

CONVATEC GROUP PLC

MODERN SLAVERY ACT 2015 - STATEMENT 2018

(covering the period 1 January 2018 to 31 December 2018)

INTRODUCTION FROM MARGARET EWING - SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

ConvaTec is committed to fair employment practices and to following applicable employment law wherever it has operations. ConvaTec takes its responsibilities seriously and will comply with laws that prohibit child or forced labour, slavery and human trafficking. In 2016, ConvaTec initiated a programme to review its existing policies, procedures and approach to supply chain transparency and modern slavery, both within its internal operations and third party suppliers. Since then, this cross-functional project has made progress in assessing the labour risk within ConvaTec's own operations and its supply chain and adopting policies and processes to manage that risk. We aim to continue enhancing this programme.

ORGANISATION'S STRUCTURE

We are a global group, with approximately 9,500 employees, doing business in over 100 countries. As at 31 December 2018, we had nine manufacturing plants located in seven countries: four within the EU (the UK, Denmark, The Netherlands and Slovakia) plus Belarus, the Dominican Republic and Mexico. Our reported revenue for 2018 was \$1,832m. On a geographic basis, our revenue is split: Europe, Middle East & Africa (\$747m – 41%), Americas (\$945m – 51%), and Asia Pacific (\$139m – 8%).

ConvaTec is a medical products and technologies group focused on therapies for the management of chronic conditions, with leading market positions in advanced wound care, ostomy care, continence and critical care, and infusion devices. Our products provide a range of clinical and economic benefits including infection prevention, protection of at-risk skin, improved patient outcomes and reduced total cost of care. Further information on our structure, products and financial performance can be found in our Annual Report and Accounts for 2018, which can be viewed [here](#).

OUR BUSINESS

As a Group we have over 50 active companies. This statement is relevant to all our active companies and covers, specifically, ConvaTec Group Plc, ConvaTec Limited and Amcare Limited.

Our business is organised into four franchises: Advanced Wound Care (\$588m – 32%), Ostomy Care (\$533m – 29%), Continence & Critical Care ("CCC") (\$443m – 24%), and Infusion Devices (\$268m – 15%).

The Group's Advanced Wound Care franchise provides advanced wound dressings and skin care products used for the management of acute and chronic wounds resulting from conditions such as diabetes, immobility and venous disease, as well as from traumatic injury, burns, invasive surgery and other causes.

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

The CCC franchise comprises the Group's Continence Care, Critical Care and Hospital Care businesses and our Home Distribution Group (HDG), through which we distribute disposable, intermittent (single-use) urological catheters directly to patients in the U.S.A. The franchise includes products for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and urological disorders. The franchise also includes disposable devices and products used for a range of procedures in intensive care units and hospital settings.

Our Group's Infusion Devices franchise specialises in providing disposable infusion sets to manufacturers of insulin pumps for diabetes and similar pumps used in continuous infusion treatments for other conditions.

Across our operations as a developer, manufacturer and marketer of innovative medical products, ConvaTec has leading market positions in large markets, driven by an ageing population, increase in the prevalence of chronic conditions and increased life expectancy of patients suffering from these conditions.

OUR SUPPLY CHAINS

Our supply chains include companies from all parts of the world, including but not limited to China, Taiwan, U.K., U.S.A., Canada, Denmark, Slovakia, Belarus, Italy, Switzerland, Sweden, France, Ireland, Spain, Poland, Turkey, Russia, Germany, The Netherlands, Mexico and Dominican Republic.

The suppliers cover supply of raw materials (e.g. chemicals, adhesives, films, PVC compounds etc.), part finished products (e.g. moulded items), finished products (e.g. primary and secondary packaging), services (e.g. sterilisation) and research and development. Some elements of our supply are concentrated with a small number of suppliers. For example, in 2018, approximately 63% of our contract manufacture was with five suppliers and two suppliers represented approximately 67% of our logistics spend. Other categories are more evenly distributed, with 42 suppliers representing approximately 80% of our raw material purchasing.

PURPOSE, VALUES AND CORPORATE RESPONSIBILITY

Our corporate Purpose is to improve the lives of the people we touch. Our Mission is to earn trust by delivering quality products and services to our customers. The following principles are at the core of the way we conduct our business:

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

Our general approach to corporate responsibility is summarised in our 2018 Corporate Responsibility Report which can be viewed [here](#).

OUR POLICIES ON SLAVERY AND HUMAN TRAFFICKING

ConvaTec has a number of policies and codes which are relevant to slavery, people trafficking, and human rights and ethical behaviour more broadly.

In relation to its own operations and employees, ConvaTec has published a [Human Rights and Labour Standards Policy](#) ("Policy"), which specifically addresses the United Nations Universal Declaration on Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the Ten Principles of the United Nations Global Compact. The Policy is clear in that it states *"ConvaTec does not accept nor condone any form of modern slavery whether forced, compulsory or trafficked labour. Without limitation, ConvaTec does not engage sweatshop labour, convict labour or indentured labour under penal sanction."* Each ConvaTec employee is required to report any actual or potential violation of either the Code of Ethics or the Policy and communication channels are in place within the Group to facilitate and encourage such reporting, including an independently-managed whistle-blowing mechanism (see below).

The Policy is referenced in the ConvaTec [Code of Ethics and Business Conduct](#) which explains the Group's basic expectations for professional and personal behaviours from each employee around the world. The Code has sections on workplace issues including human rights, discrimination and harassment.

In relation to its supply chain, ConvaTec has a [Supplier Code of Conduct](#) (“Supplier Code”) to address issues of human rights and the prohibition of child labour, compulsory labour and human trafficking. The Supplier Code was published in August 2016 and continues to be rolled out to our existing suppliers as contracts are renewed. All new suppliers are required to sign the Supplier Code. It can be accessed on our external facing commercial website.

During 2017, ConvaTec formed a cross-functional Human Rights Steering Committee, which reports to the Corporate Responsibility Committee of the Board (“the CR Committee”). The Steering Committee has oversight of policy matters relating to human rights.

In many countries ConvaTec conducts its business via third party distributors. We evaluate third party distributors prior to engagement and require that our distributors comply with all applicable laws and regulations and our [Global Third Party Compliance Manual](#).

RISK ASSESSMENT AND DUE DILIGENCE PROCESSES FOR SLAVERY AND HUMAN TRAFFICKING

We evaluate prospective suppliers to ConvaTec through a business review focused on the quality of the product manufactured, the standard of documentation in place and other performance indicators. We also carry out various types of audits and performance evaluations, including assessments of compliance with relevant regulations. All new suppliers receive, and are required to acknowledge through signature, the Supplier Code (see above).

As part of our risk assessment process, in 2017 we conducted ‘desk-top’ country studies of human rights-related risks for four of our markets where we operate manufacturing plants. In addition, we also monitor supplier status using the third-party risk platform, “Risk Methods”, which provides in-depth, real-time coverage of a range of factors that could impact on supplier performance (geo-political, climatic, civil unrest), as well as events that may have been “caused” by our suppliers (e.g. strikes, major pollution incidents, human rights abuses reported in the media).

We believe the risk of slavery and trafficking in our own operations to be very low but, at the end of 2018, we had not completed a full risk assessment of slavery and trafficking across our supply chain. Currently risk is assessed supplier by supplier (see above and below) only.

SUPPLIER ADHERENCE TO OUR VALUES AND ETHICS

Within ConvaTec we evaluate and monitor our supplier relationships through a strategic partnership made up of our Supply Chain, Supplier Quality, Legal, Corporate Responsibility and Human Resources functions. This cross-functional team, which is also reflected in the composition of the Human Rights Steering Committee (above), is tasked with developing and continuously improving the existing collaborative partnership spanning all of ConvaTec’s activities in this important area.

1. Third-party supplier assessment

To support our assessment of suppliers against the Supplier Code, we have implemented a process managed by a third-party provider. The process includes an evidence-based assessment which follows existing best practice and codes, reflecting consultation across a broad group of stakeholders. Furthermore, it is based on a comprehensive set of ethics, labour rights, health and safety, and environmental criteria which closely align with our Supplier Code.

The criteria are tailored to fit the size, sector and geography of the individual supplier and cover issues including: health and safety, working conditions, child and forced labour, discrimination, energy and greenhouse gas emissions, water and waste management, use of chemicals, local pollution, corruption and bribery, information management, and the supplier’s own supply chain assessment processes.

Starting in mid-2017, we invited an initial group of 44 suppliers to participate in the assessment process. The invited suppliers – selected on the basis of the scale and strategic importance of their business with ConvaTec, and the perceived risk associated with their products and services – represented approximately 75% of 2017 total spend with contract manufacturers and raw material and logistics suppliers.

This initial assessment therefore covers a significant proportion of our supply base. The assessment process is being rolled out progressively across our supplier base and all new major suppliers will be strongly encouraged to participate. At 31st December 2018, 41% of the assessments had been completed. Further detail is provided in the ConvaTec Corporate Responsibility Report for 2018.

2. Certification – Supplier Agreements

ConvaTec requires its direct suppliers to comply with the laws of the country in which they operate. To help ensure our suppliers respect and enforce our standards with regard to anti-slavery and human trafficking we have re-drafted the relevant clause in our supplier agreements to read as follows: *“Supplier represents, warrants and covenants that (i) it complies with all applicable laws on working hours and employment rights in the countries in which it operates; (ii) the evaluation and treatment of its employees and applicants for employment are free from discrimination and harassment, whether such discrimination or harassment is based on sex, age, race, colour, ancestry, religion, belief, disability, sexual orientation or marital status; (iii) the Products supplied under this Agreement shall be manufactured under conditions in compliance with the principles set out in the International Labour Organization Eight Fundamental Conventions nos. 29, 87, 98, 100, 105, 111, 138 and 182 and in the United Nations Convention of the Rights of the Child Article 32; and (iv) no Products have been made in whole or in part by sweatshop labour, convict labour or indentured labour under penal sanction.”*

This clause is in our template supplier agreement and is being phased in as ConvaTec enters into contracts with new suppliers and/or renews contracts with existing suppliers.

3. Audits

ConvaTec uses a risk-based approach to evaluate supplier compliance with ConvaTec standards of non-tolerance for trafficking and slavery. Under the Supplier Code, ConvaTec may perform various types of audit assessments to verify the current state of supplier compliance as well as routine monitoring of the supplier’s on-going compliance. Where the supplier has failed to comply with the Supplier Code, ConvaTec shall put in place a remediation plan or in cases of severe non-compliance, ConvaTec may refuse to pursue or terminate an existing relationship.

At the end of 2018, nothing has come to ConvaTec’s attention through the processes above that would warrant an “onsite” audit focused on trafficking and modern slavery to be conducted.

4. Open Communication and Whistleblowing

ConvaTec is committed to an environment where open, honest communications are the expectation, not the exception. ConvaTec wants its employees to feel comfortable in approaching their supervisor or management in instances where the employee believes violations of policies or standards have occurred, including in relation to trafficking or slavery issues.

However, in situations where the employee prefers to place a report in confidence, the employee is encouraged to use a helpline, hosted by a third party hotline provider, EthicsPoint. This helpline is available in all countries where ConvaTec has a direct presence. Employees are encouraged to submit reports relating to violations stated in the ConvaTec Code of Ethics and Business Conduct, as well as ask for guidance related to policies and procedure. Where there may be restrictions on confidential or anonymous employee reporting, employees are directed to an internal ConvaTec resource to help review and resolve any reports of concern. This would include issues relating to trafficking and slavery.

On ConvaTec’s external facing commercial website there is also access for our employees and third parties to the ConvaTec Compliance Helpline, where issues relating to trafficking and slavery could be brought to ConvaTec’s attention.

TRAINING

ConvaTec provides training on the Code of Ethics for all new and existing employees on an annual basis. The training is delivered as a combination of online training and assessment, and via "Town Hall" meetings and face-to-face sessions.

In 2017, online training on the Human Rights and Labour Standards Policy was incorporated into the new employee 'onboarding' process and this continued to operate during 2018.

EFFECTIVENESS

We assess the effectiveness of our approach to combatting slavery and people trafficking as follows.

We believe our policies, training and procedures are effective in reducing the risk of these activities taking place with our own business. We have not received any reports of these factors to date.

In relation to addressing risk in our supply chain, our view is that our policies, training and procedures need to mature before we can make a judgement on their effectiveness. In particular, we need to complete our risk-mapping exercise and accelerate the engagement of key suppliers with our third party-managed assessment process. Despite this, we have not received any reports of slavery or people trafficking in our supply chain to date.

SUMMARY OF SPECIFIC STEPS TAKEN IN 2018

- Progress has been slow but we have continued to roll-out the third party-managed supplier assessment process (see above), increasing the number of suppliers assessed from 34% to 41%.
- Integrating consideration of performance in the assessment process (above) into supplier scorecards, alongside measurement of factors such as quality, reliability and value, and so impacting overall supplier scores.
- Continued the implementation of wording for supplier contracts that expressly covers labour rights (including modern slavery), as new contracts were created or existing contracts renewed.
- Suppliers continue to be required to sign and return the ConvaTec Supplier Code of Conduct.
- In the UK, we have been certified (by Lloyd's Register Quality Assurance) at Level 3 of the National Health Service Labour Standards Assurance System and are working to achieve Level 4 – the highest level achievable under the current framework.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our Group's slavery and human trafficking statement for the financial year ended 2018. This statement has been approved by the Board of Directors of ConvaTec Group Plc and is signed by the director responsible for ensuring compliance with the Modern Slavery Act 2015.



Signed by Margaret Ewing, Senior Independent Non-Executive Director, ConvaTec Group Plc, on 9th May 2019.

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