw the launch of several key new products. The Board will continue to monitor the successful development and launch of a range of new products, at the same time overseeing the continuing build of our wider supply chain resilience. After much progress over the last few years, we will also continue to monitor the ESG and climate agenda, evolving societal expectations and Convatec’s response and actions.

Dr. John McAdam CBE
Chair
8 March 2023

A An effective and entrepreneurial Board that promotes long-term sustainable success of the Company and which generates value for shareholders and contributes to wider society

The Board discharges its responsibilities through a programme of activities that include review and approval of the Group’s strategy, regular progress reviews of its execution and implementation, discussion on arising key issues and monitoring of performance, to enable the Group to deliver sustainable and profitable growth.

B Establishment of purpose, values and strategy and promotion of desired culture

The Board endorses the Group’s vision statement (which encapsulates our promise, purpose and ambition), its values and our forever caring promise. During the year, it has reviewed the Group’s strategy and continued to assess and monitor culture to ensure their alignment.

C Ensuring resources are in place to meet objectives, measuring performance and establishing controls which assess and manage risk

The Board regularly reviews the Group’s financial and non-financial resources to ensure that it has the resources available to deliver its strategy. The Board has approved and regularly reviews a series of KPIs. The Board has established an effective governance and risk management framework.

D Effective stakeholder engagement and participation

To fulfil its duty to promote the Group’s long-term success and generate value for shareholders, stakeholders and wider society, the Board has designated a Non-Executive Director for workforce engagement and established a number of mechanisms to facilitate stakeholder engagement and ensure that the Directors consider all relevant stakeholder issues and concerns.

E Ensuring workforce policies and practices are consistent with the Company’s values and support long-term sustainable success, and that mechanisms are in place to allow the workforce to raise concerns

The Board has ensured that workforce policies and practices are consistent with the Group’s values and has established mechanisms, including an independently provided whistleblowing/speaking-up facility to allow the workforce to raise concerns anonymously.

How we have applied the Code’s core principles
**Principles Application Where further information is available**

**DIVISION OF RESPONSIBILITIES**

<table>
<thead>
<tr>
<th>Principles</th>
<th>Application</th>
<th>Where further information is available</th>
</tr>
</thead>
<tbody>
<tr>
<td>F The Chair’s role</td>
<td>The Chair was independent on appointment and is responsible for the leadership of the Board</td>
<td>Key Board roles and responsibilities Page 115</td>
</tr>
<tr>
<td>G Clear division of responsibilities and appropriate combination of executive and non-executive roles</td>
<td>The Board includes eight Non-Executive Directors and two Executive Directors. Their responsibilities are clearly defined.</td>
<td>Key Board roles and responsibilities Page 115</td>
</tr>
<tr>
<td>H Time commitment, constructive challenge and strategic guidance</td>
<td>All Directors have demonstrated that they have sufficient time to fulfil their duties and responsibilities. In their roles, the Non-Executive Directors have provided constructive challenge, strategic guidance and held management to account.</td>
<td>Nomination Committee report Pages 133 to 125 Board evaluation Page 122</td>
</tr>
<tr>
<td>I Effective and efficient Board</td>
<td>All Directors have access to an encrypted electronic portal system which enables them to receive accurate and timely information. They also have access to the advice of the Company Secretary and independent professional advice at the expense of the Group. The Board undertook an externally facilitated Board evaluation by way of detailed questionnaires, the conclusions of which are contained within this report. The Non-Executive Directors meet with the Chair, without the Executive Directors present, to discuss performance against agreed objectives. The Non-Executive Directors also meet without the Chair to appraise his performance. The Chair provides performance feedback to each Non-Executive Director throughout the year as and when the need arises.</td>
<td>Board and Committee meetings Page 115 Board evaluation Page 122</td>
</tr>
</tbody>
</table>

**COMPOSITION, SUCCESSION AND EVALUATION**

<table>
<thead>
<tr>
<th>Principles</th>
<th>Application</th>
<th>Where further information is available</th>
</tr>
</thead>
<tbody>
<tr>
<td>J Board appointments and succession</td>
<td>A Nomination Committee is established and Board appointments are made in accordance with a formal, rigorous and transparent procedure, with diversity a key consideration as well as relevant knowledge, skills and experience. The Nomination Committee regularly considers Board and senior management succession.</td>
<td>Nomination Committee report and Board appointment procedure Pages 123 to 125 Board appointments Page 124 Talent and succession planning Page 125</td>
</tr>
<tr>
<td>K Combination of skills, experience and knowledge, with regard also to tenure</td>
<td>Our Board is balanced and diverse and its members have proven leadership capabilities and relevant healthcare, operational and financial skills and experience. Board member tenure is such that there is a balance of deep knowledge of the Company and fresh perspective and challenge.</td>
<td>Directors’ biographical information Pages 110 and 111 Skills and experience matrix Page 110 Board member tenure Page 102</td>
</tr>
<tr>
<td>L Annual evaluation</td>
<td>In compliance with the Code, during 2022, the Board undertook an evaluation of its performance and that of its committees. The evaluation was by way of an externally facilitated questionnaire and reporting process.</td>
<td>Board evaluation Page 122</td>
</tr>
</tbody>
</table>

**AUDIT RISK AND INTERNAL CONTROL**

<table>
<thead>
<tr>
<th>Principles</th>
<th>Application</th>
<th>Where further information is available</th>
</tr>
</thead>
<tbody>
<tr>
<td>M Independent and effective internal and external audit functions</td>
<td>The Board has delegated a number of responsibilities to the Audit and Risk Committee including oversight of the Group’s financial reporting processes and ensuring the effectiveness and independence of the external and internal auditors. The Audit and Risk Committee Chair regularly briefs the Board on how the Committee has discharged its responsibilities.</td>
<td>Audit and Risk Committee report Pages 126 to 138</td>
</tr>
<tr>
<td>N Fair, balanced and understandable assessment</td>
<td>The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable.</td>
<td>Audit and Risk Committee report Page 158</td>
</tr>
<tr>
<td>O Risk management and internal control systems</td>
<td>The Board sets the Group’s risk appetite and assesses the nature and extent of its principal risks. Annually, the Board reviews the Company’s principal and emerging risks and the effectiveness of the Group’s risk management and internal control systems and processes. The Audit and Risk Committee regularly reviews the effectiveness of these systems and processes throughout the year.</td>
<td>Risk management Pages 88 to 97 Audit and Risk Committee report Pages 126 to 158</td>
</tr>
</tbody>
</table>

**REMNUNERATION**

<table>
<thead>
<tr>
<th>Principles</th>
<th>Application</th>
<th>Where further information is available</th>
</tr>
</thead>
<tbody>
<tr>
<td>P Remuneration policy and practices</td>
<td>The Group’s Remuneration Policy, which was approved by shareholders at the 2020 AGM, is designed to support our strategy, be aligned to our vision and our employee and shareholder interests and promote long-term sustainable success.</td>
<td>Remuneration Policy Pages 153 to 161 Directors’ Remuneration report Pages 159 to 161</td>
</tr>
<tr>
<td>Q Development of remuneration policy and packages</td>
<td>Following a comprehensive consultation with Convatec’s shareholders, a new Remuneration Policy is being submitted to shareholders for consideration at the 2023 AGM, which has been designed to support Convatec’s strategy and promote long-term sustainable growth.</td>
<td>Remuneration Policy Pages 153 to 161 Directors’ Remuneration report Pages 159 to 161</td>
</tr>
<tr>
<td>R Independent judgement and discretion</td>
<td>Following a formal and transparent procedure, the Remuneration Committee sets the remuneration for the Executive Directors and oversees the remuneration of senior management. In doing so it applies judgement and, if required, discretion to ensure a considered outcome on remuneration issues.</td>
<td>Directors’ Remuneration report Pages 159 to 161</td>
</tr>
</tbody>
</table>
**Board of Directors**

**Experienced leadership**

A diversely skilled Board with proven leadership capabilities and relevant healthcare, operational and financial skills and experience.

**KEY TO COMMITTEE**
- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee

* Committee Chair

**Skills and experience**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy, transformation and organisational design</td>
<td>95%</td>
</tr>
<tr>
<td>Listed board experience</td>
<td>80%</td>
</tr>
<tr>
<td>Leadership</td>
<td>95%</td>
</tr>
<tr>
<td>Operational</td>
<td>98%</td>
</tr>
<tr>
<td>Finance</td>
<td>85%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>73%</td>
</tr>
<tr>
<td>Technology and innovation</td>
<td>78%</td>
</tr>
<tr>
<td>Corporate transactions</td>
<td>78%</td>
</tr>
<tr>
<td>Environment, social &amp; governance and sustainability</td>
<td>55%</td>
</tr>
</tbody>
</table>

1 Percentages based on Directors’ individual self-scoring of skills and experience.

**Date of appointment**

**Date of appointment**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Date and Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr John McAdam CBE</td>
<td>Chair</td>
<td>September 2019</td>
</tr>
<tr>
<td>Karim Bitar</td>
<td>Chief Executive Director</td>
<td>September 2019</td>
</tr>
<tr>
<td>Brian May</td>
<td>Non-Executive Director</td>
<td>March 2020</td>
</tr>
<tr>
<td>Prof Constantin Coussios OBE</td>
<td>Non-Executive Director</td>
<td>September 2020</td>
</tr>
<tr>
<td>Heather Mason</td>
<td>Non-Executive Director</td>
<td>July 2020</td>
</tr>
<tr>
<td>Jonny Mason</td>
<td>Chief Financial Officer</td>
<td>September 2019</td>
</tr>
<tr>
<td>Margaret Ewing</td>
<td>Senior Independent Director</td>
<td>August 2017</td>
</tr>
<tr>
<td>Kim Lody</td>
<td>Non-Executive Director</td>
<td>March 2022</td>
</tr>
<tr>
<td>Sharon O’Keefe</td>
<td>Non-Executive Director</td>
<td>July 2022</td>
</tr>
<tr>
<td>Sten Schelbye</td>
<td>Non-Executive Director</td>
<td>August 2022</td>
</tr>
</tbody>
</table>

**Relevant skills and experience**

- Extensive chair and board leadership experience, including as former Chair of Rentokil Initial plc and United Utilities Group PLC and as a Non-Executive Director of a number of FTSE 100 and US companies.
- Extensive experience of leading companies undergoing transformation, including as Chief Executive of ICI plc between 2003 and 2008.

**Current external appointments**

- Adviser to Blackrock’s Long Term Investment Group
- Member of the University of Manchester, Ross School of Business Advisory Board
- Current external appointments include: Adviser to Black Rock’s Long Term Investment Group, Member of the University of Manchester, Ross School of Business Advisory Board.
**Convatec Executive Leadership Team (CELT)**

CELT is responsible for the management and performance of the individual business units with frequent reporting to, and oversight by, the Board.

**Board Membership**

Karim Bitar, CEO and Jonny Mason, CFO, are also members of CELT. Their biographical details are provided on page 110.

More detailed CELT member biographical information is available at www.convatecgroup.com

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**Karim Bitar**

Chief Executive Officer

Prior to joining Convatec, Karim was Senior Vice President, Human Resources at Iron Mountain. Prior to this, he was Senior Vice President of Human Resources at Smiths Group, following six years as Principal of the Global Health Practice at Egon Zehnder. Karim transitioned to IR from a career in investment banking, management consulting, and as head of operations.

**Jonny Mason**

Chief Financial Officer

Prior to joining Convatec, Jonny was the CFO of Smiths Group. Jonny has experience in diverse market environments, including General Manager, Operations, Sales, Marketing and R&D positions.

---

**David Shepherd**

President & Chief Operating Officer, Advanced Wound Care

Appointed to CELT 2018

David joined Convatec and CELT in 2018, having previously worked for Johnson & Johnson for 26 years, where he held a variety of sales, marketing, strategic and operations roles, most recently being Vice President, Southern EMEA with responsibility for 15 businesses across the region. Prior to that, he was the US President for Cardiovascular and Speciality Services.

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**Natalia Kozmina**

Executive Vice President, Chief Human Resources Officer & ESG Stewardship

Appointed to CELT 2020

Prior to joining Convatec in 2020, Natalia was Senior Vice President, Human Resources at Iron Mountain. Prior to this, she was Vice President of Human Resources at Smiths Group, following several years as Principal of the Global Health Practice at Egon Zehnder. Natalia transitioned to IR after spending more than 15 years in the pharmaceutical industry and brings more than 20 years of life sciences and technology sectors knowledge to her role.

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**Kjersti Grimsrud**

President & Chief Operating Officer, Infusion Care

Appointed to CELT 2018

Kjersti joined Convatec and the CELT in 2018. She was a member of the founding team at Atri-Shield and appointed President Europe and the Middle East and President International, at Alere, Inc., following its acquisition. Kjersti’s 25 years of experience in the MedTech sector includes roles within diabetes care, including General Manager, Operations, Sales, Marketing and R&D positions.

---

**Seth Selig**

President & Chief Operating Officer, Continence Care and Home Services Group

Appointed to CELT 2020

Seth served as CEO of Woodbury Health Products for five years until it was acquired by Convatec in 2017. Prior to this, Seth was Executive Vice President at Cantel Medical Corp, a specialty healthcare company dedicated to infection prevention and control. Seth has lived and worked in North America, Asia and Europe, holding positions in investment banking, management consulting, and as head of operations.

---

**Dr Divakar Ramakrishnan**

Executive Vice President, Chief Technology Officer & Head of Research & Development

Appointed to CELT 2020

Prior to joining Convatec three years ago, Divakar served as Chief Digital Officer and Vice President for Eli Lilly’s Drug Delivery, Device and Digital Health groups, where he led a global R&D team focused on developing innovative and digitally-enabled devices to improve patient care. Divakar’s career in healthcare spans more than 20 years. He served as Eli Lilly’s Vice President of Manufacturing, Science and Technology, a role in which he oversaw all the company’s process development across its entire product portfolio.

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**Bruno Pinheiro**

President & Chief Operating Officer, Ostomy Care

Appointed to CELT 2021

Bruno worked for Bristol Myers Squibb prior to its sale to Convatec in April 2020. Bruno’s diverse experience spans across Sales, Business Development & Global Emerging Markets. Prior to his appointment as interim President & CEO, Global Emerging Markets, Bruno led a diverse team across eight countries in his role as Head of Convatec’s Latin America business. Bruno was appointed as President & Chief Operating Officer during May 2022.

---

**Evelyn Douglas**

Executive Vice President, Chief Corporate Strategy and Business Development, General Counsel & Company Secretary

Appointed to CELT 2020

Evy has in-depth expertise in the Medtech sector, having spent 20 years at Becton, Dickinson and Company (BD) prior to joining Convatec in 2020. At BD, she was Senior Vice President of Corporate Development and Strategy, where she supported the company to build its capabilities, focusing on opportunities for partnerships, acquisitions and divestitures. Prior to her role in corporate development at BD, Evy held senior positions in their legal team.

---

1. Members of the ESG Steering Committee
The Board is collectively accountable to the Company’s shareholders for the proper conduct of the Group’s business and its long-term success. The Board is responsible for effective governance of the Group. The Board has delegated some of its responsibilities to Board Committees through agreed terms of reference which are subject to annual review. Terms of reference for all Board Committees can be found at www.convatecgroup.com/investors/governance.

Governance
How we are governed

INTRODUCTION TO OUR GOVERNANCE FRAMEWORK

The Board is collectively accountable to the Company’s shareholders for the proper conduct of the Group’s business and its long-term success. The Board is responsible for effective governance of the Group. The Board has delegated some of its responsibilities to Board Committees through agreed terms of reference which are subject to annual review. Terms of reference for all Board Committees can be found at www.convatecgroup.com/investors/governance.

GOVERNANCE FRAMEWORK

Our governance framework, which includes the Board and its three committees, is set out below.

Board

Responsibilities:
- Sets the Group’s strategic aims, determines resource allocation to ensure that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance.
- Sets the Group’s strategic aims, determines resource allocation to ensure that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance.

Nomination Committee

Responsibilities:
- Reviews Board composition and promotion of appointments to the Board.
- Contributes to succession planning for the Board and senior management.
- Sets diversity and inclusion targets and objectives for Board and senior management.

Audit and Risk Committee

Responsibilities:
- Oversees the integrity of the Group’s financial reporting, internal controls and risk management framework.
- Ensures the Group complies with legal and regulatory governance requirements, including those related to financial reporting, environmental and climate change-related matters.
- Assesses the independence and effectiveness of the external and internal auditors.

Remuneration Committee

Responsibilities:
- Ensures the Remuneration Policy and wider remuneration practices are designed to support the Group’s strategy and promote long-term sustainable success.
- Oversees Remuneration Policy implementation for Executive Directors and senior management.
- Reviews workforce remuneration and related policies.

Convatec Executive Leadership Team

Responsibilities:
- Assists the CEO in executing the authority delegated by the Board, making and implementing day-to-day operational decisions and exercising oversight of the Group’s commercial issues.

Market Disclosure Committee

Responsibilities:
- Acts as the CEO’s information contact for the Board.
- Monitors and assesses the Group’s cultural activities, execution against the ESG strategy and day to day decisions to ensure that they are aligned with the Group’s purpose and values.

Treasury, Tax & Finance Committee

Responsibilities:
- Acts as the CEO’s information contact for the Board.
- Monitors and assesses the Group’s cultural activities, execution against the ESG strategy and day to day decisions to ensure that they are aligned with the Group’s purpose and values.

EGS Steering Committee

Responsibilities:
- Implements Group strategy for the long-term success of the Group and for ensuring that there is a framework for effective governance and controls which enable risks to be assessed and managed.

Strategy setting

The CEO and other members of CELT take the lead in developing the Group’s strategy. An annual two-day strategy meeting is held annually between the Board and CELT, at which the strategy is reviewed, constructively challenged and approved by the Board.

Culture

The Board has the responsibility of ensuring that Convatec’s culture remains fully aligned with the Company’s purpose, values and strategy. Our values frame the Group’s culture and our employees’ behaviours, in turn determining how we do business. To this end, the Board continues to assess and monitor culture in different ways, including:
- Regular briefings from the CEO, the Chief Human Resources Officer and other members of the senior management team, against our F18SGE and people strategies.
- Significant changes to the annual Core Health Index survey results and output from our Big Conversation initiatives.
- Post engagement briefing from Sharon O’Keefe, the Board’s workforce representative.
- Review of Compliance Hotline investigation reports and internal audit reports.

Key Board roles and responsibilities

Chair
- Independent on appointment
- Leads the Board and facilitates constructive Board discussions
- Promotes high standards of governance
- Sets the Board agenda
- Supports and guides the CEO
- Leads the review of the effectiveness and performance of the other Directors

Senior Independent Director
- Sounding board for the Chair
- Serves as intermediary for other Directors when necessary
- Available to shareholders should they have concerns where contact through the normal channels has either failed to resolve or would be inappropriate

Non-Executive Directors
- Bring relevant skills, experience and knowledge to provide constructive challenge.
- Provide independent, objective advice on strategic matters.

Chief Executive Officer
- Responsible for advising the Board on all corporate governance matters and best practice.
- Leads the executive management team in delivering the Group’s strategy and objectives as determined by the Board.
- Day-to-day responsibility for execution of management matters.
- Responsible for maintaining dialogue with the Chair and the Group’s stakeholders.
- Sets the cultural tone throughout the organisation.

Company Secretary
- Responsible for advising the Board on all corporate governance matters and best practice.
- Works with the Chair to ensure Directors receive accurate and timely information to enable them to discharge their duties.
- Works with the Chair to design the induction programme for new Board members, onboarding training and the format of the Board evaluation.

Matters reserved for the Board
- The Board has a schedule of matters reserved for its approval and a formal structure of delegated authority.
- This schedule of matters clearly defines the decisions which can only be made by the Board and largely relates to matters of strategic importance, particularly high value or governance related, where independence from executive management is important. It is available at www.convatecgroup.com/investors/governance. The schedule was reviewed and updated during the year.
- The Board has delegated certain responsibilities and authority to the Board committees, which all operate in accordance with Board-approved terms of reference.
- The Board has also delegated specified management control to the Executive Directors and CELT. The written terms of reference that each of the Board committees operates under can also be found within the web link referenced above.
- The principal activities undertaken during the year by the Nomination, Audit and Risk and Remuneration Committees are set out in their respective reports in this Annual Report.
- The paragraph under the heading “Directors’ Remuneration report” on pages 139 to 151 are incorporated by reference into this Corporate governance report.

Board attendance
- The Board met 13 times in 2022, with a total of 33 scheduled meetings attended by all Directors during the year.
- Attendance at scheduled Board meetings was 100% by all eligible Directors during the year.
- The Board has a schedule of meetings which it considers are of strategic importance, particularly high value or governance related, where independence from executive management is important. It is available at www.convatecgroup.com/investors/governance. The schedule was reviewed and updated during the year.
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Board and Committee meetings
- Details of the number of Board and Committee meetings which took place during the year can be found on page 102.
- Attendance at scheduled Board meetings was 100% by all eligible Directors during the year.
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Board focus and principal matters considered in 2022

The principal matters considered by the Board during 2022 and their linkage to the Company’s strategic priorities are set out in the table below.

As part of the business of each Board meeting, the CEO submits a report on business performance, including areas of progress and areas which are not progressing to plan. The Board also receives reports from the CFO providing updates on the Group’s financial performance. Members of the C&I and senior management regularly attend Board meetings to ensure that the Board has good visibility of business developments, opportunities, principal and emerging risks and their mitigation, and key operating decisions. The Board also receives key functional reports and presentations in relation to Convatec’s responsible business agenda, enterprise risk management, stakeholder engagement, legal and compliance, as well as presentations from internal and external speakers on other topics relevant to the business and the environment it operates in.

<table>
<thead>
<tr>
<th>Areas of focus</th>
<th>Activities</th>
<th>Strategic priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy and delivery</td>
<td>• Decision in relation to the acquisition of Triad Life Sciences (see Key decisions on page 120) and subsequent review in relation to its integration into the Group.</td>
<td>Focus, Innovate, Simplify, Build, Execute</td>
</tr>
<tr>
<td></td>
<td>• Decision to approve the strategic investment in BlueKind Medical Ltd (see Key decisions on page 120).</td>
<td>Focus, Simplify, Build, Execute</td>
</tr>
<tr>
<td></td>
<td>• Decision to support substantial investment in high speed automated manufacture of Gentle Cath (GC) Air for Women v2.0 at our Slovakian plant facility (see Key decisions on page 120).</td>
<td>Focus, Simplify, Build, Execute</td>
</tr>
<tr>
<td></td>
<td>• Decision to withdraw from hospital care activities and related industrial sales (see Key decisions on page 121).</td>
<td>Focus, Simplify, Build, Execute</td>
</tr>
<tr>
<td></td>
<td>• Regular review of progress and evolution of the FISBE strategy, including participation in a two-day strategy session and approval of strategic plans and of FISBE 2.0.</td>
<td>Focus, Build, Execute</td>
</tr>
<tr>
<td></td>
<td>• Review of other corporate development opportunities or capital investments to ensure alignment with our FISBE strategy and Business Unit plans.</td>
<td>Focus, Build, Execute</td>
</tr>
<tr>
<td></td>
<td>• Approval of the Group’s term and revolving credit facilities up to $1.2 billion committed for five years.</td>
<td>Focus, Build, Execute</td>
</tr>
<tr>
<td></td>
<td>• Ostomy Care and Advanced Wound Care deep-dive business reviews and Global Quality and Operations briefing.</td>
<td>Focus, Build, Execute</td>
</tr>
<tr>
<td></td>
<td>• Post-acquisition review of Cure Medical.</td>
<td>Focus, Build, Execute</td>
</tr>
<tr>
<td></td>
<td>• Regular review of innovation and technology, including the new product pipeline.</td>
<td>Focus, Build, Execute</td>
</tr>
<tr>
<td>Leadership</td>
<td>• Making appointments to Board or Board Committees, following recommendations from the Nomination Committee.</td>
<td>Build, Execute</td>
</tr>
<tr>
<td></td>
<td>• Reviewing the performance of the Board and its committees, individual Directors and the Group’s overall corporate governance framework.</td>
<td>Build, Execute</td>
</tr>
<tr>
<td>Business plan and performance</td>
<td>• Board evaluation completed and results reviewed in late 2022 (see page 122 for details).</td>
<td>Build, Execute</td>
</tr>
<tr>
<td></td>
<td>• Consideration and confirmation of changes to the composition of the Board Committees following changes to the Board in 2022.</td>
<td>Build, Execute</td>
</tr>
<tr>
<td></td>
<td>• Approved 2023 budget and business plan.</td>
<td>Focus, Innovate, Simplify, Build, Execute</td>
</tr>
<tr>
<td></td>
<td>• Regular CFO Reports and briefings.</td>
<td>Focus, Build, Execute</td>
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<tr>
<td></td>
<td>• Consideration of published Trading Update in November 2022.</td>
<td>Focus, Build, Execute</td>
</tr>
</tbody>
</table>

Areas of focus

- Financial reporting
  - Approving final and interim results, trading updates, the Annual Report and the release of price-sensitive information.
  - Approving the dividend policy, determination of any interim dividend and the recommendation (subject to the approval of shareholders) of any final dividend to be paid by the Company.

- Risk and governance
  - Review of the effectiveness of the Group’s risk management and internal control systems.
  - Review and approval of the Group’s Risk appetite, ensuring that Group strategy and current performance are aligned with risk appetite.
  - Regular Governance, Legal and Compliance briefings.
  - Briefings to the Board from the Board Committee Chairs on the activities of the Committees.
  - Review and update of the Securities Dealing Policy.
  - Review of Board matters reserved and Board Committee terms of reference.

- Stakeholder engagement
  - Briefings provided by the Investor Relations team and/or the Group’s corporate brokers on investor feedback following results announcements and investor roadshows.
  - Debrief on investor feedback following Convatec’s Capital Markets event.
  - The Board met healthcare practitioners and patients from the US and UK to obtain valuable insights into their concerns and needs.
  - The Chair had meetings with two of our top 20 institutional shareholders during the year.
  - Sharon O’Keefe took over the role of Non-Executive Director workforce liaison champion providing post engagement briefings to the Board.

- Responsible business
  - Regular briefings from the ESG Steering Committee chaired by the CEO.
  - Oversight of the development of our new ESG framework.
  - Reviewed progress against sustainability targets and agreed priorities for 2023.
  - Review of progress on DE&I initiatives including gender data.
  - Review of employee gender pay gap data.
  - Review of the Modern Slavery Statement.
  - Review of the Group’s latest Organisational Health Index results.
How we engage as a Board

All of our stakeholders are important to us. Identifying our key stakeholders was an essential step in the implementation of our FISBE strategy. Ultimately, our vision - pioneering trusted medical solutions to improve the lives we touch - can only be fulfilled through interaction with our stakeholders. For that reason, we are committed to maintaining strong relationships and good communication lines with stakeholders. We also consider this fundamental to the successful delivery of our strategy and long-term prospects and alignment with our purpose. Further information on how the Company proactively engages with a broad range of stakeholders to understand their issues and to build positive relationships can be found on pages 44 and 45.

Our vision and values provide a framework which helps our employees make decisions in the best interests of the Group and our stakeholders. This approach ensures that stakeholder issues are considered throughout the organisation and not just at Board level.

How the Board understands stakeholders' interests

The table below summarises how the Board gains an understanding of stakeholder issues. The table on pages 120 and 121 describes how the Board considered different stakeholders in making four key decisions in 2022.

HOW THE BOARD ENGAGED

Connect with our stakeholders and discharging section 172 duties

When making decisions, the Board acts in a way that the Directors consider most likely to promote the success of the Company, for the benefit of its shareholders as a whole, while also considering the broad range of stakeholders who interact with the business.

Our section 172 statement is set out on page 45.

How the Board engaged

Stakeholders

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Board-level engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our people</td>
<td>Sharon O'Keefe was appointed in May 2022 as our dedicated Non-Executive Director for workforce engagement. Sharon participated in the Global Leaders Meeting in May 2022, bringing together our top 100 leaders across the business, and has attended other employee-related events and activities, including interaction with the Employee Resource Groups, employee communications via Convatec’s intranet and site visits (including ‘meet and greet’ with employees). Sharon provided post-event briefings to the Board. Members of the management team regularly attend relevant parts of Board and committee meetings to present on specific topics, including briefings on our people strategy. The Chair participated in a Q&amp;A session at the Global Leaders Meeting in 2022. The Board and the Audit and Risk Committee receive reports from the Group’s compliance function detailing input from the Group’s Compliance Helpline and website. When relevant, this includes details of investigations arising from information provided via the Compliance Helpline and website and resulting outcomes (see page 152).</td>
</tr>
<tr>
<td>Investors</td>
<td>All members of the Board are available to meet with shareholders. The Chair had meetings with two of our top 20 institutional shareholders during the year. The Chair and Committee Chairs have regular dialogue with Convatec’s major shareholder, Novo, through Novo’s representative on our Board, Sten Scheibye. The Board receives analysts’ notes published about the Group and our stakeholders. This approach ensures that stakeholder issues are considered throughout the organisation and not just at Board level. The Board is provided with feedback and insights from our employees, including interaction with the Employee Resource Groups, employee communications via Convatec’s intranet and site visits (including ‘meet and greet’ with employees). Sharon provided post-event briefings to the Board. Members of the management team regularly attend relevant parts of Board and committee meetings to present on specific topics, including briefings on our people strategy. The Chair participated in a Q&amp;A session at the Global Leaders Meeting in 2022. The Board and the Audit and Risk Committee receive reports from the Group’s compliance function detailing input from the Group’s Compliance Helpline and website. When relevant, this includes details of investigations arising from information provided via the Compliance Helpline and website and resulting outcomes (see page 152).</td>
</tr>
<tr>
<td>Governments</td>
<td>The Board has received reports on the implementation of MDR from the Group’s regulatory function.</td>
</tr>
<tr>
<td>Regulators</td>
<td>The Board has received reports on the implementation of MDR from the Group’s regulatory function.</td>
</tr>
<tr>
<td>Consumers/patients/healthcare professionals</td>
<td>During the year, the Board held an in-depth group discussion session with a surgeon specialising in advanced wound care, a vascular nurse and a patient. This provided valuable insight into patient and HCP needs. These insights were applied to the constructive challenge and debate regarding the Group and Business Unit strategies in July 2022. The Board reviewed and discussed strategic plans for each of our business units during the year. The Board supported close collaboration with one of our key partners, Medtronic, with whom we launched the first and only infusion set that can be worn for up to seven days. We work in close cooperation with all of our partners to develop products that improve the quality of life of our patients. The Board considered and approved multi-million dollar manufacturing infrastructure investment, thus strengthening Convatec’s supply chain and resilience whilst also scaling up production and availability of life-enhancing products for the customers and patients we serve. Further details of the steps taken to ensure that Convatec’s vision and values guide our operations and supply chain, taking a zero-tolerance approach to any form of modern slavery can be found in our Modern Slavery Statement at <a href="http://www.convatecgroup.com/modern-slavery-statement/">www.convatecgroup.com/modern-slavery-statement/</a></td>
</tr>
<tr>
<td>Supply chain partners and channel partners</td>
<td>During the year, the Board received reports from the Global Quality and Operations team with respect to initiatives they are undertaking to continue to improve the resilience of our global supply chain. The Board confirms its compliance with the UK Payment Practices Reporting Duty and the Prompt Payment Code and similar legislation across the Group in relation to the year ended 31 December 2022. The Board reviewed and discussed strategic plans for each of our business units during the year. The Board supported close collaboration with one of our key partners, Medtronic, with whom we launched the first and only infusion set that can be worn for up to seven days. We work in close cooperation with all of our partners to develop products that improve the quality of life of our patients. The Board considered and approved multi-million dollar manufacturing infrastructure investment, thus strengthening Convatec’s supply chain and resilience whilst also scaling up production and availability of life-enhancing products for the customers and patients we serve. Further details of the steps taken to ensure that Convatec’s vision and values guide our operations and supply chain, taking a zero-tolerance approach to any form of modern slavery can be found in our Modern Slavery Statement at <a href="http://www.convatecgroup.com/modern-slavery-statement/">www.convatecgroup.com/modern-slavery-statement/</a></td>
</tr>
<tr>
<td>All other stakeholders</td>
<td>The Board receives information relating to our stakeholder groups through the executive reports to each Board meeting and in the annual strategy sessions from Business Units.</td>
</tr>
</tbody>
</table>
### BOARD KEY DECISIONS IN 2022

#### Acquisition of Triad Life Sciences

In March 2022, Convatec acquired Triad Life Sciences. Based in Tennessee, US, the business has developed and markets a specialist porcine amniotic/membrane for treatment and healing of acute and chronic wounds. The acquisition provided an opportunity for Convatec to enter a high-growth, sizeable wound biologic’s segment, a key growth strategy for our Advanced Wound Care business, and allowing Convatec to better serve patients with advanced wound needs all over the world.

#### Investment in BlueWind Medical Ltd

In May 2022, Convatec invested $30.7 million, inclusive of transaction costs, in BlueWind Medical, a developer of a small implantable tibial nerve stimulation device for patients with an overactive bladder.

#### Investment of $26.9 million capital to provide enhanced manufacturing of new product

In March 2022, the Board approved an investment of $26.9 million to support high-speed automated manufacture of GentleCath Air™ for Women at our Slovakian plant facility.

#### Withdrawn from the hospital care business and related industrial sales products

During 2022, Convatec withdrew from the lower margin, lower growth hospital care business and ceased related industrial sales. As a result, production of a portfolio of products was phased out at two of the Group’s manufacturing sites. The decision was made to close one of the sites, the manufacturing plant in Belarus, to allow manufactured products almost entirely for the hospital care business.

#### Risk management and internal control effectiveness

The Board is ultimately responsible for overseeing how we manage both internal and external risks (current and emerging) that could impact our business model and strategic goals. The Board also determines the Group’s risk appetite and monitors adherence to it through reports received by the Audit and Risk Committee and from the VP of Internal Audit & Enterprise Risk. The Board regularly reviews the Group’s principal risks and, on an annual basis, reviews the effectiveness of our risk management and internal control systems and undertakes horizon scanning to identify new emerging risks. The Audit and Risk Committee reviews the Group’s risk management and internal control systems periodically throughout the year. The Group’s principal and emerging risks are set out on pages 92 to 97.

#### Statement of review

During 2022, the Board has directed, or through delegated authority to the Audit and Risk Committee, monitored and reviewed the Group’s risk management activities and processes, including a review of the effectiveness of all material risk mitigations and the financial, operational and compliance internal controls. The Audit and Risk Committee’s activities in these areas are set out in the Audit and Risk Committee report on pages 131 and 132. Following this review, the Board is satisfied that the Group’s risk management and internal control framework provided assurance that there were no control failures in the year that could have a material impact on the Group’s financial statements or its future financial situation.
He chairs effective meetings, allows individual opinions of all Directors overall conclusion was that he was led by the Senior Independent Board Chair by the other Directors Board Chair evaluation

The evaluation of the performance of the Board Chair by the other Directors was led by the Senior Independent Director (SID) and without the presence of the Board Chair. The overall conclusion was that he was performing very well in all aspects of the role. The Chair values the individual opinions of all Directors and seeks and listens to their views. He chairs effective meetings, allows debate and encourages contribution and challenge, with a focus on clarity and pragmatism in decision-making. He has a strong and constructive relationship with the Executive Directors, particularly the CEO, and provides appropriate challenge, support and advice.

The SID provided feedback to the Board Chair after the review of his performance.

2021 Board evaluation progress report and 2022 Board evaluation review

In 2021 the Board undertook an evaluation of its effectiveness as required by the Code (details of which are set out in the 2021 Annual Report and Accounts). Information about the key priorities arising from this evaluation and progress to date is set out below.

In October 2022 the Board again undertook a questionnaire-based evaluation, externally facilitated by Lintstock. The questionnaire included both quantitative and qualitative questions.

Lintstock analysed the results and provided reports for the Board and Board Committees, with unattributed scoring and comments. The reports and key findings were discussed at the December 2022 Board and Committee meetings, with each forum considering the evaluation outcomes and any appropriate actions.

The key findings from the 2022 Board evaluation process, including the actions agreed to address recommendations resulting from the review process, are set out below. Lintstock has no other connection with Convatec or any of the individual Convatec Directors.

**COMMITTEE MEMBERSHIP, MEETINGS AND ATTENDANCE**

<table>
<thead>
<tr>
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The Depute Company Secretary attends meetings as Secretary to the Committee and the EVP, Chief Human Resources Officer regularly attends the Committee’s meetings to provide information and support to the Committee to enable it to carry out its duties and responsibilities effectively.

**COMMITTEE INTRODUCTION AND OVERVIEW**

**ACTIVITY HIGHLIGHTS**

- Recommendations to the Board for Committee appointments.
- Reviewed skills, experience and characteristics of Board members and determined that the Board was balanced, diverse and with an appropriate level of skills, knowledge and experience.
- Reviewed talent and succession planning for the CEO and the CELT.
- Reviewed progress and development of the Group’s diversity, equity & inclusion and wellness strategy and assessed key metrics.
- Reviewed progress of leadership development programme for CELT and application of new high-performing team principles, helping to build and develop a sustainable, diverse and inclusive organisation.

**2023 PRIORITIES**

- Maintain focus on succession planning and talent management for Executive Directors and senior management.
- Continue to monitor progress against the diversity, equity & inclusion and wellbeing agenda across the Group.

**KEY AREAS OF RESPONSIBILITY**

- Reviews regularly the Board’s composition.
- Leads Board appointments process as necessary. Oversees and recommends orderly Board succession and oversees senior management succession planning.
- Reviews whether each Non-Executive Director is devoting enough time to his or her duties.
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</tr>
</tbody>
</table>
Dear Shareholder

I am pleased to present the Nomination Committee report, which summarises how the Committee discharged its duties during the year.

Our role

As a Board we recognise that a balanced Board, with a broad range of skills, experience and knowledge, is more likely to be an effective Board. In support of our vision of pioneering trusted medical solutions that improve the lives we touch, and with the ultimate aim of creating sustainable value for our stakeholders, we continue to focus on ensuring that we have that right balance of skills, knowledge and diversity, both at the Board and within our leadership team.

An equally important role for the Committee is ensuring that we have an appropriate pipeline of future talent, not only for the Board, but also for CELT.


Board senior leadership gender representation

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number of Board members</th>
<th>Percentage of Board</th>
<th>Number of senior positions on the Board (CEO, CFO and Chair)</th>
<th>Percentage of senior management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>6</td>
<td>60%</td>
<td>3</td>
<td>56%</td>
</tr>
<tr>
<td>Women</td>
<td>4</td>
<td>40%</td>
<td>1</td>
<td>44%</td>
</tr>
</tbody>
</table>

Note: Executive Management includes CELT members, but excludes the CEO and CFO. The Company Secretary, Evelyn Dowsing, is included within the CELT disclosure.

Board senior leadership ethnicity representation

<table>
<thead>
<tr>
<th>Ethnic group</th>
<th>Number of Board members</th>
<th>Percentage of Board</th>
<th>Number of senior positions on the Board (CEO, CFO and Chair)</th>
<th>Percentage of senior management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian/Indian</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Black/African/Caribbean/ black British</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mixed/multiple ethnic groups</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>White British or other white (including minority-tray groups)</td>
<td>2</td>
<td>100%</td>
<td>1</td>
<td>17%</td>
</tr>
<tr>
<td>Other ethnic group, including Arab</td>
<td>1</td>
<td>10%</td>
<td>1</td>
<td>17%</td>
</tr>
</tbody>
</table>

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Okra

Overview

Board and senior leadership ethnicity representation

Relevant skills and expertise

The Board benefits from a wide variety of expertise, knowledge of the company, diversity, skills which are set out in the biographies and skills matrix on pages 124 and 125. The skills matrix is reviewed annually by the Nomination Committee and new appointments are made to address any skill gaps.

Board appointments

Appointments to our Board are made solely on merit and the overriding objective is to ensure that the Board maintains the correct balance of diversity, experience, skills, length of service and knowledge of the Group to successfully establish and oversee the delivery of the Group’s strategy, whilst also providing constructive challenge as necessary. Appointments are made based on the recommendation of the Nomination Committee with due consideration given to the benefits of diversity in its widest sense, including gender, social and ethnic backgrounds.

Diversity

The Nomination Committee review feedback received from the Parker report entitled “A Report into the Ethnic Diversity of UK Boards.” The Board also endorses the Government’s new five-year review to monitor women’s representation in FTSE 350 companies, entitled “The FTSE Women Leaders Review.”

At Board level we have members of various nationalities, gender and ethnicity who have an excellent range of skills, knowledge and expertise.

At 31 December 2022 and at the date of this report, we comply with the new Listing Rule recommendations. Adjacent on this page, we have provided data on Board and CELT members’ gender and ethnicity, and whereby directors and CELT members were asked to self-declare to the Office for National Statistics classification.

The Committee will continue to monitor Board diversity in other respects, including experience, skills, personal attributes, age and ethnicity. In all instances individuals will continue to be appointed on merit and the Committee will remain focused on ensuring that the Board has the relevant skills and expertise to perform effectively.

As part of our ongoing diversity and inclusion strategy, our target is to achieve 40% of senior management roles to be held by female executives by 2025 and this currently stands at 38%.

During the year the Board has considered diversity insights across a range of metrics with a focus on gender and the initiatives to advance women in leadership. In 2023 the Committee and the Board will continue to monitor the ongoing development of Diversity. Equity & Inclusion and Wellbeing initiatives across the Group.

Talent and succession planning

Succession planning work during 2022 focused on the Board and CELT levels. The Nomination Committee has considered succession planning for each of the Executive Directors and CELT members, as well as potential emerging talent within the business.

The review included scoping the current talent pool, potential successors ready now, those expected to be ready in one to two years, and those anticipated to be ready in three to five years.

Given its importance, succession planning is scheduled for the Committee’s consideration twice a year.

External search firms

For all independent Non-Executive and Executive Director appointments, we engage international search and selection firms to support the Board. Most recently using firms including Heidrick & Struggles, Spencer Stuart and Russell Reynolds. None of them have any connection with the Group, or any Director, other than they may be engaged to assist with Board and senior management appointments and on executive and succession planning from time to time.

Board induction, training and development

On joining the Board, all Non-Executive Directors participate in a formal induction programme. The programme is monitored by the Chair (other than in relation to his own induction, which is guided by the Senior Independent Director) and is the responsibility of the Company Secretary.

We continued to evolve our training programme and, in particular, its scope was expanded to include training from external advisers to both the Remuneration and Audit and Risk Committees. Training focused on matters specific to their respective committee activities, including corporate governance updates, executive remuneration, corporate reporting and audit updates.

All Directors have access to the advice and services of the Company Secretary and, through her, have access to independent professional advice in respect of their duties, at the Group’s expense.

Committee evaluation

The Committee conducted an evaluation of its performance in the context of a detailed questionnaire facilitated by an external provider. Overall, the results of which were highly rated overall. Matters identified for attention in 2023 are set out under 2023 Priorities on page 123.

Copies of all appointment letters are available for inspection at the Company’s registered office.

On behalf of the Nomination Committee.

Dr John McAdam CBE
Chair of the Nomination Committee
8 March 2023
Dear Shareholder

On behalf of the Board, I am pleased to present the 2022 Audit and Risk Committee Report. This report is intended to provide shareholders and other stakeholders with an insight into key matters considered in 2022, together with how the ARC has discharged its responsibilities and provided assurance on the integrity of the 2022 Annual Report and Accounts. It is our responsibility to ensure the financial and non-financial information published by the Group appropriately presents its activities to all stakeholders in a way that is transparent, useful, and understandable and is aligned with the latest guidance and requirements of regulators and other relevant bodies. In addition, the Committee’s fundamental priorities include ensuring the quality and effectiveness of the external and internal audit processes and monitoring the management of the principal risks and effectiveness of the internal controls of the business.

During the year, management undertook a strategic review of the Group to ensure that we can continue to serve, support, and innovate to benefit the people who rely on our products and services in chronic care sectors. This led to the announcement of the withdrawal from the hospital care activities and related industrial sales business. In addition, risk management became an area of increasing focus as a result of recent and ongoing global events, including their inflationary implications. Building on the timely business response to recent issues, the Committee welcomed the management initiative to develop a rapid response team to provide a balanced and consistent approach to business continuity in readiness for future events. In planning the Committee’s agenda, we took account of management’s areas of focus and any consequential significant issues and operational, compliance and financial risks likely to have an impact on the Group’s financial statements.

Throughout 2022, we have ensured the key challenges and risks faced by the Group were reflected in the external and internal audit plans; effective controls remained in place; changes in the Group’s principal and emerging risks were identified and effectively managed; ongoing compliance with all regulatory and legal obligations; and sound financial judgements and estimates continued to be made.

During 2022, I have maintained regular dialogue with my fellow members of the Committee, the CFO, other members of management (financial, legal and commercial) and the Vice President of Internal Audit & Enterprise Risk Management, including meeting with ‘agenda topic owners’ prior to Committee meetings, ensuring the Committee would be provided with the necessary information to enable it to guide, challenge and advise, when required, make informed decisions. I also met regularly with the lead partners from Deloitte, the external auditor, as part of my ongoing review of their effectiveness.

To help the Committee meet its oversight responsibilities, several knowledge sessions were held during 2022 on key areas including cybersecurity, data privacy, financial and IT general internal controls (and related improvement programmes) and proposed regulatory reform. In addition, the Committee was delighted to visit the Global Business Services (GBS) centre in Lisbon, to gain insight into the operations which were set up in 2020 as part of Convatec’s transformation and simplification programme. In 2023, we will continue to review progress in the GBS as additional geographies and activities are transitioned to it, processes mature, and as we prepare for the changes and impacts in corporate governance and regulatory requirements.

Despite offering to be available for meetings, no direct meetings with Convatec shareholders were held during 2022, with the exception of regular interactions with Sten Scheibye, Novo’s representative, and a Non-Executive Director. During 2023, I will seek direct engagement with key investors on financial reporting, risk and assurance planning, and proposed regulatory changes in anticipation of their implementation for the financial year ending 31 December 2024.

In July 2022, the Chair received a letter from the FRC in respect of its review of the Company’s Annual Report and Accounts for the year ended 31 December 2021. The review was based solely on the financial statements without any detailed knowledge of the business or the underlying transactions, and did not result in any specific questions or queries. They did, however, note a number of matters where they believed that users of the accounts would benefit from improvements to certain existing disclosures, including changes to the wording of certain accounting policies, disclosures of tax losses by expiry date and more disclosures on restricted cash. Lewis and Alternative Performance Measures (APMs). The Committee reviewed management’s proposed responses in respect of each matter raised and agreed amended disclosure notes where applicable in the 2022 ARA, having also considered the views of the external auditor.

We welcomed Jonny Mason as CFO and supported him during his induction period. During 2022 Jonny has focused on simplifying processes, managing risk and delivering in line with a challenging global environment, politically and economically.

I would like to thank my fellow Committee members and all teams involved with the Committee’s activities for their contribution during 2022 and their relentless focus on quality, sound judgements, controls and risk in a challenging global environment, politically and economically.

I hope that you find this report informative and responsive to shareholders’ and other stakeholders’ expectations and can take assurance from the work undertaken by the Committee during the year and planned for 2023.
2022 KEY MATTERS

Matters considered at the meetings are set out on pages 129 to 135.

The Committee meeting agendas are tailored to ensure that emerging topics are included and to allow for ad hoc discussion and reviews.

A summary of the Committee’s activities during 2022 and until the date of this report is detailed on the following pages.

Annual review

During the year, the Committee members and regular attendees (including the internal and external auditors) undertook an evaluation of the Committee’s effectiveness. An external provider, Lintstock, prepared (with input from the Committee chair and Deputy Company Secretary) and provided participants in the evaluation with a questionnaire (different questionnaire for Committee members to that provided to other evaluation participants). Lintstock also collated and summarised the responses, but without drawing conclusions. The findings and proposed responses were discussed initially by the Committee and then shared with the Board. Overall, it was concluded that the Committee continued to perform very effectively and had addressed its key priorities and action plan for 2022, with priority areas of focus for 2023 also identified.

The significant operational and financial issues and risks which may impact the Company’s financial statements, internal controls and/or delivery and execution of the Company’s strategy were considered by the Committee when planning its agenda and reviewing the audit plans of internal and external auditors.

The Committee used its collective expertise to challenge the approach and judgements made by management in the accounting treatment and valuation of financial matters, and the resulting disclosures. The Committee also considered these issues with the external auditor, reviewing reports outlining work performed, and any issues identified, together with consideration of the risk of management override of controls. A summary of the significant areas of audit focus, as discussed in the Auditor’s Report on pages 233 to 240, plus additional areas of key focus by the Committee is outlined below.

Following considerable discussion and review of each significant accounting judgement with management and the external auditor, the Committee was satisfied that there were relevant accounting policies in place in relation to these significant issues and that management had correctly applied these policies and exercised reasonable judgement.

Financial reporting

OUR ROLE

SCOPE OF REVIEW BY THE COMMITTEE

Significant audit risks and accounting judgements

• Interim and full-year results statements, prior to recommendation to the Board for approval, together with supporting reports from CFO and VP, Group Finance Controller, highlighting all key judgements and estimates
• External auditor reports to the Committee at each Committee meeting, regarding audit plan and progress in implementation, interim review and full year audit
• Final draft 2022 ARA, the external auditor’s and management reports on all key judgements
• Appropriateness of going concern and viability assessments, including basis of preparation and management reports on all key judgements, risk scenarios and underlying assumptions
• Reporting analysis and evidence
• Acquisition papers and related accounting treatments and judgements, including assessment of earn-outs and impact on the recognition of deferred tax, particularly in respect of the acquisition of Triad Life Sciences
• Accounting treatment and provisions for the costs and contract breaches associated with the closure of our facility in Belarus alongside the discontinuation of associated Russian activities
• Policy for APMs and review of proposed adjusting items for rationale to be considered as non-recurring items
• Group’s treasury policy, regular treasury activity and funding status updates, funding strategy and debt covenant compliance at relevant reporting dates
• Group’s key tax risks, effectiveness of related controls and mitigations and tax transparency agenda, including the Company’s published Tax Strategy Statement, subsequently approved by the Board
• Estimated effective tax rates applied in interim and full-year financial statements, judgements and disclosures in respect of underlying key tax issues/risk
• Progress in Finance Transformation programme, the implementation of the target operating model and the standardisation of activities transitioned to GBS
• Monitoring of the continuing effectiveness of internal controls and the internal control framework improvement programme

KEY MATTERS IN 2022

Key matter | Issue | Action taken by the Committee and outcome/future actions
--- | --- | ---
Acquisitions and investments | As reported on pages 215 to 216, the Group acquired Triad Life Sciences (now Advanced Tissue Technologies or ATI) in March 2022 for an initial consideration of $150.3 million, with potential further contingent consideration of $325.0 million based on two short-term milestones and the performance during the first two years post-completion. The two short-term milestones were both achieved in 2022 resulting in payments of $50.0 million. The valuation of the contingent consideration has been identified as a key estimate. Key inputs used in calculating the fair value of the contingent consideration include a weighted probability of different scenarios and revenue projections based on latest available information discounted using an appropriate discount rate. Management engaged a third-party valuation specialist to calculate the appropriate discount rate to use in calculating the $150.8 million discounted fair value of the remaining contingent consideration at 31 December 2022. The potential range of discounted outcomes with the next financial year is between $85.2 million and $230.8 million.

In respect of the acquisition of Cure Medical in 2021, there is total potential contingent consideration of $10.0 million, which is based on post-acquisition performance targets and due to be paid within three years of the acquisition date. As at 31 December 2022, the discounted fair value of the contingent consideration was $9.2 million (2021: $3.1 million), with the increase arising as a result of good performance during 2022 together with the latest financial forecasts, and the unwinding of the discount during the year.

In May 2022, the Group invested $30.7 million in preference shares of BlueWind Medical Limited, inclusion of transaction costs. The equity investment is held at fair value in the Consolidated Financial Statements, with any changes in fair value taken to Other Comprehensive Income. Management engaged with a third-party valuation specialist to calculate the fair value at 31 December 2022, which has not changed since the date of investment.

The Committee reviewed the estimates and incurred closure costs throughout the year, with particular attention paid to those unexpected at year end and carried over as a provision. The Committee carefully reviewed the non-recurring nature of the various related costs, and their consideration as an adjusted item.

The Committee concluded that, given the status of the withdrawal from these businesses at the reporting date, the provisions were sensible and the contracts as adjusted items were categorised appropriately.

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The Committee concluded that, given the status of the withdrawal from these businesses at the reporting date, the provisions were sensible and the contracts as adjusted items were categorised appropriately.

The materiality of the acquisition of Triad Life Sciences poses a significant financial risk related to the accounting for this transaction. To address this risk, the Committee compared the preferred revenue projections of Triad Life Sciences’ latest forecasts with the assumptions in the acquisition business case, considered the work undertaken by the external valuation experts and discussed with Deloitte the results of their audit of the transaction accounting. The Committee reviewed and challenged the key drivers of the valuation of intangible assets identified, the fair value uplift of inventory acquired and the resulting value of goodwill. The Committee also ensured that the implications of the potential maximum consideration were reflected in management’s going concern and viability assessments.

The Committee reviewed the basis for determining the increase in the contingent consideration liability related to Cure Medical and concluded that it was appropriate.

In respect of BlueWind Medical, the Committee considered the audit work performed by Deloitte and the conclusions of the external valuation experts.

The Committee discussed these key judgements with the auditors and considered the results of their audit review, including the conclusions of Deloitte’s valuation experts, and ultimately considered that the accounting for acquisitions and investments was appropriate.
The Committee considered the appropriate go forward basis of accounting in preparing the interim and full-year statutory financial statements and assessed the long-term viability of the Group in accordance with the requirements of the Code.

In reaching its view, the Committee considered the process and methodology adopted by management and the principal and emerging risks and their potential impact, and also challenged the appropriateness of the three-year viability period. The forecasts, stress test scenarios, including the underlying scenario assumptions and the reverse stress test, were reviewed and assessed against the Group’s financial facilities and covenants. In addition, the Committee obtained a summary of external views from analysts and other industry commentators, to understand the wider market views on the Group’s future financial performance and viability, and the external auditor’s findings and conclusions on this matter.

The Committee also considered the adequacy and accuracy of the disclosures in the 2022 ARA in respect of the Group’s ability to continue as a going concern and its future viability.

The Committee reviewed the revised position, following the acquisition of Triad Life Sciences, in relation to the recognition of DTAs in respect of US tax losses. The Committee sought explanations as to how the acquisition of Triad Life Sciences gave rise to new deferred tax liabilities which provided a justification for additional recognition of the Group’s DTAs in the US. The Committee considered the assessment and conclusion of the external auditor.

Recognition of US deferred tax assets (DTAs)

The Committee reviewed the revised position, following the acquisition of Triad Life Sciences, in relation to the recognition of DTAs in respect of US tax losses. The Committee sought explanations as to how the acquisition of Triad Life Sciences gave rise to new deferred tax liabilities which provided a justification for additional recognition of the Group’s DTAs in the US. The Committee considered the assessment and conclusion of the external auditor.

The Committee agreed with management’s proposal for additional recognition of US DTAs in light of the new deferred tax liability profile arising from the acquisition of Triad Life Sciences.

The Committee considered management’s assessment to support the position that, for the purposes of financial reporting, no triggers had been identified that contradicted the view that the Group’s business should be treated as a single segment entity. Management’s assessment concluded that the Group continues to be the Chief Operating Decision Maker, and the business continues to operate in a matrix structure for financial information in respect of revenues is provided to the CEO for decision-making purposes, both on a category and key market basis, with the primary focus of financial reporting based on the consolidated Group results.

The Committee concluded that it was able to advise the Board that there were sufficient realised and unutilised cash resources to enable the Board to approve the 2022 interim and final dividends.

With reference to IFRS 8, the Committee noted the resource allocation continues to be driven with the support of global functions and Centres of Excellence, and consequently agreed with management’s recommendation to continue to report as a single segment for the purposes of IFRS 8 disclosures in the 2022 ARA.

The Committee will continue to review the appropriateness of the single segment approach as the Group completes its pivot to the new operating model and improvements are made to the internal management reporting process, including allocation of central costs.

DISCHARGE OF OTHER KEY AREAS OF RESPONSIBILITY

Throughout the year, the Committee addressed its other key areas of responsibility contributing to its ability to provide assurance to the Board that it could conclude on the effectiveness of the Company’s internal controls, compliance, fraud prevention and risk management processes throughout the year.

Enterprise risk management and insurance

The Committee noted the continued improvements to the risk framework following the recommended approach indicated in 2019, including the way in which risks are identified, assessed, prioritised and reported to CELT, the Committee and the Board.

The Committee supported the elevation of the political and external global events (including the implications of significantly increased inflation and interest rates).

The Committee reviewed the progress in implementing improvements to the management of cyber and data privacy risks, on a quarterly basis, and the results of the oversight survey conducted in 2022. The Committee concluded that, despite some slippage in management’s cyber strategy implementation, good progress had been achieved, including improved cyber defence capabilities and improvements in the IT controls and risk profile.

The Committee reviewed the proposed insurance renewals programme and scrutinised areas where the extreme total loss scenario exceeded the maximum insurable loss.

The Committee was encouraged by the plan to strengthen the enterprise risk management process and continued investment in capital and other programmes which enhance our business resilience, and to develop a rapid response team to respond to incidents in order to manage certain risks leading to the potential reduction in the contribution of insurance.

The Committee requested a knowledge sharing session covering the Group insurance programme prior to the renewal in 2023 and a review of the alignment between insurable risks and insurance policy cover.
The Group implemented a global internal control programme in 2019 to support the Directors’ related statements in the Annual Report and Accounts. Aligned to COSO, the framework is primarily focused currently on financial reporting risks and comprises the key elements, including Entity Level Controls, controls over the financial processes and IT general controls over the financial systems, and is supported by a control monitoring programme including self-assessments, independent assessments and quarterly updates to the Committee. In 2022, the framework was refreshed to provide a focus on risk, including the introduction of a lighter framework for the smaller operating entities, with controls more closely aligned to the financial reporting close process.

In October, the Committee requested a knowledge session to understand the refreshed control framework, including the monitoring and assurance processes, to provide the basis for the Directors’ statement in relation to internal control, and to assess the readiness of the Group for the forthcoming proposed FRC-related changes to the Code.

The Committee noted that the high level of operating effectiveness, recorded by the self-assessment process, was supported by the monitoring process by the Financial Controls team, with a significant improvement in the quality of controls evidence.

The Committee was assured that the recent development towards a more risk-focused controls framework to mitigate key risks.

The Committee recommended the appointment of Deloitte as the ESG assurance partner and review their report.

The Group was pleased to note the ongoing development of the global fraud risk programme to monitor fraud risk effectively across the Group, and recommendations for improvement.

The Committee was assured that the Group’s financial statements are free from material misstatement. The three lines of defence model summarises the roles and responsibilities for our internal control framework around the Group to ensure that the financial statements are free from material misstatement.

The Committee remained focused on ESG and TCFD reporting during 2022, providing challenge to management on the implementation of reporting requirements and stakeholder expectations and developing quantitative targets.

The Board: Ultimate responsibility for internal control

Audit and Risk Committee: Oversight of internal control framework

Tax, Treasury and Finance Committee: Oversight of tax and treasury matters and liabilities

Senior management: Delegated responsibility for internal control

Risk ownership

Challenge

Assurance

Internal audit

• Provides independent assurance over the design and operating effectiveness of the Group’s Internal control framework.

External audit

• Reviews controls relevant to the external audit approach and report to management on control improvements.

1st line of defence

2nd line of defence

3rd line of defence
The Committee considered the results of the audits conducted during the year (particularly any emerging themes of concern) and approved changes to the audit plan to reflect changing circumstances or risks.

The Committee approved the proposed 2023 internal audit plan, which had been prepared adapting a risk focused approach, using the Group’s principal and emerging risks as a base.

In December, the Committee undertook an assessment of the effectiveness of the internal audit function, including obtaining feedback from CELT members and other relevant Management to understand if they feel that they are receiving the assurance they need on the key risks communicated by the VP Internal Audit & Enterprise Risk Management directly with the CELT. Both management and the Committee concluded that the quality and effectiveness of the internal audit function continued to improve in 2022.

Looking forward to 2023, the Committee will ensure that the internal auditor function remains independent, whilst responding to the ‘pull’ from management for increased support and audits, providing independent assurance across an appropriately balanced portfolio of audits covering financial controls and processes and key areas of risk, with some advisory support, particularly to assist the Group in improving its second line of defence capabilities.

The Committee will also review the scope of assurance to be obtained from internal audit as the Audit and Assurance policy is developed in line with the expected changes to the corporate governance regulations.
EXTERNAL AUDIT

Audit process

The Committee is responsible for overseeing the relationship with the external auditor, the audit process and, most importantly, the effectiveness and quality of the audit. The following table summarises the steps taken by the Committee in overseeing the effectiveness of the 2022 audit and its quality.

<table>
<thead>
<tr>
<th>Significant matters for review</th>
<th>Decisions and actions taken by the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>The annual audit plan and strategy including the scope of the audit, changes in approach and methodology, emerging industry and Group-specific risks and change in the audit leadership team</td>
<td>Reviewed and challenged the proposed audit plan, and agreed the addition of the accounting for the acquisition of Trad Life Ltd and the significant risks due to audit judgements associated with the contingent consideration, and the removal of revenues as a significant audit risk. Challenged the structure of the audit to centralise certain audit activities in Lisbon to leverage the Group’s GBS operating model and simplify the management of the audit.</td>
</tr>
<tr>
<td>Materiality level for audit including Group materiality and component materiality</td>
<td>Reviewed methodology and agreed a higher level of materiality for 2022. In reaching this conclusion the Committee agreed with the auditor that the methodology applied in 2021 and on improved forecast profitability and should be adopted.</td>
</tr>
<tr>
<td>Audit fee and terms of engagement</td>
<td>Approved the audit fee and terms of engagement, ensuring no impact on scope of audit or quality of resource engaged during the agreed fee level.</td>
</tr>
</tbody>
</table>

The Committee noted that the regulatory change ISA 315 (Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment) and resource inflation had an impact on audit cost.

Deloitte has also been engaged to provide limited assurance on ESG data in 2022.

Audit scope and risk assessment

Further to the challenge by the Committee in 2021 to align to the Group strategy, all 12 of the Group’s focus markets were in audit scope - five were subject to full scope audit procedures, four had the material components subject to specified audit procedures, and three were subject to local statutory audits by Deloitte, with desktop reviews undertaken by the central audit team.

Deloitte undertook a thorough risk assessment process to identify the three areas of significant audit risk and other areas of audit focus. The Committee sought an explanation for the change in emphasis and particularly the downgrading of risks considered significant in 2022 and agreed with Deloitte’s proposals. The Committee did not identify additional risks that could materially impact the consolidated financial statements.

Having considered the proposed audit scope, risk assessment and materiality level, the Committee approved the 2022 audit plan and subsequent changes to certain aspects of the plan to reflect the Group’s performance.

Audit findings, significant issues and other accounting judgements

Discussed with Deloitte and management throughout the year, and particularly during the year-end audit.

Deloitte’s independence, objectivity and quality control procedures

Independence and objectivity confirmed and quality control procedures reviewed (see below).

Audit quality and effectiveness

The Committee is very focused on audit quality and effectiveness, ensuring the rigour and challenge of the external audit process are maintained. The Committee sought to ensure the quality and clarity of the external auditor’s communication with management, the Committee and the Board, both orally and written. The Committee formally reviewed the quality and effectiveness of the external audit in December, taking into consideration management’s conclusions. The formal review process and key areas of focus are outlined in the diagram on page 137.

In particular, the Committee assessed the depth of review and the level of challenge provided by the external auditor over the significant accounting policies applied and the judgements and estimates made by management. An example of where the Committee observed the external auditor to demonstrate both professional scepticism and a challenge to management was in relation to the valuation of the provisions associated with the withdrawal from hospital care. The external auditor discussed the basis of the estimates for the provisions with key stakeholders and was initially satisfied with the provisions recognised. The Committee also considered the summary of the issues raised by the FRC from their Audit Quality Inspection of the external auditor, how the issues identified impacted the audit of the Convatec Group, and the actions being taken by the external auditor to address the issues raised. The Committee was pleased with the introduction of a new key audit partner, with specific experience of auditing groups with global business structures and noted his responsibility for leading the GBS-based audit activities.

The Committee’s review concluded that the Company benefited from a capable and knowledgeable senior audit team, that provided the Committee with strong opinions, views and insights, with clear evidence of robust challenge of management and exercise of appropriate scepticism in relation to key audit judgements and estimates, reliable interpretation of evidence provided by management and use of external sources to support their conclusions when appropriate. Overall, the results of the external audit quality and effectiveness review and the evidence gathered by the Committee during the year confirm that Deloitte’s audit process and procedures were appropriate and effective, focused on the areas of greatest risk and that the audit team provided an effective, robust and objective challenge to Group management. The Committee’s conclusions, we recommended to the Board that Deloitte be proposed for reappointment by shareholders at the AGM to be held on 18 May 2023.

Audit independence

The Committee ensures objectivity and independence of the external auditor through the policy on the provision of non-audit services, which is compliant with the Revised Ethical Standard (2019 ES). The policy requires non-audit engagements performed by the external auditor to be approved by the Committee. Permissible services are subject to a fee cap of 10% of average audit fees billed to the Company by the auditor in the past three financial years. The Group was complaint with the policy in 2022 when non-audit fees principally related to the interim review of the Group’s half-year unaudited financial statements. A summary of fees paid for the external auditor is set out in Note 3 to the Financial Statements.

In addition, the Committee’s review of the independence of the external auditor included:

- Confirmation to the Directors from Deloitte that they remained independent and objective within the context of applicable professional standards
- Monitoring the tenure and rotation of the lead and engagement partners. Clare Faulkner rotated into the role of lead partner in 2021 and the Committee is very happy for her to continue in this position for the next three years. After completing the permissible seven years service on the Group’s audit this year, Dawn Harris will hand the role of engagement partner to David Hollam for 2023, who will also continue leading the GBS audit.
- Monitoring the tenures and rotation of other key personnel
- Observing the relationship and tone of communication between management and the auditor
- Deloitte reconsidering and reconfirming their audit independence under 2019 ES given Margaret Ewing’s situation as both a former partner of Deloitte LLP and chair of this Committee, with Deloitte and the Committee (excluding Margaret Ewing) concluding that this relationship does not affect the external auditor’s independence

The Committee concluded that Deloitte remained appropriately independent in the role of external auditor.

External auditor appointment and engagement tender

At the AGM on 12 May 2022, shareholders approved the reappointment of Deloitte as the Group’s external auditor. Deloitte has been the Group’s external auditor since the Company’s listing in October 2016 and is in line with the Company’s external auditor for the period 2020 to 2023. The Committee recommended to the Board the proposal to reappoint Deloitte as external auditor for the 2023 AGM.

In compliance with the 2014 Order, the Company will undertake an audit tender (not mandatory rotation) during 2024, effective for the 2026 audit. However, the Committee will review this matter annually, taking into consideration the ongoing provision of a high-quality and effective audit, changing regulations and market practice. The audit tender process will be designed to adopt market best practice and it is anticipated that challenger second tier audit firms will be invited to participate along with major audit firms.
FAIR, BALANCED, AND UNDERSTANDABLE

The Board is required to provide its opinion on whether it considers that the Company’s 2022 ARA taken as a whole are fair, balanced and understandable, and provide the information necessary for shareholders and other stakeholders to assess the Company’s position and performance, business model and strategy and key risks that challenge the Group.

To support the Board in providing its opinion, the Committee considered the overall cohesion and clarity of the ARA and assessment of the quality of reporting through discussion with management and the external auditor and the assurance framework, processes and controls that were in place in its preparation. This included:

- A verification process dealing with the factual content
- Comprehensive reviews undertaken by senior management to consider the accuracy and adequacy of disclosures, compliance with regulatory and legal reporting requirements, and balance
- Specific reviews by the Board and CELT in relation to key sections of the ARA and relevant sections of the ARA as audited by Deloitte
- Confirmation from management that the assurance framework had been adhered to for the preparation of the 2022 ARA.

Committee conclusions and confirmations

Taking into consideration all areas of focus of the Committee during the year and in reviewing the 2022 ARA, including reviewing the supporting detailed topic papers, presentations and reports from management, the Committee is satisfied that:

- The Financial Statements for the year ended 31 December 2022 have been prepared applying appropriate accounting policies and address the critical accounting judgements and key sources of estimation uncertainty, both in respect of the amounts reported and the disclosures made thereon.
- The significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged and are sufficiently robust.
- The Group’s internal controls and risk management processes were monitored throughout the year, with management continuing to implement further improvements in 2023.
- The conclusions in relation to critical accounting judgements, significant assumptions and estimates and key valuation assumptions are in line with those drawn by the auditor, having discussed them with the auditor during the audit planning process and at the finalisation of the year-end audit and following robust challenge of both the auditor and management.

Consequently, the Committee has confirmed to the Board, in its advisory capacity, that:

- The key accounting estimates, judgements and disclosures within the Financial Statements are appropriate and serve to provide a true and fair view.
- The 2022 ARA, overall, are fair, balanced and understandable. The Board’s statement in relation to this confirmation is included on page 165.
- It is reasonable for the Directors to make the viability statement and the going concern statement on pages 98, 100 and 117 and 119.
- The Group’s whistleblowing and fraud risk processes have operated effectively during the year, with further improvements to be implemented during 2023.
- The Board is able to provide the statement regarding the effective operation throughout the year of the Group’s internal controls and risk management processes in the 2022 ARA.

Margaret Ewing
Chair of the Audit and Risk Committee
8 March 2023

A word from the Chair

“The Committee completed an extensive consultation exercise in 2022 and would like to thank everyone who participated for their valuable feedback and contribution to shaping our Remuneration Policy proposals.”

COMMITTEE INTRODUCTION AND OVERVIEW

COMMITTEE MEMBERSHIP, MEETINGS AND ATTENDANCE

The table below shows the number of scheduled meetings attended by members of the Committee during 2022 and 2021.

<table>
<thead>
<tr>
<th>Director</th>
<th>Member since</th>
<th>Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brian May¹</td>
<td>March 2020</td>
<td>6/6</td>
</tr>
<tr>
<td>Constantinos Coussios</td>
<td>January 2022</td>
<td>6/6</td>
</tr>
<tr>
<td>Kimberly Lody</td>
<td>February 2022</td>
<td>6/6</td>
</tr>
<tr>
<td>Sharon O’Keeffe</td>
<td>March 2022</td>
<td>6/6</td>
</tr>
<tr>
<td>Rick Anderson</td>
<td>September 2020</td>
<td>6/6</td>
</tr>
<tr>
<td>Regina Benjamin</td>
<td>June 2019</td>
<td>6/6</td>
</tr>
</tbody>
</table>

¹ Mr May was appointed Chair of the Committee on 1 September 2020

There were three appointments during the year: Constantinos Coussios was appointed on 27 January 2022, Kimberly Lody was appointed on 1 February 2022 and Sharon O’Keeffe was appointed on 1 March 2022. Rick Anderson and Regina Benjamin stepped down from the Committee due to their resignation from the Board. The Deputy Company Secretary attends meetings as the Secretary to the Committee. The Chair, CEO, CFO, EVP Chief Human Resources Officer & ESG Stewardship and VP Global Head of Total Rewards & Recognition attend meetings of the Committee by invitation, as does the Committee’s appointed adviser. Executives are absent when their own remuneration is under consideration.

KEY NUMBERS

Meetings held
5
(2021: 5)

Attendance
95%
(2021: 100%)

ACTIVITY HIGHLIGHTS

- Ensured the remuneration arrangements for the Executive Directors and CELT members in 2022 continue to support Convatec’s sustainable and profitable growth strategy.
- Kept under review remuneration arrangements and outcomes to ensure continued alignment of executive interests with those of other stakeholders.
- Completed an annual review of the Committee’s terms of reference versus best practice guidelines and completed an annual performance review to support continuous improvement.
- Conducted an in-depth review of our Policy (ahead of being required to put this to a binding shareholder resolution at the 2023 AGM) to ensure that it remains fit for purpose, aligned with our strategy, reinforces our remuneration principles and reflects good practice.

2023 PRIORITIES

- Continue to actively engage with key stakeholders on remuneration matters, as appropriate.
- Implement 2023 Remuneration Policy to deliver competitive and motivational remuneration that reinforces the successful delivery of our stated strategic ambition and alignment with long-term shareholder interests.

KEY AREAS OF RESPONSIBILITY

- Designs, recommends and implements the Company’s Remuneration Policy, packages for the Executive Directors and CELT, and sets the fee for the Non-Executive Chair.
- Ensures appropriate alignment of executive remuneration with the remuneration approach across the wider organisation.

In this section you will find:
Letter from the Chair of the Remuneration Committee
Pages 140 and 141

Our remuneration at a glance
Pages 142 and 143

Our Annual Report on Remuneration
How we implemented our Remuneration Policy during 2022 and how we intend to apply it in 2023. Pages 144 to 152

Our Remuneration Policy
Pages 153 to 161 set out the updated Remuneration Policy for approval.
Shareholder consultation in relation to 2022 AGM voting

The Remuneration Committee recognises that a minority of shareholders were not able to support the plans detailed in the Remuneration Report. This was evident during the AGM. In conducting an exercise of engagement with our shareholders we understand that the main point of contention was the Committee’s decision to exclude the impact of strategic investments on financial outcomes under the 2021 long-term incentive plan (LTIP) award.

These investments were made in support of the FISBE strategy and were not yet known at the time targets for the 2019 LTIP award were set.

The Committee continues to believe that neutralising the impact of these elements on performance was an appropriate reflection of Executive Director impact and shareholder experience. That said, the Committee recognises that shareholders would have preferred a greater level of discussion of this point in the years leading up to vesting.

Going forward, the Remuneration Committee is committed to positive and proactive engagement with shareholders, and shareholders will do so that no discretion or judgement has been used to modify the 2020 LTIP vesting this year (see below).

Committee focus and activities in 2022

Purposc areas

Policy
- Undertook a detailed strategic review of Remuneration Policy
- Consulted with investors, representing the majority of the register
- Considered investor feedback and amended final Policy proposals to reflect investor guidance

Remuneration packages
- Approved Executive Director and C.E.O. targets for 2022
- Approved the 2021 bonus outcomes for Executive Directors and C.E.O.
- Approved 2022 LTIP award levels for Executive Directors and C.E.O.
- Considered the AGM voting outcomes and completed follow up shareholder consultation

Setting performance targets
- Reviewed and set financial targets for 2022 annual bonus and 2023 LTIP, in the context of multiple internal and external factors
- Reviewed the executive compensation landscape

Workforce remuneration
- Reviewed updates on workforce remuneration policies and practices
- Reviewed the relationship between salary budget in light of the inflationary environment and global living wage levels

Effectiveness
- Completed a review of our remuneration advisers and selected Willis Towers Watson
- Worked with Willis Towers Watson to complete the review of our Remuneration Policy

Appointment of new CFO

Jonny was appointed as CFO on 12 March 2022, after Frank Schultes stepped down from the role on 11 March 2022. Frank assisted the Company through a transitional period in the early part of the year and we thank him for his service. As disclosed last year, the Committee determined Frank a ‘good leaver’ and there were no post-service obligations. Jonny’s departure were in accordance with the Remuneration Policy and plan rules.

Jonny is a seasoned CFO with an extensive track record in transformation and performance. His remuneration package is commensurate with his experience and directly aligned with our focus on shareholder value and high-calibre talent. Jonny’s salary was set at £500,000 on appointment with a maximum bonus opportunity of 200% of salary and an annual LTIP award opportunity of 250% of salary, in line with the Committee’s commitment, the Committee set the pension allowance for Jonny to align with the wider workforce (currently at 8.5% of salary) from appointment.

Proposed amendments to our Remuneration policy

Since the last Remuneration Report we have introduced the following amendments to our Remuneration Policy:

- The alignment of the CEO’s pension with that of the wider UK workforce (CFO pension already in place)
- The introduction of a policy on post-cessation shareholding for Executive Directors
- The increase of the maximum LTIP award from 250% to 300% of salary for the CEO (no change to CFO)
- A selection of changes to the choice and weighting of the executive performance incentives, namely:
  - The inclusion of an organic revenue measure in both the bonus and LTIP award calculations
  - The inclusion of quantifiable ESG measures in key performance indicators
  - The revision of the relative TSR measure in the LTIP to include equally weighted measurement against two indices: the FTSE 100-50 excluding resource companies, and the S&P Global Healthcare Equipment & Services Index

In total, these changes align with the key strategic focus areas of our renewed FISBE growth strategy, the growth of our business since the CEO’s appointment and the need to compete for talent in the global healthcare sector.

The proposed reduction in pension contributions and the introduction of the decision making requirement are in line with best practice governance. The amendments to the key performance indicators and conditions under both the bonus and the LTIP are proposed to reflect Convatec’s focus on sustainable and profitable growth. In particular, the distinction between organic revenue growth in driving long-term shareholder value creation and short-term results was discussed with our major investors during the consultation exercise.

The importance of encouraging both growth in the year and consistently over several years, the organic revenue growth metric was included as a measure in both schemes.

In addition, the Committee has embedded ESG metrics in the annual bonus to ensure focus on delivery of our CSR agenda, with the flexibility to evolve the weighting and targets of this measure as our portfolio continues to engage the S&P Global Health Care and pharmaceuticals index, and the S&P Global Healthcare Equipment & Services Index. The proposed reduction in pension contributions and the decision making requirement are in line with best practice governance. The amendments to the key performance indicators and conditions under both the bonus and the LTIP are proposed to reflect Convatec’s focus on sustainable and profitable growth. In particular, the distinction between organic revenue growth in driving long-term shareholder value creation and short-term results was discussed with our major investors during the consultation exercise.

The importance of encouraging both growth in the year and consistently over several years, the organic revenue growth metric was included as a measure in both schemes.

Remuneration in 2023 and beyond

In keeping with its stated commitment, the Committee reduced the pension allowance for the CEO from 15% to 10% of salary to ensure all existing and future Executive Directors are aligned with the wider UK workforce. As a result of these changes to our policy for 2023, the annual bonus will be weighted at 45% on adjusted operating profit, 25% on organic revenue growth, 10% on adjusted free cash flow and 20% on strategic objectives including 5% linked to ESG priorities.

2023 LTIP awards will be measured 50% on adjusted PBT, 25% on adjusted free cash flow growth and 25% on relative TSR equally weighted against the FTSE 100-50 excluding resource companies, and the S&P Global Healthcare Equipment & Services Index. Further details are set out in the Annual Report on Remuneration, on pages 144 to 152.

Despite considerable inflationary and wider macroeconomic challenges to the Company’s future growth plans, the Company’s financial objectives remain ambitious. The Committee reviewed the targets under the LTIP and determined that in line with these ambitions, it remains appropriate to set a PBT growth range which requires growth well in excess of consensus and at the upper end of UK market norms. The Company has therefore set a range at 7% to 14% for the 2023 LTIP award versus 8% to 15% last year. Similarly, the Committee decided to set the new organic revenue growth range at 3.5% to 6.5% per annum which is aligned around consistent and the medium-term goals shared at the Capital Markets Day (17 November 2022). The Committee will continue to review the performance ranges very closely based on the definition, weighting and targets of our LTIP grant cycle and ensure that maximum payments are not awarded if exceptional performance and long-term shareholder value are delivered.

Despite relatively higher rates of inflation, the Committee decided to moderate the salary increases for the top 30 to 38.

Concluding remarks

On behalf of the Committee, I would like to thank you for your support in the last year. We would particularly like to thank our shareholders for their time and feedback in consultations on our Remuneration Report, and I would particularly like to thank our shareholders for their time and feedback in consultations on our Remuneration Report.

I am also pleased to report that our Convatec Remuneration Report was shortlisted for the prestigious IR Magazine Awards, an indication of the high quality of our Board and the wider employee population due to the cost of living pressures. As a result, the increases to the CEO and CFO were held at 2.5% and the average increases for the Executive Directors and employee population were at 6.2%.
The charts below show how actual performance contributed to the bonus payouts for the Executive Directors for 2022:

<table>
<thead>
<tr>
<th>Annual bonus outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>The charts show how actual performance contributed to the bonus payouts for the Executive Directors for 2022.</td>
</tr>
</tbody>
</table>

### Personal strategic objectives (20% weighting)

- **Executive Director**: Responsible for:
  - **Objective**: [Detailed objectives set for the Executive Directors, and performance against these, are on page 145.]

### Long-term incentive plans (LTI)

- **Implementation in 2023**: Award opportunity of 300% of salary for Karim Bitar and 250% for Jonny Mason. Awards will vest subject to adjusted PBT (weighted 50%), organic revenue growth (weighted at 25%), and TSR versus the constituents of the FTSE 100 excluding investment trusts (12.5%) and the S&P Global Healthcare Services Index (12.5%) over the three financial years to 31 December 2025.

### Shareholding requirement

- **Implementation in 2023**: Executives are required to build up shareholdings of 400% of salary for the CEO and 300% of salary for the CFO. These must be retained whilst the Executive Directors remain on the Board. 50% of any vested share awards (after all sales to meet tax liabilities) must be retained until the minimum shareholding requirements are met.

- **At the end of 2022**, Karim Bitar held shares worth 54% of his 2022 salary and Jonny Mason held shares worth 22% of his 2022 salary.

- **For 2023**, Executive Directors will be required to hold 100% of their in-vessel shareholding requirements for 12 months after cessation and 50% for the next 12 months. This means 40% and 30% of salary in the first year and 200% and 150% of salary in the second year post-cessation for the CEO and CFO, respectively.
### OUR ANNUAL REPORT ON REMUNERATION

This section of the Remuneration report provides details of how our Remuneration Policy was implemented during the financial year ending 31 December 2022, and how it will be implemented during the year ending 31 December 2023. It has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It also meets the requirements of the FCA’s Listing Rules.

In accordance with the Regulations, the following sections of the Remuneration report are subject to audit: the total figure of remuneration for Executive Directors and Non-Executive Directors, and accompanying notes (pages 144 and 147), scheme interests awarded during the financial year (page 146), exits, payments made in the year (page 148), payments to past Directors (page 148) and the statement of Directors’ shareholdings (page 152). The Remuneration report and the accounts are not subject to audit.

### Committee membership in 2022

Details of the membership of the Remuneration Committee and the committees met during 2022 and at its meetings are set out on page 159.

### Committee responsibilities

The Committee’s key areas of responsibility are set out also on page 159.

### Single total figure of remuneration for Executive Directors (audited)

The following table sets out a single figure for the total remuneration received by each Executive Director for the 2022 financial year, and compares this with the equivalent figure for the 2021 financial year.

<table>
<thead>
<tr>
<th>Director</th>
<th>Base salary ‘000</th>
<th>Bonus variable ‘000</th>
<th>Total ‘000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karim Bitar</td>
<td>2022 £195</td>
<td>£6 £1,359 £1,455</td>
<td>£1,018 £233 £2,451</td>
</tr>
<tr>
<td></td>
<td>2021 £192</td>
<td>£5 £1,425 £1,455</td>
<td>£1,018 £239 £2,227</td>
</tr>
<tr>
<td>Jonny Mason</td>
<td>2022 £400</td>
<td>£13 £579 n/a £447</td>
<td>£1,016 £1,026</td>
</tr>
<tr>
<td></td>
<td>2021 £93</td>
<td>£9 £95 £823 £14</td>
<td>£110 £1,016 £1,026</td>
</tr>
<tr>
<td>Frank Schulkes</td>
<td>2022 £93</td>
<td>£16 £555 £800 £49</td>
<td>£547 £1,210 £1,762</td>
</tr>
</tbody>
</table>

1. For Karim Bitar, Jonny Mason and Frank Schulkes, benefits consist primarily of tax allowance, private medical insurance, life assurance and permanent health insurance. For Karim Bitar, taxable benefits include a healthcare allowance of £30,000 payable per annum.

2. Reflects the total bonus awarded for performance in the relevant financial year. One third of the bonus earned by Karim Bitar, Jonny Mason and Frank Schulkes is deferred into shares for three years (the vesting of which is not subject to any further performance conditions). See page 154 for further details.

3. 2022 figures represent the estimated value of LTIP awards made to Karim Bitar and Frank Schulkes in May 2022. These awards shall vest on the third anniversary of grant at 80.5% of maximum based on performance over the three year period ending 3 November 2022 (further details of which are set out on page 162). The estimated values shown in the table above use the three-month average share price for the period ended 31 December 2022 to calculate value including accrued dividends which were accumulated into the share price based share price appreciation since the respective award date. The 2022 figure represents the actual vesting value of the LTIP award.

4. Karim Bitar and Frank Schulkes’ pension benefits for the year, equivalent to 15% of base salary. Given the pension benefit at age 60 is a pension at age 55, the pension benefit at age 55 is 90% of base salary.

5. The 2022 figure in the ‘Other’ column represents the actual vesting value of the Conditional Shares awarded to Karim Bitar as part of the buy-out award made on his appointment. As disclosed in the 2019 Annual Report, the vesting of this award was linked to the same performance conditions as the 2019 LTIP which vested at 44.2% of maximum.

6. Total of base salary, taxable benefits and pension benefit.

7. Total of annual bonus, LTIP and other payments.

## Incentive outcomes for the year ended 31 December 2022 (audited)

### Annual bonus in respect of performance in the 2022 financial year

For 2022, Karim Bitar and Jonny Mason had a maximum bonus opportunity of 200% of their 2022 base salary. Any payments under the annual bonus are normally payable two-thirds in cash and one-third in shares, deferred for three years. The on-target opportunity was 50% of maximum. The annual bonus for 2022 was based on a combination of adjusted operating profit (weighted 60%) and personal strategic objectives (40%).

The tables below summarise the structure of the 2022 annual bonus, the targets set, our performance over the financial year and the resulting annual bonus payout.

### Financial measure

<table>
<thead>
<tr>
<th>Measure</th>
<th>Weighting</th>
<th>Maximum opportunity (as % of salary)</th>
<th>Earned bonus ‘000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted operating profit for bonus purposes1</td>
<td>60%</td>
<td>120%</td>
<td>£989</td>
</tr>
<tr>
<td>Adjusted free cash flow</td>
<td>20%</td>
<td>40%</td>
<td>£0</td>
</tr>
<tr>
<td>Personal strategic objectives</td>
<td>20%</td>
<td>40%</td>
<td>£0</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>£1,387</td>
</tr>
</tbody>
</table>

### Adjusted operating profit for bonus purposes1

<table>
<thead>
<tr>
<th>Director</th>
<th>Measure</th>
<th>Weighting</th>
<th>Maximum opportunity (as % of salary)</th>
<th>Earned bonus ‘000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karim Bitar</td>
<td>Adjusted operating profit for bonus purposes1</td>
<td>60%</td>
<td>120%</td>
<td>£989</td>
</tr>
<tr>
<td></td>
<td>Adjusted free cash flow</td>
<td>20%</td>
<td>40%</td>
<td>£0</td>
</tr>
<tr>
<td></td>
<td>Personal strategic objectives</td>
<td>20%</td>
<td>40%</td>
<td>£0</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>£1,387</td>
<td></td>
</tr>
</tbody>
</table>

1. Adjusted operating profit for bonus purposes is calculated on a constant currency basis using a budget rate.

2. The bonus for Frank Schulkes is pro-rated to 11 March 2022 for the period served on the Board. The bonus for Jonny Mason is pro-rated from appointment to the Board on 12 March 2022.

One-third of the bonus earned by the Executive Directors (including Frank Schulkes) will be deferred into shares to be held for three years. Details of this element of the bonus award will be disclosed in next year’s Annual Report.
Scheme interests vested in respect of the year ended December 2022

In 2020, Karim Bitar and Frank Schulkes were granted conditional share awards under the LTIP. These LTIP awards were subject to performance over the three-year period ended 31 December 2022, and performance conditions based on a combination of: Relative TSR and adjusted PBT growth, both over a three-year period, weighted 25% and 75% respectively.

The table below sets out details of the targets, and performance against these:

<table>
<thead>
<tr>
<th>Measure</th>
<th>Weighing</th>
<th>Performance range</th>
<th>Actual performance</th>
<th>Weighted outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three-year Relative TSR against the constituents of the FTSE 350 excluding investment trusts</td>
<td>25%</td>
<td>90th percentile</td>
<td>78th percentile</td>
<td>23.0%</td>
</tr>
<tr>
<td>Three-year compound annualised growth in adjusted PBT</td>
<td>75%</td>
<td>10.0% p.a.</td>
<td>8.3%</td>
<td>57.5%</td>
</tr>
<tr>
<td>Total % vesting</td>
<td></td>
<td></td>
<td></td>
<td>80.5%</td>
</tr>
</tbody>
</table>

Accordingly, Executive Directors’ 2020 LTIP awards will vest on the third anniversary of grant as set out below.

<table>
<thead>
<tr>
<th>Director</th>
<th>Date of grant</th>
<th>Number awarded</th>
<th>% vesting</th>
<th>Number vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karim Bitar</td>
<td>1 May 2020</td>
<td>1,041,532</td>
<td>80.5%</td>
<td>854,533</td>
</tr>
<tr>
<td>Frank Schulkes¹</td>
<td>1 May 2020</td>
<td>461,342</td>
<td>80.5%</td>
<td>371,380</td>
</tr>
</tbody>
</table>

¹ Number of awards pro-rated to departure date of 8 December 2022.

Scheme interests awarded in 2022 (audited)

2022 LTIP awards

During the year ended 31 December 2022, the Executive Directors were awarded conditional share awards under the LTIP, details of which are summarised in the table below.

The performance conditions attached to these 2022 LTIP awards are set out in the table.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Weighing</th>
<th>Performance period</th>
<th>Actual performance</th>
<th>Vesting schedule</th>
<th>% of maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three-year Relative TSR against the constituents of the FTSE100 excluding investment trusts</td>
<td>25%</td>
<td>1 January 2022 to 31 December 2024</td>
<td>Median to</td>
<td>Straight-line grading scale</td>
<td>100%</td>
</tr>
<tr>
<td>Three-year compound annualised growth in adjusted PBT</td>
<td>75%</td>
<td>1 January 2022 to 31 December 2024</td>
<td>8.0% p.a.</td>
<td>Straight-line grading scale</td>
<td>100%</td>
</tr>
</tbody>
</table>

To the extent the 2022 LTIP awards vest, vested shares will be required to be held for a further two-year post-vesting holding period.

2021 Deferred bonus

One-third of the 2021 bonus earned by Karim Bitar and Frank Schulkes was deferred into shares to be held for three years under the DBP, details of which are summarised in the table below.

<table>
<thead>
<tr>
<th>Director</th>
<th>Date of grant</th>
<th>Number awarded</th>
<th>Award price</th>
<th>Value</th>
<th>% of 2021 bonus</th>
<th>Date of vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karim Bitar</td>
<td>14 March 2022</td>
<td>238,337</td>
<td>181.13p</td>
<td>£42,307,000</td>
<td>50%</td>
<td>14 March 2025</td>
</tr>
<tr>
<td>Frank Schulkes¹</td>
<td>14 March 2022</td>
<td>98,462</td>
<td>181.13p</td>
<td>£17,878,244</td>
<td>50%</td>
<td>14 March 2025</td>
</tr>
</tbody>
</table>

¹ The award values are determined as one-third of each Executive Director’s 2021 bonus and converted into numbers of conditional shares using the average of the three-day share price preceding the date of grant.

Fees retained for external non-executive directorships

Executive Directors may hold one external appointment and retain the fees paid for such a role. Neither of the Executive Directors held an external non-executive director appointment during the year.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the 2022 and 2021 financial years.

<table>
<thead>
<tr>
<th>Non-Executive Director</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>John McAdam</td>
<td>£336,000</td>
<td>£320,000</td>
</tr>
<tr>
<td>Margaret Ewing</td>
<td>£177,000</td>
<td>£177,000</td>
</tr>
<tr>
<td>Brian May</td>
<td>£106,000</td>
<td>£106,000</td>
</tr>
<tr>
<td>Heather Mason</td>
<td>£75,000</td>
<td>£75,000</td>
</tr>
<tr>
<td>Constantijn Cossuiss</td>
<td>£75,000</td>
<td>£75,000</td>
</tr>
<tr>
<td>Kimberly Lodge¹</td>
<td>£69,000</td>
<td>£69,000</td>
</tr>
<tr>
<td>Sharon O’Keefe¹</td>
<td>£69,000</td>
<td>£69,000</td>
</tr>
<tr>
<td>Rick Anderson</td>
<td>£69,000</td>
<td>£69,000</td>
</tr>
<tr>
<td>Regina Benjamin¹</td>
<td>£69,000</td>
<td>£69,000</td>
</tr>
</tbody>
</table>

¹ In addition to the fees payable to each of the Directors, the Group reimburses reasonable expenses.

Percentage change in Director remuneration

The table below shows the percentage change in Director remuneration (from 2019 to 2022) compared to the average percentage change in remuneration for other employees over the same period. As required under The Companies (Directors’ Remuneration Policy and Directors’ Remuneration report) Regulations 2019, this analysis will continue to be expanded to build up a five-year history.

Convatec Group Plc does not have any other employees other than Executive Directors. For the comparator group, we have used the population of UK-based employees whose remuneration is based on a combination of: Relative TSR and adjusted PBT growth, both over a three-year period, weighted 25% and 75% respectively, to that of a particular Business Unit. In determining the annual change in average employee remuneration, we have looked at average annual pay increases (excluding promotions) and actual bonus outcomes. We have only included employees who were in the Group in both years of the comparison to ensure consistency.

Executive Directors' benefits relate to taxable expenses (largely travel to attend meetings, and due to COVID-19 restrictions very limited travel took place in 2020 and 2021).

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the 2022 and 2021 financial years.

The table below shows the percentage change in Director remuneration (from 2019 to 2022) compared to the average percentage change in remuneration for other employees over the same period. As required under The Companies (Directors’ Remuneration Policy and Directors’ Remuneration report) Regulations 2019, this analysis will continue to be expanded to build up a five-year history.

Convatec Group Plc does not have any other employees other than Executive Directors. For the comparator group, we have used the population of UK-based employees whose remuneration is based on a combination of: Relative TSR and adjusted PBT growth, both over a three-year period, weighted 25% and 75% respectively, to that of a particular Business Unit. In determining the annual change in average employee remuneration, we have looked at average annual pay increases (excluding promotions) and actual bonus outcomes. We have only included employees who were in the Group in both years of the comparison to ensure consistency.

Convatec Group Plc does not have any other employees other than Executive Directors. For the comparator group, we have used the population of UK-based employees whose remuneration is based on a combination of: Relative TSR and adjusted PBT growth, both over a three-year period, weighted 25% and 75% respectively, to that of a particular Business Unit. In determining the annual change in average employee remuneration, we have looked at average annual pay increases (excluding promotions) and actual bonus outcomes. We have only included employees who were in the Group in both years of the comparison to ensure consistency.
Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends) and total employee pay expenditure for the financial years ended 31 December 2022 and 31 December 2021, and the percentage change year-on-year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Shareholder distributions¹</th>
<th>Total employee pay expenditure¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>£148</td>
<td>£649</td>
</tr>
<tr>
<td>2021</td>
<td>£149</td>
<td>£650</td>
</tr>
<tr>
<td>Change</td>
<td>(0.2%)</td>
<td>(0.2%)</td>
</tr>
</tbody>
</table>

1. Decrease in total employee pay expenditure predominantly relates to foreign exchange differences.

Exit payments made in the year (audited)

Frank Schuekies stepped down as CFO and as a Director of the Company on 11 March 2022. He remained an employee of the Group until 8 December 2022. In accordance with the terms of his service agreement, Frank continued to receive his salary, pension benefit and other benefits over the period until he left the Group in December 2022. He received a total of £407,551 during the remainder of his notice period as per his contractual agreement. In line with our Policy, the Committee agreed to pay outplacement fees of up to £20,000 (excluding VAT) and make a contribution of up to £10,000 (excluding VAT) towards legal fees incurred in connection with the arrangements relating to his departure during the year. Frank received £10,000 (excluding VAT) with respect to his legal fees.

Frank will be paid a pro-rata bonus of £93,331 for the 2022 financial year. One-third of the payment will be deferred into shares for three years. The Committee exercised the discretion afforded under the plan rules to treat the award in line with the approved policy on cessation.

There were no payments to past Directors during the year.

Payments to past Directors (audited)

There were no payments to past Directors during the year.

Review of past performance

The first graph shows the Group’s TSR compared to the FTSE 350 index, an index of which the Group is a constituent. Performance, as required by legislation, is measured by TSR over the period from commencement of conditional dealing (26 October 2016) to 31 December 2022.

The second graph shows TSR performance of the Group compared with the FTSE 350 index excluding investment trusts (26 October 2016) to 31 December 2022.

The table below details the CEO’s single total figure of remuneration and incentive outcomes over the same period:

<table>
<thead>
<tr>
<th>Year</th>
<th>Method</th>
<th>25th percentile</th>
<th>50th percentile</th>
<th>75th percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>Option A</td>
<td>125.1</td>
<td>98.1</td>
<td>59.1</td>
</tr>
<tr>
<td>2021</td>
<td>Option A</td>
<td>115.1</td>
<td>91.9</td>
<td>52.1</td>
</tr>
<tr>
<td>2020</td>
<td>Option A</td>
<td>83.1</td>
<td>65.1</td>
<td>40.0</td>
</tr>
</tbody>
</table>

The table below provides information on the salary and total pay and benefits paid to our colleagues ranked at the 25th, 50th and 75th percentiles.

<table>
<thead>
<tr>
<th>Year</th>
<th>Method</th>
<th>25th percentile</th>
<th>50th percentile</th>
<th>75th percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>Salary</td>
<td>£29,892</td>
<td>£38,000</td>
<td>£55,017</td>
</tr>
<tr>
<td></td>
<td>Total pay and benefits</td>
<td>£34,757</td>
<td>£44,418</td>
<td>£73,336</td>
</tr>
<tr>
<td>2021</td>
<td>Salary</td>
<td>£27,938</td>
<td>£34,521</td>
<td>£58,739</td>
</tr>
<tr>
<td></td>
<td>Total pay and benefits</td>
<td>£32,563</td>
<td>£41,964</td>
<td>£71,819</td>
</tr>
<tr>
<td>2020</td>
<td>Salary</td>
<td>£26,860</td>
<td>£34,487</td>
<td>£52,415</td>
</tr>
<tr>
<td></td>
<td>Total pay and benefits</td>
<td>£33,425</td>
<td>£42,541</td>
<td>£69,668</td>
</tr>
</tbody>
</table>
Implementation of Executive Director Remuneration Policy for 2023

Base salary
Following a review of the Executive Directors' salaries and the cost of living challenges, the Committee decided to award a base salary increase of 2.5% (materially lower than the average increase for the general employee population in the UK at 6.2%). The increase will be effective 1 April 2023.

<table>
<thead>
<tr>
<th>Director</th>
<th>Role</th>
<th>From 1 April 2023</th>
<th>From 1 April 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karim Bitar</td>
<td>CEO</td>
<td>£943,820</td>
<td>£920,800</td>
</tr>
<tr>
<td>Jonny Mason</td>
<td>CFO</td>
<td>£512,500</td>
<td>£500,000</td>
</tr>
</tbody>
</table>

Pension
Karim Bitar and Jonny Mason receive a pension benefit of 8.5% of base salary in line with that available to the wider UK workforce. Karim Bitar receives his pension benefit as a combination of a contribution to pension and the balance as a cash allowance. Jonny receives his pension benefit as a cash allowance.

Annual bonus
For 2023, Karim Bitar and Jonny Mason will continue to have a maximum bonus opportunity of 200% of salary. The on-target bonus opportunity remains 50% of maximum. Two-thirds of any bonus earned will be paid in cash, with the remainder deferred into Convatec Group Plc shares for a further three-year period.

The annual bonus for 2023 will be based on the following measures and weightings:

<table>
<thead>
<tr>
<th>Measure</th>
<th>Link to corporate strategy</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted operating profit for bonus purposes</td>
<td>Focus Innovate Simplify</td>
<td>45%</td>
</tr>
<tr>
<td>Organic revenue growth</td>
<td>Focus Innovate Simplify</td>
<td>25%</td>
</tr>
<tr>
<td>Adjusted free cash flow</td>
<td>Simplify Execute</td>
<td>10%</td>
</tr>
<tr>
<td>Personal strategic objectives (including ESG)</td>
<td>Focus Build</td>
<td>20%</td>
</tr>
</tbody>
</table>

1. Adjusted operating profit and organic revenue growth are both calculated on a constant currency basis using a budget rate.

The Committee believes the balance of financial measures for 2023 (as set out above) is appropriate in the context of the emphasis in our strategy on sustainable and profitable growth. In particular, the introduction of organic revenue alongside operating profit and maintaining a focus on free cash flow were considered by the Committee to provide the right mix to support our strategy in 2023. Lastly, the incorporation of specific and quantifiable ESG metrics in the personal strategic objectives of the bonus ensures continued leadership focus on the ESG agenda and allows flexibility to evolve the ESG metric definition and targets over the life of the Policy as company reporting and strategic focus progresses.

The Board currently considers these targets to be commercially sensitive and intends to disclose retrospectively in next year’s Annual Report on Remuneration. In the event the Board considers these targets to remain commercially sensitive, they will be disclosed as soon as possible once they are no longer considered to be sensitive.

In line with our Policy, bonuses for the 2023 financial year will be subject to the Group’s policy on deferral, and its malus and clawback provisions (see page 155 for further details).

Long-Term Incentive Plan (LTIP)
The inclusion of an organic revenue metric in the LTIP recognises the importance of sustained revenue growth as a key driver of long-term value creation for shareholders under the next phase of the FISBE strategy. The measurement of our relative TSR against both the FTSE 50-150 excluding investment trusts and a global sector index recognises the growth of the business over time, the diversity of our shareholder base and the varying benchmarks used to measure performance and value creation over the long term.

The 2023 LTIP will vest after three years, subject to the following performance targets assessed over the three years ending 31 December 2025:

<table>
<thead>
<tr>
<th>Measure</th>
<th>Weighting</th>
<th>Threshold</th>
<th>Stretch</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic revenue growth</td>
<td>25%</td>
<td>7% p.a.</td>
<td>14% p.a.</td>
<td>6.5%</td>
</tr>
<tr>
<td>Three-year compound annualised growth in adjusted PBT</td>
<td>50%</td>
<td>75th percentile</td>
<td>&gt; 90th percentile</td>
<td></td>
</tr>
<tr>
<td>Three-year Relative TSR rank vs constituents of FTSE 50 to 150 excluding investment trusts and using three-month average opening and closing values</td>
<td>12.5%</td>
<td>Median</td>
<td>75th percentile</td>
<td>&gt; 90th percentile</td>
</tr>
</tbody>
</table>

To the extent an award vests, it will be subject to a further two-year holding period.

Implementation of Non-Executive Director Remuneration Policy for 2023

The Remuneration Committee sets the fee for the Chair and approved an increase aligned with that of the Executive Directors at 2.5%.

The fees for the Non-Executive Directors, other than the Chair, are reviewed and set by the Non-Executive Director Fee Committee comprised of the Chairman, CEO and CFO.

Non-Executive Director fees were reviewed in late 2022 by the Non-Executive Director Fee Committee who approved an increase of 2.7% to the Non-Executive Director basic fees. In addition, this Committee approved a 4.5% increase to the Audit and Risk Committee Chair fee and a 5% increase to the Senior Independent Director fee, the Remuneration Committee Chair fee and the Board Level Employee Representative fee. The fee increases will take effect on 1 April 2023.

To recognise the international makeup of the Board, the Non-Executive Director Fee Committee approved a change in approach to the Non-Executive Director fee structure introducing US dollar and Euro fee levels, alongside the Sterling fee rates. The Non-Executive Directors will be given the one-time election to have their fee denominated in their preferred currency, and, where relevant, will take effect from 1 April 2023.

The fees payable to the Non-Executive Directors are set out below:

<table>
<thead>
<tr>
<th>Role</th>
<th>Fee structure in 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>£336,200</td>
</tr>
<tr>
<td>Non-Executive Director basic fee</td>
<td>£77,000, £101,000 or £89,000</td>
</tr>
<tr>
<td>Additional fees</td>
<td>£75,000</td>
</tr>
<tr>
<td>Senior Independent Director</td>
<td>£21,000, £28,000 or £24,000</td>
</tr>
<tr>
<td>Chair of the Audit and Risk Committee</td>
<td>£23,000, £30,000 or £26,000</td>
</tr>
<tr>
<td>Chair of the Remuneration Committee</td>
<td>£21,000, £28,000 or £24,000</td>
</tr>
<tr>
<td>Fee for acting as a Board Level Employee Representative</td>
<td>£10,000, £14,000 or £12,000</td>
</tr>
</tbody>
</table>

1. Effective 1 April 2023
**Directors’ Remuneration report continued**

**Directors’ shareholdings (audited)**

The table below sets out details of the current shareholdings of each Director (and any relevant connected persons) as at 31 December 2022. For Executive Directors, the current shareholding is compared to their shareholding guideline.

<table>
<thead>
<tr>
<th>Shares</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned outright or vested</td>
<td>Unvested and subject to performance conditions</td>
</tr>
<tr>
<td>Director</td>
<td>31 December 2021</td>
</tr>
<tr>
<td>Karim Bitar</td>
<td>1,006,064</td>
</tr>
<tr>
<td>Jonny Mason</td>
<td>n/a</td>
</tr>
<tr>
<td>John McAdams</td>
<td>23,181</td>
</tr>
<tr>
<td>Margaret Ewing</td>
<td>10,000</td>
</tr>
<tr>
<td>Sten Scheibye</td>
<td>25,000</td>
</tr>
<tr>
<td>Brian May</td>
<td>25,000</td>
</tr>
<tr>
<td>Heather Mason</td>
<td>10,000</td>
</tr>
<tr>
<td>Constantin Coussios</td>
<td>8,440</td>
</tr>
<tr>
<td>Kimberly Lody</td>
<td>n/a</td>
</tr>
<tr>
<td>Sharon O’Keefe</td>
<td>n/a</td>
</tr>
<tr>
<td>Former directors²</td>
<td>169,180</td>
</tr>
<tr>
<td>Frank Schultes</td>
<td>210,706</td>
</tr>
<tr>
<td>Regina Benjamin</td>
<td>10,000</td>
</tr>
</tbody>
</table>

1. Executive Director shareholdings calculated based on the number of shares that are owned outright or vested plus an estimated number of unvested shares that are not subject to performance conditions, on a net of tax basis. These shares are valued using a share price of 221.7p, being the average share price during the last three months of the 2022 financial year.
2. Reflects shareholding at the date of stepping down from the Board.

No further shares were acquired by the Directors between 31 December 2022 and 8 March 2023, being the latest practicable date prior to publication of this Annual Report.

**Share scheme dilution limits**

The Company complies with the guidelines laid down by the Investment Association. These restrict the issue of new shares under all the Company’s share schemes in any ten-year period to 10% of the issued ordinary share capital and under the Company’s discretionary schemes to 5% in any ten-year period.

The Directors’ Remuneration report has been approved by the Board and signed on its behalf by:

Brian May
Chair of the Remuneration Committee
8 March 2023

**OUR REMUNERATION POLICY**

This section of the Directors’ Remuneration report has been prepared in accordance with the Remuneration Reporting Regulations, and sets out details of the 2023 Policy to be approved by shareholders at the 2023 AGM in May and is effective for a period of up to three years from that date.

We also describe below how our Policy reflects the principles of Provision 40 of the 2018 UK Corporate Governance Code:

- **Clarity:** we are committed to transparent disclosure of our remuneration structures and decisions, including clear rationale and context for these.
- **Simplicity:** our Policy and approach to its implementation is simple and well-understood internally and externally.
- **Risk:** remuneration arrangements are designed not to encourage or reward excessive risk taking, with targets set to be stretching and achievable, and retaining Committee discretion to adjust formulaic bonus and LTIP outcomes to align with underlying performance.
- **Predictability:** there are defined threshold and maximum pay scenarios, which we have disclosed on page 158.
- **Proportionality:** there is a clear and direct link between performance and reward. No variable remuneration is payable for performance below defined thresholds.
- **Alignment to culture:** the Committee has designed the Policy to align with the Group’s culture, driving behaviours that promote the long-term and sustainable success of the Group for the benefit of all stakeholders.

Details of how the Company plans to implement the 2023 Policy for the year ending 31 December 2023, are provided in the Annual Report on Remuneration starting on page 144.

**Remuneration principles**

When setting remuneration for the Executive Directors, the Committee considers the following principles:

- **Incentive sustained strong financial performance.**
- **Align rewards with the delivery of the Group's strategy and long-term interests of shareholders.**
- **Help attract, motivate and retain the best talent to deliver the Group's strategy and create long-term shareholder value.**
- **Reflect market best practice and consistently adhere to principles of good corporate governance and encourage good risk management.**

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**Governance**

**Directors’ Remuneration report continued**

**Overview Strategic report Financial statements Additional information**

Convatec Group Plc Annual Report and Accounts 2022

Convatec Group Plc Annual Report and Accounts 2022

153
2023 Remuneration Policy for the Executive Directors

Purpose and link to strategy | Operation | Opportunity | Performance measures
--- | --- | --- | ---

**Base salary**

To attract and retain talented Executive Directors to deliver the Group’s strategy, by ensuring base salaries and the implied total package are competitive in relevant talent markets, while not overpaying.

Base salaries will be reviewed by the Committee annually, and benchmarked periodically against comparable roles at international MedTech peers, as well as UK-listed companies of similar size and complexity. Any resulting changes are normally effective from 1 April, in line with the effective date for salary increases for the broader workforce.

In deciding base salary levels, the Committee considers personal performance including the individual’s contribution to the achievement of the Group’s strategic objectives. The Committee will also consider employment conditions and salary levels across the Group, and prevailing market conditions in the geographies in which the Group competes for talent.

Base salary increases for the Executive Directors will normally be no higher than those of the wider workforce, but may be made above or below this level in exceptional circumstances such as a material change in responsibilities, size or complexity of the role, or if a Director was intentionally appointed on a below-market salary.

The maximum salary payable to Executive Directors will be capped at the upper quartile of the benchmarking comparator group for the role under review. Salaries will be set on a case-by-case basis to reflect the role and the experience and qualifications of the individual.

Details of the pension contributions made to Executive Directors during the year are disclosed in the Annual Report on Remuneration.

**Pension**

To provide an appropriate level of post-retirement benefit for Executive Directors in a cost-efficient manner, taking account of the provisions for the wider workforce.

Executive Directors may receive a contribution to a personal pension plan, a cash allowance in lieu, or a combination thereof.

Salary is the only element of remuneration that is pensionable.

Karim Bitar and Jonny Mason receive a pension benefit from the Group of 8.5% of salary, in line with the wider UK workforce.

Further details will be disclosed in the relevant Annual Report on Remuneration.

**Annual bonus**

To incentivise Executive Directors to deliver strong financial performance on an annual basis and reward the delivery of the Group’s strategic aims that will underpin the longer-term health and growth of the business.

Deferral into shares enhances alignment with shareholders.

Performance measures, targets and weightings are set by the Committee at the start of the year. After the end of the financial year, the Committee determines the level of bonus to be paid, taking into account the extent to which these targets have been achieved.

Details of the pension contributions made to Executive Directors during the year are disclosed in the Annual Report on Remuneration.

To the extent that the performance criteria have been met, one-third of the annual bonus earned will normally be compulsorily deferred into shares for a period of three years under the Deferred Bonus Plan. The remainder of the bonus will be paid in cash.

Dividends may accrue on deferred bonus shares over the deferral period and, if so, will be paid on deferred shares at the time deferred shares are released to the Executive Director.

Malus and clawback provisions apply to the annual bonus in certain circumstances (as set out in the Notes to the Policy Table).

The maximum annual bonus opportunity is 20% of base salary for both Executive Directors.

The payout for on-target performance is 50% of maximum; threshold performance results in a payout of no more than 25% of maximum.

Bonuses are based on a combination of stretching annual financial and non-financial/strategic performance measures, selected to reflect the Group’s short-term KPIs, financial goals and strategic drivers.

The financial element of the annual bonus will normally be weighted 80% of the overall bonus opportunity, with the balance based on personal strategic objectives, including a minimum of 5% linked to qualifiable ESG metrics.

The Committee may adjust the formulaic annual bonus outcomes (including to zero) to avoid unintended outcomes, align pay outcomes with underlying Group performance and ensure fairness to shareholders and participants.

Further details will be disclosed in the relevant Annual Report on Remuneration. Performance targets set for each year will be disclosed retrospectively, usually in the Annual Report on Remuneration in respect of the year to which such performance targets relate.
### Purpose and link to strategy

<table>
<thead>
<tr>
<th>Long-Term Incentive Plan (LTIP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>To align the interests of Executive Directors and shareholders in growing the value of the Group over the long term.</strong></td>
</tr>
</tbody>
</table>

**Executive Directors** are eligible to receive annual awards of Convatec Group Plc shares under the LTIP either in the form of conditional share awards or nil cost options.

Prior to awards being granted each year, the performance conditions and targets are agreed and set to ensure they remain appropriately stretching and aligned to the Group’s strategy.

Awards granted under the LTIP to Executive Directors will have a performance period of three years and a minimum vesting period of three years. If no entitlement has been earned at the end of the relevant performance period, awards will not vest. Shares received as a result of an award vesting will normally be subject to an additional two-year holding period.

Dividends may accrue on LTIP awards over the vesting period and, if so, will be delivered in shares that vest at the end of the vesting period.

**LTIP awards granted to Executive Directors will be subject to malus and clawback provisions, as set out in the Notes to the Policy Table.**

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### Notes to the Policy Table

#### Malus and clawback policy

Malus and clawback may be applied to the annual bonus and LTIP awards in certain circumstances including: - cases of fraud, self-dealing and gross misconduct by the Executive Directors; - material financial misstatement in the audited financial results of the Group; - error in calculation; or - other exceptional circumstances at the Committee’s discretion.

Cash bonuses will be subject to clawback, with deferred shares being subject to malus, over the deferral period. LTIP awards will be subject to malus over the vesting period and clawback from the vesting date to the second anniversary of the relevant vesting date.

**Share ownership guidelines**

- The Committee recognises the importance of aligning Executive Directors’ and shareholders’ interests through significant shareholdings in the Group. The Group’s policy is to require Executive Directors to build up shareholdings worth 400% of base salary for the CEO and 300% of base salary for other Executive Directors, and to retain these shares whilst an Executive remains on the Board of Directors. 50% of any vested share awards (after sales to meet tax liabilities) must be retained until the minimum shareholding requirements are met. Shareholdings will be valued at the higher of the acquisition price of the shares and the average share price over the last three months of the financial year.

- **Post-exit shareholding requirement**

In the event that an individual is no longer an Executive Director, their shares will be retained for a period of three years post-exit or 50% in year two (i.e. 400% and 200% of salary for the CEO in year one and year two, respectively.)

- **Details of the Executive Directors’ current personal shareholdings, and progress towards meeting the share ownership guidelines, are provided in the Annual Report on Remuneration.**

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### Use of discretion

The Committee may apply its discretion (as set out below) when agreeing remuneration outcomes, to help ensure that the implementation of our Remuneration Policy is consistent with the guiding principles set out in this report.

**Payments from outstanding awards**

The Committee reserves the right, in certain circumstances, to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) where the terms of the payment were agreed: before the Policy in force at that time came into effect; or at a time when the relevant individual was not a Director of the Group provided that, in the opinion of the Committee, the payment was not agreed in consideration of the individual becoming a Director of the Group. For these purposes, payments include the satisfaction of variable remuneration awards previously granted, but not vested, to an individual.

**Minor changes to Policy**

The Committee retains discretion to make minor, non-significant changes to the Policy set out above for (reasons including, but not limited to, regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without re-vesting or for shareholders for approval for that amendment, where seeking such shareholder approval would be disproportionate to the discretion being exercised.

**LTIP awards**

The Committee may exercise its discretion as provided for in the LTIP rules approved by shareholders. The Committee may also adjust the number of shares comprising an LTIP award (or the exercise price if the award comprises options) in the event of a variation of share capital, demerger, special dividend, distribution or any other corporate event which may affect the current or future value of an award. It is intended that any adjustment will be made on a neutral basis, i.e. to not be to the benefit or detriment of participants. Any use of discretion by the Committee during a financial year will be detailed in the relevant Annual Report on Remuneration and may be the subject of consultation with the Group’s major shareholders, as appropriate.

**Remuneration Policy for the wider workforce**

The Remuneration Policy for other employees is based on principles that are designed to ensure adequate remuneration, with a competitive package applied to Executive Director remuneration, with a common objective of driving performance and the achievement of strategic objectives, and contributing to the long-term success of the Group. Remuneration supports our ability to attract, motivate and retain skilled and dedicated individuals, whose contribution will be a critical factor in the Group’s success. Annual salary reviews take into account Group performance, local pay and market conditions, and salary levels for similar roles in comparable companies. Pension entitlements and other benefits vary according to jurisdiction, to ensure these remain appropriately competitive for the local market.

Some employees below executive level are eligible to participate in annual bonus schemes. Opportunities and performance measures vary by organisational level, geographical location and an individual’s role. Employee ownership of Convatec Group Plc shares is promoted across the Group, with Executive Directors, other executives eligible for LTIP awards on similar terms as the Executive Directors, although award opportunities are lower and vary by organisational level. Shareholders are eligible for restricted share awards on a discretionary basis. Convatec also offers an opportunity for broader-based participation in a share purchase plan, as approved by shareholders at the 2017 AGM.

**Approach to target setting and performance measure selection**

The Committee considers carefully the long-term performance measures at the start of each performance cycle. Taking into consideration the Group’s strategic objectives and the macroeconomic environment.

Annual bonus measures are selected to align with the Group’s KPIs (see pages 20 and 21). Measures may change from year-to-year (subject to the Remuneration Policy), and the rationale for any changes to the bonus framework selected will therefore be disclosed in the relevant Annual Report on Remuneration.
Pay-for-performance: scenario analysis
The charts below provide an estimate of the potential future reward opportunities for Karim Bitar and Jonny Mason, and the potential split between the different elements of remuneration under four different performance scenarios: “Maximum + 50% share price growth”, “Maximum”, “On target” and “Minimum”. Potential reward opportunities are based on the forward-looking policy, applied to 2023 base salaries and incentive opportunities. LTIP awards granted in a year will not normally vest until the third anniversary of the date of grant, and the projected value of the “Maximum”, “On target” and “Minimum” scenarios excludes the impact of share price movement.

Exit payments policy
The Group’s policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms in the executive’s service contract and the circumstances of termination. Executive Directors’ contracts provide for the payment of a pre-determined sum in the event of termination of employment in certain circumstances (but excluding circumstances where the Group is entitled to dismiss without compensation), comprising base salary, pension benefit and benefits in respect of the unexpired portion of the notice period. Termination payments may take the form of payments in lieu of notice. Payments would normally be made on a phased basis and subject to mitigation. If the employment is terminated by the Group, the Committee retains the discretion to settle any other amount the Committee considers reasonable to the Executive Director including in settlement of claims, in respect of legal fees incurred in connection with the termination and fees for outplacement services and relocation costs.

In addition to contractual provisions, the following table summarises how awards under each discretionary incentive plan are typically treated in specific circumstances, with the final payment remaining subject to the Committee’s discretion as provided under the rules of the plan. In the event of termination, any outstanding options granted under the SAYE, or equivalent, scheme will be treated in accordance with the rules of the scheme, which do not include discretion. Disclosure in relation to any departing Executive Director, including details of any remuneration payment made to them after they cease to be a Director, will be made on the Company’s website in accordance with Section 430(28) of the Companies Act 2006.

Treatments of awards on cessation of employment

<table>
<thead>
<tr>
<th>Reason for cessation</th>
<th>Calculation of vesting/payment</th>
<th>Timing of vesting/payment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual bonus</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Injury, disability, death, redundancy, retirement, or other such event as the Committee determines</td>
<td>The Committee may determine that a bonus is payable on cessation of employment (normally pro-rated for the proportion of the performance year worked) and the Committee retains discretion to determine that the bonus should be paid wholly in cash. The bonus payable will be determined based on the performance of the Group and of the individual over the relevant period, and the circumstances of the Director’s loss of office.</td>
<td>At the normal payment date, taking into account actual Company performance for the performance period.</td>
</tr>
<tr>
<td>Other reasons (including voluntary resignation)</td>
<td>No bonus will be paid for the financial year.</td>
<td>Not applicable.</td>
</tr>
</tbody>
</table>

Deferred bonus shares

<table>
<thead>
<tr>
<th>Resignation or dismissal for cause</th>
<th>Awards normally lapse</th>
<th>Not applicable.</th>
</tr>
</thead>
<tbody>
<tr>
<td>All other reasons (e.g. injury, disability, death, redundancy, retirement, or other such event as the Committee determines)</td>
<td>Awards will normally vest in full (i.e. not pro-rated for time) unless the Committee determines that time pro-rating should apply.</td>
<td>At the normal vesting date, unless the Committee decides that awards should vest earlier (e.g. in the event of death).</td>
</tr>
<tr>
<td>Change of control</td>
<td>Awards will normally vest in full (i.e. not pro-rated for time). Awards may alternatively be exchanged for equivalent replacement awards, where appropriate.</td>
<td>On change of control.</td>
</tr>
</tbody>
</table>

LTIP awards

<table>
<thead>
<tr>
<th>Resignation or dismissal for cause</th>
<th>Awards normally lapse</th>
<th>Not applicable.</th>
</tr>
</thead>
<tbody>
<tr>
<td>All other reasons (e.g. injury, disability, death, redundancy, retirement, or other such event as the Committee determines)</td>
<td>Awards will normally be pro-rated for time (unless the Committee exercises discretion to disapply time pro-rating) and will vest based on performance over the original performance period (unless the Committee decides to measure performance to the date of cessation).</td>
<td>At the normal vesting date, unless the Committee decides that awards should vest earlier (e.g. in the event of death).</td>
</tr>
<tr>
<td>Change of control</td>
<td>LTIP awards will normally be pro-rated for time (unless the Committee exercises discretion to disapply time pro-rating) and will vest subject to performance over the performance period to the change of control.</td>
<td>On change of control.</td>
</tr>
<tr>
<td>LTIP awards may alternatively be exchanged for equivalent replacement awards, where appropriate.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Position</th>
<th>Date of appointment</th>
<th>Date of service agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karim Bitar</td>
<td>CEO</td>
<td>30 September 2019</td>
<td>24 March 2019</td>
</tr>
<tr>
<td>Jonny Mason</td>
<td>CFO</td>
<td>31 January 2022</td>
<td>8 December 2031</td>
</tr>
</tbody>
</table>

Pay scenarios

The above charts are based on the following assumptions:
- Maximum = 50% SRI: fixed remuneration (salary, pension, other benefits), plus maximum bonus (100% of salary) and full vesting of the 2023 LTIP awards (50% of salary for the CEO/50% of salary for the CFO, and reflecting 50% share price growth over the vesting period).
- Maximum: fixed remuneration (as above), plus maximum bonus (100% of salary) and full vesting of the 2023 LTIP awards (50% of salary for the CEO/50% of salary for the CFO) assuming share price growth.
- On-target: fixed remuneration (as above), plus target bonus (50% of maximum or 100% of salary) and threshold/vesting (25% of maximum or 75% of salary for the CEO/25% of salary for the CFO) assuming share price growth.
- Minimum: fixed remuneration only, being the only element of Executive Directors’ remuneration not linked to performance.

Executive Director service contracts
In accordance with general market practice, each of the Executive Directors has a rolling service contract. Karim Bitar and Jonny Mason have service contracts with the Company (copies of which are available to view at the Company’s registered office) under which they are entitled to receive remuneration during the term of their contracts as shown below.

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Position</th>
<th>Date of appointment</th>
<th>Date of service agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karim Bitar</td>
<td>CEO</td>
<td>30 September 2019</td>
<td>24 March 2019</td>
</tr>
<tr>
<td>Jonny Mason</td>
<td>CFO</td>
<td>31 January 2022</td>
<td>8 December 2031</td>
</tr>
</tbody>
</table>

Equipment & Services (50%/50%).
Approach to remuneration on recruitment

External appointments

In cases of hiring or appointing a new Executive Director from outside the Group, the Committee may make use of all existing components of remuneration set out in the Policy table, up to the disclosed maximum opportunities (where applicable).

When determining the remuneration package for a new Executive Director, the Committee will take into account all relevant factors based on the circumstances at that time to ensure that arrangements are in the best interests of the Group and its shareholders. This may include factors such as the experience and skills of the individual, internal comparisons and relevant market data.

The Committee may also make an award in respect of a new appointment to "buy-out" incentive arrangements forfeited on leaving a previous employer, i.e. over and above the maximum limits on incentive opportunities set out in the Policy table. In doing so, the Committee will consider relevant factors, including any performance conditions attached to these awards, the likelihood of those conditions being met, and the time over which they would have vested. The intention is that the expected value of any "buy-out" award would be no greater than the expected value of the forfeited arrangements, and that the structure will replicate (as far as reasonably possible) that of the awards being forfeited. The Committee may consider it appropriate to structure "buy-out" awards differently from the structure described in the Policy table, exercising its discretion under the LTIP rules to structure awards in other forms (including market value options, restricted shares, forfeitable shares or phantom awards) and may use the exemption permitted within the Listing Rules where necessary to make a one-off award to an Executive Director in this context.

Internal promotion

Where a new Executive Director is appointed by way of internal promotion, the Policy will be consistent with that for external appointees, as detailed above (other than in relation to "buy-out" awards). Any commitments made prior to an individual’s promotion will continue to be honoured even if they would not otherwise be consistent with the Policy prevailing when the commitment is fulfilled, although the Group may, where appropriate, seek to revise an individual’s existing service contract on promotion to ensure it aligns with other Executive Directors and good practice.

Disclosure on the remuneration structure of any new Executive Director, including details of any "buy-out" awards, will be disclosed in the RNS notification made at the time of appointment and in the Annual Report on Remuneration for the year in which recruitment occurred.

External appointments held by Executive Directors

Executive Directors may accept one external appointment subject to approval by the Board, there being no conflicts of interest and the appointment not leading to deterioration in the individual’s performance. Executive Directors may retain the fees paid for such roles. Details of external appointments and the associated fees received will be included in the Annual Report on Remuneration.

Consideration of conditions elsewhere in the Group

The Committee seeks to promote and maintain good relations with employees as part of its broader employee engagement strategy, considers pay practices across the Group and is mindful of the salary increases applying across the rest of the business in relevant markets when considering any increases to salaries for Executive Directors.

Consideration of shareholder views

The Committee will take into consideration all shareholder views received during the year and at the Annual General Meeting each year, as well as guidance from shareholder representative bodies more broadly, in shaping the Group’s implementation of its Remuneration Policy. It is the Committee’s intention to consult with major shareholders in advance of making any material changes to remuneration arrangements for Executive Directors.

Remuneration Policy for the Non-Executive Directors

Details of the Policy on fees paid to our Non-Executive Directors are set out in the table below:

<table>
<thead>
<tr>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Opportunity</th>
<th>Performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Executive Director fees</td>
<td>To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Group.</td>
<td>The fees of the Chair are determined by the Committee. The fees paid to Non-Executive Directors are determined by the Chair and Executive Directors. Additional fees are payable for acting as Senior Independent Director and for chairing the Audit and Risk Committee or the Remuneration Committee. An additional fee is also payable for acting as a Board Level Representative for the workforce. Flexibility to introduce Committee membership fees is also retained if deemed to be necessary. Fee levels are reviewed annually (with any increases normally effective 1 April), taking into account external advice on best practice and competitive levels, in particular at other FTSE companies of comparable size and complexity. Time commitment and responsibility are also taken into account when reviewing fees. Fee increases will be applied taking into account the outcome of the annual review.</td>
<td>The maximum aggregate annual fee for all Non-Executive Directors (including the Chair) as provided in the Group’s Articles of Association is £1,500,000.</td>
</tr>
</tbody>
</table>

Non-Executive Directors are not eligible to join the Group’s pension, incentives or share schemes or to participate in any of the Group’s other benefit arrangements.

In recruiting a new Non-Executive Director, the Committee will use the Policy set out above.

Non-Executive Director letters of appointment

None of the Non-Executive Directors has a service contract with the Group. They do have letters of appointment, and will be submitted for re-election annually. The dates relating to the appointments of the Chair and Non-Executive Directors who served during the reporting period are as follows:

<table>
<thead>
<tr>
<th>Director</th>
<th>Role</th>
<th>Date of appointment</th>
<th>Date of letter of appointment</th>
<th>Date of letter of re-election</th>
</tr>
</thead>
<tbody>
<tr>
<td>John McAdam</td>
<td>Non-Executive Chair</td>
<td>30 September 2019</td>
<td>19 August 2019</td>
<td>12 May 2022</td>
</tr>
<tr>
<td>Margaret Ewing</td>
<td>Senior Independent Director</td>
<td>11 August 2017</td>
<td>17 August 2017</td>
<td>12 May 2022</td>
</tr>
<tr>
<td>Senior Scealy</td>
<td>Non-Executive Director</td>
<td>3 July 2018</td>
<td>3 July 2018</td>
<td>12 May 2022</td>
</tr>
<tr>
<td>Brian May</td>
<td>Independent Non-Executive Director</td>
<td>1 March 2020</td>
<td>26 February 2020</td>
<td>12 May 2022</td>
</tr>
<tr>
<td>Heather Mason</td>
<td>Independent Non-Executive Director</td>
<td>1 July 2020</td>
<td>8 May 2020</td>
<td>12 May 2022</td>
</tr>
<tr>
<td>Constantine Cossias</td>
<td>Independent Non-Executive Director</td>
<td>1 September 2020</td>
<td>29 June 2020</td>
<td>12 May 2022</td>
</tr>
<tr>
<td>Kimberly Lody</td>
<td>Independent Non-Executive Director</td>
<td>1 February 2022</td>
<td>13 December 2021</td>
<td>12 May 2022</td>
</tr>
<tr>
<td>Sharon O’Keefe</td>
<td>Independent Non-Executive Director</td>
<td>1 March 2022</td>
<td>24 February 2022</td>
<td>12 May 2022</td>
</tr>
<tr>
<td>Rick Anderson</td>
<td>Independent Non-Executive Director</td>
<td>31 October 2016</td>
<td>17 October 2016</td>
<td>n/a</td>
</tr>
<tr>
<td>Regina Benjamin</td>
<td>Independent Non-Executive Director</td>
<td>11 August 2017</td>
<td>15 August 2017</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Rick Anderson and Regina Benjamin stepped down from the Board on 3 March 2022 and 12 May 2022, respectively.
Acquisition of Company’s own shares
At the Company’s AGM on 12 May 2022 the Directors’ authority was renewed under share buy-back programmes to purchase through the market up to 10% of the Company’s ordinary shares at a maximum price per share at the higher of (i) an amount equal to 103% of middle market quotation at the time of purchase; for the five business days prior to the date of purchase; and (ii) an amount equal to the higher of the closing price of the last independent trade and the highest current independent bid at the time of purchase. This authority will expire at the end of Company’s 2023 AGM and the Company will use its renewal at the AGM. It is confirmed that no acquisition of the Company’s own shares has been made under such authority.

Shareholders’ rights
The rights attaching to the ordinary shares are governed by the Company’s Articles of Association (the Articles) and prevailing legislation. There are no specific restrictions on the size of a holding. Subject to applicable law and the Articles, holders of ordinary shares are entitled to receive all shareholder documents, including notice of any general meeting, pre-material and exercise voting rights at general meetings, and to requisition and participate in any distribution of income or capital.

Restrictions on voting
There are no specific restrictions on shareholdings, save in situations where the Company is legally entitled to impose such restrictions (usually where amounts remain unpaid on shares after redemption, or the shareholder is otherwise in default of an obligation to the Company). Currently all issued ordinary shares are fully paid up and there are no agreements between holders of securities in the Company that are relevant to the voting rights of shareholders.

Directors’ appointment, replacement and powers
The appointment and replacement of Directors of the Company is governed by its Articles, the Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution. Details of the powers of the Board and its Committees, including matters relating to liability relief and exercise voting rights at general meetings, are set out in the Articles and the Terms of Reference of each of the Board’s committees set out their respective duties and responsibilities. The aforesaid documentation can be found at www.convatecgroup.com/investors/governance.

Significant agreements
There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees’ share plans. Other than the Group’s on-going funding agreements referenced in the following paragraph, none of these are considered significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Group and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a change of control resulting from a takeover bid.

In the event of a change of control of the Company, various on-going funding agreements allow the lenders to give notice of repayment for all outstanding amounts under the relevant facilities.

Directors’ indemnities
The Group has made qualifying third-party indemnity provisions for the benefit of the Directors, which were made during the year and remain in force at the date of this report.

Company Secretary
The Company Secretary provides ongoing support to the Board in relation to corporate governance issues and compliance with the Listing Rules. She is responsible for ensuring that the Board complies with its disclosure obligations and monitoring the Board’s compliance with the Disclosure Guidance and Transparency Rules. The Company Secretary ensures that the Board meets and that all Board committees are attended (directly or through a designee) at all Board and committees’ meetings, advising on effective Board processes, advising on Directors’ shareholding policies, and ensuring that all disclosure obligations and requirements under the Listing Rules are complied with.

Political donations
No political donations, including to non-political parties, were made during the period. Information about the Group’s lobbying activities is included on page 45.

Substantial shareholdings
At 31 December 2022 the Company had been notified in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules, of the following voting rights as a shareholder of the Company. At 8 March 2023, being the latest practical date prior to the publication of this Annual Report, the Group had not received any further notifications pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules.

The following is provided in other sections of this Annual Report and is incorporated by reference.

Information incorporated by reference

Disclosure of information to the auditor
Each of the Directors, as at the date of this Annual Report, confirms that:
- the Director has taken all steps that he/she ought to have taken:
  - to ensure that the Company’s auditor is aware of that information; and
  - so far as the Director is aware, there is no other information of which the Company’s auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provisions of section 488 of the Companies Act 2006. Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the 2023 AGM.

Branches of the Company
The Group, through various subsidiary and related undertakings, has branches in a number of different jurisdictions in which the business operates. Further details are included in subsidiary undertakings on pages 229 to 231.

Dividends
Our stated policy is to target a payout ratio of between 35% and 45% of adjusted net profit. It is interpreted flexibly over time to reflect the development of the business. The Board is recommending a 3.0% increase in the full year dividend to reflect the underlying improvement in business performance.

We annually assess the application of the policy when proposing the dividend, taking into account, among other things, our growth prospects, capital efficiency, investment plans and the profitability of the Group; whilst also maintaining appropriate levels of dividend cover.

Any decision to declare and pay dividends will be made at the discretion of the Directors and will depend on, among other things, applicable law, regulation, restrictions, strategic objectives, capital management, the Group’s various stakeholders (for further information see the section 172 statement on page 45), review of our comparator peer group, available and forecast distributable reserves of the Company and the forecast cashflows and liquidity of the Group, and other factors the Directors deem significant.

During the year, the Directors resolved to pay an interim dividend of 1.177 cents per share on 6 October 2022. A scrip dividend alternative was offered in response to the interim dividend allowing shareholders to elect by 16 September 2022 to receive their dividend in the form of new ordinary shares. On 6 October 2022, 2,107,103 ordinary shares of 10p each were allotted to shareholders who had elected to take the scrip dividend alternative.

The Directors recommend a final dividend for the year of 4.350 cents per share (2021: 4.154 cents) which, together with the interim dividend, makes a total dividend for the year of 6.474 cents per share (2021: 8.761 cents), a 3% increase over the prior year. The final dividend, if approved by the shareholders, will be paid on 25 May 2023 to shareholders on the register at the close of business on 11 April 2023. A scrip dividend alternative will also be available to shareholders.

Capital structure
Share capital
As at 31 December 2022, the Company’s issued share capital consisted of 2,043,872,048 ordinary shares of 10p each. Further details of the authorised and issued share capital, together with details of the movements in the Company’s issued share capital during the year, are shown in Note 17 to the Group’s Financial Statements.

As at 31 December 2022, the Company had only one class of share consisting of ordinary shares of 10p each.

It should be noted that the percentages are shown as notified and that these holdings are likely to have changed since the Company was notified, however notification of any change is not required until the next notifiable threshold is crossed.
The Annual General Meeting will be held on 18 May 2023 at 2pm and will take place at 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, in the form of a hybrid meeting. Notice of the meeting, containing details of the resolutions to be put to the meeting, will be available at www.convatecgroup.com/investors/shareholder-centre/agm-information/.

By order of the Board
Evelyn Douglas
Company Secretary
8 March 2023

Convatec Group Plc is registered in England No. 10361298

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Group financial statements in accordance with United Kingdom adopted International Accounting Standards and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the profit or loss of the Group and Company for that period.

In preparing the parent company's financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently; make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:
- properly select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s financial position and financial performance; and
- make an assessment of the Group’s ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement
We confirm that to the best of our knowledge:
- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidated financial statements, and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidated financial statements and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company’s performance and position, business model and strategy

This responsibility statement was approved by the Board of Directors on 8 March 2023 and is signed on its behalf by:

Karim Bilar
Chief Executive Officer
Jonny Mason
Chief Financial Officer

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**Executive Directors**
- **Chief Executive Officer**: Karim Bitar
- **Chief Financial Officer**: Jonny Mason

**Non-Executive Directors**
- **Chair**: Evelyn Douglas
- **Deputy Chair**: Jonny Mason

**Remuneration Committee**
- **Chair**: Jonny Mason

**Nominations Committee**
- **Chair**: Jonathan Kitching

**Audit Committee**
- **Chair**: Jonny Mason

**PLC Board**
- **Chair**: Evelyn Douglas

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**Relationship agreement with controlling shareholders**
Novo Holdings A/S (Novo) became a significant shareholder on 31 March 2017 and the Company entered a relationship agreement with Novo on such date as required by Listing Rule 9.2.2A (R) (a). Given its significant investment in the Company, Novo is entitled to appoint one Non-Executive Director to the Board for so long as they and their associates are entitled to exercise, or control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. In the financial period to 31 December 2022 (and also from 31 December 2022 to 8 March 2023, being the latest practicable date prior to publication of this Annual Report), the Company has complied with the independence provisions of the relationship agreement, and so far as the Company is aware, Novo and their associates also complied with the independence provisions.

**Diversity and inclusion**
We are committed to creating a values-led, performance-driven culture which starts with our employees and leads to bringing together a rich diversity of backgrounds, experiences, preferences and capabilities which unite together to improve people’s lives through their work at Convatec. The Board considers a diverse workforce as critical to its success. Information about the Group’s initiatives to achieve diversity across the business, including specific objectives, are contained on pages 59 and 60.

**Employment of disabled people**
Applications for employment by disabled people are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of anyone with a disability should, as far as possible, be identical to that of other employees.

**Employee share schemes**
In addition to the discretionary share schemes operated as part of the Group’s long-term incentives, detailed in the Remuneration Policy on page 156, the Group operates an all-employee share scheme in selected jurisdictions. The Directors believe that this scheme aligns the interests of employees and shareholders by encouraging employees to buy and own shares in the Company, thus enabling them to benefit directly from the anticipated growth and success of the Group in the future.

Executive Directors may also participate in the UK all-employee share scheme, which is an HMRC approved savings-related share option plan, on the same basis as other eligible employees. All participants may invest up to the limits set in line with HMRC guidance and as operated by the Group.

Shares acquired through the Group’s share plans rank pari passu with existing ordinary shares in issue and have no special rights with regards to voting, rights to dividend, control of the Company or otherwise.

All of the Group’s employee share plans contain provisions relating to a change of control. On a change of control, options and awards granted to employees under the Group’s share plans may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at that time.

**Listing Rules – compliance with LR 9.8.4R**

The information required to be disclosed by LR 9.8.4R can be found in the following locations. There are no other disclosures required under LR 9.8.4R.

<table>
<thead>
<tr>
<th>Section</th>
<th>Applicable sub-paragraph within LR 9.8.4R</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Interest capitalised</td>
<td>Group Financial Statements, Note 25, page 212</td>
</tr>
<tr>
<td>4</td>
<td>Details of long-term incentive schemes</td>
<td>Directors’ Remuneration report, page 156</td>
</tr>
<tr>
<td>14</td>
<td>Confirmation of relationship agreement</td>
<td>Directors’ report, page 164</td>
</tr>
</tbody>
</table>

---

**Annual General Meeting**
The Annual General Meeting will be held on 18 May 2023 at 2pm and will take place at 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, in the form of a hybrid meeting. Notice of the meeting, containing details of the resolutions to be put to the meeting, will be available at www.convatecgroup.com/investors/shareholder-centre/agm-information/.

Convatec Group Plc is registered in England No. 10361298

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Convatec Group Plc Annual Report and Accounts 2022

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Convatec Group Plc Annual Report and Accounts 2022
Financial statements

Convatec Group Plc Annual Report and Accounts 2022

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Financial statements

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CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2022

<table>
<thead>
<tr>
<th>Notes</th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,072.5</td>
<td>2,058.3</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(968.6)</td>
<td>(915.2)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1,103.9</td>
<td>1,123.1</td>
</tr>
<tr>
<td>Selling and distribution expenses</td>
<td>(575.9)</td>
<td>(539.7)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(214.9)</td>
<td>(285.3)</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>(192.0)</td>
<td>(245.5)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(13.8)</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit</td>
<td>207.3</td>
<td>203.6</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(23)</td>
<td>-</td>
</tr>
<tr>
<td>Finance income</td>
<td>5.5</td>
<td>0.8</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>(73.2)</td>
<td>(44.3)</td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>19.0</td>
<td>33.7</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>6.2</td>
<td>11.7</td>
</tr>
<tr>
<td>Net profit</td>
<td>62.9</td>
<td>117.6</td>
</tr>
</tbody>
</table>

Earnings per share
Basic earnings per share (cents per share) | 3.4c | 5.9c |
Diluted earnings per share (cents per share) | 3.5c | 5.8c |

The accounting policies and notes on pages 172 to 217 form an integral part of the Consolidated Financial Statements. All amounts are attributable to shareholders of the Group and wholly derived from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

<table>
<thead>
<tr>
<th>Notes</th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td>62.9</td>
<td>117.6</td>
</tr>
<tr>
<td>Other comprehensive (expense)/income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Items that will not be reclassified subsequently to the Consolidated Income Statement</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Remeasurement of defined benefit pension plans, net of tax</td>
<td>8.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Change in pension asset restriction</td>
<td>-</td>
<td>1.3</td>
</tr>
<tr>
<td>Foreign currency translation, net of tax</td>
<td>(113.4)</td>
<td>(29.6)</td>
</tr>
<tr>
<td>Realisation of cumulative translation adjustments</td>
<td>12.2</td>
<td>-</td>
</tr>
<tr>
<td>Effective portion of changes in fair value of cash flow hedges</td>
<td>(7.7)</td>
<td>(5.1)</td>
</tr>
<tr>
<td>Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement</td>
<td>16.5</td>
<td>5.7</td>
</tr>
<tr>
<td>Costs of hedging</td>
<td>(1.1)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Income tax in respect of items that may be reclassified</td>
<td>2.4</td>
<td>(0.0)</td>
</tr>
<tr>
<td>Other comprehensive expense</td>
<td>(28.9)</td>
<td>(26.7)</td>
</tr>
<tr>
<td>Total comprehensive (expense)/income</td>
<td>(20.0)</td>
<td>91.9</td>
</tr>
</tbody>
</table>

All amounts are attributable to shareholders of the Group and wholly derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

<table>
<thead>
<tr>
<th>Notes</th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>8,404.4</td>
<td>3,667.7</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>79.4</td>
<td>83.6</td>
</tr>
<tr>
<td>Intangible assets and goodwill</td>
<td>2,149.5</td>
<td>2,058.5</td>
</tr>
<tr>
<td>Investment in financial assets</td>
<td>30.7</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>26.6</td>
<td>28.9</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>0.2</td>
<td>-</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>7.3</td>
<td>13.6</td>
</tr>
<tr>
<td>Other non-current receivables</td>
<td>8.6</td>
<td>11.9</td>
</tr>
<tr>
<td>Current assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inventories</td>
<td>13,336.9</td>
<td>3,086.6</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>364.0</td>
<td>323.5</td>
</tr>
<tr>
<td>Derivative Financial assets</td>
<td>26.4</td>
<td>15.1</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>18.2</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>143.8</td>
<td>463.4</td>
</tr>
<tr>
<td>Total assets</td>
<td>3,592.0</td>
<td>3,674.0</td>
</tr>
<tr>
<td>Equity and liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>346.6</td>
<td>342.5</td>
</tr>
<tr>
<td>Borrowings</td>
<td>144.8</td>
<td>-</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>20.3</td>
<td>19.7</td>
</tr>
<tr>
<td>Current tax payable</td>
<td>33.5</td>
<td>45.5</td>
</tr>
<tr>
<td>Derivative Financial liabilities</td>
<td>32.5</td>
<td>11.7</td>
</tr>
<tr>
<td>Provisions</td>
<td>100.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Borrowings</td>
<td>1,211.9</td>
<td>1,199.8</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>68.0</td>
<td>70.8</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>83.2</td>
<td>87.2</td>
</tr>
<tr>
<td>Provisions</td>
<td>53.1</td>
<td>1.7</td>
</tr>
<tr>
<td>Derivative Financial liabilities</td>
<td>0.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>32.7</td>
<td>47.6</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>1,449.2</td>
<td>1,410.0</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,982.3</td>
<td>1,979.2</td>
</tr>
<tr>
<td>Net assets</td>
<td>1,609.7</td>
<td>1,694.8</td>
</tr>
<tr>
<td>Equity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share capital</td>
<td>17,250.7</td>
<td>247.0</td>
</tr>
<tr>
<td>Share premium</td>
<td>17,165.7</td>
<td>142.3</td>
</tr>
<tr>
<td>Own shares</td>
<td>17,1.5</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Retained deficit</td>
<td>(192.2)</td>
<td>(442.0)</td>
</tr>
<tr>
<td>Merger reserve</td>
<td>2,098.9</td>
<td>2,098.9</td>
</tr>
<tr>
<td>Cumulative translation reserve</td>
<td>(177.1)</td>
<td>(75.7)</td>
</tr>
<tr>
<td>Other reserves</td>
<td>165.2</td>
<td>326.5</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,609.7</td>
<td>1,694.8</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>3,592.0</td>
<td>3,674.0</td>
</tr>
</tbody>
</table>

The Consolidated Financial Statements of Convatec Group Plc, company number 10361298, were approved by the Board of Directors and authorised for issue on 8 March 2023 and signed on its behalf by:

Jonny Mason
Chief Financial Officer

Karim Bitar
Chief Executive Officer
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

\[
\begin{array}{l}
\text{At 31 December 2022} \\
\hline
\text{Net profit} & 245.5 & 115.3 & 6.7 & (845.3) & 2,098.9 & (46.3) & 109.1 & 1,670.7 \\
\text{Share-based payments} & 19 & - & - & - & - & - & 117.6 & 117.6 \\
\text{Benefit Trust} & 17 & - & - & - & - & - & - & - \\
\text{Excess deferred tax benefit from share-based payments} & 15 & - & - & - & - & - & 3.3 & 3.3 \\
\text{Share awards vested} & 15 & - & - & - & - & - & 1.3 & 1.3 \\
\text{Changes in fair value of cash flow hedges, net of tax} & 15 & - & - & - & - & - & (0.7) & (0.7) \\
\text{Other comprehensive income} & - & - & - & - & - & (29.6) & 3.9 & 91.9 \\
\text{Transfer between reserves} & - & - & - & - & - & - & - & - \\
\text{At 31 December 2021} \\
\hline
\text{Net profit} & 247.0 & 142.3 & (2.2) & (842.0) & 2,098.9 & (75.7) & 126.5 & 1,694.8 \\
\text{Share-based payments} & 19 & - & - & - & - & - & 62.9 & 62.9 \\
\text{Benefit Trust} & 17 & - & - & - & - & - & - & - \\
\text{Excess deferred tax benefit from share-based payments} & 15 & - & - & - & - & - & 10.1 & 10.1 \\
\text{Other comprehensive income} & - & - & - & - & - & (101.4) & 18.5 & (82.9) \\
\text{Total comprehensive income} & - & - & - & 62.9 & - & - & 18.5 & (20.0) \\
\text{Dividends paid} & 18 & - & - & - & - & - & 117.6 & 117.6 \\
\text{Scrip dividend} & 17 & 15 & 27.0 & (28.5) & - & - & - & - \\
\text{Share-based payments} & 19 & - & - & - & - & - & 16.4 & 16.4 \\
\text{Share awards vested} & 15 & - & - & - & - & - & 6.2 & 6.2 \\
\text{Changes in fair value of cash flow hedges, net of tax} & 15 & - & - & - & - & - & (0.7) & (0.7) \\
\text{Other comprehensive income} & - & - & - & - & - & (29.6) & 3.9 & 91.9 \\
\text{Transfer between reserves} & - & - & - & - & - & - & - & - \\
\end{array}
\]

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

\[
\begin{array}{l}
\text{Cash flows from operating activities} \\
\text{Net profit} & 62.9 & 117.6 \\
\text{Adjustments for} \\
\text{Depreciation of property, plant and equipment} & 8 & 39.7 & 40.6 \\
\text{Depreciation of right-of-use assets} & 24 & 22.1 & 22.8 \\
\text{Amortisation of intangible assets} & 9 & 147.4 & 147.2 \\
\text{Income tax} & 6 & 19.0 & 33.7 \\
\text{Other non-current receivables} & 5 & 56.0 & 4.5 \\
\text{Finance costs, net} & 25 & 67.7 & 43.5 \\
\text{Share-based payments} & 19 & 16.7 & 16.4 \\
\text{Impairment/write-off of intangible assets} & 3 & 6.3 & 2.9 \\
\text{Impairment/write-off of property, plant and equipment} & 3 & 9.2 & 3.0 \\
\text{Change in assets and liabilities:} \\
\text{Inventories} & (56.3) & (19.4) \\
\text{Trade and other receivables} & (63.6) & (29.4) \\
\text{Other non-current receivables} & 3.0 & 1.1 \\
\text{Restricted cash} & (11.8) & (8.4) \\
\text{Trade and other payables} & 40.7 & 10.7 \\
\text{Current non-current payables} & 5.5 & 14.0 \\
\text{Net cash generated from operations} & 384.5 & 400.6 \\
\text{Interest received} & 5.5 & 0.8 \\
\text{Interest paid} & (56.4) & (36.3) \\
\text{Income taxes paid} & (52.9) & (59.2) \\
\text{Net cash generated from operating activities} & 281.7 & 305.9 \\
\text{Cash flows from investing activities} \\
\text{Acquisition of property, plant and equipment and intangible assets} & 8.9 & (144.2) & (94.1) \\
\text{Acquisitions, net of cash acquired} & 26 & (123.5) & (113.8) \\
\text{Payment of contingent consideration arising from acquisitions} & 26 & (50.0) & (50.0) \\
\text{Net cash generated from operations} & 0.1 & 1.4 \\
\text{Investment in financial assets} & (10) & (30.7) \\
\text{Net cash used in investing activities} & (148.3) & (206.5) \\
\text{Cash flows from financing activities} \\
\text{Repayment of borrowings} & 21 & (842.5) & (583.9) \\
\text{Proceeds from borrowings} & 21 & 774.2 & 491.8 \\
\text{Payment of lease liabilities} & 24 & (20.7) & (22.5) \\
\text{Dividends paid} & 18 & (88.1) & (85.8) \\
\text{Net cash used in financing activities} & (237.1) & (199.9) \\
\text{Net change in cash and cash equivalents} & (502.7) & (202.5) \\
\text{Cash and cash equivalents at beginning of the year} & 22 & 463.4 & 565.4 \\
\text{Effect of exchange rate changes on cash and cash equivalents} & (15.9) & (1.5) \\
\text{Cash and cash equivalents at end of the year} & 23 & 447.5 & 463.9 \\
\end{array}
\]
1. BASIS OF PREPARATION

This section describes the Group’s significant accounting policies that relate to the Consolidated Financial Statements and explains critical accounting judgements and estimates that management has identified as having a potentially material impact to the Group. Specific accounting policies relating to the Notes to the Consolidated Financial Statements are described within that note.

1.1 General information

Convatec Group Plc (the Company) is a public limited company incorporated in the United Kingdom under the Companies Act of 2006. The Company’s registered office is 3 Forbury Place, 23 Forbury Road, Reading RG1 3JH, United Kingdom. The Consolidated Financial Statements have been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Consolidated Financial Statements are presented in US dollars (USD), reflecting the profile of the Company and its subsidiaries (collectively, the Group) revenue and operating profit, which are primarily generated in US dollars and US dollar-linked currencies. All values are rounded to $0.1 million except where otherwise indicated.

Pages 2 and 3 in the Strategic report provide further detail of the Group’s principal activities and nature of its operations.

1.2 Significant accounting policies

The following significant accounting policies apply to the Consolidated Financial Statements as a whole:

Basis of accounting and presentation

The consolidated financial information has been prepared on a historical cost basis, except for certain financial instruments where fair value has been applied. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of consolidation

The Consolidated Financial Statements include the results of the Company and all its subsidiary undertakings. Subsidiaries are entities controlled by the Group. Control exists when the Group: (i) has power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement in the investee; and (iii) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The consolidated financial information of the Company’s subsidiaries is included within the Group’s Consolidated Financial Statements from the date that control commences until the date that control ceases and is prepared for the same year-end date using consistent accounting policies.

Going concern

As discussed in the Financial review on pages 30 to 38, the overall financial performance of the business remains strong with a robust liquidity position. As at 31 December 2022, the Group held cash and cash equivalents of $143.8 million (31 December 2021: $463.4 million), and borrowings of $1,219.9 million (31 December 2021: $1,344.6 million). During the year, the Group refinanced its bank facilities with $1.2 billion committed for five years at the appropriate reference rate plus margins of 1.75% and 2.00% for the multicurrency revolving credit facility and the term loan facility respectively. The new credit facility of $1.2 billion comprised a $250.0 million term loan and a $950.0 million multicurrency revolving facility. The borrowings as at 31 December 2022 comprised senior notes of $500.0 million, term loan of $250.0 million, and multicurrency revolving credit facilities of $472.7 million net of unamortised financing fees of $15.3 million. The senior notes are repayable in 2029 and the term loan and multicurrency revolving credit facilities are repayable in 2027. $472.8 million of the multicurrency revolving credit facilities remained undrawn as at 31 December 2022, which together with cash and cash equivalents of $143.8 million, provided the Group with total liquidity of $616.6 million as at that date (2021: $663.4 million).

In preparing their assessment of going concern, the Directors have considered available cash resources, financial performance and forecast performance, including strategy delivery, together with the Group’s financial covenant compliance requirements and principal risks and uncertainties. The Directors have used cash flow forecasts derived from actual performance in 2022, the Board approved 2023 budget and longer-term strategic plan as foundations. The forecasts reflected the full potential funding required to achieve the remaining estimated contingent consideration payable in respect to the Triad Life Sciences and Cure Medical acquisitions, and the impact of exiting hospital care and industrial sales activities. The Directors have considered a going concern period to 31 December 2024, which is at least 21 months from the date of approval of the Consolidated Financial Statements.

In accordance with FRC guidance, management applied severe but plausible downside scenarios linked to the Group’s principal and emerging risks, including supply chain disruption, cyber security disruption, significant regulatory breaches, financial market distress and geopolitical events and sanctions to a key global market. Further details of the specific scenarios are provided in the Viability statement on page 99. The Board has reviewed these scenarios as part of the going concern assessment and has concluded with the Group that these scenarios are in line with the Group’s risk appetite and continue to reflect the financial risk of severe but plausible downside events and circumstances during the going concern period. Under each scenario, the Group is forecast to retain significant liquidity and covenant headroom throughout the going concern period.

The Group has carried out reverse stress test against the forecast base case to determine the performance levels that would result in a breach of covenants. For a breach of covenants to occur in the next 12 months, before mitigation, the Group would need to experience a sustained revenue reduction of more than 10% across all categories and markets. This was considered to be implausible given the Group’s strong global market position and diversified portfolio of products and the mitigations available to the Board and management, which include minimising capital expenditure to critical requirements and reducing levels of discretionary spend.

Accordingly, at the time of approving these Consolidated Financial Statements, the Directors have a reasonable expectation that the Group and the Company will have adequate liquid resources to meet their respective liabilities as they become due and will be able to sustain its business model, strategy and operations and remain solvent for a period of at least 12 months from 8 March 2023.

Foreign currency translation and transactions

Assets and liabilities of subsidiaries whose functional currency is not US dollars are translated into US dollars at the rate of exchange at the period end. Income and expenses are translated into US dollars at the average rates of exchange prevailing during the year. Foreign currency gains and losses resulting from the translation of subsidiaries into US dollars are recognised in the Consolidated Statement of Comprehensive Income. Exchange differences arising from the translation of the net investment in foreign operations are taken to the cumulative translation reserve within equity. They are recycled and recognised in the Consolidated Income Statement upon disposal of the operation.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the date of the balance sheet. The fair value of non-monetary assets and liabilities that are denominated in foreign currencies is determined at the rates prevailing at the date of the transaction. The results of operations in foreign currencies are translated into US dollars at the average rates of exchange prevailing during the period.

Within the Annual Report and Accounts on pages 66 to 87.

1.3 Climate change

The Directors recognise the risk of climate change on the business and acknowledge that the Group must take appropriate action to mitigate and, where feasible, prevent further climate change impact. Accordingly, climate related risks are considered within the “Environment and Communities” principal risks and are discussed in greater detail in the “Principal risks” section within the Annual Report and Accounts.

Whilst the valuation of our assets and liabilities has not been materially impacted as at 31 December 2022, the Group will continue to monitor possible implications of climate related risks that could arise in future years on both future cash flows and the valuation of the Group’s assets and liabilities, as Government policies and the Group’s own climate transition plans evolve. Further detail is provided within the “Responsible business review - communities” and “TCFD disclosure” sections of the Annual Report and Accounts on pages A6 to A7.

1.4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements, in conformity with adopted IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates or judgements of likely outcome. Management regularly reviews, and revises as necessary, the accounting judgements that significantly impact the amounts recognised in the Consolidated Financial Statements and the sources of estimation uncertainty that are considered to be “key estimates” due to their potential to give rise to material adjustments in the Group’s Consolidated Financial Statements within the next financial year.

Considerations for the identification of critical accounting judgements and key estimates

A detailed assessment was performed by management of the potential impact of each balance sheet line and associated accounting estimates and judgements at each reporting date during the year. In preparing the Consolidated Financial Statements, no critical accounting judgements have been identified. A key estimate has been identified in relation to the valuation of the contingent consideration related to the acquisition of Triad Life Sciences Inc (Triad Life Sciences).

As detailed further in the Group’s Audit and Risk Committee report on pages 126 to 138, the Committee has reviewed, discussed, and challenged management on identification and, where appropriate, the determination of its critical accounting judgements and key estimate.
1. BASIS OF PREPARATION (CONTINUED)

Valuation of the contingent consideration in relation to the acquisition of Triad Life Sciences

The contingent consideration is valued based on acquisition date fair value of financial performance targets as defined by the Merger Agreement. The contingent consideration is fair valued at the date of acquisition with key inputs including a weighted probability of different scenarios and revenue projections based on internal forecasts, discounted using an appropriate discount rate that reflects the relative risk of the investment as well as the time value of money. Actual revenue results may differ from estimates, leading to a change in the fair value of the contingent consideration.

Management has identified that reasonably possible changes in certain key assumptions and forecasts may cause the calculated fair value of the contingent consideration to vary materially within the next financial year. The maximum undiscounted contingent consideration payable under the Merger Agreement was $325.0 million, of which $50.0 million was paid during the year following successful attainment of the two short-term milestones. The estimated discounted fair value of the remaining contingent consideration payable as at 31 December 2022 was $150.8 million.

Management has determined that the reasonable potential range of discounted outcomes within the next financial year is between $85.2 million and $250.8 million, compared to a maximum remaining undiscounted contingent consideration of $375.0 million.

The timing and amount of future contingent elements of consideration is therefore considered a key source of estimation uncertainty. Refer to Note 26 – Acquisitions for more information.

1.5 Accounting standards

New standards, interpretations and amendments applied for the first time

On 1 January 2022, the Group adopted the following amendments which are mandatorily effective for the period beginning 1 January 2022:

- IFRS 17 – Insurance contracts (effective from 1 January 2023)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IFRS 3 (including a weighted probability of different scenarios and revenue projections based on internal forecasts, discounted using an appropriate discount rate that reflects the relative risk of the investment as well as the time value of money. Actual revenue results may differ from estimates, leading to a change in the fair value of the contingent consideration.)
- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback); and
- IAS 1 Presentation of Financial Statements (Amendment – Non-current liabilities with Covenants)

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS 8);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback);
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current); and
- IAS 1 Presentation of Financial Statements (Amendment – Non-current liabilities with Covenants)

The Group is currently assessing the impact of these new accounting standards and amendments and does not believe these will have a material impact on the Group.

Other interpretations and amendments

In addition to these issued standards, there are a number of other interpretations, amendments and annual improvement project recommendations that have been issued but not yet effective that have not yet been adopted by the Group because application is not yet mandatory, or they are not relevant for the Group.

- IFRS 17 – Insurance contracts (effective from 1 January 2023) is ultimately intended to replace IFRS 4. It sets out the requirements that a company should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. The Group believes that the adoption of IFRS 17 will not have a significant impact on the Consolidated Financial Statements.

RESULTS OF OPERATIONS

This section includes disclosures explaining the Group’s performance for the year, including segmental information, operating costs, other expenses, taxation and earnings per share.

2. REVENUE AND SEGMENTAL INFORMATION

2.1 Revenue recognition

The Group sells a broad range of products to a wide range of customers, including healthcare providers, patients and manufacturers. This note provides further information about how the Group generates revenue and when it is recognised in the Consolidated Income Statement.

Accounting policy

Revenue recognition

The Group measures revenue for goods sold based on the consideration specified in a contract with a customer, net of discounts, chargeback allowances and sales-related taxes. Revenue is recognised when control over a product or service is transferred to a customer, distributor or wholesaler, which is generally when goods have been delivered, as most products are insured by the Group until delivery. Due to the short-term nature of the receivables from sale of goods, the Group measures them at the original transaction price without discounting. The transaction price is the amount the Group expects to receive at that date.

Nature of goods and services

Advanced Wound Care, Ostomy Care, Continence and Critical Care products are sold to pharmacies, hospitals and other acute and post-acute healthcare service providers directly or through distributors and wholesalers. Products are also sold directly to end customers (patients) through the Group’s home services entities and a small number of clinical and retail outlets. Infusion Care primarily serves business-to-business customers, consisting principally of the leading insulin pump manufacturers. A small proportion of its revenue is derived from business-to-business urology product sales.

In 2022 and 2021, no single customer generated more than 10% of the Group’s revenue.

Nature of timing of satisfaction of performance obligations

Principally, the Group’s contracts with customers contain a single performance obligation, that is the delivery of products to customers. Revenue is typically recognised when the customer receives the product but is subject to the shipping terms in each individual contract. Where non-standard shipping arrangements exist, revenue is recognised when control of the goods has transferred. Allowances for returns, where the contract specifies these terms, are made at the point of sale.

For sales to distributors, revenue is recognised when title is transferred to the distributor and the distributor has assumed control, the timing of which depends on the contractual terms with each distributor. Chargeback allowances or contractual deductions relating to end-customer agreements, which may differ from distributor contracts, are made at the point of title transfer to the distributor. In certain European countries, rebates are provided to governments and are often mandated by laws or government regulations. These rebates are estimated based on government regulations and unbudgeted spending, laws and terms of individual rebate agreements, and are recorded as a deduction from revenue at the time the related revenue is recorded. The estimates are adjusted periodically to reflect actual experience.

When distributors buy products from the Group at a contract price and sell these products to end-customers at a price agreed with the Group that is lower than the distributors’ list price, a chargeback may arise and a claim may be submitted to the Group by the distributor. The provision for chargebacks is based on expected sell-through levels by the Group’s distributors to contracted customers, as well as estimated distributor inventory levels. Retrospective claims are reviewed against estimations to ensure provisions are regularly updated.

Volume discounts

The Group offers certain prospective volume discounts to customers who achieve a specified volume amount or value of purchases in any given year. Volume discounts that meet the definition of material right are recognised as a separate performance obligation. Material rights are the option to purchase additional products at a discount which would not have been given had the contract not been entered into and are incremental to the range of discounts typically given for those goods to that class of customer.

The stand-alone selling price of these volume discounts is based on the discount that the customer would obtain when exercising the option, adjusted for any discount the customer could receive without exercising the option and the likelihood that the option will be exercised. The revenue allocated to volume discounts is short term in nature and recognised proportionally to the pattern of options exercised by the customer or when the option expires.
2. REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

2.2 Segment information

The Board considers the Group’s business to be a single segment entity engaged in the development, manufacture and sale of medical products, services and technologies. R&D, manufacturing and central support functions are managed globally for the Group, supporting all categories of sales. Revenues are managed both on a category and regional basis. This note presents the performance and activities of the Group as a single segment.

Pages 22 to 29 of the Strategic report provide further detail of category revenue.

The Group’s CEO, who is the Group’s Chief Operating Decision Maker, evaluates the Group’s global product portfolios on a category and geographic basis. Resources are allocated on a Group-wide basis, with a focus on key categories and the key markets. The allocations are based on the relative merits of the individual proposals across the Group.

Revenue by category

The Group generates revenue across four major product categories. The following chart sets out the Group’s revenue for the year ended 31 December by category:

Revenue by geography

The following chart sets out the Group’s revenue by geographical market in which third-party customers are located:

Geographic markets

1. Best of World (BoW) comprises all countries in Asia Pacific, Latin America (including Mexico and the Caribbean), South America, the Middle East (including Turkey) and Africa.

From 2023 onwards, FlexiSeal™ (2022 revenue: $45.8 million), our fascial management system, will move from Continence & Critical Care to Ostomy Care. The remaining industrial sales, predominantly continence-related supplies for 82B customers (2022 revenue: $16.7 million) will move from Infusion Care into Continence Care. Going forward the Continence & Critical Care category will be renamed Continence Care.

Geographic regions

The following table sets out the Group’s revenue on the basis of where the legal entity generating the revenue resides, including countries representing over 10% of Group revenue and the UK, where the Group is domiciled:

<table>
<thead>
<tr>
<th>Geographic regions</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>749.8</td>
<td>704.1</td>
</tr>
<tr>
<td>UK</td>
<td>131.5</td>
<td>147.2</td>
</tr>
<tr>
<td>Denmark</td>
<td>371.7</td>
<td>346.8</td>
</tr>
<tr>
<td>Other1</td>
<td>819.5</td>
<td>840.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,072.5</td>
<td>2,038.3</td>
</tr>
</tbody>
</table>

1. Other consists primarily of other countries in Europe, Asia Pacific, Latin America and Canada.

The following table sets out the Group’s long-lived assets by country in which the legal entity resides:

<table>
<thead>
<tr>
<th>Long-lived assets</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>1,349.6</td>
<td>1,141.9</td>
</tr>
<tr>
<td>UK</td>
<td>695.7</td>
<td>777.8</td>
</tr>
<tr>
<td>Denmark</td>
<td>266.0</td>
<td>272.6</td>
</tr>
<tr>
<td>Other</td>
<td>318.0</td>
<td>356.4</td>
</tr>
<tr>
<td><strong>Total long-lived assets</strong></td>
<td>2,629.3</td>
<td>2,508.8</td>
</tr>
</tbody>
</table>

1. Long-lived assets consist of property, plant and equipment, right-of-use assets, intangible assets and goodwill.

3. OPERATING COSTS

The Group incurs operating costs associated with the day-to-day operation of the business. These operating costs are deducted from revenue to calculate operating profit.

3.1 Operating profit

Operating profit is stated after deducting from revenue:

<table>
<thead>
<tr>
<th>Description</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>8</td>
<td>39.7</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>24</td>
<td>22.1</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>9</td>
<td>147.2</td>
</tr>
<tr>
<td>Impairment/write-off of intangible assets</td>
<td>9</td>
<td>2.9</td>
</tr>
<tr>
<td>Impairment/write-off of property, plant and equipment</td>
<td>8</td>
<td>3.0</td>
</tr>
<tr>
<td>Loss on terminated leases</td>
<td>24</td>
<td>0.1</td>
</tr>
<tr>
<td>Amounts in respect of inventories included in cost of sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Write-down of inventories1</td>
<td>22.6</td>
<td>6.4</td>
</tr>
<tr>
<td>Lease expenses2</td>
<td>24</td>
<td>3.9</td>
</tr>
<tr>
<td>Staff costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>532.7</td>
<td>533.4</td>
</tr>
<tr>
<td>Share-based payment expense</td>
<td>19</td>
<td>16.7</td>
</tr>
<tr>
<td>Social security costs</td>
<td>67.5</td>
<td>64.2</td>
</tr>
<tr>
<td>Defined contribution plans post-employment costs</td>
<td>21.2</td>
<td>21.0</td>
</tr>
<tr>
<td>Defined benefit plans pension costs</td>
<td>15</td>
<td>3.6</td>
</tr>
<tr>
<td>Recruitment and other employment-related fees</td>
<td>8.7</td>
<td>11.5</td>
</tr>
<tr>
<td><strong>Total staff costs</strong></td>
<td>548.5</td>
<td>450.1</td>
</tr>
</tbody>
</table>

1. The write-down of inventories to their realisable value is included in cost of sales.
2. Lease expenses comprises the costs in respect of low-value leases and short-term leases. Refer to accounting policy in Note 24 - Leases.
3. OPERATING COSTS (CONTINUED)

The remuneration of the Executive Directors, which is set out on pages 139 to 151, has been audited and is included within staff costs and forms part of these Consolidated Financial Statements.

3.2 Employee numbers

The average number of the Group’s employees by function:

Employees by function:

<table>
<thead>
<tr>
<th>Function</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating costs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The total number of employees as at 31 December 2022 was 10,028 (2021: 10,134).

3.3 Auditor’s remuneration

The remuneration of the Group’s auditor, Deloitte LLP, for services provided to the Group during the year ended 31 December, is analysed below:

<table>
<thead>
<tr>
<th>Services</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees for audit services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td>1.5</td>
<td>1.2</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>3.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Total fees for audit services</td>
<td>4.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Fees for non-audit services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit-related assurance services</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Other assurance services</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Total auditor remuneration</td>
<td>4.8</td>
<td>4.8</td>
</tr>
</tbody>
</table>

A description of the work performed by the Audit and Risk Committee to safeguard auditor independence when non-audit services are provided is set out in the Audit and Risk Committee report on pages 126 to 138.

4. OTHER OPERATING EXPENSES

Other operating expenses were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exit and divestiture-related activities</td>
<td></td>
<td>12.4</td>
</tr>
<tr>
<td>Impairment of other intangible assets</td>
<td></td>
<td>1.4</td>
</tr>
</tbody>
</table>

As a result of the exit from hospital care and industrial sales-related activities and disposal of a foreign subsidiary, impairments of $8.1 million to property, plant and equipment and $4.3 million to intangible assets have been recognised during the period. See Note 27 – Divestitures for further details. The impairment of other intangible assets relates to a legacy acquisition-related customer relationship asset which was impaired as part of the rationalisation of activities in the portfolio.

5. NON-OPERATING (EXPENSE)/INCOME, NET

Non-operating (expense)/income, net was as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net foreign exchange (loss)/gain</td>
<td>(29.5)</td>
<td>(13.8)</td>
</tr>
<tr>
<td>Realisation of cumulative translation adjustments</td>
<td>27</td>
<td>12.2</td>
</tr>
<tr>
<td>Gain/(loss) on foreign exchange forward contracts</td>
<td>23</td>
<td>15.8</td>
</tr>
<tr>
<td>Loss on foreign exchange cash flow hedges</td>
<td>23</td>
<td>16.5</td>
</tr>
<tr>
<td>Change in contingent consideration</td>
<td>26</td>
<td>(29.5)</td>
</tr>
<tr>
<td>(Loss)/gain on divestiture</td>
<td>27</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Other non-operating income</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Non-operating expense, net</td>
<td>(37.7)</td>
<td>(13.4)</td>
</tr>
</tbody>
</table>

1. The foreign exchange losses in 2022 primarily relate to the foreign exchange impact on intercompany transactions, including loans tranche in non-functional currencies. The Group uses foreign exchange forward contracts to manage these exposures in accordance with the Group’s foreign exchange risk management policy.
2. The $29.5 million expense relates to the change in the fair value of the contingent consideration for the Cure Medical ($5.8 million) and Triad Life Sciences ($23.7 million) acquisitions as described in Note 26 – Acquisitions.
3. Of the total net non-operating expense, $1.7 million (2021: $4.3 million) relates to mark-to-market derivatives, the cash flow impact of which have been shown within the changes in working capital section of the Consolidated Statement of Cash Flows.
6. INCOME TAXES

The note below sets out the current and deferred tax charges, which together comprise the total tax expense in the Consolidated Income Statement. The deferred tax section of the note also provides information on expected future tax charges or benefits and sets out the deferred tax assets and liabilities held across the Group.

Accounting policy

The tax expense represents the sum of current and deferred tax.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years. Taxable profit differs from profit before income taxes because taxable profit excludes items that are either neither taxable or tax deductible or items that are taxable or tax deductible in a different period.

Deferred tax

Deferred tax is recognised using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences:
- on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- on investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to temporary differences when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax liabilities and assets will be settled simultaneously.

Current tax and deferred tax are recognised in the Consolidated Income Statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax provisions

The Group is subject to income taxes in numerous tax jurisdictions. Judgement is sometimes required in determining the worldwide provision for income taxes. There may be transactions for which the ultimate tax determination is uncertain and may be challenged by the tax authorities. The Group recognises liabilities for anticipated or actual tax audit issues based on estimates of whether additional taxes will be due. Where an outflow of funds to a tax authority is considered probable and the Group can make a reliable estimate of the outcome of the issue, management calculates the provision for the best estimate of the liability. In assessing its uncertain tax provisions, management takes into account the specific facts of each issue, the likelihood of settlement and the input of professional advice where required. The Group assumes that where a tax authority has a right to examine amounts reported to it, they will do so and will have full knowledge of all relevant information. Where the ultimate liability as a result of an issue varies from the amounts provided, such differences could impact the current and deferred tax assets and liabilities in the period in which the dispute is concluded.

6.1 Taxation

The Group’s income tax expense is the sum of the total current and deferred tax expense.

<table>
<thead>
<tr>
<th></th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK corporation tax</td>
<td>-</td>
<td>0.8</td>
</tr>
<tr>
<td>Overseas taxation</td>
<td>46.6</td>
<td>46.8</td>
</tr>
<tr>
<td>Adjustment to prior years</td>
<td>(2.0)</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Total current tax expense</td>
<td>44.8</td>
<td>43.5</td>
</tr>
<tr>
<td>Deferred tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Origination and reversal of temporary differences</td>
<td>(3.7)</td>
<td>(6.5)</td>
</tr>
<tr>
<td>Change in tax rates</td>
<td>(3.2)</td>
<td>4.4</td>
</tr>
<tr>
<td>Adjustment to prior years</td>
<td>1.2</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Benefit from previously unrecognised tax losses</td>
<td>(20.1)</td>
<td>(6.8)</td>
</tr>
<tr>
<td>Total deferred tax benefit</td>
<td>(25.8)</td>
<td>(9.8)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>19.0</td>
<td>33.7</td>
</tr>
</tbody>
</table>

In 2022, the deferred tax movement included a benefit of $2.0 million in respect of the recognition of previously unrecognised tax losses in the US following the acquisition of Triad Life Sciences.

In 2021, the change in tax rates mainly relates to the revaluation of the net deferred tax liability in the UK following the enactment of Finance Act 2021, which increases the UK corporation tax rate from 19.0% to 25.0% from 1 April 2023. The Group’s deferred tax benefit in the year ended 31 December 2021 was mainly influenced by the deferred tax benefit of $6.8 million for the recognition of deferred tax assets following the acquisition of Cure Medical LLC (Cure Medical) in respect of previously unrecognised tax losses in the US.

6.2 Reconciliation of effective tax rate

The effective tax rate for the year ended 31 December 2022 was 23.2%, as compared with 22.3% for the year ended 31 December 2021.

Tax reconciliation to UK statutory rate

The table below reconciles the Group’s profit before income taxes at the UK statutory rate to the Group’s total income tax expense.

<table>
<thead>
<tr>
<th></th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before income taxes</td>
<td>81.9</td>
<td>151.3</td>
</tr>
<tr>
<td>Profit before income taxes multiplied by rate of corporation tax in the UK of 19.0% (2021: 19.0%)</td>
<td>15.6</td>
<td>28.7</td>
</tr>
<tr>
<td>Difference between UK and overseas tax rates</td>
<td>5.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Deferred tax impact for increase in UK tax rate</td>
<td>-</td>
<td>4.8</td>
</tr>
<tr>
<td>Non-deductible/non-taxable items</td>
<td>14.4</td>
<td>1.3</td>
</tr>
<tr>
<td>Movement in unrecognised tax losses and other assets</td>
<td>1.0</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Recognition of previously unrecognised US deferred tax assets</td>
<td>(20.1)</td>
<td>(6.8)</td>
</tr>
<tr>
<td>Movement in provision for uncertain tax positions</td>
<td>2.5</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Other</td>
<td>2.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Income tax expense and effective tax rate</td>
<td>19.0</td>
<td>23.2%</td>
</tr>
<tr>
<td>Other</td>
<td>2.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Income tax expense and effective tax rate</td>
<td>19.0</td>
<td>23.2%</td>
</tr>
</tbody>
</table>

1. This includes changes in tax rates based on substantively enacted legislation across various tax jurisdictions as of 31 December.
2. Includes tax on amortisation of finite-lived intangibles and taxes on unremitted earnings.

The Group’s income tax expense includes a $20.1 million tax benefit due to the recognition of deferred tax assets following the acquisition of Triad Life Sciences in respect of previously unrecognised tax losses in the US and the $9.5 million effect of non-deductible contingent consideration on the acquisition of both Triad Life Sciences and Cure Medical. Refer to Note 26 - Acquisitions for the accounting acquisition of Triad Life Sciences.
6. INCOME TAXES (CONTINUED)

The Group has worldwide operations and therefore is subject to several factors that may affect future tax charges, principally the levels and mix of profitability in different tax jurisdictions, transfer pricing regulations, tax rates imposed and tax regime changes. The calculation of the Group’s tax expense involves a degree of estimation and judgements in respect of certain items for which the tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. Specifically in relation to open tax and transfer pricing matters, due to the high volume of intercompany transactions, the Group’s evolving business model and the increasing complexity in interaction between multiple tax laws and regulations, transfer pricing requires judgement in determining the appropriate allocation of profits between jurisdiction. The Group assessed the impact of ongoing changes to the Group’s operating model, the supporting documentation for the tax and transfer pricing positions, existing tax authority challenges, and the likelihood of new challenges by tax authorities. In line with the requirements of IFRIC 23, Uncertainty over Income Tax Treatments, the Group has provided for uncertain tax positions in respect of transfer pricing positions and withholding tax liabilities. The net increase in provisions for 2022 was driven by the reassessment of estimates, and settlement and expiry of open tax issues in various jurisdictions. Where open issues exist, the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of discussions with the relevant tax authorities or, where applicable, appeal proceedings. Accordingly, settlement and expiry of open tax issues could have a significant impact on future tax expenses.

The Group is monitoring tax reforms driven by the OECD’s project to address the digitalisation of the economy, including Global Anti-Base Erosion Model Rules (Pillar Two). The Group has analysed the tax impact of the project to the Group based on OECD model rules issued on 20 December 2020 and draft legislations available in jurisdictions in which the Group operates in, and expect the tax impact to be not material in the foreseeable future. The Group will reassess the tax impact once new legislation becomes available. This has no impact on the Group’s result for 2022.

6.3 Deferred tax

The components of deferred tax assets and liabilities at 31 December are as follows:

6.4 Movement in deferred tax assets and liabilities

Deferred tax is measured on the basis of the tax rates enacted or substantively enacted at the reporting date. The movements in the deferred tax assets and liabilities were as follows:

<table>
<thead>
<tr>
<th>Components of deferred tax assets and liabilities</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>$56.4</td>
<td>$58.3</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>$(63.2)</td>
<td>$(87.2)</td>
</tr>
</tbody>
</table>

Deferred tax assets

Deferred tax assets at $56.4 million (2021: $58.3 million) at 31 December 2022 include:

- Intangibles: $20.7 million (2021: $21.4 million)
- Interest: $28.9 million (2021: $34.4 million)
- Other: $6.8 million (2021: $14.2 million)

Deferred tax liabilities

Deferred tax liabilities at $(63.2) million (2021: $(87.2) million) at 31 December 2022 include:

- Intangibles: $(20.7) million (2021: $(21.4) million)
- Interest: $(28.9) million (2021: $(34.4) million)
- Other: $(14.6) million (2021: $(14.2) million)

Deferred tax assets exceed deferred tax liabilities by $11.0 million (2021: $13.2 million) at 31 December 2022.

6.5 Unrecognised tax losses carried forward

Deferred tax assets are only recognised where it is probable that future taxable profits will be available to utilise the tax losses. The following table shows the unrecognised tax losses carried forward, including anticipated period of expiration:

<table>
<thead>
<tr>
<th>Losses recognised</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 5 years</td>
<td>$10.0</td>
<td>$15.5</td>
</tr>
<tr>
<td>Between 5 to 10 years</td>
<td>$12.7</td>
<td>$88.3</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>$30.7</td>
<td>$75.0</td>
</tr>
<tr>
<td>Unlimited</td>
<td>$958.0</td>
<td>$681.6</td>
</tr>
</tbody>
</table>

Total | $1,011.4 | $842.2 |

The Group also has unrecognised tax credits, in respect of non-US tax payments of $3.9 million (2021: $4.0 million) in the US, which are due to expire within five years.

The unrecognised losses of $1,011.4 million reflects judgments and estimates considered in the provision for uncertain tax positions, in line with the requirements of IFRIC 23, Uncertainty over Income Tax Treatments. The Group has Luxembourg tax losses of $941.9 million (2021: $638.4 million) which are not recognised and will not expire. The movement in Luxembourg tax losses not recognised is mainly attributable to foreign exchange differences and the reassessment during the year of utilisation of losses in a prior year following an internal corporate reorganisation.

7. EARNINGS PER SHARE

Basic earnings per share is calculated based on the Group’s net profit for the year attributable to shareholders divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares is net of shares purchased by the Group and held as own shares. Diluted earnings per share take into account the dilutive effect of all outstanding share options priced below the market price in arriving at the number of shares used in its calculation.

<table>
<thead>
<tr>
<th>Year</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit attributable to the shareholders of the Group (Sm)</td>
<td>62.9</td>
<td>17.6</td>
</tr>
<tr>
<td>Basic weighted average ordinary shares in issue (number)</td>
<td>2,023,839,667</td>
<td>2,008,923,797</td>
</tr>
<tr>
<td>Dilutive impact of share awards (number)</td>
<td>16,407,811</td>
<td>17,416,548</td>
</tr>
<tr>
<td>Diluted weighted average ordinary shares in issue (number)</td>
<td>2,040,247,488</td>
<td>2,026,340,345</td>
</tr>
<tr>
<td>Basic earnings per share (cents per share)</td>
<td>31.9c</td>
<td>8.1c</td>
</tr>
<tr>
<td>Diluted earnings per share (cents per share)</td>
<td>31.9c</td>
<td>8.1c</td>
</tr>
</tbody>
</table>

The calculation of diluted earnings per share excludes 404,241 (2021: 1,878,714) share options that were non-dilutive for the year because the exercise price exceeded the average market price of the Group’s ordinary shares during the year.
OPERATING ASSETS AND LIABILITIES

This section sets out the assets and liabilities that the Group holds in order to operate the business on a day-to-day basis, including long-term assets which generate future revenues and profits for the Group.

Liabilities relating to the Group’s financing activities are addressed in “Capital structure and financial costs”.

8. PROPERTY, PLANT AND EQUIPMENT

The Group invests in buildings, equipment and manufacturing machinery to operate the business and to generate revenue and profits. Assets are depreciated over their estimated useful economic life reflecting the reduction in value of the asset due, in particular, to wear and tear.

Accounting policy

Property, plant and equipment (PP&E) are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset including subsequent additions and improvements when it is probable that future economic benefit associated with the item will flow to the Group and the cost can be reliably measured.

Depreciation is provided on a straight-line basis from the point an asset becomes available for use. Depreciation is calculated to reduce the asset’s cost to its residual value over the asset’s estimated useful economic life. Assets are depreciated as follows:

<table>
<thead>
<tr>
<th>Asset category</th>
<th>Useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>not depreciated</td>
</tr>
<tr>
<td>Land improvements</td>
<td>15 to 40 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>shorter of useful life or lease tenure</td>
</tr>
<tr>
<td>Buildings</td>
<td>15 to 50 years</td>
</tr>
<tr>
<td>Machinery, equipment and fixtures</td>
<td>3 to 20 years</td>
</tr>
</tbody>
</table>

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset. This difference is recognised in the Consolidated Income Statement.

Assets under construction reflect the cost of construction or improvement of items of PP&E that are not yet available for use. Finance costs incurred in the construction of assets that take more than one year to complete are capitalised using the Group’s weighted average borrowing cost during the period in which the asset is under construction. Capitalisation of finance costs ceases when the asset becomes available for use.

Consideration of useful economic lives

The assets’ residual values, depreciation methods and useful economic lives are reviewed annually and adjusted if appropriate.

The carrying values of PP&E are reviewed for indicators of impairment annually or when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, being the higher of an asset’s fair value less costs to sell and the net present value of its expected pre-tax future cash flows (value in use).

When an asset’s recoverable amount falls below its carrying value, an impairment is charged to the Consolidated Income Statement.

The movement in the carrying value of each major category of PP&E is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Land &amp; land improvements $m</th>
<th>Building, building equipment and leasehold improvements $m</th>
<th>Machinery, equipment and fixtures $m</th>
<th>Assets under construction $m</th>
<th>Total $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2021</td>
<td>15.8</td>
<td>129.4</td>
<td>483.4</td>
<td>77.2</td>
<td>705.8</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(4.0)</td>
<td>(12.0)</td>
<td>(0.3)</td>
<td>(16.3)</td>
</tr>
<tr>
<td>Transfers</td>
<td>-</td>
<td>6.0</td>
<td>34.3</td>
<td>(40.3)</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(0.5)</td>
<td>(3.0)</td>
<td>(18.4)</td>
<td>(3.6)</td>
<td>(25.9)</td>
</tr>
<tr>
<td>31 December 2021</td>
<td>15.3</td>
<td>129.9</td>
<td>490.7</td>
<td>95.5</td>
<td>754.4</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>1.8</td>
<td>8.2</td>
<td>(90.0)</td>
<td>100.0</td>
</tr>
<tr>
<td>Arising from acquisitions (Note 26)</td>
<td>-</td>
<td>0.5</td>
<td>0.3</td>
<td>-</td>
<td>0.8</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(4.0)</td>
<td>(17.5)</td>
<td>(1.8)</td>
<td>(23.3)</td>
</tr>
<tr>
<td>Transfers</td>
<td>-</td>
<td>13.7</td>
<td>24.7</td>
<td>(38.4)</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(1.1)</td>
<td>(6.7)</td>
<td>(25.2)</td>
<td>(4.6)</td>
<td>(37.6)</td>
</tr>
<tr>
<td>31 December 2022</td>
<td>14.2</td>
<td>135.2</td>
<td>481.2</td>
<td>145.3</td>
<td>774.3</td>
</tr>
</tbody>
</table>

Accumulated depreciation:

<table>
<thead>
<tr>
<th></th>
<th>Land &amp; land improvements $m</th>
<th>Building, building equipment and leasehold improvements $m</th>
<th>Machinery, equipment and fixtures $m</th>
<th>Assets under construction $m</th>
<th>Total $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2021</td>
<td>0.9</td>
<td>50.5</td>
<td>302.2</td>
<td>-</td>
<td>353.6</td>
</tr>
<tr>
<td>Depreciation</td>
<td>0.1</td>
<td>6.1</td>
<td>34.4</td>
<td>-</td>
<td>40.6</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(3.3)</td>
<td>(11.0)</td>
<td>-</td>
<td>(14.5)</td>
</tr>
<tr>
<td>Impairment</td>
<td>-</td>
<td>1.0</td>
<td>-</td>
<td>-</td>
<td>1.0</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>-</td>
<td>(1.2)</td>
<td>(12.0)</td>
<td>-</td>
<td>(13.2)</td>
</tr>
<tr>
<td>31 December 2021</td>
<td>1.0</td>
<td>53.1</td>
<td>313.6</td>
<td>-</td>
<td>367.7</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>6.8</td>
<td>32.9</td>
<td>-</td>
<td>39.7</td>
</tr>
<tr>
<td>Arising from acquisitions (Note 26)</td>
<td>-</td>
<td>0.2</td>
<td>0.1</td>
<td>-</td>
<td>0.3</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(4.0)</td>
<td>(17.5)</td>
<td>-</td>
<td>(21.5)</td>
</tr>
<tr>
<td>Impairment</td>
<td>-</td>
<td>1.9</td>
<td>5.5</td>
<td>-</td>
<td>7.4</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>-</td>
<td>(2.7)</td>
<td>(17.0)</td>
<td>-</td>
<td>(19.7)</td>
</tr>
<tr>
<td>31 December 2022</td>
<td>1.0</td>
<td>55.3</td>
<td>321.6</td>
<td>-</td>
<td>377.5</td>
</tr>
</tbody>
</table>

Net carrying amount:

<table>
<thead>
<tr>
<th></th>
<th>Land &amp; land improvements $m</th>
<th>Building, building equipment and leasehold improvements $m</th>
<th>Machinery, equipment and fixtures $m</th>
<th>Assets under construction $m</th>
<th>Total $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2021</td>
<td>14.3</td>
<td>76.8</td>
<td>177.1</td>
<td>98.5</td>
<td>366.7</td>
</tr>
<tr>
<td>31 December 2022</td>
<td>13.2</td>
<td>79.9</td>
<td>163.6</td>
<td>143.7</td>
<td>400.4</td>
</tr>
</tbody>
</table>

1. Included within disposals costs were asset write-offs of $1.8 million (2021: $2.0 million).
The split of intangible assets and goodwill is as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>9.1</td>
<td>924.9</td>
</tr>
<tr>
<td>Goodwill</td>
<td>9.2</td>
<td>1,224.6</td>
</tr>
<tr>
<td>Intangible assets and goodwill</td>
<td>2,149.5</td>
<td>2,058.5</td>
</tr>
</tbody>
</table>

9.1 Intangible assets

The Group’s intangible assets are those that have been recognised at fair value as part of business combinations, investment in product development and software purchased to support business operations. These are assets that are not physical in nature but can be sold separately or arise from legal rights.

Accounting policy

Recognition Measurement on initial recognition of intangible assets is determined at cost for assets acquired by the Group and at fair value at the date of acquisition if acquired in business combinations. Following initial recognition of the intangible asset, the asset is carried at cost less any subsequent accumulated amortisation and accumulated impairment losses.

Purchased computer software and certain costs of information technology are capitalised as intangible assets. Software that is integral to purchased computer hardware is capitalised as PPE.

R&D R&D expenses are comprised of all activities involving investigative, technical and regulatory processes related to obtaining appropriate approvals to market our products. It also includes new product development aimed at developing more sustainable product portfolios for the longer term, as mentioned within the Responsible Business review section (refer to page 51). Costs include payroll, clinical manufacturing and pre-launch clinical trial costs, manufacturing development and scale-up costs, product development, regulatory costs including costs incurred to comply with legislative changes, contract services and other external contractors’ costs, research licence fees, depreciation and amortisation of laboratory facilities, and laboratory supplies.

Research costs are expensed as incurred. Development costs are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and use or sell the asset. Subsequent to initial recognition, development costs are measured at cost less accumulated amortisation and any accumulated impairment losses. Upgrades and enhancements are capitalised to the extent they will result in added functionality and probable future economic benefits.

Amortisation Intangible assets with an indefinite life are not amortised. Amortisation of intangible assets with a finite life is calculated using the straight-line method based on the following estimated useful lives:

<table>
<thead>
<tr>
<th>Asset category</th>
<th>Useful life</th>
<th>Product-related</th>
<th>Capitalised software</th>
<th>Customer relationships and non-compete agreements</th>
<th>Trade names – finite</th>
<th>Trade names – indefinite</th>
<th>Development costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>3 to 20 years</td>
<td>3 to 10 years</td>
<td>2 to 20 years</td>
<td>2 to 10 years</td>
<td>indefinite</td>
<td>5 years</td>
</tr>
</tbody>
</table>

Assets under construction reflects the cost of development or improvement of intangible assets that are not yet available for use.

Impairment of assets

Intangible assets with finite life are reviewed for indicators of impairment at each reporting period or when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, being the higher of an asset’s fair value less costs to sell and the net present value of its expected pre-tax future cash flows (value in use).

When an asset’s recoverable amount falls below its carrying value, an impairment is charged to the Consolidated Income Statement.

Refer to Note 9.3 - CGU impairment review for consideration of impairment of indefinite-lived intangible assets.

The movement in the carrying value of each major category of intangible assets is as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Product-related</th>
<th>Capitalised software</th>
<th>Customer relationships and non-compete agreements</th>
<th>Trade names</th>
<th>Development cost</th>
<th>Assets under construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>1 January 2021</td>
<td>2,101.2</td>
<td>128.6</td>
<td>305.5</td>
<td>260.2</td>
<td>12.5</td>
<td>8.2</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>2.2</td>
<td>-</td>
<td>-</td>
<td>20.6</td>
<td>-</td>
<td>22.8</td>
</tr>
<tr>
<td>Arising from acquisitions1</td>
<td>4.9</td>
<td>-</td>
<td>35.2</td>
<td>4.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Write-offs</td>
<td>(7.1)</td>
<td>(21.6)</td>
<td>(0.7)</td>
<td>-</td>
<td>(0.4)</td>
<td>(29.8)</td>
<td></td>
</tr>
<tr>
<td>Transfers</td>
<td>-</td>
<td>13.3</td>
<td>-</td>
<td>-</td>
<td>(13.3)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(12.9)</td>
<td>(0.3)</td>
<td>(7.0)</td>
<td>(1.1)</td>
<td>(0.9)</td>
<td>(22.5)</td>
<td></td>
</tr>
<tr>
<td>31 December 2021</td>
<td>2,086.1</td>
<td>122.2</td>
<td>331.0</td>
<td>263.7</td>
<td>11.6</td>
<td>14.8</td>
<td>2,829.4</td>
</tr>
<tr>
<td>Additions</td>
<td>10.0</td>
<td>0.6</td>
<td>-</td>
<td>-</td>
<td>34.0</td>
<td>-</td>
<td>44.6</td>
</tr>
<tr>
<td>Arising from acquisitions1</td>
<td>154.8</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Write-offs</td>
<td>(50.7)</td>
<td>(1.8)</td>
<td>(0.3)</td>
<td>-</td>
<td>(0.6)</td>
<td>(53.4)</td>
<td></td>
</tr>
<tr>
<td>Transfers</td>
<td>-</td>
<td>11.8</td>
<td>-</td>
<td>-</td>
<td>(11.8)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(79.7)</td>
<td>(2.4)</td>
<td>(6.3)</td>
<td>(0.9)</td>
<td>(0.6)</td>
<td>(90.8)</td>
<td></td>
</tr>
<tr>
<td>31 December 2022</td>
<td>2,120.5</td>
<td>150.4</td>
<td>324.4</td>
<td>262.8</td>
<td>11.0</td>
<td>35.5</td>
<td>2,884.4</td>
</tr>
</tbody>
</table>

Accumulated amortisation

| Notes     | 1 January 2021 | 1,530.9 | 90.4 | 185.8 | 7.7 | 9.0 | - | 1,623.8 |
| Amortisation | 107.1 | 12.3 | 24.5 | 1.9 | 1.4 | - | - | 147.2 |
| Write-offs | (7.1) | (21.6) | (0.7) | - | - | - | - | (29.4) |
| Impairment | - | 2.5 | - | - | - | - | - | 2.5 |
| Foreign exchange | (10.1) | (0.1) | (16.1) | 0.1 | (0.7) | - | - | (16.9) |
| 31 December 2021 | 1,620.8 | 83.5 | 203.5 | 9.7 | 9.7 | - | 1,927.2 |
| Amortisation | 108.6 | 12.0 | 24.3 | 1.4 | 1.1 | - | - | 147.4 |
| Write-offs | (50.7) | (1.8) | (0.3) | - | - | - | - | (52.8) |
| Impairment | - | 1.4 | - | - | - | - | - | 1.4 |
| Foreign exchange | (61.0) | (0.9) | (5.4) | - | (0.5) | - | - | (67.8) |
| 31 December 2022 | 1,622.0 | 92.8 | 223.5 | 11.1 | 10.3 | - | 1,959.7 |

Net carrying amount

| Notes     | 31 December 2021 | 446.3 | 38.7 | 127.5 | 254.0 | 1.9 | 14.8 | 902.2 |
| 31 December 2022 | 498.5 | 37.6 | 100.9 | 251.7 | 0.7 | 35.5 | 924.9 |

1. Capitalised software in respect of purchased and internally generated software.
2. Acquisitions comprise assets in relation to the Triad Life Sciences acquisition. See Note 26 – Acquisitions. In the year ended 31 December 2021, acquisitions comprise of Cure Medical and Patient Care Medical.
9. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Amortisation expenses in respect of finite-lived intangible assets for the year ended 31 December were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
</tr>
</tbody>
</table>

| Cost of sales | 113.1 | 110.7 |
| Selling and distribution expenses | 3.2 | 2.0 |
| General and administrative expenses | 29.1 | 32.5 |
| Research and development expenses | 2.0 | 2.0 |
| Total amortisation expense | 147.4 | 147.2 |

The carrying amount of trade names with indefinite life at 31 December 2022 was $248.9 million (2021: $249.8 million). Each of these trade names is considered to have an indefinite life, given the strength and durability of the current trade name and the level of marketing support. The trade names are in relatively similar stable and profitable market sectors, with similar profit margins and growth rates. In determining the useful life, the Group uses a range of information, including: 
- Experience from the current performance of trade names
- Industry data
- Market data
- Forecasts of the revenue potential from trade names
- Trade names with similar characteristics, if any
- The impact of developing new products or services
- The impact of market trends

The Group recognises goodwill resulting from business combinations where there are future economic benefits from assets which cannot be individually separated and recognised. Goodwill represents the amount paid in excess of the fair value of the net assets of the acquired business.

Individual intangible assets with a carrying amount in excess of 10% of the total intangible asset carrying amount were as follows:

<table>
<thead>
<tr>
<th>Trade names</th>
<th>Cost $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convatec trade name</td>
<td>234.6</td>
</tr>
<tr>
<td>Innovatex®</td>
<td>145.6</td>
</tr>
<tr>
<td>Aquacel® including Hydrofiber®</td>
<td>120.2</td>
</tr>
<tr>
<td>Stoma care</td>
<td>113.8</td>
</tr>
</tbody>
</table>

9.3 Cash generating unit (CGU) impairment review

An impairment assessment is required to be performed annually for goodwill and indefinite-lived intangibles or when events or changes in circumstances indicate the carrying value may be impaired. An impairment is a reduction in the recoverable amount of an asset compared to the carrying value of the asset. Recoverable amount is the higher of value in use and fair value less costs to sell.

This note provides details of the annual impairment assessment that has been performed.

9.2 Goodwill

The Group recognises goodwill resulting from business combinations where there are future economic benefits from assets which cannot be individually separated and recognised. Goodwill represents the amount paid in excess of the fair value of the net assets of the acquired business.

Accounting policy

Refer to Note 1 - Basis of preparation for the Group accounting policy in relation to the initial valuation and recognition of goodwill arising from acquisitions.

Goodwill is not subject to amortisation but is tested for impairment annually or when events or changes in circumstances indicate the carrying value may be impaired. Refer to Note 9.3 - CGU impairment review for consideration of impairment of goodwill.

Goodwill is denominated in the functional currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

The changes in the carrying value of goodwill as at 31 December were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
</tr>
</tbody>
</table>

The Group continues to operate under the same operating model as prior year and determined that there has not been any triggers for a change in CGU groups. There has been no change in the reporting to the CDQM during the year ended 31 December 2022, with profitability continuing to be assessed on a consolidated basis, and management’s focus is predominantly category and key market focus. Goodwill is deemed to be monitored on a category basis, and the Group’s CGU groups continue to be: (i) Advanced Wound Care; (ii) Ostomy Care; (iii) Continence & Critical Care, and (iv) Infusion Care.

Goodwill and intangible assets with indefinite life (trade names) are allocated to the Group’s CGU groups as at 31 December 2022.

CGU groups

<table>
<thead>
<tr>
<th>CGU groups</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Wound Care</td>
<td>490.0</td>
<td>386.9</td>
</tr>
<tr>
<td>Ostomy Care</td>
<td>116.5</td>
<td>121.7</td>
</tr>
<tr>
<td>Continence &amp; Critical Care</td>
<td>535.6</td>
<td>558.0</td>
</tr>
<tr>
<td>Infusion Care</td>
<td>82.5</td>
<td>89.7</td>
</tr>
</tbody>
</table>

Total | 1,224.6 | 1,156.3 |

Determining the estimated recoverable amount of a CGU group is judgemental in nature. The key input used in the estimation of value in use is as at 31 December 2022 is the Group’s five-year Board-approved strategic plan, with key assumptions including forecast sales growth rates, terminal value growth rate and discount rates. Forecast sales growth rates are based on past experience adjusted for macroeconomic activity, sector market growth forecasts, competitor activity and strategic decisions made in respect of each CGU group.
9. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The terminal value growth rate and discount rates used were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGU groups</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advanced Wound Care</td>
<td>13.5</td>
<td>10.5</td>
</tr>
<tr>
<td>Ostomy Care</td>
<td>12.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Continence &amp; Critical Care</td>
<td>11.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Infusion Care</td>
<td>12.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Terminal value growth rate1</td>
<td>2.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

1. The discount rate is based on the weighted average cost of capital for comparable public companies and is adjusted for risks specific to the CGU group, including differences in risk due to its size, geographic concentration and trading history.

2. The estimated terminal value growth rate for the CGU groups is a prudent estimate based on expectations concerning the growth trends of the CGU groups, taking into account global gross domestic product growth, general long-term inflation and population expectations.

Global equity markets have become more volatile in 2022, driven by rising inflation levels, the war between Russia and Ukraine and the energy crisis. Consequently, discount rates have seen an increase in the year, driven by rises in the markets’ risk-free rates.

No impairments have been recognised in respect of the Group’s current CGU groups for the years ended 31 December 2022 and 2021.

Taking into consideration the Board approved 2023 budget and longer-term strategic plan as foundations, sensitivity analysis was performed considering changes in key assumptions including discount rates and terminal value growth rate, and considering a range of scenario assumptions. Under all severe but plausible scenarios consistent with those identified as part of the Viability assessment (refer to page 99 for full details of scenarios), as part of the assessment, an external benchmarking assessment was also carried out on the forecast sales growth rates.

Under all severe but plausible scenarios, headroom remained on all CGU groups, demonstrating that the impairment of goodwill and indefinite-lived intangible assets is not a key source of estimation uncertainty and any possible impairment would not result in a material adjustment in the next financial year.

10. INVESTMENT IN FINANCIAL ASSETS

Accounting policy
The Group has made an irrevocable election to designate its equity investment in BlueWind Medical at fair value through other comprehensive income (FVOCI). It has been initially recorded at fair value plus transaction costs and will be remeasured at subsequent reporting dates to fair value.

Unrealised gains and losses are recognised in other comprehensive income.

On disposal of the equity investment, any gains and losses that have been deferred in other comprehensive income are transferred directly to retained earnings.

Dividends on equity investments are recognised in the income statement when the Group’s right to receive payment is established. It is probable the economic benefits will flow to the entity and the amount can be measured reliably.

On 9 May 2022, the Group invested $30.0 million in preference shares of BlueWind Medical Limited (BlueWind Medical). BlueWind Medical is developing an implantable tibial neuromodulation device, for the treatment of urgent incontinence and urinary urgency. This represents an investment into an innovative technology in the large and growing overactive bladder market, related to the Continence space.

In line with IFRS 9 Financial instruments, the investment met the definition of an equity instrument and the Group has made an irrevocable election on initial recognition to measure the investment at FVOCI. The Group considers this investment to be strategic in nature and it is not held for trading.

In line with IFRS 13 Fair value measurement, this investment has been classified as Level 3 in the fair value hierarchy as its measurement is derived from significant unobservable inputs. As at the date of transaction, the equity investment was recorded at its cost of investment which approximates to fair value plus transaction costs of $0.7 million.

As at 31 December 2022, the fair value of the investment has been remeasured and remained at $30.7 million. No dividends were recognised during the year.

11. INVENTORIES

Inventories are the materials used in manufacturing, products manufactured or purchased to be sold by the Group in the ordinary course of business. Inventories include finished goods, goods which are in the process of being manufactured (work in progress) and raw and packaging materials awaiting use in production.

Accounting policy
Inventories are valued at the lower of cost or net realisable value with the cost determined using an average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and indirect production overheads. Production overheads comprises indirect materials and labour costs, maintenance and depreciation of the machinery and production buildings used in the manufacturing process, as well as costs of production administration and management.

Net realisable value is defined as anticipated selling price or anticipated revenue less cost to completion. Estimates of net realisable value are based on the average selling prices at the end of the reporting period, net of applicable direct selling expenses. Subsequent events related to the fluctuation of prices and costs are also considered, if relevant. If net realisable values are below inventory costs, a provision corresponding to this difference is recognised.

Provisions are also made for obsolescence of inventories that: (i) do not meet the Group’s specifications; (ii) have exceeded their expiration date; or (iii) are considered slow-moving. The Group evaluates the carrying value of inventories on a regular basis, taking into account such factors as historical and anticipated future sales compared with quantities on hand, the price the Group expects to obtain for products in their respective markets compared with historical cost and the remaining shelf life of goods on hand.

The components of inventories at 31 December were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw and packaging materials</td>
<td>79.6</td>
<td>71.9</td>
</tr>
<tr>
<td>Work in progress</td>
<td>41.6</td>
<td>37.9</td>
</tr>
<tr>
<td>Finished goods</td>
<td>215.7</td>
<td>199.0</td>
</tr>
<tr>
<td>Inventories</td>
<td>336.9</td>
<td>308.8</td>
</tr>
</tbody>
</table>

Inventories are stated net of provision for obsolescence of $25.5 million (2021: $21.3 million). Adjustments to write-down inventory to its net realisable value are provided in Note 3.1 - Operating profit.

12. TRADE AND OTHER RECEIVABLES

Trade receivables consist of amounts billed and currently due from customers. Gross trade receivables are presented before allowances for expected credit losses, sales discounts and chargeback allowances. Credit risk with respect to trade receivables is generally diversified due to the large dispersion and type of customers across many different geographies. Other receivables include amounts due from third parties not related to revenue and prepaid expenses.

Accounting policy
Credit is extended to customers based on the evaluation of the customer’s financial condition. Creditworthiness of customers is evaluated on a regular basis. Exposure to credit risk is managed through credit approvals, credit limits and monitoring procedures. The Group considers a default event to be one where the customer does not have sufficient funds to make their required payments and/or is in the process of being liquidated.

An allowance is maintained for expected lifetime credit losses that result from the failure or insolvency of customers to make required payments. It is not necessary for a credit event to have occurred before credit losses are recognised. Instead, the Group accounts for expected lifetime credit losses and changes in those expected lifetime credit losses.

In determining the allowance, consideration includes the probability of recoverability based on past experience and general economic factors, incorporating forward-looking information and adjustments for customers who represent a lower risk of default, which includes public or private medical insurance customers and customers guaranteed by local government. The amount of expected credit losses, if any, is required to be updated at each reporting date.

Certain trade and other receivables may be fully reserved when specific collection issues are known to exist, such as pending bankruptcy. The Group writes off uncollectable receivables at the time it is determined the receivable is no longer collectable.

Trade and other receivables are not collateralised or factored and the Group does not charge interest on past due amounts. Refer to Note 2.1 - Revenue recognition for details on the accounting policy in respect of chargeback allowances.
12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables at 31 December were as follows:

Table: Trade and other receivables at 31 December

<table>
<thead>
<tr>
<th></th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Included within current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>344.7</td>
<td>296.9</td>
</tr>
<tr>
<td>Less: allowances for expected credit losses</td>
<td>(32.0)</td>
<td>(14.6)</td>
</tr>
<tr>
<td>Less: sales discounts and chargebacks</td>
<td>(37.6)</td>
<td>(31.7)</td>
</tr>
<tr>
<td>Other receivables1</td>
<td>54.2</td>
<td>50.9</td>
</tr>
<tr>
<td>Prepayments</td>
<td>24.7</td>
<td>22.0</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>344.0</td>
<td>323.5</td>
</tr>
</tbody>
</table>

1. The balance of restricted cash with a maturity of less than one year as at 31 December 2022 is $18.2 million and is presented separately on the face of the Consolidated Statement of Financial Position. The prior year balance of $0.4 million is presented within other receivables and has not been reclassified due to its immateriality.

The aged analysis of trade receivables at 31 December was as follows:

Table: Aged analysis of trade receivables at 31 December

<table>
<thead>
<tr>
<th></th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>255.0</td>
<td>235.2</td>
</tr>
<tr>
<td>Past due 1 to 30 days</td>
<td>33.6</td>
<td>15.5</td>
</tr>
<tr>
<td>Past due 31 to 90 days</td>
<td>22.5</td>
<td>17.3</td>
</tr>
<tr>
<td>Past due 91 to 180 days</td>
<td>7.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Past due by more than 180 days</td>
<td>26.7</td>
<td>28.2</td>
</tr>
<tr>
<td>The unimpaired amounts at 31 December that are past due were aged as follows:</td>
<td>344.7</td>
<td>296.9</td>
</tr>
<tr>
<td>Past due 1 to 30 days</td>
<td>32.1</td>
<td>14.2</td>
</tr>
<tr>
<td>Past due 31 to 90 days</td>
<td>20.6</td>
<td>16.5</td>
</tr>
<tr>
<td>Past due 91 to 180 days</td>
<td>4.7</td>
<td></td>
</tr>
<tr>
<td>Past due by more than 180 days</td>
<td>10.3</td>
<td>16.4</td>
</tr>
<tr>
<td>The Group believes that the unimpaired amounts that are past due are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk. Movements in the allowance for expected credit losses for the years ended 31 December were as follows:</td>
<td>67.7</td>
<td>47.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January</td>
<td>(14.6)</td>
<td>(12.6)</td>
</tr>
<tr>
<td>Charges</td>
<td>(6.6)</td>
<td>(8.2)</td>
</tr>
<tr>
<td>Utilisation of provision</td>
<td>1.1</td>
<td>5.6</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(1.9)</td>
<td>0.6</td>
</tr>
<tr>
<td>At 31 December</td>
<td>(22.0)</td>
<td>(14.6)</td>
</tr>
</tbody>
</table>

Other non-current receivables

Other non-current receivables of $8.6 million (2021: $11.9 million) are principally in respect of deposits held with lessors, prepaid expenses and other receivables.

13. TRADE AND OTHER PAYABLES

Trade and other payables consist of amounts owed to third-party suppliers and represent a contractual obligation to deliver cash in the future. Other payables include taxes and social security, accruals and liabilities for other employee-related benefits.

Accounting policy

Trade payables are recognised at the value of the invoice received from the supplier and are not interest bearing. The carrying amount of trade and other payables is considered to approximate fair value, due to their short-term maturities.

The components of trade and other payables at 31 December were as follows:

Table: Components of trade and other payables at 31 December

<table>
<thead>
<tr>
<th></th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Included within current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>112.2</td>
<td>116.7</td>
</tr>
<tr>
<td>Taxes and social security</td>
<td>26.0</td>
<td>29.0</td>
</tr>
<tr>
<td>Other employee-related liabilities</td>
<td>92.3</td>
<td>92.3</td>
</tr>
<tr>
<td>Accruals and other payables</td>
<td>116.1</td>
<td>104.5</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>346.6</td>
<td>342.0</td>
</tr>
</tbody>
</table>

Included within non-current liabilities:

Table: Included within non-current liabilities

<table>
<thead>
<tr>
<th></th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit obligations (Note 15)</td>
<td>11.0</td>
<td>19.7</td>
</tr>
<tr>
<td>Other employee-related liabilities</td>
<td>7.7</td>
<td>7.4</td>
</tr>
<tr>
<td>Accruals and other payables</td>
<td>14.0</td>
<td>20.5</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>32.7</td>
<td>47.8</td>
</tr>
</tbody>
</table>

14. PROVISIONS

A provision is an obligation recognised when there is uncertainty over the timing or amount that will be paid. Provisions held by the Group are primarily in respect of restructuring, decommissioning, dilapidations, legal liabilities and contingent consideration relating to acquisitions.

Accounting policy

A provision is recognised when there is a present legal or constructive obligation as a result of a past event. It is probable that the Group will be required to settle the obligation and that obligation can be measured reliably. Restructuring provisions are only recognised when a constructive obligation exists, which requires both a detailed formal plan and a valid expectation being raised in those affected by starting to implement that plan or announcing the main features. Provisions are measured at the best estimate of the expenditure required to settle the obligation and are discounted to present value if the effect is material. Provisions are reviewed on a regular basis and adjusted to reflect management’s best current estimates. Due to the judgemental nature of these items, future settlements may differ from amounts recognised. When the timing of a settlement is uncertain or expected to be more than 12 months from the reporting date, amounts are classified as non-current.
14. PROVISIONS (CONTINUED)

The movements in provisions are as follows:

Decommissioning and dilapidations

<table>
<thead>
<tr>
<th></th>
<th>Decommissioning and dilapidations $m</th>
<th>Restructuring $m</th>
<th>Legal $m</th>
<th>Contingent consideration $m</th>
<th>Total $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2022</td>
<td>1.2</td>
<td>5.0</td>
<td>0.5</td>
<td>-</td>
<td>6.7</td>
</tr>
<tr>
<td>Contingent consideration from acquisitions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Charged to income statement</td>
<td>1.7</td>
<td>15.7</td>
<td>(0.3)</td>
<td>29.5</td>
<td>46.6</td>
</tr>
<tr>
<td>Utilised</td>
<td>-</td>
<td>(10.4)</td>
<td>(50.0)</td>
<td>(60.4)</td>
<td></td>
</tr>
<tr>
<td>Discount unwinding</td>
<td>-</td>
<td>-</td>
<td>15.6</td>
<td>-</td>
<td>15.6</td>
</tr>
<tr>
<td>Reclassification from trade and other payables1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(0.1)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(0.1)</td>
</tr>
<tr>
<td>31 December 2022</td>
<td>2.8</td>
<td>10.3</td>
<td>0.2</td>
<td>140.0</td>
<td>153.3</td>
</tr>
</tbody>
</table>

1. During the year ended 31 December 2022, $0.1 million was reclassified from trade and other payables in relation to the Cure Medical acquisition to better reflect the estimation uncertainty of the contingent consideration.

2. The expected timing of the payment of the contingent consideration are disclosed in Note 26 - Acquisitions. The timing for other non-current provisions is undefined.

Restructuring provisions are mainly related to the exit from the low-margin hospital care and industrial sales portfolio. Further details are in Note 27 - Divestitures. All restructuring provisions are supported by detailed plans and a valid expectation that they are recoverable in accordance with IFRIC Interpretation 14, the estimation uncertainty of the contingent consideration.

Legal provision

Legal provision of $0.2 million is in respect of an ongoing case. Legal issues are often subject to uncertainties over the timing and the final amounts of any settlement.

Contingent consideration

Contingent consideration arising from business combinations is fair valued on acquisition and at each reporting period. As at 31 December 2022, the discounted fair value of the contingent consideration payable in respect of the Cure Medical acquisition was $9.3 million (2021: $3.1 million), with an increase of $5.8 million arising as a result of good performance to date, together with the latest financial forecasts, and the unwind of discount of $0.3 million during the year. This has been charged to the Consolidated Income Statement.

As at 31 December 2022, the discounted fair value of the contingent consideration payable in respect of the Triad Life Sciences acquisition was $150.8 million, with the movements since the acquisition date fair value of $41.8 million being a combination of an increase of $23.7 million arising from management’s view that the latest available financials are expected to exceed original expectations and the unwind of discount of $15.3 million during the year, partly offset by the payments of $50.0 million to the sellers following successful attainment of the two short-term milestones per the Merger Agreement.

Further detail is provided in Note 26 - Acquisitions.

15. POST-EMPLOYMENT BENEFITS

The Group has over 10,000 employees globally and operates a number of defined benefit and defined contribution pension plans for its employees. Each individual plan is subject to the applicable laws and regulations of the country in which the plan operates.

Defined contribution arrangements are where the Group pays fixed payments as they fall due into a separate fund on behalf of employees participating in the plan and has no further legal or constructive obligations. The cost of Group contributions to defined contribution arrangements during the year is provided in Note 3 - Operating costs.

A defined benefit plan is a pension or other post-employment benefit plan under which the Group has an obligation to provide agreed benefits to current and former employees. The Group bears the risk that its obligation may increase or that the value of the assets in the pension fund may decline. The benefit payable in the future by the Group is discounted to the present value and the fair value of plan assets is deducted to measure the defined benefit pension position.

The Group has defined benefit plans in a number of European countries. The most significant plans are Switzerland, which has a state-mandated plan that remains open to all Swiss employees; and Germany, which has one unfunded plan, that remains open to German employees but is now closed to new entrants, and a funded plan that was put in place from April 2019. The value of the funded plan in Germany is negligible to the Group. The Group’s other defined benefit plans are located in Austria, France and Italy (referred to as “Other” in the tables below). The Group’s UK defined benefit plan was bought out by Aviva in December 2021 and the Group has no further liability for the benefits accrued under that plan.

For plans in Switzerland, Germany and Austria, asset funds for each country are being accumulated to meet the accruing liabilities. The assets of each of these funds are either held under trusts or managed by insurance companies and are entirely separate from the Group’s assets.

Accounting policy

Defined contribution pension plans

Payments to defined contribution pension plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are treated as payments to defined contribution pension plans where the Group’s obligations under the plans are equivalent to those arising in a defined contribution pension plan.

Defined benefit pension plans

The Group records an asset or liability related to its defined benefit pension plans as the difference between the fair value of the plan assets and the present value of the plan liabilities. The obligations of the plans are calculated using theProjected Unit Credit Method, with actuarial valuations being performed by an independent actuary at the end of each reporting period. The valuation requires estimates and judgements to be made to calculate the Group’s liabilities, and results in actuarial gains and losses being recorded.

Actuarial gains and losses, movements in the return on plan assets (excluding interest) and the impact of the asset ceiling (if applicable) are recognised immediately in the Consolidated Statement of Financial Position with a charge or credit to the Consolidated Statement of Comprehensive Income. Remeasurements recorded in the Consolidated Statement of Comprehensive Income are not subsequently reclassified to the Consolidated Income Statement.

Past service cost is recognised in the Consolidated Income Statement in the period of plan amendment, where relevant. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

The assets of the plans are held at fair value, which is equal to market value, and are held in separate trustee-administered funds or similar structures in the countries concerned. Surplus assets within the plan are only recognised to the extent that they are recoverable in accordance with IFRIC Interpretation 14, (AS 19) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14).
15. POST-EMPLOYMENT BENEFITS (CONTINUED)

**Risks**

The defined benefit plans typically expose the Group to risks. The most significant risks impacting the Group as a result of these plans are as follows:

- **Investment risk**
  The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high-quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the Group’s plans invest primarily in debt instruments.

- **Interest risk**
  A decrease in the interest rate will increase the plan liability, but this will be partially offset by an increase in the return on the plan’s fixed rate debt instruments.

- **Longevity risk**
  The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan’s liability.

- **Salary risk**
  The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan’s liability.

**Amounts recorded in the Consolidated Financial Statements**

**Consolidated Income Statement**

The aggregate expense for all post-employment defined benefit plans recognised in the Consolidated Income Statement for the year ended 31 December was as follows:

<table>
<thead>
<tr>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit plans:</td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>1.7</td>
</tr>
<tr>
<td>Past service cost</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Interest income on plan assets</td>
<td>0.3</td>
</tr>
<tr>
<td>Interest expense on defined benefit obligations</td>
<td>0.4</td>
</tr>
<tr>
<td>UK pension settlement cost</td>
<td>-</td>
</tr>
<tr>
<td>Total expense (Note 3)</td>
<td>1.3</td>
</tr>
</tbody>
</table>

1. The UK defined benefit pension scheme was bought out during the year ended 31 December 2021, with a loss on settlement of $1.2 million recognised in the Consolidated Income Statement.

**Consolidated Statement of Comprehensive Income**

Aggregate actuarial gains and losses for all defined benefit plans recognised in the Consolidated Statement of Comprehensive Income for the year ended 31 December were as follows:

<table>
<thead>
<tr>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurement effect recognised in other comprehensive income:</td>
<td></td>
</tr>
<tr>
<td>Actuarial gain on liabilities due to experience</td>
<td>1.3</td>
</tr>
<tr>
<td>Actuarial gain/(loss) arising from changes in financial assumptions</td>
<td>8.9</td>
</tr>
<tr>
<td>Actuarial gain arising from changes in demographic assumptions</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial (loss)/gain on plan assets</td>
<td>(1.7)</td>
</tr>
<tr>
<td>Remeasurement gain recognised in other comprehensive income</td>
<td>8.5</td>
</tr>
<tr>
<td>Deferred tax on remeasurement gain recognised in other comprehensive income</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Change in pension asset restriction</td>
<td>-</td>
</tr>
<tr>
<td>Total amount recognised in other comprehensive income</td>
<td>8.4</td>
</tr>
</tbody>
</table>

**Consolidated Statement of Financial Position**

The amount recognised for each defined benefit arrangement in the Consolidated Statement of Financial Position at 31 December was as follows:

<table>
<thead>
<tr>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Fair value of schemes’ assets</td>
<td>-</td>
</tr>
<tr>
<td>Present value of funded schemes’ liabilities</td>
<td>-</td>
</tr>
<tr>
<td>Deficit in the funded schemes</td>
<td>-</td>
</tr>
<tr>
<td>Present value of unfunded schemes’ liabilities</td>
<td>(7.4)</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>(7.4)</td>
</tr>
<tr>
<td>Recognised within Consolidated Statement of Financial Position:</td>
<td></td>
</tr>
<tr>
<td>Defined benefit obligations (Note 13)</td>
<td></td>
</tr>
</tbody>
</table>

The weighted average duration of the Group’s defined benefit obligations at the end of the year is 17 years (2021: 21 years).

**Fair value of assets and present value of the liabilities of the plan**

The amount included in the Consolidated Statement of Financial Position arising from its obligations in respect of its defined benefit plans was as follows:

At 1 January 2021

<table>
<thead>
<tr>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>Liabilities</td>
</tr>
<tr>
<td>30.3</td>
<td>(49.8)</td>
</tr>
<tr>
<td>Current service cost</td>
<td>-</td>
</tr>
<tr>
<td>Interest income/(expense)</td>
<td>0.1</td>
</tr>
<tr>
<td>Remeasurement gain</td>
<td>0.1</td>
</tr>
<tr>
<td>Contributions by employer</td>
<td>0.7</td>
</tr>
<tr>
<td>Contributions by members</td>
<td>0.6</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Experience gain</td>
<td>-</td>
</tr>
<tr>
<td>Pension settlement</td>
<td>(14.4)</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(0.6)</td>
</tr>
</tbody>
</table>

At 31 December 2021

<table>
<thead>
<tr>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.1</td>
<td>(33.8)</td>
</tr>
<tr>
<td>Current service cost</td>
<td>-</td>
</tr>
<tr>
<td>Past service cost</td>
<td>-</td>
</tr>
<tr>
<td>Interest income/(expense)</td>
<td>0.2</td>
</tr>
<tr>
<td>Remeasurement gain/(loss)</td>
<td>(1.7)</td>
</tr>
<tr>
<td>Contributions by employer</td>
<td>0.6</td>
</tr>
<tr>
<td>Contributions by members</td>
<td>0.5</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Experience gain</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(0.2)</td>
</tr>
<tr>
<td>11.1</td>
<td>(22.1)</td>
</tr>
</tbody>
</table>

**Plan assets**

The fair value of defined benefit plan assets at 31 December, which has been determined in accordance with IFRS 13, Fair Value Measurements, is analysed below. All assets have a quoted market price and are categorised as a Level 1 measurement in the fair value hierarchy.

<table>
<thead>
<tr>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>-</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>-</td>
</tr>
<tr>
<td>Property</td>
<td>-</td>
</tr>
<tr>
<td>Qualifying insurance policies</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
</tr>
<tr>
<td>Plan assets</td>
<td>-</td>
</tr>
</tbody>
</table>

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15. POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions
The Group makes certain key assumptions in order to value the plan obligations, and the approach to how these are set was as follows:

- **Approach taken**
  - **Discount rate**: Calculated by reference to the yields on high-quality corporate bonds which match expected cash flows in each territory in which a defined benefit plan is present.
  - **Inflation**: Calculated using the difference on yields between fixed and index-linked government bonds.
  - **Future salary increases**: Based on historical expectations and known future increases, including expected inflation rates.
  - **Mortality**: Based on mortality tables derived from assessments performed by national governments and based upon recommendations by plan actuaries.

The principal actuarial assumptions for each defined benefit arrangement used at 31 December were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>Switzerland</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Discount rate</strong></td>
<td>2022</td>
<td>2021</td>
<td>2023</td>
<td>2023</td>
</tr>
<tr>
<td>Male</td>
<td>1.9%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Female</td>
<td>1.7%</td>
<td>1.9%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Sensitivity analysis
The effect of movements in the key actuarial assumptions in respect of the Germany and Switzerland plans at 31 December 2022 would be an (increase)/decrease to the defined benefit asset/liabilities as follows:

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>Switzerland</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Discount rate</strong></td>
<td>Increase 0.5%</td>
<td>Increase 0.5%</td>
<td>Increase 0.5%</td>
<td>Increase 0.5%</td>
</tr>
<tr>
<td>Male</td>
<td>(0.2)</td>
<td>(0.2)</td>
<td>(0.2)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Female</td>
<td>(0.3)</td>
<td>(0.3)</td>
<td>(0.3)</td>
<td>(0.3)</td>
</tr>
</tbody>
</table>

**Future funding**
Payments expected to be made by the Group to its defined benefit pension plans in the year ended 31 December 2023 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>Switzerland</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expected payments</strong></td>
<td>0.1</td>
<td>0.7</td>
<td>0.8</td>
<td>0.8</td>
</tr>
</tbody>
</table>
17. SHARE CAPITAL AND RESERVES (CONTINUED)

Share capital

Shares were allotted during the year in respect of the Group’s scrip dividend offering. The movements in ordinary shares of 10 pence each were as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Ordinary shares number</th>
<th>Share capital</th>
<th>Share premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2021</td>
<td>2,043,872,048</td>
<td>2,043,872,048</td>
<td>2,043,872,048</td>
</tr>
</tbody>
</table>

During the year to 31 December 2022, the Group disposed of a subsidiary as part of the exit from all hospital care and related business on 11 April 2023, is based upon the issued and fully paid share capital as at 31 December 2022 and is subject to shareholder approval at the Annual General Meeting on 18 May 2023. The dividend will be declared in US dollars and will be paid in Sterling at the chosen exchange rate of $1.184/£1.00 determined on 8 March 2023.

The interim and final dividends for 2022 give a total dividend for the year of 6.047 cents per share, an increase of 3.0% over the prior year (2021: 5.87 cents per share).

19. SHARE-BASED PAYMENTS

The Group operates a number of plans used to award shares to Executive Directors and other senior employees as part of their remuneration package. A charge is recognised over the vesting period in the Consolidated Income Statement to record the cost of these, based on the fair value of the award at the grant date.

The Group’s share-based payment schemes in place are as follows:

- Long Term Incentive Plan (LTIP)
- Deferred Bonus Plan (DBP)
- Share Plan (SP)
- International Share Save Plan
- SAYE


dividends paid and proposed were as follows:

<table>
<thead>
<tr>
<th>Dividend</th>
<th>Pence per share</th>
<th>Cents per share</th>
<th>Total</th>
<th>Settled in cash</th>
<th>Settled via scrip</th>
<th>No of scrip shares issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final dividend 2020</td>
<td>2.845</td>
<td>3.983</td>
<td>79.7</td>
<td>53.6</td>
<td>26.1</td>
<td>9,475,532</td>
</tr>
<tr>
<td>Interim dividend 2021</td>
<td>1.229</td>
<td>1.717</td>
<td>34.6</td>
<td>22.2</td>
<td>2.4</td>
<td>750,265</td>
</tr>
<tr>
<td>Paid in 2021</td>
<td>4.074</td>
<td>5.702</td>
<td>104.3</td>
<td>65.8</td>
<td>28.5</td>
<td>10,225,773</td>
</tr>
<tr>
<td>Final dividend 2021</td>
<td>3.161</td>
<td>4.154</td>
<td>77.8</td>
<td>58.9</td>
<td>18.9</td>
<td>7,192,010</td>
</tr>
<tr>
<td>Interim dividend 2021</td>
<td>1.410</td>
<td>1.717</td>
<td>34.8</td>
<td>29.2</td>
<td>5.6</td>
<td>2,107,103</td>
</tr>
<tr>
<td>Paid in 2022</td>
<td>4.571</td>
<td>5.871</td>
<td>112.6</td>
<td>88.1</td>
<td>24.5</td>
<td>9,299,113</td>
</tr>
<tr>
<td>Final dividend 2022 proposed</td>
<td>3.687</td>
<td>4.330</td>
<td>88.5</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In determining the level of dividend for the year, the Board considers the following factors and risks that may influence the proposed dividend:

- The underlying performance of the business;
- The Board’s confidence in the Group’s future growth prospects;
- Availability of realised distributable reserves;
- Available cash resources and commitments;
- Strategic opportunities and investments; in line with the Group’s strategic plan; and
- Principal risks of the Group (as disclosed on pages 92 to 97).

The Board paid the 2021 final dividend in May 2022 and the 2022 interim dividend in October 2022. The Board has taken into consideration balancing the return to shareholders with investment in the business. The decision to increase the dividend for 2022 by 3.0% reflects the Board’s confidence in the future performance of the Group and the underlying financial strength, distributable reserves position and cash generation of the Group. Detail of the Group’s considerations and rationale for its policy in respect of the dividend distribution is given in the Directors’ report on page 162.

Accounting policy

Dividends paid are included in the Group Consolidated Financial Statements at the earlier of payment of the dividends or, in respect of the Company’s final dividend for the year, on approval by shareholders.

The Company operates a scrip dividend scheme, allowing shareholders to elect to receive their dividend in the form of new fully paid ordinary shares. For any particular dividend, the Directors may decide whether or not to make the scrip offer available.

The Final dividend proposed for 2022, to be distributed on 25 May 2023 to shareholders on the register at the close of business on 11 April 2023, is based upon the issued and fully paid share capital as at 31 December 2022 and is subject to shareholder approval at the Annual General Meeting on 18 May 2023. The dividend will be declared in US dollars and will be paid in Sterling at the chosen exchange rate of $1.184/£1.00 determined on 8 March 2023.

The Company operates a scrip dividend scheme allowing shareholders to elect to receive their dividends in the form of new fully paid ordinary shares. For any particular dividend, the Directors may decide whether or not to make the scrip offer available. A scrip dividend alternative will be offered allowing shareholders to elect to pay 3 May 2023 to receive their dividends in the form of new ordinary shares.

At 31 December 2022, 10,975,431 (2021: 7,472,756) shares were held in the Employee Benefit Trust. The market value of own shares at 31 December 2022 was $30.8 million (2021: $1.9 million).

Other reserves

Other reserves include the share-based payment reserve of $155.0 million (2021: $153.3 million) and revaluation of defined benefit obligations of $4.8 million (2021: $1.6 million loss). A transfer between reserves of $0.5 million (2021: nil) and the effective portion of cash flow hedges of $4.9 million (2021: $5.2 million loss). A reconciliation of movements in all reserves is provided in the Consolidated Statement of Changes in Equity.

Distributable reserves

Retained and realised distributable reserves equate to the retained surplus of Convatec Group Plc as set out in the Company Financial Statements on page 218. At 31 December 2022, the retained surplus of the Company was $1,562.9 million (2021: $1,503.1 million).

Other reserves

Other reserves include the share-based payment reserve of $155.0 million (2021: $153.3 million) and revaluation of defined benefit obligations of $4.8 million (2021: $1.6 million loss). A transfer between reserves of $0.5 million (2021: nil) and the effective portion of cash flow hedges of $4.9 million (2021: $5.2 million loss). A reconciliation of movements in all reserves is provided in the Consolidated Statement of Changes in Equity.

Distributable reserves

Retained and realised distributable reserves equate to the retained surplus of Convatec Group Plc as set out in the Company Financial Statements on page 218. At 31 December 2022, the retained surplus of the Company was $1,562.9 million (2021: $1,503.1 million). The capacity of the Company to make dividend payments is primarily determined by the availability of these retained and realised distributable reserves and the Group’s cash resources including available borrowing facilities.

Cumulative translation reserve

During the year to 31 December 2022, the Group disposed of a subsidiary as part of the exit from all hospital care and related industrial sales activities. The cumulative amount of exchange differences relating to this foreign operation of $12.2 million, recognised in other comprehensive income, has been reclassified from equity to the Consolidated Income Statement, within non-operating expense (Note 5).

18. DIVIDENDS

The Group ensures that adequate realised distributable reserves are available in the Company in order to meet proposed shareholders’ dividends and the purchase of shares for employee share schemes incentives. The Company principally derives distributable reserves from dividends received from subsidiary companies.

In determining the level of dividend for the year, the Board considers the following factors and risks that may influence the proposed dividend:

- The underlying performance of the business;
- The Board’s confidence in the Group’s future growth prospects;
- Availability of realised distributable reserves;
- Available cash resources and commitments;
- Strategic opportunities and investments; in line with the Group’s strategic plan; and
- Principal risks of the Group (as disclosed on pages 92 to 97).

The Board paid the 2021 final dividend in May 2022 and the 2022 interim dividend in October 2022. The Board has taken into consideration balancing the return to shareholders with investment in the business. The decision to increase the dividend for 2022 by 3.0% reflects the Board’s confidence in the future performance of the Group and the underlying financial strength, distributable reserves position and cash generation of the Group. Detail of the Group’s considerations and rationale for its policy in respect of the dividend distribution is given in the Directors’ report on page 162.

Accounting policy

Dividends paid are included in the Group Consolidated Financial Statements at the earlier of payment of the dividends or, in respect of the Company’s final dividend for the year, on approval by shareholders.

The Company operates a scrip dividend scheme, allowing shareholders to elect to receive their dividend in the form of new fully paid ordinary shares. For any particular dividend, the Directors may decide whether or not to make the scrip offer available.

Convatec Group Plc Annual Report and Accounts 2022
19. SHARE-BASED PAYMENTS (CONTINUED)

Share-based payment expenses recognised in the Consolidated Income Statement as follows:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTIP</td>
<td>10.8</td>
<td>11.6</td>
</tr>
<tr>
<td>SP</td>
<td>3.0</td>
<td>2.1</td>
</tr>
<tr>
<td>DBP</td>
<td>1.6</td>
<td>1.4</td>
</tr>
<tr>
<td>Employee Plans</td>
<td>1.3</td>
<td>1.3</td>
</tr>
</tbody>
</table>

During the year to 31 December 2022, £16.6 million (2021 £16.4 million) of share-based payment was equity-settled and £0.1 million (2021 nil) was cash-settled. All amounts that were equity-settled were recognised in Other reserves, with the amounts that were cash-settled recognised through other liabilities.

Awards outstanding

The movements in the number of share and share option awards and the weighted average exercise price of share options are detailed below:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at 1 January</td>
<td>33,707</td>
<td>30,472</td>
</tr>
<tr>
<td>Granted</td>
<td>14,325</td>
<td>13,190</td>
</tr>
<tr>
<td>Forfeited</td>
<td>7,728</td>
<td>(8,265)</td>
</tr>
<tr>
<td>Exercised</td>
<td>(9,404)</td>
<td>(6,960)</td>
</tr>
<tr>
<td>Outstanding at 31 December</td>
<td>30,800</td>
<td>33,707</td>
</tr>
<tr>
<td>Exercisable at 31 December</td>
<td>993</td>
<td>826</td>
</tr>
<tr>
<td>Weighted average exercise price (£ per share)</td>
<td>0.43</td>
<td>0.51</td>
</tr>
</tbody>
</table>

The average share price during 2022 was £2.11 (2021: £2.15). The share price of the Company at 31 December 2022 was £2.33.

20. FINANCIAL RISK MANAGEMENT

The Group’s treasury policy seeks to minimise the Group’s principal financial risks. No trading or speculative transactions in financial instruments are undertaken. This note presents information about the Group’s exposure to financial risks and the Group’s objectives, policies and processes for measuring and managing risks.

Financial risk management objectives

Based on the global operations of the Group, management consider the key financial risks to be liquidity, foreign exchange, interest rate and counterparty credit. The management of counterparty credit risk is discussed in Note 12 - Trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group manages and minimises liquidity risk by using global cash management solutions and actively monitoring both actual and projected cash outflows to ensure that it will have sufficient liquidity to meet its liabilities when due and have headroom to provide against unforeseen obligations. As at 31 December 2022, the Group held cash and cash equivalents of £143.8 million (£463.4 million), of which 74.5% was held centrally.

On 15 November 2022, the Group refinanced its existing bank facilities with $1.2 billion of committed bank lending, comprising a multicurrency revolving credit facility of $950.0 million and a term loan of $250.0 million, both with a maturity in November 2027.

Foreign exchange risk

As a result of the global nature of operations, the Group is exposed to market risk arising from changes in foreign currency exchange rates. Where possible, the Group manages foreign exchange risk by matching same currency revenues and expenses. It will also denominate debt in certain currencies and use foreign exchange forward contracts and swap contracts to further minimise transactional foreign exchange risk, with certain currency contracts designated as cash flow hedges; refer to Note 23 - Financial instruments for details. As a result, the impacts of the fluctuations in the market values of assets and liabilities and the settlement of foreign currency transactions are reduced.

Valuation assumptions

All share awards granted are valued directly by reference to the share price at date of grant except:

- PSP shares awarded under the LTIP plans are subject to both market-based measures and non-market-based measures. Values under the market-based element are based on relative Total Shareholder Return (TSR) performance conditions and are valued using a Monte Carlo simulation.
- Options granted under the Employee Plans are valued using the Black-Scholes model.

The principal assumptions used in these valuations were:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTIP</td>
<td>SAVE &amp; International Share Save Plan</td>
<td>ESPP</td>
</tr>
<tr>
<td>Share price at date of grant</td>
<td>£1.79</td>
<td>£2.15</td>
</tr>
<tr>
<td>Exercise price</td>
<td>nil</td>
<td>£1.74</td>
</tr>
<tr>
<td>Expected life</td>
<td>3.0 years</td>
<td>2.0 years</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>28.7%</td>
<td>28.7%</td>
</tr>
<tr>
<td>Risk-free rate</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Fair value</td>
<td>£1.03</td>
<td>£0.36</td>
</tr>
</tbody>
</table>

1. The expected volatility was determined by calculating the observed historical volatility of share prices of peer group companies (including the Company) over the expected life of the share award.

Financial statements
20. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table summarises the exchange rates used for the translation of currencies into US dollars that have the most significant impact on the Group results:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Average rate</th>
<th>Closing rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/EUR</td>
<td>1.05</td>
<td>1.07</td>
</tr>
<tr>
<td>USD/GBP</td>
<td>1.24</td>
<td>1.20</td>
</tr>
<tr>
<td>USD/DKK</td>
<td>0.14</td>
<td>0.14</td>
</tr>
</tbody>
</table>

During 2022, revenue was mostly USD denominated (52%). Other significant currencies were EUR (20%), GBP (6%) and DKK (2%). The balance comprises a basket of other currencies which, on an individual basis, were each less than 2% of revenue.

Sensitivity analysis on foreign exchange risk

The sensitivity analysis below assumes a 5% strengthening of the US dollar against the principal currencies to highlight the sensitivity of profit before income taxes and total equity to translation foreign exchange risk at 31 December, with all other variables held constant.

<table>
<thead>
<tr>
<th>Currency</th>
<th>Sensitivity</th>
<th>Increase/decrease in profit before income taxes</th>
<th>Increase/decrease in total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/EUR</td>
<td>+10%</td>
<td>4.0</td>
<td>(93.0)</td>
</tr>
<tr>
<td>USD/GBP</td>
<td>+10%</td>
<td>(12.8)</td>
<td>(10.4)</td>
</tr>
<tr>
<td>USD/DKK</td>
<td>+10%</td>
<td>(8.1)</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Interest rate risk

The Group’s principal exposure to interest rate risk is in relation to interest expense on borrowings made under the Group’s credit facilities which attract interest at floating rates plus a fixed margin as well as any cash or investments that result in interest income at floating rates. Floating rate instruments expose the Group to interest rate cash flow and expense risk.

The Group manages this exposure on a net basis within Board-approved policy parameters, including the use of interest rate swaps designated as cash flow hedges and will provide interest rate risk management beyond January 2023.

Sensitivity analysis on interest rate risk

During 2022, the Group refinanced its bank facilities with $1.2 billion committed for a five-year term. The Group’s 2029 unsecured senior notes of $500.0 million remain in place.

Hedge accounting

At the date of refinancing, the Group’s existing bank borrowings were extinguished and replaced with drawings under the new facilities. Existing cash flow hedges were maintained as the underlying interest rate risk still existed and the hedging relationships continued to fulfil the requirements of IFRS 9.

Swaps with floating legs linked to SOFR have also been designated as cash flow hedges and will provide interest rate risk management beyond January 2023.

Sensitivity analysis on interest rate risk

Based on the composition and the terms of the Group’s borrowings as at 31 December 2022, and including the 0% interest rate floor and after the effect of the interest rate swaps and cash, if interest rates were to increase or decrease by 100 basis points, the interest expense on borrowings would increase by $4.0 million (2021: $0.1 million) or decrease by $4.0 million (2021: $2.3 million increase) assuming that all other variables remain constant and excluding any effect of tax.

21. BORROWINGS

The Group’s sources of borrowing for funding and liquidity purposes derive from senior notes and credit facilities, including a committed revolving credit facility.

In November 2022, the Group refinanced its bank facilities with $1.2 billion committed for a five-year term. The Group’s 2029 unsecured senior notes of $500.0 million remain in place.

Accounting policy

Borrowings are recognised at fair value less directly attributable costs on the date that they are entered into and subsequently measured at amortised cost using the effective interest rate method. Borrowing costs directly attributable to the facility are capitalised and amortised over the period of the loan.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Borrowings are classified as non-current when the repayment date is more than 12 months from the period-end date or where they are drawn on a facility with more than 12 months to expiry.

The Group derecognises borrowings when its contractual obligations are discharged, terminated or expired.

Fair value measurement

Borrowings are measured at Level 1 or Level 2 in the fair value hierarchy in accordance with IFRS 13, Fair Value Measurements, based upon the degree to which the fair value movements are observable.

The Group’s borrowings as at 31 December 2022 were as follows:

<table>
<thead>
<tr>
<th>Borrowing Description</th>
<th>2022 Year of Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revolving Credit Facility</td>
<td>$m</td>
</tr>
<tr>
<td>USD/Euro</td>
<td>2027</td>
</tr>
<tr>
<td>Term Loan</td>
<td>USD</td>
</tr>
<tr>
<td>Senior Notes</td>
<td>USD</td>
</tr>
<tr>
<td>Revolving Credit Facility</td>
<td>Multicurrency</td>
</tr>
<tr>
<td>Term Loan Facility A</td>
<td>USD/Euro</td>
</tr>
<tr>
<td>Term Loan Facility B</td>
<td>USD/Euro</td>
</tr>
<tr>
<td>Interest-bearing borrowings</td>
<td>$m</td>
</tr>
<tr>
<td>Total carrying value of borrowings</td>
<td>1,227.2</td>
</tr>
</tbody>
</table>

The Group’s borrowings as at 31 December 2022 were as follows:

<table>
<thead>
<tr>
<th>Current portion of borrowings</th>
<th>Non-current portion of borrowings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>2023</td>
</tr>
<tr>
<td>USD/Euro</td>
<td>USD/Euro</td>
</tr>
<tr>
<td>1,199.8</td>
<td>1,211.9</td>
</tr>
</tbody>
</table>

Notes to the Consolidated Financial Statements continued
The principal financial covenants are based on a permitted net debt to covenant-adjusted EBITDA1 ratio and interest cover agreement have been written off to the Consolidated Income Statement in 2022 (refer to Note 25 – Finance income and expense).

The new credit facility for $1.2 billion comprises of a $250.0 million term loan and a $950.0 million multicurrency revolving credit facility, both committed for a five-year term. As at 31 December 2022, the term loan was fully drawn and $477.2 million of the revolving credit facility was drawn, with $472.8 million undrawn.

The senior notes are listed and their fair value at 31 December 2022 of $430.8 million (2021: $507.7 million) has been obtained from quoted market data and therefore categorised as a Level 1 measurement in the fair value hierarchy under IFRS 13, Fair Value Measurements. For the Group’s other borrowings, the fair value is based on discounted cash flows using a current borrowing rate and is categorised as a Level 2 measurement. At 31 December 2022, the estimated fair value of the Group’s other borrowings was $762.4 million (2021: $847.3 million).

### Maturity of financial liabilities

The contractual undiscounted future cash flows, including contractual interest payments, related to the Group’s financial liabilities were as follows:

<table>
<thead>
<tr>
<th>Contractual cash flows</th>
<th>$m</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year or demand</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 to 2 years</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 to 3 years</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 to 4 years</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 to 5 years</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>More than 5 years</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### At 31 December 2022

<table>
<thead>
<tr>
<th>Borrowings</th>
<th>$m</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leases (Note 24)</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables (Note 13)</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments (Note 23)</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments receivable</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### At 31 December 2021

<table>
<thead>
<tr>
<th>Borrowings</th>
<th>$m</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leases (Note 24)</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables (Note 13)</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments (Note 23)</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments receivable</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Reconciliation of movement in borrowings**

<table>
<thead>
<tr>
<th>Borrowings at 1 January</th>
<th>$m</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of borrowings1</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds of new borrowings, net of financing fees2</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-cash movements3</td>
<td>$m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings at 31 December</td>
<td>$m</td>
<td>2022</td>
<td>2021</td>
</tr>
</tbody>
</table>

1. Covenant-adjusted EBITDA is calculated based on terms as defined in the credit facilities agreement. This is different to adjusted EBITDA, which is an alternative performance measure (APM) as disclosed on pages 224 to 228.

2. In the year ended 31 December 2022, repayment of borrowings included the scheduled repayment instalment on Term Loan Facility A of $27.5 million (2021: $88.4 million) and the full repayment of all term loan facilities of $815.0 million as part of the refinancing activity.

3. Non-cash movements were in respect of the amortisation of deferred financing fees associated with the borrowings and the $2.7 million write-off of the remaining unamortised deferred financing fees following early termination of the Group’s previous credit facilities.

**Financial statements**

**Notes to the Consolidated Financial Statements continued**
22. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash held at bank is used for the Group’s day-to-day operations. The Group utilises bank deposits or money market funds which have a maturity of three months or less as liquid investments that enable short-term liquidity requirements to be met.

Accounting policy
Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions. All liquid investments in short-term deposits and money market funds, which have original maturities of three months or less, are subject to insignificant risk of changes in value and are repayable within one business day with no significant loss of interest, resulting in classification as cash equivalents. Cash at bank earns interest at rates based on daily bank deposit rates. Term deposits and money market funds earn interest at the respective short-term deposit rate. Cash and cash equivalents at 31 December 2022 included $19.2 million (2021: $37.5 million) of cash held in territories where there are restrictions related to timely repatriation. The amounts meet the definition of cash and cash equivalents but are not deemed to be readily available for general use by the wider Group.

Consolidated Statement of Cash Flows
Under certain circumstances, the Group utilises bank overdrafts to manage temporary fluctuations in cash positions. The bank overdrafts are repayable on demand, used as part of the Group’s overall cash management strategy and form part of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows. The Group had no bank overdrafts as at 31 December 2022 or 31 December 2021.

The Group reports cash flows from operating activities using the indirect method in accordance with IAS 7, Statement of Cash Flows. The Group has elected to classify net interest paid (including interest on lease liabilities) as cash flows from operating activities. Short-term lease payments and payments for leases of low-value assets are included in cash flows from operating activities.

Changes in working capital assets and liabilities as reported in cash flows from operating activities reflect the changes in the Consolidated Statement of Financial Position between the current and previous financial year end, including adjustments for amounts relating to acquisitions and disposals (when necessary), as well as currency translation adjustments.

Cash payments for the principal portion of lease liabilities is included within cash flows from financing activities.

Fair Value Measurements
The Group has elected to apply the IFRS 9, Financial Instruments hedge accounting requirements. Changes in the fair values of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent the hedges are effective. The fair value is the estimated amount that the Group would receive or pay to terminate the forward contract, cash flows on the swap are not altered by IBOR reform and the hedge continues to be highly effective. Furthermore, hedge accounting did not need to be discontinued during the period of BOR-related uncertainty as hedging risks are still no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is immediately reclassified to profit or loss. Gains and losses arising from forward points and foreign currency basis spreads are excluded from designation and are treated as a cost of hedging, deferred initially in other equity reserves and released into profit or loss over the life of the hedging relationship.

23. FINANCIAL INSTRUMENTS

A derivative financial instrument is a contract that derives its value from the performance of an underlying variable, such as foreign exchange rates or interest rates. The Group uses derivative financial instruments to manage foreign exchange and interest rate risk arising from its operations and financing. Derivative financial instruments used by the Group are foreign exchange forwards and interest rate swaps.

The Group utilises interest rate swap agreements, designated as cash flow hedges, to manage its exposure to variability in expected future cash outflows attributable to the changes in interest rates on the Group’s committed borrowing facilities.

Accounting policy
Derivative financial instruments are initially recognised at fair value on the derivative contract date and are remeasured at their fair value at subsequent reporting dates. Derivative financial instruments are classified at fair value through profit or loss (FVTPL) unless they are designated and qualify as an effective cash flow hedge. The fair value of forward foreign exchange contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate from third parties at the reporting date.

Hedge accounting
The Group has elected to apply the IFRS 9, Financial Instruments hedge accounting requirements. Changes in the fair values of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent the hedges are effective. The fair value is the estimated amount that the Group would receive or pay to terminate the forward or swap at the reporting date, taking into account current market rates, the Group’s current creditworthiness, as well as that of the financial instrument counterparties.

The cumulative gain or loss is then reclassified to the Consolidated Income Statement in the same period when the relevant hedged transaction is realised. Any ineffectiveness on hedging instruments is recognised in the Consolidated Income Statement as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The discontinuation is accounted for prospectively.

Any gain or loss recognised in other comprehensive income and accumulated in the cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is immediately reclassified to profit or loss. Gains and losses arising from forward points and foreign currency basis spreads are excluded from designation and are treated as a cost of hedging, deferred initially in other equity reserves and released into profit or loss over the life of the hedging relationship.

The Group held USD interest rate swaps of $275.0 million, with exposure to USD LIBOR as a reference rate and maturing in January 2023. New USD interest rate swaps of $810.0 million were entered during 2022 with an effective date of 23 January 2023, with exposure to USD SOFR as a reference rate and maturing at various points in the next two years. These have been designated as cash flow hedges through other comprehensive income. In assessing hedge effectiveness on a prospective basis for this relationship, the Group has assumed that the USD LIBOR-related interest cash flows on the swap are not altered by IBOR reform and the hedge continues to be highly effective. Furthermore, hedge accounting did not need to be discontinued during the period of BOR-related uncertainty as hedging risks are still no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is immediately reclassified to profit or loss. Gains and losses arising from forward points and foreign currency basis spreads are excluded from designation and are treated as a cost of hedging, deferred initially in other equity reserves and released into profit or loss over the life of the hedging relationship.

At the date of refinancing, the Group’s existing bank borrowings were extinguished and replaced with drawings under the new facilities. Existing cash flow hedges were maintained for the underlying interest rate risk still existing and the hedging relationships continued to fulfill the requirements of IFRS 9. Swaps with floating legs linked to SOFR have also been designated as cash flow hedges and will provide interest rate risk management beyond January 2023.

Right to offset
Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position, when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Fair value measurement
Financial instruments are classified as Level I, Level 2 or Level 3 in the fair value hierarchy in accordance with IFRS 13, Fair Value Measurements, based upon the degree to which the fair value movements are observable. Level 1 fair value measurements are defined as those with quoted (unadjusted) market prices in active markets for identical assets or liabilities. Level 2 fair value measurements are defined as those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (e.g., prices from third parties) or indirectly (e.g., prices from third-party prices). Level 3 fair value measurements are defined as those derived from significant unobservable inputs.

The only instrument classified as Level 1 are the senior notes, given the availability of quoted market price (Note 21 - Borrowings). The Group’s derivative financial instruments, discussed below, are classified as Level 2, and the Group’s equity investment in preference shares is classified as Level 3 (Note 10 - Investment in financial assets).
23. FINANCIAL INSTRUMENTS (CONTINUED)

The Group holds interest rate swap agreements to fix a proportion of variable interest on US dollar-denominated debt, in accordance with the Group’s risk management policy. The interest rate swaps are designated as hedging instruments in a cash flow hedging relationship.

In accordance with Group policy, the Group uses forward foreign exchange contracts, designated as cash flow hedges, to hedge certain forecast third-party foreign currency transactions. When a commitment is entered into, a layered approach is taken when hedging the currency exposure, ensuring that no more than 100% of the transaction exposure is covered. The currencies hedged by forward foreign exchange contracts are US dollars, Swiss francs, Pound sterling, Danish krone and Japanese yen.

The Group further utilises foreign exchange contracts and swaps classified as FVTPL to manage short-term foreign exchange exposure.

Cash flow hedges

The fair values are based on market values of equivalent instruments at 31 December. The following table presents the Group’s outstanding interest rate swaps, which were designated as cash flow hedges at 31 December:

<table>
<thead>
<tr>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective date</td>
<td>Maturity date</td>
</tr>
<tr>
<td>----------------</td>
<td>----------------</td>
</tr>
<tr>
<td>3 Month LIBOR Float to Fixed Interest Rate Swap</td>
<td>24 Jan 2023</td>
</tr>
<tr>
<td>6 Month term SOFR Float to Fixed Interest Rate Swap</td>
<td>23 Jan 2023</td>
</tr>
<tr>
<td>6 Month term SOFR Float to Fixed Interest Rate Swap</td>
<td>23 Jan 2023</td>
</tr>
<tr>
<td>6 Month term SOFR Float to Fixed Interest Rate Swap</td>
<td>23 Jan 2023</td>
</tr>
</tbody>
</table>

1. The fair values of the interest rate swaps were disclosed in non-current derivative financial liabilities in the Consolidated Statement of Financial Position. There was no ineffectiveness recognised in the Consolidated Income Statement.

Foreign exchange forward contracts

The following table presents the Group’s outstanding foreign exchange forward contracts valued at FVTPL and foreign currency forward contracts designated as cash flow hedges, disclosed in current derivative financial assets and liabilities, at 31 December:

<table>
<thead>
<tr>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term</td>
<td>Notional amount</td>
</tr>
<tr>
<td>------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Foreign exchange contracts ≤ 3 months</td>
<td>996.6</td>
</tr>
<tr>
<td>Foreign currency forward exchange contracts designated as cash flow hedges ≤ 12 months</td>
<td>72.7</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>1,064.3</td>
</tr>
<tr>
<td>Foreign exchange contracts ≤ 3 months</td>
<td>703.7</td>
</tr>
<tr>
<td>Foreign currency forward exchange contracts designated as cash flow hedges ≤ 12 months</td>
<td>132.8</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>836.5</td>
</tr>
</tbody>
</table>

The fair values of the interest rate swaps were disclosed in non-current derivative financial liabilities in the Consolidated Statement of Financial Position. There was no ineffectiveness recognised in the Consolidated Income Statement.

24. LEASES

The Group principally leases real estate and vehicles. Leases are recognised as a right-of-use asset with a corresponding liability recorded at the date at which the leased asset is available for use by the Group.

Accounting policy

The lease liability is measured at the present value of future lease payments discounted using the rate implicit in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Options such as lease extensions or terminations on lease contracts are considered on a case-by-case basis by regular management assessment.

Each lease payment is allocated between amounts paid for principal and interest. The interest cost is charged to the Consolidated Income Statement over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the lease term.

Payments associated with short-term leases and low-value leases are recognised on a straight-line basis as an expense in the Consolidated Income Statement. Short-term leases are leases with a lease term of 12 months or less and low-value leases comprise of leases with an underlying asset value of less than $5,000. Expenses recognised for these short-term and low-value leases for the year ended 31 December 2022 were $3.9 million (2021: $2.8 million).

The movements in right-of-use assets were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate and other</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Vehicles</td>
<td>70.3</td>
<td>15.5</td>
</tr>
<tr>
<td>Lease additions</td>
<td>17.1</td>
<td>7.8</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>0.7</td>
<td>-</td>
</tr>
<tr>
<td>Leases terminated</td>
<td>(0.4)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Depreciation of right-of-use assets</td>
<td>(14.5)</td>
<td>(8.3)</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(2.9)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>As at 1 January 2021</td>
<td>70.3</td>
<td>13.3</td>
</tr>
<tr>
<td>Lease additions</td>
<td>12.3</td>
<td>8.4</td>
</tr>
<tr>
<td>Acquisitions (Note 24)</td>
<td>2.2</td>
<td>-</td>
</tr>
<tr>
<td>Leases terminated</td>
<td>(1.4)</td>
<td>0.1</td>
</tr>
<tr>
<td>Depreciation of right-of-use assets</td>
<td>(14.7)</td>
<td>(7.4)</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(3.3)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>As at 31 December 2022</td>
<td>65.6</td>
<td>13.8</td>
</tr>
</tbody>
</table>

Movements in lease liabilities were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease liabilities as at 1 January</td>
<td>90.5</td>
<td>92.1</td>
</tr>
<tr>
<td>Lease additions</td>
<td>21.0</td>
<td>24.9</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>2.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Payment of lease liabilities</td>
<td>(20.7)</td>
<td>(22.0)</td>
</tr>
<tr>
<td>Leases terminated</td>
<td>(1.2)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Interest expense on lease liabilities (Note 25)</td>
<td>3.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Interest paid on lease liabilities (Note 25)</td>
<td>(3.3)</td>
<td>(3.6)</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(4.2)</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Lease liabilities as at 31 December</td>
<td>88.3</td>
<td>90.5</td>
</tr>
</tbody>
</table>

Total cash outflow of lease liabilities including interest for the year ended 31 December 2022 was $24.0 million (2021: $25.8 million). Interest paid during the year was $3.3 million (2021: $3.8 million).

Lease liabilities by category at 31 December were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate and other</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Vehicles</td>
<td>74.4</td>
<td>13.9</td>
</tr>
<tr>
<td>Current</td>
<td>19.2</td>
<td>6.5</td>
</tr>
<tr>
<td>Non-current</td>
<td>55.2</td>
<td>7.4</td>
</tr>
<tr>
<td>Total</td>
<td>74.4</td>
<td>13.9</td>
</tr>
</tbody>
</table>
26. ACQUISITIONS

During the year to 31 December 2022, the Group completed the acquisition of Triad Life Sciences Inc, a US-based medical device company.

This note provides details of the transaction and the acquisition accounting that has been recorded to reflect the fair value of assets acquired and liabilities assumed as well as the intangible assets and goodwill recognised upon acquisition. This note also provides details of any fair value changes identified post-acquisition in respect of previous acquisitions that the Group has completed.

Accounting policy
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. Consideration transferred in respect of an acquisition is measured at the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed on the date of the acquisition. Identifiable assets acquired and liabilities assumed are measured at their respective acquisition-date fair values.

The excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired is recorded as goodwill. If the fair value of the identifiable net assets acquired is greater than the fair value of the consideration given, the excess is recognised immediately in the Consolidated Income Statement as a bargain purchase gain. Acquisition-related costs are expensed as incurred.

The operating results of the acquired business are reflected in the Group’s Consolidated Financial Statements from the date of acquisition.

Triad Life Sciences Inc (Triad Life Sciences)

Description of the transaction
On 14 March 2022, the Group completed its acquisition of 100% of the share capital of Triad Life Sciences Inc. The acquisition of Triad Life Sciences strengthens the Group’s Advanced Wound Care position in the US, securing access to a complementary and innovative technology platform that enhances advanced wound management and patient outcomes.

In addition to the initial consideration of $125.3 million, the sellers may earn contingent consideration up to a maximum of $325.0 million, in the form of (i) two additional payments of $25.0 million each relating to short-term milestones; and (ii) two earnout payments conditional on performance during year 1 and year 2 post completion, with the maximum earnout for these two payments totalling $275.0 million based on stretching financial performance over the period.

The discounted fair value of the contingent consideration at the date of acquisition was $141.8 million, of which $25.0 million was paid in April 2022 and a further $25.0 million paid in October 2022 following attainment of the first and second short-term milestones. The earnout payments are due to be paid within three years of the acquisition date, subject to achieving the specified targets.

Following completion of the initial acquisition accounting, any changes in the fair value of the contingent consideration at each reporting date will be recorded in the Consolidated Income Statement in accordance with the Group’s accounting policies. This is explained further on in this note.
### 26. ACQUISITIONS (CONTINUED)

#### Assets acquired and liabilities assumed

The transaction meets the definition of a business combination and has been accounted for under the acquisition method of accounting. The following table summarises the provisional fair values of the assets acquired and liabilities assumed as at the acquisition date:

<table>
<thead>
<tr>
<th>Category</th>
<th>Provisional Amounts $m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>0.5</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>2.2</td>
</tr>
<tr>
<td>Intangible assets – Product-related</td>
<td>154.8</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>4.7</td>
</tr>
<tr>
<td>Inventories</td>
<td>10.8</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>15.9</td>
</tr>
<tr>
<td><strong>Total assets acquired</strong></td>
<td>186.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Provisional Amounts $m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>(32.3)</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(3.6)</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>(0.2)</td>
</tr>
<tr>
<td><strong>Total liabilities assumed</strong></td>
<td>(37.8)</td>
</tr>
<tr>
<td><strong>Net assets acquired</strong></td>
<td>125.3</td>
</tr>
<tr>
<td>Goodwill</td>
<td>129.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>281.0</td>
</tr>
</tbody>
</table>

**Initial cash consideration** 125.3

**Deferred purchase consideration paid into escrow** 13.8

**Working capital adjustment** 0.1

**Contingent consideration** 141.8

**Total consideration** 281.0

#### Analysis of cash outflow in the Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th>Category</th>
<th>Provisional Amounts $m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initial cash consideration</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Deferred purchase consideration paid into escrow</strong></td>
<td>13.8</td>
</tr>
<tr>
<td><strong>Working capital adjustment</strong></td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Contingent consideration</strong></td>
<td>141.8</td>
</tr>
<tr>
<td><strong>Total cash consideration</strong></td>
<td>281.0</td>
</tr>
</tbody>
</table>

**Cash and cash equivalents acquired** 13.8

**Working capital adjustment** 0.1

**Net cash outflow from acquisitions, net of cash acquired** 123.3

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**Financial statements continued**

---

**Notes to the Consolidated Financial Statements continued**

---

**Fair value of contingent consideration at reporting date**

The two short-term milestones were achieved and paid during the year ended 31 December 2022. As at 31 December 2022, management reviewed the fair value of the remaining contingent consideration since the acquisition date, based on the most recent Board-approved strategic plan and forecast information. Consequently, the discounted fair value of the remaining contingent consideration was increased by $23.7 million since the amount recognised at 30 June 2022, and was recognised in non-operating expenses in the Consolidated Income Statement (see Note 5 – Non-operating (expense)/income, net).

The amount of discount unwind recognised in the Consolidated Income Statement during 2022 was $15.3 million and shown within finance expenses (see Note 25 – Finance income and expense). The discounted fair value of the remaining contingent consideration as at 31 December 2022 was $130.8 million. Refer to Note 14 – Provisions for the movement in the contingent consideration during the year.

Management has determined that the potential range of discounted outcomes within the next financial year is between $85.2 million and $230.8 million, from a maximum undiscounted contingent consideration of $275.0 million.

**Acquisition-related costs**

The Group incurred $2.4 million of acquisition-related costs directly related to the Triad Life Sciences acquisition in the year ended 31 December 2022, primarily in respect of legal and advisers’ fees. The acquisition-related costs have been recognised in general and administrative expenses in the Consolidated Income Statement.

**Revenue and profit**

The revenue of Triad Life Sciences for the period from the acquisition date to 31 December 2022 was $34.8 million and net profit for the period was $5.8 million, before recognising acquisition-related intangible asset amortisation charge of $9.2 million and the inventory fair value uplift release of $8.7 million. If the acquisition had been completed on 1 January 2022, reported Group revenue would have been $4.4 million higher and Group profit for the year would have been $0.9 million lower, before recognising acquisition-related intangible asset amortisation charges of $2.9 million.

**Cure Medical LLC (Cure Medical)**

On 15 March 2021, the Group acquired 100% of the share capital of Cure Medical. During 2022, management reviewed the expectation of the contingent consideration based on the most recent Board-approved strategic plan and forecast information. The Cure Medical business has outperformed its performance targets to date and forecast financial performance was expected to exceed the original expectations. Consequently, the discounted fair value of the contingent consideration has been revised from $3.1 million to $8.9 million during the year and the remeasurement charge of $5.8 million has been recognised in non-operating expenses in the Consolidated Income Statement (see Note 5 – Non-operating (expense)/income, net). The amount of discount unwind recognised in the Consolidated Income Statement during 2022 was $0.3 million and shown within finance expenses (see Note 25 – Finance income and expense). The discounted fair value of the contingent consideration as at 31 December 2022 was $9.2 million. Refer to Note 14 – Provisions for the movement in the contingent consideration during the year.

This is due to be paid within three years of the acquisition date, subject to the terms of the Share Purchase Agreement.

**27. DIVESTITURES**

During the year ended 31 December 2022, the Group withdrew from its hospital care activities and related industrial sales.

---

**Accounting policy**

A divestiture or disposal occurs when the Group ceases to control a subsidiary, business or trade and assets associated with a specific product line or class of business. Consideration received in respect of a divestiture is measured at fair value, and all associated assets and liabilities are derecognised at the date control is transferred. The difference between the carrying value of the net assets divested and the fair value of consideration received is recorded as a gain or loss on divestiture in the Consolidated Income Statement.

Foreign exchange translation gains or losses relating to subsidiaries that the Group has divested, and that have previously been recorded in other comprehensive income or expense, are also recognised as part of the gain or loss on divestiture.

The operating results of the divested subsidiary, business or product line cease to be included in the Group’s Consolidated Financial Statements from the date of divestiture.
27. DIVESTITURES (CONTINUED)

Exit from hospital care and industrial sales activities

On 12 May 2022, following a strategic review, it was announced that the Group would be withdrawing from its hospital care activities and related industrial sales during 2022. This does not represent a separate major line of business or component of the Group.

As a result of the exit from the hospital care and industrial sales activities, the Group recognised impairment losses in the year ended 31 December 2022 in relation to the following:

- $8.1 million was recognised, within other operating expenses, as an impairment to property, plant and equipment, primarily in relation to manufacturing equipment in Belarus and Slovakia.
- $4.3 million was recognised, within other operating expenses, as an impairment to product-related intangible assets.
- $13.4 million was recognised, within cost of sales, in relation to the write-off of inventories and provision for those which are not expected to be sold.

In addition, the Group recognised $7.3 million of severance costs, of which $1.2 million remains as a provision as at 31 December 2022, and also recognised a $6.9 million provision in relation to contract exit costs. Management will review this at each reporting period. The Group incurred $6.7 million of divestiture-related costs in relation to legal fees and closing down of manufacturing site costs. The majority of the exit and closure activities have been completed at the end of the year, with minimal costs expected in 2023.

As part of the exit from all hospital care and related industrial sales activities, a subsidiary was sold during the year. The cumulative amount of exchange losses of $12.2 million recognised in Other Comprehensive Income relating to those operations, and a loss on disposal of $2.0 million, have been recognised in the Consolidated Income Statement as non-operating expenses. All costs associated with the exit have been classified as an adjusting item in accordance with our Alternative Performance Measures policy.

28. COMMITMENTS AND CONTINGENCIES

Commitments represent the Group’s future capital expenditure which is not recognised as a liability in the Consolidated Financial Statements but represents a non-cancellable commitment.

A contingent liability is a possible liability that is not sufficiently certain to qualify for recognition as a provision because the amount cannot be measured reliably or because settlement is not considered probable.

Capital commitments

At 31 December 2022, the Group had non-cancellable commitments for the purchase of property, plant and equipment, capitalised software and development of $39.3 million (2021: $32.1 million).

Contingent liabilities

There were no contingent liabilities recognised as at 31 December 2022 and 31 December 2021.

29. RELATED PARTY TRANSACTIONS

The Directors have not identified any related parties to the Group, other than the key management personnel. The Group considers key management personnel as defined in IAS 24, Related Party Disclosures to be the members of CELT as set out on pages 112 to 113 and the Non-Executive Directors as set out on page 111.

Key management personnel compensation

Key management personnel compensation for the year ended 31 December was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>16.4</td>
<td>14.4</td>
</tr>
<tr>
<td>Share-based payment expense</td>
<td>9.2</td>
<td>9.0</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>0.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>0.4</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>26.8</td>
<td>24.1</td>
</tr>
</tbody>
</table>

Further details of short-term employee benefits, share-based payment expense and post-employment benefits for the Executive Directors are shown on page 144. Details of the Non-Executive Directors’ fees, included in the table above, are provided on page 147.

The Group has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel had or was to have a direct or indirect material interest.

30. SUBSEQUENT EVENTS

The Group has evaluated subsequent events through to 8 March 2023, the date the Consolidated Financial Statements were approved by the Board of Directors.

On 1 March 2023, the Board proposed the final dividend in respect of 2022 subject to shareholder approval at the Annual General Meeting on 18 May 2023, to be distributed on 25 May 2023. See Note 18 - Dividends to the Consolidated Financial Statements for further details.
COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

<table>
<thead>
<tr>
<th>Notes</th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td>3,818.9</td>
<td>4,271.5</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>2.6</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>3,821.5</td>
<td>4,273.6</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>22.4</td>
<td>10.2</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>3,843.9</td>
<td>4,283.8</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>3,843.9</td>
<td>4,283.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>5.5</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>5.5</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>5.5</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>3,838.4</td>
<td>4,275.5</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>250.7</td>
<td>247.0</td>
</tr>
<tr>
<td>Share premium</td>
<td>165.7</td>
<td>142.3</td>
</tr>
<tr>
<td>Own shares</td>
<td>(1.5)</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Retained surplus</td>
<td>1,662.9</td>
<td>1,590.3</td>
</tr>
<tr>
<td>Merger reserve</td>
<td>1,765.6</td>
<td>1,765.6</td>
</tr>
<tr>
<td>Cumulative translation reserve</td>
<td>3.7</td>
<td>460.8</td>
</tr>
<tr>
<td>Other reserves</td>
<td>91.3</td>
<td>71.7</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>3,858.4</td>
<td>4,275.5</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>3,843.9</td>
<td>4,283.8</td>
</tr>
</tbody>
</table>

The Company reported a net profit for the year ended 31 December 2022 of $85.2 million (2021: $51.5 million).

The Financial Statements of Convatec Group Plc (registered number 10361298) were approved by the Board of Directors and authorised for issue on 8 March 2023. They were signed on its behalf by:

Jonny Mason  
Chief Financial Officer

Karim Bitar  
Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

<table>
<thead>
<tr>
<th>Notes</th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Share capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Retention surplus</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Merger reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cumulative translation reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other reserves</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2021</td>
<td>245.5</td>
<td>115.3</td>
</tr>
<tr>
<td>Net profit</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Scrip dividend</td>
<td>1.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Share awards vested</strong></td>
<td>-</td>
<td>4.5</td>
</tr>
<tr>
<td>Excess deferred tax benefit from share-based payments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Excess deferred tax benefit from share-based payments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Excess deferred tax benefit from share-based payments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Excess deferred tax benefit from share-based payments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Excess deferred tax benefit from share-based payments</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2021</td>
<td>247.0</td>
<td>142.3</td>
</tr>
<tr>
<td>Net profit</td>
<td>85.2</td>
<td>-</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>85.2</td>
<td>-</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-</td>
<td>(88.1)</td>
</tr>
<tr>
<td>Scrip dividend</td>
<td>1.1</td>
<td>23.4</td>
</tr>
<tr>
<td><strong>Share awards vested</strong></td>
<td>-</td>
<td>3.3</td>
</tr>
<tr>
<td>Excess deferred tax benefit from share-based payments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Excess deferred tax benefit from share-based payments</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>2022 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2022</td>
<td>250.7</td>
<td>165.7</td>
</tr>
<tr>
<td>Net profit</td>
<td>85.2</td>
<td>-</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>85.2</td>
<td>-</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-</td>
<td>(88.1)</td>
</tr>
<tr>
<td>Scrip dividend</td>
<td>1.1</td>
<td>23.4</td>
</tr>
<tr>
<td><strong>Share awards vested</strong></td>
<td>-</td>
<td>3.3</td>
</tr>
<tr>
<td>Excess deferred tax benefit from share-based payments</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

For further information on share-based payments, refer to Note 19 - Share-based payments, and for dividends refer to Note 18 - Dividends to the Consolidated Financial Statements.
1. BASIS OF PREPARATION

This section describes the Company’s significant accounting policies in respect of the Company Financial Statements and explains critical accounting judgements and estimates that management has identified as having a potentially material impact to the Company. Specific accounting policies relating to the notes to the Company Financial Statements are described within that note.

1.1 General information

The separate Financial Statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC). Accordingly, the Financial Statements have been prepared in accordance with Financial Reporting Standard 101 (FRS 101) Redrafted Disclosure Framework as issued by the FRC. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in respect of share-based payments, financial instruments, capital management, comparative information, presentation of a cash flow statement, new but not yet effective IFRSs and certain related party transactions.

Where required, equivalent disclosures are given in the Consolidated Financial Statements.

The auditor’s remuneration for audit and other services is disclosed in Note 3.3 – Auditor’s remuneration to the Consolidated Financial Statements.

1.2 Significant accounting policies

Basis of accounting

The Financial Statements have been prepared on the historical cost basis, except for certain financial instruments where fair value has been applied. The principal accounting policies adopted are the same as those set out in the Consolidated Financial Statements except as noted below.

Foreign currencies

The functional currency of the Company is Sterling, being the currency of the primary economic environment in which it operates. The Company has adopted US dollars as the presentation currency for its Financial Statements, in line with the presentation currency for the Consolidated Financial Statements. For the purpose of presenting individual company financial statements, assets and liabilities of the Company are translated into US dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity, the cumulative translation reserve, in accordance with IAS 21. The Effects of Changes in Foreign Exchange Rates.

Share-based payments

The Company has implemented the generally accepted accounting principle for accounting for share-based payments under FRS 101, whereby the Company has granted rights to issue its share to employees of its subsidiary undertakings under a share-settled arrangement and the subsidiaries have not reimbursed the Company for these rights. Under this arrangement, the Company treats the share-based payment recognised in the subsidiary’s financial statements as an increase in the cost of investment in the subsidiary and credits equity with an equal amount.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company’s Financial Statements in accordance with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, income and expense. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management has concluded that there are no critical accounting judgements and key sources of estimation uncertainty that could result in a material adjustment in the next 12 months.

2. STAFF COSTS

The Executive Directors of Convatec Group Plc are the only employees of the Company. The remuneration of the Executive Directors is set out on pages 142 to 151 within the Remuneration Committee report.

Their aggregate remuneration comprised:

<table>
<thead>
<tr>
<th>Components</th>
<th>2020 $m</th>
<th>2021 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>4.1</td>
<td>3.6</td>
</tr>
<tr>
<td>Share-based payment expense</td>
<td>3.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Social security costs</td>
<td>1.0</td>
<td>0.5</td>
</tr>
<tr>
<td>Pension-related costs</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>9.0</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Average monthly number of employees (including Executive Directors) was 2 (2021: 2).

3. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent the cost of the Company’s investment in its subsidiary undertakings, net of any impairment charges. Refer to pages 229 to 231 for details of all the Company’s direct and indirect holdings.

Accounting policy

Investments in Group undertakings are stated at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the investment is less than the carrying amount of the investment, the investment is considered to be impaired and is written down to its recoverable amount.

Any impairment charge is initially taken to retained earnings and subsequently offset against any merger reserve by way of a reserves transfer.

<table>
<thead>
<tr>
<th>Period</th>
<th>Cost $m</th>
<th>Impairment $m</th>
<th>Net book value $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2021</td>
<td>6,038.2</td>
<td>(1,752.3)</td>
<td>4,285.9</td>
</tr>
<tr>
<td>Capital contributions in respect of share-based payments to employees of subsidiaries</td>
<td>12.1</td>
<td>12.1</td>
<td></td>
</tr>
<tr>
<td>Reduction due to reimbursement upon exercised awards</td>
<td>(3.0)</td>
<td>(3.0)</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(51.0)</td>
<td>17.5</td>
<td>(33.5)</td>
</tr>
<tr>
<td>At 31 December 2021</td>
<td>5,986.3</td>
<td>(1,714.8)</td>
<td>4,271.5</td>
</tr>
<tr>
<td>Capital contributions in respect of share-based payments to employees of subsidiaries</td>
<td>12.8</td>
<td>12.8</td>
<td></td>
</tr>
<tr>
<td>Reduction due to reimbursement upon exercised awards</td>
<td>(8.0)</td>
<td>(8.0)</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(641.0)</td>
<td>183.6</td>
<td>(457.4)</td>
</tr>
<tr>
<td>At 31 December 2022</td>
<td>5,350.1</td>
<td>(1,531.2)</td>
<td>3,818.9</td>
</tr>
</tbody>
</table>

An impairment assessment was performed on the investments in subsidiaries at 31 December 2022 and 31 December 2021 with no impairment identified. The share price of Convatec Group plc at 31 December 2022 was £2.33 (2021: £1.93). The following UK subsidiaries are exempt from the requirement to file audited accounts by virtue of Section 479A of the Companies Act 2006.

Convatec Group Holdings Limited 12695869
Convatec International U.K. Limited 04622355
4. DEFERRED TAX ASSETS

Deferred tax assets mainly arise in relation to timing differences on the exercise of share-based awards, and taxable losses arising in the normal course of business.

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2021</td>
<td></td>
<td>2.7</td>
</tr>
<tr>
<td>Movement in income statement</td>
<td>(0.8)</td>
<td></td>
</tr>
<tr>
<td>Movement in other comprehensive income</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>At 31 December 2021</td>
<td></td>
<td>2.1</td>
</tr>
<tr>
<td>Movement in income statement</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td>Movement in other comprehensive income</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange</td>
<td></td>
<td>(0.2)</td>
</tr>
<tr>
<td>At 31 December 2022</td>
<td></td>
<td>2.6</td>
</tr>
</tbody>
</table>

The deferred tax asset consists of deferred tax on the following items:

- Share-based payments: $2.6 million (2021: $2.1 million)
- At 31 December: $2.6 million (2021: $2.1 million)

Deferred tax assets are only recognised where it is probable that future profit will be available to utilise the tax losses.

5. OTHER RECEIVABLES

Other receivables consist of amounts due from Group undertakings, other receivables and prepaid insurance.

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts falling due within one year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owed by Group undertakings</td>
<td>14.9</td>
<td>7.1</td>
</tr>
<tr>
<td>Other receivables</td>
<td>7.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Prepayments</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>22.4</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Included in the amounts owed by Group undertakings at 31 December 2022 are intercompany loans of $5.7 million (2021: $1.5 million) with a variable interest rate set at a margin 10bps below SONIA. The loans are unsecured and are repayable on demand.

6. TRADE AND OTHER PAYABLES

Trade payables consist of amounts payable to third parties related predominantly to the Company's corporate responsibilities. Other payables represent amounts owed to Group undertakings, accruals and other taxation and social security.

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts falling due within one year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>0.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Other taxation and social security</td>
<td>1.2</td>
<td>1.0</td>
</tr>
<tr>
<td>Accruals</td>
<td>3.4</td>
<td>4.4</td>
</tr>
<tr>
<td></td>
<td>5.5</td>
<td>8.3</td>
</tr>
</tbody>
</table>

7. RESERVES

All reserve balances included in this note are components of Equity and are non-distributable.

Share capital, share premium and own shares
Details of the Company's share capital, share premium and own shares are detailed in Note 17 - Share capital and reserves to the Consolidated Financial Statements.

Merger reserve
The merger reserve represents the fair value in excess of the par value of shares issued as part of a share exchange upon incorporation of the Company.

Currency translation reserve
The currency translation reserve comprises the exchange differences arising on the translation of the assets and liabilities of the Company into US dollars at the prevailing balance sheet rate and income and expense items being translated at the average exchange rates for the period.

Other reserves
Other reserves are in respect of movements on equity-settled share-based payments.

8. DISTRIBUTABLE RESERVES

As the Company is a holding company with no direct operations, the capacity of the Company to make dividend payments is primarily derived from dividends received from subsidiary companies.

The retained surplus ($1,562.9 million (2021: $1,590.3 million)) of the Company equates to the distributable reserves. Details of the considerations and rationale for the distribution of dividends are given in the Directors' report on page 162.

9. FINANCIAL GUARANTEES

The Company has guaranteed certain external borrowings of subsidiaries which at 31 December 2022 amounted to $1,227.2 million (2021: $1,357.9 million).

10. SUBSEQUENT EVENTS

On 1 March 2023, the Board proposed the final dividend in respect of 2022 subject to shareholder approval at the Annual General Meeting on 18 May 2023, to be distributed on 25 May 2023. See Note 18 - Dividends to the Consolidated Financial Statements for further details.
Non-IFRS financial information or alternative performance measures (APMs) are those measures used by management on a day-to-day basis in their assessment of profit and performance and comparison between periods. The adjustments applied to IFRS measures reflect the effect of certain cash and non-cash items that the Board believes distort the understanding of the quality of earnings and cashflows as, by their size or nature, they are not considered part of the core operations of the business. Adjusted measures also form the basis for performance measures for remuneration, e.g. adjusted operating profit. For further information see pages 225 to 228.

The APMs used include adjusted gross profit, adjusted general & administration expenses, adjusted selling & distribution expenses, adjusted operating profit, EBITDA, adjusted EBITDA, adjusted net finance expenses, adjusted non-operating expenses, adjusted net profit, adjusted earnings per share, adjusted working capital, adjusted cash conversion, adjusted free cash flow and net debt. Reconciliations for these adjusted measures determined under IFRS are shown on pages 226 to 228. The definitions of adjusted measures are as calculated within the reconciliation tables.

It should be noted that the Group’s APMs may not be comparable to other similarly titled measures used by other companies and should not be considered in isolation or as a substitute for the equivalent measures calculated and presented in accordance with IFRS.

In determining whether an item should be presented as an allowable adjustment to IFRS measures, the Group considers items which are significant either because of their size or their nature and arise from events that are not considered part of the core operations of the business. These tend to be one-off events but may still cross more than one accounting period. Recurring items may be considered in respect of the amortisation of acquisition-related intangibles in assets in order to provide comparability between peer groups where such assets may have been internally generated and therefore, are not reflected on that company’s balance sheet with a resulting amortisation charge.

If an item meets at least one of these criteria, the Board, through the Audit and Risk Committee, then exercises judgement as to whether the item should be classified as an allowable adjustment to IFRS performance measures.

Adjustments to derive adjusted operating profit, excluding the impact of tax, for the years ended 31 December 2022 and 2021 include the following costs:

- Amortisation of intangible assets in respect of material acquisitions ($33.1 million and $33.4 million respectively)
- Costs incurred in respect of acquisition and divestiture activities ($56.6 million and $71.8 million respectively)
- Impairment of intangible assets from material acquisitions ($1.4 million and $nil respectively)
- Termination costs in respect of the Group’s transformation programme and exit from hospital care business and related industrial sales activities ($7.1 million and $4.3 million respectively)
- Litigation expenses arising on matters deemed outside the ordinary course of business ($nil and $5.6 respectively)

The tax effect of the adjustments is reflected in the adjusted tax expense to remove the tax impact from adjusted net profit and adjusted earnings per share.

Adjusted EBITDA, which is used to calculate the metric of adjusted cash conversion and adjusted working capital, is calculated by adding back share-based payments to adjusted operating profit, together with the annual depreciation, amortisation charge and impairment/write-off of assets not already removed within the adjusted operating profit.
Reconciliation of earnings to adjusted earnings for the years ended 31 December 2022 and 2021

<table>
<thead>
<tr>
<th>Year ended 31 December 2022</th>
<th>Revenue $m</th>
<th>Gross profit $m</th>
<th>Operating costs $m</th>
<th>Operating profit $m</th>
<th>Finance expense, net $m</th>
<th>Non-operating expense $m</th>
<th>PBT $m</th>
<th>Income tax $m</th>
<th>Net profit $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>As reported</td>
<td>2,072.5</td>
<td>1,003.9</td>
<td>(896.6)</td>
<td>207.3</td>
<td>(57.7)</td>
<td>(57.7)</td>
<td>81.9</td>
<td>81.9</td>
<td>62.9</td>
</tr>
<tr>
<td>Amortisation of acquired intangibles</td>
<td>-</td>
<td>116.1</td>
<td>19.7</td>
<td>131.3</td>
<td>-</td>
<td>-</td>
<td>131.3</td>
<td>131.3</td>
<td>102.1</td>
</tr>
<tr>
<td>Acquisition-related costs</td>
<td>-</td>
<td>8.7</td>
<td>8.2</td>
<td>16.9</td>
<td>15.6</td>
<td>29.5</td>
<td>62.0</td>
<td>31.5</td>
<td>58.5</td>
</tr>
<tr>
<td>Divestiture-related costs</td>
<td>-</td>
<td>16.6</td>
<td>23.1</td>
<td>39.7</td>
<td>-</td>
<td>-</td>
<td>14.2</td>
<td>15.9</td>
<td>46.1</td>
</tr>
<tr>
<td>Termination benefits and related costs</td>
<td>-</td>
<td>4.8</td>
<td>2.3</td>
<td>7.1</td>
<td>-</td>
<td>-</td>
<td>7.1</td>
<td>(1.2)</td>
<td>5.9</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>-</td>
<td>-</td>
<td>1.4</td>
<td>1.4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total adjustments including tax effect</td>
<td>-</td>
<td>141.7</td>
<td>54.7</td>
<td>196.4</td>
<td>15.6</td>
<td>43.7</td>
<td>255.7</td>
<td>(41.7)</td>
<td>214.0</td>
</tr>
<tr>
<td>Other discrete tax items</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(20.1)</td>
<td>(20.1)</td>
<td>(20.1)</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted</td>
<td>2,072.5</td>
<td>1,245.6</td>
<td>(841.9)</td>
<td>403.7</td>
<td>(52.1)</td>
<td>(14.0)</td>
<td>337.6</td>
<td>(80.8)</td>
<td>256.8</td>
</tr>
</tbody>
</table>

Adjusted EBITDA: $500.0

Reconciliation of earnings to adjusted earnings for the years ended 31 December 2021 and 2020

<table>
<thead>
<tr>
<th>Year ended 31 December 2021</th>
<th>Revenue $m</th>
<th>Gross profit $m</th>
<th>Operating costs $m</th>
<th>Operating profit $m</th>
<th>Finance expense, net $m</th>
<th>Non-operating expense $m</th>
<th>PBT $m</th>
<th>Income tax $m</th>
<th>Net profit $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>As reported</td>
<td>2,038.3</td>
<td>1,123.1</td>
<td>(919.5)</td>
<td>203.6</td>
<td>(43.5)</td>
<td>(8.8)</td>
<td>151.3</td>
<td>133.7</td>
<td>117.6</td>
</tr>
<tr>
<td>Amortisation of acquired intangibles</td>
<td>-</td>
<td>109.5</td>
<td>20.9</td>
<td>130.4</td>
<td>-</td>
<td>-</td>
<td>150.4</td>
<td>(10.8)</td>
<td>119.6</td>
</tr>
<tr>
<td>Acquisitions and divestitures</td>
<td>-</td>
<td>17.8</td>
<td>17.8</td>
<td>17.8</td>
<td>-</td>
<td>-</td>
<td>17.8</td>
<td>17.8</td>
<td>17.8</td>
</tr>
<tr>
<td>Termination benefits and related costs</td>
<td>-</td>
<td>0.7</td>
<td>3.6</td>
<td>4.3</td>
<td>-</td>
<td>-</td>
<td>4.3</td>
<td>(0.7)</td>
<td>3.6</td>
</tr>
<tr>
<td>Litigation expenses</td>
<td>-</td>
<td>-</td>
<td>5.6</td>
<td>5.6</td>
<td>-</td>
<td>-</td>
<td>5.6</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Total adjustments including tax effect</td>
<td>-</td>
<td>110.2</td>
<td>47.9</td>
<td>158.1</td>
<td>-</td>
<td>-</td>
<td>158.1</td>
<td>(11.5)</td>
<td>146.6</td>
</tr>
<tr>
<td>Other discrete tax items</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1.2)</td>
<td>(1.2)</td>
<td>(1.2)</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted</td>
<td>2,038.3</td>
<td>1,233.3</td>
<td>(871.6)</td>
<td>361.7</td>
<td>(43.5)</td>
<td>(8.8)</td>
<td>309.4</td>
<td>(46.4)</td>
<td>263.0</td>
</tr>
</tbody>
</table>

Adjusted EBITDA: $464.2

Included within the amortisation of acquired intangibles of $131.3 million (2021: $130.4 million), $93.0 million (2021: $96.8 million) related to intangible assets arising from the spin-off from Bristow-Myers Squibb in 2008. The carrying amount of these intangible assets at 31 December 2022 was $330.2 million and will be fully amortised by 31 December 2026.

Acquisition-related costs of $62.0 million are directly related to potential and actual strategic transactions which have been executed, aborted or are in-flight and which seek to improve the strategic positioning of the Group. The majority of acquisition-related costs are in respect of the Triad Life Sciences acquisition, which included $2.4 million of legal and adviser’s fees, $23.7 million of remeasurement charge on contingent consideration, $15.3 million of discounting unwind and $8.7 million of inventory fair value uplift release. The net cash impact in relation to acquisition-related costs was $2.9 million.

Divestiture-related costs of $53.9 million are mainly related to the phased exit from the low margin hospital care business and industrial sales portfolio, and include the impairment of intangible assets and property, plant and equipment, write-off of inventories, and contract exit costs (refer to Note 27 - Divestitures). The net cash impact in relation to divestiture-related costs was $2.1 million.

Termination benefits and related costs of $7.1 million, pre-tax, are primarily in respect of the severance costs from the Group’s withdrawal from its hospital care and industrial sales portfolio. The net cash impact of these costs was $10.3 million.

Of the total net cash impact of $15.3 million as presented above, $4.2 million related to accruals recorded in the prior year.

Impairment of assets of $1.4 million relates to a legacy acquisition-related customer relationship asset which was impaired as part of rationalisation of activities in the portfolio.

Other discrete tax items in 2022 relate to the tax benefit from the recognition of deferred tax assets following the acquisition of Triad Life Sciences. In 2021, other discrete tax items related to the tax benefit of $6.8 million resulting from the recognition of deferred tax following the acquisition of Cure Medical, partly offset by a tax expense of $3.6 million relating to the revaluation of deferred tax liabilities on UK-acquired intangibles as a result of the increase in the UK corporation tax rate from April 2023. For further details on deferred taxation see Note 6 – Income taxes to the Consolidated Financial Statements.

Reconciliation of operating costs to adjusted operating costs for the years ended 31 December 2022 and 31 December 2021

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>Operating costs $m</th>
<th>Adjusted operating costs $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>1,233.3</td>
<td>2,062.5</td>
</tr>
<tr>
<td>2021</td>
<td>1,233.3</td>
<td>2,072.5</td>
</tr>
</tbody>
</table>

Adjusted operating costs include: Acquisition-related costs of $62.0 million, Divestiture-related costs of $53.9 million, Impairment of assets of $7.1 million, and Other discrete tax items of $4.2 million.
Financial statements

Net debt (excluding lease liabilities)/adjusted EBITDA

Interest-bearing liabilities net of cash

Net cash generated from operations

Net cash from cash conversion

Free cash flow (post-tax)

Reconciliation of adjusted net cash and adjusted free cash flow (to calculate adjusted cash conversion)

Adjusted EBITDA

Net cash for cash conversion

Net cash for cash conversion

Reconciliation of adjusted working capital

Working capital movement

Decrease in termination benefits

Increase in respect of acquisitions and divestitures

Adjustment working capital movement

Net debt

Net debt is calculated as the carrying value of current and non-current borrowings (Note 21 - Borrowings), net of cash and cash equivalents (Note 22 - Cash and cash equivalents) and excluding lease liabilities.

2022 $m 2021 $m

Operating profit
207.3 203.6

Depreciation of property, plant and equipment
39.7 40.6

Depreciation of right-of-use assets
22.7 22.8

Amortisation of intangible assets
167.4 147.2

Impairment/write-off of intangible assets and property, plant and equipment
15.5 5.9

EBITDA
432.0 420.1

Net cash from cash conversion
240.3 306.5

Income taxes paid
(52.9) (59.2)

Free cash flow (post-tax)
187.4 247.3

Reconciliation of adjusted net cash and adjusted free cash flow (to calculate adjusted cash conversion)

Net cash for cash conversion
240.3 306.5

Non-operating (gain)/loss on foreign exchange forward contracts
0.4

Acquisitions and divestitures adjustments
50.0 33.0

Termination benefits and related costs adjustments
10.2 8.4

Litigation costs adjustments
5.6

Adjusted net cash for cash conversion
255.5 333.9

Income taxes paid
(52.9) (59.2)

Adjusted free cash flow (post-tax)
202.6 274.7

EBITDA
432.0 420.1

Adjusted EBITDA
500.0 464.2

Cash conversion
55.6% 75.0%

Adjusted cash conversion
91.1% 71.9%

Subsidiary and related undertakings

Details of the Company’s subsidiaries and associated undertakings at 31 December 2022 are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Place of business and registered office</th>
<th>Portion of ownership interest</th>
<th>Portion of voting power held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aker’s &amp; Dickinson Limitedd</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Allied Medical (UK) Services Limitedc</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Alphaplus (Medical &amp; Surgical) Limitedd</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Amcare Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Arthur Wood Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>B.C.A. Direct Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Bradgate-Unitech Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ConvaTec Accessories Limitedd</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ConvaTec Holdings UK Limitedc</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ConvaTec Specialty Fibres Limitedd</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ConvaTec International U.K. Limitedd</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ConvaTec Limitedd</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Farnhurst Medical Limitedd</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Lance Blades Limitedd</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>H.S.B. Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Needle Industries (Sheffield) Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Nottingham Medical Equipment Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Novacare UK Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Pharma-Plast Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Reusis Positive Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Rotas Razor Company Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Shrimpton &amp; Fletcher Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Steriseal Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>SureCalm Healthcare Holdings Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>SureCalm Healthcare Ltd</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>SureCalm Pharmacy Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Unomedical Developments Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Unomedical Holdings Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Unomedical Limited</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Unoplast (U.K.) Limitedd</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ConvaTec Finance Holdings Limitedd</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ConvaTec Management Holdings Limitedd</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ConvaTec Group Holdings Limitedc</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ConvaTec Services Limited (Dissolved)d</td>
<td>United Kingdom</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Citron Healthcare Limitedd</td>
<td>Jersey</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ConvaTec Healthcare Ireland Limitedd</td>
<td>Ireland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
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<tr>
<td>Name</td>
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<td>Portion of voting power held</td>
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<tr>
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<td>Convatec (Thailand) Co. Limited</td>
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<td>ZAO Convatec</td>
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<td>Convatec Korea, Ltd.</td>
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<td>Technologies Inc.</td>
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<td>Personally Delivered, Inc.</td>
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INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CONVATEC GROUP PLC

Report on the audit of the Financial Statements

1. Opinion

In our opinion:

- the Financial Statements of Convatec Group Plc (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 “Reduced Disclosure Framework”; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have audited the Financial Statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Company Statements of Financial Position;
- the Consolidated and Company Statements of Changes in Equity;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 30 of the Consolidated Financial Statements and Notes 1 to 10 of the Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council’s (the ‘FRC’) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and the Company for the year are disclosed in note 3 to the Financial Statements. We confirm that we have not provided any non-audit services prohibited by the FRC’s Ethical Standard to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

In the current year, we have identified the following key audit matters:

- Acquisition of Triad Life Sciences Inc;
- Accounting for the exit of hospital care and related industrial sales activities; and
- Revenue recognition across key markets.

Further explanation of the reasons these have been assessed as key audit matters is provided in Section 5.

In 2021, we identified four key audit matters, none of which have been identified as continuing in the current year. These included: (i) changes in cash-generating unit (“CGU”) groups and reallocation of goodwill, for which there were no CGU changes in 2022 (ii) Taxation – uncertain tax positions (UTPs) in connection with transfer pricing arrangements which we did not identify as a significant risk in 2022 (iii) Identification and valuation of adjusting items reported within Alternative Performance Measures (“APMs”), where management policy for APMs is embedded and is no longer deemed to be a key audit matter, and (iv) acquisition accounting of Cure Medical LLC - focusing on the intangible asset valuation which is non recurring in nature.

Materiality

The materiality that we used for the Group Financial Statements was £9.8m which was determined based on adjusted profit before tax.

Scoping

Combined, we performed audit procedures across fourteen countries accounting for 82% of revenue, 88% of profit before tax and 81% of net assets.

Significant changes in our approach

In addition to changes in key audit matters discussed above, our audit approach for 2022 changed in response to management’s decision to centralise certain finance processes in the Group’s Global Business Services “GBS” hub which is a shared service centre located in Lisbon, Portugal. In line with the considerable extent of finance processes transitioned from the markets to Lisbon, we delivered a significant proportion of the component audits from GBS.

4. Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Our evaluation of the Directors’ assessment of the Group’s and the Company’s ability to continue to adopt the going concern basis of accounting included:

- Evaluating the recently completed financing facilities including nature of facilities, repayment terms and covenants;
- Assessing the appropriateness of underlying assumptions used in the forecasts and historical forecasting accuracy;
- Evaluating level of headroom in the forecasts (cash and covenants); and
- Applying sensitivity analysis to forecasting models.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors’ statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.
Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for the year ended 31 December 2022 and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on, the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Acquisition of Triad Life Sciences Inc.

Key audit matter description

In March 2022, the Group completed the acquisition of 100% of the issued share capital of Triad Life Sciences Inc. ("Triad") - a company based in Memphis, Tennessee for a consideration of $281.0 million. The acquisition resulted in the recognition of identifiable product related intangible assets of $154.8 million and goodwill of $129.9 million.

Key observations

Key judgements related to the acquisition included:

- The valuation of intangible assets identified and resulting goodwill. Management used a third party expert to assist with the valuation of the acquired intangibles;
- The valuation of contingent consideration payable. Triad was acquired early in its business lifecycle and a key judgement at acquisition and at 31 December 2022 related to the fair value of contingent consideration payable;
- Following cash milestone payments in the year totalling $50.0m, at 31 December 2022, $150.8 million was estimated as the remaining contingent consideration which is included within provisions. The range of reasonably possible discounted outcomes within the next financial year is between $85.2 million and $230.8 million, compared to a maximum remaining undiscounted contingent consideration of $275.0 million over the earn out period to 31 March 2024.

The valuation of contingent consideration has been disclosed as a “Critical accounting judgement and a key source of estimation uncertainty” within Note 1.4 to the Consolidated Financial Statements. Full details in relation to the acquisition accounting are included within Note 26. The Audit and Risk Committee include their assessment of this key audit matter on page 129.

How the scope of our audit responded to the key audit matter

We performed the following procedures in respect of this key audit matter:

- We obtained an understanding of the relevant controls over the acquisition accounting, including the determination of contingent consideration and the fair valuation of intangible assets arising on acquisition;
- We reviewed the significant terms of the acquisition within the sale and purchase agreement;
- We assessed the competence, capability, and objectivity of management’s expert;
- With involvement of our internal valuation experts, we evaluated management’s assumptions and the appropriateness and application of the valuation methodology;
- We assessed performance and budgeting accuracy since acquisition to evaluate whether the forecasts that underpin the valuation of intangibles arising on acquisition were reasonable.
- We assessed the accuracy of the revenue used in the calculation of contingent consideration, including verification of a sample of actual revenue transactions for FY22 and evaluation of forecasts for the remainder of the earn out period to 31 March 2024.
- We evaluated the appropriateness of the disclosures in the Financial Statements including the disclosure as a key source of estimation uncertainty.

Key observations

We conclude the fair values of the goodwill and product related intangible assets recognised on acquisition to be appropriate. We are satisfied the assumptions used in the valuation of the discounted fair value of the contingent consideration are within an acceptable range and reasonable. We consider the disclosures in relation to the acquisition and the range of possible outcomes to the earn out to be appropriate.

5.2. Accounting for the exit of hospital care and related industrial sales activities.

Key audit matter description

In May 2022, the Group announced the decision to withdraw from its hospital care activities and related industrial sales by the end of 2022.

As a result of the exit, the Group has recognised $46.7m of costs of which $25.8m relates to impairments of product related intangibles, inventory and property, plant and equipment (“PPE”). The exit costs also included $7.3 million of severance costs, $6.9 million on estimated contract exit costs and $6.7m of legal and closing down costs.

The completeness of the accounting for the exit has been identified as a key judgement as this has an impact on the accuracy and reasonability of provisions recognised as well as the appropriateness of disclosures in the annual report and accounts.

The related disclosure is included within Note 27. The Audit and Risk Committee included their assessment of this risk on page 129. For specific detail on the Group’s accounting policy, please see Note 215.

How the scope of our audit responded to the key audit matter

We performed the following procedures in respect of this key audit matter:

- We obtained an understanding of the relevant controls related to the identification and quantification of impairments and contract exit costs associated with the exit;
- We assessed the accuracy and completeness of management’s impairments relating to intangible assets and property plant and equipment based on the assets previously used in the hospital care and industrial sales activities;
- We have assessed the inventory write down and provision by substantively testing the post year-end sales and orders to ensure the accuracy and completeness of the provision.
- We tested the severance costs substantively by agreeing a sample of the costs to correspondence with the employees and to payment;
- We held direct discussions with Convatec’s internal and external legal advisors as well as operational leads to assess the level of provisioning for contract exit costs. In addition we reviewed the correspondence received in the year relating to this matter;
- We evaluated the appropriateness of the disclosures in the Financial Statements.

Key observations

We consider the accounting for the exit of hospital care and related industrial sales activities to be reasonable and complete. We are satisfied the disclosures made in the Financial Statements are appropriate.

5.3. Revenue recognition across key markets.

Key audit matter description

The Group recorded revenue of $2,072.5m million for the year ended 31 December 2022 (31 December 2021: $2,038.3m) under IFRS 15: Revenue from contracts with customers.

As disclosed in Note 2.1 to the Financial Statements, the Group’s policy is to recognise revenue when control over a product has transferred, generally on delivery, to a customer, distributor or wholesaler. The Group measures revenue for goods sold based on the consideration specified in a contract with a customer, net of discounts, rebates, chargeback allowances and sales-related taxes. The UK, US and Denmark make up the Group’s key sales markets. Further information is included in the geographic segment information in Note 2.2.

As the audit of revenue is one of the key determinants of our overall audit strategy, revenue recognition has been included as a key audit matter. Significant allocation of audit resources as well as increased levels of direction and supervision of the components was required in the current year, partly as a result of the transfer of a number of processes to the Group’s Global Business Services centre.
How the scope of our audit responded to the key audit matter

We performed the following procedures in respect of this key audit matter:

- We completed walkthroughs of the revenue cycle to gain an understanding of the end-to-end revenue process and to evaluate relevant controls across the Group, and tested controls at the following components: the US, UK and Denmark;
- We tested the general IT controls, including three-way matching in SAP which is the main financial reporting system in the Group;
- We performed analytical reviews in certain components to identify any unusual sales trends and obtained an explanation for any such movements;
- We held direct enquiries with category and geographic market leaders, assessing changes in customer demand and new product introductions that might impact sales patterns;
- We performed detailed transaction testing on a sample basis, agreeing sales through to invoice, final sales contracts and delivery notes;
- We also reviewed a sample of distributor contracts to assess the terms of sale and to support recalculation of rebates and chargebacks associated with the revenue;
- We assessed whether the disclosures within the annual report and accounts are in compliance with the requirements of IFRS 15 Revenue from contracts with customers.

Key observations

We are satisfied that revenue recognised across key markets and the disclosures made are in compliance with the requirements of IFRS 15.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Group Financial Statements</th>
<th>Company Financial Statements</th>
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<tbody>
<tr>
<td>Basis for determining materiality</td>
<td>$9.8m (2021: $8.4m)</td>
<td>$5.9m (2021: $5.0m)</td>
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<tr>
<td>Rationale for the benchmark applied</td>
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PBT adjusted for certain items

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $0.5m (2021: $0.4m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.

<table>
<thead>
<tr>
<th>Performance materiality</th>
<th>Group Financial Statements</th>
<th>Company Financial Statements</th>
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<tbody>
<tr>
<td>Basis and rationale for determining performance materiality</td>
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6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $0.5m (2021: $0.4m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped on an entity level basis, assessing components against the risk of material misstatement at the Group level. We have also considered the quantum of Financial Statement balances and individual financial transactions of a significant nature. In performing our assessment, we have considered the geographical spread of the Group and any risks presented within each region.

Based on this assessment, we focused our work on thirteen (2021: thirteen) components covering seven (2021: eight) countries, 70% (2021: 72%) of revenue, 83% (2021: 83%) of profit before tax and 74% (2021: 77%) of net assets. All thirteen (2021: thirteen) components were subject to a full scope audit. The thirteen (2021: thirteen) components are in the United States of America, United Kingdom, Switzerland, Denmark, Germany, Italy and France, which include the principal operating units of the Group.

In addition, we have performed specified audit procedures in ten (2021: eight) components covering nine (2021: eight) countries, 12% (2021: 8%) of revenue, 5% (2021: 4%) of profit before tax, and 7% (2021: 6%) of net assets. The eleven (2021: eight) components are in the United States of America, Denemark, Spain, Canada, Brazil, the Dominican Republic, Japan, Australia and Slovakia.

In carrying out our work, we responded to management’s decision to centralise finance processes in the GBS hub. In line with the considerable extent of finance processes transitioned from the markets to Lisbon, we delivered a significant proportion of the component audits from GBS whilst providing direction and exercising supervision of component work at the Group level. We centrally determined the scope of the audit procedures executed by component audit teams and at the GBS.
Our consideration of the control environment

Our audit approach is evolving alongside management’s plans to continue the positive organisational and cultural change in the Group and our oversight role. The audit risk profile, and the risks associated with the Group's financial statements, remains largely substantive, we have increased our focus on control testing performed on the control environment in 2022, focussing on enhancing our understanding of the group and the controls in the standardisation by testing the relevant controls for processes that have transitioned to the shared service centre.

For components we identified relevant IT systems for our audit work, we obtained an understanding of relevant IT controls and tested the general IT controls for some operating companies within the scope of our engagement. We performed focused controls tests on the main financial reporting and shared service centre and used the results of this work as part of our Group reporting and to support the components reporting under local statutory requirements.

Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group’s business and its Financial Statements. The Group has reassessed the risk and opportunities relevant to climate change and the environment. Risk and opportunities relevant to climate change and the environment are as follows:

- The Group’s businesses, its core strategy and operations in Denmark, the United States of America, GBS in Portugal, and the UK. Considering the new GBS centre, we increased the frequency of interactions with management and component teams during the planning and audit execution phases. The shared service centre audit represented a substantial change to our planned approach from the prior year.

- Members of the Group engagement team responded to this change by investing significant effort in directing, supervising and reviewing the work of the GBS audit team in Lisbon, with visits to Lisbon through the year and regular virtual meetings.

8. Other information

Other information comprises the information included in the annual report, other than the Financial Statements and our auditor’s report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the Financial Statements (Auditors’ Report)

We have performed our own qualitative risk assessment of the potential impact of climate change on the Group’s accounts and classes of transactions and did not identify any additional risks of material misstatement. Our procedures include reviewing disclosures included in the Strategic Report to consider whether they are materially inconsistent with the Financial Statements and our knowledge obtained in the course of the audit. If any inconsistency appears to be materially misstated, we determine whether this gives rise to a material misstatement in the Financial Statements. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

As a part of our audit procedures, we have considered the potential impact of climate change on the Group’s business and its Financial Statements. This has been considered and embedded at the same level as the prior year and in line with the Group’s response to climate change.

Our approach to risk assessment is informed by our consideration of the risk of fraud, including the potential for fraud to result in material misstatement.

We have performed focused tests on the main financial reporting and shared service centre and used the results of this work as part of our Group reporting and to support the components reporting under local statutory requirements.

Our risk assessment included the following:

- the nature of the industry and sector under which the Group operates, including fraud risk; and
- the potential impact of fraud on the Financial Statements and the audit committee.

As part of our audit procedures, we have reviewed the independent auditor’s report that contains an expression of an unqualified opinion on the Financial Statements and related financial information included in the annual report. The Directors are responsible for the financial information and, except to the extent covered by the report of the independent auditor, the Directors determine whether this gives rise to a material misstatement of the other information and, except to the extent covered by the report of the independent auditor, we are required to report that fact.

As a result of these procedures, we have considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the accounting for the exit in hospital care and related industrial sales activities.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of local laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Group’s ability to conduct its business activities. These included the Food and Drug Administration (FDA) and the Medical Devices Regulation (MDR).

11.2 Audit response to risks identified

As a result of performing the above, we identified the accounting for the exit from the hospital care and related industrial sales activities as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks included the following:

- reviewing the financial statement disclosures and testing to support documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- ensuring of management, the audit committee and both in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with HMRC;
- in assessing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the results of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified risks and regulatory and potential fraud risks to all engagement team members including internal specialists and component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

As part of our audit procedures, we have reviewed the independent auditor’s report that contains an expression of an unqualified opinion on the Financial Statements and related financial information included in the annual report. The Directors are responsible for the financial information and, except to the extent covered by the report of the independent auditor, we are required to report that fact.

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In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Group’s ability to conduct its business activities. These included the Food and Drug Administration (FDA) and the Medical Devices Regulation (MDR).

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In addition to the above, our procedures to respond to risks included the following:
12. Matters on which we are required to report by exception
14.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us for all the Company’s Financial Statements and are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters

14.2 Directors’ remuneration

Under the Companies Act 2006 we are also required to report to you if in our opinion certain disclosures of Directors’ remuneration have not been made or the part of the Directors’ remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters

15. Other matters which we are required to address

15.1 Audit tenure

Following the recommendation of the audit committee, the Directors have appointed by the Directors to audit the Financial Statements for the year ending 31 December 2016 and subsequent financial periods. The period of ten years is consistent with the provisions of the UK Corporate Governance Code with the provisions of the UK Corporate Governance Statement to going concern, longer-term risk and the Directors’ statement in relation to going concern.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with IAS (UK).

16. Use of our report

This report is made solely to the company’s members, as a body, in accordance with Part 1 of Section 143 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members whether those matters are those we are required to state to them in our auditor’s report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.1R, these Financial Statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This audit report provides no assurance whether the overall annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Claire Faulkner, FCA
Senior statutory auditor
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
8 March 2023

Basis of reporting for metrics whose 2022 progress metrics underwent a formal assurance process as listed on page 74, as well as voluntary turnover and include all input from customers that is calculated as the number of CPM during 1 January 2022 through 31 December 2022. CPM is calculated as the number of complaints received divided by the number of sales for the given period. Based on our audit for 2023, we have formed.

Overview

1. Quality: Matched to quality metrics to industry standards and our continued focus on product safety. New: Q2 (end of December 2022) to ensure metrics cover both product quality and safety aspects.

New: Reduce our complaints per million (CPM) by 8% for 2023 (calculated as CPM during 1 January 2023 through to 31 December 2023) against a 2022 baseline (calculated as CPM during 1 January 2022 through to 31 December 2022). CPM is calculated as the number of complaints received divided by the number of sales for the given period, multiplied by one million, rounded to the nearest whole number. Complaints include all input from customers that meet the criteria of a complaint, as defined in our procedures, and are received primarily via customer service and sales channels. All ComEx members have the responsibility to report a complaint at any time when interacting with anyone that has used our products.

2. Product vitality: Improve Vitality Index to 30% by Q4 2023 (end of December 2022). Vitality index is defined as the percentage of revenues that are generated from new or significantly upgraded products, or for a new product’s Bill of Materials against a 2022 baseline (calculated as CPM during 1 January 2022 through 31 December 2022). New: Improve use of GDG digital assets by deploying new product launches assessed by Q4 2023. Strategic projects are defined as current or future prioritised projects.

5. Diversity, Equity & Inclusion and Wellbeing

5.1 Reach at least 40% females among senior management roles combined by Q4 2024 (end of December 2024). New: Increase our Operations Hazard Observation Rate to below 0.22 per 200,000 hours worked by Q4 2022 (end of December 2022). Operations comprise our nine manufacturing locations, with the rate normalised per 200,000 hours worked, during calendar year 2022. New: Increase our Operations Hazard Observation Rate to below 0.22 per 200,000 hours worked, during calendar year 2022. LTR is defined as per OSHA definitions.

4.1 Increase our Operations Hazard Observation Rate (LTR) to below 0.22 by Q4 2023, with a target of at least 22 per 200,000 hours worked, during calendar year 2022. LTR is defined as per OSHA definitions.

4.2 Reduce Operations Lost Time Injury Rate (LTR) to below 0.22 by Q4 2023, with a target of at least 22 per 200,000 hours worked, during calendar year 2022. LTR is defined as per OSHA definitions.

2. Product vitality: Improve Vitality Index to 30% by Q4 2023 (end of December 2022). Vitality index is defined as the percentage of revenues that are generated from new or significantly upgraded products, or for a new product’s Bill of Materials against a 2022 baseline (calculated as CPM during 1 January 2022 through 31 December 2022). New: Improve use of GDG digital assets by deploying new product launches assessed by Q4 2023. Strategic projects are defined as current or future prioritised projects.

New: Improve use of GDG digital assets by deploying new product launches assessed by Q4 2023. Strategic projects are defined as current or future prioritised projects.
10. Science Based Target commitment:

10.1 Set quantitative Science Based Targets (SBT) for Scope 1 and 2 emissions, against a 2021 baseline, by Q4 2022 (end of December 2022). Set specific targets for 2023-25 on reach and impact. Contributions may include monetary and in-kind donations or other types of partnerships.

New: Continue to expand the reach of our HCP education programmes, including through the development of a global medical education digital platform and re-categorisation of activity to improve impact by Q4 2023. Expansion may include unique number of HCPs touched, number of programs, depth of programming, and geographic reach.

10.2 Set quantitative targets for Scope 3 GHG emissions, against a 2021 baseline, aligned with the SBT criteria by Q4 2022. Set aligned SBTs for Scope 3, utilising the SBT (1.5°C) calculation tool, to predict expected verified SBTIs at the end of Q4 2022.

New: Reduce our combined Scope 1 and 2 GHG emissions by 70% in line with our SB Ts by 2045. This includes reducing all value chain carbon emissions (Scope 1, 2 & 3) in line with SBT 1.5°C targets by 2036, with defined five-year milestone targets developed by Q4 2022 aligned to SBT. All value chain emissions will be reduced to zero by beginning of Q4 2045.

2. Complete the Scope 3 materiality assessment and develop the measurement strategy by Q4 2022, with the intention of publishing our Scope 3 greenhouse gas (GHG) inventory by Q4 2023. Analyse existing data available for all 15 categories of Scope 3 emissions and determine a measurement strategy to determine a full GHG inventory for material Scope 3 emissions in 2023.

New: Contribute at least $2 million in cash and in-kind support to our community partners to improve lives by Q4 2025. Cash contributions are valued at face value; product donations are calculated at regional commercial value. Lives touched include immediate contact as well as number of individuals supported by trained healthcare professionals (HCP) during the reporting period, Q1 2023 to Q4 2023.

11. Community contributions:

11.1 Establish new NGO partnerships and funding commitments by Q4 2022 (end of December 2022). Partnerships are formalised via Letters of Agreement and may involve product or monetary donations, in-kind support, volunteering; or other means of cooperation.

New: Please note that, if you wish to purchase shares in the Company, you may do so through a bank or stockbroker. Alternatively, please go to www.computershare.com/dealing/uk for a range of dealing services made available by Computershare; this service is only available to shareholders in the UK. This service provides shareholders with a convenient way to buy or sell the Company’s ordinary shares on the London Stock Exchange. The commission is 1.4%, subject to a minimum charge of £40. In addition, stamp duty, currently 0.5%, is payable on purchases. Real-time dealing is available during market hours. In addition, there is a convenient facility to place your order outside of market hours. Contribute at least $2 million in cash and in-kind support to our community partners to improve lives by Q4 2025. Cash contributions are valued at face value; product donations are calculated at regional commercial value. Lives touched include immediate contact as well as number of individuals supported by trained healthcare professionals (HCP) during the reporting period, Q1 2023 to Q4 2023.

11.2 Contribute responsibly to a range of HCP and patient education programmes by Q4 2022 (end of December 2022). Set specific targets for 2023-25 on reach and impact. Contributions may include monetary and in-kind donations or other types of partnerships.

New: Please note that, if you wish to purchase shares in the Company, you may do so through a bank or stockbroker. Alternatively, please go to www.computershare.com/dealing/uk for a range of dealing services made available by Computershare; this service is only available to shareholders in the UK. This service provides shareholders with a convenient way to buy or sell the Company’s ordinary shares on the London Stock Exchange. The commission is 1.4%, subject to a minimum charge of £40. In addition, stamp duty, currently 0.5%, is payable on purchases. Real-time dealing is available during market hours. In addition, there is a convenient facility to place your order outside of market hours.

Shareholder information

Our corporate website: www.convatecgroup.com

Information about our Stock Exchange announcements, key dates in our financial calendar, our share price information and background information is available on our corporate website at www.convatecgroup.com/investors.

The date for the release of our interim results for the six months ended 30 June 2023 will be posted in due course on our website.

Shareholders may also receive information by email by signing up to the news alert service available at www.convatecgroup.com/investors/ sign-up-for-more-information.

Share price information

Our closing share price as at 31 December 2022 was £23.60p.

Managing your shareholding

You can manage your shareholding online by registering to use Investor Centre, a free and secure website. Investor Centre is available 24 hours a day, 365 days a year. To find out more about Investor Centre visit www.investorcentre.co.uk. Registration is a straightforward process and all you will need is your shareholder reference number (SRN) and registered address details.

Shareholders who prefer not to manage their shareholding online can contact their Registrars, Computershare Investor Services PLC, who manage our share register. The shareholder helpline number is +44 (0) 370 703 6219 and further information about Computershare Investor Services PLC is set out below.

Internet share dealing

Please note that, if you wish to purchase shares in the Company, you may do so through a bank or stockbroker. Alternatively, please go to www.computershare.com/dealing/uk for a range of dealing services made available by Computershare; this service is only available to shareholders in the UK. This service provides shareholders with a convenient way to buy or sell the Company’s ordinary shares on the London Stock Exchange. The commission is 1.4%, subject to a minimum charge of £40. In addition, stamp duty, currently 0.5%, is payable on purchases. Real-time dealing is available during market hours.

Share fraud

We would like to warn all of our shareholders to be very wary of any unsolicited telephone calls or letters which offer investment advice, offer to buy your shares at a discounted price, or sell them at an inflated price or offers free company reports. This type of call should be treated as an investment scam. Further information about investment scams and how they should be reported is available at www.convatecgroup.com/investors/ shareholder-services/.

Company Secretary and registered office

Evelyn Douglas
3 Forbury Place
23 Forbury Road
Reading RG1 3JH

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgewater Road
Bristol, BS3 1AF
Telephone +44 (0) 370 703 6219
Email www.investorcentre.co.uk/contact

Auditor
Deloitte LLP

Brokers
Citigroup Global Markets Limited
UBS Limited

Solicitors
Freshfields Bruckhaus Deringer LLP
Adjusted cash flow

Adjusted net cash generated from operations, net of PP&E and tax paid.

Adjusted or alternative performance measures (APMs)

Financial measures in this Annual Report and Accounts that are not prepared in accordance with IFRS and are intended as meaningful supplement to the IFRS measures provided.

Advanced Wound Care (AWC)

Advanced wound management products for the management of acute and chronic wounds resulting from ongoing conditions such as diabetes and acute conditions resulting from traumatic injury and burns.

AGH

Annual General Meeting of the Company.

AIA

Annual Report and Accounts.

ARC

Audit and Risk Committee.

Articles

The Articles of Association of the Company for the time being in force.

Base erosion and profit shifting (BEPS) initiative

OECD initiative which seeks to close gaps in international taxation for companies that allegedly avoid tax by shifting profits into tax havens.

Basic earnings per share

Net profit available for Convatec shareholders divided by the weighted average number of ordinary shares in issue during the period.

Basis points (bp)

One hundredth of a percentage point. Used, for example, in quoting movements in margin percentages.

BES

Business Expansion & Industrial Strategy.

Board

The Board of Directors or Convatec Group Plc.

Book tax rate

The tax charge in the income statement as a percentage of profit before tax.

Brexit

The UK’s withdrawal from the European Union.

Compound annual growth rate (CAGR)

CAGR shows the rate of growth over a certain period of time, expressed in annual percentage terms.

Capital expenditure (capex)

Purchases of property, plant and equipment and intangible assets.

Cash conversion

Cash generated from operations, net of PP&E divided by EBITDA.

Cash-generating units (CGUs)

The smallest identifiable groups of assets that generate cash flows that are largely independent of other assets or groups of assets.

CE mark

Certification mark that indicates conformity with health, safety and environmental protection standards for products sold within the European Economic Area.

CELT

Convatec Executive Leadership Team.

Code of Conduct

Our code of conduct which covers business conduct and compliance issues, including bribery and corruption.

COE

Centre of Excellence.

Companies Act


Company or parent company

Convatec Group Plc.

Constant currency growth

Constant currency growth is calculated by applying the applicable prior period average exchange rate changes to the Group’s actual performance in the respective periods.

Continence & Critical Care (CCC)

Products and services for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes, and devices and products used in intensive care units and hospital settings.

COSD

The Committee of Sponsoring Organisations, a global organisation providing a framework for risk management, internal control, governance and fraud deterrence.

COVID-19

Coronavirus disease 2019.

CR

Corporate responsibility.

Debt

Diversity, equity and inclusion.

Derivatives

Financial instruments used to reduce risk, the price of which is derived from an underlying asset, index or rate.

Diluted earnings per share

The calculation of diluted earnings per share includes the dilutive impact of share awards where the average market price of the Group’s ordinary shares exceeds the exercise price.

Director

A member of the Board of Directors of Convatec Group Plc.

Disclosure guidance and transparency rules (DTRs)

FCA disclosure guidance and transparency rules with which the Group must comply.

Dividend cover

Adjusted cash generated from operations, net of PP&E (see page 67) divided by dividend paid (dividend payable), excluding the effect of a scrap option.

EBITDA

Earnings before interest, tax, depreciation and amortisation.

Effective tax rate (ETR)

The tax charge in the income statement as a percentage of profit before tax.

ESG

Environmental, Social and Governance.

ESMA

European Securities and Markets Authority.

EU

The European Union.

EURIBOR

Euro interbank offered rate.

FCA

Financial Conduct Authority.

FDA

US Food and Drug Administration.

FRC


FX

Foreign exchange.

GGDs

Green Guidance Documents.

GHD

General Data Protection Regulation.

GHG emissions

Greenhouse gas emissions.

Group

The Group and its subsidiaries.

GPO

Group purchasing organisations.

H+S

Health and safety.

Home Services Group (HSG)

The Group’s home services business unit for distribution of catheter and ostomy products.

IASB

International Accounting Standards Board.

IFRS

International Financial Reporting Standards as issued by the IASB.

IBOR

Interbank Offered Rate.

IFRIC

International Financial Reporting Interpretations as issued by the IASB.

Infusion Care (IC)

Disposable infusion sets for diabetes insulin pumps, similar pumps used in continuous infusion treatments for conditions such as Parkinson’s disease and a range of products for medical and hospital healthcare markets.

Interest coverage ratio

Amortisation of debt, interest paid, net profit available for shareholders divided by EBITDA.

IP

Intellectual property.

IPSO

Pensions Ombudsman.

IRR

Internal rate of return.

IRFIC

International Financial Reporting Interpretations Committee.

KPI – Key Performance Indicators

Financial measures that the Group uses to assess performance and strategic progress.

Leverage

Net debt divided by covenant adjusted EBITDA.

MIP

Margin Improvement Programme.

Net debt

For comparison of cash and cash equivalents and non-current lease liabilities.

NRS

The UK National Health Service.

OECD

Organisation for Economic Co-operation and Development.

Opex

Operating expenses, being the total of selling and distribution expenses, general administrative expenses and research and development, and other operating expenses.

Organic growth

Period-over-period growth at constant currency, adjusted for Triad Life Sciences (March 2022), Cure Medical (March 2021) and Patient Care Medical (December 2021) acquisitions; Incentive discontinuance (December 2021) and, from May 2022, the discontinuation of hospital care, related industrial sales and associated Russia operations.

Organisational Health Index (OHI)

An index tracking the organisational elements that drive performance.

Ostomy Care (OC)

Devices, accessories and services for people with a stoma (outlet where bodily waste is discharged), commonly resulting from causes such as colorectal cancer, inflammatory bowel disease and bladder cancer.

PBT

Profit before tax.

PP&E

Property, plant and equipment.

Product categories

The Group has four product groups, being Advanced Wound Care, Ostomy Care, Continence & Critical Care and Infusion Care.

R&D

Research and development.
Cautionary statement regarding forward-looking statements

The purpose of this Annual Report is to provide information to the members of the Company. The Group and its Directors, employees, agents and advisers do not accept or assume responsibility to any other person to whom this Annual Report is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. In order, among other things, to utilise the “safe harbour” provisions of the US Private Securities Litigation Reform Act 1995 and the UK Companies Act 2006, we are providing the following cautionary statement: This Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group, including among other things, statements about expected revenues, margins, earnings per share or other financial or other measures. Forward-looking statements are generally identified by the use terms such as “believes”, “estimates”, “aims”, “anticipates”, “expects”, “intends”, “plans”, “predicts”, “may”, “will”, “could”, “targets”, “continues” or, in each case, their negatives or other similar expressions. These forward-looking statements include all matters that are not historical facts.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies that are difficult to predict and many of which are outside the Group’s control. As such, no assurance can be given that such future results, including guidance provided by the Group, will be achieved.

Third-party data

The industry and market data contained in this Annual Report has come from third-party sources and from the Group’s own internal research and estimates based on the knowledge and experience of the Group’s management in the market in which the Group operates. While the Group believes that such sources, research and estimates are reasonable and reliable, they have not been independently verified and are subject to change without notice. Accordingly, undue reliance should not be placed on any of the industry or market data in this Annual Report.

Convatec website

Information on or accessible through our website www.convatecgroup.com and other websites mentioned in this Annual Report, does not form part of and is not incorporated into this Annual Report.

Figures

Figures in parentheses in tables and in the Financial Statements are used to represent negative numbers.

Credits

Designed and produced by
Conran Design Group

Printed by
Pureprint Group, ISO14001, FSC® certified and CarbonNeutral®

This Annual Report is printed on Revive Silk 100 and Revive Offset 100 paper, manufactured from FSC® recycled certified fibre derived from 100% pre and post-consumer waste. Printed in the UK by Pureprint using its pureprint® environmental printing technology; and vegetable inks were used throughout. Pureprint is a CarbonNeutral® company. Both the manufacturing mill and the printer are registered to the Environmental Management System ISO14001 and are FSC® chain-of-custody certified.