Improving the lives of the people we touch
About this report

Our Purpose – “To improve the lives of the people we touch” – summarises the ambition we have to generate value for all of our stakeholders. This report provides information on how we are fulfilling that Purpose. For us, “the people we touch” refers to interactions with all our stakeholders whether as individuals or as part of organisations, and so, to that end, this report is aimed at informing, as a minimum, the following stakeholder groups:

- The people that use our products
- The employees that enable us to serve them
- The organisations that buy our products on behalf of product users
- The business partners that enable us to source, make and distribute our products
- The investors who provide capital and seek a return
- The governments who host our operations
- The regulators who monitor our performance
- The media and other opinion formers

Further information is provided on our corporate website at https://www.convatecgroup.com/corporate-responsibility/

Overall approach to corporate responsibility (“CR”)

Our overall approach to CR is aimed at supporting the delivery of our Purpose and can be summarised as:

- Identifying our key stakeholders (the people we touch), how they interact with our products, operations, activities and value chain, and the issues that are relevant to them
- Adopting a logical process for prioritising those issues, to identify the most material matters
- Responding to the priorities by developing appropriate strategies, policies, programmes and performance indicators, and reporting regularly and transparently on our progress

This report documents our performance across our most material issues.

Report scope

This CR Report covers the year to 31 December 2017 and all operations and activities under our control, throughout the year (except where otherwise stated). A full list of our subsidiaries is provided in our Annual Report and Accounts 2017 (our “Annual Report”) on pages 163 to 165). Further information on the basis of the preparation of this report, such as the recognised guidance on which this report has been developed, is provided on pages 43 to 45. Our most recent previous CR reporting was via our 2016 Annual Report (pages 44 to 49).

Where acronyms are not defined, please see the glossary on page 46.
ConvaTec is a global MedTech business, focused on the chronic care market, with leading positions in advanced wound care, ostomy care, continence & critical care and infusion devices.

**Advanced Wound Care (“AWC”)**
Our Advanced Wound Care franchise provides advanced wound dressings and skin care products. These dressings and products are used for the management of acute and chronic wounds resulting from ongoing conditions such as diabetes, immobility and venous disease, as well as acute conditions resulting from traumatic injury, burns, invasive surgery and other causes.

**Key brands**
- AQUACEL®
- AQUACEL® Ag+
- AQUACEL® Ag Foam
- Avelle™ System
- DuoDERM®
- Sensi-Care®
- Aloe Vesta®

**Key product**
AQUACEL® Ag+ Extra™
Dressings
Our patented AQUACEL® Ag+ Extra™ dressings are antimicrobial for use in wounds that are infected or at risk of infection.

**Ostomy Care**
Our Ostomy Care franchise provides devices, accessories and services for people with a stoma (a surgically-created opening where bodily waste is discharged), commonly resulting from colorectal cancer, inflammatory bowel disease, bladder cancer and other causes.

**Key brands**
- Esteem™
- Esteem™+
- Natura™
- Natura™+
- Stomahesive®
- Durahesive®
- InvisiClose®
- me+™

**Key product**
Esteem™+ Flex Convex One-Piece System
Our Esteem™+ Flex Convex System combines the comfort and freedom of flexibility with the firmness of convexity.

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**Structural growth trends driving and increasing demand for our products and technologies**

**Populations are getting older**
By 2050 the number of people in the world aged 60 or over is projected to more than double in size.

**Chronic conditions are on the increase**
Several chronic diseases that can be related to lifestyle, such as diabetes and obesity, are on the rise.

**People are living longer**
Due to earlier detection and more effective treatment, people with chronic conditions are, on average, living longer.
Continence &
Critical Care (“CCC”)  
Our CCC franchise provides products for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes. The franchise also supplies devices and products used in intensive care units and hospital settings.

Key brands  
- GentleCath™  
- Flexi-Seal™  
- UnoMeter™  
- me+™

Key product  
GentleCath™ Glide  
Our GentleCath™ Glide low friction hydrophilic intermittent catheter, which includes our unique FeelClean™ technology, is designed to make self-catheterisation easier.

Infusion Devices  
Our Infusion Devices franchise designs, manufactures and supplies disposable infusion sets to manufacturers of insulin pumps for diabetes and similar pumps used in continuous infusion treatments for other conditions such as Parkinson’s disease. In addition, the franchise supplies a range of products to hospitals and the home healthcare sector.

Key brands  
- inset™  
- comfort™  
- neria™

Key product  
neria™ guard  
With its intuitive design, neria™ guard is the first fully automated all-in-one infusion set, making it easy and convenient to use.

Group facts  
Countries where we market and sell our products  
110+

Manufacturing sites  
9

Employees  
9,500+

Group revenue by franchise $m  
1. Advanced Wound Care 33% $577.8m  
2. Ostomy Care 30% $528.9m  
3. Continence & Critical Care 21% $382.9m  
4. Infusion Devices 16% $275.0m

Group revenue by geography $m  
1. EMEA 41% $733.0m  
2. Americas 51% $898.1m  
3. APAC 8% $133.5m
Chairman’s statement

I am very pleased to welcome you to ConvaTec’s CR Report for the 2017 calendar year.

We have a very clear role in society and this is summarised in our Purpose statement where we state that we exist to improve the lives of the people we touch. Our approach to CR is very simple because everything that we address in our programme flows from this Purpose.

In this context, our primary stakeholders are the people who experience the various chronic conditions that our products and services aim to help – enabling them to live the lives they want to lead by giving them more confidence, mobility and freedom. We also rely on our employees to design, develop and deliver our products, and people, including suppliers and distributors, to bring our products to market. In addition, health care professionals help us to improve our products and investors trust us to deliver a sustainable return on their capital. Our shareholders, other investors and governments and regulators are also key stakeholders, and a key focus of the Board. More broadly, we interact with the local communities which host our facilities, and the environment, on which we all rely. All of these interactions ‘touch people’ and fall within our Purpose.

Our Values emphasise the need to earn trust and I believe this is fundamental to business success. Through our CR programme we aim to gain a better understanding of all of our stakeholders, and their needs, so that we build long-lasting and sustainable relationships. This approach ranges from our detailed interactions with individual specialist nurses, to aligning with truly global initiatives such as the United Nations Sustainable Development Goals. Shortly after the year end, we made a formal commitment to support the ten principles of the United Nations Global Compact.

I am very pleased to Chair our CR Board Committee. In March we formally approved the Company’s CR strategy. We have received regular progress reports on the implementation of our programme. This has included a meeting (March), and a progress report (October). Shortly after the year end, the CR Board Committee approved this CR Report and the newly-developed performance targets published within it. The full Board also received a progress report in July. More details on the role and membership of the CR Board Committee are provided on page 72 of our Annual Report.

I am confident our CR programme has started on the right path to support the achievement of our Purpose and I hope you find this Report valuable in assessing our progress and ambition. I welcome any comments and suggestions for improvement.

Sir Christopher Gent
Chairman
26 February 2018
Chief Executive Officer’s statement

We have made good progress on our CR programme in our first year as a listed company.

Our Chairman, in his statement, sets out how our approach to CR is driven by our Purpose and our commitment to delivering value for our stakeholders. We have embedded this commitment in our governance structure through the Board Committee on Corporate Responsibility that Sir Christopher Gent chairs, and of which I am a member.

As a recently-listed company, we recognise that we have work to do in areas of CR where we lag behind the performance of some businesses that have been listed for many years. As a result, whilst our long-term goal is to be seen as the CR leader in our sector, we have also established a series of medium-term objectives to cover the first three years of our programme. These include strengthening our management of CR-related risk, improving our transparency and developing our employee and community engagement, reinforcing our Purpose and Values. More information is provided on page 12 and publication of this report is a key part of this progression. We have also set more detailed performance targets to ensure we drive the programme forward and these are embedded under each of the six key elements of our CR approach (see page 45). We will report to you on these targets each year.

I am very pleased with our progress in relation to CR in our first year as a listed company. We have continued to launch innovative new products (such as the neria™ guard product from our Infusion Devices franchise) to meet the needs of our customers, and taken some big strides in better supporting them throughout their care journey with initiatives such as our me+™ patient support programme. We have stepped up assessment of our key suppliers on CR-related topics to ensure they meet the standards we expect and have made good progress in enhancing management of the environmental impacts of our products and operations. During the year we experienced challenges in supply relating to our Advanced Wound Care and Ostomy Care franchises, and as a consequence we failed to meet the immediate needs of some of our customers. These production challenges have now been overcome through the hard work of many colleagues.

Next year we will take a substantial step forward with the launch of a major new programme which recognises the role we can play in trying to avert some of the chronic conditions that our products address, by aiming to influence the choices people make in their youth, particularly those who lack resources, role models and opportunities for change. We have far-reaching ambitions for this programme and I look forward to reporting on our progress next year.

I am pleased to say that we believe this CR Report to be in accordance with the “GRI Standards: Core option”, and I hope you enjoy reading more about our approach.

Paul Moraviec
Chief Executive Officer
26 February 2018
Our approach to corporate responsibility

07
How we create value
Materiality
Strategy, governance and culture
Our approach to corporate responsibility

How we create value

Our business is focused on achieving its Purpose – to improve the lives of the people we touch.

Stakeholders

Achieving our Purpose – to improve the lives of the people we touch – requires interaction with a range of different stakeholders. To ensure our business is sustainable and successful, we must generate value for those stakeholders.

We have categorised our stakeholders based on the nature of their relationship with our business and how they contribute to our Purpose and the following pages indicate how we generate value for them, and broader society, in return.

We build relationships with our key stakeholders through effective engagement, and this is described in more detail in subsequent sections of the Report.
Our approach to corporate responsibility

How we create value continued

<table>
<thead>
<tr>
<th>Stakeholder Groups</th>
<th>What we want from them</th>
<th>What they want from us</th>
<th>The Value we create</th>
<th>Report section</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumers – the people we deliver for</strong></td>
<td>Their continued selection of our products, their recommendation and the insights to</td>
<td>A reliable supply of safe, accessible and innovative products, and appropriate support and information, that meets their needs throughout their care journey.</td>
<td>Reducing the pain, inconvenience and stigma of chronic conditions. Helping users to live a normal, productive life. Innovation that advances clinical excellence.</td>
<td>Delivering for customers</td>
</tr>
<tr>
<td><strong>Direct enablers – help us to deliver</strong></td>
<td>(pages 15 to 22)</td>
<td>(pages 15 to 22)</td>
<td>(pages 15 to 22)</td>
<td></td>
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<tr>
<td><strong>Investors</strong></td>
<td>Continued support through the provision of capital.</td>
<td>A sustainable return on investment from a responsible business which will not damage their reputation.</td>
<td>Financial return on investment.</td>
<td>The Annual Report (see pages 98 to 100)</td>
</tr>
<tr>
<td><strong>Health care professionals (HCPs)</strong></td>
<td>Their recommendation of our products and their insights to enable product improvement.</td>
<td>Products, and appropriate support, which meets the needs of their patients throughout the care journey, and which deliver benefits to the healthcare delivery system.</td>
<td>Enabling HCPs to care for patients more effectively, and reducing the whole life cycle costs of healthcare provision. Innovation that advances clinical excellence.</td>
<td>Delivering for customers</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>A loyal, hard-working, talented workforce who behave responsibly, are committed to our Purpose and live our Values.</td>
<td>Attractive wages in a safe, healthy, ethical and fair working environment, with opportunities for skills development and advancement.</td>
<td>Financial reward, security, and increased employability through skills enhancement.</td>
<td>Enabling our people (pages 25 to 30)</td>
</tr>
<tr>
<td><strong>Suppliers, distributors and other partners</strong></td>
<td>Reliable, high-quality products and services at a competitive price with proactive innovation, responsiveness and responsible and ethical behaviour.</td>
<td>Reliable, predictable business at a fair price over the long term.</td>
<td>Financial reward and enhanced reputation.</td>
<td>Working responsibly with partners (pages 31 to 33)</td>
</tr>
</tbody>
</table>
Our approach to corporate responsibility

How we create value continued

<table>
<thead>
<tr>
<th>Stakeholder Groups</th>
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<th>The Value we create</th>
<th>Report section</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Evaluators – hold us to account for our performance</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Institutional customers/buying organisations</strong></td>
<td>Long-term growth in the purchasing of our products to supply to their healthcare customers/end-users.</td>
<td>Effective products at a competitive price/whole life-cycle cost, from a responsible business that will not damage their reputation.</td>
<td>Enabling healthcare budgets to stretch further whilst providing more effective treatment for customers/end-users.</td>
<td>Delivering for customers (pages 15 to 22)</td>
</tr>
<tr>
<td><strong>Regulators</strong></td>
<td>A fair and predictable regulatory framework, consistently applied, that is fit for purpose.</td>
<td>A responsible, diligent business that follows the rules and proactively engages where challenges occur.</td>
<td>Reducing the burden on regulatory resources through responsible business practices.</td>
<td>Various</td>
</tr>
<tr>
<td><strong>Governments</strong></td>
<td>A fair and effective system of healthcare reimbursement. An education system that provides the skills we need. A fair fiscal framework to enable us to continue investment.</td>
<td>High-quality employment and development for citizens. Prompt payment of tax due, without aggressive tax avoidance structures. Responsible corporate citizenship.</td>
<td>Providing socio-economic benefits through high-quality employment, tax receipts, cost-effective healthcare and helping people back into economically-positive lives.</td>
<td>Making a socio-economic contribution (pages 23 to 24)</td>
</tr>
<tr>
<td><strong>Local communities</strong></td>
<td>Provision of high-quality workforce, and local support services.</td>
<td>Economic benefits from employment and use of local suppliers. Minimal impact from production/other activities.</td>
<td>A secure, long-term flow of economic value into the local community, including the development of employable skills in the local workforce.</td>
<td>Making a Socio-economic contribution (pages 23 to 24)</td>
</tr>
<tr>
<td><strong>Investment analysts and the media</strong></td>
<td>Fair assessment of our performance.</td>
<td>Transparency, access and clear communication.</td>
<td>Contributing to transparency in the corporate sector.</td>
<td>Various</td>
</tr>
<tr>
<td><strong>Industry bodies</strong></td>
<td>Advice on policy and good practice and support when we need to get our voice heard by governments and regulators.</td>
<td>Active and high-quality input to enable development of robust policy positions and standards.</td>
<td>Contributing to advancement of high standards within the MedTech sector.</td>
<td>Various</td>
</tr>
<tr>
<td><strong>Non-governmental organisations</strong></td>
<td>Collaboration and partnership where appropriate (making the most of their knowledge and insights on specific issues). Fair challenge of our performance.</td>
<td>Access, engagement and support where appropriate. Action on issues of concern where we can play a role.</td>
<td>Improving our performance on a range of issues, benefiting various stakeholders. Economic support for “good causes”.</td>
<td>Various</td>
</tr>
</tbody>
</table>
Materiality is the key reporting principle that determines which issues are sufficiently important that it is essential to address them, and to report on our performance. The process to assess the materiality of issues is therefore critical to developing an effective CR strategy and achieving a high degree of transparency in reporting to stakeholders. Our approach to determining materiality has involved three steps.

Step 1: Identifying the relevant issues
We developed a “universe” of potential issues by reviewing a number of sources, including:
- International reporting guidance organisations such as: the Global Reporting Initiative (“GRI”), the Sustainability Accounting Standards Body (“SASB”) and its sector guidance for Medical Equipment and Supplies businesses, and the International Integrated Reporting Council (“IIRC”)
- Legal and regulatory reporting requirements for UK-listed companies (covering issues such as gender diversity and greenhouse gas emissions)
- Lists of issues used by rating organisations such as oekom, Sustainalytics, PiRC, FTSE Russell and others
- Issue-specific programmes such as the Carbon Disclosure Project (“CDP”)
- International initiatives, programmes and standards such as the United Nations (“UN”) Global Compact, the UN Sustainable Development Goals (“SDGs”), UN Guiding Principles on Business and Human Rights, and the International Labour Organisation conventions
- The reports of other businesses in our sector
- Any specific enquiries from stakeholders such as ethical investment businesses.

Many of these sources of information are vital for bringing the views of “difficult-to-reach” stakeholders (such as employees of our suppliers or members of local communities) into the consideration of materiality. We have supplemented this review with input from senior executives within the business and a continuing assessment of various media sources.

Step 2: Internal ranking of the issues
The relevant issues were formed into an initial list of 20 topics and these were “scored” by 15 members of our senior leadership group, including our Chairman, based on their perceptions of the importance of those topics to the success of our business, and of their importance to stakeholders. This assessment was published in our 2016 Annual Report.

Step 3: External viewpoints
In 2017, we commissioned research with external stakeholders drawn from the following groups: patient groups; healthcare professionals; work councils; business customers; industry bodies; investors (mainstream and specialist ethical investors); and NGOs. We asked them to rate the relative importance of the issues in the list and to provide other insights for ConvaTec. Over 40 individuals responded, with the majority of respondents representing those people closest to our primary stakeholders – end users of our products and the HCPs that support them. A summary of the results of the stakeholder engagement was provided to the CR Committee of the Board, and members of the Executive Committee.

The output of this three-step exercise enabled the updating of our materiality assessment and generated the analysis below.

### Materiality assessment (including internal and external stakeholder input)

<table>
<thead>
<tr>
<th>Delivering for customers</th>
<th>Impact on ConvaTec’s business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Product innovation/efficacy</td>
<td>1</td>
</tr>
<tr>
<td>2. Product and patient/user safety</td>
<td>2</td>
</tr>
<tr>
<td>3. Reliability of product supply</td>
<td>3</td>
</tr>
<tr>
<td>4. Access to healthcare</td>
<td>4</td>
</tr>
<tr>
<td>5. Data privacy</td>
<td>5</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Making a socio-economic contribution</th>
<th>Impact on ConvaTec’s business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contributions to Governments</td>
<td>1</td>
</tr>
<tr>
<td>2. Contributions to local communities</td>
<td>2</td>
</tr>
<tr>
<td>3. Supplier diversity</td>
<td>3</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Enabling our people</th>
<th>Impact on ConvaTec’s business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Health and safety</td>
<td>4</td>
</tr>
<tr>
<td>2. Employee engagement and culture*</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Working responsibly with partners</th>
<th>Impact on ConvaTec’s business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Third-party agents and distributors</td>
<td>6</td>
</tr>
<tr>
<td>2. Engaging our supply chain (labour issues)</td>
<td>7</td>
</tr>
<tr>
<td>3. Animal testing</td>
<td>8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Conserving the planet</th>
<th>Impact on ConvaTec’s business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Energy and climate change</td>
<td>9</td>
</tr>
<tr>
<td>2. Management of waste</td>
<td>10</td>
</tr>
<tr>
<td>3. Management of water</td>
<td>11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Behaving ethically and transparently</th>
<th>Impact on ConvaTec’s business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Anti-bribery/corruption</td>
<td>12</td>
</tr>
<tr>
<td>2. Transparency</td>
<td>13</td>
</tr>
</tbody>
</table>

* These issues are covered separately in the Report but were grouped together under a single issue heading in the research.
The materiality analysis clearly illustrates that product-related issues are seen as the key area of focus by both management and our stakeholders. Our products must be innovative, effective, safe and fairly priced, and their supply must be secure and predictable. Product life-cycle impacts are also seen as the most important of the environmental issues listed.

Ethical issues are also important, with emphasis placed on transparency, the way we market and sell our products, and our stance on anti-bribery and corruption.

The next grouping relates to human rights issues such as health and safety, working conditions in our own facilities and through our supply chain, including diversity, and discrimination. This is followed by our socio-economic contribution to the countries and communities where we operate, and the environmental impacts of our activities.

This grouping of issues led to the development of our six element CR framework (illustrated right), through which we structure our management of the broad agenda.

The stakeholder research (Step 3 above) also explored the issues that stakeholders expected to become more prominent in the next five years. The two most dominant issues were (the need for) product innovation, and ways to increase the access of disadvantaged groups to healthcare (our products), in the face of constrained healthcare budgets.

Although it scored lower in the materiality analysis above, environmental responsibility, particularly relating to product impacts, was also seen as developing into a key issue within the next five years. Regardless of the lack of emphasis placed on climate change by our most important groups of stakeholders, it is clear that this is an issue of global importance and in any event, we are required by law to report on our performance and programmes relevant to this topic.

Our products must be innovative, effective, safe and fairly priced, and their supply must be secure and predictable.
Overview

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workers are kept safe and not exploited. Equally, whilst we support employment in our supply chain, which materials and energy are consumed in their life-cycle. recycled after use, we must try to maximise the efficiency with of our products. As the majority of our products cannot be relation to the environment, our focus is on reducing the impacts on the environment and on other, non-patient, communities. In Purpose, we must ensure that we minimise the negative impact to recognise how these factors interact with our business. Fundamentally, our strategy flows directly from our Purpose (to improve the lives of the people we touch), our Vision (to be recognised as the most respected and successful MedTech company worldwide) and our Values (Caring for People, Driving Innovation and Excellence, and Earning Trust). Our core business is largely aligned with improving social and economic sustainability by attempting to address the key socio-economic challenges associated with the rise of chronic diseases. We discuss these factors later in this Report and explain how our products aim not only to help individuals cope with chronic conditions, but also to support strained health budgets facing the key demographic trends of an ageing population, a growing middleclass in less developed markets and a rise in certain lifestyle profiles that are linked with chronic diseases.

Whilst our core business is aimed squarely at delivering our Purpose, we must ensure that we minimise the negative impact on the environment and on other, non-patient, communities. In relation to the environment, our focus is on reducing the impacts of our products. As the majority of our products cannot be recycled after use, we must try to maximise the efficiency with which materials and energy are consumed in their life-cycle. Equally, whilst we support employment in our supply chain through our business relationships, we must ensure that these workers are kept safe and not exploited.

Supporting the United Nations (“UN”) Sustainable Development Goals (“SDGs”) We support the vision of the UN SDGs as a critical element in delivering more sustainable development. In particular, our primary focus is on:

Sustainable development goal 3

Ensure healthy lives and promote well-being for all at all ages.

Our core business is aligned with this goal and most closely with the target to, “by 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being”.

Whilst a number of other goals are relevant to our business, we also specifically align with:

Sustainable development goal 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Our Human Rights and Labour Standards Policy, and Supplier Code of Conduct assessments aim at reducing the risk of child and forced labour, and other poor practices across our own operations and supply chain.

Sustainable development goal 12

Ensure sustainable consumption and production patterns.

Our product life-cycle analysis programme (see page 39) is aimed at supporting more sustainable products.

Context for our strategy

Our CR strategy acknowledges the key elements of the sustainable development agenda and has been developed to recognise how these factors interact with our business.

Our CR framework and objectives

Using our six-element CR framework (page 11) we identify policies, programmes and projects that create value for our various stakeholders (see page 8), whilst balancing their sometimes competing requirements. Through this approach we aim to earn stakeholder trust and respect, and so contribute to the success of our business.

Our most material issues (page 10) relate to delivering for the people who use our products. This is the business’s core focus and is also covered in depth in our Annual Report.

Overlying this framework are four broad medium-term objectives:

1. Strengthen our risk management

Focusing particularly on building a more sustainable supply chain and creating a more proactive environmental management programme. This will support reduction of risk and cost in our supply chain and our own operations and, where directly relevant to production, support our margin improvement programme.

2. Improve our products

Enhancing our knowledge of the whole life-cycle of products to identify potential environmental and social opportunities, and enable greater transparency with our customers. This will help provide competitive advantage in product development, and commercial situations, whilst reinforcing our reputation.

3. Reinforce our culture through engagement

Bringing employee and community engagement together under a single theme, to reinforce our Purpose and Values.

4. Enhance our transparency

Developing our reporting and engagement to earn trust with our stakeholders. This will help to create a positive reputation, enhancing our commercial relationships.

We have established a series of targets to support these objectives and help drive our broader programme. The following sections describe how we approach each of the six elements of our framework, our performance, and the targets we have set.

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Ensure sustainable consumption and production patterns.

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Our approach to corporate responsibility

CR governance

Reporting structure
The senior point of contact for corporate responsibility within our Company is the Director of CR who reports to the Vice-President of Corporate Affairs who, in turn, reports directly to the Group Chief Executive Officer (“CEO”).

Overall responsibility for CR governance sits with the Board CR Committee (the “CR Committee”). Our Chairman, Sir Christopher Gent, chairs the CR Committee and his fellow Committee members include our CEO Paul Moraviec and three of our Non-Executive Directors, Rick Anderson, Dr. Regina Benjamin and Margaret Ewing.

During 2017, members of the Board, particularly the Chairman and CEO, have engaged with a range of stakeholders, particularly investors, employees, government, regulators and MedTech industry bodies. Details of the CR Committee’s activities during 2017 are detailed in our Annual Report on page 72.

Details relating to our ownership, overall governance structure, the Board, our Chairman and individual Board members, including their remuneration, responsibilities and activities can be found in our Annual Report (pages 99 and 60–96).

As the majority of our most material issues are core to the business, the consideration of those risks, and the effectiveness of our management of them, is governed by the Audit and Risk Committee of the Board (page 73 of the Annual Report).

As can be seen from the materiality analysis, the CR agenda covers many issues and these are the operational responsibility of a variety of business functions. However, few issues are the responsibility of one function alone and many require a multi-disciplinary approach. For example, product and user safety involves:

– Our marketing and commercial teams to help gather insights from users and HCPs which are fed back into product design
– Our Research & Development (“R&D”) teams, which build safety issues into product design
– Our Quality, Regulatory and Clinical Affairs team which ensures the proper procedures are in place and are followed.

Our approach is to embed consideration of CR-related issues into existing business structures, responsibilities and processes. However, we have established two issue-specific bodies: a Diversity and Inclusion Committee, and Human Rights Steering Committee. The Human Rights Steering Committee met twice in 2017, and is focused on integrating respect for human rights into our activities and for maintaining and delivering our Human Rights and Labour Standards Policy (page 29). A summary of the Committee’s activities is included in the quarterly updates to the CR Committee.

Our approach is to embed consideration of CR-related issues into existing business structures, responsibilities and processes.

Purpose and Values
We are a values-led company. Our Purpose and our Values run through everything we do.

We are guided by our Purpose as a company, “To improve the lives of the people we touch”.

Our Values are:

Caring for people – we are passionate about improving people’s lives and put people at the centre of everything we do:
– We act with care and empathy, listening to our customers and being responsive to their needs
– We make the safety and personal well-being of others our priority
– We support, develop and inspire each other and recognise others for their achievements.

Earning trust – we earn trust by delivering quality products and services that our customers can rely on. Our personal actions underpin this trust – we do what we say we will do:
– We act with integrity and make ethical decisions
– We treat people with respect and dignity, and communicate with openness and honesty
– We take responsibility for our actions and personal ownership of our results.

Driving innovation and excellence – we are dedicated to finding innovative solutions that anticipate and address our customers’ needs and to delivering best-in-class execution:
– We work with speed and agility, collaborating with each other and with our customers – we listen, we learn, we act
– We challenge the status quo and embrace new ideas and practices to continually improve in our drive for superior performance
– We foster an environment that encourages success, innovation and growth, and an ambition to be the best at what we do.
Our approach to our material issues

15 Delibering for customers
23 Making a socio-economic contribution
25 Enabling our people
31 Working responsibly with partners
34 Conserving the planet
40 Behaving ethically and transparently
Introduction

We exist to improve the lives of the people we touch. Customers, and most particularly, users of our products are therefore our primary stakeholders. Our entire business is oriented to provide them with innovative, effective, safe, reliable and fairly-priced medical devices that meet their needs. If we don’t deliver for our customers, we have no business.

In some cases we supply our products directly to users, particularly in relation to ostomy and catheterisation products. However, products are also distributed through organisations – private companies or government healthcare providers – who buy our products for end users, often at the recommendation or through the advice of HCPs. We also have extensive home delivery capabilities through our Home Distribution Group in the USA and Amcare in the UK.

The market for medical devices related to chronic conditions faces a key challenge. The number of people who need our products is growing through ageing populations, people living longer, the increased incidence of chronic conditions (driven, for example, by issues such as the increasing prevalence of obesity and diabetes), and the rising middle-class in emerging markets who are seeking to access better quality solutions for their conditions. At the same time, healthcare budgets are under pressure for these same reasons, together with the impact of austerity measures and other government policy and priorities, and the changing state of economies across the world.
Our approach to our material issues

Delivering for customers continued

Our products are primarily designed to improve the lives of the people who need to use them. However, we are also very aware of the broader societal benefits that flow from their use. On one level, they enable people with chronic conditions to regain control of their lives, to return to work, and make a contribution to society and the economy. At a broader level, particularly for products which are primarily used in a healthcare setting, innovative design can enable a reduction in Healthcare-Associated Infections (HAIs), the most frequent adverse event in healthcare worldwide. For example, urinary tract infections and surgical site infections are the most frequent HAIs, with an annual cost to the US healthcare system of approximately $4 billion. Innovation is not only about the individual patient, but about the whole healthcare ecosystem.

“A substantial proportion of post-operative complications leading to readmission are associated with surgical site infection ("SSI"). Interventions that can control the infection rate will lead to cost savings in the short term, while also achieving long-term savings in routine dressing costs and nursing time.”

Bidhan Das, MD, Colon & Rectal Clinic of Houston,
The Methodist Hospital, Texas

Our assessment of materiality clearly shows that issues related to the use of our products are of fundamental importance to our business. The key areas of focus are to ensure that:

- Our products are effective, and that we constantly innovate to deliver improvements
- Our products are safe for people to use
- We maintain a reliable supply of products to those who use them
- We help reduce barriers to access to our products
- We safeguard the personal data of users that we hold as part of our activities.

This need to manage the privacy of users will become an increasing focus as our engagement and support programmes such as me+™, bring us closer to a growing number of people.

Our management approach and performance

Stakeholder engagement

Our interaction with our primary stakeholders is outlined on pages 8 and 9. This engagement is fundamental to our success and goes beyond building trust and enhancing our reputation. By listening to the people who use our products, we can better understand how they interact with our products and identify ways to improve both the product and service that we offer (see more information below under ‘Innovation’). We engage with our end-users in four main ways:

- Our me+™ support programme, details of which are provided in case studies below
- Targeted research programmes specifically designed to gain insights for product and service innovation
- Responding to specific questions raised with us
- Tracking, and responding to complaints about our products or services.

We also engage extensively with HCPs both through our commercial teams, briefing on product capabilities and new innovations, but also through our Nurse Advisory Boards. As the people who work most closely with end-users, nurses can provide vital insights into how products are being used and how they can be improved. For example, in our Ostomy franchise, we run Boards in several of our key markets (US, UK, Canada, France and The Netherlands) twice each year, with between 10 and 20 specialised stoma nurses attending. More markets are due to adopt this approach over the coming years. In Advanced Wound Care we run ‘voice of the customer’ activities, including Advisory Boards made up of both nurses and physicians, and customer visits to our Global Development Centre in the UK, which also involve customer insight sessions.

We understand how our performance on the five material issues described above left is critical to protecting and enhancing our reputation. The materiality research carried out during the year (see page 10) confirmed that these issues include four of the top six material issues according to the stakeholders surveyed. We were pleased that this research involving external stakeholders also indicated that they saw us as one of the most responsible and trusted businesses in our sector.

In addition to the materiality survey, we are also able to gain a picture of the effectiveness of our approach through the annual survey of patient opinion from the organisation, Patient View. The findings of Patient View’s latest survey which relate to ConvaTec are provided in the case study (left).

Case Study: Patient View insights

In 2016 (reported in 2017), the survey gathered views from 513 patient groups (2015 – 582 groups) from around the world, across a series of indicators in relation to 39 medical device industry businesses (2015 – 33 businesses).

We are pleased to say that we have maintained our position as a top 5 ranked business in the overall score, being ranked 2nd overall (1st in 2015) by all patient groups, with top ranked scores in the areas of safety, integrity and providing high-quality information to patients. Over the last five years our overall positioning has remained in the top five of the ranking. We are particularly pleased that amongst the patient groups that actually work with us, we ranked first for having a patient-centric strategy, and first overall.

Top 3

Target

We will maintain a top three position in the Patient View survey (ongoing) with the patient groups which identify as working with us.

Case Study: me+™

In 2015, following research with surgeons and specialist nurses, and detailed engagement with ostomy patients across five key markets, we redefined our approach to ostomy care. Recognising that ostomy patients needed enhanced support right along their journey with their ostomy, at the end of 2015 we launched our me+™ programme with the promise to help each person become more than their ostomy.

In the US, as well as enhanced and targeted online resources which help guide people with an ostomy to identify the right products, access helpful videos, other patient stories and support groups, we also have a growing team of specialised ostomy nurses and support specialists at the end of the phone, or visiting patients in their homes. Through the me+™ engagement process, patients can receive valuable information from before their surgery, through their stay in hospital, in the vital period when first “alone” with their ostomy, through to defining a stable routine and regaining a normal life well beyond surgery. We recognise that people’s needs and bodies change through the course of their life with an ostomy, and it’s critical that they have the right level of support.

me+™ provides a lifestyle-first approach with content and support that is not merely product focused. The programme also offers a “real world” foundation for information by sourcing authentic stories and strategies from the people who know best – our patients and clinicians. Patients enrol at no cost and, in the US, we passed 100,000 members of me+™ in the fourth quarter of 2017.

The success of me+™ in the US has prompted a roll-out across our Ostomy franchise in other markets and there are now over 150,000 consumers registered to me+™ in the markets we serve. We have also launched the GentleCath™ me+™ programme for intermittent catheter users.

Efficacy and innovation

Innovation in the medical devices we create is critical for the advancement of healthcare across society. As people live longer, and the incidence of chronic conditions rises, we need to find ever improving solutions to relieve the suffering of individuals and to reduce the burden of strained healthcare budgets.

For example, in the UK, figures show that wound care amounts to a £10.1bn cost to the NHS. At the same time, less than 50% of chronic wounds such as leg, foot and pressure ulcers heal within one year, generating long-term pain and suffering for patients. Anything that we can do to create products that heal wounds more effectively, more quickly and more cost-effectively is therefore valuable for patients and healthcare professionals, as well as providing us with a competitive advantage in the marketplace.

The basis of our innovation process is to understand where problems exist, and to find the best solutions. Using our Advanced Wound Care franchise as an example, this could mean developing completely new technologies (such as the patents pending on the ‘+’ in our AQUACEL® Ag+ Extra™ wound care product – see the case study below), deploying our existing technologies in novel ways (using Hydrofiber® technology in a foam product to make AQUACEL™ Foam dressings – combining the best of both technologies), or applying ideas and technologies from other sectors or applications to chronic care problems.

Case Study: AQUACEL™ Ag+ Extra™

A key challenge in wound technology is dealing with bacterial infections in wounds, which presents as a ‘biofilm’. The bacteria are protected by Extracellular Polymeric Substance (“EPS”) which resists host defences, systemic antibiotics and antiseptics, causing persistent inflammation. Rather than adding more and more antiseptic (silver), which has been shown to have varying degrees of success, our solution focuses on breaking down the biofilm, to allow the silver in our dressing to work more effectively.

In AQUACEL® Ag+ Extra™ our antimicrobial agent (ionic silver) is enhanced by chelators (“metal capturing agents”), and other EPS-dispersing substances, while the silver-containing Hydrofiber® technology prevents bacteria from recolonising the wound.

This breakthrough involved years in the laboratory, including comprehensive testing, followed by extensive product and process development. The significant impact of the new product was recognised by the Journal of Wound Care’s ‘Most Innovative Dressing’ award in 2016.

See Dan Metcalf’s first-hand experience of this dressing on the following page.

Delivering for customers continued

Case Study: AQUACEL® Ag+ Extra™ dressing delivers better outcomes

Globally there are 50 million reported cases of patients suffering from hard-to-heal wounds. Such conditions are costly to manage and can have a highly detrimental effect on a patient’s everyday life. Our AQUACEL® Ag+ Extra™ dressing combines our Hydrofiber® and unique anti-biofilm technologies to improve wound healing outcomes.

Dan Metcalf is Associate Director within our R&D team, and is actively involved in the innovation and development of infection prevention medical devices. During a walk in the English countryside in September 2017 he was unknowingly bitten on his left shin by an insect.

“Four days later I suddenly felt weak and dizzy and the following day my lower left leg began to redden and swell. I visited my local walk-in clinic, was diagnosed with cellulitis and was prescribed antibiotics. During the following days the swelling increased, blistering appeared and I felt very unwell. I was admitted via A&E to the Acute Monitoring Unit of my local hospital. I was placed on an increased antibiotic regimen and after a week the infection subsided, and I was discharged after a week in hospital with a non-antimicrobial dressing to protect the wound.

“However, over the course of the following week the wound deteriorated considerably, and I was eventually referred to an orthopaedic surgeon who told me that I would need a skin graft. The evening before my surgery was planned, my wound was observed to be in a very poor condition and so it was dressed with a moistened AQUACEL® Ag+ Extra™ dressing. The following day there was a noticeable improvement and the operation was postponed. Over the next four days the wound was rapidly improved by debridement, use of AQUACEL® Ag+ Extra™ dressings and compression. The operation was cancelled, I could return home, and the wound healed after a further week of management with AQUACEL® Ag+ Extra™ dressing.”
Our approach to our material issues

Delivering for customers continued

Innovation is not just about designing a theoretical solution, we must then test that solution extensively and ensure that it can be manufactured and distributed within reasonable cost constraints so that it can be deployed in the “real world”. The commercial success of our products is vital to enable us to fund the research and development process and attract the brightest and best innovators. In 2017, we invested $41.2 million in research and development (2016, $38.1 million).

While product effectiveness is the start point for our innovation approach, we also focus on ensuring that we develop a consumer experience which integrates both the world-leading science behind the device, with truly insightful information from users in relation to how the product needs to fit in with their life. How can the product be stored discreetly at home? How can it be used when travelling, visiting friends, or being active? How can final disposal of the product be made easier? How can continuous product use be normalised to feel less medical and more ‘everyday’?

Case Study: neria™ guard – a game changer in infusion technology for patients and hospitals

People with chronic diseases, like Parkinson’s Disease or Diabetes Mellitus, can greatly benefit from subcutaneous infusion of their medication. However, daily administration of their therapies may be hampered by physical or mental barriers to using infusion products currently available.

Our new neria™ guard product addresses this issue by providing an intuitive design with virtually only one user step. Upon activation, the neria™ guard integrated insertion device automatically places a soft cannula subcutaneously, retracts the insertion needle and de-couples the inserter device from the infusion site. This helps minimise the risk of handling mistakes and subsequent device failure. The fact that the insertion needle is inaccessible before and after insertion, makes neria™ guard especially suited for hospital settings where contagion is a major concern. The product was launched for Parkinson’s Disease applications during Summer 2017 and was available for Diabetes applications, in selected European markets, later in the year.

After trials of various infusion sets I decided to use neria™ guard. Not having a needle left in situ felt less painful and more safe. It was easier to insert compared to other sets which is an advantage when travelling. It feels easy to carry both pump and infusion set with a soft cannula and I am less constrained with a small pump and a needle that does not hurt.”

Eva-Lotta, Sweden

Case Study: me+™ ‘Recovery’, part of our consumer service and support programme

Our approach to innovation increasingly includes broader aspects of patient support. For example, earlier in the year in the UK, we launched the me+™ recovery programme. me+™ recovery aims to aid recovery after stoma surgery, improve long-term outcomes and potentially reduce the risk of parastomal hernias. The evidence-based programme and education course are the first and only of their kind in stoma care.

Current clinical guidelines and recommendations are that stoma patients engage in appropriate abdominal and core muscle exercises after surgery, to rehabilitate the abdominal wall. However, our survey of 2,600 stoma patients found many had not received advice or support about physical activity. How can the programme be made easier? How can continuous product use be normalised to feel less medical and more ‘everyday’?

Our product development pipeline is summarised below:

**Number of products launched**

<table>
<thead>
<tr>
<th>Year</th>
<th>AWC</th>
<th>Ostomy Care</th>
<th>CCC</th>
<th>Infusion Devices</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>3</td>
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</tr>
<tr>
<td>2016</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>2015</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>1</td>
<td>13</td>
</tr>
</tbody>
</table>

**Number of programmes in development**

<table>
<thead>
<tr>
<th>Year</th>
<th>Concept</th>
<th>Development</th>
<th>At or nearing launch</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>24</td>
<td>29</td>
<td>11</td>
<td>64</td>
</tr>
<tr>
<td>2016</td>
<td>14</td>
<td>27</td>
<td>19</td>
<td>60</td>
</tr>
<tr>
<td>2015</td>
<td>22</td>
<td>23</td>
<td>14</td>
<td>59</td>
</tr>
</tbody>
</table>

35 by 2020

**Target**

We will launch 35 new products3 by 31 December 2020.

3. Includes products commercialised for roll-out in new markets and/or for new indications.
Delivering for customers continued

During the year we expanded our GentleCath™ catheter portfolio with the launch of GentleCath™ Glide, an innovative intermittent catheter developed to provide users with more options for simple, convenient hydrophilic catheterisation. GentleCath™ Glide is a low friction hydrophilic intermittent catheter, with a smooth slippery surface which is designed to make self-catheterisation easier. It includes our unique FeelClean™ technology that activates immediately when in contact with water and reduces the residuals left behind by catheterisation.

“For many people, starting intermittent catheterisation, or cathing, can be a cause of concern or even anxiety. Using a hydrophilic catheter can help reduce friction and the challenges of cathing.”

Jake Klein, MS, APRN, CPNP

We work extensively with the users of our products to develop “value drivers” and metrics that then form the backbone of our product development programmes, as we transition perceptions of the products from medical devices to consumer services.

Product and user safety

Regulators consider most of the medical devices that we develop to be of low risk to users. Nevertheless, we have a rigorous and robust audit process which focuses on the various stages of product research and development, and operates in parallel with our comprehensive quality management approach. We have recently reconfigured our quality audit team in order to widen the scope of its activities. There is a clear audit focus on ensuring the quality of our work in the laboratory, where we review our compliance with the detailed design documents required by regulators, our own quality management system and also physical factors such as humidity and temperature levels in our controlled environments. We conducted a total of 99 audits during 2017. On the basis of risk assessments, we audited our R&D facilities (nine audits), our own manufacturing sites (65 audits) as well as those of contract manufacturers (17 audits), and suppliers critical to the manufacture of our products (eight audits).

Some stakeholders have asked for information on our approach to using human biological samples and human embryonic stem cells. Our response is set out below:

1 Human biological samples: occasionally used for R&D purposes. Such samples could include devitalised human tissue, wound exudate, wound swabs, faecal effluent, gastrointestinal effluent or urine. Our use of these human biological samples is always minimised, but sometimes necessary to better understand the performance of our products and to develop better medical technology products. None of our products contain human biological materials.

2 Human embryonic stem cells: we have not and do not perform any research utilising human embryonic stem cells – such research is not relevant nor applicable to the medical technology areas that we work within. Note: we may possibly perform some research in the future utilising stem cell technologies (most likely in collaboration with Universities) for the purposes of better understanding skin physiology and/or epithelial physiology, but these stem cell technologies would not be from embryonic sources, but would be epithelial or skin stem cells obtained from adult humans.

Clinical trials – the objectives of ConvaTec’s clinical trials and how we manage them.

We carry out clinical trials to confirm the safety, and learn more about the effectiveness, of our products so that they can be improved. Clinical trials and bench testing for medical devices fall into two broad categories – pre-registration and post-registration.

Our Pre-Registration work is generally conducted in-house and may sometimes consist of animal studies (which are contracted out to reputable organisations licensed for such work) and in vitro studies in our own or subcontract laboratories. The clinical trials aspects largely consist of Healthy Volunteer studies to support product validation, and preliminary clinical studies to support safety and performance. All pre-registration clinical studies are conducted in line with ISO 14155, Good Clinical Practice for medical devices, and are typically conducted in the EU or US via a combination of contract staff and small Contract Research Organisations (“CROs”). These studies are project managed in-house. We did not carry out any Pre-Registration trials in 2017.

Post-Registration studies and Post-Market Clinical Follow up (“PMCF”) studies may be conducted using in-house resources or via a CRO, dependent on size and location. It’s important for these studies that the demographics and patient characteristics of the local population reflect the end market where the product is being sold and this is a strong consideration for where we locate our studies. For example, chronic wounds such as leg ulcers are more likely to be present in younger patients in India compared to an average age of around 65 in Europe and the US. Therefore, if the predominant market is the US, a dressing study on leg ulcers in India would clearly be inappropriate. For this reason the majority of our studies tend to be conducted in the US or Europe (our major markets). However, many local regulatory authorities require PMCF studies specific to their populations and in these instances local CROs are used after careful quality audit and selection processes have been carried out. We also support a number of Investigator Initiated Trials in major health care facilities globally. We carried out six Post-Registration studies in 2017.

We are focused on building safety into the design of all our products and operate a risk assessment process designed to be in compliance with ISO 14971 (“risk management for medical devices”). This helps to ensure that products are not only safe in themselves, but also that they interact well with patients and are easy and comfortable to use.

We comply with ISO 13485 (“Medical devices – Quality management systems – Requirements for regulatory purposes”) and are audited against this standard by ‘Notified Bodies’, (such as BSi). We are also in compliance with Code of Federal Regulation 21 CFR Part 820 which is an equivalent quality system regulation in the US. Our products also bear the “CE” mark – effectively a “Declaration of Conformity” with all applicable regulations defined in the European Union Medical Devices Directive.
Our approach to our material issues

Delivering for customers continued

In addition to the focus on ensuring our product development meets or exceeds all regulatory requirements, we also conduct analysis of the effectiveness of our products, as they are used. We have more than 30 customer interaction centres around the world which enable us to capture issues about products in use. These may come from users amongst the general public, or from healthcare professionals. The issues raised may be requests for advice or guidance, or may relate to perceived deficiencies in the product, instructions for use, or packaging. These issues are analysed in detail, and if there is any indication that an issue may involve serious injury to the user, it is immediately reported to the relevant regulatory bodies (e.g. the FDA) as required.

All complaints are captured in our database where they are continually monitored for any positive or negative trends. We use this data to inform our product development processes to drive improvements to new products and also to improve existing products during their life-cycle.

In certain rare circumstances, it may be necessary to trigger a ‘market action’, following a detailed ‘Health Hazard Evaluation’. A market action may require, for example, the issue of additional instructions for use, or may necessitate a recall. Recalls are controlled by Standard Operating Procedures and customers are contacted by ourselves or a third party, in writing or by telephone. Recalled devices may be replaced by alternative products or the customer is financially compensated. In 2017, we implemented four product recalls, of which three were voluntary and one was directed. The directed recall affected a single country and did not involve any harm to patients. Two of the three voluntary recalls also only affected a single country and did not involve any harm to patients. One voluntary global recall was initiated in 2017 after receiving reports from our users of product malfunctions that could place some patients at risk. In addition, following product enhancements, a recall of infusion sets was initiated by our customer, Medtronic, to ensure all patients were using the newer, improved versions of these infusion set products.

To our knowledge, other than indicated below, in 2017 there have been no incidents of non-compliance with regulations and/or voluntary codes concerning:

- The health and safety impacts of products and services
- Product and service information and labelling
- Marketing communications, including advertising, promotion, and sponsorship.

A number of the product recalls referred to above related to labelling issues. These issues were corrected and no patients suffered harm.

The Company received a warning from Swedish MedTech (an industry association), in regards to a marketing-related issue in 2016, which we contested strongly. No fines, or other action related to this matter, were received.

Further information is provided in our Annual Report on page 146.

Reliability of supply

We are committed to ensuring continuity of supply to our customers through well-defined processes and experienced, knowledgeable professionals. Our approach to managing supply is a multi-tiered approach supported by a Sales and Operations Planning function. Within each region, we have demand management functions which align to the commercial organisations to understand the sales plans and demand patterns. Market and regional planning sessions are conducted to align on the demand and identify where there may be supply constraints. These demand plans are consolidated globally and managed by our global planning team which interfaces with our supply locations/manufacturing facilities. The manufacturing teams conduct capacity analysis and through the Sales and Operations Planning sessions communicate the supply plans. Throughout this process, there is constant management of the global inventory in support of sales.

Supply performance is tracked through a variety of metrics including customer service level metrics, backorder and out of stock reporting, and inventory reporting.

We are committed to ensuring continuity of supply to our customers through well-defined processes and experienced, knowledgeable professionals.

Case Study: Supply issues

A key element of our Margin Improvement Programme involved optimisation of our manufacturing footprint. During the year, we completed the transfer of 30 Ostomy Care and Advanced Wound Care (AWC) manufacturing lines from Greensboro (US) to Haina (Dominican Republic). Whilst the majority of the relocation went well, we did experience some delays in the ramp up to full production volumes on AWC lines, together with delays in obtaining regulatory certification, which led to a build-up of backorders. Despite efforts to reduce backorders in the third quarter, less progress than anticipated was made, with a consequent loss of some orders. The transfer of the final Ostomy lines was also impacted by difficulties with the ramp up of production in Haina, particularly with our Mouldable production line. These issues impacted production in the third quarter, and again led to a build-up of backorders and loss of some orders.
Delivering for customers continued

Access to healthcare
Access to healthcare is a basic human right and a fundamental principle established by many healthcare systems around the world. Adequate and appropriate treatment should be available to all who need it, not only to those that can pay for it. The recovery from the financial crisis, together with the other demographic factors discussed elsewhere, has placed huge strains on healthcare reimbursement and, whilst the focus has often been on access to medicines, it is clear that access to medical technologies is an equally important issue.

This is highly relevant to our business and goes beyond product “giveaways”. The consideration of “access” is not a separate position or policy, but is integrated into how we approach our Purpose. For us, access can be understood under a number of different headings:

Available – the first step is to ensure our products are physically available. In 2017 our products were sold in approximately 115 countries around the world. We aim to ensure a reliable supply to distributors and end users through the processes outlined above, although this was an area where we experienced challenges in 2017, as some production was transferred between locations.

Adaptable – we need to ensure that our products can meet a broad range of patient needs within a category of chronic care, reflecting the different challenges that individual users bring. For example, our ostomy care range includes products which can adapt to a wide variety of body shapes and sizes, catering for a broad diversity of users, of all ages. Similarly, in wound care we provide options for many types of treatment, varying in sophistication and price-point. Getting this range of products we provide options for many types of treatment, reducing the overall cost of care. This “whole-system” innovation can save healthcare costs by improving the effectiveness of the product. For example, our award-winning AQUACEL® dressing (pages 17 and 18) is the first purposely designed technology to combat wound biofilm. A 2016 clinical study indicated that 34% of previously static wounds completely healed within an average of 4.5 weeks, reducing the overall investment of time and resources for those patients.

We also target the risk of patients developing HAIs, and the additional costs to the healthcare provider and patient that come from this. For example, our Flexi-Seal® Fecal Management System has been shown to effectively prevent dissemination of C. difficile in vitro and this effect was demonstrated to have reduced costs associated with fecal management by approximately 38% in two Canadian Intensive Care Units.

Improved products also help consumers back into normal, productive lives more quickly, creating economic and social benefits for themselves but also for broader society, further offsetting the basic cost per unit of the “device”.

Data privacy
We are increasingly trusted with customer data. Our management of personal data is governed by our Global Data Privacy Policy which sets out the principles by which we operate. The accompanying online training programme is rolled out annually to ConvaTec employees with regular access to computers. There was a 90% completion rate in 2017. From time to time the Group has experienced theft and inadvertent disclosure of data which has led to the Group reporting such incidents to the relevant authorities. In 2017, we are aware of two minor disclosures, which due to all circumstances, were not considered to be reportable incidents. One theft of customer data was reported to the authorities.

During 2017 we conducted an assessment of all our personal data handling processes in the European Union in preparation for the General Data Protection Regulation (“GDPR”) which will come into force on 25 May 2018. A roadmap for compliance has been prepared and we are now implementing our GDPR readiness programme.

Access to healthcare is a basic human right and a fundamental principle established by many healthcare systems around the world.
Our approach to our material issues

Making a socio-economic contribution

Introduction

We aim to improve the lives of the people we touch and this includes the economic contribution we make to different stakeholder groups. The level of contribution is subject to a range of factors including:
- the commercial success of our business;
- local and international economic drivers and trends;
- fiscal and regulatory frameworks to which we are subject.

Our economic contribution, which is important to a range of stakeholders (see pages 8 and 9), is summarised in the table below. Our approach to managing the business activities that generate and control these financial flows is set out in detail in the Annual Report.

<table>
<thead>
<tr>
<th></th>
<th>2017 ($m)</th>
<th>2016 ($m)</th>
<th>2015 ($m)</th>
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<td>Direct Economic Value Generated</td>
<td>$1,764.6</td>
<td>$1,688.3</td>
<td>$1,650.4</td>
</tr>
<tr>
<td>Economic Value Distributed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating costs7</td>
<td>$857.1</td>
<td>$801.3</td>
<td>$810.2</td>
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<tr>
<td>Employee wages and benefits</td>
<td>$472.7</td>
<td>$528.9</td>
<td>$414.9</td>
</tr>
<tr>
<td>Payments to providers of capital8</td>
<td>$131.6</td>
<td>$233.8</td>
<td>$258.0</td>
</tr>
<tr>
<td>Payments to governments9</td>
<td>$49.1</td>
<td>$49.4</td>
<td>$48.6</td>
</tr>
<tr>
<td>Community investment</td>
<td>$0.2</td>
<td>$0.2</td>
<td>$0.1</td>
</tr>
<tr>
<td>Economic Value Retained</td>
<td>$253.9</td>
<td>$74.7</td>
<td>$118.6</td>
</tr>
</tbody>
</table>

Further information on how we engage with providers of capital is provided in our Annual Report, and on page 8 of this Report. In this report we look at our engagement with suppliers (operating costs) on page 32. We also look at our engagement with employees on pages 25 to 30.

7. Operating costs exclude depreciation, amortisation, impairment charges and asset write-offs. Employee wages and benefits, payments to governments and community investments normally form part of operating costs, but have been excluded as they appear on separate lines in the table.
8. Payments to providers of capital includes interest paid on long-term debt, debt repayment, dividends and own share reserve purchase paid to ConvaTec shareholders.
9. Payments to governments include corporate income taxes, sales taxes, real estate taxes and other taxes, but exclude the employer portion of payroll taxes, as they are included in employee wages and benefits.
Our approach to our material issues

Making a socio-economic contribution continued

Contribution to governments
Governments need to raise taxes to meet the vital social and economic needs of their populations. We are fully committed to meeting our legal obligations in this respect in each of the countries where we operate. We fully support the moves towards greater transparency with tax authorities and the initiatives being introduced to enable this.

Our tax arrangements are derived from the commercial needs of our business operating model, which minimises tax risk in respect of compliance, uncertainty, cross-border transactions and disputes. We do seek to utilise tax incentives and exemptions where these are made available by governments or tax authorities in the countries where we do business. We operate through legal entities, which are established in countries where we undertake business operations or financing activities. All transactions between Group companies are conducted on an arm’s length basis in accordance with OECD principles and supported by appropriate documentation and studies.

Our Tax Policy is available on our Group website and more details of our tax payments are included in our Annual Report (Note 10, page 127).

Contributions to local communities
In 2017, through an internal consultation process, we agreed a global theme for the focus of our volunteering and charitable activities. This focus will be on helping young people make healthier lifestyle choices now, to try and help them avoid some of the chronic conditions that our products and services target. We recognise that choice is influenced by opportunity, and that not everyone has access to the education, resources and role models to support those choices. From 2018, we will be looking for partners in the communities local to where we operate, to help us deliver impactful programmes. A key component of our approach will be to involve our employees in the programme and we will describe our progress in subsequent reports.

In 2017, employees at a number of our locations developed projects to help their local communities and these included:

– In Belarus, employees took part in a charity run to raise money for a children’s hospice
– At Deeside in the UK, employees raised funds through raffles, donations and other activities, for local charities
– In Greensboro, US, employees put together food parcels and collected donations to support a local food bank, collected supplies for a local school, and raised money for Breast Cancer Awareness, and Alzheimer’s Awareness
– In Haina, Dominican Republic, employees volunteered to clean the beach local to our wound care facility, in a project which will become an annual event.

We aim to improve the lives of the people we touch and this includes the economic contribution we make to different stakeholder groups.

Engage
Target
We will launch a community programme which directly engages more than 5% of our workforce.

Case Study: Supplier diversity
In the US, through our supplier diversity programme, we strive to partner with Small, Minority, Veteran, Disadvantaged and Women-Owned businesses. In 2017, nearly 22% (2016, 20%) of our US supplier spend was with these categories.

Case Study: Disaster relief
In the second half of the year the Caribbean and southern states of the US were impacted by extreme weather events, notably Hurricanes Irma, Harvey and Maria, which caused over one hundred fatalities and extensive damage to property. Working with the charity Direct Relief, we were pleased to be able to help the victims of these events through the donation of both financial support and relevant products with a combined total of approximately $30,000.
Introduction

We are reliant on our employees to deliver our Purpose and Mission and we strive to attract and retain the best people by promoting ourselves as an employer of choice.

There is an increasing body of research and opinion that suggests people are more attracted to work for businesses that can demonstrate a clear purpose that benefits society beyond the pursuit of profit and the economic benefits to shareholders. It is important for our business to match their aspirations in this regard, and to go beyond delivering on the basics of the employer/employee relationship, such as:

- complying with all relevant labour-related laws
- keeping our employees healthy and safe at work and, as appropriate, provide information and support for them to lead healthier lives
- respecting the human rights of our workforce in relation to fair pay and working hours, freedom of association and collective bargaining, diversity and anti-discrimination and no forced, bonded or child labour
- providing opportunities for employees to develop in their roles and acquire new skills.
At the end of 2017 we employed 9,549\(^{10}\) people (2016, 8,524), an increase of 12%. Approximately 60% of our workforce are manufacturing site employees. Information on our employee profile, and starters and leavers, is illustrated below. Gender diversity is covered later in this section. Our employee turnover for 2017 was 18.6%. We also employ the services of nearly 300 agency staff and independent contractors.

From time to time we need to reorganise our business to ensure we remain competitive, and this may involve moving activities and roles from one place to another, or closing facilities. When this results in jobs being lost, we aim to handle this sensitively and in compliance with all applicable regulations. In 2017, approximately 245 people left the business as a result of redundancies, mainly relating to site closures.

The key factors driving changes in headcount include:
- transferring production between existing production sites
- acquiring new businesses, e.g. EuroTec and Woodbury Holdings
- other reorganisations and investments.

### Leavers and hires by gender 2017

<table>
<thead>
<tr>
<th>Gender</th>
<th>Leavers</th>
<th>Hires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>998</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>773</td>
<td>1,512</td>
</tr>
</tbody>
</table>

### Leavers and hires by age band 2017

<table>
<thead>
<tr>
<th>Age Band</th>
<th>Leavers</th>
<th>Hires</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 30</td>
<td>584</td>
<td></td>
</tr>
<tr>
<td>30-50</td>
<td>866</td>
<td></td>
</tr>
<tr>
<td>&gt; 50</td>
<td>321</td>
<td></td>
</tr>
<tr>
<td>&lt; 30</td>
<td></td>
<td>1,272</td>
</tr>
<tr>
<td>30-50</td>
<td></td>
<td>1,277</td>
</tr>
<tr>
<td>&gt; 50</td>
<td></td>
<td>172</td>
</tr>
</tbody>
</table>

### Employees by function

1. General and administrative 7%
2. Operations 65%
3. Research and Development 3%
4. Sales and Marketing 25%

### Employees by region

1. Americas 56%
2. APAC 5%
3. EMEA 39%

### Employees by age bracket

1. < 30 27%
2. 30–50 59%
3. > 50 14%

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10. Including eight Non-Executive Directors.
Our approach to our material issues

**Enabling our people continued**

We are committed to providing fair pay for our employees. All our sites comply with national minimum wage regulations (where these exist).

**Convatec becomes a “real living wage” payer in the UK**
As a progressive employer, we strive to continually review our employment practices. In November 2017, we received confirmation of our accreditation as a “real living wage” company from the Living Wage Foundation.

Our key stakeholders for these issues are our employees themselves, but they are also relevant for the national governments who regulate labour standards in the markets where we operate, as well as unions and works councils, where these are present. The information in this section relates to all of the Company’s employees, as detailed above, unless specifically stated. Issues relating to employees who work in our supply chain are covered in the section “Working Responsibly with Partners”.

**Convatec share scheme**
In June 2017, we launched our global all employee share save scheme. The scheme offers all employees an opportunity to invest in our shares, at a discounted price, regardless of location. As at 31 December 2017, 22% of our total work force had joined the scheme. This compares favourably with other save-as-you-earn plans which generally have a take-up rate in the first year of between 6%–10% of the total workforce.

**Our management approach and performance**

**Employee engagement and culture**
To create a positive collaborative working environment and to ensure that everyone is aware of the contribution they can make in fulfilling our Purpose, it is important that all employees are engaged and motivated, and have opportunities to openly share feedback and ideas. Engagement with employees occurs through a number of channels, including regular updates posted on our Group-wide intranet, “town hall” meetings in all our operations, updates from our CEO and other members of the leadership team, and through dialogue with union representatives and works councils. At the end of the year, more than 55% of employees (2016, approximately 50%) at our manufacturing locations were covered by collective bargaining arrangements. As a further communication channel, we also operate a whistle-blower system and this is described in more detail on page 41.

We also seek to gather feedback from employees specifically on our culture. For example, we have piloted a culture survey in Canada and the US about how employees experience our culture locally and this helped local leaders develop appropriate action plans to ensure more effective engagement with our employees. To embed our Values and culture, we gathered real examples of behaviours which meet or do not meet our expectations, and translated these into a toolkit used to assess how we are living the Values as part of our performance management process. This also affects how people are rewarded, by looking not only at whether objectives have been achieved, but also by assessing how they have been achieved.

To help us understand and further reinforce our culture we have established the Culture Transformation Forum (the “Forum”) which is made up of representatives from all parts of the business, across the Group. The Forum’s role is to gather information, take a pulse check on our culture, act as a sounding board for our leaders and employees and recommend important changes where needed. Feedback is provided to our CEO, Chief Financial Officer and Executive Vice President Human Resources who regularly attend the Forum’s meetings. As a result of feedback gathered by the Forum we have introduced a leader led communication cascade from our CEO to ensure everyone across the business is updated on key developments and goals.

**Health and Safety (“H&S”)**
A business has a fundamental duty of care to ensure its employees are kept safe at work, and that their health is not impacted as a result of their employment. Our largest manufacturing sites all have a dedicated EHS Manager (who report to local management at the facility) and there is a Global EHS team which leads on drafting policies, auditing operations against the policies and standards, and providing advice and support to local teams. The Global Team reports through to the Executive Vice-President of Global Operations who sits on the Group Executive Committee. H&S performance is also now included in the quarterly update to the Board CR Committee.

The Company has developed 22 H&S policy standards, covering both our EHS management system and specific H&S topics. Amongst other things, these policy standards address activities such as emergency preparedness, hazard identification and risk assessment. These policies are available on our intranet and training has been undertaken by the vast majority of the management team personnel at our operations locations. Extensive benchmarking has been completed across all manufacturing locations in 2017, with audits identifying best practices, gaps, and opportunities for strengthening H&S management systems, internal audit programmes and risk assessments.
Our approach to our material issues

Enabling our people continued

Other activities in the year included:

– Launching a safety culture programme highlighting individual and collective responsibilities, leadership and dynamic risk assessment
– Increasing focus on using “leading indicators” to foster an improved safety performance, including near miss reporting and action completion metrics
– Delivering training programmes and reviewing incidents to identify appropriate remedial actions using root cause analysis methods
– Enhancing sharing good practice and communication between facilities.

A key development activity for 2018 is the introduction of a new safety performance database covering manufacturing operations, headquarters and primary commercial locations, enabling safety performance data to be recorded on a routine basis throughout the business. When implemented the new system will be accessible from all locations and provide a common platform for accident investigation, root cause analysis and data reporting (including near misses), delivering a standardised approach and provide enhanced diagnostic and reporting capability.

There have been no fatalities during 2017. Information on our H&S performance\(^1\) is provided below:

<table>
<thead>
<tr>
<th></th>
<th>2017(^2)</th>
<th>2016(^3)</th>
<th>2015(^4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatalities</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total recordable injuries</td>
<td>48</td>
<td>35</td>
<td>40</td>
</tr>
<tr>
<td>Recordable injury rate</td>
<td>0.82</td>
<td>0.56</td>
<td>0.65</td>
</tr>
<tr>
<td>Total lost time injuries</td>
<td>33</td>
<td>16</td>
<td>31</td>
</tr>
<tr>
<td>Lost time injury rate</td>
<td>0.57</td>
<td>0.26</td>
<td>0.50</td>
</tr>
</tbody>
</table>

2017 has seen an increase in accidents reported compared to 2015 and 2016, with a number of locations demonstrating increased levels of accident reporting for both recordable injuries and first aid injuries. This increase, in part, reflects an improvement in the consistency, completeness and accuracy of site reporting, and the actions reported above are intended to drive improvements in overall performance.

### Case Study: Safety culture programme

Detailed H&S policies and audits are important, but can only go so far. We are also taking steps to strengthen our safety culture to ensure employees are more engaged and safety is seen as everyone’s responsibility. To do this, one initiative we have launched in 2017 involves three safety behaviour “packages”, using iconic animals and their development of an interdependent safety culture to make the messages memorable.

Meerkats emphasise the importance of an “all for one” teamwork culture, whilst the matriarchal elephant demonstrates the importance of setting the right example through visible leadership. Finally, a squirrel leaping between trees represents the need for dynamic risk assessment in a constantly changing environment. The integrated programme emphasises that everyone has a responsibility for their own and their colleagues’ safety.

### Target

– We are committing to reducing our Lost Time Injury Rate for manufacturing locations to below 0.5 per 200,000 hours worked by 2020
– We will complete the extension of safety performance data collation for headquarters and primary office locations, as well as the associated Commercial teams, by 31 December 2018
– We will develop a Group-wide Lost Time Injury Rate target by 31 December 2019

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1. The data includes contractor/agency staff working on our sites, as well as permanent staff, and is based on OSHA definitions. Rates are calculated based on 200,000 hours worked.
2. 2017 data relates to manufacturing locations (excluding EuroTec, including Greensboro prior to closure during the year), R&D centres and our UK Amcare business.
3. 2016 data relates to manufacturing facilities (including Malaysia facility prior to closure during the year), R&D centres and our UK Amcare business.
4. 2015 data relates to manufacturing facilities, R&D centres and our UK Amcare business.
Our approach to our material issues

Enabling our people continued

Approach to human rights and labour standard issues
We support the UN Universal Declaration of Human Rights, and the UN Guiding Principles on Business and Human Rights. We have incorporated these concepts in our Human Rights and Labour Standards Policy, which also reflects International Labour Organisation (ILO) conventions, and applies to all ConvaTec employees. During the year, relevant employees completed mandatory online training linked to the Policy.

This Policy builds on our existing Code of Ethics and Business Conduct. All employees are required to complete the training relating to the Code every year, either through online training (with electronic acknowledgement of completion) or through “town hall” meetings in production facilities for those who cannot readily go online at work. Together, the Policy, and the Code, cover the following human rights issues:

- duty to report
- dignity at work and freedom from harassment; access to grievance mechanisms
- freedom of association
- compulsory labour and human trafficking
- child labour
- discrimination.

As highlighted earlier, during the year we established a cross-functional Human Rights Steering Committee to guide our approach.

Case Study: Employee wellness
We operate employee wellness programmes in a number of countries across the Group. One of the most effective is in the UK where we have partnered with health insurance provider, Vitality, to support our employees in achieving health goals. Using data, tailored programmes and incentives, we have been successful in increasing the number of employees engaging in the programme and amount of exercise and healthy lifestyle choices they are making. Activities in 2017 have included regular walking groups exercising over lunch breaks, nutritional advice and a “health week”, as well as offering free ‘flu jabs to employees.

As a result of these types of initiatives, since 2013, we have seen the percentage of employees in the high health risk category reduce from 24% to 11%, and those in the low risk category increase from 28% to 53%.

Assessment of human rights approach
Our approach to human rights within our own operations and within our supply chain, is assessed regularly by one of our key customers, the UK National Health Service, using its Labour Standards Assurance System (“LSAS”). Assessments relate to particular product category tenders, and cover all the aspects of a management system approach to human rights including topics such as roles and responsibilities, policy, communication and awareness, risk assessment, operational control and training. At this stage, in relation to Urology and Suction Consumables, we have been assessed to have reached Level 2 (of four) of the LSAS framework, meeting current requirements, with a comment from the assessor that we have achieved Level 3 in 13 out of 15 measured categories.

Diversity
Diversity, including gender, age, ethnicity, nationality and experience, enhances our ability to achieve our Purpose. In November 2016, the Hampton-Alexander Review of gender diversity at senior levels within FTSE 350 companies recommended a minimum of 33% female representation at the Executive Committee, and their direct reports, level by the end of 2020. This reinforced the previous Davies Review recommendation of 33% female representation at Board level by the same date.

At the end of 2016, after our October public listing, we received criticism of the lack of gender diversity on our Board. We also recognised that the level of gender diversity at Executive Committee level presented challenges. To address these challenges, during the year we have:

- approved a gender diversity strategy and established a Diversity and Inclusion Steering Committee to oversee its implementation
- updated our Board Diversity Policy to provide for 30% female Board representation
- set an objective to have 30% of senior management roles held by female executives by 2020 – a challenging but realistic target to be reached from our current position
- introduced metrics which promote the engagement of other underrepresented groups within the business.

Our gender diversity strategy focuses on three areas:

- Leading, Promoting and Educating – establishing policy statements, forming appropriate governance, setting up employee engagement forums and enhancing existing eLearning capabilities around diversity
- Building, Developing and Promoting Talent – developing and promoting diverse talents and creating an inclusive culture
- Sourcing Talent – actively sourcing a diverse range of candidates for all senior roles.
Enabling our people continued

We track employee diversity through our human resource systems and the Board will continue to review metrics as part of their assessment of executive management. Our diversity profile at the end of 2017 is indicated below:

<table>
<thead>
<tr>
<th>Women within the business</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Female %</td>
<td>Total Female %</td>
</tr>
<tr>
<td>Board</td>
<td>10</td>
<td>3 30%</td>
</tr>
<tr>
<td>Executive Committee</td>
<td>11</td>
<td>1 9%</td>
</tr>
<tr>
<td>Senior management</td>
<td>74</td>
<td>17 23%</td>
</tr>
<tr>
<td>Sub-total</td>
<td>95</td>
<td>21 22%</td>
</tr>
<tr>
<td>Other employees</td>
<td>9,454</td>
<td>6,030 64%</td>
</tr>
<tr>
<td>Overall total</td>
<td>9,549</td>
<td>6,051 63%</td>
</tr>
</tbody>
</table>

Notes:
– Includes eight Non-Executive Directors (2016, seven).
– Full details of the Executive Committee membership are provided in the Annual Report.

We have calculated the gender pay gap and full details are provided in our Annual Report (pages 18 and 19).

Developing our employees
Our employees are critical to our success and we want to create an environment where everyone can fully contribute. To help our employees progress their careers and also ensure that we have the right experience and skills across the Group and a pipeline of talent for the future, we invest in training and development opportunities which are underpinned by policies, systems and technologies which we embed across the Group.

Every employee should have a development conversation with their manager each year focusing both on short-term development needs to support performance, but also their longer-term career progression. Employees with access to our online Performance and Talent Development portal are able to drive their performance development reviews, setting agreed objectives and reviewing their performance throughout the year with their managers. We have developed a network of over 50 internal coaches who are available to provide leaders with personalised support to develop their skills and performance to continue to grow in their roles and in the organisation. In 2017, 44% of our total employees were eligible for performance development review and, of these, virtually 100% completed reviews.

For other employees, generally those engaged in production activities, we have set up a global project team which will consolidate best practice in employee technical training and assessment of competence which aligns with our Global Training Policy. During 2018, this will be fully implemented across manufacturing sites (excluding Infusion Devices locations which are covered in phase 2 of the programme) providing formal accreditation for our trainers, assessors and for relevant employees manufacturing our products. In addition, in 2018, in the UK we will be piloting a performance management approach for employees working in manufacturing which reflects our existing practice.

Our goal is to stimulate internal mobility across all our business units and provide career progression for our high performers and high potentials. This is being supported by our new global HR system career portal, through which employees in the UK and US have full visibility of open positions across the business and which will be implemented globally in 2018.

In addition to new development programmes aimed at new and early career managers, and our top 100 leaders, we also offer monthly “Development Matters” webinars delivered by our own internal experts which are available to all employees. They cover personal and professional development topics as well as enhancing product knowledge. During 2017 we delivered over 30 webinars which were attended by over 1,600 attendees across all levels of the business.

Further information on our approach to employee development is provided in our Annual Report (page 16 and 17).

30% by 2020

Target
We will reach a level of 30% females in senior management by 31 December 2020

Development process in 2018

Target
We will complete the roll-out of a technical skills and competency assessment for relevant manufacturing grades by 31 December 2018

Case Study: Employee benefits
We do not have a common global policy on ‘non-core’ employee benefits as decisions on these matters are based on local laws, regulations, culture and economic drivers. We encourage our local management teams to implement a wide range of initiatives to attract and retain the best people, that are relevant to the local context. These measures include the following examples:
– Haina, Dominican Republic – fully subsidised transport to the facility, lunch and dinner in the cafeterias, healthcare, eyesight checks and life insurance, as well providing basic school supplies to the children of employees.
– UK and certain other European markets – varying initiatives targeting flexible working arrangements such as subsidised childcare, term time and summer working hour arrangements, and provision of family support services.

15. Relates to relevant employees in our Ostomy Care, CCC and Advanced Wound Care franchises. Employees in the ID franchise are in phase 2 of the programme.
Our approach to our material issues

Working responsibly with partners

Introduction

In order to deliver for our customers, and to improve the lives of the people who use our products, we work extensively with third parties along the value chain. This includes suppliers of materials and services, as well as transport and logistics companies and distribution businesses. The way we work with these organisations creates both risks and opportunities. We aim to build mutually beneficial relationships which exist over the long term, but to do so in a way that is consistent with our Values, our Purpose and the regulatory framework which underpins business ethics. Fundamentally, we must improve the lives of end-users of our products without exploiting the people working in the supply chain.

Companies have found to their cost that getting this wrong can lead to substantial fines and damages, as well as significant losses to reputation. Mismanagement could include working with distributors who flout ethical standards when marketing products to HCPs, or contracting with suppliers who exploit workers through poor employment or health and safety practices, or who carelessly damage the environment.
Our approach to our material issues

Working responsibly with partners continued

Many large, public international companies are now aiming to manage human rights and environmental impacts within their supply chains, recognising that their actions and stance can have a ripple effect on standards throughout the chain. We accept our responsibility for setting the correct standards of behaviour and ensuring our partners meet, exceed or are working positively towards these. We believe that developing a more sustainable supply chain will benefit our business over the long term through increased efficiency, product improvements, lower risk and deeper, collaborative relationships.

Similar to many companies, a large proportion of our spend is concentrated in a relatively small number of suppliers. For example:

- Five suppliers represent approximately 75% of our contract manufacturing spend
- Two suppliers represent approximately 70% of our logistics spend.

Understandably, our raw materials supply chain is more diverse, but 35 suppliers still represent approximately 75% of our total raw material spend.

Our management approach

Downstream – third-party agents and distributors

We must behave responsibly when marketing our products to customers, which include distributors, hospitals, reimbursement organisations and, increasingly, direct to end users. The risk of acting unethically is heightened where we engage a third-party organisation to sell or promote our products. To mitigate this risk our compliance team conducts due diligence on the selection of distributors as well as delivering both online and “live” compliance training programmes to distributor staff, based on our Global Third Party Compliance Manual.

Starting in 2015, we conduct due diligence on all third-party distributors when they are initially engaged, and every three years thereafter, using TRACE (https://www.traceinternational.org/home).

Certain other entities, such as customs brokers, are also subject to due diligence using TRACE.

In 2017, 130 organisations were subject to due diligence review and 120 completed both Global Third Party Compliance Manual and Distributor training.

We aim to build positive, collaborative relationships with our suppliers to reduce the risk of disruption and improve quality and efficiency.

Upstream – engaging our supply chain

We aim to build positive, collaborative relationships with our suppliers to reduce risk of disruption and improve quality and efficiency. However, we also require our suppliers to adhere to our Supplier Code of Conduct (“SCoC”). All new suppliers must sign the Code as part of doing business with ConvaTec and the Code is introduced to all existing supplier contracts as these are renewed. Our SCoC can be viewed on our website.

The SCoC draws on the ILO conventions and the Principles of the UN Global Compact, and is consistent with our own Code of Ethics and Business Conduct and our Human Rights and Labour Standards Policy. The SCoC covers:

- Compliance with all applicable laws and regulations
- Working against corruption in all forms (including bribery and extortion)
- Respect for freedom of association and collective bargaining, and no discrimination against employees for membership of an employee organisation
- Prohibition of compulsory or forced labour, modern slavery and trafficking, sweatshop, convict or indentured labour
- Prohibition of child labour (under the age of 16) and no-one under the age of 18 to perform “hazardous” labour (as defined by ILO 138)
- Implementation of a management system approach to health and safety
- Prohibition of discrimination in employment, or relating to applicants, in relation to sex, race, age, colour, ancestry, religion, belief, political opinion, ethnic origin, disability, sexual orientation, marital status or any other feature protected by law
- Environmental protection.

To assess our suppliers against the SCoC, we are rolling out a process managed by a third-party provider, EcoVadis. The process includes an evidence-based assessment which follows existing best practice and codes, reflecting consultation across a broad group of stakeholders. Furthermore, it is based on a comprehensive set of ethics, labour rights, health and safety and environmental criteria which closely align with our SCoC. The criteria are tailored to fit the size, sector and geography of the individual supplier and cover issues including: energy and greenhouse gas emissions, water and waste management, use of chemicals, local pollution, health and safety, working conditions, child and forced labour, discrimination, corruption and bribery, information management, and the supplier’s own supply chain assessment processes.

Starting in mid-2017, we invited an initial group of 44 suppliers to participate in the assessment process. The invited suppliers – selected on the basis of the scale and strategic importance of their business with ConvaTec, and the perceived risk associated with the products and services – represent approximately 75% of total spend with contract manufacturers, raw material and logistics suppliers. This initial assessment therefore already covers a very significant proportion of our supply base. The assessment process will be rolled out progressively across our supplier base and all new major suppliers will be strongly encouraged to participate.
Working responsibly with partners continued

In addition to the EcoVadis assessment, we also monitor supplier status using the third-party risk platform, “Risk Methods”, which provides in-depth, real-time coverage of a range of factors that could impact on supplier performance (geo-political, climatic, civil unrest), as well as events that may have been “caused” by our suppliers (e.g. strikes, major pollution incidents, human rights abuses reported in the media).

We have summarised our engagement with suppliers through EcoVadis in the tables below. The assessment measures performance in four categories: environmental performance; labour practice performance; fair business practice performance; and supply chain management performance. The results of the assessments completed and analysed at the end of 2017 indicate that 40% of suppliers completing the assessment fell below the threshold for performance in their overall scores. Details of scores against threshold on the four individual categories of performance are provided in the table below.

<table>
<thead>
<tr>
<th>Engagement with suppliers (at 31 December 2017)</th>
<th>Number of suppliers</th>
<th>% of invited suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessments completed</td>
<td>15</td>
<td>34</td>
</tr>
<tr>
<td>Assessments in progress</td>
<td>12</td>
<td>27</td>
</tr>
<tr>
<td>Assessments not started</td>
<td>17</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td><strong>44</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results of assessments (at 31 December 2017)</th>
<th>% of participating suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers scoring below overall performance threshold</td>
<td><strong>40</strong></td>
</tr>
<tr>
<td>Suppliers scoring below environment performance threshold</td>
<td><strong>33</strong></td>
</tr>
<tr>
<td>Suppliers scoring below labour performance threshold</td>
<td><strong>53</strong></td>
</tr>
<tr>
<td>Suppliers scoring below fair business practice performance threshold</td>
<td><strong>47</strong></td>
</tr>
<tr>
<td>Suppliers scoring below supplier management performance threshold</td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

These initial results indicate that there is work to do to raise the performance of some of our suppliers to an acceptable level and we see this as part of a long-term process of improving standards in our supply chain. However, no suppliers were rated as high risk against any of the four categories and 20% of completed assessments scored as “very good”.

Whilst we are unlikely to terminate supplier relationships immediately on the basis of the assessment score alone, unless we identify other additional “red flags”, such as clear bribery and corruption issues, we will consider these assessment scores as part of our overall supplier evaluation, and will take appropriate action if we consider inadequate performance improvement is being made. Where suppliers fall below a threshold, the first step will be to agree improvement plans, and monitor against these. Termination of a supplier agreement is seen as an option of last resort. Suppliers who are unresponsive to our invitation to the assessment (EcoVadis) process would be considered for third-party audit of specific sites.

Animal testing

Our policy is never to use testing on animals unless this is mandated by regulatory authorities or when we cannot support a product or product development through the available laboratory and/or human clinical data. When we are mandated to perform testing on animals, or when this is our only option to further a product development which will advance clinical practice, we ensure that such testing is performed in accordance with Good Laboratory Practices and in accordance with Animal Care & Use requirements and guidelines, using only reputable and audited contract research organisations.

<table>
<thead>
<tr>
<th>Use of animals in research and development</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rodents</td>
<td>273</td>
<td>154</td>
</tr>
<tr>
<td>Rabbits</td>
<td>40</td>
<td>16</td>
</tr>
<tr>
<td>Other animals (miniature swine)</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td>Total number of animals used for R&amp;D testing</td>
<td><strong>331</strong></td>
<td><strong>170</strong></td>
</tr>
</tbody>
</table>

100 assessed by 2020

Target

We will have completed the performance analysis of 100 key suppliers by 31 December 2020.

Principles, targets and terms Overview

Making a socio-economic contribution

Working responsibly with partners

Delivering for customers

Enabling our people

Conserving the planet

Behaving ethically and transparently
Our approach to our material issues

Conserving the planet

Introduction

Our Purpose is to improve the lives of the people we touch and our main focus is the people who use our products. However, we recognise that, as a result of our activities, we create negative impacts on the environment through our manufacturing, research and development, logistics, administrative and marketing operations, and understand that a damaged environment has consequences for the health and wellbeing of society more broadly.
Our approach to our material issues

Conserving the planet continued

Human development can only be sustainable if we remain within environmental limits relating to the quality and quantity of natural resources on which we rely. This requires society to reduce the amount of pollution that is present in the air, in our water supplies, and in the land, particularly where this relates to compounds not easily recycled by nature and which accumulate. It also requires a halt to the degradation of the earth’s natural cycles by not over-abstraction of water, over-consuming natural resources (such as fertile soil and forests) at rates beyond which they can be replenished, or by emitting levels of greenhouse gases into the atmosphere to an extent which causes damaging climate change.

Scientific opinion is clear that there is an urgency to ensuring natural resources and systems are conserved and restored in order to secure a more sustainable future.

In addition to the environmental impacts of our own operations, we recognise the impacts of our “upstream” supply chain in creating our products, as well as those in their “downstream” distribution, use and final disposal. Our impacts may have indirect, but global, environmental consequences – such as our emissions of greenhouse gases – or they may be very local, such as in noise nuisance from our manufacturing plants, or solid waste being sent to landfill.

We also recognise the commercial benefits of taking proactive action on our impacts. In addition to ensuring we avoid fines and reputation damage from breaching environmental regulation, we also see that increased efficiency in our energy and raw materials use can reduce production costs both within our own facilities, but also throughout the value chain. Whilst we see only low risk of direct, financially material impact on our business in these impacts, we also see that indirect effects through impacts on global economic performance could feed through to already strained healthcare budgets and put pressure on reimbursement.

Our management approach

We have an environmental policy statement which sets out our position, and this reflects a more detailed internal environmental policy document which provides direction to major facilities on how to structure their environmental management programmes. Our overall approach can be summarised as:

- Understanding, quantifying and minimising the environmental impacts of our own operations, and our partners who operate upstream and downstream of our business
- Understanding, quantifying and minimising the environmental impacts of our products and services across their whole life cycle – adopting a precautionary approach
- Setting appropriate objectives for improving our performance and the development of more environment-friendly products
- Implementing appropriate management systems and programmes to support achievement of our objectives
- Reporting progress to our stakeholders

We are working to improve our performance across all of these activities and our progress is detailed below.

Our own operations

Our larger manufacturing facilities have a dedicated Environment, Health and Safety Manager, and are developing environmental management systems in line with corporate requirement and referencing ISO14001. Two of our manufacturing sites, Deeside and Rhymney (both in the UK) have achieved certification to that standard. Our Global EHS Team conducts audits of the effectiveness of system implementation and, in November 2017, completed a benchmarking survey of progress. The benchmarking indicated that eight of the nine facilities had developed a site-level environmental policy (the 9th was actively drafting a policy) but that further progress is needed to meet the standards envisaged in our Group Environmental Policy, particularly in developing performance targets for our most significant impacts which we have assessed to be:

- Emissions to air – in particular, greenhouse gases associated with energy consumption
- Generation of waste – hazardous and non-hazardous
- Management of water
- Consumption of raw materials in our products

These impacts are discussed below.

Energy and climate change

There is strong scientific consensus that human activities, such as the burning of fossil fuels and deforestation, are key drivers of climate change. As such, it is important that businesses address their emissions and strive to reduce the generation of greenhouse gases.

In 2017, we have been focusing on the implementation of a new data reporting system and improving the quantification of our operational carbon footprint. This will enable us to better identify the opportunities for energy efficiency and for reducing the overall carbon intensity of our operations. During 2018, we will develop a comprehensive climate change strategy and establish an appropriate target.

16. Covering manufacturing sites other than EuroTec (The Netherlands), and including the R&D Centre in the UK.
Conserving the planet continued

In 2016, we reported on the energy consumed in our manufacturing facilities only. This year we have extended the scope to include our R&D centres, major offices and distribution centres. Information on the methodology adopted for reporting on energy consumption and climate change is provided in more detail on page 45. The tables (below) indicate like-for-like comparisons of energy and GHG emission data, as well as setting out the expanded scope of this year’s reporting. The data suggest that manufacturing accounts for over 95% of our reported carbon footprint (Scope 1 and Scope 2).

<table>
<thead>
<tr>
<th>2017</th>
<th>2016 (restated)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy consumption</td>
<td>gWh</td>
</tr>
<tr>
<td>Comparative scope</td>
<td></td>
</tr>
<tr>
<td>Direct energy consumption</td>
<td>23.5</td>
</tr>
<tr>
<td>Indirect energy consumption</td>
<td>75.1</td>
</tr>
<tr>
<td>Total energy consumed (comparative scope)</td>
<td>98.6</td>
</tr>
<tr>
<td>Additional scope in 2017</td>
<td></td>
</tr>
<tr>
<td>Direct energy consumption</td>
<td>2.8</td>
</tr>
<tr>
<td>Indirect energy consumption</td>
<td>2.7</td>
</tr>
<tr>
<td>Total energy consumed (additional scope)</td>
<td>5.5</td>
</tr>
<tr>
<td>Total direct energy consumption</td>
<td>26.3</td>
</tr>
<tr>
<td>Total indirect energy consumption</td>
<td>77.7</td>
</tr>
<tr>
<td>Total energy consumed</td>
<td>104.0</td>
</tr>
<tr>
<td>Total energy intensity (gWh/$m revenue)</td>
<td>0.059</td>
</tr>
</tbody>
</table>

* The restatement of 2016 energy data reflects an error in reporting consumption of electricity at one of our manufacturing sites. The effect of the restatement is to increase 2016 indirect energy by 7%.

Our direct energy consumption comprised approximately 70,000 litres of diesel consumed in generators and 2.5 million cubic metres of natural gas. Approximately 1.5% of our indirect energy consumption related to district heating, with the balance being electricity purchased from third parties.

Our benchmarking exercise (above) indicates that all but one manufacturing location has formally assessed its energy efficiency performance. Over the last few years several sites have implemented energy efficient lighting programmes and installed movement sensors in warehouse and “domestic” areas of the sites to control lighting requirements, and have also invested in more energy efficient boilers, compressors and cooling equipment. To date, the savings generated by these initiatives have not been collated centrally. The increase in energy consumption is largely due to increased production activity at certain manufacturing locations.

We have not sold energy to third parties and we have no biogenic sources of greenhouse gas emissions.

<table>
<thead>
<tr>
<th>2017</th>
<th>2016 (restated)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse gas emissions</td>
<td>Tonnes CO₂e</td>
</tr>
<tr>
<td>Comparative scope</td>
<td></td>
</tr>
<tr>
<td>Scope 1 – Greenhouse gas emissions</td>
<td>4,908</td>
</tr>
<tr>
<td>Scope 2 – Greenhouse gas emissions</td>
<td>28,015</td>
</tr>
<tr>
<td>Total GHG emissions (comparative scope)</td>
<td>32,923</td>
</tr>
<tr>
<td>Additional scope in 2017</td>
<td></td>
</tr>
<tr>
<td>Scope 1 – Greenhouse gas emissions</td>
<td>565</td>
</tr>
<tr>
<td>Scope 2 – Greenhouse gas emissions</td>
<td>1,040</td>
</tr>
<tr>
<td>Total GHG emissions (additional scope)</td>
<td>1,605</td>
</tr>
<tr>
<td>Total GHG emissions (Scope 1)</td>
<td>5,474</td>
</tr>
<tr>
<td>Total GHG emissions (Scope 2)</td>
<td>29,054</td>
</tr>
<tr>
<td>Total GHG emissions (full scope – baseline)</td>
<td>34,528</td>
</tr>
<tr>
<td>GHG emission intensity (tonnes/$m revenue)</td>
<td>19.6</td>
</tr>
</tbody>
</table>

* Greenhouse gas emissions for 2016 have been restated due to (i) changes in policy regarding fuel and electricity conversion factors and (ii) an error in reporting electricity consumption at a manufacturing site (see note above). The net impact of the restatement is an increase in 2016 reported GHG emissions of 3% (see ‘About our reporting’ on page 45).

17. Offices serving as regional or Global HQ, or with more than 50 FTEs.
Our approach to our material issues

Conserving the planet continued

The like-for-like increase in GHG emissions is driven largely by the same factors as the increase energy disclosed above. With the implementation of our new reporting system, establishment of a stable policy on emission conversion factors and our reporting scope boundary, our 2017 GHG emission disclosure represents our base year for future tracking of emission outcomes.

At this stage, we have not invested in the implementation of renewable energy sources, proactively purchased “green” electricity from utility companies, conducted GHG trading or set an internal price for GHG emissions, but these are issues we will assess going forward as part of a broader strategy to enhance our contribution to tackling climate change.

We have assessed the risks and opportunities for our business associated with climate change. We believe that the direct impact on our operations from regulatory, product and market, and physical perspectives, is low. The main direct risk is likely to involve extreme weather events in the Caribbean which have the potential to impact on our production facility in the Dominican Republic (see case study). The operational benefits of siting production in the country are felt to outweigh the potential risk of storm disruption.

We are working to improve our reporting of Scope 3 GHG emissions, and this year are reporting emissions relating to flights taken by employees on ConvaTec business. Based on data provided by our travel agents, and extrapolating to cover all markets, we estimate this amounted to between 5,000 and 5,600 tonnes of CO₂e. This forms our base year for tracking progress on emission reductions relating to business flights.

**Case Study: Climate change risks – extreme weather events**

Climate change is thought to be contributing to an increase in extreme weather events and is thought to have been a factor in the devastating 2017 hurricane season across the Caribbean and Gulf of Mexico. Our manufacturing location at Haina in the Dominican Republic has taken steps to mitigate this risk.

All the buildings are designed to resist hurricanes and the plant has been provided with specific preventive procedures, practices, improved infrastructure and equipment for storm resistance. The site also has reserve systems, such as emergency generators, compressed air, chilled water, potable water storage, and other utilities.

During the hurricane season we hold an increased level of raw materials and finished inventory to cover any potential impact to supply and the plant has an active Business Continuity Plan that is constantly reviewed and updated.

Hurricane impact is likely to be more harmful to the areas around the plant, specifically employees’ homes and local infrastructure, and the biggest challenge to production continuity would be employee availability. However, the Company supplies transportation for our employees and this allows us to resume operations quickly if there is a hurricane event.

In 2017, during hurricanes Irma and Maria, the plant experienced Government-mandated shut downs leading to the loss of 32 hours of production (time which was recovered through scheduling additional shifts). No damage was caused to the plant.

**Case Study: Manufacturing in Rhymney – zero waste to landfill**

During the year, our manufacturing facility in Rhymney, South Wales, changed the contractual arrangements for the processing of its waste such that all solid waste is now segregated at a single location. Recyclable materials are recovered for processing, with the balance incinerated in an energy recovery facility.

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**Target & strategy**

**Target**

We will develop a Group-wide climate change strategy, to include an energy and climate change target, by 31 December 2018.
In future years, we aim to include additional categories of Scope 3 emissions, and this will be supported by the product by product assessments we have commenced in 2017 (see below).

**Management of waste and water**

This year is the first in which we have collected waste and water data centrally. All manufacturing sites included in our benchmarking exercise (above) indicated that they had developed waste reduction targets and were actively looking for opportunities to reduce use of natural resources in products and packaging.

Our waste and water reporting focuses on our manufacturing sites, where we believe quantities are material. At this stage, we do not collate this data from other locations where quantities are much lower and waste disposal and recycling is often controlled by the landlord.

In 2017, we consumed 146 megalitres of water, all of which was provided by municipal water suppliers or other public or private water utilities. No water is abstracted directly from lakes, rivers or other bodies of water by the Company. Data is compiled from invoiced amounts and meter readings.

Very little water is treated onsite (1.5%). Approximately 8,000 tonnes of water is tankered offsite as hazardous waste (see table below), the vast majority of this relating to our Rhymney site where water becomes contaminated with Industrial Denatured Alcohol (“IDA”). After processing, approximately 58% of the mass is recovered IDA, which is then reused on the site and remaining treated water is returned to the environment. Other waste water is discharged to sewer.

Our waste recycling and disposal for 2017 is summarised below. These totals include data from our manufacturing centres. No waste is treated onsite.

<table>
<thead>
<tr>
<th></th>
<th>Hazardous waste (tonnes)</th>
<th>Non-hazardous waste (tonnes)</th>
<th>Total waste (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Waste</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste recycled</td>
<td>8,146</td>
<td>3,243</td>
<td>11,389</td>
</tr>
<tr>
<td>Waste disposed of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landfill</td>
<td>39</td>
<td>10,542</td>
<td>10,581</td>
</tr>
<tr>
<td>Incineration</td>
<td>37</td>
<td>2,026</td>
<td>2,063</td>
</tr>
<tr>
<td>Other</td>
<td>133</td>
<td>6</td>
<td>139</td>
</tr>
<tr>
<td><strong>Total disposed</strong></td>
<td>209</td>
<td>12,574</td>
<td>12,783</td>
</tr>
</tbody>
</table>

Note 1 – Hazardous waste recycled includes the contaminated water referred to in the paragraph above.

Note 2 – The data in this table does not include data from EuroTec. This newly-acquired facility will report waste and water data for 2018.

We estimate that 45% of non-hazardous waste incinerated involves energy recovery as part of the process.

Our analysis suggests that the level of non-hazardous waste disposal has been influenced by the transfer of certain production activities between locations during 2017. We expect to see this stabilise and decrease in 2018.

**Case Study: Management of phthalates**

We have continued our efforts to replace the plasticiser DEHP (used to soften PVC-based plastics) with softeners which are free of health concerns. In 2017 we achieved our target of having less than 2% of our product portfolio (by turnover) containing DEHP. For 2018 we plan to reduce this further to less than 1%.
Our approach to our material issues

**Conserving the planet continued**

**Environmental impact of our products**

As part of our strategic objective to improve the environmental performance of our products, we have started a programme of life-cycle assessments (LCAs) – a decision support tool that generates quantitative environmental profiles. In 2017, we commissioned an initial pilot study focused on our Aquacel® Foam Adhesive dressing – the 10x10” size was specifically chosen to represent this range as it is sold in the largest quantities – and this was conducted in accordance with the requirements of the international standards ISO 14040:2006 and ISO 14044:2006. A critical review has been completed by an expert in the field to ensure compliance with the ISO standards.

The study covers a “cradle-to-grave” analysis of the product. This includes the extraction and production of raw materials, manufacturing processes, all transportation stages and waste management through disposal, recycling or incineration of the product system. Key processes excluded from the analysis are retail operations and use by the final consumer.

We have set a target to conduct detailed, third-party assessed LCAs across all key product groups, by 31 December 2020. We will also use the data to extrapolate estimates for our Scope 3 GHG emissions. Detailed information from the studies will be analysed to identify improvement opportunities and made available to our customers to enable more transparent discussion of impacts in procurement decisions.

**AQUACEL® Foam dressing:**

A. Waterproof top layer that permits evaporation of excess moisture while protecting against viral/bacterial penetration
B. Soft, absorbent foam pad to enhance patient comfort and absorb excess fluid
C. Hydrofiber® layer that gels on contact with wound fluid and helps provide an optimal environment for wound healing
D. Gentle silicone adhesive that provides secure, skin-friendly adhesion and easy removal

**Relative impacts of the product life-cycle**

- **8 Waste management of product – 17%**
  Disposal of dressings after use through incineration and landfill including transportation. Also includes impacts associated with sorting, disposal, recycling and transportation of packaging.
- **7 Distribution – 1%**
  The transportation of the finished product, and the primary, secondary, and tertiary packaging, to Distribution Centres and the end user.
- **6 Sterilisation process – 23%**
  Third-party sterilisation, including transport to the steriliser and back to the manufacturing plant.
- **5 Primary, secondary and tertiary packaging – 3%**
  Extraction of natural resources and production of primary, secondary and tertiary packaging used in distribution.
- **4 Dry assembly process – 10%**
  Assembly, lamination, and cutting of all component materials into the final product, including management of production waste.
- **3 Manufacturing process – 30%**
  Conversion of cellulose base fibre into Aquacel® element of the dressing, including management of production waste.
- **2 Transportation of raw materials/packaging to production facility – <1%**
  Transportation of raw materials and packaging to manufacturing sites.
- **1 Production of raw materials – 16%**
  (I) Forestry operations, cellulose base fibre production. (II) Extraction of natural resources and production of other raw materials, including polyurethane layers, adhesive binders, foam layer, silicone laminate, LDPE liner.

**Relative impacts of raw material content**

1. Hydrocell layer 4%
2. Protective top layer 18%
3. Adhesive binder 2%
4. Soft foam layer 10%
5. Silicone laminate 30%
6. LDPE liner 36%

**Key product LCAs by 2020**

**Target**

We will complete third-party reviewed LCAs within all major product groups by 31 December 2020.
Behaving ethically and transparently

Introduction

Behaving ethically and with integrity is a key element of one of our core values (Earning Trust). It is the right thing to do and protects our reputation. Ethics, bribery and corruption risk has been identified as one of the principal risks that could threaten our strategy, performance and reputation.

The healthcare industry is heavily scrutinised by governmental bodies around the globe and bribery, or other violations of anti-corruption laws, may result in enforcement actions that may negatively impact our financial position and reputation. Enforcement actions related to bribery could result in an inability to participate in tenders or sell products to entities that are directly or indirectly reimbursed by a governmental body. Violations of anti-bribery laws could result in criminal exposure for our employees and cause material disruption to our operations.

Corporate transparency is increasingly assessed by third parties, particularly ESG analysts, who pass their verdicts on to institutional investors. A broad range of standards and guidelines have been developed against which companies are encouraged to report, and disclosure on some issues, previously only reported in corporate responsibility reports, is becoming enshrined in company law (e.g. gender diversity, greenhouse gas emissions and corporate approaches to modern slavery).

A company’s transparency is now seen as an important performance indicator and we see the benefit of making continual improvements in this area through the strengthening trust of our various stakeholders.
Our approach to our material issues

**Behaving ethically and transparently continued**

**Our management approach**

**Engagement**

We engage with stakeholders on ethical topics within our sector. For example, we are an active participant in many of the local medical device trade associations of the countries in which we operate and we played an instrumental role in drafting the Code of Ethical Business Practice for our European industry association, MedTech Europe. In 2017, we responded to several investor enquiries relating to our compliance approach.

**Policies, procedures and resources**

We have an extensive compliance programme with priorities set through an annual risk assessment process. We have developed a Code of Ethics and Business Conduct, and a series of Global Policies which cover a range of business conduct and compliance issues, focusing particularly on anti-bribery and anti-corruption. We strive to ensure that all employees complete the necessary training, and completion is carefully monitored. All employees with access to our online training platform, including members of our Executive Committee, are required to complete online training. In 2017, 3,200 (or 94%) of this population completed the online Code of Ethics training and 90% achieved a score of 80% or higher in the Global Policies examination. Other employees receive training through face to face sessions. Our Compliance Officers thoroughly investigate employee breaches of the Code of Conduct.

Our Chief Compliance Officer works globally with the team described below and runs a Compliance Steering Committee made up of ConvaTec leadership team members. We have five Compliance Officers (“COs”) each covering APAC (excluding China), China, EMEA, Latin America and North America (US & Canada) respectively. These COs are based in their respective Regions and run cross-functional compliance committees that include members of the regional leadership teams. On an annual basis, the COs conduct risk assessments for their regions, in order to prioritise their compliance activities for the year. In addition, we have two compliance operations employees who work on a global basis. We also employ a number of lawyers in the UK and the US who are responsible for matters involving Regulatory Compliance. Finally, we have approximately five employees who work in Compliance within our US-based Home Distribution Group.

Our Compliance Team works closely with the Internal Audit team which collaborates on some of the actions in our annual global compliance monitoring plan. Additionally, we have a Quality, Regulatory and Clinical Affairs team which focuses on product and supply chain regulatory and quality matters. This team numbers approximately 487 individuals.

Our Legal and Compliance function works with the Audit and Risk Committee, and the Board. Further details are set out in the Annual Report (page 73). This approach provides visibility to our leadership regarding compliance initiatives and ensures positive “tone at the top” with respect to adherence to the Company’s ethical principles.

All new Directors are taken through the responsibilities of Directors (which includes reference to duties in relation to anti-corruption) as well as the role and responsibility of the Compliance Team (which is focused on anti-bribery and anti-corruption). In addition to these activities, the Board is scheduled to receive formal training on anti-bribery and anti-corruption in the first half of 2018.

**Whistle-blowing line**

We operate a whistle-blowing line which is managed by an independent, third-party provider. Their website provides a channel for employees and others to report any suspected breaches of our Code of Ethics and Business Practice.

**Relationships with third parties**

We cover our approach to ethical behaviour with third-party organisations in “Working Responsibly with Partners” on pages 31 to 33.

**Political relationships**

In 2017, we did not make any donations to political parties or political candidates.

From time to time, across the Group, we have engaged with trade bodies such as AdvaMed in the US, and MedTech Europe, on policy issues relevant to our business. In the US, in 2017, we have been involved in limited lobbying activities, through a registered lobbyist. This has mainly involved building familiarity of ConvaTec amongst relevant politicians and discussion of market access and taxation issues.

**Legal compliance**

To our knowledge, in 2017, we were not subject to any fines, non-monetary sanctions or prosecutions relating to anti-competitive, anti-trust, monopoly, human rights, environmental, or health and safety issues. Please also see Note 23 on page 146 of the Annual Report.
Our approach to our material issues

**Behaving ethically and transparently continued**

**Transparency**

Being transparent with our stakeholders about all aspects of our CR performance is a vital part of building strong, long-term relationships based on trust. As a recently-listed company, in 2016 our CR-related disclosure was limited to our 2016 Annual Report and material on our corporate website. Since publication of that report, our transparency has been assessed by several ESG analyst organisations and we have submitted responses to questionnaires relating to the CDP Climate Change Questionnaire and Supply Chain Questionnaire.

<table>
<thead>
<tr>
<th>Rating organisation</th>
<th>Assessment of disclosure (carried out in 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>oekom research:</td>
<td>C-</td>
</tr>
<tr>
<td>Sustainalytics:</td>
<td>64 out of 100 (outperformer in the “healthcare” industry group)</td>
</tr>
<tr>
<td>CDP: Rating for the climate change questionnaire response</td>
<td>C-</td>
</tr>
<tr>
<td>Business and Human Rights Resource Centre (rating of Modern Slavery Statement)</td>
<td>Tier 5 (out of 10), placing us between 12th and 30th in the FTSE top 100 companies</td>
</tr>
</tbody>
</table>

As part of our commitment to transparency, we have aimed for this CR Report to be in accordance with the GRI Standards: Core option. We have mapped the requirements of the standards to the relevant disclosures in a GRI Content Index. We aim for our 2018 CR Report to be subject to external assurance to provide additional credibility to the disclosure.

**Assurance in 2018**

**Target**
To successfully complete the application of independent external assurance to our 2018 Group CR Report

**Better ratings by 2019**

**Target**
To improve our oekom Corporate Rating grade to at least C+, and our Sustainalytics rating to at least 75/100, by 2019
Reporting principles

Reporting Standards adopted

This report has been prepared in accordance with the GRI Standards: Core option. We believe that all the requirements to claim alignment have been met and we will inform the GRI of our use of this wording. We have published a separate document which maps this report to the requirements of the Standards.

Whilst we have used the GRI Standards as our primary resource, we have also been influenced by the SASB Sustainability Accounting Standard for Medical Equipment and Supplies businesses, and the International Integrated Reporting framework, developed by the IIRC.

In relation to greenhouse gas emission reporting, we have adopted a scope determined by our financial control of subsidiary businesses, and have followed guidance laid out in the Greenhouse Gas Protocol (A Corporate Accounting and Reporting Standard, Revised Edition).

The following paragraphs indicate how we have applied the GRI Standards Principles relating to report content and quality.
Stakeholder inclusiveness
The report sections on materiality and stakeholders (see pages 7 and 10) detail how we have identified and categorised our stakeholders, how we engage with them, how we create value for them, and provides links to the pages covering the key issues that are important to them. In particular, we cover in detail how we engage with our primary stakeholders, the people who use our products.

Sustainability context
We discuss our understanding of sustainable development as it applies to our business on page 12 and throughout the sections of the report.

Materiality
The report section on materiality (see page 10) details how we identified the “universe” of potential, relevant CR issues and how we prioritised these using the experience and knowledge of our management team, and input from a range of external stakeholders. The resulting analysis was presented to both the Executive Committee and the CR Committee of the Board.

Completeness
The report covers all operations over which we have financial control for the 2017 financial and calendar year. The report covers all of the issues identified in our materiality matrix, and places the most emphasis on the most material issues.

Where a KPI reported in the document does not relate to the entire organisation for the entire year, the scope of its boundaries is indicated. This is also provided in the GRI Content Index. For example, we do not collect environmental data from the small sales offices present across the globe.

Businesses acquired or disposed of during the year are not included in our reporting for that year except where disclosed otherwise.

Accuracy
We provide information on whether KPIs are based on measurement or estimates, where applicable, in either the body of the report or in the GRI Content Index.

Balance
We aim for our report to provide a balanced picture of our performance and we have covered challenges, such as reliability of product supply issues and availability of Scope 3 environmental data, alongside more positive developments such as our continuing product innovation success.

Clarity
We aim to make our report sufficiently detailed, but still accessible, for a range of readers. We have structured the sections based on our CR framework (see page 11) to aid navigation and have provided a glossary to help explain acronyms and technical points.

Comparability
We have used recognised accounting methodologies for our greenhouse gas, health and safety and other reporting to enhance comparability. As this is our first separate CR Report we have not built up sufficient time series of data to enable effective comparability of performance between years but this will improve as our reporting progresses. There have been no restatements of CR-related data published in our 2016 Annual Report (pages 44 to 49) other than where indicated. Any changes in the boundaries of our reporting from 2016 are disclosed alongside the relevant data point on a case-by-case basis.

Reliability
The information that populates this report is gathered from data owners across the business. The narrative information is developed, re-checked with data owners and then reviewed at various levels within the organisation until ultimately approved by the CR Committee of the Board and the Executive Committee. Where information from third parties is included, we have sought their approval where necessary.

Our KPIs are of two types: those selected from the guidance relating to the GRI Standards (where these are applicable to our sector, business model and materiality profile), and those which we have defined as they better represent our performance on material issues. Where not self-evident, guidance on the definition of the KPIs is provided to data owners within the reporting system itself, or through direct engagement with data owners.

Data is captured in our reporting system (implemented during the year), or is provided to HQ by the data owner by email. Within the reporting system there is a process of data approval by the data owner’s line manager, or by the CR Director.

We have not sought external assurance for our 2017 Report as this is the first year of producing a separate CR Report. We aim to commission external, independent assurance for our 2018 Report.

Timeliness
The information included in the report relates to 2017 unless otherwise stated, and the document has been published in a timely fashion.
Reporting on our climate-related emissions

We aim to follow the methodologies set out in The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition). The main elements, and any departures from the methodology, are highlighted in the following sections. We are establishing 2017 as our base year for the setting of future reduction/efficiency targets. Emissions and energy intensity are calculated using revenue as the denominator ($m). Calculation of CO₂ equivalent included the gases CO₂, CH₄, and N₂O (Scope 1 and 2). In 2017, we participated in the Carbon Disclosure Project Climate Change questionnaire for the first time, and were ranked at a C- level of disclosure.

Boundaries

In Greenhouse Gas Protocol terms, the boundary we are using for our Scope 1 and Scope 2 reporting is “Financial Control”, i.e. we report 100% of the emissions from operations over which we have control. The scope of our GHG reporting does not cover every physical location as indicated on page 36. In 2017 we have reported emissions from our manufacturing plants (highest levels of emissions), our R&D centres, our most prominent distribution centres, Group and regional HQ offices, and other offices with more than 50 FTEs. This equates to locations “housing” approximately 90% of our non-fieldworker headcount, but all of the most emitting locations. In 2016, our reporting included only manufacturing locations. Data for 2017 suggests that manufacturing locations account for 96% of reported emissions. We have included full year emissions of acquisitions made in the year although these do not feature in the like-for-comparison.

The excluded locations are smaller sales offices which in the majority of cases are rented, and where energy is generally invoiced as part of the rental. We have taken the view that the incremental environmental impact represented by these additional locations does not merit the bureaucratic resource to gather the data.

Scope 1

Our main Scope 1 fuels are diesel (burned in generators to create electricity) and natural gas (for heat and generation). Conversion factors for these fuels are sourced from UK Department for Environment, Food & Rural Affairs (DEFRA) – 2017 version 1.01 (GWP AR5 applied). This represents a change from the conversion approach used for natural gas in 2016, resulting in an 8% increase in emissions calculated for that fuel. For the conversion of diesel fuel into electrical power we have assumed generator efficiency of 10%.

Scope 2

Our reporting of our Scope 2 emissions is location-based, i.e. it reflects the average emissions intensity of grids on which energy consumption occurs. We have used electricity grid conversion factors published by the International Energy Agency (IEA) during 2017. These reflect average grid electricity fuel sources for the respective markets for 2015.

This represents a slight change in accounting policy from our 2016 Annual Report disclosure, where we used conversion factors based on a rolling average of the previous three years (2012–2014). We have restated the 2016 comparative data in this CR Report. Using the most recent available data (2015), rather than the rolling three-year average, has reduced the 2016 emissions disclosed by 5%.

Scope 3

We are committed to expanding our reporting of Scope 3 emissions. Limited data has been disclosed in the Report.

Summary of targets

Delivering for customers

Customer support and engagement: On an ongoing basis, we will maintain a top 3 position in the Patient View survey with those patient groups which identify as “working with us”

Innovation: We will launch 35 new products¹⁸, by 31 December 2020

Making a socio-economic contribution

Community support and engagement: We will launch a community programme which directly engages more than 5% of our global workforce, by 31 December 2018

Enabling our people

Health & safety: We will:
– complete the extension of safety performance data collation for headquarters and primary office locations, as well as the associated Commercial teams, by 31 December 2018
– reduce our Lost Time Injury Rate, for the manufacturing locations, to below 0.5 per 200,000 hours worked, by 31 December 2020, and
– develop a Group-wide Lost Time Injury Rate target, by 31 December 2019

Diversity: We will reach a level of 30% females in senior management, by 31 December 2020

Employee development: We will complete the roll-out of a technical skills and competency assessment for relevant manufacturing employees, by 31 December 2018¹⁹

Working responsibly with partners

Supplier Assessment: We will have completed analysis of the CR performance of 100 of our most significant suppliers, by 31 December 2020

Conserving the planet

Climate change: We will develop a climate change strategy and target for the Group, by 31 December 2018

Product life-cycle assessment: We will complete third-party reviewed life-cycle assessments within all major product groups, by 31 December 2020

Behaving ethically and transparently

Transparency: To successfully complete the application of independent external assurance to our 2018 Group CR Report

¹⁸. Including products commercialised for roll-out in new markets and/or for new indications.
¹⁹. This relates to relevant employees in our Ostomy, CCC and Advanced Woundcare franchises. IDIS employees will be covered in phase 2
### Glossary of terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>APAC</td>
<td>Asia Pacific</td>
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<tr>
<td>AWC</td>
<td>Advanced Wound Care (one of four ConvaTec franchises)</td>
</tr>
<tr>
<td>CCC</td>
<td>Continence and Critical Care (one of four ConvaTec franchises)</td>
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<tr>
<td>CDP</td>
<td>Carbon Disclosure Project</td>
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<tr>
<td>EMEA</td>
<td>Europe, Middle East and Africa</td>
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<tr>
<td>ESG analysts</td>
<td>Organisations which review, assess and rate the performance of businesses on environment, social and governance topics</td>
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<tr>
<td>GHG</td>
<td>Greenhouse Gases – atmospheric gases that are capable of trapping and holding heat in the atmosphere and which are responsible for the greenhouse effect, which leads to global warming</td>
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<tr>
<td>GRI</td>
<td>Global Reporting Initiative – aims to help businesses communicate their impact on issues such as climate change, human rights, governance and social well-being through Reporting Standards which are developed with multi-stakeholder contributions</td>
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<tr>
<td>HAI</td>
<td>Hospital acquired infection – an infection that is acquired in a hospital or other health care facility</td>
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<tr>
<td>HCP</td>
<td>Health Care Professional – a person connected with a specialty or discipline who is qualified by a regulatory body to provide a healthcare service to a patient e.g. nurses, midwives, clinicians, pharmacists</td>
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<tr>
<td>ISO14001</td>
<td>Is the international standard that specifies requirements for an effective environmental management system</td>
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<tr>
<td>LATAM</td>
<td>Latin America</td>
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<td>Reportable incident</td>
<td>Incidents which result in the death of a worker or non-worker, or a defined type of injury.</td>
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<tr>
<td>Scope 1 emissions</td>
<td>Direct emissions from owned or controlled sources e.g. diesel generators</td>
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<tr>
<td>Scope 2 emissions</td>
<td>Indirect emissions from the generation of purchased energy</td>
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<tr>
<td>Scope 3 emissions</td>
<td>All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions</td>
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<tr>
<td>SRI analysts</td>
<td>Socially Responsible Investment (see also ESG above)</td>
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<tr>
<td>Stoma</td>
<td>A small opening on the surface of the abdomen created surgically in order to divert the flow of faeces and/or urine</td>
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<tr>
<td>UN Global Compact</td>
<td>An initiative to encourage businesses to adopt more sustainable and socially-responsible practices based around a set of ten principles</td>
</tr>
<tr>
<td>UN Sustainable Development Goals (the SDGs)</td>
<td>17 global sustainable development goals established by the UN, underpinned by 169 targets, for achievement before the end of 2030</td>
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</table>

### Main locations

<table>
<thead>
<tr>
<th>Location</th>
<th>Address/Location</th>
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<tbody>
<tr>
<td>Main Headquarters</td>
<td>Reading, UK</td>
</tr>
<tr>
<td>Americas</td>
<td>Bridgewater, US</td>
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<tr>
<td>Asia Pacific</td>
<td>Singapore</td>
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<tr>
<td>Europe, Middle East, Africa</td>
<td>Schaffhausen, Switzerland</td>
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<tr>
<td>Manufacturing</td>
<td>Deeside, UK</td>
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<td>Haina, Dominican Republic</td>
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<td>Herlev, Denmark</td>
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<td>Langenfeld, The Netherlands</td>
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<td>Michalovce, Slovakia</td>
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<td>Minsk, Belarus</td>
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<td>Osted, Denmark</td>
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<td>Reynosa, Mexico</td>
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<td></td>
<td>Rhymney, UK</td>
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Contacts and feedback

We welcome and encourage feedback on our CR report. If you would like to share your opinions, advice and recommendations, please contact Chris Burgess, Director, Corporate Responsibility at our Headquarters via the following postal or email addresses:

ConvaTec Group Plc
7th Floor
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH
United Kingdom

chris.burgess@convatec.com