

Responsible business review 2020

Supplemental information

This document includes the following supplemental information and should be read in conjunction with the Responsible business review contained within our Annual Report and Accounts 2020:

- DNV independent assurance statement
- How we assess materiality
- Our climate-related emissions reporting principles
- Scope of information provided
- GHG emissions by location

Independent Assurance Statement

ConvaTec Limited (“ConvaTec”) commissioned DNV GL Business Assurance Services UK Limited (“DNV”, “we”, or “us”) to undertake independent assurance of ConvaTec Group Plc’s Responsible Business Reporting 2020 contained in the Responsible business review (pages 38 to 61 in the ConvaTec Group Plc Annual Report and Accounts 2020) and the Responsible business review Supplemental information document on the ConvaTec website (together the “Reports”) for the year ended 31 December 2020.



Our Opinion:

- On the basis of the work undertaken, nothing came to our attention to suggest that the Reports do not properly describe ConvaTec’s adherence to the Principles of stakeholder inclusiveness, materiality, sustainability context and completeness.
- In terms of quality 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.

Our observations and areas for improvement will be raised in a separate report to ConvaTec’s Management. Selected observations are provided below. These observations do not affect our conclusion set out above.

Stakeholder inclusiveness

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

The Reports clearly identify ConvaTec’s stakeholders for engagement. The Board started the Sustainability strategy refresh process in October 2020. Anticipating formation of a new Executive led ESG steering team in 2021 and completion of the refresh, there is now an opportunity to connect stakeholder engagement and materiality processes more directly with mainstream commercial strategy. ConvaTec should report upon the progress achieved in its next Report. ConvaTec’s intention to increase engagement with stakeholders relevant to its most material ESG issues should help evolve its approach to stakeholder inclusiveness.

Materiality

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

The Reports cover the issues identified from the materiality process undertaken in 2019 and includes relevant topics for an organisation in the Medical Technology sector.

As part of the Sustainability strategy refresh, we recommend completing a further review of the material issues in the scope of the programme, including their relative priority.

The sustainability impact of products was one of the issues ranked highly in the materiality process. We recommend ConvaTec considers disclosing more information on raw materials used, both in packaging and products, building on the work started in this area in 2019. Future targets, should express clearly how ConvaTec now intends to embed sustainability into its Research and Design processes.

Sustainability context

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

Most of the existing targets were due for completion in 2020. ConvaTec now intends to establish new targets as part of the strategy refresh in 2021. We recommend developing a set of short and medium term targets that cover each of the key aspects of the programme. ConvaTec should also consider updating its medium term GHG emissions target, given that this was achieved early, and include more detail on its future intentions with respect to climate related financial disclosures. New targets should be specific and measurable, and supported by documented criteria or definitions, to ensure objective reporting on progress.

Completeness

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

The completeness of the disclosures on greenhouse gas (GHG) emissions has improved with the reporting on F gas (fluorinated gases). We recommend including these in the overall total GHG emissions for the Group in future.

We recommend expanding the work that has been started to estimate Scope 3 GHG emissions to report more complete data in this area in future.

Leading safety measures such as hazards and observations are tracked internally. ConvaTec should consider including these in its Reports in future.

Quality

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

Overall, for the performance data in scope, we had confidence in the processes and systems to ensure the information presented in the Reports was accurate. The frequency of collection of environmental data was increased to monthly, and this has helped to improve the oversight and reliability of data reported for consolidation.

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



Scope and approach

We performed our work using DNV'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 Reports for adherence to the GRI Principles for defining report content of stakeholder inclusiveness, materiality, sustainability context and completeness (the "Principles"). The review of financial data in the Annual Report and Accounts is not within the scope of our work.

Performance data

The scope of our work covers the following 2020 disclosures ("Performance data") from the Reports:

- Scope 1 and Scope 2 total greenhouse gas ("GHG") emissions (tonnes CO₂e) (market based and location based) (page 54)
- Fatalities, Recordable injuries and rate, Lost time injuries and rate (number and per 200,000 hours worked) (page 49)
- Progress reported against those targets which were scheduled for completion by 31 December 2020 (page 43):
 - Launch 35 new products
 - Reduce lost time injury rate for manufacturing to below 0.5 per 200,000 hours worked
 - Reach a level of 30% females in senior management
 - Complete analysis of the CR performance of 50 of our most significant suppliers
 - Complete third party reviewed life cycle assessments within all major product groups
 - Complete the review and update of human rights related policies
 - Improve Oekom and SustainAlytics ratings

We evaluated the Performance data using the GRI Reporting Principles for defining report quality (accuracy, balance, clarity, comparability, reliability and timeliness) together with ConvaTec's reporting standards (see the Supplemental Information document) for how the data are measured, recorded and reported. The review of any data from prior years is not within the scope of our work (this includes any data in scope in previous years that has been re-stated).

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 review of the Michalovce production site in Slovakia to review process and systems for preparing and reporting site level energy and safety data. We were free to select the site we reviewed and selected on the basis of materiality to the data in scope;
- Review of the process and systems for reporting performance against the targets in scope
- Review of supporting evidence for key claims in the Reports. 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
22nd March 2021

Gareth Manning
Principal Consultant and Lead Assuror
Sustainability UK

Shaun Walden
Principal Consultant and Reviewer
Sustainability UK

Responsibilities of the Directors of ConvaTec and of the assurance providers

The Directors of ConvaTec have sole responsibility for the preparation of the Reports. 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 was not involved in the preparation of any statements or data included in the Reports except for this Independent Assurance Statement.

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

DNV Business Assurance

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

Materiality

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

Our most recent materiality review was undertaken in 2019. We considered a combination of internal and external factors. These included our values, competitive and operational strategies, the concerns expressed directly by stakeholders and by broader societal expectations that are covered in international standards, codes, guidance and agreements, with which our stakeholders expect us to comply. Any impacts important enough to require active management or engagement are also likely to be material for reporting purposes.

We adopted the following three-step approach to identify material issues and their priority:

Step 1: Identified issues

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

- International reporting guidance organisations such as the Global Reporting Initiative (“GRI”), the Sustainability Accounting Standards Body and its sector guidance for Medical Equipment and Supplies businesses, and the International Integrated Reporting Council.
- Legal and regulatory reporting requirements for UK-listed companies (covering issues such as gender diversity, greenhouse gas emissions and modern slavery).
- International initiatives, programmes and standards such as the United Nations Global Compact, the UN Sustainable Development Goals, the UN Guiding Principles on Business and Human Rights, and the International Labour Organisation conventions.
- The disclosures of other leading businesses in our sector and discussions at industry organisations such as the Environment and Sustainability Committee of MedTech Europe, and the Sustainable Healthcare Coalition (both of which we joined during 2019).
- Specific enquiries from stakeholders including:
- Ethical investment businesses: enquiries relating to ethical issues connected with research and development, influencing development and publication of our “Ethical Issues and the New Product Development Process Policy”.
- Customers: interest from buying organisations in relation to the environmental performance of businesses such as ConvaTec, particularly in relation to human rights, climate change and single-use plastics.
- Issues used by rating organisations such as ISS-oekom, SustainAlytics, PIRC, FTSE Russell and others.
- Issue-specific programmes such as the Carbon Disclosure Project.

Many of these sources of information were 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 also supplemented the review with a continuing assessment of various media sources.

Step 2: Gathered stakeholder viewpoints directly

We consulted via an online survey with nearly 70 individual external stakeholders and employees across UK, USA, Spain, Germany, Canada, and Hong Kong.

Our external sample (41) comprised groups which are particularly invested in our business:

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

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

Participants were asked to identify key issues for ConvaTec to focus on currently and in the next five to ten years (all unprompted). They were also asked to rank issues in order of importance.

Step 3: Grouped and ranked issues

Based on stakeholders’ feedback we gathered a list of 27 topics. These were grouped into six categories which are reflected in our responsible business framework (available at www.convatecgroup.com/investors/reports). We use this framework to structure the management of our responsible business agenda and it forms the basis of our reporting.

Climate-related emissions reporting principles

We aim to follow the methodologies set out in The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) (the "Protocol"). The main elements, and any departures from the methodology, are highlighted below. In relation to reporting we have adopted a scope determined by our financial control of subsidiary businesses, and have followed guidance laid out in the Protocol. We have also developed criteria to provide clarity on when a target is considered to have been completed and these criteria have been shared with our assurance providers.

We established 2018 as our base year for the setting of future reduction/efficiency targets. Emissions and energy intensity are calculated using revenue as the denominator (\$m). Calculation of CO₂ equivalent included the gases CO₂, CH₄ and N₂O (Scope 1 and 2). In 2020, we again participated in the Carbon Disclosure Project Climate Change questionnaire, and based on data reported at the end of 2019, we were ranked at a level of 'B' for our disclosure (2018: 'C').

In 2020, we have performed a re-baselining of the 2018 data due to an error discovered in the historical data of two of our non-manufacturing sites in the US. The error related to an under-reporting of Scope 2 emissions, which had a material variance of more than 1% of total emissions.

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. We report emissions from our manufacturing plants (highest levels of emissions), our R&D centres, our most prominent distribution centres, Group and regional head-quarter offices, and other offices with more than 50 full-time employees.

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

Our Scope 1 and Scope 2 emissions on a geographic basis are set out in Appendix 1.

Scope 1

Our main Scope 1 fuels are diesel (burned in generators to create electricity) and natural gas (for heat and generation). Conversion factors for these fuels are sourced from UK Department for Business, Energy and Industrial Strategy ("BEIS") – 2020 version 1.1 (GWP AR4 applied). For the conversion of diesel fuel into electrical power we have assumed generator efficiency of 10%.

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

Due to the cost prohibitive nature of Green Gas Certificate procurement in 2020, we have purchased UN Carbon Emissions Reduction units ("CERs") to offset the carbon emissions of our gas consumption in the UK. By purchasing CERs, which are generated from the Clean Development Mechanism ("CDM") projects and verified by the UN Climate Change Secretariat, we have been able to ensure that we maintain carbon neutrality in the UK. The CERs have been procured by a provider who purchases and cancels CERs through their registry, assigns the amount of tCO₂e offset to a certain approved project and blocks them for further use. A total of 1,989 CERs have been purchased to ensure all natural gas emissions in the UK have been offset through CDM projects.

In 2020, we have again reported Scope 1 emissions arising from our vehicle fleet, as provided by our fleet management partners. However, we have not included the emissions in our overall total as they contain a significant amount of estimation. Vehicle emissions do not form part of our baseline for the GHG emission reduction target.

Our Scope 1 refrigerant gas emissions data has been reported in 2020 also, using conversion factors sourced from BEIS – 2020 version 1.1. Refrigerant gas emissions do not form part of our baseline for the GHG emission reduction target and have therefore not been included in our overall Scope 1 calculation.

We are undertaking a strategic review of carbon emissions, baseline data and targets in 2021 and, as part of the process, we will determine an improved approach to reporting all emissions.

Scope 2

This year, we are again 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 2020 (v1.1). These reflect average grid electricity fuel sources for the respective markets for 2018.

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

- Specific contractual instruments, such as renewable energy certificates.
- Direct contracts (e.g. for low carbon generation).
- Supplier-specific emission rates.
- Location-based conversion factors.

In 2020, our electricity was procured under Renewable Energy Guarantees of Origin certificates in the UK. Our energy provider in Denmark was able to provide a supplier specific emission rate. All of our other markets are reported on the basis of IEA conversion factors.

Scope 3

We are committed to expanding our reporting of Scope 3 emissions.

We estimate that the carbon footprint of our products placed on the market is between 40,000 and 60,000 tCO₂e. This estimate resulted from a study undertaken in 2019 based on 2018 sales data and an analysis of high volume representative products that was extrapolated to provide estimates for product categories based on sales volumes. This necessarily means that there is significant scope for error and the final estimated data disclosed should be treated as indicative only.

Completeness of information

The information contained in the Responsible business review section of our 2020 Annual Report and Accounts covers all operations over which we had financial control for the 2020 financial and calendar year. It also covers all of the issues identified in our responsible business framework (available at www.convatecgroup.com/investors/reports) and places the most emphasis on the most material issues. Where a reported KPI does not relate to the entire organisation for the whole year, the scope of its boundaries is indicated.

Businesses acquired or disposed of during the year are not included in our reporting for that year except where disclosed otherwise. At the end of Q3 we completed the disposal of our US Skincare product line.

March 2021

Appendix 1 – Location-based GHG emissions (tonnes CO₂e) by country

Scope 1

Country	2020	2019	2018
Belarus	329	364	441
Denmark	495	537	587
Dominican Republic	126	189	161
Mexico	4	0	0
Netherlands	39	43	36
USA	306	282	281
UK	1,989	2,053	2,139
Slovakia	1,578	1,526	1,680

Scope 2

Country	2020	2019	2018
Belarus	1,167	1,176	1,179
Denmark	1,422	1,402	2,432
Dominican Republic	11,065	10,258	11,843
Netherlands	188	176	173
USA	706	1,067	1,082
UK	2,433	2,847	3,405
Slovakia	2,597	2,678	2,770
Switzerland	1	2	2
Singapore	11	11	11
Mexico	7,579	7,702	7,657

