ConvaTec

Improving the lives of the people we touch

ConvaTec Group Plc
Corporate Responsibility Report 2018

About this report

"We exist to improve the lives of the people we touch". This is our Purpose and summarises the ambition we have to generate value for all of our stakeholders. This report provides information on how we try to fulfil our Purpose. "The people we touch" refers to interactions with all our stakeholders and so 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 product 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.

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

Overall approach to Corporate Responsibility ("CR")

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

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

This report documents our performance across our most material issues.

Report scope

This CR Report covers the year ended 31 December 2018 and all operations and activities under our control, throughout the year (except where otherwise stated). A full list of our subsidiaries is provided in our Annual Report and Accounts 2018 (our "Annual Report") on pages 175 to 177). 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 51 to 53. Our most recent previous CR reporting was via our 2017 Annual Report and 2017 Group CR Report.

Where acronyms are not defined in the text, please see the glossary on page 54.

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ConvaTec at a glance

ConvaTec is a global MedTech business, focused on the chronic care market, with leading positions in advanced wound care, ostomy care, continence & critical care and infusion devices.

No.1

Global leader
Silver dressings, alginate and gelling fibre dressings, hydrocolloid dressings and disposable infusion sets for insulin pumps

US leader
Intermittent catheter retailer and fecal management systems

Our purpose
We exist to improve the lives of the people we touch.

Our vision
To be recognised as the most respected and successful MedTech company worldwide.

Our mission
We drive for excellence in all we do – anticipating and addressing our customers' needs with advanced technologies and best-in-class products and services.

Our strategy
We aim to drive sales and earnings momentum by leveraging our portfolio of differentiated products and our leading positions in structurally growing markets. Our refreshed execution model is focused on four strategic drivers: Simplify, Innovate, Segment and Invest.

Simplify | Innovate | Segment | Invest

Read more about our strategy in our 2018 Annual Report.

110+
Countries where our products are marketed and sold

9,400+
People around the world

9
Manufacturing sites

Financial highlights

Revenue

$1,832m +3.8%

Group reported revenue by geography

1. EMEA 41% $747m
2. Americas 51% $945m
3. APAC 8% $139m

Group reported revenue by franchise

1. Advanced Wound Care 32% $588m
2. Ostomy Care 29% $533m
3. Continence & Critical Care 24% $443m
4. Infusion Devices 15% $268m

We market and sell our products through four global franchises:

Advanced Wound Care ("AWC")

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

Key brands:
AQUACEL™, AQUACEL™ Ag+, AQUACEL™ Ag Foam, AQUACEL™ Ag Advantage, Avelle™ System, DuoDERM™, Sensi-Care™ and Aloe Vesta™

Ostomy Care

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

Key brands:
Esteem™, Esteem™+, Natura™, Natura™+, Stomahesive™, Durahesive™, InvisiClose™ and me+™

Continence & Critical Care ("CCC")

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

Key brands:
GentleCath™, Flexi-Seal™, UnoMeter™ and me+™

Infusion Devices

Disposable infusion sets for diabetes insulin pumps, similar pumps used in continuous infusion treatments for conditions such as Parkinson's disease and a range of products for hospital and home healthcare markets.

Key brands:
inset™, comfort™ and neria™

Our CR Programme at a Glance – highlights and targets

Highlights of 2018

Key areas of progress	Page number	Significant challenges	Page number
Continuing expansion of the me+™ customer support programme	18	Engaging suppliers in our supplier assessment programme	38
Development of a climate change strategy and GHG emission reduction target	42–44	Improving the percentage of senior management roles occupied by women	34
Launch of 'LIFE+ by ConvaTec' community programme	26		
Development of a new People Strategy	31		
Improvements in coverage of health and safety programme, and key metrics	33		

Our progress against public targets, and a description of new targets set at the end of the year, is provided below.

Summary of targets	Status	
Delivering for customers		
Customer support and engagement: On an ongoing basis, we will maintain a top 3 position in the Patient View survey with those patient groups which identify as "working with us"	Survey not published in 2018 – target ongoing	●
Innovation: We will launch 35 new products[1], by 31 December 2020	Target ongoing – on track	●
Innovation: We will publish a Policy covering our position on ethical issues relating to research and development by 31 December 2019	NEW TARGET	●
Making a socio-economic contribution		
Community support and engagement: We will launch a community programme which directly engages more than 5% of our global workforce by 31 December 2018	Target completed	●
Enabling our people		
Health & Safety: We will:		
– complete the extension of safety data collation for headquarters and primary office locations, as well as the associated commercial teams, by 31 December 2018	Target completed	●
– 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	●
– develop a Group-wide Lost Time Injury Rate target by 31 December 2019	Target ongoing – on track	●
Diversity: We will reach a level of 30% females in senior management by 31 December 2020	Target ongoing – on track	●
Employee development: We will complete the roll-out of a technical skills and competency assessment for relevant manufacturing employees by 31 December 2018	Partially completed – completion scheduled for 2019	●
Employee development: All manufacturing sites will have access to the performance appraisal and personal development programme by 31 December 2019	NEW TARGET	●
Working responsibly with partners		
Supplier assessment: We will have completed analysis of the CR performance of 100 of our most significant suppliers by 31 December 2020	Target ongoing – behind schedule	●
Conserving the planet		
Climate change: We will develop a climate change strategy and target for the Group by 31 December 2018	Target completed	●
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	NEW TARGET	●
Climate change: We will develop a set of "Green Design Guidelines" for the New Product Development process by 31 December 2019	NEW TARGET	●
Behaving ethically and transparently		
Transparency: To successfully complete the application of independent assurance to our 2018 Group CR Report	Target completed	●
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	●

1 including products commercialised for roll-out in new markets and/or for new indications.

Chairman's statement

"Through our CR programme we aim to gain a better understanding of the requirements and needs of all our stakeholders, so that we can respond appropriately and build long-lasting and sustainable relationships."

Sir Christopher Gent
Chairman

Our Purpose is to improve the lives of the people we touch, and this sets the context for our approach to Corporate Responsibility. Everything we do in our business flows from our Purpose as we look to generate value for all our stakeholders. Our Values emphasise the need to earn trust, which is fundamental to our success.

Our most important stakeholders are the people who experience the various chronic conditions that our products and services aim to help – enabling them to live an improved life by giving them more confidence, mobility and freedom. Our task in meeting their needs is constantly growing as populations in developed markets age, as the users of our products live longer, and as more people in developing economies demand improved healthcare options.

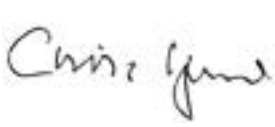
We aim to meet this increasing demand in ways which also generate value for other stakeholder groups such as healthcare professionals and administrators, our shareholders, our employees and the people who work in our supply chains, and the natural environment on which we all rely. Through our CR programme we aim to gain a better understanding of the requirements and needs of all our stakeholders, so that we can respond appropriately and build long-lasting and sustainable relationships.

Whilst we have demonstrated good progress in many aspects of our CR programme, we believe our main challenge now lies in strengthening our approach to environmental protection, where the need for action by government, business and society in general is becoming increasingly urgent. We recognise our responsibility in this respect and in 2018 we have taken steps to raise our game with the development of a new climate change strategy. This seeks to limit the environmental impact of our operations and our products and packaging, but also to better identify business vulnerabilities driven by environmental issues such as climate change and plastic pollution.

As we develop our programme we are increasingly aligned with global initiatives such as the United Nations Sustainable Development Goals and we will continue with our formal commitment to support the ten principles of the United Nations Global Compact. I am pleased that we have seen continued improvements in the external assessment of our performance, and by our admission to the FTSE4Good Index Series in June.

I am the Chairman of our CR Board Committee which receives regular progress reports on the implementation of the programme. You can read more about the activity of the CR Board Committee in our 2018 Annual Report and Accounts, which included the review and approval of the climate change strategy. Shortly after the year end, the CR Board Committee approved this CR Report and the newly-developed performance targets published within it.

I hope you find this report valuable in assessing our progress and ambition. I welcome any comments and suggestions for improvement.



Sir Christopher Gent
Chairman
14 February 2019

Chief Executive Officer's statement

"Despite a challenging year, we have continued to drive our CR programme forward."

Rick Anderson
Chief Executive Officer

Since my appointment as an Independent Non-Executive Director in 2016, I have been a member of the CR Board Committee. As CEO, I continue with this responsibility and I now have an executive role in guiding and driving our CR performance.

Our long-term goal is to be seen as the most responsible company in our sector and we continue to pursue our medium-term objectives: to strengthen our management of CR-related risk, to improve our transparency, develop our employee and community engagement, and improve the sustainability performance of our products. Last year, we also set detailed performance targets under each of the six key elements of our CR framework and this Report provides an indication of our progress.

Whilst this has been a challenging year for ConvaTec, we continue to drive our CR programme forward. We have made good progress in our management of health and safety, and our approach to the labour rights of our employees, and those who work in our supply chains, has been recognised in an independent assessment conducted by one of our key customers. As the Chairman reported in his statement, in 2019 we will focus on the environmental aspects of the CR agenda, and in this context I was delighted with our move to procure renewable energy for all of our UK operations, together with the approval of our climate change strategy and greenhouse gas reduction target.

At the same time, in the face of a number of operational challenges, we have not moved as quickly as we would have wished in relation to the sustainability assessment of our key suppliers, or the roll out of our technical training initiative, and we intend to improve on these issues in 2019.

One of the highlights of the year has been the successful launch of our global community programme, "LIFE+ by ConvaTec", and you can read more about this on page 26. This programme is aimed at helping disadvantaged young people to get a healthier start in life. In order to better involve our employees, we linked our donations to community partners working in this area, to improving our own health. Over the summer, more than 1,350 people took part in a 100 day "wellness challenge" and we are now making donations to local charities and other good causes that were selected by participating employees across the business. We hope to report some transformational impacts as a result of this programme in next year's report and on our website.

I am pleased to say that we believe this CR Report to be in accordance with the "GRI Standards: Core option", and we have introduced an element of independent assurance for the first time. I hope you enjoy reading more about the progress we have made in 2018 and our objectives for the next 12 months.

Rick Anderson
Chief Executive Officer
14 February 2019

Our approach to corporate responsibility

How we create value

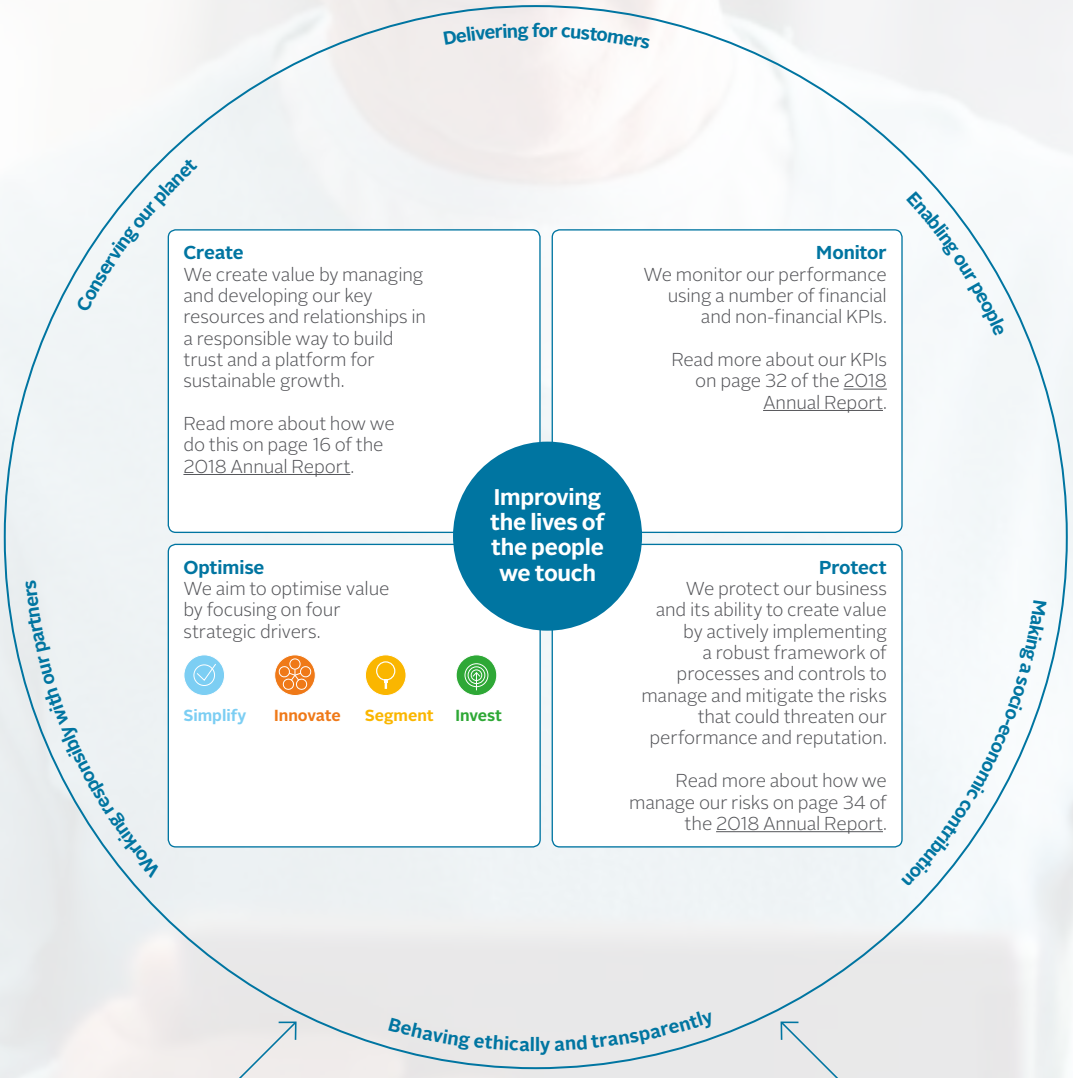
Our overall approach to CR is aimed at supporting the fulfilment of our Purpose

Stakeholders

To fulfil our Purpose – improving the lives of the people we touch – 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 and how these relationships contribute to fulfilling our Purpose. The following pages indicate how we generate value for them, and broader society, in return.

Our Business Model



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 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 pages 16 to 24
Direct enablers – help us to deliver				
Investors and lenders We meet with lenders, and engage with investors through regular meetings and calls, roadshows, presentations 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.	Financial return on investment.	The 2018 Annual Report
Health care 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 pages 16 to 24
Employees We engage with our employees on a continual basis through our intranet, "town hall meetings", annual performance reviews and email briefings, as well as through union representatives and works councils (where applicable).	A loyal, hard-working, talented workforce who behave responsibly, are committed to our Purpose and live our Values.	Attractive wages in a safe, healthy, ethical and fair working environment, with opportunities for skill development and advancement.	Financial reward, security, and increased employability through skills enhancement.	Enabling our People pages 29 to 36
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 pages 37 to 39
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 pages 16 to 24
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 pages 25 to 28
Local communities We engage with local communities on an ad hoc basis.	Provision of high quality workforce, and local support services.	Economic benefits from employment and use of local suppliers. Minimal 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 pages 25 to 28
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.	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.	
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

Materiality

Materiality is the key reporting principle that determines which issues are sufficiently important that it is essential to address them, and to report on our performance in respect of them. The process to assess the materiality of issues is therefore critical to developing an effective CR strategy and achieving a high degree of transparency in reporting to stakeholders. Our approach to determining materiality involves three steps.

Step 1: Identifying the relevant issues

We maintain a "universe" of potential issues by reviewing a number of sources, including:

- International reporting guidance organisations such as: the Global Reporting Initiative ("GRI"), the Sustainability Accounting Standards Body ("SASB") and its sector guidance for Medical Equipment and Supplies businesses, and the International Integrated Reporting Council ("IIRC").
- Legal and regulatory reporting requirements for UK-listed companies (covering issues such as gender diversity and greenhouse gas emissions).
- Lists of issues used by rating organisations such as ISS-oekom, SustainAlytics, PIRC, FTSE Russell and others.
- Issue-specific programmes such as the Carbon Disclosure Project ("CDP").
- International initiatives, programmes and standards such as the United Nations ("UN") Global Compact, the UN Sustainable Development Goals ("SDGs"), the UN Guiding Principles on Business and Human Rights, and the International Labour Organisation conventions.
- The disclosures of other businesses in our sector.
- Any specific enquiries from stakeholders, such as ethical investment businesses.

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

Step 2: Gathering external viewpoints

In 2017, we commissioned research with over 40 external stakeholders including: patient groups; healthcare professionals; work councils; business customers; industry bodies; investors (mainstream and specialist ethical investors); and NGOs. We asked them to rate the relative importance of the issues in the list and to provide other insights for ConvaTec. The results of the stakeholder engagement were provided to the CR Committee of the Board, and members of the Executive Committee. We were pleased that the 2017 external stakeholders research indicated that we are seen as one of the most responsible and trusted businesses in our sector. We plan to carry out a further consultation exercise in 2019.

This year, we focused on reviewing our existing assessment against trends and events highlighted through a media and best practice review.

Step 3: Internal ranking of the issues

The relevant issues form a list of approximately 20 topics. In late 2016, these were "scored" by 15 members of our senior leadership group, including our Chairman, based on their perceptions of the importance of those topics to the success of our business, and of their importance to stakeholders. This assessment was published in our 2016 Annual Report.

Materiality assessment (including internal and external stakeholder input)

Delivering for customers
1. Stakeholder engagement
2. Product and patient/user safety
3. Product innovation and efficacy
4. Ethical Issues in R&D
5. Security of product supply
6. Access to healthcare
7. Privacy and data security

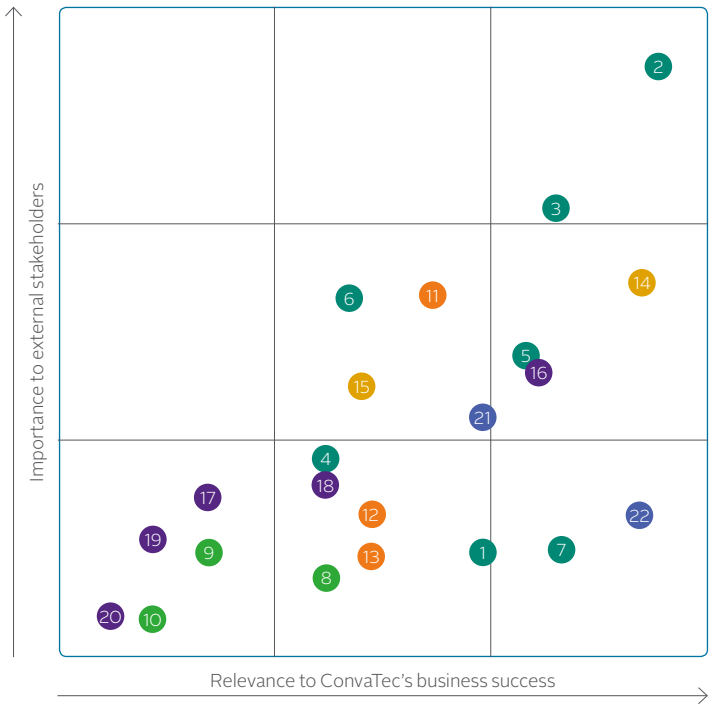
Making a socio-economic contribution
8. Local economic contribution
9. Local community engagement
10. Supplier diversity

Enabling our people
11. Health, safety and well-being
12. Human Rights and Labour Standards*
12. Employee engagement and culture*
12. Employee development*
13. Diversity and discrimination

Working responsibly with partners
14. Third party agents and distributors
15. Engaging our supply chain on labour issues

Conserving the planet
16. Product life-cycle impacts
17. Waste management and recycling
18. Energy use and climate change
19. Environmental issues in the supply chain
20. Water management

Behaving ethically and transparently
21. Openness and transparency
22. Anti-bribery and corruption



* These issues are covered separately in the Report but were grouped together under a single issue heading in the research.

Our key CR issues are grouped under six headings in our CR strategy framework

The media and best practice reviews (Step 2 above) suggested the following adjustments needed to be made to the 2017 ranking:

- The increasing focus on single-use plastics raises the importance of considering the environmental impact of our products.
- The introduction of a new topic relating to ethical issues in new product development. This includes the existing issue of animal testing.
- The increasing focus on climate change, driven by media coverage of issues such as forest fires in the US, and glacial retreat.
- The "closing out" of certain challenging product supply issues in 2017, has lowered the relevance of that issue.

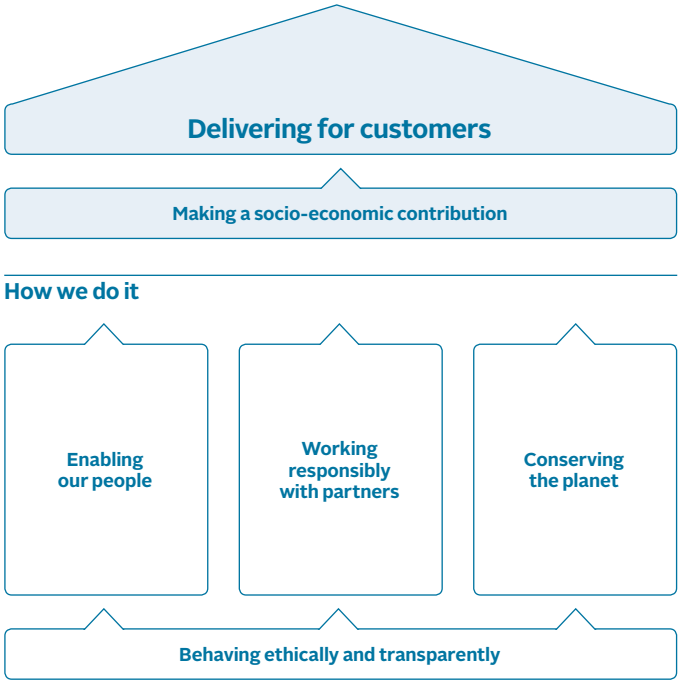
The output of these processes has enabled the generation of the matrix on the previous page.

The materiality analysis illustrates that product and customer-related issues remain the key area of focus for both management and our stakeholders. Our products must be innovative, effective, safe and fairly priced, and their life-cycle impacts are also seen as the most important of the environmental issues listed.

Ethical issues are also important, with emphasis placed on transparency, the way we market and sell our products, and our stance on anti-bribery and corruption. The next grouping relates to human rights issues such as health and safety, working conditions in our own facilities and through our supply chain, including diversity, and discrimination. This is followed by our socio-economic contribution to the countries and communities where we operate, and the environmental impacts of our operations.

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

CR strategy framework



Strategy, governance and a values-based culture

The sustainability context for our strategy

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

Our 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. We discuss these factors later in this Report and explain how our products aim not only to help individuals cope with chronic conditions, but also to support strained health budgets facing demographic trends of an ageing population, a growing middle-class in less developed markets and a rise in certain lifestyles that are linked with chronic diseases.

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."

The release of the Intergovernmental Panel on Climate Change report in October 2018, keeps the spotlight on climate change – increasingly evidenced through extreme weather events and other factors. Equally civil society and the media have focused on the challenges posed by societal reliance on single use plastics. As a result, we are increasing 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.

Our strategy flows directly from our Purpose (to improve the lives of the people we touch), our Vision (to be recognised as the most respected and successful MedTech company worldwide) and our Values (Caring for People, Driving Innovation and Excellence, and Earning Trust), as this is meaningful to our employees and fully aligned with a responsible and progressive CR programme.

Our CR framework and objectives

Using our CR framework page 11 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.

Our four strategic CR objectives

Overlaying this framework are four broad medium-term 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.

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.

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.

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.

In September, the CR Board Committee page 14 reviewed the CR strategy and objectives against good practice and confirmed that these remained appropriate. Although still within the scope of the four objectives set out above, the Committee concluded that we will:

- Further increase our focus on the environmental sustainability of our products page 46
- Develop a new policy on ethical issues relating to research and new product development page 21.

In 2017, we published a series of targets to support the four objectives and help drive our broader programme. The following sections describe how we approach each of the six elements of our framework, our performance, and the targets we set.

Supporting the United Nations ("UN") Sustainable Development Goals ("SDGs")

We support the vision of the UN SDGs as a critical element in delivering more sustainable development. In particular, our primary focus is on:

Sustainable Development Goal 3

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

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

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

Sustainable Development Goal 8

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

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

Sustainable Development Goal 12

Ensure sustainable consumption and production patterns.

Our product life-cycle analysis programme (see page 46) is aimed at supporting more sustainable products.

Our Purpose is the starting point for our CR programme and we are embedding management of the agenda into our mainstream governance processes.

Purpose and Values

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

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

Our values are:

Caring for people

We are passionate about improving people's lives and we put people at the centre of everything we do:

- We act with care and empathy, listening to our customers and being responsive to their needs.
- We make the safety and personal well-being of others our priority.
- We support, develop and inspire each other and recognise others for their achievements.

Driving innovation and excellence

We are dedicated to finding innovative solutions that anticipate and address our customers' needs and to delivering best-in-class execution:

- We work with speed and agility, collaborating with each other and with our customers – we listen, we learn, we act.
- We challenge the status quo and embrace new ideas and practices to continually improve in our drive for superior performance.
- We foster an environment that encourages success, innovation and growth, and an ambition to be the best at what we do.

Earning trust

We earn trust by delivering quality products and services that our customers can rely on. Our personal actions underpin this trust – we do what we say we will do:

- We act with integrity and make ethical decisions.
- We treat people with respect and dignity, and communicate with openness and honesty.
- We take responsibility for our actions and personal ownership of our results.

Reporting structure and governance

The senior point of contact for corporate responsibility within our Company is the Director of CR who reports to the Vice-President of Corporate Affairs who, in turn, reports directly to the CEO.

Overall responsibility for CR governance sits with the CR Board Committee (the "CR Committee"). Our Chairman, Sir Christopher Gent, chairs the CR Committee and his fellow Committee members include our CEO Rick Anderson and two additional independent Non-Executive Directors, Dr. Regina Benjamin and Margaret Ewing. Other members of the Board have provided input and attended CR Committee meetings during the year. Details of the CR Committee's activities during 2018 are contained in our Annual Report on page 100.

During 2018, members of the Board have engaged with a range of stakeholders, including investors, employees, sustainability-focused organisations and government. Two Non-Executive Directors will have specific responsibility for employee engagement and a programme of activities which covers the Group's international operations has been developed. With effect from January 2019 Ros Rivaz and Regina Benjamin assumed responsibility for this programme in addition to their existing responsibilities.

Details relating to our ownership, overall governance structure, the Board, our Chairman and individual Board members, including their remuneration, responsibilities and activities can be found in our Annual Report (pages 72 to 123).

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 90 of the Annual Report). As part of the evolution of our risk management approach, specific CR issue assessments were conducted during the year.

These included:

- A risk inventory exercise assessing identified material issues using the guidance issued by COSO and the WBCSD[2]
- An assessment of climate change-related risk using guidance developed by the Task Force on Climate-related Financial Disclosures page 41.

The results of these analyses are being integrated into the overall risk management process.

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

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

Our approach is to embed consideration of CR-related issues into existing business structures, responsibilities and processes. We have established a Human Rights Steering Committee which met twice in 2018, and a summary of its activities is included in the quarterly updates to the CR Committee, where appropriate.

2 "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

Our approach to our material issues

Delivering for customers

Introduction

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

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

The market for medical devices related to chronic conditions faces key challenges. The number of people who need our products is growing as populations 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, 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. For example, urinary tract infections and surgical site infections are the most frequent HAIs, with an annual cost to the US healthcare system of approximately $4 billion. Innovation is not only about the individual patient, but about the whole healthcare ecosystem.

Our assessment of materiality page 10 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 user 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 9. This engagement is fundamental to our success and goes beyond building trust and enhancing our reputation. By listening to the people who use our products, we can better understand how they interact with 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 the next page.
- Targeted research programmes, including anthropological studies, specifically designed to gain insights for product and service innovation.
- Responding to specific questions raised with us.
- Tracking and responding to feedback and complaints about our products or services page 22.

In 2017, we set a target to "maintain a top three position in the Patient View survey 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 is not publishing a survey for 2018. We are hopeful the survey will be available again in 2019 but, if not, we will aim to develop an alternative means of assessing the success of our engagement.

Our results in the 2017 Patient View Survey were very encouraging and can be viewed in our 2017 CR Report.

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 2018 in our Ostomy franchise, we ran two Nurse Advisory Boards in each of the following markets: US, UK, Germany, Italy, Japan, France, the Netherlands and Sweden. In total we engaged with over 50 nurses through these meetings and have discussed issues around product development, educational topics and other insights. Similarly, in Advanced Wound Care, we ran three "voice of the customer" activities, including advisory boards made up of both nurses and physicians. There were also an additional seven clinician/customer visits to our Global Development Centre in the UK (R&D), and together these engagement initiatives involved approximately 140 individuals from across the EMEA and APAC regions.

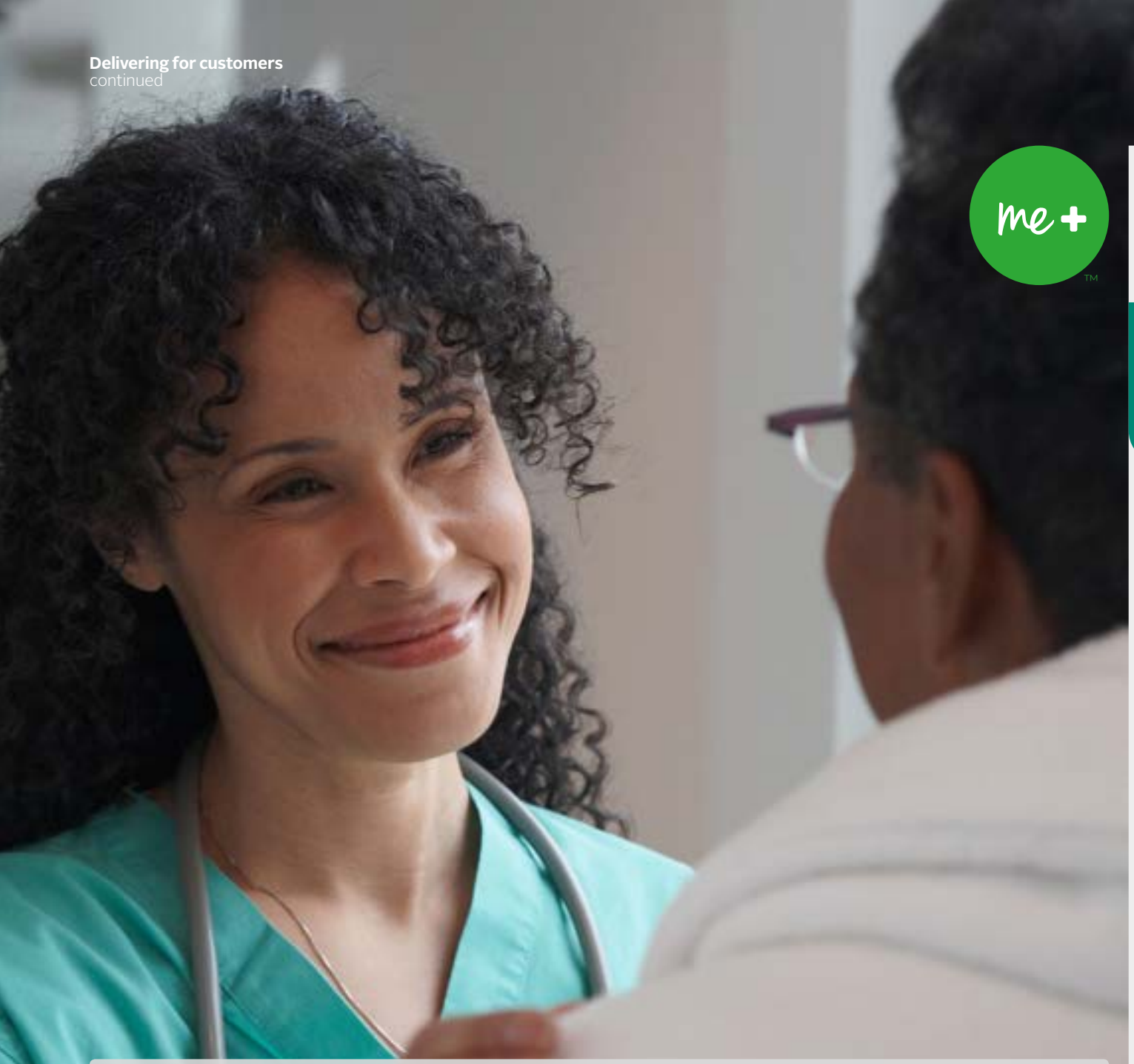
Target

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.

Status

- ○ New
- ● Ongoing
- ○ Completed
- ○ Delayed



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, 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 visiting patients in their homes.

In 2018, we enhanced the US programme by launching a dedicated magazine for ostomates and enhancing our video and other online resources – such as with the launch of the me+™ hub (www.mepluscare.com). We also opened a new dedicated me+™ office in North Carolina.

Patients enrol at no cost and, in the US, we have exceeded 150,000 members of me+™. Seventeen markets have set up this service in total, and in 2018 we have seen further progress, with total enrolments worldwide now exceeding 250,000.

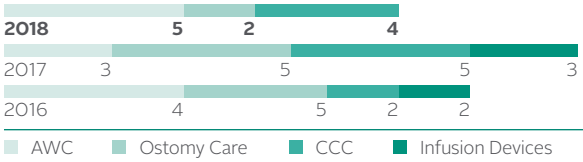
GentleCath™

In 2017 we launched me+™ for our GentleCath™ intermittent catheter brand in the US, expanding this into several markets during 2018, including the UK and Australia. 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 have been developed based on a survey of HCPs and users and, in 2018, over 34,000 users accessed GentleCath™ me+™ personalised video user guides, FAQ videos and an alternative light-relief view on cathing from our blog.

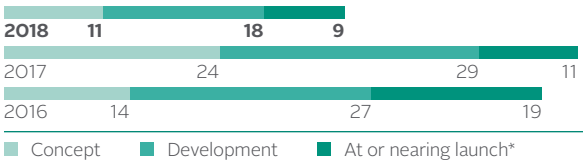
Case Study: AQUACEL™ Ag Advantage Dressing
Our AQUACEL™ Ag Advantage dressing is the culmination of many years of research and collaboration with clinicians to more effectively address the most difficult and persistent wound management challenges. This innovative dressing combines two powerful technologies: our proprietary Hydrofiber™ Technology, which absorbs and retains wound exudate and which micro-contours to the wound bed to maintain a moist wound environment to support the healing process, and our new unique Advantage Technology. Our Advantage Technology provides rapid and sustained antimicrobial activity within the dressing, which has been shown to kill a broad spectrum of bacteria within the dressing, including antibiotic resistant superbugs, and which has been shown in vitro to have sustained antimicrobial activity to prevent microbial reformation.

Our product development pipeline is summarised below:

Number of products launched



Number of programmes in development



* Including product expansions into new geographies and/or new indications.

R&D investment ($ million)

Efficacy and innovation

Innovation in the medical devices we create is critical for the advancement of healthcare across society. As people live longer, and the incidence of chronic conditions rises, we need to find ever improving solutions to relieve the suffering of individuals and to reduce the burden on strained healthcare budgets. For example, in the UK, cost estimates for in-patient care associated with amputation involving admissions or procedures on amputation stumps in people with diabetes, is estimated at £43.8 million[3] per annum. Anything that we can do to create products that heal wounds more quickly and cost-effectively, and reduce the risk of amputation, 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. Using our Advanced Wound Care franchise as an example, this could mean developing completely new technologies (such as the patents pending on the '+' in our AQUACEL™ Ag+ Extra™ wound care product – see the case study to the left), deploying our existing technologies in novel ways (such as using Hydrofiber™ technology in a foam product to make AQUACEL™ Foam dressings – combining the best of both technologies), or applying ideas and technologies from other sectors or applications to chronic care problems.

Innovation is not just about designing a theoretical solution, we must then test that solution extensively and ensure that it can be manufactured and distributed within reasonable cost constraints, so that it can be deployed in the "real world". The commercial success of our products is vital to enable us to fund the research and development process and attract the brightest and best innovators. In 2018, we invested $49.9 million (2017, $41.2 million), and employed over 300 people in research and development. We have more than 2,700 patents and patent applications globally. However, whilst we have successfully commercialised a number of innovative products in recent years, in the past 12 months we have not harnessed our R&D capabilities effectively and, as a result, our current new product development pipeline is smaller than in previous years. Further information is provided in the 2018 Annual Report.

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

Target

35 by 2020

We will launch 35 new products[4] by 31 December 2020.

Status

- ○ New
- ● Ongoing
- ○ Completed
- ○ Delayed

3 "Diabetes-related amputations create considerable public health burden in the UK, 2018" Heather Graz, Vijay K. D'Souza, David E.C. Alderson, Michael Graz.
4 Including products commercialised for roll-out in new markets and/or for new indications (from 1 January 2018).

Case Study: GentleCath™ – listening to our customers
We focus on providing our customers with products that meet their needs. We listen to their feedback on how they interact with our products and then identify ways to enhance our offering. During the year, as a result of feedback from customers and healthcare professionals, we enhanced our GentleCath™ product portfolio, creating new product packaging, which now has finger holes at the top of each product pack to make opening easier for users with reduced dexterity.

The new packaging also channels water around the catheter when the water sachet within the pack is opened, which instantly activates the catheter making it simpler and quicker to use. We also introduced a range of new sizes which allows clinicians to offer GentleCath™ Glide to their users knowing there will be a size that's right for them.

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. For example, in 2017, following a survey of 2,600 stoma patients, we launched the me+™ recovery programme in the UK. me+™ recovery aims to aid recovery after stoma surgery, improve long-term outcomes and potentially reduce the risk of parastomal hernias. This evidence-based programme and education course was the first of its kind in stoma care.

The me+™ recovery programme consists of direct-to-patient materials (developed with nurses, patients, physiotherapists and surgeons), including handbooks, videos, and online support. Combined with an accredited two-day training course for stoma care nurses in the UK, this facilitates appropriate advice immediately after surgery, through to living with a stoma. During 2018, a similar programme was also launched in the US, Italy, the Netherlands and the Czech Republic, and implementation is planned for a further 12 markets.

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 will publish a new Policy setting out our position on the key ethical issues we have identified. We also provide information on our approach below.

Targets for research

We focus our innovation on disease areas where there is a clear and growing patient need, evidenced by the key drivers indicated earlier on page 12, and where our products can help individuals regain more control over their lives and contribute to broader society, and reduce the burden on already stretched health budgets.

We aim to make our products accessible and we talk more about our approach to access on page 23.

Technologies

We adopt a precautionary approach when considering new and emerging technologies which may bring relevant benefits to product development. Fundamentally, our goal is to develop (i) safe, (ii) effective and (iii) high quality products. New technologies are only considered if they contribute positively to these three factors. Based on internal consultation, a review of relevant media, and the questions posed by independent rating organisations, a number of new technologies appear to be of particular concern. Our approach to these is as follows:

- **Human biological samples:** these are occasionally used for R&D purposes. Such samples could include devitalised human tissue, wound exudate, wound swabs, fecal effluent, gastrointestinal effluent or urine. Our use of these human biological samples is always minimised, but is sometimes necessary in order to better understand the performance of our products and to develop better medical technology products. None of our products contain human biological materials.
- **Human embryonic stem cells:** we have not and do not perform any research utilising human embryonic stem cells – such research is not relevant nor applicable to the medical technology areas that we work within. We may possibly perform some research in the future utilising stem cell technologies (most likely in collaboration with universities) for the purposes of better understanding skin physiology and/or epithelial physiology, but these stem cell technologies would not be from embryonic sources, but would be epithelial or skin stem cells obtained from adult humans.
- **Nanotechnology:** We do not currently provide products that contain nanotechnology of any kind and have no research projects focused on nanotechnology. If we consider potential applications of the technology might meet the three criteria above, we would not rule out exploring the options from a research perspective in the future.

Substances

Selection of substances for inclusion in our products must also meet our three criteria (above). Any proposed substance is assessed against possible regulatory restrictions, such as California Proposition 65 and EU regulations (e.g. REACH), before inclusion in the new product development process.

During the life cycle assessment process, we look at the broader environmental impacts of different raw materials, and we talk more about this on page 46.

Testing

Testing is tightly controlled through the regulations in the countries where we market our products. Areas which have gained attention from an ethical standpoint include testing involving animals, and testing involving human subjects.

Human subjects

We carry out clinical trials to confirm the safety of our products and learn more about their effectiveness so that they can be improved. Clinical trials and bench testing for medical devices fall into two broad categories – pre-registration and post-registration. The ConvaTec Clinical Shared Services department is responsible for the conduct of clinical studies which are controlled through our detailed Standard Operating Procedures ("SOPs"), in accordance with international standards[5].

Our Pre-Registration work is generally conducted in-house and the clinical trial aspects largely consist of Healthy Volunteer studies to support product validation, and preliminary clinical studies to support safety and performance. We have not carried out any Pre-Registration trials in 2018 (2017, 0 trials).

Post-Registration studies and Post-Market Clinical Follow up ("PMCF") studies may be conducted using in-house resources or via a Clinical Research Organisation ("CRO"), dependent on size and location, recognising the importance of ensuring that the demographics and patient characteristics of the local population reflect the end market where the product is being sold. For this reason, the majority of our studies tend to be conducted in the US or Europe (our major markets). However, many local regulatory authorities require PMCF studies specific to their populations and in these instances local CROs are used. We carried out five Post-Registration studies in 2018 (2017, six studies).

Controlled clinical investigations are submitted to an external independent ethics committee. For example, in the US, Institutional Review Boards ("IRBs") are used, and in the UK, Health Research Authority-approved ethics committees. These types of ethics committees are able to approve, modify and stop studies.

Our procedures ensure that informed consent is obtained in accordance with applicable regulations and after obtaining IRB (or similar) approval. As part of the informed consent process, participants will be provided with local grievance details as required by local guidelines.

All controlled clinical studies are registered on a recognised clinical trials data base (such as www.clinicaltrials.gov) including those studies that have been terminated early, and results are disclosed in accordance with international standards. We do not share raw data but this can be requested by the relevant independent ethics committee and the regulatory body (if appropriate).

All studies conducted offshore are conducted in accordance with international standards. If managed by an external CRO, they are audited in accordance with the relevant SOPs, including initial vetting, and ongoing monitoring. All CROs must meet ConvaTec and external regulatory requirements.

Target	Status
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.	● New ○ Ongoing ○ Completed ○ Delayed

5 The Declaration of Helsinki: World Medical Association Declaration of Helsinki – Ethical Principles for Medical Research Involving Human Subjects (64th WMA General Assembly, Fortaleza, Brazil, October 2013) and ISO: 14155:2011: Clinical investigation of medical devices for human subjects – Good clinical practice.

Animal testing

Our policy is never to use testing on animals unless this is mandated by regulatory authorities or when we cannot support a product or product development through the available laboratory and/or human clinical data. When we are mandated to perform testing on animals, or when this is our only option to further product development which will advance clinical practice, we ensure that such testing is performed in accordance with Good Laboratory Practices and in accordance with Animal Care & Use requirements and guidelines, including the internationally recognised principles of Replacement, Reduction and Refinement ("the 3Rs") to minimise the use of in-vivo tests. We use only reputable and audited contract research organisations.

Use of animals in research and development

	2018	2017	2016
Rodents	**37**	273	154
Rabbits	**24**	40	16
Other animals	**0**	18	0
Total number of animals used for R&D testing	**61**	331	170

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 125 audits during 2018 (2017, 99). On the basis of risk assessments, we audited our R&D facilities (10 audits, 9 in 2017), our own manufacturing sites (79 audits, 65 in 2017) as well as those of contract manufacturers (14 audits, 17 in 2017), and suppliers critical to the manufacture of our products (22 audits, 8 in 2017).

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

We comply with ISO 13485 ("Medical devices – Quality management systems – Requirements for regulatory purposes") and are audited against this standard by "Notified Bodies", (such as BSi). We are also in compliance with 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.

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 SOPs and customers are contacted by ourselves or a third party, in writing or by telephone. Recalled devices may be replaced by alternative products or the customer financially compensated.

In 2018, we implemented five product recalls, all of which were voluntary (2017, four recalls, three voluntary, one directed). One of the five voluntary recalls only affected a single country and did not involve any harm to patients. A second voluntary recall affected a single country, and was initiated after receiving a reported harm (skin damage) from a single patient. A voluntary global recall was initiated in 2018 after receiving reports from our users of product malfunctions that could place some patients at risk. The remaining two voluntary global recalls initiated in 2018 were related to potential packaging failures that could place some patients at risk. In addition, in 2018 Medtronic initiated a global field safety notice for one of our infusion sets regarding a product issue that could place some patients at risk.

To our knowledge, other than specifically indicated in the Report, in 2018 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 Annual Report on page 163.

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. 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.

Following the supply disruption issues we faced at our Haina plant in 2017, a Project Review Process has been implemented. This includes weekly, biweekly, and monthly reviews with various levels of the organization focusing on escalation and issue management. Supply performance is tracked through a variety of metrics including customer service level metrics, backorder and out of stock reporting, and inventory reporting.

Brexit (the exit of the UK from the European Union) introduces a high level of uncertainty regarding trading conditions which will impact our EU and UK production plants and potentially our logistics hub based in the Netherlands and our sales in all EU countries. Brexit may cause some key customers to significantly change and increase their purchasing demands in the short term to build their own safety stock piles to ensure supply continuity after 29 March 2019.

We have established a Brexit steering committee, which includes representatives from all key functions, to assess potential impacts and establish mitigating actions to enable us to maintain reliable supply as required.

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.

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 2018 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.

Case Study: improving access in India
As well as making our products available, we also need to support local HCPs in understanding how they can be best applied to improve the quality of life of the people living with an ostomy.

In September 2018, we launched our first nationwide ostomy advanced training programme in India. The programme included three one-day seminars held in Bangalore, Mumbai and Delhi and covered new technological advances and practices in relation to ostomy care both before and after surgery. Over 250 healthcare professionals participated.

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 17.

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 18 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 – cost is a key issue but is a more complex picture than price point per unit. 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 a 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 carried out in a phased manner, with key EU markets (for example, the UK, Germany, France, Italy and Spain) being the first priority (95% of on-line training complete and 73% of face-to face training complete before the end of 2018), but all markets are included in the privacy training programme which will continue into 2019.

From time to time the Group has experienced theft and inadvertent disclosure of data which has led to the Group reporting such incidents to the relevant authorities. In 2018, we are aware of four minor disclosures. After due assessment, three were not considered to be reportable incidents. One incident was reported to the United Kingdom Information Commissioner's Office, but the matter was closed without investigation or sanction imposed by the supervisory authority.

Making a socio-economic contribution

Introduction

We aim to improve the lives of the people we touch and this includes the economic contribution we make to 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 9), is summarised in the table below. Our approach to managing the business activities that generate and control these financial flows is set out in detail in the Annual Report.

	2018 ($m)	2017 ($m)	2016 ($m)
Direct Economic Value Generated	**1,832.1**	1,764.6	1,688.3
Economic Value Distributed			
Operating costs[6]	**895.4**	857.1	801.3
Employee wages and benefits	**473.2**	472.7	528.9
Payments to providers of capital[7]	**335.2**	131.6	233.8
Payments to governments[8]	**45.9**	49.1	49.4
Community investment	**0.4**	0.2	0.2
Economic Value Retained	**82.0**	253.9	74.7

Further information on how we engage with providers of capital is provided in our Annual Report, and on page 9 of this Report. In this report we look at our engagement with suppliers (operating costs in the table above) on page 37. We look at our engagement with employees on pages 29 to 36.

6 Operating costs exclude depreciation, amortisation, impairment charges and asset write-offs. 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.
7 Payments to providers of capital includes interest paid on long-term debt, debt repayment, dividends and own share reserve purchase paid to ConvaTec shareholders.
8 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 need to raise taxes to meet the vital social and economic needs of their populations. We are fully committed to meeting our legal obligations in this respect, in each of the countries where we operate. We fully support the trend towards greater transparency with tax authorities and the initiatives being introduced to enable this.

Our tax arrangements are derived from the commercial needs of our business operating model, which minimises tax risk in respect of compliance, uncertainty, cross-border transactions and disputes, while enhancing the value of investment and financing decisions aligned with the commercial objectives of the business. We do seek to utilise tax incentives and exemptions where these are made available by governments or tax authorities in the countries where we do business. We operate through legal entities, which are established in countries where we undertake business operations or financing activities. 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 our Annual Report (Note 10, page 149).

Contributions to local communities

LIFE+ by ConvaTec

In 2017, through an internal consultation process, we agreed a global theme for the focus of 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.

The programme was launched in 2018 with an annual central fund of $500,000 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 31) 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 link between employees improving their own wellbeing and supporting the well-being of communities.

These are just a few of the projects the LIFE+ by ConvaTec programme has supported around the world during 2018.

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/

The allocation of our central fund to LIFE+ projects was influenced by the number of "Steps" taken by our employees in the Global Challenge through walking, cycling, swimming and other forms of exercise.

a total of over $70,000 was donated to the Boys and Girls Clubs of Wales, Berkshire Youth and the Durham Association of Boys and Girls Clubs to help develop and launch youth healthy lifestyle programmes in regions of the UK close to our factories, distribution centres and major offices

293million
Steps
by the UK

in Slovakia, donations of over $40,000 covering five different charities enabling them to provide more options for exercise and healthy activities for disabled or otherwise disadvantaged children

155million
Steps
by our Slovakian teams

via our Home Distribution Group, nearly $65,000 has been donated to support the provision of sports equipment to disadvantaged children and young people through the charities Cleats for Kids, and Our Kids United

226million
Steps
by our HDG teams in the USA

in Taiwan, supporting visits by disadvantaged children to an organic farm, to learn about healthy diets

116million
Steps
across our APAC region

Wales
Denmark
Slovakia
USA
USA
Taiwan
Zambia

in North Carolina, US, nearly $16,000 was donated to support the charity "Out of the Garden" which provides nutritious meals to disadvantaged children in some of the poorest areas of the country

53million
Steps
by teams in North Carolina, USA

in Denmark, a donation of over $25,000 to Julemærkefonden, a charity that operates homes and teaching facilities to help vulnerable children adopt healthier lifestyles and build self-confidence

91million
Steps
across Denmark

selected by our Schaffhausen Office in Switzerland, we made a donation to the Namwala Secondary School in Zambia, to support development of sports facilities and a school garden

43million
Steps
by our Swiss teams

Together, our employee teams took 1.7 billion "Steps", the equivalent of 1.1 million km

The level of engagement in LIFE+ surpassed our expectations with 1,358 employees taking part in teams of seven within the Global Challenge. This represents approximately 14.5% of our workforce, greatly exceeding our target of involving 5% of the total workforce.

The results of the Global Challenge are indicated here (page 32) and, following completion, 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 2018, we had donated, or approved for donation, almost 70% of the central fund across 31 different local partners, in 19 countries where we operate. Proposals covering the remainder of the fund are either awaiting approval or under development. Informal feedback from employees has been extremely positive and we are planning to enhance the programme in future years.

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 Reynosa, Mexico, employees have come together under the title 'Anonymous heroes' to fundraise in support of fellow employees with children who have expensive to treat conditions such as cerebral palsy, autism and hydrocephalus.
- At Deeside in the UK, employees raised funds through a charity ball, raffles, donations and other activities, for various charities including Cancer Research.
- In Greensboro, US, we have:
  - Sponsored a 5km charity race, and conducted fundraisers for Breast Cancer and Alzheimer's research.
  - Employees raised money to donate school supplies to help students in Guilford County, and donated warm clothing in partnership with the local YMCA.
  - Started a partnership with a local school to help provide a pathway to college and careers. A number of students from the school have had opportunities to join ConvaTec as apprentices.
- In Haina, Dominican Republic, employees volunteered to clean the beach nearby our wound care facility, in a project which has become an annual event.

Disaster relief

In September 2018, Hurricane Florence caused significant damage through high winds and, particularly, heavy rainfall. To support local communities in North Carolina, an area where we have a number of office locations, we donated $5,000 to the Red Cross aid programme, and employees contributed food and water supplies.

Target

5% of workforce

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

Status

- ○ Started
- ○ Ongoing
- ● Completed
- ○ Delayed

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 2018, approximately 30%[9] (2017, 22%) of our US supplier spend was with these categories.

9 Reported for 12 months to September 2018.

Enabling our people

Introduction

We are reliant on our employees to help fulfil our Purpose 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:

- 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.
- Providing opportunities for employees to develop in their roles and acquire new skills.

At the same time, new technologies, continually 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 2018 we employed 9,413[10] people (2017, 9,549), a decrease of 1% since 2017. Approximately 62% of our workforce are manufacturing site employees (2017, 60%). 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 2018 was 21% (2017, 21%[11]). This is largely driven by the competitive employment environment relating to our largest plants in the Dominican Republic, Mexico and Slovakia.

We also employ the services of approximately 270 agency staff and independent contractors (2017, 300).

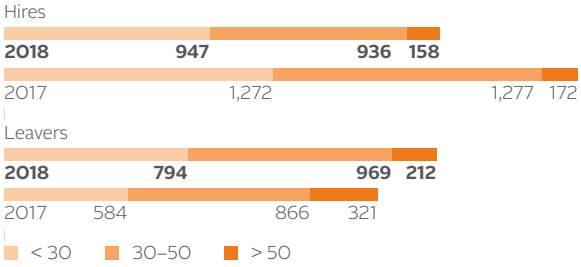
Although our employees are spread across our global footprint, there is a significant concentration of people at our manufacturing locations. Our largest factories are in Mexico, the Dominican Republic and Slovakia, with additional production in the UK (two locations), Denmark (two locations), Belarus 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 2018.

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 2018, approximately 135 people left the business as a result of redundancies (2017, 245), relating mainly to streamlining of the workforce.

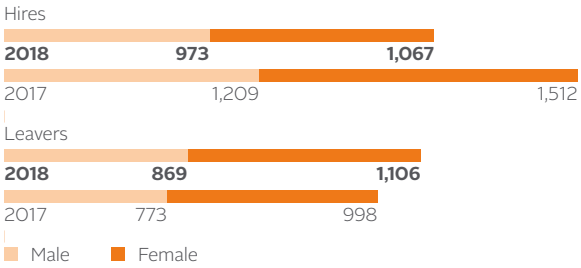
We are committed to providing fair pay for our employees. All our sites comply with national minimum wage regulations (where these exist).

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".

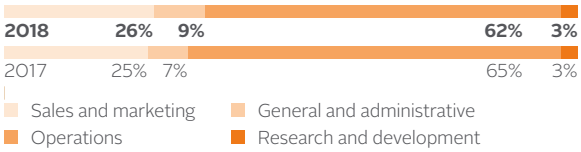
Leavers and hires by age band



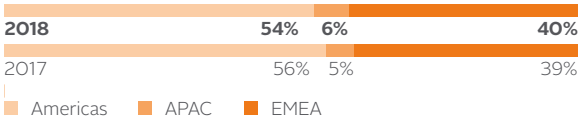
Leavers and hires by gender



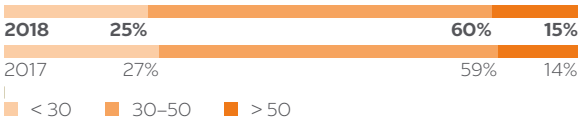
Employees by function



Employees by region



Employees by age bracket



ConvaTec is a "real living wage" payer in the UK
As a progressive employer, we strive to continually review our employment practices. In November 2017, we received confirmation of our accreditation as a "real living wage" company from the Living Wage Foundation, and this accreditation has been confirmed for 2018.

During 2018, we commenced a review of our living wage position across all ConvaTec "geographies", starting with our plants in the Dominican Republic and Mexico, where approximately 50% of our total workforce is located. In 2019, we will complete the review, and take action to ensure full alignment with applicable living wage levels across the whole Group.

10 Including seven Non-Executive Directors.
11 Employee turnover in our 2017 CR Report was understated due to the late processing of a number of leavers (reported as 18.6%).

Our management approach and performance

Employee engagement

To create a positive collaborative working environment and to ensure that everyone is aware of the contribution they can make in fulfilling our Purpose, it is important that all employees are engaged and motivated, and have opportunities to openly share feedback and ideas. Engagement with employees occurs through a number of channels, including regular updates posted on our Group-wide intranet, "town hall" meetings in all our operations, updates from our CEO and other members of the leadership team, and through dialogue with union representatives and works councils. At the end of the year, approximately 46%[12] of employees at manufacturing locations were covered by collective bargaining arrangements.

In addition, during the year we conducted a major survey of our employees. Details of the coverage, response rate and some highlights are provided below:

2018 Employee Engagement Survey

The survey covered all of our employees and achieved an excellent response rate of 86%, up from 80% in 2015 (the last time a global survey was run) and above the benchmark (based on approximately 500,000 responses from over 200 organisations, Nordic and international). Within this overall rate, manufacturing sites achieved a response rate of 85.4%.

The survey indicated that none of the four indicators fell below the benchmark for healthcare providers ("HCB" – based on 34,500 responses, Nordic and international):

76%
our overall engagement index was up from 71% to 76%, slightly above the HCB of 74%

76%
our leadership index had increased from 67% to 76%, above the HCB of 70%

75%
team efficiency index was 75% (no comparative data), ahead of the HCB of 72%

+10
our employee net promoter score had increased by a factor of 10 and was significantly above the HCB

The survey also explored employee attitudes to our Purpose and Values, and their views on whether the Company behaved ethically. Here, highlights included:

- 86% felt our Values were important to them, and 87% recognised our Purpose as relevant and meaningful.
- 83% believed that ConvaTec improved the lives of the people it touched (7% disagreed), 84% felt ConvaTec was an ethical company (6% disagreed) and 82% felt the business was environmentally responsible (6% disagreed).

No significant variations in responses were detected based on demographic data.

In parallel with the survey, we have carried out extensive consultation and analysis across the business through workshops, interviews, focus groups and peer benchmarking. This has led, along with the survey results, to the development of a new people strategy, focused on the following key areas:

- Organisational effectiveness.
- Building talent.
- Developing capabilities for the future.
- Enhancing our employer reputation.
- Further improving our approach to diversity and inclusion.

As a further communication channel, we also operate a whistle-blower system (described in more detail on page 49) and, in the first quarter of 2019, we will be launching 'MyConvaTec', a mobile application designed for employee engagement and internal communication, which will reach out to all employees worldwide, regardless of whether they have access to our intranet.

Culture

We are continuing to build a values-led, performance-driven culture.

As part of our performance management process we have developed a toolkit to assess how we are living our Values. This also affects how people are rewarded, by looking not only at whether objectives have been achieved, but also by assessing how they have been achieved. Building trust can only be achieved through an ethical approach and we place significant emphasis on adopting the right behaviours. This is reinforced through our Code of Ethics and Business Conduct, reinforced with detailed guidance and training (see Ethical Behaviour and Transparency section page 48).

Our People Leadership Committee, which is made up of representatives from all parts of the Group, monitors our culture. The committee's activities include taking regular pulse checks across our business, acting as a sounding board for our leaders and employees and helping implement important changes that affect our culture and our people.

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 to ensuring the health and safety ("H&S") of our employees is covered in detail below.

Well-being

In addition, in 2018, we launched our "LIFE+ by ConvaTec" community programme as means of enhancing involvement of the business in local communities page 26. 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 how we would disperse our community fund in local communities, so engaging employees in our philanthropic programme.
- Build teamwork and engagement with our Purpose and Values.

12 We have amended the basis of our reporting in 2018. Previously we reported the number of employees at sites where collective bargaining agreements were in place – 55% in 2017.

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 response exceeded our expectations, and more than 1,350 individuals formed into 194 teams and spent 100 days walking, running, cycling, and swimming in the Global Challenge (approximately 14% of employees).

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

We operate 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 amount of exercise and healthy life style choices they are making. Activities in 2017 have included regular walking groups, exercising over lunch breaks, a running group exercising after work, nutritional advice and a "health week".

As a result of these types of initiatives, since 2013, we have seen the percentage of employees in the high health risk category reduce from 24% to 17%, and those in the low risk category increase from 28% to 40%.

Employee Wellness – highlights of the Global Challenge results

70%
now achieve recommended 10,000 steps/day vs. 16% pre-Challenge

44%
are now more aware of what they eat

59%
who tracked their weight, have lost weight

66%
now meet the recommended amount of sleep vs. 51% pre-Global Challenge

75%
have reported a decrease in their stress levels either at home or at work

62%
have reported an increase in either their productivity or concentration

We were delighted that 89% of participants stated they would participate in future years. Our challenge now is to increase the proportion of "blue collar" engagement in the programme.

Health and Safety ("H&S")

Dedicated Environment, Health and Safety Managers operate across our manufacturing facilities (and report to local management at the facility). There is a Global EHS team which leads on developing corporate policies, auditing operations against the policies and standards, and providing advice and support to local teams. The Global EHS Team reports through to the Executive Vice-President of Global Operations who sits on the Group Executive Committee. H&S performance is reported to management on a monthly basis and the Board received a detailed presentation on H&S performance in December 2018.

The Company has a broad range of 22 H&S policy standards, covering both our EHS management system and specific H&S topics. Amongst other things, these policy standards address activities such as emergency preparedness, hazard identification and risk assessment. These policies are available on our intranet and training has been undertaken by the vast majority of the management team personnel at our operations locations. Extensive benchmarking was completed across all manufacturing locations in 2017, with audits identifying best practices, gaps, and opportunities for strengthening H&S management systems, internal audit programmes and risk assessments. All primary manufacturing operations have significantly strengthened their local EHS management systems during 2018 by updating local procedures, improving working practices and applying performance metrics and continuous improvement programmes.

Other activities undertaken during the year have included:

- Expanding the use of "leading indicators" to develop an improved safety performance, including near miss and hazard observation reporting and action completion metrics.
- Delivering targeted training programmes focused on site specific accident profiles, including hand injuries and hazard awareness.
- Integrating the site-based EHS Managers into the global audit programme, facilitating increased knowledge transfer, best practice sharing and enhanced communication.
- Introducing an "EHS Balanced Scorecard" to measure overall performance comprising: safety metrics, benchmarking, continuous improvement activities and safety culture delivery.
- Delivering training programmes and reviewing incidents to identify appropriate remedial actions using root-cause analysis methods.

A key development activity undertaken in 2018 was the introduction of a new safety performance database covering manufacturing operations, headquarters and primary commercial locations, enabling safety performance data to be recorded on a routine basis throughout the business. The new system will be fully operational from January 2019 and is accessible from all locations, providing a common platform for documenting accident investigations, root-cause analysis and data reporting, including near-miss events and hazard observations, delivering a standardised approach, along with enhanced diagnostic and reporting capability.

There were no fatalities in 2018. Information on our H&S performance[13] is provided below:

	2018[14]	2017[15]	2016[16]	2015[17]
Fatalities	**0**	0	0	0
Recordable injuries	**30**	48	35	40
Recordable injury rate	**0.50**	0.82	0.56	0.65
Lost time injuries	**20**	33	16	31
Lost time injury rate	**0.33**	0.57	0.26	0.50

2018 has seen a reduction in the Recordable Injury Rate and the Lost Time Injury Rate compared to 2017, although the Lost Time Injury Rate is still above the level observed in 2016. This is due, in part, to the improvements in reporting incidents. Detailed analysis by site has enabled the local teams to identify the underlying causes and start to develop targeted training programmes to address the incidents incurred.

In addition, a number of sites are demonstrating a significant improvement in identifying Near Miss Events and Hazard Observations, as well as implementing the associated remedial actions, reflecting an increased focus on proactive measures to support continued improvement.

Case Study: Building health and safety culture

Our manufacturing sites take employee safety very seriously. A broad range of safety awareness, participative and educational activities were undertaken throughout 2018 including developing 'Hot Spot' maps, safety poster competitions, near miss and hazard observation promotion and remediation campaigns.

In November, our Deeside factory (UK) held a safety day event to reinforce our safety culture. This engaged employees in seminars and interactive activities covering topics ranging from safety observation reporting, hand safety and mental health promotion, as well as injury prevention.

Similarly, our plants in Herlev (Denmark) and Minsk (Belarus) have introduced award schemes providing increased recognition for employees who actively report potential safety issues, helping to reinforce the message that safety is every employee's responsibility.

13 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.
14 2018 data relates to all manufacturing operations, headquarters and primary commercial locations.
15 2017 data relates to manufacturing facilities (excluding EuroTec, including Greensboro prior to closure during the year), R&D centres and our UK Amcare business.
16 2016 data relates to manufacturing facilities (including Malaysia facility prior to closure during the year), R&D centres and our UK Amcare business.
17 2015 data relates to manufacturing facilities, R&D centres and our UK Amcare business.

Target

Extend data coverage

We will complete the extension of safety performance data collation for headquarters and primary office locations, as well as the associated Commercial teams, by 31 December 2018.

Status

- ○ New
- ○ Ongoing
- ● Completed
- ○ Delayed

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.

Status

- ○ New
- ● Ongoing
- ○ Completed
- ○ Delayed

Target

Develop Group-wide LTIR target

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

Status

- ○ New
- ● Ongoing
- ○ Completed
- ○ Delayed

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 reached Level 3 (2017, Level 2) of the four-level LSAS framework, exceeding current requirements and with the assessor confirming that we have achieved Level 4 (the highest level) in 11 out of 15 measured categories.

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 hires and the key elements are also reflected in our Code of Ethics and Business Conduct. 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 49). 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.

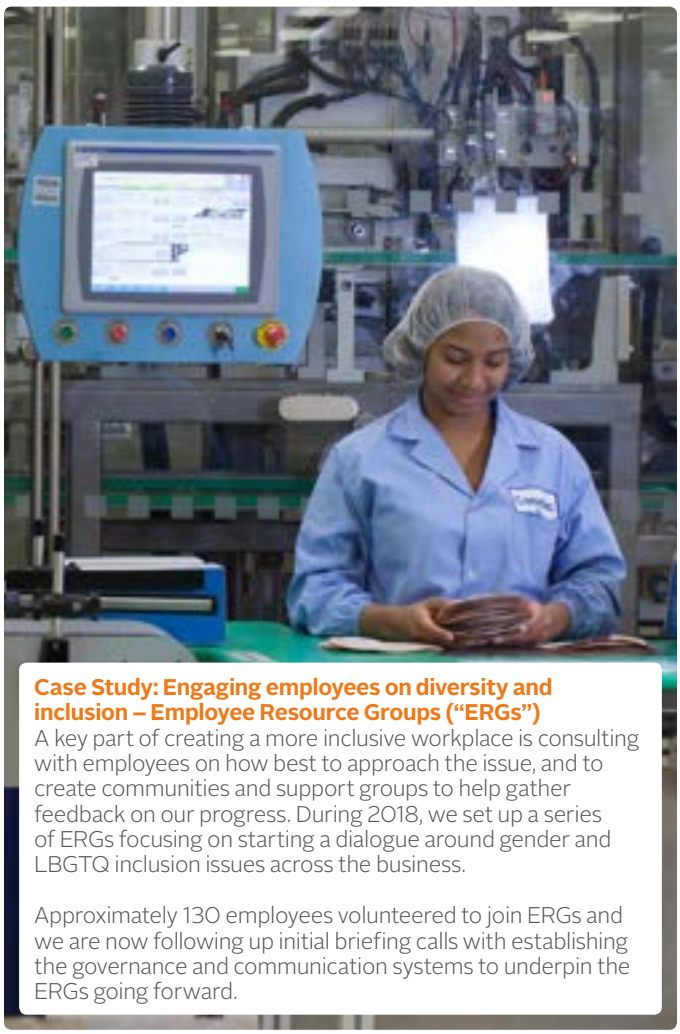
As highlighted earlier, during the year we established a cross-functional Human Rights Steering Committee to guide our approach.

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 updated our Board Diversity Policy to provide for a minimum of 30% female Board representation, with the position at the end of year being 33%.

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 2018, we have struggled to make progress towards our target to have at least 30% of senior management roles held by female executives by 2020 (see table on following page).



Case Study: Engaging employees on diversity and inclusion – Employee Resource Groups ("ERGs")
A key part of creating a more inclusive workplace is consulting with employees on how best to approach the issue, and to create communities and support groups to help gather feedback on our progress. During 2018, we set up a series of ERGs focusing on starting a dialogue around gender and LBGTQ inclusion issues across the business.

Approximately 130 employees volunteered to join ERGs and we are now following up initial briefing calls with establishing the governance and communication systems to underpin the ERGs going forward.

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.

We track employee diversity through our human resource systems and the Board will continue to review metrics as part of their assessment of executive management. Our diversity profile at the end of 2018 is indicated below:

	Women within the business					
	2018		2017		2016	
	Total	**% Female**	Total	% Female	Total	% Female
Board	9	33%	10	30%	9	0%
Executive Committee	11	9%	11	9%	10	10%
Senior management	71	25%	74	23%	52	27%
Sub-total	**91**	**24%**	**95**	**22%**	**71**	**21%**
Other employees	9,322	63%	9,454	64%	8,460	64%
Overall total	**9,413**	**62%**	**9,549**	**63%**	**8,531**	**64%**

We have calculated the gender pay gap and full details are provided in our Annual Report (page 20).

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 measures include the following examples:

- Haina, Dominican Republic – fully subsidised transport to the facility, lunch and dinner in the cafeterias, healthcare, eyesight checks and life insurance, as well providing basic school supplies to the children of employees.
- UK and certain other European markets – varying initiatives targeting flexible working arrangements such as subsidised childcare, term time and summer working hour arrangements, and provision of family support services.

Target

30% by 2020

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

Status

- ○ New
- ● Ongoing
- ○ Completed
- ○ Delayed

Target

Technical Skills

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

Status

- ○ New
- ○ Ongoing
- ○ Completed
- ● Delayed

Developing our employees

As noted earlier, during 2018 we undertook a strategic review of our approach to human resources, including employee development, culminating in approval of a new People Strategy. Two of the key pillars in the strategy are:

- Building talent – focusing in particular on improving the global talent pool, with more active and transparent career management, incentivising global mobility of talented employees and enhancing personal objective-setting through clearer alignment with business goals.
- Developing capabilities for the future – focusing on improving leadership and people-management skills and enhancing functional and technical training.

This approach 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.

Our aim is that 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 2018, 43% 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. This will be extended to our remaining manufacturing sites during 2019, helping to fulfil our aim that every employee will be part of the development process.

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." We are pleased to report that the preparatory work has been completed for all "phase one" sites (AWC, CCC and Ostomy). Implementation has been postponed to the first half of 2019, after which we will have a globally consistent approach for delivering technical training and assessing competence.

To stimulate internal mobility across our business units and provide career progression for our high performers and high potentials we have successfully implemented a global HR system career portal. Currently, employees in the UK and US have full visibility of open positions across the business and this will be rolled out in Europe in 2019. This is alongside development of functional career and competency frameworks, starting with one for sales and marketing which is in use across Europe and other functional frameworks are expected to follow.

We provide development programmes aimed at new and early career managers, more experienced managers and our top 100 leaders, and offer monthly "Development Matters" webinars delivered by our own internal experts which are available to all employees with access to the Intranet. The webinars cover personal and professional development topics as well as enhancing product knowledge. During 2018 we delivered 19 webinars, and recorded more than 22,500 visits to our suite of development webpages. Further information on our approach to employee development is provided in our Annual Report (page 21).

Target

Appraisal and Development

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

Status

- ● New
- ○ Ongoing
- ○ Completed
- ○ Delayed

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. Fundamentally, we must improve the lives of end-users of our products without exploiting people working in the supply chain or damaging the environment.

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 have a ripple effect on standards throughout the chain. We accept our responsibility for setting the correct standards of behaviour and ensuring our partners meet, exceed or are working positively towards these 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:

- Five suppliers represent approximately 63% of our contract manufacturing spend.
- Two suppliers represent approximately 67% of our logistics spend.

Our raw materials supply chain is more diverse, but 42 suppliers still represent approximately 80% of our total raw material spend.

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

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 TRACE (www.traceinternational.org/home).

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

In 2018, 194 organisations (2017, 130 organisations) were subject to due diligence review and 149 (2017, 120) completed both Global Third Party Compliance Manual and Distributor training.

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 is consistent with our own Code of Ethics and Business Conduct and our Human Rights and Labour Standards Policy. The SCoC covers:

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

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 continue to roll out 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.

Starting in mid-2017, we have been inviting suppliers to participate in the assessment process. These suppliers – selected on the basis of the scale and strategic importance of their business with ConvaTec, and the perceived risk associated with the products and services – represent approximately 75% of total spend with contract manufacturers, raw material and logistics suppliers. This assessment therefore aims to cover a very significant proportion of our supply base and is being rolled out progressively across our supplier base. All new major suppliers are strongly encouraged to participate.

We have summarised our engagement with suppliers through EcoVadis in the tables below. The assessment measures performance in four categories: environmental performance; labour practice performance; fair business practice performance; and supply chain management performance. The results of the assessments completed and analysed at the end of 2018 indicate that 28% of suppliers completing the assessment fell below the threshold for performance in their overall scores (2017, 40%). Details of scores against threshold on the four individual categories of performance are provided in the table below.

	Number of suppliers		% of invited suppliers	
Engagement with suppliers	**2018**	2017	**2018**	2017
Assessments completed	**18**	15	**41**	34

	% of participating suppliers	
Results of assessments (at 31 December 2018)	**2018**	2017
Suppliers scoring below overall performance threshold	**28**	40
Suppliers scoring below environment performance threshold	**28**	33
Suppliers scoring below labour performance threshold	**39**	53
Suppliers scoring below fair business practice performance threshold	**39**	47
Suppliers scoring below supplier management performance threshold	**56**	60

We have not made as much progress on assessment as we had hoped, due in part to difficulty in engaging suppliers in the process, and competing operational priorities, although the percentage of assessed suppliers scoring above required performance thresholds has increased overall and in each category. In the fourth quarter of the year, we have identified an additional 25 suppliers to engage in the process.

No suppliers were rated as high risk against any of the four categories and 17% of completed assessments scored as "very good". However, the results to date confirm that there is work to do to better engage suppliers on these topics as well as raising the performance of some our suppliers to a more acceptable level. We see this as part of 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 100 key suppliers by 31 December 2020.

Status

- ○ New
- ● Ongoing
- ○ Completed
- ○ Delayed

Conserving the planet

Introduction

Our Purpose is to improve the lives of the people we touch and our main focus is the people who use our products. However, we recognise that, as a result of our activities, we create negative impacts on the environment through our manufacturing, research and development, logistics, administrative and marketing 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. 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 regulation, we also see that increased efficiency in our energy and raw materials use can reduce production costs both within our own facilities, but also throughout the value chain. 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 starting to see 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 would be expected to intensify in the longer term.

Our management approach

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

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

We are working to improve our performance across all of these activities and our progress is detailed below. We are committed to comply with all applicable environmental laws and regulations. In 2018 we have not been subject to any fines or warnings relating to environmental compliance (as in the previous two years).

Overall responsibility for environmental issues, including climate change, lies with the Board, as delegated to the CR Board Committee (see page 14).

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 60% of employees) and these sites are developing environmental management systems in line with corporate requirement and referencing ISO14001. Two of our manufacturing sites, Deeside and Rhymney (both in the UK, and representing approximately 15% of manufacturing-related GHG emissions) 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 is introducing a more Group-wide programme approach to this important issue.

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.
- Consumption of raw materials in our products.

These impacts and further information on specific programmes to address them are discussed in the sections below.

During 2018 we completed the development of a comprehensive climate change strategy and this was approved by the CR Board Committee after the year end. 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") (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 the generation of GHGs. ConvaTec is no different, and we fully acknowledge our contribution to climate change through GHG emissions arising from our own operations, and those of our supply chain, distribution system and products. Through our new climate change strategy, we are committed to reducing our GHG emissions through a series of initiatives which are described below.

In 2017, we implemented a new data reporting system which enables better quantification of our operational energy consumption and carbon footprint. This enabled us to better identify the opportunities for energy efficiency and for reducing the overall carbon intensity of our operations. During 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.

TCFD Risk Assessment

Our risk assessment was conducted against the framework recommended by the TCFD and therefore covered 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
- 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 and this is being addressed within the new climate change strategy (see page 42).

The key elements of our strategy are set out below.

Climate Change Strategy – four key elements
Enabling product and packaging improvements – through the development of green design guidelines, a focus on packaging materials and robust risk and opportunity assessment of existing products (including continuation of life cycle assessments).

Driving greener operations – through efficiency auditing, target-setting and supply chain engagement.

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

Enhanced governance – assigning accountability to relevant Executive Committee 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. Whilst the review concluded that the site had a robust Business Continuity Plan, additional mitigation steps are being addressed.

Total energy consumption (by Function) (mWh)

Manufacturing locations	(**2018: 104,690**;	2017: 99,419;	2016: 92,142)
Non-manufacturing locations	(**2018: 5,279**;	2017: 5,007;	2016: No data)

Total energy consumption (by fuel source) (mWh)

Electricity	(**2018: 77,129**;	2017: 76,491;	2016: 70,749)
Renewable electricity	(**2018: 3,014**;	2017: –;	2016: –)
Natural gas	(**2018: 24,444**;	2017: 26,639;	2016: 19,459)
Green gas	(**2018: 2,756**;	2017: –;	2016: –)
District heating	(**2018: 2,560**;	2017: 1,221;	2016: 1,878)
Diesel	(**2018: 66**;	2017: 75;	2016: 56)

In 2016 we reported on the energy consumed in our manufacturing facilities only. In 2017 we extended the scope to include our R&D centres, major offices and distribution centres and have maintained this consistent approach for 2018. Information on the methodology adopted for reporting on energy consumption and climate change is provided in more detail on page 53. Manufacturing locations account for approximately 95% of total consumption, with electricity (73%) and gas (25%) the dominant sources.

Energy consumption has increased by just over 5%, driven mainly by introduction of new production lines in certain locations.

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

Our direct energy consumption comprised approximately 60,000 litres of diesel consumed in generators (12% decrease) and 2.6 million cubic metres of natural gas (2% increase). Just over 3% of our indirect energy consumption related to district heating, with the balance being electricity purchased from third parties.

Over the last few years several sites have implemented energy efficient lighting programmes and installed movement sensors in warehouse and "domestic" areas of the sites to control lighting requirements, and have also invested in more energy efficient boilers, compressors and cooling equipment (see case study example below). To date, the savings generated by these initiatives have not been collated centrally but, with the publication of our GHG reduction target (see below) we are targeting energy efficiency savings of 15% on our 2018 energy consumption, by 2022.

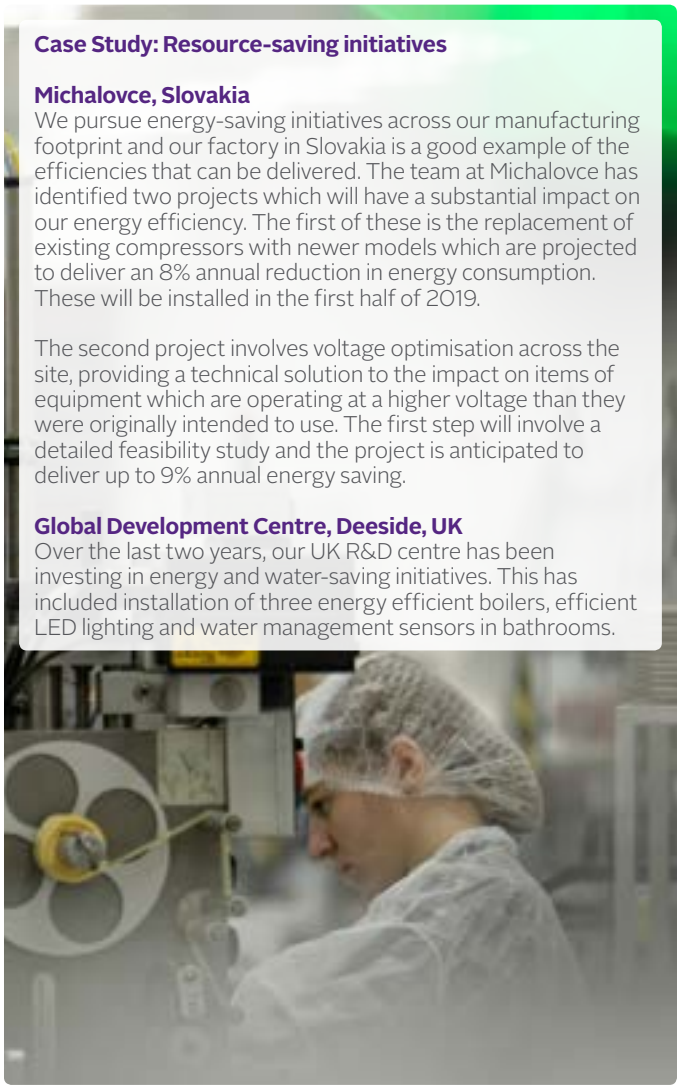
We have not sold energy to third parties.

Case Study: Resource-saving initiatives

Michalovce, Slovakia
We pursue energy-saving initiatives across our manufacturing footprint and our factory in Slovakia is a good example of the efficiencies that can be delivered. The team at Michalovce has identified two projects which will have a substantial impact on our energy efficiency. The first of these is the replacement of existing compressors with newer models which are projected to deliver an 8% annual reduction in energy consumption. These will be installed in the first half of 2019.

The second project involves voltage optimisation across the site, providing a technical solution to the impact on items of equipment which are operating at a higher voltage than they were originally intended to use. The first step will involve a detailed feasibility study and the project is anticipated to deliver up to 9% annual energy saving.

Global Development Centre, Deeside, UK
Over the last two years, our UK R&D centre has been investing in energy and water-saving initiatives. This has included installation of three energy efficient boilers, efficient LED lighting and water management sensors in bathrooms.



In 2018 we have reported our emissions data on both a "location" and a "market" basis (further information on our reporting methodology is provided on page 53). 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 2017, is "D".

Greenhouse gas emissions (location-based method) (tonnes CO_2e)

	2018	2017	2016[19]
Scope 1	**5,435**	5,473	4,001
Scope 2	**30,055**	29,054	26,806
Total GHG emissions	**35,490**	34,527	30,807

Greenhouse Gas emissions (market-based method) (tonnes CO_2e)

	2018
Scope 1	**4,901**
Scope 2	**28,283**
Total GHG emissions	**33,184**

The intensity of our energy consumption and GHG emissions, in relation to revenue, is summarised below:

	2018	2017
Energy intensity (GWh/$m revenue)	**0.060**	0.059
GHG emission intensity (location basis) (tonnes/$m revenue)	**19.2**	19.6
GHG emission intensity (market basis) (tonnes/$m revenue)	**18.0**	–

19 2016 Scope 2 emissions include an additional 383 tonnes CO_2e (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.

The like-for-like yearly increase in GHG emissions of approximately 3% is driven by the same factors as the increase in energy consumption disclosed above. This has also been offset by the purchase of green energy in the UK (see below) and by changes in the carbon intensity of electricity grids in certain countries.

In 2018, for the first time, we have estimated the Scope 1 emissions of our vehicle fleet. Based on data from service providers, we estimate that our fleet of approximately 860 vehicles generated emissions of approximately 2,800 tonnes of CO_2. Due to the level of approximation and lack of comparatives, we have not included this figure in our overall disclosure of Scope 1 emissions this year. Vehicle emissions have not been 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 2018, we have actively pursued a number of renewable energy programmes as detailed below.

During 2018 we were pleased to procure 100% origin certificate-backed renewable electricity across all of 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.

From the same date, we have also procured green gas certificates covering 11.3 GWh of gas consumption in the UK, running from September. 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 the final quarter of 2018.

UK energy consumption accounts for approximately 20% of our total consumption. The renewable energy contract was executed in September 2018 and the effect of the procurement has been to lower our GHG emissions by 4% in the year.

Please see page 53 for our methodology for disclosing renewable energy in relation to our Scope 1 and Scope 2 emissions.

We also commissioned a feasibility study looking at the economic and technical potential for installing roof-mounted solar panels at our manufacturing plants in Haina, Dominican Republic and Reynosa, Mexico. These studies have been completed and we are considering next steps, alongside other potential energy-saving investments.

Scope 3

We are working to improve our understanding and reporting of Scope 3 GHG emissions and in 2018, we have improved our disclosure of business flights by reducing the proportion of emissions which has been estimated.

Based on data provided by our travel agents, we estimate business flights contributed between 3,800 and 4,000 tonnes of CO_2e (2017 estimate: 5,000 to 5,600 tCO_2e). 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.

GHG emission reduction target

We are setting 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 aim to 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 last year's Report, we stated that 2017 would represent our base year for future tracking of emission outcomes. However, having commissioned external assurance for our 2018 GHG data, we believe it is preferable to establish our baseline on assured data. This does not impact on the ambition for reduction within the target. We have opted for an absolute reduction target to make our reports on progress more transparent for stakeholders.

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 2019.

Target

10% by 2023

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

Status

- ● New
- ○ Ongoing
- ○ Completed
- ○ Delayed

Case Study: Manufacturing facilities and water stress

A WRI study[20] 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 2018) across countries with varying levels of water stress (Low to High).

Percentage of Manufacturing Water Abstraction (2018)

Level of Country-level Water Stress	2010 Estimated %	2040 Projected %
Low	25	4
Low to Medium	2	23
Medium to High	28	28
High	45	45
Extremely High	0	0

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 are also reporting waste and water data from our main R&D centre (Deeside, UK). We do not collate this data from other locations at present where quantities are much lower and waste disposal and recycling is often controlled by the landlord. As noted above, during the year we have created a new management role to bring a more comprehensive and coordinated approach to management of energy, waste and water.

In 2018, we consumed approximately 160 megalitres[21] of water (2017, 146), all of which was provided by municipal water suppliers or other public or private water utilities. No water is abstracted directly from lakes, rivers or other bodies of water. Data is compiled from invoiced amounts and meter readings. Very little water is treated onsite (2018, 0.1%, 2017, 1.5%).

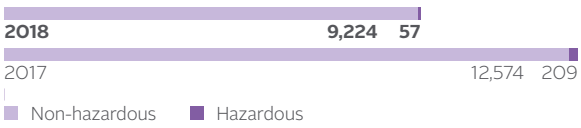
Approximately 5,500 tonnes of water (2017, 8,000 tonnes) are tankered offsite as hazardous waste (see chart), the vast majority of this relating to our Rhymney site where water becomes contaminated with Industrial Denatured Alcohol ("IDA"). After processing, a significant proportion of the mass is recovered 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.

Our waste recycling and disposal for 2018[22] is summarised in the charts. No waste is treated onsite, as was the case in 2017.

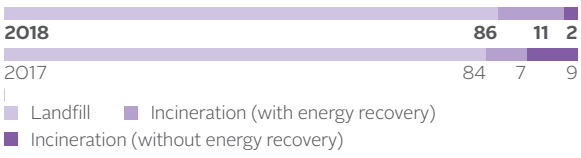
In 2017[23], non-hazardous waste disposal had been elevated by the impact of transferring certain production activities between locations (USA to the Dominican Republic). As expected, we have seen a substantial decrease in 2018 as operations have stabilised.

Waste recycled (tonnes)

Waste disposed (tonnes)



Waste Disposed – non-hazardous (%)



20 Luck, M., M. Landis, F. Gassert. 2015. "Aqueduct Water Stress Projections: Decadal Projections of Water Supply and Demand Using CMIP5 GCMs." Technical Note. Washington, D.C.: World Resources Institute.

21 2018 data includes water consumption from the Deeside R&D centre for the first time (1.5 megalitres).
22 Waste data includes data from our R&D centre (Deeside, UK).
23 The 2017 data does not include data from EuroTec (<1% of total waste in 2018).
24 Hazardous waste recycled includes the IDA contaminated water referred to above.

Environmental impacts along the value chain

As well as the environmental impact of our own operations, the delivery of our products to end users also creates impacts along the value chain, including the sourcing of raw materials, supplier manufacturing, packaging, logistics and transport. In 2017, we started to address these impacts through two main approaches:

- Assessing the environmental performance of key suppliers.
- Analysing the "cradle to grave" life-cycles of key product groups.

In 2018, we also started a specific programme to assess the impact of our raw material use, as well as the potential vulnerability of our raw material supply chains to climate change.

Assessing our suppliers

As indicated in the section "Working responsibly with Partners" (page 38), we require new suppliers to sign our SCoC. We assess supplier performance against the SCoC using the process managed by EcoVadis and, depending on the sector of the supplier, this could include management of energy and GHG emissions, water, biodiversity, local pollutions, materials, chemicals, waste, product use, product end-of-life, customer health and safety and sustainable consumption.

The results of the assessment of an initial batch of suppliers are shown on page 39. No supply contracts have been terminated on the basis of the environmental assessments conducted in 2018.

Environmental impact of our products

Our products are the most visible element of our environmental performance and encapsulate the 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. This is seen as a key aspect of our new climate change strategy (see page 42) within which we have identified programmes relating to new product development, as well as relating to existing products and packaging.

New Product Development

The development of all new products 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 REACH[25]. With the adoption of our new climate strategy we are developing programmes, such as:

- Developing "green design guidelines" to support new product development – this will consist of a set of principles covering issues such as raw material selection, recycled content and recyclability, light-weighting and carbon and water-footprinting.
- Our new Policy – "ethics in innovation" (see page 21) – which will set out minimum standards relating to "substances of concern".

Based on insights from our product Life Cycle Assessments ("LCAs") (below), and other sources, we aim to progressively reduce the impact of new products where this doesn't compromise the performance of the device in question.

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. Progress in 2018 has been more challenging and the percentage currently remains unchanged.

Case Study: Improving products for patients can bring environmental improvements
At our R&D centre in Osted (Denmark) the team has been focused on developing a cannula that can be worn for an extended period of time. For the user this simplifies self-care significantly and, when used in conjunction with a glucose monitoring device and a pump system, it enables insulin to be administered automatically over a number of days. A clinical study, which was completed in March 2018 at the Medical University of Graz, showed that the cannulas can be worn for at least seven days.

This extended wear means less cannulas are required over the same period of time and this saves on materials, energy, water and waste.

Existing products and packaging

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 (please see DEHP case study below).

Case Study: Rhymney – air emission control
As part of our efforts to improve the sustainability of our manufacturing, our Rhymney plant in South Wales in the UK has commissioned a new Regenerative Thermal Oxidiser ("RTO") which replaces the old bioscrubber unit.

This enables the site to reduce the emission of Volatile Organic Compounds ("VOCs") into the atmosphere dramatically, ensuring we remain up to date with regulatory requirements, eliminating odour issues associated with older technology, saving costs and removing a potential barrier to expanding production at the site in the future.

The multi-million dollar construction was completed in October and the unit was commissioned successfully in mid-November.

Target

Green Design

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

Status

- ● New
- ○ Ongoing
- ○ Completed
- ○ Delayed

25 Registration, Evaluation, Authorisation and restriction of Chemicals (an EU regulation).

Our new 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. This will look at both the impacts of our products, but also at the vulnerability of products and their supply chains to climate change and other environmental pressures.

To inform this programme, we are continuing to make progress against our target to complete product LCAs for key products in our four franchises.

The LCAs cover a "cradle-to-grave" analysis of products and are conducted 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.

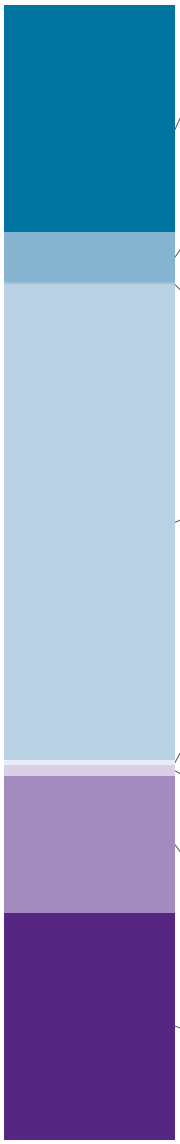
Advanced Wound Care

Our first study focused on 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. Since completion of the study, we have been using the results to extrapolate across other wound care products.

We have also been using the study to help identify opportunities to improve the environmental performance of the product. As noted earlier, the decision to procure 100% renewable energy in the UK (renewable electricity and "green gas") has resulted in a very significant reduction in the carbon footprint of the product. For Foam Adhesive dressings manufactured purely in the UK, the climate change impact of the UK manufacturing process accounted for approximately 40% of the total climate change impact of the 10"x10" dressing. For similar products assembled in the US, the carbon footprint reduction would be approximately 30%.

Infusion Devices

In 2018, we completed the LCA of our Infusion Devices product, neria™ guard. The results are illustrated in the chart (below). Informally, the overall impact can be roughly equated to driving 2.8 km in a small petrol vehicle.



Waste management of the product – 20.0%
Disposal of product and packaging after use through landfill or incineration, and recycling of packaging, including impacts associated with waste sorting and transportation of waste.

Use of the product – 4.4%
Including disposal of packaging associated with use phase, use of soap, water and a "wet wipe" in accordance with product instructions.

Distribution of the product – 0.001%
Including transportation of the product and primary, secondary and tertiary packaging, through distribution centres and to the end user.

Sterilisation of the product – 42.0%
Energy intensive process to create the required temperature and vacuum for sterilisation of the product.

Transport of the product – 0.4%
Transport of the raw materials, product and packaging between our own facilities at different stages of the process

Assembly of the product – 1.0%
Assembly of the components in ConvaTec plants.

Packaging materials – 12.0%
The blister pack is the most significant element of the overall packaging climate change impact.

Product raw materials – 20.0%
Raw material impacts include forming or manufacturing of materials prior to ConvaTec's "factory gate". The product's cylinder and cover are the most significant element of the climate impact.

Infusion Device product: neria™ guard.

Target

Key product LCAs by 2020

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

Status

- ○ New
- ● Ongoing
- ○ Completed
- ○ Delayed

Behaving ethically and transparently

Introduction

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

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

Corporate transparency is increasingly assessed by third parties, particularly ESG analysts, who pass their verdicts on to institutional investors. A broad range of standards and guidelines have been developed against which companies are encouraged to report, and disclosure on some issues, previously only reported in corporate responsibility reports, is becoming 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 medical device trade associations of the countries in which we operate and we played an instrumental role in drafting the Code of Ethical Business Practice for our European industry association, MedTech Europe.

Policies, procedures and resources

We have an extensive compliance programme with priorities set through an annual risk assessment process. We have developed a Code of Ethics and Business Conduct, and a series of Global Policies which cover a range of business conduct and compliance issues, focusing particularly on anti-bribery and anti-corruption. We strive to ensure that all employees complete the necessary training, and completion is carefully monitored. All employees with access to our online training platform, including members of our Executive Committee, are required to complete online training. In 2018, 3,676, or 94% (2017, 3,200 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 a Compliance Steering Committee made up of ConvaTec leadership team members. We have five Compliance Officers ("COs") each covering APAC (excluding China), China, EMEA, Latin America and North America (US & Canada) respectively. These COs are based in their respective Regions and run cross-functional compliance committees that include members of the regional leadership teams. On an annual basis, the COs conduct risk assessments for their regions, in order to prioritise their compliance activities for the year. In addition, we have two compliance operations employees who work on a global basis. We also employ a number of lawyers in the UK and the US who are responsible for matters involving Regulatory Compliance. Finally, we have approximately five employees who work in Compliance within our US-based Home Distribution Group.

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

Our Legal and Compliance function works with the Audit and Risk Committee, and the Board. Further details are set out in the Annual Report (page 90). 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). In addition to these activities, in May 2018 the Board received formal compliance training on, among other things, anti-bribery and anti-corruption.

In February 2018, the World Bank announced a settlement agreement which included an 18-month debarment of ConvaTec International Services GmbH (CISG), ConvaTec Malaysia Sdn Bhd ("ConvaTec Malaysia"), and other ConvaTec entities. The underlying conduct, which occurred six to nine years ago, related to misstatements on bidding documents in connection with World Bank-financed projects in Bangladesh. The debarment means that the relevant entities are ineligible to participate in World Bank-financed projects, along with projects financed by other developmental banks, until August 2019.

We acknowledged responsibility for the practices and cooperated fully with the World Bank's investigation, including sharing the results of our internal investigation and making enhancements to our compliance programme since the incident, which occurred several years ago. All of the employees involved in the misconduct are no longer with the Company. While the former and current Board had no involvement with the misconduct, the Board received updates during the World Bank's investigation, and is also kept updated on the Company's ongoing remedial efforts.

Whistle-blowing line

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

Relationships with third parties

We cover our approach to ethical behaviour with third-party organisations in "Working Responsibly with Partners" on pages 37 to 39.

Political relationships

In 2018, 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 2018, we have been involved in limited lobbying activities, through a registered lobbyist. This has mainly involved building familiarity of ConvaTec amongst relevant politicians and discussion of market access and taxation issues.

Legal compliance

To our knowledge, in 2018, we were not subject to any fines, non-monetary sanctions or prosecutions relating to anticompetitive, anti-trust, monopoly, human rights, environmental, or health and safety issues, other than where noted in this Report. Please also see Note 24 on page 163 of the Annual Report.

Transparency

Being transparent with our stakeholders about all aspects of our CR performance is a vital part of building strong, long-term relationships based on trust. 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	2017 Score	2018 Score	**2019 Target**
ISS-oekom	C-	C	C+
Sustainalytics	64/100	72/100	75/100

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 achieved with our 2017 Report. We have also fulfilled our 2017 target and commissioned independent assurance for this Report through assurance providers DNV GL (see pages 55 and 56).

Target

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

Status

- ○ New
- ○ Ongoing
- ● Completed
- ○ Delayed

Target

Improve Ratings

To improve our ISS-oekom Corporate Rating grade to at least C+, and our Sustainalytics rating to at least 75/100, by 2019.

Status

- ○ New
- ● Ongoing
- ○ Completed
- ○ Delayed

Reporting principles

Reporting Standards adopted

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

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

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

The following paragraphs indicate how we have applied the GRI Standards Principles relating to report content and quality.

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

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

Materiality
The report section on materiality (see page 10) details how we identified the "universe" of potential, relevant CR issues and how we prioritised these using the experience and knowledge of our management team, and input from a range of external stakeholders. The resulting analysis 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 2018 financial and calendar year. The report covers all of the issues identified in our materiality matrix, and places the most emphasis on the most material issues.

Where a KPI reported in the document does not relate to the entire organisation for the 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 first quarter of 2018, we acquired J&R Medical, a Texas-based independent distributor of catheter-related supplies, strengthening our presence in a substantial and important US market. As an office-based operation of less than 50 people, J&R Medical is not included in the scope of our environmental reporting. We also divested our non-core Symbius Medical respiratory business. The retained elements of the Symbius business were 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 11) to aid navigation and have provided a glossary to help explain acronyms and technical points.

Comparability
We have used recognised accounting methodologies for our greenhouse gas, health and safety and other reporting to enhance comparability. As this is our second 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 2018 CR Report other than where indicated. Any changes in the boundaries of our reporting from 2017 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 2018 Report (for the first time). The scope of the assurance provided is set out on pages 55 and 56.

Timeliness
The information included in the report relates to 2018 unless otherwise stated, and the document has been published in a timely fashion, in parallel to the 2018 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 are establishing 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 CO_2 equivalent included the gases CO_2, CH_4 and N_2O (Scope 1 and 2). In 2018, we participated in the Carbon Disclosure Project Climate Change questionnaire, and were ranked at a level of D disclosure.

Boundaries

In Greenhouse Gas Protocol terms, the boundary we are using for our Scope 1 and Scope 2 reporting is "Financial Control", i.e. we report 100% of the emissions from operations over which we have control. The scope of our GHG reporting does not cover every physical location as indicated on page 42. 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 90% of our non-fieldworker headcount, but all of the most emitting locations. In 2016, our reporting included only manufacturing locations. Data for 2018 suggests that manufacturing locations account for 96% 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 to gather the data.

Scope 1

Our main Scope 1 fuels are diesel (burned in generators to create electricity) and natural gas (for heat and generation). Conversion factors for these fuels are sourced from UK Department for Environment, Food & Rural Affairs (DEFRA) – 2018 version 1.01 (GWP AR5 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. The UK Government GHG Conversion Factor Guidance states that "within the Scope 1 conversion factors for biofuels, the CO_2 emissions value is set as net '0' to account for the CO_2 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 kgCO_2 for every gigajoule of biomethane combusted.

In 2018, we have also 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 and we have no comparative data to help assure the quality. Vehicle emissions do not form part of our baseline for the GHG emission reduction target.

Scope 2

This year, we are reporting our Scope 2 emissions on both a "location basis", and a "market basis".

Our location-based disclosure reflects the electricity grid conversion factors published by the International Energy Agency (IEA) during 2018. These reflect average grid electricity fuel sources for the respective markets for 2016[26].

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 2018, 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 (and also in the UK up to the point that renewable energy was procured). 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. Limited data has been disclosed in the Report. In 2018, we are again reporting emissions from business flights and have commenced work to enable reporting of emissions relating to our raw material usage.

26 Due to a slight change in accounting policy in our 2017 CR Report, we restated the 2016 comparative data in that Report.

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 well-being 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 the ConvaTec Group plc Corporate Responsibility Report 2018 (the "Report") for the year ended 31 December 2018.

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 identifies ConvaTec's stakeholders for engagement and we note that board members were directly involved in dialogue with selected stakeholders.

Stakeholders provided formal input on the material issues in the Corporate Responsibility ("CR") programme via the 2017 survey. ConvaTec should consider whether there are additional mechanisms it could use to systematically monitor stakeholder views on the CR programme and expectations of performance, in-between surveys.

Materiality

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

ConvaTec identified its material issues through an internal process in 2016, and sought external stakeholder input on these during 2017. The process to identify and prioritise potential issues considered a broad and suitable range of sources, and the interim process to review and update this in 2018 was appropriate.

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

ConvaTec recognise that the gender diversity target is challenging, however we note that they have a strategy to address this.

Sustainability context

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

ConvaTec established an initial list of short and medium-term improvement targets for its material impacts in its 2017 report and has expanded upon these in 2018. We note that the new 5-year emissions reduction target has taken account of the requirements of the Science Based Targets Initiative, and we encourage ConvaTec to follow emerging good practice and consider submitting the target for validation.

We note that ConvaTec's climate change strategy included assigning accountability to Executive Committee members via their personal objectives. We encourage ConvaTec to adopt a similar approach across more CR targets.

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, offering stakeholders confidence that the issues in scope are managed appropriately.

The life cycle assessments (LCAs) of existing products and packaging are an important step in quantifying environmental impacts and progressing the planned "Green Design Guidelines" for new product development. As these are rolled out across more products, we encourage ConvaTec to provide more information on the volumes and types of key raw materials used across the business.

ConvaTec followed good practice for calculating and reporting on its Scope 2 GHG emissions by expanding to dual reporting, disclosing both its market-based and location-based emissions.

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 data that is in scope, we had confidence in the processes and systems to ensure the information presented in the Report was accurate.

For the second year in a row ConvaTec used a database to collect and consolidate its environmental data from across the group and has started to use the same system for safety data. To date, environmental data has been collected annually, although the intention is to do this monthly in future. 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.

We recommend that ConvaTec considers broadening the range of indicators in scope for assurance in future reporting periods.

DNV·GL

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 principles 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.

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.

Data in scope

- Scope 1 and Scope 2 greenhouse gas ('GHG') emissions
- Progress reported against those targets which were scheduled for completion by 31 December 2018 (p4 of the Report):
    - Community programme engaging 5% of workforce
    - Safety performance data collation in place for HQ and offices
    - Technical skills and competency assessment for relevant manufacturing employees
    - Climate change strategy and target in place
    - Complete an independent assurance process
- To assess the GHG emissions we have used ConvaTec's reporting principles as described on p53 of the report.

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 Deeside and Reading head office to review process and systems for preparing site level energy data, 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
25th February 2019.

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 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.

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 our Director of Corporate Responsibility at our Headquarters via the following postal or email addresses:

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