

ConvaTec
Group Plc
Corporate
Responsibility
Report 2019

**Pioneering
trusted
medical
solutions to
improve the
lives we touch**

Introduction

To realise our vision – pioneering trusted medical solutions to improve the lives we touch – and generate value we must build trust and develop positive stakeholder relationships. We endeavour to do this by running our business in a responsible way. Our business model and strategy are structured to help us realise our vision and create sustainable value for all our stakeholders.

Our entire business is oriented to delivering products and services to help people manage challenging chronic conditions. We play an important role in helping them enjoy their lives, rather than being ruled by those conditions. At a broader level, particularly where our products are primarily used in a healthcare setting, their innovative design can enable healing outcomes and a reduction in healthcare associated infections, the most frequent adverse event in healthcare worldwide. Our customers, the people who use our products and services, and the healthcare professionals who care for them, rely on us and if we do not deliver for them we have no business.

There is significant potential for us to contribute even more to the care of the people who need our products and services. To do this, we will focus on strengthening our innovation pipeline and developing trusted medical solutions that address their distinct needs and deliver proven outcomes.

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

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Overall approach to Corporate Responsibility ("CR")

Our overall approach to CR is aimed at supporting the fulfilment of our vision (incorporating our purpose) and can be summarised as:

- Identifying our key stakeholders, how they interact with our products and services, 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.

In this way, we intend to become a more sustainable business and to contribute to the global sustainability agenda, in particular through the support this approach brings to several of the UN Sustainable Development Goals ("SDGs").

This report documents our performance across our most material issues. During the first half of 2020, we are re-visiting this approach, our strategy and objectives, and the outcome of this review will be covered in our 2020 CR Report. Due to this review process, only two new targets have been set in this year's report.

Report scope

This CR Report covers the year ended 31 December 2019 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 [2019 Annual Report and Accounts](#) (our "Annual Report") on pages 194 to 196. 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 46 to 48](#) of this document. Our most recent previous CR reporting was via our 2018 Annual Report and 2018 Group CR Report.

Where acronyms are not defined in the text, please see the glossary on [page 50](#).

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Our business model

Why we exist

We have a clear vision – pioneering trusted medical solutions to improve the lives we touch. This statement, which encapsulates our purpose and our ambition, is at the heart of everything we do.

What we do

We are a MedTech business focused on the chronic care market, with established positions in advanced wound care, ostomy care, continence and critical care and infusion care. We develop and manufacture innovative products that give people living with chronic conditions confidence, freedom and mobility. We also offer a range of services to support these people and the healthcare professionals who care for them.

Our values

Improve care

- We are passionate about serving and supporting people with deeply personal and challenging medical conditions.
- We actively listen and respond to their needs: demonstrating deep empathy and using the insight we gain to develop and share innovative solutions.

Deliver results

- We consistently deliver excellent work, say what we do and do what we say.
- We focus on what matters to the people we serve, fulfilling our own roles while working in a team with shared goals.
- We keep things simple and strip out complexity wherever possible.

Own it

- We take personal ownership of all our work: taking the initiative, innovating, taking smart risks and never settling for second best.
- We are bold but humble, manage ambiguity and move quickly to seize opportunities or adjust to new demands.

Grow together

- We help colleagues around us grow, develop and thrive, so we can all fulfil our potential and make ConvaTec a “destination employer”.
- We respect what each of us contributes to ConvaTec: inspiring and supporting each other to excel, while sharing in our successes and learning from mistakes.
- We are candid, constructive and committed to collaboration with colleagues and partners.

Do what's right

- We are honest and trustworthy, meeting our obligations and operating with the highest standards of integrity. We challenge what feels wrong; no matter what the issue or circumstances.
- We seek advice and input from others when in doubt.
- We embrace responsibility for our contribution to local communities and make a positive economic, environmental and social impact on society.

The key resources and relationships that enable us to improve lives and create value

A values-led, performance-driven culture

Our values shape our culture and behaviours and determine how we do business. Read about our culture and how we have updated our values in our [2019 Annual Report and Accounts](#).

People

Our skilled and dedicated workforce are key to our success.

Proactive stakeholder engagement

Our proactive engagement with our customers and healthcare professionals helps us better understand and meet their needs. We operate direct-to-consumer sales and support services channels including our me+™ programme. Read more about how we engage with our customers and other stakeholders in this Report and our [2019 Annual Report and Accounts](#).

Strong brands

Our brands address a range of increasingly prevalent conditions. Information about our key brands and differentiated product portfolio is included in our [2019 Annual Report and Accounts](#).

Established positions in structurally growing markets

Our well-established positions in the large structurally growing chronic care market. Read more about our market environment and our revenue split by franchise and geography in our [2019 Annual Report and Accounts](#).

R&D capabilities and extensive IP portfolio

Our R&D capabilities include two dedicated R&D facilities located in the UK and in Denmark, which employ over 300 people. We have approximately 250 active patent families, approximately 2,600 patents and patent applications and over 6,000 registered trademarks. Read about what we are doing to enhance our innovation pipeline in our [2019 Annual Report and Accounts](#).

Dedicated sales team and an extensive distribution network

We market and sell our products and services in over 110 countries through our four franchises: Advanced Wound Care, Ostomy Care, Continence & Critical Care and Infusion Care. We have a direct presence in certain markets and an extensive network of wholesalers and distributors who sell our products and manage the entire distribution process on our behalf. Read more about how we market and sell our products and services in our [2019 Annual Report and Accounts](#).

Operational footprint

We own and operate nine manufacturing plants, some of which are located in lower cost countries. To provide significant operational flexibility we also work with third-party contractors who manufacture on our behalf.

Financial resources – \$425 million cash generated¹

We generate significant cash from operating activities and have access to capital through our shareholder base and debt providers. Read more about our financial position in our [2019 Annual Report and Accounts](#).

1 Reported cash generated from operations net of PP&E.

How we create value

We invest in product development and focus on commercialising and manufacturing differentiated products that deliver proven outcomes.

We proactively engage with our customers and healthcare professionals to gather feedback. This valuable feedback informs our R&D processes and enables us to develop products and services that meet customers' needs. Our engagement activities, including our service offering, also help us build strong relationships with our customers and healthcare professionals. Strengthening our customer relationships and getting closer to the people who use our products and services are key priorities.

We generate revenue from the sale of our products and, through the implementation of our strategy, we are focused on pivoting to sustainable and profitable growth.

We have five strategic priorities:

- Focus on “must-win” markets and categories.
- Innovate by investing in our R&D capabilities to develop trusted medical solutions that customers need most.
- Simplify and strengthen our organisation by having a more customer-centric and agile operating model with clear accountability.
- Build critical core capabilities across the value chain via centres of excellence.
- Execute with excellence across the Group via the Transformation Office.



Focus



Innovate



Simplify



Build



Execute

Read more about our strategy and how we measure our progress using financial and non-financial key performance indicators in our [2019 Annual Report and Accounts](#).

We run our business in a way that helps support the United Nations Sustainable Development Goals and focus on:

- Delivering for our customers.
- Enabling our people.
- Working responsibly with our partners.
- Conserving the planet.
- Behaving ethically and transparently.
- Making a socio-economic contribution.



The value we create

We create value for a range of stakeholders and protect this value by deploying a risk management process.

Consumers

Our products and services give people living with chronic conditions greater confidence, mobility and freedom. Read about how our products and services help consumers in this Report and our [2019 Annual Report and Accounts](#).

300,000+

Participants in our me+™ programme

Employees

We offer our employees training and development opportunities in a positive work environment.

9,100+

Jobs/people employed

Shareholders

We generate returns for investors.

\$112.9m

Dividends paid and proposed for the year ended 31 December 2019

Healthcare providers

We provide value-add solutions, support and advice that help healthcare providers deliver better clinical outcomes in a cost-effective way.

People living with chronic conditions and the medical profession

We increase awareness and understanding of certain chronic conditions through our engagement programmes and our R&D capabilities, which advance clinical outcomes and practices.

Society

We create socio-economic benefits for a range of stakeholders including generating income for governments through our tax payments and providing employment across our supply chain and in the communities where we operate.

\$37.0m

Income taxes paid

\$347,000

Donations approved through our LIFE+ by ConvaTec community programme.

Our CR Programme at a glance – highlights and targets

Highlights of 2019

| Key areas of progress | Page number | Significant challenges | Page number |
|---|-------------|---|-------------|
| Continuing expansion of the me+™ customer support programme | 16 | Engaging suppliers in our supplier assessment programme | 33 |
| Completion of Green Design Guidelines | 42 | Improving the percentage of senior management roles occupied by women | 31 |
| Increase in employee wellbeing programme participation | 27 | Uneconomic pricing of green gas certificates | 39 |
| Better than anticipated energy efficiency gains | 37 | | |
| Continuing improvement in Health and Safety KPIs | 28 | | |

Our progress against published targets is provided below.

| Summary of targets | Status |
|--|---|
| Delivering for customers | |
| Customer support and engagement: On an ongoing basis, we will maintain a top three position in the Patient View survey with those patient groups which identify as “working with us” | Survey no longer published – target cancelled ● |
| Innovation: We will launch 35 new products ² by 31 December 2020 | On track ● |
| Innovation: We will publish a Policy covering our position on ethical issues relating to research and development by 31 December 2019 | Target completed ● |
| Enabling our people | |
| Health & Safety: We will reduce our Lost Time Injury Rate, for the manufacturing locations, to below 0.5 per 200,000 hours worked by 31 December 2020 | Target ongoing – on track ● |
| Health & Safety: We will develop a Group-wide Lost Time Injury Rate target by 31 December 2019 | Target completed ● |
| Health & Safety: We will maintain a Group-wide LTIR of below 0.27 | NEW TARGET ● |
| Diversity: We will reach a level of 30% females in senior management by 31 December 2020 | Target ongoing – behind schedule ● |
| Employee development: We will complete the roll-out of a technical skills and competency assessment for relevant manufacturing employees by 31 December 2018 | Delayed. Partially completed – full completion scheduled for first half of 2020 ● |
| Employee development: All manufacturing sites will have access to the performance appraisal and personal development programme by 31 December 2019 | Target completed ● |
| Human rights: We will complete the review, update and publication of our human rights-related policies, including our Human Rights and Labour Standards Policy, and Supplier Code of Conduct, by 31 December 2020 | NEW TARGET ● |
| Working responsibly with partners | |
| Supplier assessment: We will have completed analysis of the CR performance of 50 ³ of our most significant suppliers by 31 December 2020 | Target amended ● |
| Conserving the planet | |
| Product life-cycle assessment: We will complete third-party reviewed life-cycle assessments within all major product groups by 31 December 2020 | Target ongoing – on track ● |
| Climate change: We will reduce our combined Scope 1 and 2 greenhouse gas emissions by 10%, against a 2018 baseline, by 31 December 2023 | Target ongoing – on track ● |
| Climate change: We will develop a set of “Green Design Guidelines” for the New Product Development process by 31 December 2019 | Target completed ● |
| Behaving ethically and transparently | |
| Transparency: To improve our oekom Research rating to at least C+, and our SustainAlytics rating to at least 75/100, based on our reporting of the 2019 financial year | Target ongoing – on track ● |

2 Including products commercialised for roll-out in new markets and/or for new indications.

3 Formerly 100 suppliers.

Chief Executive Officer's statement



Karim Bitar
Chief Executive Officer

Following my appointment as Chief Executive at the end of September 2019 I have spent a significant amount of time visiting our operations and meeting our people. I have seen first-hand how dedicated our employees are to making a difference to the people who rely on our products and services. I have also developed a deep appreciation of how stakeholders in our business enable us to deliver innovative, safe, reliable and effective solutions. These stakeholders include our business partners, providers of capital and those who hold us to account for our performance.

Since September, in collaboration with the ConvaTec Executive Leadership Team (the "CELT"), I have assessed our business and identified that there is significant potential for us to contribute more to help people manage challenging chronic conditions and, at the same time, generate sustainable value for all our stakeholders. To do that we must strengthen and continue to evolve our business and ensure that our culture and how we operate are aligned with our ambitions.

To support this alignment, we have updated our vision and values. Our new vision "pioneering trusted medical solutions to improve the lives we touch" encapsulates our purpose and our ambition. Further information about our vision and values is included on [page 2](#).

To realise our vision, we must continue to run our business in a way that engenders trust. We strive to operate in a responsible and sustainable way and, due to much hard work in recent years, we have made some good progress. In this report we provide an update on our CR programme and specifically the progress made during 2019. In particular, during the year a number of milestones were reached including the development of our Green Design Guidelines to help us to develop more sustainable products and packaging and a step change in our energy efficiency focus, which is supporting progress towards our greenhouse gas emission reduction target. We believe that this report accords with the "GRI Standards: Core option", and we remain committed to the Principles of the United Nations Global Compact.

However, as is the case with other areas of our business, there is much still to do. For example, we continue to find it challenging to engage our supply chain partners in our supplier CR programme and significant price increases have inhibited our ability to renew our green gas contracts into 2020. Taking account of this and recognising that sustainability is a key geopolitical concern that impacts all our stakeholders, we have strengthened our corporate responsibility management and governance arrangements.

"To realise our vision we must continue to run our business in a way that engenders trust."

With effect from 2 March 2020, to embed sustainability into all key aspects of our strategy and day-to-day business operations, increase accountability and drive delivery, relevant members of the CELT are now responsible for our CR programme. Reflecting the critical importance of this area to the success of our business, each member of the CELT has been allocated specific CR programme related objectives which will be taken into account when reviewing their performance, including their remuneration arrangements. At the same time, responsibility for overseeing the Group's CR programme and reviewing our CR strategy and its implementation, has been transferred to the Board. As a result, the Board's CR Committee has been disbanded.

In the coming year we will monitor our CR programme on a regular basis and we will continue to evolve its scope and implementation to ensure its effectiveness. In the coming year, as we will evolve our business to become more customer-centric, delivering for the people who rely on our products and services will continue to be our key priority. Our people are key to our success. Recognising this we will continue to develop our people strategy and processes so that ConvaTec becomes an employer of choice. And as environmental concerns increase and accelerate we will continue to do all that we can to minimise our impact on the planet.

I hope that you find this report informative. If you have any questions or feedback please do not hesitate to contact us at CVT-CR@convatec.com.

Karim Bitar
Chief Executive Officer
13 March 2020

Our approach to corporate responsibility

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Our stakeholders and how we engage with them

Stakeholders

To deliver on our new vision, we must generate positive relationships with a broad range of stakeholders. How we do this is described in more detail in subsequent sections of the Report. We categorise our stakeholders based on the nature of their relationship with our business.

During 2019, the ConvaTec Board sharpened its focus on stakeholder engagement and reviewed current best practices in relation to Board involvement in the process through an expert-facilitated programme. It also received and debated, via the CR Board Committee, the results of the 2019 stakeholder survey.

More on this can be seen below and in our [2019 Annual Report and Accounts](#). Board Directors continued to meet with investors and employees throughout 2019.

In 2019, we were shortlisted for the “Stakeholder disclosure of the year” award from the Chartered Governance Institute (“ICSA”).

Our stakeholders and how we engage with them

| Stakeholder groups | What we want from them | What they want from us | The Value we create | Report section |
|---|--|--|---|---|
| Consumers – the people we deliver for | | | | |
| The people who use our products and rely on our services We engage with the users of our products on a continuous basis through support services such as me+™, targeted research, call centres, website enquiries home delivery companies such as HSG, and through our specialist nurses. | Their continued selection of our products and services, their recommendation and the insights to help us improve our products and services. | A reliable supply of safe, accessible and innovative products, and appropriate support and information, that meets their needs throughout their care journey. | Reducing the pain, inconvenience and stigma of chronic conditions. Helping users to live a normal, productive life. Innovation that advances clinical excellence. | Delivering for Customers page 14 |
| Direct enablers – help us to deliver | | | | |
| Healthcare professionals (HCPs) We engage with HCPs on a continual basis through our commercial teams, targeted research, training sessions and through our Nurse Advisory Boards and Key Opinion Leader meetings. | Their recommendation of our products and their insights to enable product improvement. | Products, and appropriate support, which meets the needs of their patients throughout the care journey, and which provide benefits to the healthcare delivery system. | Enabling HCPs to care for patients more effectively, and reducing the whole life-cycle costs of healthcare provision. Innovation that advances clinical excellence. | Delivering for Customers page 14 |
| Our People We engage with our employees on a continual basis through our intranet, ConvaTec App, “town hall meetings”, annual performance reviews and email briefings, as well as through union representatives and works councils (where applicable), and Board engagement. | A loyal, hard-working, talented workforce who behave responsibly, are committed to our Purpose and live our Values. | Safe, healthy, ethical and fair working environment, with opportunities to serve customers, develop skills and advance careers, with attractive rewards and development opportunities. | Financial reward, security, and increased employability through skills enhancement. | Enabling our People page 25 |
| Suppliers, distributors and other partners We engage through our everyday commercial relationships, as well as through assessments against our Supplier Code, due diligence reviews of distributors and compliance training. | Reliable, high-quality products and services at a competitive price with proactive innovation, responsiveness and responsible and ethical behaviour. | Reliable, predictable business at a fair price over the long term. | Financial reward and enhanced reputation. | Working Responsibly with Partners page 32 |
| Investors and lenders We meet with lenders and engage with investors through regular meetings and calls, roadshows, presentations, our Annual General Meeting and visits to facilities. We also engage with specialist SRI/ESG investors and analysts on specific CR topics. | Continued support through the provision of their capital. | A sustainable return on investment from a responsible business which will not damage their reputation, with strong cash flow to service debt obligations. | Financial return on investment. | The 2019 Annual Report |

Our stakeholders and how we engage with them

continued

| Stakeholder groups | What we want from them | What they want from us | The Value we create | Report section |
|--|---|--|--|--|
| Evaluators – hold us to account for our performance | | | | |
| Institutional customers/buying organisations We engage through the normal sales and marketing process, including formal tender processes. | Long-term growth in the purchasing of our products to supply to their healthcare customers/end-users. | Effective products at a competitive price/whole life-cycle cost, from a responsible business that will not damage their reputation. | Enabling healthcare budgets to stretch further whilst providing more effective treatment for customers/end-users. | Delivering for Customers page 14 |
| Regulators We engage with MedTech regulators on both a regular and ad hoc basis in relation to product approvals and other matters. | A fair and predictable regulatory framework, consistently applied, that is fit for purpose. | A responsible, diligent business that follows the rules and proactively engages where challenges occur. | Reducing the burden on regulatory resources through responsible business practices. | Various |
| Governments We engage with governments on an ad hoc basis in relation to fiscal matters (e.g. taxation), broader regulatory and policy topics (e.g. Brexit) and employment matters (e.g. apprenticeships). | A fair and effective system of healthcare reimbursement that helps improve access to our products. An education system that provides the skills we need. A fair fiscal framework to enable us to continue investment. | High-quality employment and development for citizens. Prompt payment of tax due, without aggressive tax avoidance structuring. Responsible corporate citizenship. | Providing socio-economic benefits through high-quality employment, tax receipts, cost-effective healthcare and helping people back into economically-positive lives. | Making a Socio-Economic Contribution page 21 |
| Local communities We engage with local communities on an ad hoc basis and through our LIFE+ by ConvaTec community programme | Provision of high-quality workforce, and local support services. | Economic benefits from employment and use of local suppliers. Minimal negative impact from production/other activities. | A secure, long-term flow of economic value into the local community, including the development of employable skills in the local workforce. | Making a Socio-Economic Contribution page 21 |
| Investment analysts and the media We engage extensively with investment analysts, particularly around publication of financial results, to discuss performance and projections. We engage with the media mainly around product stories and financial and governance matters. | Fair assessment of our performance. | Transparency, access and clear communication. | Contributing to transparency in the corporate sector. | Various |
| Industry bodies We engage through our membership of several industry bodies and attend meetings and swap opinions and best practices on topical matters, e.g. MedTech Europe, AdvaMed and the Sustainable Healthcare Coalition | Advice on policy and good practice and support when we need to get our voice heard by governments and regulators. | Active and high-quality input to enable development of robust policy positions and standards. | Contributing to advancement of high standards within the MedTech sector. | Various |
| Non-governmental organisations We engage with patient groups on a regular basis. Engagement with non-medical NGOs is on an ad hoc and infrequent basis. | Collaboration and partnership where appropriate (making the most of their knowledge and insights on specific issues). Fair challenge of our performance. | Access, engagement and support where appropriate. Action on issues of concern where we can play a role, for example, in relation to access to products and affordability issues. | Improving our performance on a range of issues, benefiting various stakeholders. Economic support for "good causes". | Various |

Our CR strategy and objectives

The sustainability context for our strategy

Our CR strategy acknowledges the key elements of the sustainability agenda and how these interact with our business.

Our core business is aligned with improving social and economic sustainability by attempting to address the key socio-economic challenges associated with the rise of chronic diseases. By developing products that are innovative, reliable, safe and affordable we aim not only to help more individuals cope with chronic conditions more effectively, allowing them to play an economic role in society, but also to support strained health budgets facing demographic trends including an ageing population, people living longer, a growing middle-class in less developed markets and a rise in certain lifestyle issues that are linked with chronic diseases. We are enhancing our presence in emerging economies to help address the challenges of access.

Through this alignment we support United Nations Sustainable Development Goal 3: Ensure healthy lives and promote well-being for all, at all ages. In particular, we support the target to “by 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental well-being.” Our focus is on treatment and improving mental wellbeing by helping people with chronic conditions to live more confident and fulfilling lives.

The spotlight remains on climate change – increasingly evidenced through extreme weather events and other factors. 2019 has seen a significant increase in public awareness and engagement, particularly involving young people, through the school strike campaign and organisations such as Extinction Rebellion. Equally, investors are starting to scrutinise corporate performance in a more structured way through initiatives such as the Task Force on Climate-related Disclosures (‘TCFD’). Civil society and the media have also focused on the challenges posed by societal reliance on single-use plastics. Recognising these trends, we accept there are trade-offs and challenges with the drive to provide more people with more products to alleviate their conditions and, as a result, we have further increased our focus 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. Whilst we support employment in our supply chain through our business relationships, we must ensure that these workers are kept safe and not exploited.

During 2019 our CR strategy flowed 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). This was meaningful to our employees and fully aligned with a responsible and progressive CR programme. We have updated our vision and values. Our new vision “pioneering trusted medical solutions to improve the lives we touch” encapsulates our purpose and our ambition – to contribute more to help people manage challenging chronic conditions and generate sustainable value for our other stakeholders.

Our CR framework and objectives

Using our CR framework (page 12) we identify policies, programmes and projects that create value for our various stakeholders, 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.

In early 2017, we established a CR strategy based around four objectives. After three years, it is now time to review and refresh our strategy to reflect both the changing agenda (reinforced by our recent stakeholder survey), the significant progress we have made in building our programme, and a recognition of shifting business priorities. The following paragraphs summarise both progress made and challenges faced. We aim to complete our CR strategy review by the middle of 2020.

Our four strategic CR objectives

1. Strengthen our management of risk

Focusing particularly on building a more sustainable supply chain and creating a more proactive environmental management programme. This supports reduction of risk and cost in our supply chain and our own operations, and strengthens our commercial positioning.

Progress

- Introduced a Supplier Code of Conduct and a supplier assessment process (page 33)
- Achieved level three status in the UK NHS human rights and labour standards audit framework (page 30)
- Introduced environmental data reporting, launched a climate change strategy and GHG emissions reduction target, and increased focus on operational efficiency (page 36)

Challenges

- Effectiveness of supplier assessment process is limited – work is underway to enhance the approach (page 33)
- Availability of green energy options is limited in several of our key manufacturing markets (page 39)

2. Improve our products

Enhancing our knowledge of the whole life-cycle of products to identify and act upon 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.

Progress

- Completed a number of third-party reviewed product life cycle assessments, developed a set of Green Design Guidelines and are working on a set of action plans based on assessment of product and packaging environmental risk and opportunity (page 41)

Challenges

- The nature of our products, and the medical device regulatory framework with which they need to comply, limits recycling and other “circular economy” options.

3. Reinforce our culture through engagement

Bringing employee and community engagement together under a single theme, to reinforce our Purpose and Values, enhance our ability to attract and retain talented people, and build trust with stakeholder groups.

Progress

- Launched “LIFE+ by ConvaTec”, our global community investment programme, and involved our employees through the linkage established with participation in the annual Global Challenge “wellbeing” event. 22% of our workforce participated in 2019 and we have approved a cumulative total of approximately \$700,000 for donation under the programme since launch (page 22).

Challenges

- Measuring the impact of our community programme is challenging.

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.

Progress

- We have developed CR Reports which are prepared in accordance with the GRI Standards: Core option. Since 2018, our CR Reports have been subject to independent external assurance
- ESG ratings provided by specialist analysts have improved consistently over the last three years and we are now seen as amongst the leaders within our sector
- We have expanded our stakeholder engagement through membership of relevant bodies, through stakeholder surveys and through the enhanced involvement of the Board ([page 7](#))
- We were nominated in the 2019 PWC “Building Public Trust Awards”, for our sustainability reporting.

Challenges

- Beyond ESG ratings, it is challenging to measure the impact that these measures have had on our reputation and stakeholder trust.

Through 2019, the CR Board Committee received regular progress reports against strategy, objectives and targets. Since the launch of our CR programme at the beginning of 2017, we have made solid progress but we are now entering a phase where gains in performance are likely to be more incremental.

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 SDGs 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 and Green Design Guidelines are aimed at supporting more sustainable products.



Sustainable Development Goal 13 Take urgent action to combat climate change and its impacts.

With the launch of our climate strategy and greenhouse gas emission reduction target in 2018, we are now better aligned with the goal of combatting climate change.

Materiality

We are faced with a wide range of topics on which to focus management efforts. Materiality is the principle that determines which topics are sufficiently important that it is essential for us to report on them and ensure the emphasis within our report reflects their relative priority. We include topics that can be considered important for reflecting our economic, environmental, and social impacts, or influencing the decisions of our stakeholders.

We consider a combination of internal and external factors when assessing whether a topic is material. In 2019, this included our Purpose, Mission and Values, competitive and operational strategies, the concerns expressed directly by stakeholders and by broader societal expectations such as are expressed in international standards, codes, guidance and agreements (often established by expert “communities”) with which our stakeholders expect us to comply. Any impacts that we consider important enough to require active management or engagement are also likely to be material for reporting purposes.

Our approach to identifying material issues, and establishing some element of prioritisation, involves three main steps as follows:

Step 1: Identifying the relevant issues

We identify a broad universe of potential issues by drawing on work done by expert groups, including multi-stakeholder dialogues, as well as sectoral challenges identified by peers, competitors and professional bodies. These sources include:

- 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, greenhouse gas emissions and modern slavery).
- International initiatives, programmes and standards such as the United Nations (“UN”) Global Compact, the UN Sustainable Development Goals (“SDGs”), the UN Guiding Principles on Business and Human Rights, and the International Labour Organisation conventions.
- The disclosures of other leading businesses in our sector and discussions at industry organisations such as the Environment and Sustainability Committee of Medtech Europe, and the Sustainable Healthcare Coalition (both of which we joined during 2019).
- Specific enquiries from stakeholders, such as:
 - Ethical investment businesses – in both 2018 and 2019, these have mainly involved enquiries relating to ethical issues connected with research and development, influencing development and publication of our new “Ethical Issues and the New Product Development Process Policy”.
 - Customers – we are seeing a growing interest from buying organisations in the environmental performance of businesses such as ConvaTec, particularly in relation to human rights, climate change and single-use plastics.
- Lists of issues used by rating organisations such as ISS-oekom, SustainAlytics, PIRC, FTSE Russell and others.
- Issue-specific programmes such as the Carbon Disclosure Project (“CDP”).

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 a continuing assessment of various media sources.

Step 2: Gathering stakeholder viewpoints directly

In 2017, we commissioned research with over 40 external stakeholders. In 2019, we have repeated the process, consulting via an online survey with nearly 70 individual external stakeholders and employees across UK, USA, Spain, Germany, Canada, and Hong Kong. Our external sample (41) comprised groups which are particularly invested in our business:

- 59% – healthcare professionals and patient group representatives
- 7% – significant mainstream investors in ConvaTec
- 10% – NGOs
- 7% – business customers
- 17% – a mixture of union/works council representatives, industry groups and media.

Our internal sample comprised nearly 80% who were Presidents, Vice-Presidents or Director grades, with the remainder having roles particularly relevant to sustainability. With their detailed knowledge of the Company, senior management can assess how key policies, strategies, operational management systems, goals, and targets, as well as our Purpose and Values, relate to sustainability.

We asked participants to identify key issues for ConvaTec to focus on today, but also in the next five to ten years (all unprompted). We also asked them to rank a list of issues in order of importance. The output of this review is illustrated in the diagram below, but highlights of the results include:

- Whilst patient-related issues (safety, innovation and efficacy, reliability) remain top priority for external stakeholders today, environmental issues, particularly relating to product recyclability and climate change, will become highly significant across the next decade.
- Internal stakeholders (senior management) are relatively more aware of the importance of environmental issues today, but also see the growing importance for large international businesses to be able to demonstrate leadership on sustainability/responsible behaviour.

It was pleasing to note that external stakeholders continued to rank our business as a leader in responsible behaviour within our sector.

CR strategy framework

What we do



How we do it



Step 3: Grouping and ranking the issues

The relevant issues form a list of 27 topics. We cover the higher materiality issues (and others) in the Report and focus particularly on the issues relating directly to the people who use our products.

The issues are grouped under our six element CR framework (illustrated above), through which we structure the management of our CR agenda and this forms the basis of the structure of the remainder of this Report.

Whilst all of the issues listed are considered material, the chart indicates those ranked more highly in bold, and those which were also identified as growing significantly in importance in the next five years, in blue.

Materiality and responsiveness

The materiality process, and the stakeholder engagement that underpins it, has led directly to improvements in our CR programme. Examples of how we have responded include:

- The deepening of our commitment to environmental performance over the last two years, including development of our climate change strategy and emissions reduction target, and the development of Green Design Guidelines to support product and packaging enhancement.
- The publication of a new policy covering our approach to ethical issues relating to research and development.
- The commitment to review and refresh key human rights-related policies – a new target for 2020.

The Board's engagement with stakeholders should also help to connect our stakeholder engagement and materiality processes more directly with mainstream commercial strategy. Information about how the Board gains an understanding of stakeholder issues, which are factored into their discussions and decision-making process, is included in our 2019 Annual Report and Accounts.

Our approach to material issues

- 14 **Delivering for customers**
- 21 **Making a socio-economic contribution**
- 25 **Enabling our people**
- 32 **Working responsibly with partners**
- 35 **Conserving the planet**
- 43 **Behaving ethically and transparently**

Delivering for customers

Introduction

Customers, and most particularly, the users of our products are our primary stakeholders and 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 these people, 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 Service Group (formerly Home Distribution Group) in the USA, and Amcare in the UK, as well as through third-party channels.

The provision of medical devices related to chronic conditions continues to face key challenges. The number of people who need our products is growing as populations grow and age, people live longer, chronic conditions become more prevalent (driven, for example, by challenges such as obesity and Type 2 Diabetes), and the rising middle-class in emerging markets seek access to better-quality solutions for their conditions. At the same time, meeting this growing demand is increasingly problematic as healthcare budgets are under pressure for these same reasons, together with the impact of austerity measures and other government policies and priorities, and the changing state of economies across the world.

Our products are 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 more substantial 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. Innovation is not only about the individual patient, but about the whole healthcare ecosystem.

Our assessment of materiality (page 11) shows that issues related to the use of our products are of fundamental importance to our business. We need to ensure that:

- Our products are effective and that we constantly innovate to improve them.
- Our process of innovation is ethical.
- 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 accessing our products.
- We safeguard any personal data that we manage as part of our activities.

Our management approach and performance

Stakeholder engagement

Our interaction with our primary stakeholders is outlined on page O7. 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 the product and identify ways to improve both the products and services 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 on page 16.
- Targeted research programmes, including anthropological studies, specifically designed to gain insights for product and service innovation.
- Responding to specific questions and issues raised with us.
- Tracking and responding to feedback and complaints about our products or services (page 18).

Target

Top 3

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

Since setting this target we are disappointed to report that Patient View has announced it will no longer publish this survey. As a result, we are unable to provide updates against our external target and have cancelled it. We are exploring other options to fill this “gap” in material issue targets.

| | | | | | |
|---------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------------------|
| Status | New | Ongoing | Completed | Delayed | Cancelled |
| | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> |

Customer insights: Addressing anxieties

Understanding the needs of the people who use our products is critical to our success.

Our Ostomy Care Marketing and R&D teams are working on becoming even more user centric. However, after reviewing thousands of pages of existing research the team realised that while we had a lot of data, we were missing real insights.

The team recognised that patients were leaving hospital earlier and were more informed and involved in their treatment programme. As a result, the focus was on user-centred research on a significant scale, including interviews with people living with an ostomy and their caregivers, shadowing of users and stoma nurses, and regular consumer boards, comprising 75 consumers from the US and UK.

It became clear from observation of their day-to-day routines that most users were adopting coping mechanisms, such as skipping meals to avoid their pouch filling up. Even for people who cope well, one insight ran through the team’s findings: the biggest problem ostomy users face isn’t leakage – it’s anxiety. For many users, every uncertainty they have about their stoma and ostomy solution erodes their confidence and their feeling of control.

New and improved products are vital, but just as important are the opportunities to serve people living with an ostomy more effectively. Working with our research partners, we have used these research insights to develop our ‘Anxiety Framework’ to help us focus on service improvement opportunities.

How can we give better support to people after they leave hospital? How can we help them manage their supply and prescriptions? How can we use digital solutions to give them real-time feedback and control?

The team concluded that a new mindset was required and having acquired the new insights, are working to apply them practically.

HCPs are also critically important stakeholders as they provide insights gained from dealing with multiple product users. Through our commercial teams, we engage extensively with HCPs, briefing them on product capabilities and new innovations, and receiving feedback. 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. We access this knowledge through our Nurse Advisory Boards.

During 2019, in our Ostomy franchise, we ran two Nurse Advisory Boards in each of the following markets: US, UK, Germany, Italy and Japan. We engaged with over 50 nurses through these meetings and have discussed issues around product development, educational topics and other insights.

Similarly, our Advanced Wound Care franchise engaged with patients, HCPs and customers through workshops, presentations, conferences and symposia, including three Advisory Boards (involving over 35 individuals) and customer insights visits to our R&D centre in the UK (11 visits involving nearly 100 individuals).

Case Study: Engaging and supporting patients through me+™

We recognise that patients who use some of our products need enhanced support right along their journey, whether it is with their ostomy, or the use of a catheter.

Ostomy

In 2015 we launched our me+™ programme with the promise of helping each person become more than their condition, supporting them from before their surgery, through their stay in hospital, in the vital period when first “alone” with their ostomy, through to regaining a normal life well beyond surgery.

The initial focus was with ostomy patients and, in the US and UK, we launched enhanced and targeted online resources which help guide people to identify the right products, access helpful videos, other patient stories and support groups. We also offer support from a growing team of specialised ostomy nurses and support specialists at the end of the phone or, in some countries, visiting patients in their homes.

We provide a dedicated magazine for people living with an ostomy in the US and an email newsletter in the UK, and these supplement our video and other online resources – such as the me+™ hub (www.mepluscare.com). Patients enrol at no cost and, in the US, we have now exceeded 200,000 members of me+™. Earlier in 2019, we launched me+ Talk, an ostomy podcast, in the US and the podcast episodes have been downloaded over 7,000 times since launch.

Seventeen markets have set up me+™ services and worldwide enrolments now exceed 300,000.

In 2019, the UK enhanced our customer commitment further with the development of a dedicated cross-brand customer interaction centre. The me+™ team, product specialists and Amcare’s home delivery service now all provide customer service from the same centre. Expert advice and patient support has been developed through investment in a 12-week advisor training plan covering all aspects of stoma care.

In 2017, the UK pioneered the me+ recovery programme which provides advice and support about the importance of movement and physical activity after stoma surgery. Supported with a comprehensive suite of demonstration videos, guides and specialists training courses for nurses, the programme aims to aid patient recovery, improve long-term outcomes and potentially reduce the risk of parastomal hernia. More than 200 nurses have benefited from the training to date in the UK. The me+™ recovery programme has also been rolled out 15 additional markets, including the US, Italy and Germany.

GentleCath™

In 2017 we launched me+™ for our GentleCath™ intermittent catheter brand in the US, and have now further expanded this to include the UK, Australia, Denmark and France. At the core of GentleCath™ me+™ is a set of award-winning digital tools that aim to provide relief from the impact and stress of life as an intermittent catheter user. These were developed based on a survey of HCPs and users and, in 2019, over 64,000 users accessed GentleCath™ me+™ including our personalised video user guides, FAQ videos and our blog.

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, some of which are closely linked, we need to find ever-improving solutions to relieve the suffering of individuals and to reduce the burden on strained healthcare budgets. For example, there are an estimated 2.2 million people living with non-healing wounds in the UK and care costs the NHS approximately £5bn per annum – a similar amount to the cost of treating obesity. Anything that we can do to create products that heal wounds more quickly and cost-effectively is therefore valuable for patients, healthcare professionals and health administrators, 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. We do this through the engagement processes described above. However, 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”.

Equally, while product effectiveness is the start point for our innovation approach, we also try to ensure that we develop a user 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 and less environmentally damaging? How can continuous product use be normalised to feel less medical and more “everyday”? For an example on how we approach these issues, see case study above on the “Anxiety Framework”.

Case Study: Strengthening our innovation pipeline

During the final quarter of 2019, to ensure that we focus on developing innovative solutions that best address our customers’ needs and can be commercialised successfully, we introduced a new product development process. Launch Excellence (“L.Ex”) is a global standard seven-stage process which we now apply to every proposed new product and service development. L.Ex reduces duplication, drives accountability and enables disciplined decision making.

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 2019, we invested \$53.8 million (2018, \$49.9 million), and employed over 300 people in research and development. We have approximately 250 active patent families, 2,600 patents and patent applications and over 6,000 registered trademarks.

Further information is provided in the [2019 Annual Report](#).

Case Study: Supporting innovative technical solutions

Our partnership with Beta Bionics, Inc., a for-profit Massachusetts public benefit corporation, is focused on developing and commercialising the iLet™, the world’s first fully automated bionic pancreas. Starting in 2020, working alongside Beta Bionics as their infusion set partner, our Unomedical sets will be deployed in two pivotal trials testing the iLet™ in its insulin-only and bihormonal configurations.

The iLet™ is a dual-chamber, pocket-sized, wearable medical device that autonomously controls blood-sugar levels in people with diabetes. Embedded within the device are clinically tested mathematical dosing algorithms driven by lifelong autonomous learning which automatically calculate and dose insulin and/or glucagon as needed, based on data from a continuous glucose monitor.

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. With innovation of the device itself comes innovation in how we support users more generally – see case studies on me+™ and our Anxiety Framework (page 15).

Case Study: Enhancing clinical outcomes and improving customers’ experience

In Q4 2019, we launched the new ConvaMax™ super absorber dressing. This new product expands our AWC product range and takes the franchise into the Superabsorbent Dressings market. ConvaMax™ is designed to manage the challenges around highly exuding wounds, combining softness and conformability with high absorbency, even under compression, to lock excess exudate and bacteria away from the wound. ConvaMax™ is available in both non-adhesive and adhesive formats and enhances clinical outcomes for our customers when managing highly exuding wounds. Initially launched in select European countries in 2019, ConvaMax™ will be rolled-out across other geographies during 2020.

Target

35 by 2020

We will launch 35 new products⁴ by 31 December 2020.

By the end of 2019, we had launched 26 new products and line extensions (2019: 15; 2018: 11) and are on track to complete the target.

| Status | New | Ongoing | Completed | Delayed | Cancelled |
|--------|-----|---------|-----------|---------|-----------|
| | ○ | ● | ○ | ○ | ○ |

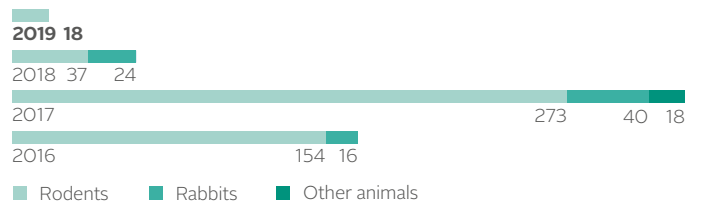
4 Including products commercialised for roll-out in new markets and/or for new indications (from 1 January 2018).

Ethics and innovation

Innovation is vital to advance our product portfolio and to better serve our customers. However, we are very aware that research and new product development can involve strategies, processes and technologies that can be seen as controversial. In 2019 we published a new Policy setting out our position on the key ethical issues we identified. This “Ethical Issues and New Product Development Policy” can be found [here](#) and covers the following topics:

- The targets for our research – our focus is on providing products and services that meet the needs of people who have chronic conditions, or which support surgical processes. At present, the burden of disease relevant to the areas where we provide products and services is high, and is predicted to continue to grow.
- Accessibility of our products and services – we discuss accessibility later in this section.
- Use of emerging technologies – such as human biological samples, stem cells and nanotechnologies.
- Use of substances of concern – such as certain plasticizers.
- Testing our products – including human clinical trials and animal testing. We have not carried out any Pre-Registration clinical trials in 2019 (2018: 0 trials) and carried out five Post-Registration studies in 2019 (2018: five studies).
- Our use of animals in research is indicated below. We use non-animal testing wherever possible and the options to do so are increasing.

Use of animals in research and development



As noted above, the three key criteria guiding our research relate to safety, effectiveness and quality. The next section discusses how we monitor these factors for our products, before and after launch.

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 compliance and audit process which focuses on the various design control stages of product research and development, and operates in parallel with our comprehensive quality management approach. We have 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 176 audits during 2019 (2018: 125). On the basis of risk assessments, we audited our R&D facilities (12 audits, 10 in 2018), our own manufacturing sites (83 audits, 79 in 2018) as well as those of contract manufacturers (20 audits, 14 in 2018), and suppliers critical to the manufacture of our products (61 audits, 22 in 2018).

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). In 2019, relevant sites were also audited against the Medical Device Single Audit Program (MDSAP) standard which incorporates the regulations of several countries above and beyond ISO 13485 – all audited sites have been certified to MDSAP. We are also in compliance with the 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.”

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 reported in a timely manner to the relevant regulatory bodies (e.g. the FDA), as required.

Our primary key performance indicator for quality is complaints per million products sold (“CPM”). This reflects our customer-centric focus. It is also a strong indication of our manufacturing quality and is key to ensuring that our products are of the highest quality. Our CPM metric peaked in 2017 after the transfer of the manufacture of Ostomy Care and AWC products to our plant in Haina in the Dominican Republic. Since then we have continued to improve this metric across all our business units and have achieved an overall reduction of 22% since 2017.

Quality (complaints per million products sold)



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 alternatives or the customer financially compensated.

In 2019, we implemented one product recall, and one global field safety notice, which has been classified as a recall in some countries. These market actions were voluntary (2018, five voluntary recalls). The voluntary product recall was initiated after receiving reports from our users of product malfunctions that could place some patients at risk. The global field safety notice was initiated after receiving several reports of harm related to off-centre ostomy skin barriers. In addition, a voluntary global recall related to potential packaging failures was initiated in 2018 and extended to include additional products in 2019.

To our knowledge, other than specifically indicated in the Report, in 2019 there have been no incidents of non-compliance with regulations and/or voluntary codes concerning:

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

Further information is provided in our [2019 Annual Report](#) on page 180.

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 multi-tiered, supported by a Sales and Operations Planning function. This process continues to be enhanced with a strong alignment between the commercial sales forecast, the demand forecast, and the plant production plans. 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 and 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.

Since 2017 we have operated a Project Review Process which includes weekly, biweekly and monthly reviews with various levels of the organisation focusing on escalation and issue management. This process has evolved so that it is a cross-functional franchise-based review driven by our Sustaining Engineering Group. Supply performance is tracked through a variety of metrics including fill rate metrics (shipped in full on time), backorder and out of stock reporting, quality of production planning and execution reporting, and inventory reporting.

UK withdrawal from the European Union (“Brexit”)

We continue to monitor the potential outcomes of the Brexit negotiations, assessing the potential effects on our business, and preparing contingency plans to address the potential outcomes. Our Brexit taskforce is actively preparing for a “No-Deal” scenario with external advisory support as required. However, it remains unclear what will be the position for the UK after the transition period ends on 31 December 2020 and our planning will continue to evolve and adapt with the political developments.

Case Study: Improving access to healthcare in Latin America through collaboration

In 2014, the local ConvaTec team involved health professionals, families and reimbursement organisations in the design of a programme for the comprehensive care of ostomy patients, which best met the needs of all stakeholders. This includes:

- for patients and their families: continuous face-to-face (in ConvaTec clinics) and telephone support (toll-free number) throughout the process, starting before the surgical procedure.
- for health professionals: pre-operative and patient management support, and ongoing education and training.
- for insurers: support in accurate prescription of ostomy devices, reducing treatment costs and hospital readmissions, support to patients with temporary stomas, and reduction in indirect costs, such as involvement of other specialists.

The results have been recognised by patients and their families (98% satisfaction), payers or insurers (100% satisfaction) and medical professionals. Over 15,000 people are currently benefiting from the programme and we estimate the programme has saved the Colombian health system more than \$690,000 since 2016.

In 2017, the Colombian Association of Ostomy Patients and the Colombian Association of Coloproctology proposed to include the reimbursement of all ostomy devices within the mandatory health care plan without considering the diagnosis that produced it (previously it only covered ostomies from colon and rectal cancer). By using the data collected through the ConvaTec programme (above), the Ministry of Health was able to conclude that the cost of treating complications due to lack of patient access to the devices was higher than the cost of reimbursing the devices.

This has been an important improvement in access for patients, as the government now covers all ostomy devices, regardless of diagnosis, and the patient only pays a nominal amount.

Target

New Policy

We will publish a new Policy relating to our approach to ethical issues in innovation and new product development, by 31 December 2019.

The new Policy was published prior to 31 December, 2019.

| Status | New | Ongoing | Completed | Delayed | Cancelled |
|--------|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|
| | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

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. Economic conditions, together with the other demographic factors discussed elsewhere, have 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. It is clear from our stakeholder survey that “access” is regarded as a highly significant issue and one which is likely to grow in importance. As part of our 2020 strategy review we will seek to better define our positioning on “access”.

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 and can be understood under a number of different headings:

Available – the first step is to ensure our products are physically available. In 2019 our products were marketed and sold in over 100 countries around the world and we aim to ensure a reliable supply to distributors and end users through the processes outlined above. Part of this also involves providing new options for patients to purchase our products. For example, to keep pace with surging use of online purchasing sites in China, we launched “flagship” stores on China’s two largest e-commerce platforms.

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 right is strongly reliant on how we listen to our healthcare customers and individual users, as discussed on [page 15](#).

Usable – a product may “do a job” medically, but given the intimate care needs of the many people we serve, we need to provide solutions which go beyond the provision of a device. To lower “access barriers”, we provide easy-to-follow literature, videos, and online and on-the-phone support (for example, through me+™, see [page 16](#)) to help people to find the right device, and then use it, in the manner which best suits their needs. As well as support and advice, we also offer a range of specifically-designed clothing, to help reduce the barrier of stigma with certain products.

Economic – affordability is a key issue but is a more complex picture than price point per unit (see the case study above regarding access in Colombia on [page 19](#)). As well as striving to keep our pricing competitive, we innovate to improve access through targeting solutions that reduce the overall cost of care. This “whole-system” innovation can save healthcare costs by improving the effectiveness of the product. We also target the risk of patients developing HAIs, and the additional costs to the healthcare provider and patient that come from this. 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

In 2018, we established a central privacy team which was tasked with the review and revision of the Company’s privacy compliance framework. This work was driven in part by the European Union (“EU”) General Data Protection Regulation (“GDPR”), which came into force on 25 May 2018 and introduced new and extensive obligations on organisations that process personal data.

We have put in place a new privacy governance framework to demonstrate our commitment to compliance with the new privacy requirements. Under the direction of our GDPR Steering Committee, new policies, procedures, controls and records have been rolled out across the business on a global basis. This work has been supported by on-line training of employees with regular access to computers and face-to-face training of staff without computer access. The training has been completed across all relevant markets and is now part of the induction process for new employees.

As part of the governance framework, we have appointed trained privacy champions in various markets who work with the support of the Group Data Protection Officer. We have also introduced a new tool for managing risk assessment of projects and processes involving personal data.

From time to time the Group may experience theft or inadvertent disclosure of data. In 2019, one incident led to the Group making a report to the supervisory authority in UK (Commissioner’s Office). No further action was taken. We are aware of two further incidents and, after due assessment, neither were considered to be reportable incidents.

Data subjects have made 15 data-related requests in 2019 (all from employees) and all were dealt with within the GDPR 30 working days timeline. We continue to strengthen our programme such as by introducing strategies to assist different parts of the business in dealing with processing of patient data, as well as other data subjects’ personal information. For further information on how we mitigate data security and privacy risk, please see the [2019 Annual Report](#).

Making a socio-economic contribution

Introduction

Improving the lives of the people we touch includes making an economic contribution to society. 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 [page 7](#)), 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.

| | 2019 (\$m) | 2018 (\$m) | 2017 (\$m) |
|---|----------------|---------------|---------------|
| Direct Economic Value Generated | 1,827.2 | 1,832.1 | 1,764.6 |
| Economic Value Distributed | | | |
| Operating costs ⁵ | 887.5 | 895.4 | 857.1 |
| Employee wages and benefits | 517.5 | 473.2 | 472.7 |
| Payments to providers of capital ⁶ | 351.2 | 335.2 | 131.6 |
| Payments to governments ⁷ | 38.2 | 45.9 | 49.1 |
| Community investment | 0.5 | 0.4 | 0.2 |
| Economic Value Retained | 32.3 | 82.0 | 253.9 |

Further information on how we engage with providers of capital is provided in our [Annual Report](#), and on [page 7](#) of this Report. In this Report we look at our engagement with suppliers (operating costs in the table above) on [page 32](#). We look at our engagement with employees on [pages 25 to 31](#). We look at our community investment in this section (below).

- Operating costs exclude depreciation, amortisation, impairment charges, asset write-offs and operating taxes. Employee wages and benefits, payments to governments and community investments are normally part of operating costs, but have been excluded as they appear on separate lines in the calculations.
- Payments to providers of capital have been included on an accruals basis and include interest paid on long-term debt, debt repayment, dividends and own share reserve purchase paid to ConvaTec shareholders. The amount for 2019 also includes capital and interest payments on right of use assets following adoption of IFRS 16 "Leases" in 2019. These were previously reported as operating costs under IAS 17 "Leases".
- Payments to governments include corporate income taxes, sales taxes, real estate taxes and other taxes, but exclude employer portion of payroll taxes, as they are included in employee wages and benefits.

Contribution to governments

Governments raise taxes to meet the vital social and economic needs of their country. We are fully committed to meeting our legal tax obligations in each of the countries in which we operate. We fully support and embrace greater transparency with tax authorities and the initiatives being introduced by the OECD and governments to ensure clarity and adherence to the tax laws of each jurisdiction in which we operate.

Our tax arrangements are derived from the commercial needs of our business operating model (as we sell medical equipment in multiple jurisdictions). Ensuring that commercial objectives are the drivers of where and how we operate, minimises tax risk in respect of global tax compliance, uncertainty of tax treatments, cross-border transactions and disputes and also enhances the value of investments and financing decisions. We utilise tax incentives and exemptions where these are made available by governments or tax authorities in the countries where we do business (which may have a specific target to attract investment or create job opportunities). We operate through legal entities, which are established in countries where we undertake business operations or financing activities. We do not undertake artificial tax planning and 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. We take a zero tolerance approach to tax evasion within the organisation and those organisations we do business with.

Our Tax Policy is available on our Group website and more details of our tax payments are included in the Cash Flow Statement in the [Annual Report](#) (page 142), and in note 5 (page 150).

Contributions to local communities

LIFE+ by ConvaTec

In 2017, through an internal consultation process, we developed a global theme for our volunteering and charitable activities. Our programme, which we call "LIFE+ by ConvaTec" ("LIFE+"), is focused on "helping disadvantaged young people to get a healthier start in life". The key features of the programme are:

- Supporting young people to reduce the risk factors that could increase their chances of contracting chronic conditions later in life – the type of conditions that our products and services help people to cope with. These risk factors include: obesity and poor nutrition, lack of exercise, and damaging addictions.
- Identifying communities where some form of disadvantage creates barriers to accessing sports or recreation opportunities, a healthy diet, or professional support to tackle addiction or other relevant health factors.
- Community partners for donations and volunteering are employee-selected and focus on communities and institutions local to our factories, offices and other centres.

In 2019, the programme had central funding of \$445,000 made available to support local initiatives. To reinforce our goal of an "employee-led" programme we devised an approach whereby fund allocation would be linked to how our employees engaged in improving their own health and well-being. As covered in the "Enabling our People" section ([page 27](#)) we participated in an employee wellbeing programme (the Virgin Pulse Global Challenge), and provided the opportunity for employees to compete with each other, and employees in other businesses, in improving their activity levels, diet and mental wellbeing. The level of engagement in the Global Challenge was a significant factor in determining the funding allocation and created a strong incentive link between employees improving their own well-being and supporting the well-being of local communities.

The following pages provide examples of the community programmes we have supported. However, it is difficult to measure the impact these donations and volunteering have had on peoples' lives. To try to improve our understanding of this we are setting a target to implement the measurement framework developed by the London Benchmarking Group and to start reporting against this by the end of 2020.



These are just a few of the projects the LIFE+ by ConvaTec programme has supported around the world during 2019.

Further details of the LIFE+ by ConvaTec programme, and links to the organisations we have supported so far, are available at www.convatecgroup.com/corporate-responsibility/lifeplus/

In **Mexico**, where our largest manufacturing facility is based, we financed the construction of a football pitch and running track for the children attending the El Chamizal primary school, located in a deprived part of Reynosa. More than 1,000 children will benefit from increased opportunities to engage in exercise.

\$40,700
Donation

274 million
Steps



In the **Dominican Republic**, our donation is funding the reconditioning of a baseball field and construction of a basketball court on the children's recreation area within Savio Educational Centre. The facility provides support to 2,500 young people between the ages 5-17 living in extreme poverty and high-risk situations and provides activities on sports, nutrition, education, as well as psychological help. The facilities are for daily use by the whole community.

\$46,000
Donation

201 million
Steps



In **Slovakia**, employees at our Michalovce factory, and our sales team, have chosen to support a range of schools and other educational facilities in the local area which are often focused on helping children with special needs. Our donations have supported the development or repair of sports facilities or specialist physical activity equipment to ensure the children are able to exercise in an appropriate way.

\$49,700
Donation

447 million
Steps



In **Denmark**, as well as continuing to support the Julemærkefonden centre, employees have also chosen to support an education programme being run by the Diabetes Foundation, and the charity Broen Denmark which provides sports and other physical activities for children of disadvantaged families in the local area.

\$28,655
Donation

206 million
Steps



In **Spain** we continue to support the charity SAOPRAT, which supports children at social risk with information on healthy eating, personal hygiene and exercise opportunities and have added support for the Spanish Red Cross, where we are donating to fund training sessions and young volunteers to deliver healthy lifestyle messages to underprivileged children.

\$9,500
Donation

92 million
Steps



In **Italy**, our employees have chosen to support charity Soleterre Onlus which promotes awareness of healthier lifestyles for young people living in poorer areas of Milan, particularly in relation to tobacco addiction, poor diet and lack of exercise.

\$6,200
Donation

41 million
Steps



In the **USA**, we have continued to support the great work of charities 'Out of the Garden' (North Carolina) and 'Our Kidz United' (Kansas City). In addition, employees in Phoenix voted to support the Miracle League of Arizona which provides sporting activities for children with disabilities. This donation will help provide safe and successful baseball experiences for children with disabilities or special health care through more accessible fields, play grounds and batting cages.

\$55,100
Donation

250 million
Steps



In **Brazil**, we are supporting the "Bola Pra Frente" Institute which assists children from a poor community in Rio de Janeiro. They use sport as a tool to support learning but the children often lack the basic nutrition for sporting activity. Our donation aims to give 100 children nutritional support to improve their development for a year.

\$10,400
Donation

56 million
Steps



In the **UK**, we have again donated to the Boys and Girls Clubs of Wales, and Berkshire Youth, but are now also supporting Reading-based charity 'New Beginnings' (providing nutritional support to children of deprived families) and 'Love2Grow/ Love2Cook' (teaching young people from poorer areas of Basingstoke how to grow vegetables and to cook them).

\$47,100
Donation

279 million
Steps



Together, our employee teams took nearly 3 billion "Steps", the equivalent of 1.9 million km!

The level of engagement in LIFE+ surpassed that in 2018, with 2,072 employees, in teams of seven, taking part in the Global Challenge (2018: 1,358), an increase of 53%. This represents approximately 23% of our workforce.

The results of the Global Challenge are indicated on [page 27](#) and, following completion, our local LIFE+ Champions consulted with team members and the broader workforce to identify potential partners which met our LIFE+ by ConvaTec criteria (and our Compliance standards).

By the end of 2019 we had donated, or approved for donation, 78% (2018: 70%) of the central fund, across 30 different local partners (2018: 31), in 18 countries where we operate (2018: 19). Proposals covering the remainder of the fund are either awaiting approval or under development. Informal feedback from employees has been extremely positive.

Other community contributions

In addition to our LIFE+ by ConvaTec global programme, employees at a number of our locations also developed local projects to help their local communities with other challenges, and these included:

- In Greensboro, USA:
 - Community Outreach events – in addition to the LIFE+ project (above) we held three different volunteer opportunities for employees with between 6-20 employees participating in each event. These included: LifeSpan (providing development opportunities for handicapped individuals), Community Housing Solutions (providing home improvement and repairs to needy families) and a local school visit where 12 of our employees gave presentations to the students and provided tours of our facility.
 - Fund-raising – we also supported several local causes through fundraising and donation, including: Tools for School (collecting school supplies), The Volunteer Center of Greensboro, the American Cancer Society and the Salvation Army.
- In Bridgewater, USA employees volunteered at a local food bank, boxing up items for distribution to members of the public.
- In the UK, employees have run cake sales, dress down days and other fund-raising activities to support a range of charities including cancer research and mental health charities.

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 2019, approximately 21%⁸ (2018: 30%) of our US supplier spend was with these categories.

8 Reported for 12 months to September 2020.

Enabling our people

Introduction

We are reliant on our employees to deliver success for the business and we aim to attract and retain the best people by striving to be recognised as an employer of choice. People are attracted to work for businesses which can demonstrate a clear purpose that benefits society. It is important to match their aspirations, going beyond delivery on the core aspects of the employer/employee relationship, such as:

- Providing opportunities for employees to develop in their roles and acquire new skills.
- Complying with all relevant labour-related laws.
- Keeping our employees healthy and safe at work and providing 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.

At the same time, new technologies, shifting commercial challenges, resource and talent scarcity and changes in workforce demographics are putting increasing pressure on companies to perform at new levels in relation to their employees. Getting the approach right is critical to success and can deliver a more compelling talent brand, stronger employee engagement, reduced costs, increased productivity and room for genuine innovation.

Context

At the end of 2019 we employed 9,197⁹ people (2018: 9,413), a decrease of 2% since 2018. Information on our employee profile, and starters and leavers, is illustrated below and gender diversity is discussed later in this section. Our employee turnover for 2019 was 22% (2018: 21%). This is largely driven by the competitive employment environment relating to our largest plants in the Dominican Republic, Mexico and Slovakia.

We also employed the services of approximately 315 agency staff and independent contractors (2018: 270). Although our employees are spread across our global footprint, there is a significant concentration of people at our manufacturing locations where approximately 59% of our workforce are employed (2018: 62%). In addition to the factories noted above, we have additional production in the UK (two locations), Denmark (two locations), Belarus and the Netherlands.

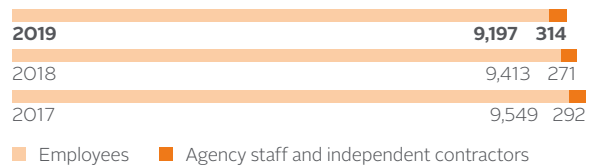
Of countries with no manufacturing operations, the USA has by far the largest concentration of employees. None of these countries feature on the UK Government Foreign and Commonwealth Office list of priority countries for human rights concerns, published in June 2019.

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 2019, approximately 95 people left the business as a result of redundancies (2018: 135).

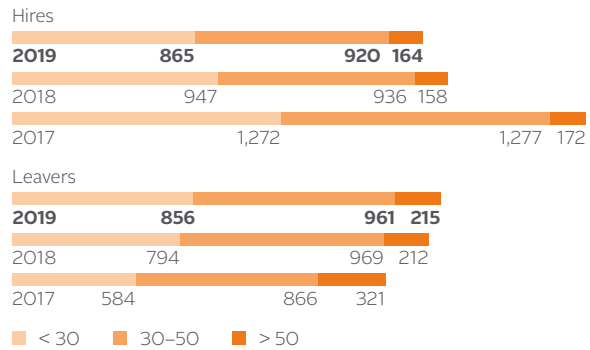
Our key stakeholders for these issues are our employees themselves, but they are also relevant for the national governments that regulate labour standards in the markets where we operate, as well as unions and works councils, where these are present.

The information in this section relates to all of the Group'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".

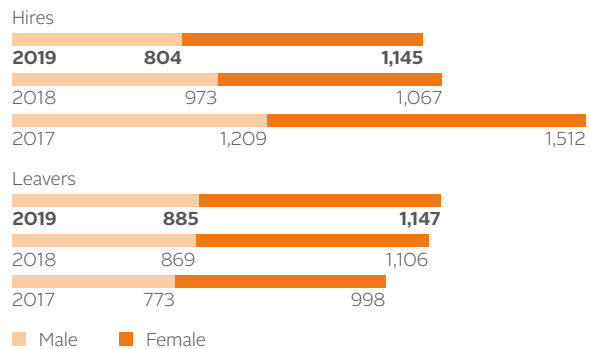
Employees and contractors



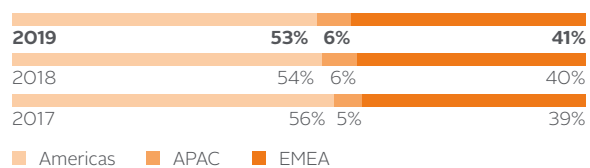
Leavers and hires by age band



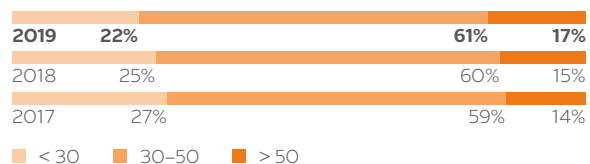
Leavers and hires by gender



Employees by region



Employees by age bracket



9 Including six Non-Executive Directors.

Our management approach and performance

Employee engagement and culture

Creating an open, collaborative, inclusive working environment is essential to enabling every individual to realise their potential and play their part in achieving business success. We provide a range of means for employees to collaborate, 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 the introduction of “MyConvaTec”, a mobile application designed for employee engagement and internal communication, which reaches out to all employees worldwide, regardless of whether they have access to our intranet, and also enables them to post their own content.

We hold dialogue with union representatives and works councils. At the end of the year, approximately 50% (2018: 46%) of employees at manufacturing locations were covered by collective bargaining arrangements. As a further communication channel, we also operate a confidential helpline (or “whistleblower system” – see page 44) to enable employees to speak out where they see poor practice or potential breaches of our Code of Conduct.

In 2018, we conducted a major survey of our employees and reported on the key results. In the first half of 2019 we commissioned McKinsey & Company to undertake its Organisational Health Index (the “OHI”) survey to assess our culture. The OHI survey also assessed our ability to sustain great performance over time, based on how we work and how effective we are. All employees were invited to participate in the survey and 88% of our total workforce responded. Their feedback provided valuable insights including identifying areas where improvements are required. Based on the survey’s findings, we focused on five key areas to improve:

- Ensuring our culture is aligned with our Purpose and our ambition to contribute more to the people who use our products, by reviewing and redefining our Vision for ConvaTec, and our Values (see page 2).
- Strengthening our operational effectiveness through the launch of “The ConvaTec Way” which includes a range of best-in-class operational processes including Lean management and continuous improvement.
- Enhancing our commercial and general business skills through training modules focused on sales force effectiveness and business fundamentals.
- Enhancing and expanding our employee development programmes, including our “ConvaTec Management Experience” (“CME”) programme, which is targeted at our new and early career managers and has been launched across our European and Americas operations.
- Developing a new programme focused on the development of our top 30 senior managers. This initiative will support the Board’s succession planning and ensure that we have a strong pipeline of internal talent.

These elements mesh closely with the people strategy reported in last year’s report, which also included a focus on diversity and inclusion (page 30). Further information on our transformation journey is provided in our [Annual Report and Accounts](#).

As well as refreshing our Values, we continue to focus on ensuring we build trust with stakeholders by maintaining an ethical approach to business and we place significant emphasis on adopting the right behaviours. This is reinforced through our Code of Ethics and Business Conduct, supported by detailed guidance and training (see Ethical Behaviour and Transparency section – page 43).

Employee Well-being, Health and Safety

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 approach is covered in detail below.

Wellbeing

In 2018, we launched our “LIFE+ by ConvaTec” community programme as a means of enhancing involvement of the business in local communities (page 22). As part of the programme we invited employees to form teams of seven and enter the Global Challenge wellbeing programme, managed by Virgin Pulse. Our objectives in this were to:

- Support our employees to improve their own health and wellbeing through working on modules connected with exercise, nutrition, stress and sleep.
- Connect improving employee health with the mechanism for dispersing our community fund in local communities, so engaging employees in our philanthropic programme.
- Build teamwork and engagement with our Purpose and Values.

Through the programme we were able to monitor team-level activity data (“steps” taken) by teams across the business and this was a factor in how we allocated our donations to local charities under LIFE+ by ConvaTec. The key message was that by working on their own health, employees contributed to the health of their local communities. In 2019, more than 2,000 (2018: 1,350) individuals formed into 296 teams and ran, cycled, swam and walked over the period of the 100 days of the Global Challenge. This represented approximately 23% of total employees.

The number of participants increase by over 50% from 2018 and “wellness” scores improved, with all being above the benchmark for the entire Global Challenge (300,000 participants from 1,000 companies worldwide).

The results for participants were very encouraging, as indicated below.

| | 2019 (participants exceeding recommended levels) | | | 2018 (participants exceeding recommended levels) | | |
|---------------------|--|----------------|-----------|--|----------------|-----------|
| | Pre-challenge | Post-challenge | Benchmark | Pre-challenge | Post-challenge | Benchmark |
| Physical activity | 22% | 78% | 74% | 17% | 72% | 74% |
| Nutrition | 14% | 32% | 30% | 14% | 28% | 26% |
| Mind (sleep/stress) | 25% | 52% | 46% | 21% | 48% | 40% |

In addition to the Global Challenge, we operate additional ongoing 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 the amount of exercise and healthy lifestyle choices they are making.

Health and Safety (“H&S”)

A team of dedicated Environment, Health and Safety Managers operate across our manufacturing facilities working closely with the site leadership teams to develop improved working practices, ensure compliance with local requirements and implement corporate policies. Our Global EHS team leads the development of corporate policies, auditing performance against the policies and standards, providing advice and supporting the local teams to ensure both legislative and company requirements are met. The Global EHS Team reports through to the Executive Vice-President of Global Operations who sits on the ConvaTec Executive Leadership Team. H&S performance is reported to senior management on a monthly basis and the Board received a full update on H&S performance in December 2019.

The Company has a broad range of H&S policy standards, covering both our EHS management system and specific H&S topics of particular relevance to our sector and operations, all of which were reviewed and updated during 2019. Sitting under an over-arching H&S Policy, signed by our CEO, these policy standards address activities such as emergency preparedness, hazard identification and risk assessment. All policies are available on our intranet and training has been undertaken by management team personnel at our operations locations.

An extensive benchmarking and continuous improvement programme has been undertaken across all manufacturing locations from 2017 to 2019, with audits identifying best practices, gaps, and opportunities for strengthening H&S management systems, internal audit programmes and risk assessments. All primary manufacturing operations have continued to strengthen their local EHS management systems during 2019 by updating local procedures, improving working practices, applying performance metrics and developing targeted improvement programmes.

Other activities undertaken during the year have included:

- Developing a H&S Maturity Matrix, documenting baseline performance at all primary manufacturing locations, enabling self-assessment, gap analysis and improvement planning.
- Delivering targeted training programmes focused on site specific accident profiles, including hand injuries, knife safety, hazard awareness and slips, trips and falls.
- Promoting active participation in H&S improvements through safety focused activities, facilitating increased engagement, generating team-based solutions.
- Providing increased focus on Leading Indicators, particularly Hazard Observation Reporting and Action Completion.
- Developing a new contractor management policy to reinforce the required working practices while preparing and undertaking activities involving third-party personnel.
- Integrating H&S into the Company's overall change control process, supporting improved identification of potential risks.

The safety performance database developed in 2018 covering manufacturing operations, headquarters and primary commercial locations has been fully operational from January 2019 and is now accessible from all locations. The database provides a common platform with enhanced functionality for documenting accident investigations, root-cause analysis and data reporting, including near-miss events and hazard observations, delivering a standardised approach, along with improved diagnostic and reporting capability.

Information on our H&S performance¹⁰ is provided below:

| | 2019 ¹¹ | 2018 | 2017 ¹² | 2016 ¹³ |
|------------------------|--------------------|------|--------------------|--------------------|
| Fatalities | 0 | 0 | 0 | 0 |
| Recordable injuries | 33 | 30 | 48 | 35 |
| Recordable injury rate | 0.55 | 0.50 | 0.82 | 0.56 |
| Lost time injuries | 16 | 20 | 33 | 16 |
| Lost time injury rate | 0.27 | 0.33 | 0.57 | 0.26 |

There were no fatalities. 2019 has seen a continued reduction in the Lost Time Injury Rate maintaining the positive trend from 2018, which has been supported by increased engagement, along with improved investigation and root cause analysis. A slight increase has been seen in the Recordable Injury Rate from 2018, although this remains significantly lower than in 2017.

Increased focus has also been placed on hazard observation reporting during 2018 and 2019, resulting in a five times increase from 2017, enabling preventive measures to be undertaken to eliminate the hazards identified prior to an incident being incurred.

We are setting a new Group-wide LTIR target of 0.27, reflecting the need to maintain performance improvement whilst recognising our systems are still maturing.

10 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.

11 2018 and 2019 data relates to all manufacturing operations, headquarters and primary commercial locations.

12 2017 data relates to manufacturing facilities (excluding EuroTec, including Greensboro prior to closure during the year), R&D centres and our UK Amcare business.

13 2016 data relates to manufacturing facilities (including Malaysia facility prior to closure during the year), R&D centres and our UK Amcare business.

Case Study: Developing our health and safety culture

The safety culture focus for 2019 has been on developing the key elements of engagement, active participation and visible safety leadership, while maintaining the theme of “safety is everyone’s responsibility”. This has been delivered through regular walks and tours by site leadership team members, coupled with continued dialogue with all employees – highlighting positive behaviours, improvement opportunities and soliciting employee feedback and problem solving.

The 2019 safety culture programme was developed in collaboration with the operations teams, providing a structured approach with local flexibility, comprising the key elements:

- Safety Culture survey.
- Improvement plan development, communication and delivery.
- Performance review and progress updates.
- Gap analysis and 2020 plan development.

Site teams have supported the programme through a broad range of promotional activities including safety campaign’s, suggestion schemes, quiz’s as well as recognising significant team and individual contributions.

Celebrating June Safety Month provided the site teams with a valuable opportunity to focus on safety topics for work, home and their community realising increased engagement supporting a proactive approach to hazard elimination.

One key aspect has been successfully highlighting the synergistic and mutually beneficial relationship between safety, quality and productivity.

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. Online training on this Policy is assigned to all new management level hires and the key elements are also reflected in our Code of Ethics and Business Conduct. At the end of October 2019, 1,876 managers had completed this training. All employees are required to complete the training relating to the Code of Ethics 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 (see page 44). Together, the Human Rights and Labour Standards Policy, and the Code of Ethics, 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, we operate a cross-functional Human Rights Steering Committee to guide our approach.

Paying a living wage

We are committed to providing fair pay for our employees. Following our accreditation in November 2017 by the UK Living Wage Foundation, we have been confirmed as a “real living wage” employer in the UK for a second consecutive year. We continue to monitor our pay practice every year ensuring not only that every single employee is paid a “living wage” standard, but also our contractors need to meet this requirement and pay their employees at the same rates.

In addition to our accreditation in the UK, in 2019 we commissioned the independent organisation Business for Social Responsibility (“BSR”) to complete a global living wage assessment across a further 49 locations. Their analysis confirmed that we are paying our employees at, or above, living wage standards across the entire Group. This helps to ensure that workforce salaries are not barriers to good education and culture, complimentary healthcare, transportation, food and recreation for themselves and their families in their communities.

We are committed to invest in our workforce and we will continue to review our employment practices every year.

To ensure we remained aligned with good practice in this area, we are committing to reviewing and refreshing both our Human Rights and Labour Standards Policy and our Supplier Code of Conduct, with the aim of publishing the revised versions by the end of 2020.

Target

0.5 per 200k/h

We are committing to reducing our Lost Time Injury Rate for manufacturing locations to below 0.5 per 200,000 hours worked by 2020.

LTIR for manufacturing locations at the end of 2019 is 0.28

| Status | New | Ongoing | Completed | Delayed | Cancelled |
|--------|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Target

Develop Group-wide LTIR target

We will develop a Group-wide Lost Time Injury Rate target by 31 December 2019.

We will maintain a Group-wide LTIR of below 0.27

| Status | New | Ongoing | Completed | Delayed | Cancelled |
|--------|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|
| | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Target

Update Human Rights-related Policies

We will complete the review, update and publication of our human rights-related policies, including our Human Rights and Labour Standards Policy, and Supplier Code of Conduct, by 31 December 2020.

| Status | New | Ongoing | Completed | Delayed | Cancelled |
|--------|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

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.

We have continued to make good progress and, in relation to Urology and Suction Consumables, we have been assessed to have maintained Level 3 of the four-level LSAS framework, exceeding current requirements, and with the assessor confirming that we have achieved Level 4 (the highest level) in six out of 15 measured categories.

Diversity and inclusion

We are committed to creating a values-led, performance-driven culture which starts with our employees, and we aim to bring together a rich diversity of backgrounds, experiences, preferences and capabilities which unite together to improve people's lives through their work at ConvaTec.

This view is echoed in the guidance issued to FTSE-listed companies through initiatives such as the Hampton-Alexander Review of gender diversity at senior levels within FTSE 350 companies which recommends a minimum of 33% female representation on the Executive Committee, and their direct reports, by the end of 2020.

In response to this, we aim for a minimum of 30% female Board representation, with the position at the end of year being 38%. We recognise that the level of gender diversity at senior management level (defined as Executive Vice-President and Vice-President grades) still presents challenges and, in 2019, we have made only modest progress towards our target to have at least 30% of senior management roles held by female executives by 2020 (see table on following page).

Our broader gender diversity strategy aims to focus on three areas:

- Leading, Promoting and Educating – establishing policy statements, forming appropriate governance, setting up employee engagement forums (see below) 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.

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, and which are appropriate to the local context. These include the following examples:

- 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.
- 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. Also at our Haina facility, our human resources team and in-house Credit Union representatives have worked to help employees develop a saving habit and a planning and investment mindset that results in a better quality of life for their families. Their work was recently recognised by the directors of the Credit Union which represents employees in the main industrial parks of the Dominican Republic.

A key part of creating a more inclusive workplace is engaging employees on how best to approach the issue, and to create communities and support groups to help inform our progress. In 2018, we set up a series of Employee Resource Groups (ERGs) focusing on starting a dialogue around gender, LBGTQ+ and, in the US, veterans' inclusion issues across the business, and to act as a platform to engage these members of our workforce in building a talent pipeline and driving our business forward. Approximately 130 employees volunteered to join ERGs and the LBGTQ+ group in particular has made good progress on beginning to raise awareness both internally and at some external forums.

In 2019, we hosted various networking events for "Women at ConvaTec" and engaged in open dialogue around career development. Our recruitment team began participating in a number of job fairs in order to explore new routes and approaches to attracting talent from more diverse backgrounds. This is something we plan to expand on in 2020.

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 gender diversity profile at the end of 2019 is indicated below:

| | Women within the business | | | | | |
|----------------------|---------------------------|------------|--------------|------------|--------------|------------|
| | 2019 | | 2018 | | 2017 | |
| | Total | % Female | Total | % Female | Total | % Female |
| Board | 8 | 38% | 9 | 33% | 10 | 30% |
| Leadership team | 9 | 11% | 11 | 9% | 11 | 9% |
| Senior management | 64 | 25% | 71 | 25% | 74 | 23% |
| Sub-total | 81 | 25% | 91 | 24% | 95 | 22% |
| Other employees | 9,116 | 63% | 9,322 | 63% | 9,454 | 64% |
| Overall total | 9,197 | 63% | 9,413 | 62% | 9,549 | 63% |

We have calculated the gender pay gap and full details are provided in our 2019 Annual Report and Accounts.

Developing our employees

As noted on page 27, the results of the OHI survey have confirmed that developing our employees, managers and senior executives is critical of achieving our objectives, and work is already underway. These actions will 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 are working towards the position where every employee should have a development conversation with their manager each year, focusing both on short-term development needs to support performance, as well as their longer-term career progression. Employees who have 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. In 2019, 49% of our total employees were eligible for a performance development review and virtually all reviews were completed.

In addition, in 2018 we successfully piloted a performance management approach for manufacturing-based employees in the UK. During 2019, we have provided access to our Performance and Development Portal ("ACTUS") to all manufacturing sites, completing the target we set in last year's report. Coverage of employees across those sites is being progressively extended.

At the end of 2017, we set a target to "complete the roll-out of a technical skills and competency assessment for relevant manufacturing grades by 31 December 2018". Known as our Training Alignment Project, we have now completed training matrices at each location and the train-the-trainer curriculum has been developed. Due to operational constraints, implementation has been slower than we had hoped but the project will be completed, after which we will have a globally consistent approach for delivering technical training and assessing competence.

Further information on our approach to employee development is provided in our 2019 Annual Report and Accounts.

Target

Technical Skills

Complete the roll-out of a technical skills and competency assessment for relevant manufacturing grades by 31 December 2018.

This target will be completed in the first half of 2020.



Target

30% by 2020

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

There are 11% females in the Leadership Team and 25% females in other senior management posts (average of 23%).



Target

Appraisal and Development

All manufacturing sites will have access to the performance appraisal and personal development programme, by 31 December 2019.

All sites have access to the programme and coverage of employees is being progressively extended.



Working responsibly with partners

Introduction

We aim to build long-term, mutually beneficial relationships with third parties along the value chain, including suppliers of materials and services, transport and logistics companies, and distribution businesses. Our approach must be consistent with our Values, our Purpose and the regulatory framework which underpins ethical business practice, but has the potential to create both risks and opportunities.

Potential risks include working with distributors who ignore 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. Companies have found to their cost that getting this wrong can lead to fines and damages, as well as damage to reputation.

Many companies aim to manage human rights and environmental impacts within their supply chains, recognising that their processes can leverage a raising of 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 standards. 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, more collaborative relationships.

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

- seven suppliers represent approximately 70% of our contract manufacturing spend.
- two suppliers represent approximately 67% of our logistics spend.

Our raw materials supply chain is more diverse, but 34 suppliers still represent approximately 80% 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, such as hospitals, reimbursement organisations and end users. Like many medical device companies, our products are often sold by third-parties, such as distributors. To help protect against the risk of a third-party acting unethically, our compliance team conducts due diligence on our distributors, enters into agreements that contain appropriate assurances by the distributors, and delivers both online and “live” compliance training programmes to distributor staff, based on our Global Third Party Compliance Manual. Using a risk-based approach, we conduct due diligence on distributors when they are initially engaged, and every three years thereafter, using an external due diligence provider.

In 2019, 89 new and renewed organisations were subject to due diligence review. A total of 38 third-party distributors completed both their annual Global Third-Party Compliance Manual and Distributor anti-bribery and corruption training via ConvaTec’s external, electronic learning system.

Upstream – engaging our supply chain

We require our suppliers to adhere to our Supplier Code of Conduct (“SCoC”). All new suppliers must sign the SCoC as part of doing business with ConvaTec and the SCoC is introduced to all existing supplier contracts as these are renewed. Our SCoC can be viewed on our website here.

The SCoC draws on the ILO conventions and the Principles of the UN Global Compact, and extends our own Code of Ethics and Business Conduct and our Human Rights and Labour Standards Policy to the supply chain. 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.

We 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 and human rights abuses reported in the media). As part of some of our regular quality audits of key suppliers, we look for signs of potential poor human rights or environmental practice.

In addition, to assess our suppliers against the SCoC, we employ a process managed by a third-party provider, EcoVadis. The process, which reflects consultation across a broad group of stakeholders, includes an evidence-based assessment based on a comprehensive set of ethics, labour rights, health and safety and environmental criteria which closely align with our SCoC. The criteria 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.

In 2017, we invited a number of key suppliers to participate in the assessment process. Suppliers were 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, and represented a substantial proportion of total spend with contract manufacturers, raw material and logistics suppliers. All new major suppliers are strongly encouraged to participate and, in 2019, the EcoVadis “score” was incorporated into our Supplier Relationship Management scorecards.

However, as indicated in last year’s CR Report, we have struggled to make the progress in engaging the additional suppliers we were hoping for, and this situation has persisted through 2019. We are re-invigorating our approach through additional activities to better stimulate participation. We are also considering alternative processes for supplier assessment should this not be successful.

As a result of the situation we are revising our target to complete the assessment of 100 suppliers by the end of 2020, to 50 suppliers.

We have summarised our 2019 engagement with suppliers through EcoVadis 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 2019 indicate that 22% of suppliers completing the assessment fell below the threshold for performance in their overall scores (2018: 28%). We also saw performance improvements in three of the four performance categories. The focus remains on increasing the overall recruitment rate.

Details of scores against threshold on the four individual categories of performance are provided in the table below.

| Engagement with suppliers | Number of suppliers | | % of invited suppliers | |
|---------------------------|---------------------|------|------------------------|------|
| | 2019 | 2018 | 2019 | 2018 |
| Assessments completed | 18 | 18 | 41 | 41 |

| Results of assessments (at 31 December 2019) | % of participating suppliers | |
|---|------------------------------|------|
| | 2019 | 2018 |
| Suppliers failing to reach the overall performance threshold | 22 | 28 |
| Suppliers failing to reach the environment performance threshold | 22 | 28 |
| Suppliers failing to reach the labour performance threshold | 33 | 39 |
| Suppliers failing to reach the fair business practice performance threshold | 28 | 39 |
| Suppliers failing to reach the supplier management performance threshold | 56 | 56 |

No suppliers were rated as high risk against any of the four categories and 17% of completed assessments scored as "very good". However, there is work to do to better engage suppliers on these topics as well as raising the performance of some of our suppliers to a more acceptable level. This is a long-term process of improving standards in our supply chain and will review our approach in this area during 2019.

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 process would be considered for third-party audit of specific sites.

Target

100 by 2020

We will have completed the performance analysis of 50 key suppliers by 31 December 2020.

This target has been amended to recognize the challenges in completing supplier assessments.

| Status | New | Ongoing | Completed | Amended | Cancelled |
|--------|-----------------------|-----------------------|-----------------------|----------------------------------|-----------------------|
| | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

Conserving the planet

Introduction

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 activities, and understand that a damaged environment has broader consequences for the health and wellbeing of society.

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 soil, 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-abstracting 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 and several of the UN SDGs are focused on driving environmental improvements. The last 12 months has seen an upsurge in public awareness of environmental issues, and protest groups have been more widespread, active and supported, than ever before.

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 emission 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 to address our impacts. In addition to ensuring we avoid fines and reputation damage from breaching environmental regulations, 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. Although we see relatively low risk of direct, financially material impact on our business in relation to climate change in the short to medium term, we are seeing signs of customer pressure around the environmental performance of products and packaging and this could feed through into direct impact on commercial outcomes. Risks emerging in the short to medium term are expected to intensify in the longer term.

Our management approach

Policy

We have an environmental policy [statement](#) which sets out our position, and this reflects a more detailed internal environmental policy, approved by our CEO, 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 these elements and our progress is detailed below. We are committed to comply with all applicable environmental laws and regulations. In 2019 we have not been subject to any fines or warnings relating to environmental compliance (as in the previous three years).

Governance

Overall responsibility for environmental issues, including climate change, lay with the Board, as delegated to the CR Board Committee (see [page 49](#)). The key roles relating to environmental management sit within our Global Operations division. Dedicated Environment, Health and Safety (“EHS”) managers work across our manufacturing facilities (covering approximately 59% of employees).

Management systems

Manufacturing sites operate environmental management systems in line with corporate requirement and referencing ISO14001. Two of our manufacturing sites, Deeside and Rhymney (both in the UK, and representing approximately 21% of manufacturing-related energy consumption) have achieved certification to that standard. Our EHS managers collaborate and coordinate through regular conference calls facilitated by our Global EHS Team, which conducts audits of the effectiveness of system implementation.

Specific environmental programmes are generally established at site level to reflect the differing priorities and impacts. However, the introduction of a more comprehensive approach to climate change and energy management has introduced a more coordinated and deeper focus on improving energy, waste and water efficiency across the Group. Further information is provided below.

We believe our most significant impacts to be:

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

During 2018 we completed the development of a comprehensive climate change strategy and this was approved by the CR Board Committee in early 2019. The design of the strategy was driven by:

- An assessment of climate change risk carried out against the framework developed by the Task Force On Climate-Related Financial Disclosures (“TCFD”) – refreshed in 2019 (see below).
- An analysis of historical and projected energy data, likely future carbon conversion factors, options for procuring or generating renewable energy, product and supply chain profiles, regulatory and disclosure requirements, competitor actions, best practice and efficiency opportunities.

Our own operations

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 GHG emissions. We fully acknowledge our contribution to climate change through our own operations, and those of our supply chain, distribution system and products. Our climate change strategy commits us to reduce our GHG emissions through a series of initiatives.

In late 2018 we created a new management role in our Global EHS team to help drive efficiency gains and best practice sharing across sites through energy auditing and target setting. This focus has matured through 2019 and is included as a key activity within our business transformation programme, ensuring it receives significant management attention (see examples later in this section).

Climate Change Risk Assessment

Our risk assessment is conducted against the framework recommended by the TCFD and therefore covers both (i) Transition risks (Policy and Legal, Technology, Market and Reputational risks) and (ii) Physical risks (Acute and Chronic risks).

Our assessment concluded that our overall exposure to climate-related risk is relatively low in the short to medium term (up to five years). From our analysis, the areas where risk is highest are:

- Policy and Legal – impact on costs/revenue of potential regulation relating to products and raw materials, particularly in relation to the use of plastics within our products and packaging. The vast majority of our products are single use due to the nature of their medical application.
- Market – potential impact of increases in costs of raw materials prices due to climate change-driven factors such as raw material shortages, water scarcity or increased energy costs. Rising customer concerns relating to carbon footprint, single-use plastics and circularity.
- Reputation – whilst it is unlikely that we would suffer stigmatisation for a perceived lack of responsibility in relation to our products (due to the nature of the medical devices we supply), our reputation could be damaged relative to competitors should we fail to keep pace with climate-related sector innovations.
- Physical – whilst we assess potential for disruption to our own operations to be limited in scope (mainly relevant to our Haina plant) and well mitigated (through structural and operational measures – see below), we assess that sales of certain products could potentially suffer disruption through the vulnerability of certain supply chains to climate risk. This could relate particularly to raw materials harvested from natural resources.

Climate Change Strategy – four key elements

Enabling product and packaging improvements – through the development of green design guidelines (see below), a focus on packaging materials and robust risk and opportunity assessment of existing products (including continuation of detailed life cycle assessments).

Driving greener operations – through efficiency auditing, target-setting and supply chain engagement (see examples below).

Supporting decision-making – through better, more joined up and accessible performance data.

Enhanced governance – assigning accountability to relevant ConvaTec Executive Leadership Team members via personal objectives.

Physical risk mitigation – Haina plant, Dominican Republic

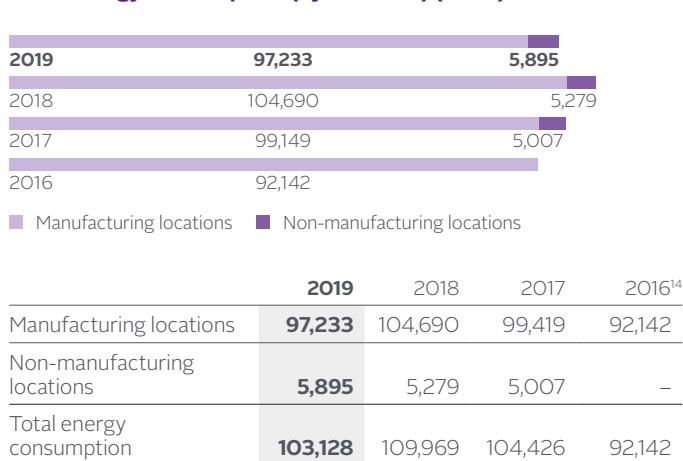
Climate change is thought to be contributing to an increase in extreme weather events and is thought to have been a factor in the devastating 2017 hurricane season across the Caribbean and Gulf of Mexico. “Direct hits” on the Dominican Republic occur approximately once in every ten years, and our manufacturing location at Haina 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.

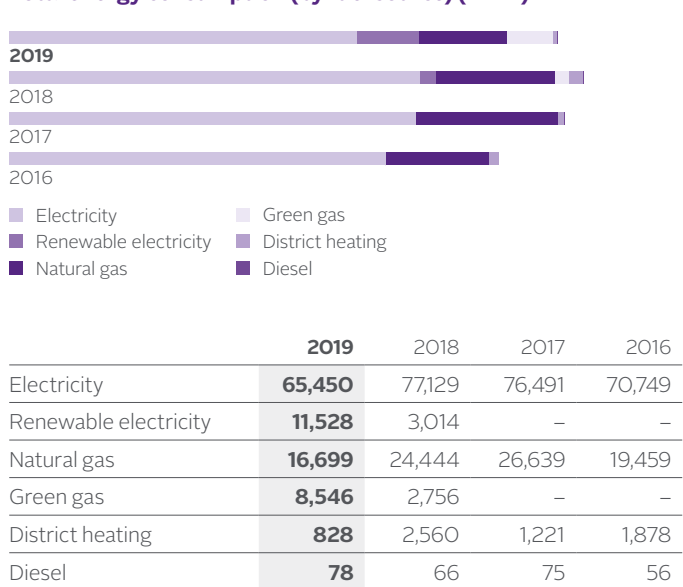
During the hurricane season we hold an increased level of raw materials and finished inventory to cover any potential impact to supply and the plant has an active Business Continuity Plan that is constantly reviewed and updated. Furthermore, during 2018, we conducted a Business Impact Assessment of the potential impact of a “direct hit” hurricane on the Dominican Republic and how this might affect production operations, the regional distribution centre and our local supply chain, concluding that the site had a robust Business Continuity Plan.



Total energy consumption (by Function) (mWh)



Total energy consumption (by fuel source) (mWh)



We report on the energy consumed in our manufacturing facilities, 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 48.

Manufacturing locations account for approximately 94% of total consumption, with electricity (76.6%) and gas (22.5%) the dominant sources. Energy consumption has decreased by 6%, driven by efficiency gains made across virtually all manufacturing sites in both gas and electricity use (see examples below).

Our direct energy consumption comprised:

- approximately 71,000 litres of diesel consumed in generators (17% increase)
- 2.4 million cubic metres of natural gas (7% decrease).

Our indirect energy consumption related to:

- 0.8 GWh of district heating¹⁵
- 77 GWh electricity purchased from third parties (4% decrease).

14 Non-manufacturing locations were not included in scope of 2016 data (approximately 5% of total consumption).

15 In 2017 and 2018, natural gas consumption at one non-manufacturing site was incorrectly reported as district heating. This equated to less than 0.08% of total GHG emissions.

Case Study: Examples of energy-saving initiatives

Projects with an environmental benefit which require capital investment are permitted an extended investment payback period in comparison with other capital projects. In 2019, some project examples have included:

Belarus: our facility in Minsk has optimised the air change rate in its clean room, reducing energy consumption by 160,000 kWh per year.

Dominican Republic: our facility in Haina installed LED lighting and movement sensors in the warehouse, and will complete the modernisation of its HVAC, saving an estimated 330,000 kWh per year.

Slovakia: our Michalovce facility completed the upgrade of its air compressors which, together with optimisation of dust filtration systems and installation of further LED lighting, will save over 1.0 GWh per year.

Mexico: our Reynosa facility has optimised clean room temperatures, saving an estimated 285,000 kWh per annum.

UK: our Deeside plant has completed work relating to clean room air change rates optimisation, LED lighting installation, retrofit of more efficient fans, and fixing compressed air leaks, to generate over 1.1 GWh annual savings.

Energy intensity (GWh/\$m revenue)



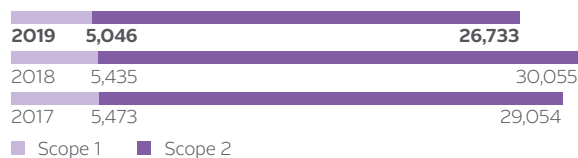
| | 2019 | 2018 | 2017 |
|------------------|-------|-------|-------|
| Energy intensity | 0.056 | 0.060 | 0.059 |

As noted previously, we have increased our focus on driving energy efficiency across the business. By 31 December, 2019 we had over 30 individual projects across our sites being evaluated, awaiting approval and funding, or being implemented. These projects include installation of low-energy LEDs, optimising air pressure equipment, and the updating of heating, ventilation and cooling (HVAC) equipment. These projects are important in contributing to achievement of our GHG reduction target (see below) and we are targeting total energy efficiency savings of 15% on our 2018 energy consumption, from 2020 to 2022. Delivery of these savings is embedded in the personal objectives of the relevant member of our Executive Leadership Team.

We have not sold energy to third parties.

In 2018 we started to report our emissions data on both a "location" and a "market" basis (further information on our reporting methodology is provided on [page 48](#)). We participated in the Carbon Disclosure Project ("CDP") and our response is available on the CDP website. Our disclosure score, based on data reported at the end of 2018, is "C" (2017: "D").

Greenhouse gas emissions (location-based method) (tonnes CO₂e)



| | 2019 | 2018 | 2017 | 2016 ¹⁶ |
|----------------------------|---------------|---------------|---------------|--------------------|
| Scope 1 | 5,046 | 5,435 | 5,473 | 4,001 |
| Scope 2 | 26,733 | 30,055 | 29,054 | 26,805 |
| Total GHG emissions | 31,779 | 35,490 | 34,527 | 30,807 |

Greenhouse gas emissions (market-based method) (tonnes CO₂e)



| | 2019 | 2018 |
|----------------------------|---------------|---------------|
| Scope 1 | 3,402 | 4,901 |
| Scope 2 | 23,431 | 28,283 |
| Total GHG emissions | 26,833 | 33,184 |

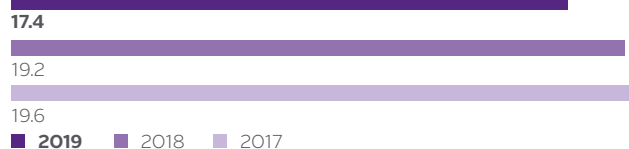
The like-for-like yearly decrease in GHG emissions of approximately 19% (market basis) is driven by the same factors as the decrease in energy consumption disclosed above. In addition, the impact of a full year of green electricity use in the UK, and 80% of UK gas consumption being covered by green gas certificates (see below), and by changes in the carbon intensity of electricity grids in several countries, have added significantly to the effect of the energy efficiency gains.

GHG emission intensity (tonnes/\$m revenue)

GHG emission intensity (market basis)



GHG emission intensity (location basis)



| | 2019 | 2018 | 2017 |
|---|------|------|------|
| GHG emission intensity (location basis) | 17.4 | 19.2 | 19.6 |
| GHG emission intensity (market basis) | 14.7 | 18.0 | - |

16 2016 Scope 2 emissions include an additional 383 tonnes CO₂e (relating to use of district heating) previously omitted in error. 2016 was the first year of reporting and the scope did not include non-manufacturing locations. No adjustment has been made to this data.

Conserving the planet continued

We have estimated the Scope 1 emissions of our vehicle fleet. Based on data from service providers, we estimate that our fleet of approximately 1,070 vehicles (2018: 860) generated emissions of between 4,750 and 5,000 tonnes CO₂. The data collection process that underpins this calculation is still maturing and we estimate that we under-reported emissions in 2018 (2,800 tonnes) by approximately 1,000 tonnes CO₂. We have not included these figures in our overall disclosure of Scope 1 emissions, and vehicle emissions are not included in the scope of our GHG emission reduction target (below).

Renewable energy

We have not developed a specific target for introducing renewable or low carbon energy as this is inherent in the assumptions that underpin our overall GHG reduction target and is embedded in our climate change strategy. In 2019, we have actively pursued a number of renewable energy programmes as detailed below.

During 2018 we procured 100% origin certificate-backed renewable electricity across our key UK-located facilities, including our two manufacturing plants in Deeside and Rhymney, distribution centres and main offices. The energy was generated from a mix of 93.7% wind energy, 5.6% waste and 0.7% biomass and the contract is for a three-year period. This agreement covered the whole of 2019.

From the same date, we also procured green gas certificates covering 11.3 GWh of gas consumption in the UK, running from September 2018. The certificates are derived from grid-injection of biomethane from UK generators. The effect of these initiatives is that our UK facilities effectively generated zero GHG emissions for approximately 80% of 2019, with significantly reduced levels for the final 20% as the green gas certificates were exhausted. As a result of this procurement renewable energy accounts for approximately 19% of total energy consumption in 2019. Please see [page 48](#) for our methodology for disclosing renewable energy in relation to our Scope 1 and Scope 2 emissions.

Renewable energy (%)



■ Renewable energy consumption (%)
■ Non-renewable energy consumption (%)

| | 2019 | 2018 | 2017 | 2016 |
|--------------------------------------|------|------|------|------|
| Renewable energy consumption (%) | 19% | 5% | 0% | 0% |
| Non-renewable energy consumption (%) | 81% | 95% | 100% | 100% |

Unfortunately, we have not been able to procure further green gas certificates as the price quoted has increased by 275%, making this uneconomical.

We continue to look at the feasibility of installing roof-mounted solar panels at our manufacturing plants in Haina, Dominican Republic and Reynosa, Mexico, and to explore the potential to procure green energy elsewhere across our manufacturing footprint.

Case Study: Examples of water efficiency projects

Our facility in Rhymney (South Wales, UK) has completed two innovative water-saving projects.

The first involves installation of a second stage water recovery unit to the reverse osmosis (RO) concentrate process water. This recovers 75% of the RO concentrate water for re-use that would previously have been discharged to sewer. Savings for this project are approximately 4,000 m³ of water per year.

The second involves the use of a closed chilled water circuit to cool the in-situ drier, removing the need to pump ambient mains water through the drier and straight to sewer. This will save approximately 8,000 m³ of water per year.

Case Study: Manufacturing facilities and water stress

A WRI study released in 2015 set out the projected water stress levels of many countries around the world, and compared these to stress levels calculated in 2010. These projections take into account climate change, population growth and anticipated increases in abstraction. The table below indicates the distribution of our water abstraction (for 2019) across countries with varying levels of water stress (Low to High).

Percentage of manufacturing water abstraction (2019)

| Level of country-level water stress | 2010 Estimated % | 2040 Projected % |
|-------------------------------------|---------------------|---------------------|
| Low | 20 | 3 |
| Low to Medium | 2 | 19 |
| Medium to High | 32 | 32 |
| High | 46 | 46 |
| Extremely High | 0 | 0 |

Case Study: “Zero Waste to Landfill at Deeside”

In 2019, our manufacturing facility and Global Development Centre (R&D), both located at Deeside (UK), have achieved their goal of sending no waste to landfill. With the appointment of a new waste services provider, all non-recyclable waste is channelled to a waste-to-energy incinerator, allowing for the recovery of energy.

Target

10% by 2023

We will reduce our GHG emissions by 10%, against a 2018 baseline, by 31 December 2023.

In 2019 we saw a reduction of 19% against our 2018 baseline and believe we are currently on track to meet our target.

| Status | New | Ongoing | Completed | Delayed |
|--------|-----------------------|----------------------------------|-----------------------|-----------------------|
| | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

GHG emission reduction target

At the end of 2018 we published a target to reduce our GHG emissions, across the same scope as our reported Scope 1 and Scope 2 emissions. We aim to reduce emissions by 10% against our 2018 reported emissions baseline (market-based) by 31 December 2023 – a five-year period. We opted for an absolute reduction target to make our reports on progress more transparent for stakeholders. We will meet the target through a combination of energy efficiency savings and procurement of renewable energy. We also expect that improving carbon intensity of certain national power grids will make a contribution.

In 2019, due to better-than-expected energy efficiency performance, and more favourable movements in carbon intensities in certain national grids, we have reduced our GHG emissions by an amount significantly in excess of our projections. Whilst we expect additional gains to be become more difficult to deliver, we will monitor progress against our target to assess if we should re-set this at a more ambitious level. The chart below indicates our progress in the first year of the target.

Although we are not setting a Science-based Target (“SBT”) this year, we have noted that this reduction is line with what an SBT would require. We will review our position on SBTs during 2020.

Progress against GHG emissions target

Greenhouse gas emissions (market method) tonnes CO₂e

| | |
|----------------------|---------------|
| Target (2023) | 29,865 |
| 2019 | 26,833 |
| 2018 | 33,184 |
| 2018 | 33,184 |
| 2019 | 26,833 |
| Target (2023) | 29,865 |

Management of water and waste

As set out in our Environmental Policy statement, we are committed to understanding, quantifying and minimising our levels of waste (hazardous and non-hazardous), and our consumption of water.

Our waste and water reporting focuses on our manufacturing sites, where we believe quantities are material. In 2018 we also started reporting waste and water data from our main R&D centre (Deeside, UK). 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. As noted above, we created a new management role to bring a more comprehensive and coordinated approach to management of energy, waste and water. As a result of this increasing focus, we expect to publish quantitative waste and water-related targets by the end of 2020.

Water

In 2019, we consumed approximately 166 megalitres¹⁹ of water (2018: 158), all of which was provided by municipal water suppliers or other public or private water utilities. The majority of water (89%) is consumed at three sites (in the Dominican Republic, Slovakia and the UK). No water is abstracted directly from lakes, rivers or other bodies of water. Data is compiled from invoiced amounts and meter readings. Very little water is treated onsite (2019: 0.1%, 2018: 0.1%).

Water use (megalitres purchased)

| | |
|-------------|------------|
| 2019 | 166 |
| 2018 | 158 |
| 2017 | 146 |

| | | | |
|----------------------------------|-------------|--------------------|------|
| | 2019 | 2018 ¹⁷ | 2017 |
| Water use (megalitres purchased) | 166 | 158 | 146 |

Approximately 5,500 tonnes of water (2018: 5,500 tonnes) are tankered offsite as hazardous waste, the vast majority of this relating to our Rhymney site (UK) where water becomes contaminated with Industrial Denatured Alcohol (“IDA”). After processing, a significant proportion of the mass is recovered IDA, which is then reused on the site. The remaining treated water is returned to the environment via sewer. Other waste water is discharged to sewer.

Waste

The table below indicates our waste recycling and disposal performance over the last three years¹⁸ for both hazardous and non-hazardous waste. Non-hazardous waste represents 70% of the total waste generated and the chart indicates that the proportion of this waste recycled has increased to 27% and the proportion disposed of to landfill has decreased below 60% for the first time. The improvement in 2019 is due, in part, to initiatives at our Deeside locations (see case study above) which now means that the vast majority of waste to landfill occurs in countries where we manufacture which have very limited options for recycling and other disposal methods (e.g. the Dominican Republic, Mexico and Belarus).

Hazardous waste represents 30% of total waste generated and 99% of this is recycled¹⁹. The vast majority of hazardous waste (96%) is generated at our Rhymney site in the UK and its treatment (IDA-contaminated water) is described earlier. Of the remainder, 28% is disposed of to landfill.

No waste is treated onsite, as was the case in the previous three years.

Waste recycled (tonnes)

| | Tonnes | | |
|----------------------------|---------------|--------|--------------------|
| | 2019 | 2018 | 2017 ²⁰ |
| Non-hazardous waste | | | |
| Disposed of | 10,060 | 9,224 | 12,574 |
| Recycled | 3,671 | 2,333 | 3,243 |
| Generated | 13,731 | 11,557 | 15,817 |
| Hazardous waste | | | |
| Disposed of | 78 | 57 | 209 |
| Recycled | 5,716 | 5,663 | 8,146 |
| Generated | 5,794 | 5,720 | 8,355 |
| Total generated | 19,525 | 17,276 | 24,172 |

Fate of non-hazardous waste generated (%)

| | | | | |
|-------------|------------|-----------|-----------|------------|
| 2019 | 27% | 8% | 6% | 59% |
| 2018 | 20% | 9% | 2% | 69% |
| 2017 | 21% | 6% | 7% | 67% |

■ Recycled ■ Incineration (with energy recovery) ■ Incineration (without energy recovery) ■ Landfill

17 2018 data includes water consumption from the Deeside R&D centre for the first time (1.5 megalitres).

18 Waste data includes data from all manufacturing locations as well as our R&D centre (Deeside, UK).

19 Hazardous waste recycled includes the IDA contaminated water referred to above.

20 The 2017 data does not include data from EuroTec (<1% of total waste in 2018).

Environmental impacts along the value chain

As well as the environmental impact of our own operations, the delivery, use and disposal of our products also creates impacts along the value chain, including the sourcing of raw materials, supplier manufacturing, packaging, logistics and transport. Since 2017, we have been developing our strategy in this area and, in 2019, this now comprises the following elements:

- Assessing the environmental performance of key suppliers.
- Enhancing our reporting of value chain impacts (Scope 3 emissions).
- Assessing existing product and packaging performance through:
 - Higher level reviews of product and packaging portfolios to identify risk and opportunity “hotspots” relating to product carbon footprint and use of raw materials.
 - Deeper dive analysis of our packaging portfolio, recognising that the opportunities for improvement are less onerous than with heavily regulated (from a medical device perspective) products.
 - Deepest dive analysis – the full “cradle to grave” life-cycle assessments (“LCAs”) of certain key product groups.
- Designing sustainability into new products and packaging through our Green Design Guidelines.

These programmes drive the development of improvement action plans which are owned at senior management level.

Assessing our suppliers

As indicated in the section “Working responsibly with Partners” (page 33), we require new suppliers to sign our SCoC. We currently assess supplier performance against the SCoC using the process managed by EcoVadis. We have also set a target to refresh our SCoC during 2020 and this will expand and deepen our requirements in relation to environmental performance.

The results of the assessment of suppliers participating in the EcoVadis assessment are shown on page 34. No supply contracts have been terminated on the basis of the environmental assessments conducted in 2019, but we have collaborated with certain suppliers to assist our reviews of packaging “hotspots” (above).

Enhancing reporting of value chain impacts

We are working to improve our understanding and reporting of Scope 3 GHG emissions.

In 2019, our reporting includes the following estimates:

Business flights: based on data provided by our travel agents, we estimate business flights contributed between 3,050 and 3,250 tonnes of CO₂e (2018: 3,800–4,000 tonnes). The reduction has been driven by our initiatives to reduce reliance on air travel, including increased use of videoconferencing, Skype video-calling and a heightened management focus on justifications for business flights.

Raw materials: our review of product impact had not been completed at the time of publication. A large factor in the delay to this project is the way in which data is held within our IT systems. This facilitates product by product analysis of raw materials but does not readily support broader reporting on raw material consumption. We recognise that more work needs to be done in this area.

However, to provide an indication of Scope 3 emissions relating to product raw materials, we estimate the carbon footprint of products placed on the market in 2019 to be between 40,000 and 60,000 tonnes CO₂e. More information on the methodology, and the constraints and limitations to the estimate are provided on page 48.

Packaging: we have developed an estimate of the GHG emissions relating to the packaging we place on the market. This was derived by using data on our packaging types, from actual and projected packaging procurement records and from engagement with key packaging suppliers, which was mapped to databases for the CO₂e impact of materials.

For 2019, we estimate the carbon footprint of the packaging placed on the market to be approximately 16,000 tonnes CO₂e. There is a high margin of error in this estimate and we recognise the challenge of developing more effective and accurate methods of reporting on packaging impact. More information on the methodology and the constraints and limitations to the estimate are provided on page 48.

Case Study: Substances of concern

Prolonged exposure to the plasticiser DEHP (a phthalate used to soften PVC-based plastics) has been associated with concerns over impact on male fertility. In 2017, we achieved our target of having less than 2% of our product portfolio (by turnover) containing DEHP. At the end of 2019, this has fallen further to less than 1%.

Environmental impact of products and packaging

Our products are the most visible element of our environmental performance and encapsulate accumulated environmental impacts along the value chain, from extraction of raw materials, through manufacture and logistics, use by customers, and final disposal. By better understanding where the most significant impacts are created, we are better able to focus on the priorities for attention. Our climate change strategy includes a requirement for our four franchises to carry out a risk and opportunity assessment of existing products and packaging in order to develop prioritised roadmaps for environmental improvement actions.

Target

Green Design

We will develop a set of green design guidelines for use in new product development, by 31 December 2019.

The GDGs were approved shortly after the year end and will be implemented during 2020.

| Status | New | Ongoing | Completed | Delayed | Cancelled |
|--------|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|
| | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Target

Key product LCAs by 2020

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

Two LCAs have been completed, one is substantially underway and the final LCA will be completed in 2020.

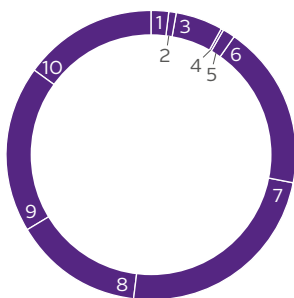
| Status | New | Ongoing | Completed | Delayed | Cancelled |
|--------|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Packaging review

As reported above (Scope 3 emissions), we have calculated an estimate for the carbon footprint of the packaging materials placed on the market in 2019. Through this same project we have established an approximate baseline for our packaging in terms of the tonnage of different materials used. The project also examined how we are categorising different materials as 'product' or "packaging" against the regulatory definitions, and reviewed the EU's extended producer responsibility regulations, and broader plastics strategy, to assess the implications for our current packaging approach. From these findings and insights we are developing a series of proposals for action which will be analysed for implementation potential.

Subject to the limitations set out on [page 48](#), we estimate that our 2019 packaging baseline footprint was approximately 5,600 tonnes of packaging. This was comprised of the following materials:

| | |
|-------------------------|-------|
| 1. PET | 2.2% |
| 2. PETG | 0.7% |
| 3. PVC | 5.3% |
| 4. LDPE | 0.2% |
| 5. HDPE | 1.5% |
| 6. Cardboard | 18.3% |
| 7. Paper | 23.9% |
| 8. Corrugated board | 14.4% |
| 9. Multilayer: 2 layer | 18.6% |
| 10. Multilayer: 3 layer | 14.7% |



Multilayer packaging was comprised of 10 different material combinations and almost half of these were films or foils of polyamide (PA) and low-density polyethylene (LDPE).

Product review

As noted above, our review of the materials that make up our products had not been completed at the time of publication and is ongoing. However, whilst we cannot confidently disclose physical quantities at this time we can report that between 85% to 90% of materials used in our products are plastics or thermoplastics/elastomers. Within these categories, the following materials are amongst the most significant from an environmental impact perspective: Polyvinyl chloride (PVC), Polyester, Polyurethane and Acrylonitrile butadiene styrene.

The key purpose of this review is to provide data for impact reduction action planning and we continue to work to refine and improve the data to support this process.

Where we are aware of existing products or packaging containing substances of concern, we work progressively to reduce and/or replace those substances as appropriate (DEHP case study above).

Life-cycle analysis

In addition to higher level "hot-spotting" analysis of existing portfolios, we continue to conduct "cradle-to-grave" LCAs of products in accordance with the requirements of the international standards ISO 14040:2006 and ISO 14044:2006. The LCAs include a critical review, completed by an expert in the field, to ensure compliance with the ISO standards. The aim of the studies is to identify improvement opportunities but also to provide greater transparency to customers. The LCAs include the extraction and production of raw materials, manufacturing processes, all transportation stages and waste management through disposal, recycling or incineration of the product system, as well as actual use of the product. Retail operations are excluded from the analysis.

We have previously completed LCAs for:

- our 10"x10" AQUACEL™ Foam Adhesive dressing – specifically chosen to represent this range as it is sold in the largest quantities. The high-level results were published in our 2017 CR Report.
- our Infusion Devices product, neria™ guard. The high-level results were published in our 2018 CR Report.

We are currently assessing the Esteem+ Convex Invisiclose Drainable Pouch (Ostomy product) and we are on track to complete this, and LCAs of two key CCC franchise products, in 2020 to complete our public target.

New Product Development – Green Design Guidelines

Due to the regulatory framework in place for medtech products, it is not a straightforward task to change device form and components, and extensive requalification and reapproval of products is necessary after any change. It is also problematic to include recycled content in device materials due to regulatory constraints regarding quality and traceability.

As a result, as well as trying to focus on key priorities for change across existing portfolios (above), we are trying to develop future, more sustainable portfolios through the application of green design principles at the product development stage.

The development of all new products already includes a standard review of the proposed materials against certain externally-compiled lists of "substances of concern", including the requirements of California Proposition 65 and REACH²⁵ and this approach is consolidated within our new Policy – "Ethical Issues and New Product Development" (see [page 17](#)).

During 2019, based on insights from the LCAs and other portfolio reviews, we have developed and approved our Green Design Guidelines (GDGs), meeting the target set last year. The key features of the GDGs include:

- Development through extensive internal collaboration and external technical expertise.
- Review and comment by significant customers and sustainable healthcare NGOs.
- 'Look-up' reference material, key sustainable design principles, high-level and detailed quantitative assessment tools.
- Integration with our "Launch Excellence" new product development approach ([page 16](#)).
- Consideration of carbon footprint, water footprint, circularity, substances of concern and non-quantitative 'red flags' (e.g. potential use of substances which are fully legal, but controversial).

The GDGs will be progressively implemented during 2020 and we hope to start measuring the impact soon after.

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 and corruption 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 part of 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 strengthening the trust of our various stakeholders.

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 and regional medical device trade associations of the countries in which we operate and in 2019 we played an instrumental role in updating the AdvaMed Code of Ethics on Interactions with Health Care Professionals. AdvaMed is the largest medical device industry organisation in the US and a global leader in harmonising medtech industry codes on ethics and assuring transparent interactions with Healthcare Professionals.

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 Leadership Team, are required to complete online training. In 2019, at least 4,087, or 92% (2018: 3,676 or 94%) of this population completed the online Code of Ethics training. Other employees receive training through live 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 the Ethics & Compliance Executive Team made up of ConvaTec executive leadership team members and other senior leaders in the organisation. Our compliance officers cover the three main regions of APAC and its North Asia sub-region, including China, Taiwan and Korea; EMEA; and the Americas, including the Latin America sub-region, as well as the US-based Home Distribution Group. The compliance officers 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, to prioritise their compliance risk mitigation activities for the year. In addition, we have two compliance operations employees with a global focus. We also employ lawyers in the EU and the US who are responsible for matters involving Regulatory Compliance.

Our Compliance Team works closely with the Internal Audit team, collaborating 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.

Our Legal and Compliance function works with the Audit and Risk Committee, and the Board. Further details are set out in our 2019 Annual Report and Accounts. This approach provides visibility to our leadership regarding compliance initiatives and ensures the right “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). The Board received formal compliance training on, among other things, anti-bribery and anti-corruption in May 2018.

Confidential reporting tool

We operate a confidential helpline (whistle-blowing line) which is hosted by an independent, third-party provider. Their website provides a confidential channel for employees and others to report any suspected breaches of our Code of Ethics and Business Practice, as permissible by local laws.

The Board Audit and Risk Committee oversees the investigation and outcome of significant issues reported via the helpline. During 2019 the Committee received reports on ongoing and concluded investigations. The Committee also considers the actions taken by management as a result of the investigations and recommends additional actions where appropriate.

Relationships with third parties

We cover our approach to ethical behaviour with third-party organisations in “Working Responsibly with Partners” on [page 32](#).

Political relationships

In 2019, 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 2019, we have been involved in limited lobbying activities, through a registered lobbyist, and fees amounted to \$108,000 in the year. 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 2019, 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, other than where noted in this Report. Please also see our [2019 Annual Report and Accounts](#).

Transparency, and ratings of our responsible behaviour

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. Measuring transparency is not straightforward but our disclosures and reporting are assessed and scored by a range of external ESG analysts and other organisations and we use this to benchmark our progress.

In 2017 we set targets to improve our rating across two different, independent organisations and our progress towards those targets is set out below.

| Rating organisation | Rating awarded in ²¹ | | | Target 2020 |
|---------------------|---------------------------------|--------|--------|---------------|
| | 2017 | 2018 | 2019 | |
| ISS-oekom | C- | C | B- | C+ |
| SustainAlytics | 64/100 | 72/100 | 74/100 | 75/100 |

We are pleased to have exceeded our target rating with ISS-oekom one year early and are hopeful of meeting the SustainAlytics rating target next year.

In 2019, we have been reconfirmed as a component of the FTSE4Good index. ConvaTec was "Highly Commended" in the PWC Building Public Trust Award 2019 for Sustainability Reporting in the FTSE 350 and Public Interest Entities.

As part of our commitment to transparency, we have again aimed for this CR Report to be in accordance with the GRI Standards: Core option, the standard we first achieved with our 2017 Report. We have commissioned independent assurance for this Report, through assurance providers DNV GL, for the second year, and have expanded the scope to include coverage of health and safety performance. DNV's opinion statement is available on [pages 51 to 52](#).

Target

Improve ratings

To improve our ISS-oekom Corporate Rating grade to at least C+, and our Sustainalytics rating to at least 75/100, based on reporting of 2019 performance.

The ISS-oekom score is B-. The SustainAlytics score is 74/100²².

| Status | New | Ongoing | Completed | Delayed | Cancelled |
|--------|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

21 Based on reporting on previous year.
 22 Based on reporting of 2018 performance.

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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).

We have developed criteria to provide clarity on when a target is considered to have been completed and these criteria have been shared with our assurance providers.

“The lives we touch”, referred to in our new vision, are primarily those people who need our products and services to help them manage challenging chronic conditions but also encompasses interactions with all our stakeholders. This report is aimed at informing, as a minimum, the following stakeholder groups:

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

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 11 and 7](#)) 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, and also the results of our 2019 stakeholder survey ([page 11](#)).

Sustainability context

We discuss our understanding of sustainable development as it applies to our business on [page 9](#) and throughout the sections of this report.

Materiality

The report section on materiality (see [page 11](#)) 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 has been presented to both the Executive Committee and the CR Board Committee.

Completeness

The report covers all operations over which we have financial control for the 2019 financial and calendar year. The report covers all of the issues identified in our materiality diagram ([page 12](#)), 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 whole 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 our small sales offices across the globe.

Businesses acquired or disposed of during the year are not included in our reporting for that year except where disclosed otherwise. During the third quarter of 2019, we purchased the assets of Southlake Medical Supplies, Inc. (“Southlake”), a Texas-based independent provider of catheter-related supplies. As an office-based operation of less than 50 people, Southlake is not included in the scope of our environmental reporting.

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 achieving progress on gender diversity at senior management level and supplier assessment, alongside more positive developments such as our community and employee engagement programme, LIFE+ by ConvaTec.

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 12](#)) 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 third standalone CR Report we are gradually building time series of data to enable effective comparability of performance between years and this will continue to improve as our reporting progresses. There have been no restatements of historic CR-related data published in our 2019 CR Report other than where indicated. Any changes in the boundaries of our reporting from 2018 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 Board Committee 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 for our 2017 reporting) 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 commissioned external assurance for our 2019 Report (for the second time). The scope of the assurance provided is set out on [page 52](#).

Timeliness

The information included in the report relates to 2019 unless otherwise stated, and the document has been published in a timely fashion, in parallel to the 2019 Annual Report and Accounts.

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 established 2018 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 2019, we again participated in the Carbon Disclosure Project Climate Change questionnaire, and were ranked at a level of 'C' for our disclosure (2018: 'D').

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 37. We report 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 92% of our non-fieldworker headcount, but all of the highest emitting locations. In 2016, our reporting included only manufacturing locations. Data for 2019 suggests that manufacturing locations account for 95% of reported emissions.

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, and degree of estimation, required to publish 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 Business, Energy and Industrial Strategy (BEIS) – 2019 version 1.04 (GWP AR4 applied). For the conversion of diesel fuel into electrical power we have assumed generator efficiency of 10%.

In 2018, we procured green gas certificates for our UK operations. The certificates were sourced from a provider registered with the Green Gas Certification Scheme and relate to grid-injected biomethane. Approximately 24% of the certificates were applied against 2018 gas GHG emissions, leaving 76% (8.5 GWh) for application during 2019. The UK Government GHG Conversion Factor Guidance states that "within the Scope 1 conversion factors for biofuels, the CO₂ emissions value is set as net '0' to account for the CO₂ absorbed by fast-growing bioenergy sources during their growth." However, the Guidelines also require a reporting business to account for the global warming impact of the other gases released during combustion as "outside of scopes". For biomethane, the guidance quotes a conversion factor of 55.28 kgCO₂ for every gigajoule of biomethane combusted.

In 2019, we have again reported Scope 1 emissions arising from our vehicle fleet, as provided by our fleet management partners. However, we have not included the emissions in our overall total as they contain a significant amount of estimation. Vehicle emissions do not form part of our baseline for the GHG emission reduction target.

Scope 2

This year, we are again reporting our Scope 2 emissions on both a "location basis" and a "market basis" (the second year of doing so). Our location-based disclosure reflects the electricity grid conversion factors published by the International Energy Agency (IEA) during 2019. These reflect average grid electricity fuel sources for the respective markets for 2017.

Our market-based disclosure follows the following hierarchy in relation to selection of conversion factors:

- specific contractual instruments, such as renewable energy certificates ("RECs")
- direct contracts (e.g. for low carbon generation)
- supplier-specific emission rates
- location-based conversion factors, i.e. IEA country-based conversion factors (above).

In 2019, our electricity was procured under Renewable Energy Guarantees of Origin ("REGO2) certificates in the UK (from October). Our energy provider in Slovakia was able to provide a supplier-specific emission rate. All of our other markets are reported on the basis of IEA conversion factors.

Scope 3

We are committed to expanding our reporting of Scope 3 emissions and additional data has been disclosed in the Report. In 2019, we are again reporting emissions from business flights and, for the first time, have estimated the carbon footprint of our product raw material usage and our packaging.

We are working to ascertain the scale and composition of raw material consumption relevant to products placed on the market. The calculations were based on 2018 sales data and we have made various assumptions in relation to how this may have impacted scale and composition in relation to 2019. The calculations were based on the analysis of data relating to high volume, representative products, that were then extrapolated to provide estimates for product categories, on the basis of sales volumes. This necessarily means that there is significant scope for error in the final estimated data disclosed in the Report and this should be treated as indicative only.

In relation to packaging, we have undertaken a baseline study to ascertain the scale and composition of the packaging placed onto the market. The scope of this study included all packaging materials for products sold to third parties (other than for our EuroTec business) and excluded the packaging materials relevant to internal transfers of raw materials between manufacturing facilities and other ConvaTec locations, and product components that may be classified as packaging under EU regulations.

The project focused on primary and secondary packaging, but excluded tertiary packaging. Data was gathered from procurement records and projections, as well as from a selection of the largest suppliers who were willing to provide relevant data. These sources underpinned calculations which relied on extrapolation across packaging categories using best estimates and financial data to scale quantities appropriately. This necessarily means that there is significant scope for error in the final estimated figure disclosed in the Report and this should be treated as indicative only. We recognise the challenge of generating reliable data on physical quantities of packaging and hope to improve the underlying systems and reporting capabilities to enhance future estimates.

The carbon footprint of product and packaging placed on the market was estimated by reference to the carbon factors for the materials held in respected external databases.

Reporting structure and governance

Through 2019, the senior point of contact for corporate responsibility within our Company was the Director of CR who reported to the Executive Vice-President of Human Resources ('EVP HR') (previously to the VP Corporate Affairs) who, in turn, reported directly to the CEO.

Overall responsibility for CR governance sat with the CR Board Committee (the "CR Committee"). Sir Christopher Gent chaired the CR Committee up until his retirement in May. Following this, the Committee comprised Rick Anderson (for a period as acting Executive Chairman), Dr. Regina Benjamin and Margaret Ewing (Senior Non-Executive Director). Other members of the Board have provided input and regularly attended CR Committee meetings during the year. Details of the CR Committee's activities during 2019 are contained in our [Annual Report](#) on page 110.

We are now strengthening our CR governance arrangements. With effect from 2 March 2020, our EVP HR will become responsible for our CR programme and will work with other members of the ConvaTec Executive Leadership Team, and their teams, holding them accountable for delivery of CR programme-related activities. Responsibility for overseeing the CR programme and reviewing our CR strategy and its implementation, will be transferred to the Board. As a result, the Board's CR Committee will be disbanded.

During 2019, members of the Board have engaged with a range of stakeholders, including investors and employees. Two Non-Executive Directors (Ros Rivaz and Regina Benjamin) have specific responsibility for employee engagement and have been engaged in a programme of activities which cover our international operations.

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](#).

As the majority of our most material issues relate to core business activities, the consideration and effective management of related risks is governed by the Audit and Risk Committee of the Board (page 95 of the [Annual Report](#)). During 2018, we carried out specific CR risk assessments, including:

- A risk inventory exercise assessing identified material issues using the guidance issued by COSO and the WBCSD²³.
- An assessment of climate change-related risk using guidance developed by the Task Force on Climate-related Financial Disclosures [page 36](#).

In 2019, the results of these analyses were reviewed and updated where necessary, and are being integrated into the overall enterprise risk management process.

The CR agenda covers many issues and these are the responsibility of a variety of business functions. However, few issues are the responsibility of one function and many require a multidisciplinary 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 do establish standalone structures to deal with certain cross-cutting issues such as our Human Rights Steering Committee which met twice in 2019 (a summary of its activities is included in the quarterly updates to the CR Committee, where appropriate) and a Green Design Guidelines Steering Committee (which met face to face and virtually during 2019).

²³ Enterprise Risk Management – Applying enterprise risk management to environmental, social and governance-related risks" published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and the World Business Council for Sustainable Development ("WBCSD") January 2018.

Glossary of terms

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

Main locations

| | | |
|--------------------------------|--|--|
| Main Headquarters | Reading, UK | |
| Regional Headquarters | | |
| Americas | Bridgewater, US | |
| Asia Pacific | Singapore | |
| Europe, Middle East and Africa | Schaffhausen, Switzerland | |
| Manufacturing | Franchise products produced (predominantly) | |
| | Deeside, UK | Advanced Wound Care (“AWC”) |
| | Haina, Dominican Republic | Ostomy, AWC |
| | Herlev, Denmark | Continence and Critical Care (“CCC”), Ostomy |
| | Langenfeld, the Netherlands | Ostomy |
| | Michalovce, Slovakia | CCC, Ostomy |
| | Minsk, Belarus | CCC, Ostomy |
| | Osted, Denmark | Infusion Devices (“ID”) |
| | Reynosa, Mexico | ID |
| | Rhymney, UK | AWC |

Independent Assurance Statement

ConvaTec Limited ("ConvaTec") commissioned DNV GL Business Assurance Services UK Limited ("DNV GL", "we", or "us") to undertake independent assurance of ConvaTec Group plc's Corporate Responsibility Report 2019 (the "Report") for the year ended 31 December 2019.



Our Opinion: On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe ConvaTec's adherence to the Principles described below. In terms of reliability of the Performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

Without affecting our assurance opinion, we also provide the following observations:

Stakeholder inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

The Report clearly identifies ConvaTec's stakeholders for engagement. The stakeholder initiative led by the Board in 2019 was a notable development. Going forward, ConvaTec should consider reporting how this helps to connect its stakeholder engagement and materiality processes more directly with mainstream commercial strategy.

This year, stakeholders' input on the material issues and their relative priority was sought through a survey. The Board CR Committee considered the survey results and confirmed the revised view of materiality.

Materiality

The process for determining the issues that are most relevant to an organisation and its stakeholders.

The Report clearly describes why issues are material and the management approach for each priority issue. This approach appears well embedded within the business.

Customer related issues rank most highly in the materiality process. We recommend ConvaTec considers broadening the indicators it reports in this area to provide further context and demonstrate the reach and positive impact of its products.

ConvaTec is transparent about the issues that have been more challenging and, for example, in its supplier engagement programme, has been pragmatic in considering how to reinvigorate and refine its approach.

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

The Report was comprehensive, providing stakeholders confidence that the issues in scope are managed appropriately.

The information on volumes of raw materials used in packaging and products adds to the completeness of the report, and it will be helpful to add more accurate and reliable data as this becomes available.

Sustainability context

The presentation of the organisation's performance in the wider context of sustainability.

Access to healthcare was noted as an important and growing issue in the 2019 materiality process, and we agree with ConvaTec's intention to better define its positioning on access in its 2020 strategy review.

The development of the Green Design Guidelines has been an important step in helping to embed sustainability considerations into the development of products. We would encourage ConvaTec to use this tool to measure and report on the sustainability impact of its product portfolio as it is rolled out.

ConvaTec has continued to report progress against its short and medium-term improvement targets. As new targets are established to replace completed ones, we recommend ensuring these are ambitious as well as achievable.

Reliability and quality

The accuracy and comparability of information presented in the Report, as well as the quality of underlying data management systems.

Overall, for the performance data in scope, we had confidence in the processes and systems to ensure the information presented in the Report was accurate. Environmental data continued to be collected annually, although the plan to collect data monthly was delayed. ConvaTec intend to start monthly data collection in 2020, and the increased frequency of data collection should improve familiarity and help to ensure the wider functionality of the system is more fully utilised to further strengthen controls.

ConvaTec has expanded the performance data in scope to include safety indicators this year, and we recommend continuing to broaden the data indicators in scope.

We encourage ConvaTec to publish the criteria it has developed to define its targets, to further increase the transparency in its reporting.

Scope and approach

We performed our work using DNV GL’s assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice including the International Standard on Assurance Engagements 3000 (“ISAE 3000”), and the Global Reporting Initiative (“GRI”) Sustainability Reporting Guidelines. We evaluated the Report for adherence to the VeriSustain™ Principles (the “Principles”) of stakeholder inclusiveness, materiality, sustainability context, completeness, and reliability. We evaluated the performance data using the reliability principle together with ConvaTec’s reporting standards (see Page 46) for how the data are measured, recorded and reported.

We understand that the reported financial data and information are based on data from ConvaTec’s Annual Report and Accounts, which are subject to a separate independent audit process. The review of financial data taken from the Annual Report and Accounts is not within the scope of our work.

Performance data

The scope of our work covers the following disclosures (“Performance data”) included in the Report:

- Scope 1 and Scope 2 total greenhouse gas (“GHG”) emissions (tonnes CO₂e) (market based and location based) (page 38)
- Fatalities, Recordable injuries and rate, Lost time injuries and rates (number and per 200,000 hours worked) (page 28)
- Progress reported against those targets which were scheduled for completion by 31 December 2019 (page 4):
 - Ethical issues policy
 - Lost Time Injury Rate target
 - Access to the performance appraisal and personal development
 - Green Design Guidelines for New Product Development

Basis of our opinion

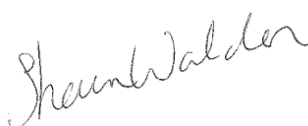
A multi-disciplinary team of sustainability and assurance specialists performed work at head office and site level. We undertook the following activities:

- Review of the current sustainability issues that could affect ConvaTec and are of interest to stakeholders;
- Review of ConvaTec’s approach to stakeholder engagement and recent outputs;
- Review of information provided to us by ConvaTec on its reporting and management processes relating to the Principles;
- Interviews with six selected Directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and functions covered;
- Site visits to Haina production site in the Dominican Republic and Reading head office in the UK, to review process and systems for preparing site level energy and safety data, as well as contribution to targets in scope and implementation of corporate responsibility strategy. We were free to select sites and selected on the basis of materiality to the data in scope;
- Review of supporting evidence for key claims in the Report. Our checking processes were prioritised according to materiality and we based our prioritisation on the materiality of issues at a consolidated group level; and
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation.

For and on behalf of DNV GL Business Assurance Services UK Limited, London, UK
13th March 2020



Gareth Manning
Principal Consultant and Lead Assuror
UK Sustainability, DNV GL – Business Assurance



Shaun Walden
Principal Consultant and Reviewer
UK Sustainability, DNV GL – Business Assurance

Responsibilities of the Directors of ConvaTec and of the assurance providers

The Directors of ConvaTec have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of ConvaTec; however, our statement represents our independent opinion and is intended to inform all stakeholders. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Independent Assurance Statement. We have no other contract with ConvaTec. DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Assurance Statement.

Level of Assurance

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a ‘limited level’ of assurance. A ‘reasonable level’ of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance opinion.

Independence

DNV GL’s established policies and procedures are designed to ensure that DNV GL, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV GL) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. We have no other contract with ConvaTec which would constitute a conflict of interest with this assurance work.

DNV GL Business Assurance

DNV GL Business Assurance Services UK Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnvgl.co.uk/BetterAssurance

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 us via the following postal or email addresses:

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