convatec
— forever caring —

Pioneering trusted medical solutions to improve the lives we touch

Convatec Group Plc

Annual Report and Accounts 2022

We are Convatec

Pioneering trusted medical solutions to improve the lives we touch

Overview

Strategic report

Governance

Financial statements

Additional information

OUR 2022 HIGHLIGHTS

FINANCIAL

Group revenue
$2,073m
(2021: $2,038m)

Operating profit
$207m
(2021: $204m)

Adjusted[1] operating profit
$404m
(2021: $362m)

Adjusted[1] operating profit margin
19.5%
(2021: 17.7%)

Basic earnings per share
3.1¢
(2021: 5.9¢)

Adjusted[1] basic earnings per share
12.7¢
(2021: 13.1¢)

STRATEGIC

FOCUS
- Acquired Triad Life Sciences
- Announced exit of hospital care
- 9.6% revenue growth[2] in top 12 markets

INNOVATE
- Launched InnovaMatrix®, GentleCath Air™ for Men and Extended Wear Infusion Set

SIMPLIFY
- 22.2% reduction in general and administrative spend[1]

BUILD
- Pricing Centre of Excellence (CoE) delivered improvement
- Embedded Pricing, Sales and Marketing CoEs

EXECUTE
- 13% reduction in complaints per million
- Manufacturing productivity improvements

Read more about our progress on our FISBE strategy on pages 14 to 19

We also made considerable progress embedding our ESG framework, Convatec Cares. See pages 40 to 74

1. Certain financial measures in this Annual Report and Accounts, including adjusted performance measures above, are not prepared in accordance with IFRS. All adjusted performance measures are reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 224 to 228.
2. In constant currency.

In 2022 we have continued to make good progress pivoting the business to sustainable and profitable growth

Read more in our Chief Executive's review on pages 14 to 19

Convatec at a glance

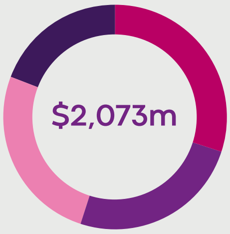
About us

Convatec is a global medical solutions and technologies company, committed to the people we serve – patients living with chronic conditions, their care givers and the healthcare professionals who support them.

Since 1964 we have supported patients in managing long-term conditions, with leading market positions in Advanced Wound Care, Ostomy Care, Continence and Critical Care and Infusion Care.

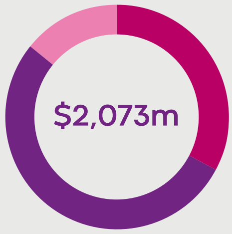
THE SCALE OF OUR BUSINESS

Group-reported revenue by category



- Advanced Wound Care: 30% $621m
- Ostomy Care: 25% $522m
- Continence & Critical Care: 26% $546m
- Infusion Care: 19% $384m

Group-reported revenue by geography



- Europe: 33% $689m
- North America: 53% $1,090m
- Rest of world: 14% $294m

KEY FACTS

~850m
finished products

12
key markets

~10,000
colleagues

9
manufacturing locations

OUR PROMISE: FOREVER CARING

OUR VALUES

Improve care
We are passionate about serving and supporting people with deeply personal and challenging medical conditions.

Deliver results
We consistently deliver excellent work, say what we do and do what we say.

Grow together
We respect each other. We help colleagues around us grow, develop and thrive, so we can all fulfil our potential.

Own it
We take personal ownership of all our work: taking the initiative, innovating, taking smart risks and never settling for second best.

Do what's right
We behave ethically, are honest and trustworthy, operate with the highest standards of integrity, uphold policies and make a positive difference.

OUR CATEGORIES

Advanced Wound Care (AWC)

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

Read more about this category on page 22

Ostomy Care (OC)

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.

Read more about this category on page 24

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 products used in intensive care units and hospital settings.

Read more about this category on page 26

Infusion Care (IC)

Disposable infusion sets for diabetes insulin pumps, or for pumps used in continuous subcutaneous infusion treatments for conditions such as Parkinson's disease.

Read more about this category on page 28

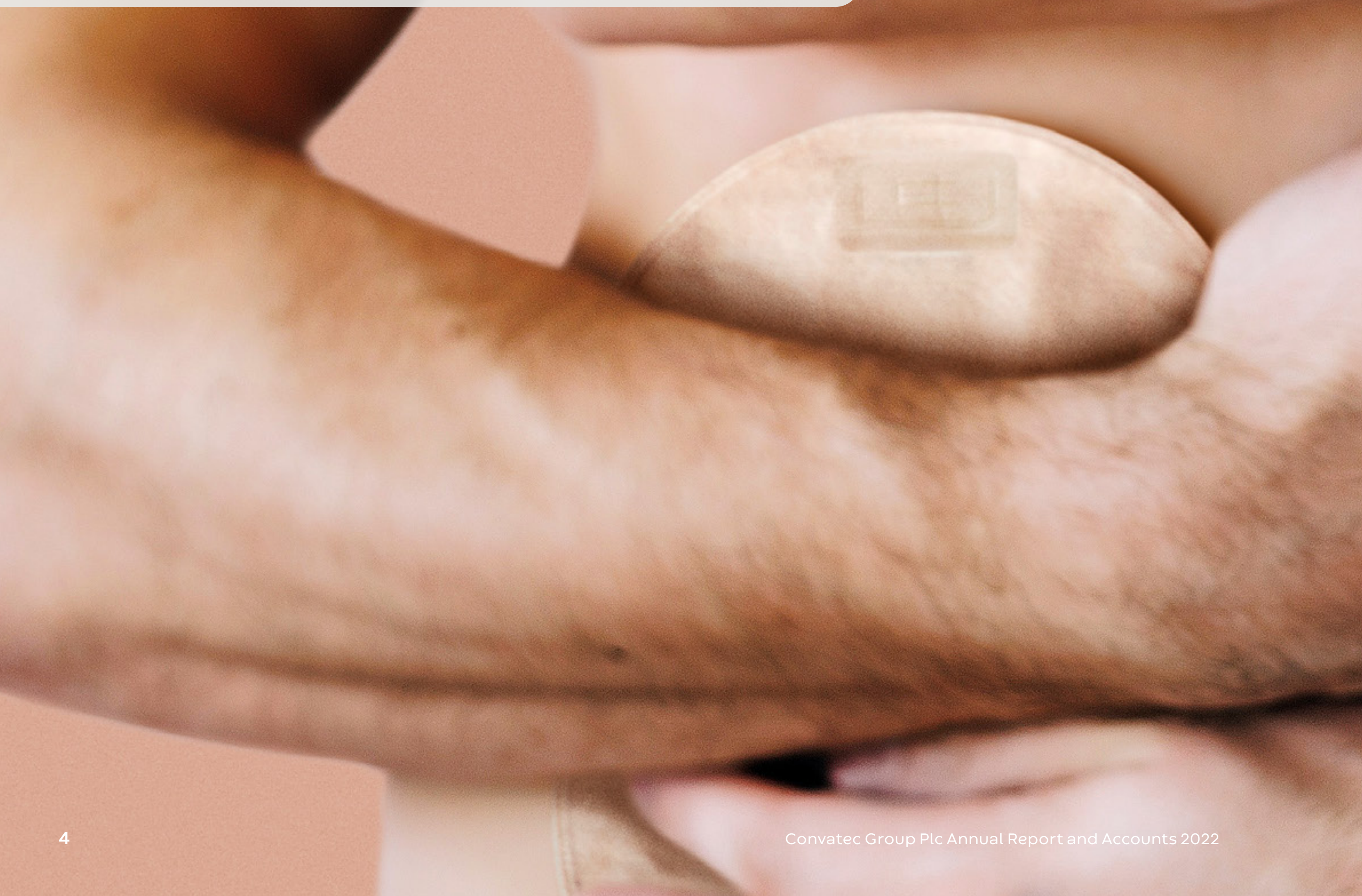
OUR JOURNEY TO FOREVER CARING

We are determined to help address the growing 'care gap' between the support patients want and what healthcare professionals can provide.

This gap is one that we can help bridge by providing layers of care to help patients live fulfilling lives. A survey[1] conducted in 2022 found 87% of patients with long-term conditions face stigma, while many nurses feel they lack the time and resources to provide adequate support. Forever caring is our promise to support healthcare teams and carers, as well as the patients they care for. Health conditions can be unpredictable and unfair. We believe healthcare should be the polar opposite.

Above all else, forever caring builds on our heritage as a business supporting those with deeply personal and challenging medical conditions. As we bring Convatec's vision to life – pioneering trusted medical solutions to improve the lives we touch – we know the needs of our patients and healthcare providers continue to change, and we must continue to change with them.

1. www.convatecgroup.com/media/press-releases/2022/convatec-makes-forever-caring-promise/



Strategic report

Who we are

How we realise our vision

By delivering on our strategic intent of pivoting to sustainable and profitable growth, we realise our vision and deliver lasting value for our stakeholders.

OUR VISION

Pioneering trusted medical solutions to improve the lives we touch

OUR PROMISE

Forever caring

OUR STRATEGY: FISBE

Focus on strengthening customer loyalty in key markets and categories

Innovate to increase vitality and velocity of trusted medical solutions

Simplify to improve productivity across our organisation

Build and embed mission-critical capabilities and winning culture

Execute with excellence while integrating environmental, social and governance (ESG)

Read more on page 15

OUR VALUES

- Improve care
- Deliver results
- Grow together
- Own it
- Do what's right

Read more on page 2

OUR ESG FRAMEWORK: CONVATEC CARES

Customers Delivering for our customers

Colleagues Enabling our people to thrive

Commerce Behaving ethically and transparently

Communities Protecting the planet and supporting communities

Read more on page 40

We have continued to successfully execute our FISBE strategy, strengthening Convatec's competitive position and delivering on our forever caring promise for patients and customers

Karim Bitar
CEO

Our business model

Designed to enable us to deliver on our promise and create value for our stakeholders

Customers and patients are at the heart of what we do - we are always thinking about how we can better support them.

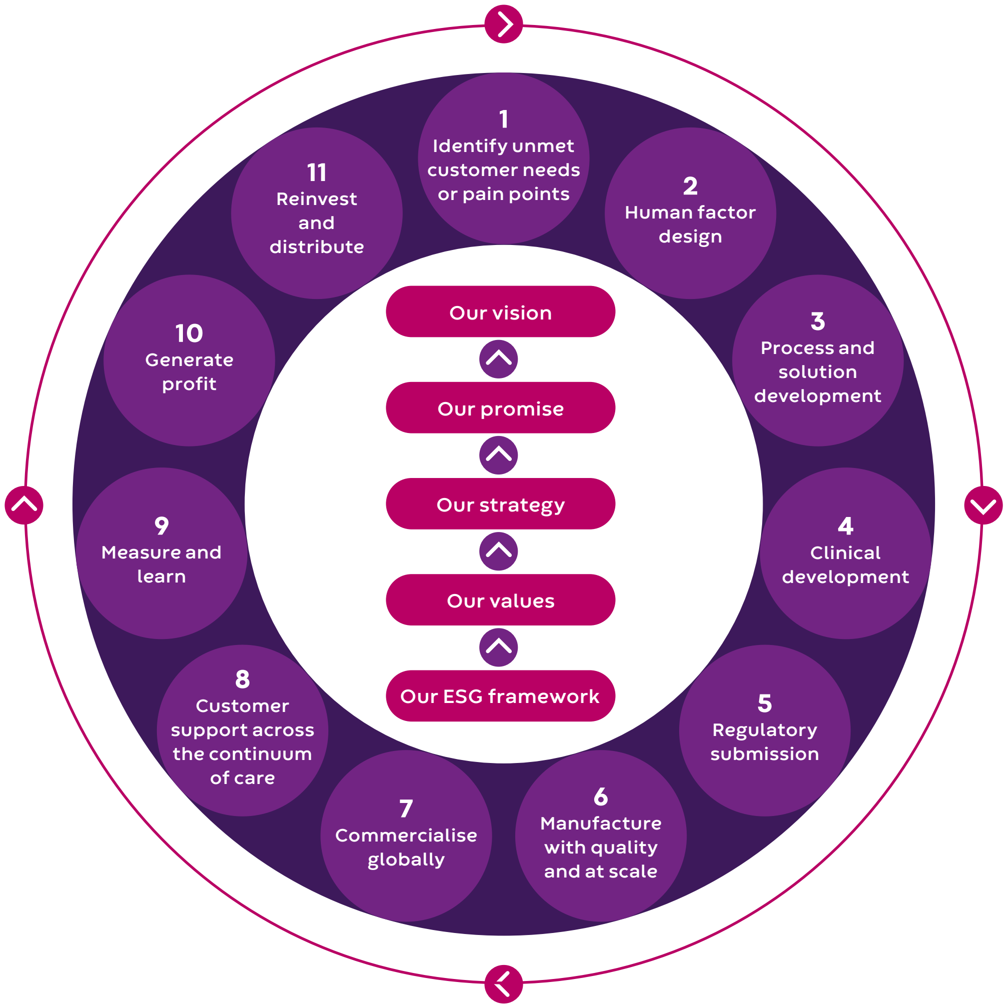
INPUTS

OUR RESOURCES AND RELATIONSHIPS

- A talented and diverse workforce
- Category knowledge and understanding
- Innovation and intellectual property
- Relationships with patients and healthcare professionals
- A robust quality function and supply chain
- Strong quality brands
- Global sales and marketing platform
- Customer insights and support programmes

Read more about our vision, promise, strategy and values on page 6

OUR BUSINESS MODEL



THE VALUE WE CREATE

1. Identify unmet customer needs or pain points
Consistently and systematically map customer journeys, to better understand the needs of patients and healthcare providers

2. Human factor design
Design products and services to improve the customer experience or to meet an unmet need

3. Process and solution development
Leverage common R&D technologies and design for manufacturing expertise to deliver optimum solutions at scale and with attractive cost profiles

4. Clinical development
Focus on medical strategy and clinical development to generate evidence of improved patient outcomes, health economic efficiency and better patient access

5. Regulatory submission
Understand the regulatory backdrop and work with regulatory bodies to enable access for patients

6. Manufacture with quality and at scale
Leverage common technologies and capabilities to manufacture high-volume, high-quality consumables at the right price

7. Commercialise globally
Leverage global commercial infrastructure to enhance access for patients and customers. Where feasible, adopt a global approach to brand launches

8. Customer support across the continuum of care
Offer high-quality services and tools which support the patient across their continuum of care

9. Measure and learn
Focus on measuring Net Promoter Score and reviewing complaints to ensure we are delivering for patients - taking any feedback into account as we consider future innovations

10. Generate profit
Constantly explore ways to improve productivity and efficiency of how we operate to deliver sustainable and profitable growth

11. Reinvest and distribute
Utilise strong free cash flow to reinvest in the business (either organically or inorganically) or return capital to shareholders

Patients Solutions to improve the lives we touch	**~850m** finished products
Healthcare professionals (HCPs) Providing value-added solutions, support and advice	**230k** HCPs engaged in medical education
Health plan contracts Enabling healthcare systems to reduce costs and increase efficiency	**>1,700** health plan contracts
Employees Providing employment and development opportunities	**~10,000** employees
Shareholders Generating returns for investors	**$88.1m** cash dividends paid to shareholders
Society Making a positive contribution through community engagement and paying tax	**$52.9m** corporate tax paid

A word from the Chair

Dear Shareholder

Despite the global macroeconomic challenges in 2022, Convatec has once again delivered strong financial results this year. Fundamental to this has been the continued execution of our FISBE strategy which has been key to Convatec's progress as it pivots to sustainable and profitable growth.

Execution of our strategy

During 2022 we have further refined our focus on the attractive chronic care markets through the strategic entry into the wound biologics segment[1] via the acquisition of Triad Life Sciences coupled with the decision to withdraw from lower-growth, lower-margin hospital care activities and related industrial sales.

We have continued to strengthen our competitive position. Our innovation and technology agenda is gathering momentum; as well as entering the exciting wound biologics segment[1], we launched three new products during the year and made a strategic investment in BlueWind Medical Ltd, a company developing an innovative solution for the continence market.

Commercially we have been driving improvements and developing the resilience of our operations with strategic infrastructure investments and inventory building.

Towards the end of the year, the Group also successfully concluded a refinancing of our term and revolving credit facilities, further reinforcing Convatec's financial strength into the medium term.

2022 trading and dividend

Our reported revenue for the Group was $2,073 million, up 1.7% against 2021 (6.9% higher on a constant currency basis). Operating profit was $207 million on a reported basis (2021: $204 million) and $404 million on an adjusted basis (2021: $362 million). Despite the significant inflationary headwinds during the year, we improved our adjusted operating profit margin to 19.5% (2021: 17.7%). Strategic investments in M&A, higher capex to support future growth and inventory for resilience were key drivers in an increase in net debt although full year leverage[2] of 2.1x was in line with our guidance.

Given these results, Convatec's underlying financial strength and the Board's continuing confidence in the Group's future growth prospects, the Board is pleased to recommend a final dividend of 4.330 cents per share to be paid on 25 May 2023 to shareholders on the register at the close of business on 11 April 2023. The final dividend will be subject to shareholder approval at our Annual General Meeting on 18 May 2023 and, if approved, will bring the full year dividend to 6.047 cents per share, an increase of 3% over 2021.

Board changes

There have been a number of changes to the composition of the Board over the last year. Jonny Mason joined Convatec as Chief Financial Officer Designate on 31 January 2022 and became Chief Financial Officer and a Director of the Company on 12 March 2022. Jonny replaced Frank Schulkes, who stepped down as CFO and from the Board on 11 March 2022. Jonny has quickly settled into the role, with Convatec benefiting from his considerable experience and knowledge.

Kim Lody and Sharon O'Keefe joined the Board as independent Non-Executive Directors on 1 February 2022 and 1 March 2022, respectively. Both have brought considerable and relevant healthcare experience and insight, and have already contributed a great deal to Board discussion and debate.

Rick Anderson stepped down from the Board on 3 March 2022, as did Dr Regina Benjamin on 12 May 2022.

Sharon was also appointed in May 2022 as Convatec's dedicated Non-Executive Director workforce liaison champion, meeting with colleagues throughout the organisation since her appointment, ensuring that the Board is appropriately briefed and that employee interests are considered in decision-making.

1. Wound biologics segment as defined by SmartTRAK. Includes skin substitutes, active collagen dressings and topical drug delivery.
2. Net debt (excluding lease liabilities)/adjusted EBITDA.

The continued execution of our FISBE strategy has been key to Convatec's progress as it pivots to sustainable and profitable growth.

The progress we have made on Board diversity over the last few years is very encouraging, not only meeting the FTSE Women Leaders Review gender and Parker Review ethnic and cultural targets, but also already meeting the new diversity targets in the Listing Rules. While remaining focused on recruiting on merit and on the best candidate for the role, it is the Board's intention to maintain both gender and ethnic diversity levels on the Board at least in line with these targets. We remain equally committed to drive overall diversity, equity and inclusion in Convatec's senior management and throughout the Company, and further information on this can be found later, in the Responsible business review.

Following these Board changes early in 2022, the Board considers that it has an appropriate mix of skills, knowledge, experience and diversity on the Board to fulfil its vision and support the delivery of the Company's strategy.

Culture, values and behaviours

Our values guide our colleagues' everyday behaviours. As a Board we are determined to reinforce a culture that is shaped by these values: this is essential as we strive to deliver our vision of pioneering trusted medical solutions to improve the lives we touch. Throughout this Annual Report we set out the progress we have made over the last year in reinforcing a responsible, engaging, inclusive and high-performing culture - one which delivers against our forever caring promise.

Convatec Cares

During the year we saw the launch of Convatec Cares, our evolved Environmental, Social and Governance (ESG) framework, which supports our aim of pivoting to sustainable and profitable growth and underpins our long-term success. The framework is built around four pillars:

- Delivering for our customers
- Enabling our people
- Behaving ethically and transparently; and
- Protecting the planet and supporting communities

There is detailed commentary against each of these pillars in the Responsible business review (pages 40 to 74), as well as further insight into the ESG framework, governance, metrics and targets, together with information on our stakeholders and why it is important for Convatec to actively engage with them.

Convatec remains committed to the highest standards of corporate governance. The Governance report on pages 100 to 165 provides further detail on Convatec's wider governance framework as well as further detail on the Board's stakeholder engagement activities.

Looking ahead

The considerable progress that Convatec has made since I became Chair in 2019 would not have been possible without the hard work, drive and unwavering commitment of our employees and leadership team, for which I would like to thank them on behalf of the Board.

I would also like to thank our shareholders for their support, many of whom met with me or other members of the Board over the last year. Amongst other things, their input and engagement as part of a consultation process helped us as we developed a new Remuneration Policy which is set out in the Directors' Remuneration report, and which will be put forward for approval at the Annual General Meeting in May 2023.

Finally, the Board remains focused on execution of the Group's strategy as it evolves, maintaining a sharp focus on strategic delivery. This includes oversight of the innovation pipeline and the launch of new products. While the macroeconomic environment remains uncertain, I believe the Group is well placed not only to maintain its market-leading status but to successfully deliver sustainable and profitable growth into the medium term.

Dr John McAdam CBE
Chair
8 March 2023

Reasons to invest

We believe that Convatec represents an attractive defensive-growth opportunity for investors.

By pioneering trusted medical solutions to meet the needs of patients suffering from chronic conditions we generate attractive returns and strong free cash flow which can be reinvested to benefit more patients, our wider stakeholders and society as a whole.

1 Chronic care is a large and growing market

We are focused on the chronic care market:

>90%

of our revenues are from serving chronic care patients. These revenues are often recurring in nature as patients rely on our solutions

The chronic care market is large:

$14bn

global market size[1]

It is fast growing:

4-8% p.a.[1]

There are three global trends driving structural growth and increasing demand for our solutions.

1. An ageing global population

Global population aged 60+

2050	2.1bn
2020	1.0bn

Source: United Nations, World Population Prospects.

2. Chronic conditions are rising

Approximately one in three adults globally suffer from multiple chronic conditions (e.g. diabetes, cancer).

Source: The global burden of multiple chronic conditions, Cother Hajat and Emma Stein.

3. People are now living longer

Average life expectancy in the world (years)

2020	73
1950	47

Source: United Nations Population Divisions estimates.

1. Market size and growth based on aggregate of category estimates, internal analysis and publicly available sources, including SmartTRAK and Global Industry Analysts Inc. reports. See pages 22 to 29 for detail.

2 We have leading positions

Advanced Wound Care

#2 globally

Ostomy Care

#3 globally

Continence Care

#1 in the US

Infusion Care

#1 globally

Refer to operational reviews on pages 22 to 29 for further detail.

3 The business is now growing sustainably in 4-6% range

Organic sales growth

%

2022	5.6
2021	5.3
2020	4.2
2019	2.3
2018	0.2

Adjusted operating profit growth[2]

%

2022	11.6
2021	5.4
2020	0.9
2019	-14.3
2018	-7.8

2. APMs see pages 224 to 228.

4

We expect to expand our operating profit margin over time by:

i. Simplification and productivity

- Reduce adjusted G&A spend to 7% of sales
- Improve commercial productivity
- Increase automation

ii. Improving mix

- Exiting lower-margin, lower-growth business and acquiring higher-growth, higher-margin businesses
- Natural benefit given our faster-growth categories are higher margin
- Improving the mix within our categories

iii. Increasing operating leverage as revenue grows

5

The business generates strong cash flow

Adjusted EBITDA[2]

$500m

Adjusted free cash flow (post-tax)[2]

$202.6m

2 APMs see pages 224 to 228.

6

This supports future growth and serves stakeholders

Target leverage[3] ~2x over time

Invest organically in opex and capex

Progressive dividend targeting payout ratio of 35-45% of net profit[4]

Bolt-on M&A

Any surplus capital returned to shareholders

This results in attractive financial outcomes

MEDIUM-TERM TARGETS		OPPORTUNITY	MEDIUM-TERM OUTCOME
Sustainable top-line growth	**Expanding operating profit margin[2,4]**	**Potential M&A to enhance growth**	**Sustainable and profitable growth**
4-6% organic revenue growth p.a.	Mid-20s operating profit margin over time	Strengthen positions in technology, geography and capability	**Double digit EPS[4] and FCF[2,4] CAGR**

2. APMs see pages 224 to 228.
3. Net debt (excluding lease liabilities) / adjusted EBITDA[2].
4. Adjusted.

Chief Executive Officer's review

Pivoting to sustainable and profitable growth

"Over the course of the year we continued to make progress with our FISBE strategy, launching three new products and improving our competitive position. The resulting financial performance is further proof that Convatec is pivoting to sustainable and profitable growth"

Karim Bitar
Chief Executive Officer

Convatec continued to successfully execute its FISBE strategy, strengthening its competitive position and delivering on our forever caring promise for patients and customers. The various strategic initiatives actioned during the period have enhanced the quality of the business and improved our financial performance and prospects.

Attractive growth prospects

Convatec operates in the structurally-growing, attractive chronic care markets. We focus on four categories. These have a combined market size[1] of $14 billion p.a. and market growth rates[1] of between 4-8% p.a. We are leaders in the categories in which we operate and expect to grow revenue in line with or faster than each market.

We serve a diverse set of chronic care markets, producing high-volume, high-quality consumables resulting in attractive recurring revenues. This diversity provides resilience and synergies, notably in areas such as: biomaterial sciences, product and clinical development, automated manufacturing and shared supply chain capabilities. Consistent with our FISBE strategy we have been investing in our innovation pipeline, building mission-critical capabilities, expanding capacity and increasing our resilience.

A chronic care focused business well positioned to deliver sustainable and profitable growth

We continued to make progress executing our FISBE strategy, thereby strengthening our competitive position and our ability to consistently deliver sustainable and profitable growth.

Over the course of 2022, through acquisitions and exits, we further focused the Group on chronic care categories - entering the fast-growing wound biologics[2] segment while exiting our hospital care business. Our continued focus on innovation has resulted in three new products being launched (2021: one new launch), and the R&D function has been strengthened by an increased emphasis on intellectual property.

We continue to invest in building core capabilities. Our Centres of Excellence (COE) (in Marketing, Pricing and Sales) are having a positive impact which, coupled with our simplification and productivity agenda, are driving better results.

The progress made under FISBE 1.0 has resulted in a stronger, higher-quality business. Further details on the progress made under each pillar can be found on pages 16 to 19. We hosted an Innovation Day on 17 May 2022 and then a Capital Markets Event in November where we outlined our refreshed strategy, FISBE 2.0.

Footnotes within the CEO review are defined as follows:
1. Market size and growth based on aggregate of category estimates, internal analysis and publicly available sources, including SmartTRAK and Global Industry Analysts Inc. reports see pages 22 to 29 for detail.
2. Wound biologics segment as defined by SmartTRAK. Includes skin substitutes, active collagen dressings and topical drug delivery.
3. APM see pages 224 to 228.

We delivered a strong financial performance

Group reported revenue of $2,073 million rose 1.7% (2021: $2,038 million). Adjusting for the significant FX headwind, revenue grew 6.9% on a constant currency basis and 5.6% on an organic basis, slightly ahead of our initial guidance.

Adjusted operating profit[3] rose 11.6% and 12.2% on a constant currency basis despite significant COGS inflation of 8.6%. Adjusted operating profit[3] margin was 19.5% (2021: 17.7%) with mix / price, operations productivity, significant G&A spend reduction and 80bps of foreign exchange tailwind more than offsetting significant inflation and continued investment in commercial capabilities.

Reported operating profit was broadly flat over the previous year, as G&A savings were partially offset by higher operating expenses arising from selling and distribution as well as costs related to the exit of hospital care.

Adjusted diluted EPS[3] was down 3.1% with operating profit growth more than offset by higher adjusted tax expenses and finance expense from higher market interest rates.

Reported diluted EPS was down 46.6% impacted by higher adjusting items mostly related to the exist of hospital care and Triad Life Sciences acquisition.

Capital expenditure during 2022 was $144.2 million as we continued to invest for future growth, expanding our manufacturing facilities in Infusion Care, beginning to increase the automation at our production facilities and developing new digital technologies to deliver enhanced customer experiences. We were able to accelerate our plans, making good progress on several significant projects, notably the expansion of capacity in Osted and Reynosa for our Infusion Care business, and beginning to increase automation at our Deeside wound care facility. We also invested in acquiring intellectual property for our Ostomy Care accessories portfolio.

Cash conversion was 55.6% (2021: 73.0%) primarily reflecting increased capital expenditure and the strategic decision to build inventory for resilience, coupled with the timing of receivables. We expect phasing of some receivables to reverse in H1 2023 while strategic capex investment and inventory will remain elevated in 2023.

Net debt[4] increased by $187 million after the acquisition of Triad Life Sciences ($173 million) and investment in BlueWind Medical ($31 million). Leverage[5] was 2.1x (2021: 1.9x) in line with our guidance. We continue to target leverage[5] of 2x over time but will be comfortable going up to c.2.5x for appropriate M&A opportunities.

Delivering continued strategic progress

The execution of our FISBE strategy is progressing well. We continue to make progress in each of the five pillars as we drive towards our vision of pioneering trusted medical solutions to improve the lives we touch. In November, at our Capital Markets Event, we announced that in 2023 our strategy will evolve to FISBE 2.0.

Focus

We further reshaped the business to focus on our four chronic care categories through bolt-on acquisitions, notably the Triad Life Sciences acquisition which gives us a foothold in the important wound biologics[2] segment. This, coupled with the withdrawal from non-core hospital care activities and related industrial sales, means that over 90% of our revenue now comes from chronic care markets.

We continued to focus and invest in our 12 key markets which cumulatively delivered constant currency revenue growth of 9.6%, ahead of the overall Group growth.

Looking ahead to 2023, with FISBE 2.0, we will become even more focused on strengthening customer loyalty in our key markets and categories, measuring and tracking our net promoter scores. We will continue to invest in the US and China, our most important markets and continue to evaluate appropriate bolt-on M&A opportunities to further strengthen the business in our core categories.

4. Net debt excludes lease liabilities
5. Net debt[2,4]/adjusted EBITDA[2]

Chief Executive Officer's review continued

Innovate

Innovation remains at the heart of our business. We have made significant progress advancing our pipeline and strengthened our technology & innovation capabilities. The R&D expenditure for the year increased 3.7% on a constant currency basis. On a reported basis R&D expenditure was $92 million (2021: $95 million), and additional capital expenditure of $14 million was incurred over the period. We invested a further $10 million in Intellectual Property licences relating to accessories products, accounted for as capital expenditure.

We began launching three new products during 2022, a step up from our historical level:

- Advanced Tissue Technologies' (ATT) porcine placenta-derived extracellular matrix product, InnovaMatrix®, in the US, which has contributed meaningfully to the growth in AWC during 2022
- GentleCath™ Air for Men, our new hydrophilic compact male catheter (utilising our proprietary FeelClean™ Technology), began rolling-out in France and the UK, with plans to roll out in the US and other key markets in 2023, and has been well received
- The Extended Wear Infusion Set (EWIS), our innovative seven-day wear technology improving value and use to customers whilst also reducing its environmental impact, available in Europe and now the US

It is by continually refreshing our product portfolio and ensuring it is differentiated that we can deliver sustained and profitable growth over time.

In addition, we acquired a minority stake in BlueWind Medical Ltd, the developer of an innovative implantable tibial neuromodulation device for the over-active bladder segment, securing a relationship with a company developing a proprietary and differentiated solution to treat over-active bladders in the continence space

We have also made progress on product sustainability as it relates to technology & innovation, part of our wider ESG agenda. Green Design Guidelines are an important part of our development process, and we are systematically examining the environmental footprint of our solutions and considering ways to reduce waste.

We are developing a much richer longer-term pipeline, as mentioned at the Capital Markets Event, and have further visibility on product launches - for example, we're already working on the next generation hydrofiber® technology platform.

We continue to pursue our R&D without walls approach; as well as driving organic projects we will pursue inorganic activity. We will continue leveraging the IDEAL process, launched in 2021, and are seeking to improve cycle time. Our goal is to more frequently refresh our portfolio to provide an improved customer experience. This deeper and broader innovation pipeline will underpin our growth in the future. To measure progress against this ambition we are targeting that by the end of 2025, 30% of our revenue will be generated from new products launched in the previous five years.

In 2023, we will continue to strengthen our product pipeline, innovation capabilities and improve our cycle time. In AWC we began the US rollout of ConvaFoam in January 2023, which will strengthen our competitive position in the large foam segment. We intend to roll out ATT's new products, InnovaBurn® and InnovaMatrix® PD, for which we have already received clearance. In CCC, we will be preparing for the launch of GentleCath™ Air for Women in late 2023/early 2024, ahead of schedule, whilst in IC, during 2023, we expect to launch tailored infusion sets for Tandem's new Mobi hybrid micro-pump and for AbbVie's Parkinson's therapy, both of which are subject to regulatory approval. The other major new products are progressing well. The Esteem 2.0 ostomy product and AWC's ConvaVac are expected to launch in 2024.

Simplify

We made significant progress on our simplification and productivity agenda in 2022. Adjusted G&A[3] expenditure was reduced by 22.2% to $185 million, down 16.4% on a constant currency basis, or 8.9% of sales (2021: 11.7%) as positive progress with initiatives brought forward benefits. We transitioned more finance and IT activities to our Global Business Services (GBS) centres in Lisbon and Bogota. 2022 was the first complete year of GBS activity and we have started to see early benefits of standardised processes and automation, lowering finance and IT costs. An increasing number of activities are also now being resourced by internal talent, thus reducing spend on external consultants. The foundations are now in place to build additional in-house expertise to further streamline processes and reduce additional spend.

During 2022 we also initiated a review of our facilities footprint and are in the process of closing some underutilised offices, replacing them with flexible working alternatives which will improve our colleagues' experience.

In 2023, as part of FISBE 2.0, we will look to improve productivity further across the organisation, reducing low value activity and driving economies of scale. On the commercial front we will leverage the Salesforce CoE and our CRM system more broadly across the organisation. In quality and operations, we will increase automation and drive our continuous improvement agenda. In G&A we will expand the scope of GBS and build more end-to-end processes. For example, we have started our HR transformation, which will see us leverage central processes such as payroll, training and onboarding transitioning to GBS.

SIMPLIFY

Improving our margin by reducing G&A spend

We have established and invested in a Global Business Services function (GBS), which enables us to deliver economies of scale by centralising expertise, and drive productivity by standardising, simplifying and automating processes.

In 2022 we have started seeing benefits from redesigned processes. The volume of transactions processed through GBS increased to a substantial scale. We served over 12,000 customers in nine different languages, paid over 200,000 invoices and delivered management accounting reports for 70 countries from a single location. Additionally, by reducing reliance on external consultants, and developing in-house expertise, we were able to reduce G&A spend, bringing it below 9% of sales.

We understand there is significant further opportunity to improve the working experience of colleagues and to save costs. On an ongoing basis, we are leveraging our GBS platform, increasing the scope of activities as well as geographic coverage. We are adding more digital tools and more automation, such as self-service apps.

Chief Executive Officer's review continued

Build

We strengthened the Convatec Executive Leadership Team (CELT) during 2022. Jonny Mason joined us as CFO of the Group during Q1, while Kjersti Grimsrud took over leadership of our Infusion Care business and consequently Seth Segel added Continence & Critical Care to his existing HSG responsibilities. Anne Belcher joined the Group from GSK to lead our Global Emerging Markets business and Bruno Pinheiro, who led our successful LATAM business before acting as Interim President for GEM, took over Ostomy Care. John Haller joined us as EVP, Chief Quality & Operations Officer, having previously been at Stryker Corporation.

We developed and embedded our Pricing CoE, which in collaboration with our business units, achieved 50 bps of pricing improvement on gross margin over the period.

Our refreshed brand and new Company promise of forever caring was launched in May. It has been well received by customers and HCPs. In the second half of the year we rolled out new websites and social media digital interfaces reflecting the refreshed brand across all of our focus markets.

Our Salesforce CoE has now established a single CRM platform in North America and Europe, and we have begun rolling it out across GEM. This is driving enhanced salesforce productivity by increasing call rates and improving account targeting.

Going forward we will leverage the Marketing CoE more broadly across the Group and build new capabilities, particularly focused on customer experience and measurement of Net Promoter Scores.

Culture is a critical element in building high performing teams and creating a motivating work environment. Results from our latest Organisational Health Index (OHI) survey were strong, sustaining our top performance from 2020. We will continue to cultivate talent, recognise colleagues and focus on Diversity, Equity & Inclusion (DE&I) and Wellbeing over the next year.

Execute

We continue to execute well on our strategic initiatives, following a consistent methodology that identifies metrics and tracks milestones regularly.

We delivered positive manufacturing productivity improvements in the face of significant COGS inflation and continued to improve the resilience of the supply chain. We are committed to sustaining our strong safety record while improving the quality of our products and services for our customers. Complaints per million decreased by 13% over the period.

INTRODUCING CONVATEC'S EXECUTIVE LEADERSHIP TEAM

1. Seth Segel - President & Chief Operating Officer, Continence Care & Home Services Group
2. Anne Belcher - President & Chief Operating Officer, Global Emerging Markets
3. Kjersti Grimsrud - President & Chief Operating Officer, Infusion Care
4. Bruno Pinheiro - President & Chief Operating Officer, Ostomy Care
5. Karim Bitar - Chief Executive Officer
6. Jonny Mason - Chief Financial Officer
7. Natalia Kozmina - Executive Vice President, Chief Human Resources Officer & ESG Stewardship
8. Evelyn Douglas - Executive Vice President, Chief of Corporate Strategy & Business Development, General Counsel & Company Secretary
9. Dr Divakar Ramakrishnan - Executive Vice President, Chief Technology Officer and Head of Research & Development
10. John Haller - Executive Vice President, Chief Quality & Operations Officer
11. David Shepherd - President & Chief Operating Officer, Advanced Wound Care

Read more about their skills on pages 112 and 113.

One year on since launching Convatec Cares, our refreshed Environmental, Social & Governance (ESG) approach, we have made good progress integrating ESG practices across our business and value chain:

- Elevated ESG through our strategic planning process and engaging all business units and functional areas on priorities, targets and commitments
- Emissions reduction: In line with our net zero commitment, we reduced Scope 1 and Scope 2 greenhouse gas emissions by 32% in 2022. We are on track to validate our Scope 1, 2 and 3 (near term) Science Based Targets in 2023. Our manufacturing sites increasingly use renewable electricity, and we expect that to reach 100% by the end of 2023
- Progress in DE&I and Wellbeing approach where now 36% of our CELT are women, 40% of our Board are women, and we are on track to ensure 40% of our senior management (CELT member plus their direct reports) are women by the end of 2024
- Elevated our focus on supply chain sustainability, improving the average EcoVadis score of our suppliers by 6.5%
- We committed more than $2 million in both product and cash donations in 2022, including a humanitarian relief response for Ukraine valued at over $1.5 million. This year, we've also committed more than $100,000 in response to the earthquakes in Turkey and Syria in both product and cash donations.

We announced today a new $2 million health partnership with Partners In Health (PIH), a leading international NGO focused on building equitable health systems globally. The innovative partnership expands recruitment and support of Community Health Workers and improves their training on chronic conditions. Living in the communities where they work, Community Health Workers are trusted neighbours who are able to provide high-quality health services. Over three years, Convatec's support - through cash, product donation and training - will enable PIH to reach over 250,000 children and adults, with a particular focus on programmes in Mexico, Peru and the United States.

Group 2023 outlook

We are pleased with the growth we achieved in 2022 and are focused on pivoting to sustainable and profitable growth.

We expect organic revenue growth to be between 4.5 - 6%, consistent with our medium-term targets shared at our Capital Markets Event in November. Growth will be H2 weighted because of stronger comparatives in H1 2022, especially in Infusion Care, and because ATT will contribute to organic growth following the anniversary of the acquisition.

The reported revenue will be impacted by the exit of hospital care and related sales, which generated $102 million in 2022.

We remain focused on expanding our operating margin[3] by growing revenue, improving our mix/price and delivering on our simplification and productivity agenda. Inflation is expected to remain a significant headwind in 2023 with COGS inflation of 5-7%. In addition we anticipate labour inflation in opex of 5-7% which is approximately double that of 2022. On this basis, we expect modest improvement in the adjusted operating margin[3] in 2023 to at least 19.7% on a constant currency basis. Furthermore, our medium-term target of mid-20s operating margin[3] remains unchanged.

Based on current interest rates, we expect adjusted net finance expense for the full year to be $70-80 million. The cash tax rate for the year is expected to be around 19%, while the adjusted book tax rate[3] is expected to be approximately 25%. Capex will remain elevated at around $120-140 million for the full year reflecting the continued growth investments we are making across the Group and we intend to increase inventory by c.$20 million to further strengthen supply chain resilience.

We are confident about the future prospects for the Group as we continue to pivot to sustainable and profitable growth.

Karim Bitar
Chief Executive Officer
8 March 2023

OUR FISBE STRATEGY IS EVOLVING

FISBE 1.0 (2019-2022)	FISBE 2.0 (2023 into the medium term)
Focus on key categories and markets	**Focus** on strengthening customer loyalty in our key markets and categories
Innovate in our work and trusted solutions	**Innovate** To increase vitality and velocity of trusted medical solutions
Simplify our organisation and operations	**Simplify** To improve productivity across our organisation
Build core capabilities	**Build** And embed mission-critical capabilities and a winning culture
Execute with excellence	**Execute** With excellence while integrating ESG

Key performance indicators

We are continuously tracking our progress

We use a mix of financial and non-financial metrics to measure delivery of our strategy.

FINANCIAL KPIs

Group revenue growth[1]
$m

2022	**$2,072.5m**	**+6.9%**
2021	$2,038.3m	+5.8%
2020	$1,894.3m	+4.0%

Metric

Group revenue growth compares the revenue generated from the sale of the Group's products in the current year with the prior year.

Relevance to strategy

Group revenue performance reflects the growth of our business and our progress towards achieving our ambition of delivering attractive revenue growth year-on-year.

Focus Innovate Build

2022 performance

- 6.9% increase on constant currency basis
- AWC revenues grew 12.7% driven by strong organic growth in GEM and Europe, supported by the contribution from the Triad acquisition
- OC revenues grew 2.8%, driven by strong growth in GEM and robust performance in Europe
- CCC revenues grew 2.6% driven by continued strength in new patient starts and high customer retention, supported by Cure Medical and Patient Care Medical acquisitions, partially offset by a decline in Critical Care
- IC revenues grew 10.2% driven by continued demand for our innovative infusion sets by diabetes patients

1. Revenue growth is stated at constant currency.

Adjusted operating profit margin[2]
%

2022	**19.5%**
2021	17.7%
2020	18.5%

Metric

Adjusted operating profit margin is adjusted operating profit as a % of revenue.

Target: Mid 20s adjusted operating profit margin in the medium term

Relevance to strategy

Adjusted operating profit margin reflects how effectively we are running our business – a key factor if we are to deliver sustainable and profitable growth.

Focus Innovate Simplify Build Execute

2022 performance

- Adjusted operating profit margin increased by 180bps to 19.5%
- Pricing, mix and productivity improvements, combined with significant G&A savings and an 80 bps foreign exchange tailwind more than offset inflationary headwinds and increases in strategic investments

2. Certain financial measures in this Annual Report and Accounts, including the adjusted performance measure above, are not prepared in accordance with IFRS. All adjusted performance measures are reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 224 to 228.

FINANCIAL KPIs

Adjusted free cash flow (post-tax)[2]
%

2022	**$202.6m**
2021	$274.7m
2020	$347.4m

Metric
Adjusted free cash flow (post-tax) is adjusted net cash generated from operations (net of capital expenditure) less income taxes paid.

For reconciliation see page 228.

Relevance to strategy
Adjusted free cash flow reflects how effectively we are able to convert the profit we generate into available cash (after accounting for working capital movements, making capital investments and paying tax).

Focus Innovate Simplify Execute

2022 performance
- Adjusted free cash flow decreased by 26%
- Adjusted EBITDA increased by 7.7% driven by good revenue growth and a reduction in operating costs
- However, this was more than offset by higher capital investment to support future growth and increased inventory to improve resilience

NON-FINANCIAL KPI

Quality
(number of complaints per million (CPM) products sold)

2022	**41**	**-12.8%**
2021	47	-11.3%
2020	53	-15.9%

Metric
CPM measures the number of complaints we receive per million products sold.

Relevance to strategy
CPM is a strong indication of our manufacturing quality and is key to ensuring that we develop trusted medical solutions. It is also a reflection of our core capabilities and our ability to execute effectively.

This is also an ESG metric, see page 48.

Innovate Build Execute

2022 performance
- Overall year-on-year reduction of 12.8% as the Quality CoE begins to have a positive impact
- Driven by implementation of continuous improvement across our manufacturing and quality operations

Advanced Wound Care

Strong organic growth supported by entry into the wound biologics segment[1] through the acquisition of Triad Life Sciences.

David Shepherd
President & Chief Operating Officer, Advanced Wound Care

ABOUT AWC

2022 revenue
$621m

Market size[1]
c. $7bn

Market growth
c. 5%

By category

Segment	2022 market size ($bn)	5-year projected CAGR
sUNPWT	0.4	~20%
Biologics	2.2	~7%
Foams	1.8	~6%
Antimicrobials	0.9	~6%
Alignates and fibre	0.3	~5%
Other AWDs	1.4	~2%

Category position

No. 2
Global advanced wound dressings[2]

No. 1
Global antimicrobial dressings
Global alginate and fibre dressings
Global hydrocolloid dressings

Key competitors
- 3M
- Smith & Nephew
- Mölnlycke

1. Size, growth and position information contained in this Operational review are estimates and are based on internal analysis and publicly available sources, including SmartTRAK and Global Industry Analysts Inc. reports. AWC includes single-use negative pressure wound therapy, biologics, foams, antimicrobials and other advanced wound dressings such as composite/island dressings, alginate and fibre dressings including contact layers, hydrocolloids, films, super-absorbents and hydrogels.
2. Excluding biologics, composite/island dressings and film.

2022 performance

During 2022, the business achieved strong growth in GEM and Europe which more than offset a decline in North America where our limited position in the foam segment and lower surgical volumes continued to weigh on performance. As a result, the business saw overall growth across all segments globally.

Revenue of $621 million increased 4.8% on a reported basis or 12.7% on a constant currency basis. This performance reflected the acquisition of Triad Life Sciences, now known as Advanced Tissue Technologies (ATT) which generated $35 million of revenue. On an organic basis revenue rose by 6.8%.

We made continued strategic progress in AWC during the period. In March 2022, we strengthened our position with our entry into the wound biologics[3] segment through the acquisition of Triad Life Sciences. Our commercial execution continued to improve, as we leveraged our common Customer Relationship Management (CRM) platform in North America and Europe. ConvaFoam was cleared for launch at the end of 2022 and began the US rollout in early 2023, which will strengthen our competitive position in the large and rapidly growing foam segment.

In 2023 we will focus on:

- Successfully launching ConvaFoam in the US and preparing for a European launch in 2024; driving development of ConvaVac and preparing to launch in 2024
- Growing the InnovaMatrix® platform in the US and developing the product outside the US.
- Continuing to strengthen commercial execution globally

3. Wound biologics segment as defined by SmartTRAK. Includes skin substitutes, active collagen dressings and topical drug delivery.

OUR KEY BRANDS

INNOVATE

Entry into the wound biologics segment

Acquisition of Triad Life Sciences

The acquisition of Triad Life Sciences (now known as Advanced Tissue Technologies, or ATT) has expanded our AWC portfolio with biologically-derived innovative products to address unmet clinical needs in surgical wounds, chronic wounds and burns.

It has strengthened Convatec's AWC position in the US and secured access to an innovative technology platform that is highly complementary to Convatec's existing portfolio, enabling the Group to meet a wider range of needs of both patients and health care practitioners.

The ATT commercial team has made good progress selling InnovaMatrix® AC into Physician Offices in the US aided by the reputation of Convatec in the wound space. In 2023 we will leverage our broader commercial infrastructure in the US to serve more patients. Additionally, following regulatory clearances in 2022, we intend to expand our portfolio with both InnovaBurn® and InnovaMatrix® Powder in 2023.

The transaction has been immediately accretive to sales growth and has an attractive financial profile, supporting our strategic intent of pivoting to sustainable and profitable growth.

Read more about our full product suite online www.convatecgroup.com/our-categories/advanced-wound-care/

InnovaMatrix® AC

InnovaMatrix® powder

Operational review continued

Ostomy Care

Improving performance by supporting patients across the continuum of care.

Bruno Pinheiro
President & Chief Operating Officer, Ostomy Care

ABOUT OC

2022 revenue
$522m

Market size*
c. $3bn

Market growth
c. 4%

Segment	2021 market size ($bn)	5-year projected CAGR
GEM	0.6	~6%
Europe	1.6	~3%
North America	0.8	~3%

Category position

No. 3
Global ostomy

No. 2
US

Key competitors
- Coloplast
- Hollister/Dansac

* Size, growth and position information contained in this Operational review are estimates and are based on internal analysis and publicly available sources.

2022 performance

Under the new leadership of Bruno Pinheiro, our OC business continued to make good strategic progress during 2022. He and the team increased the focus on driving an improved experience across the continuum of care. The highly-rated Home Services Group is helping to grow the number of new US ostomy patients, while in Europe, during the year, we launched new digital services to support both health care professionals and patients better.

Revenue of $522 million declined 4.5% on a reported basis but increased 2.8% on a constant currency basis and 3.4% on an organic basis.

The business achieved continued strong growth in GEM, particularly in Latin America and China, while Europe achieved a robust performance with some pricing initiatives helping to offset the continued planned rationalisation of lower-margin non-Convatec products at Amcare UK. In North America, new patient starts remained stable, supported by HSG ostomy sales.

Overall, we have continued to improve our mix and expand our margins. We saw good demand for Convatec products, for example our accessories sales saw strong growth in 2022, following the relaunch of the Esenta brand. Across all geographies, revenue from Convatec ostomy products grew 5.5% on an organic basis.

In 2023 we will focus on:

- Driving new patient starts and continuing collaboration with HSG
- Improving consistency of commercial execution across the continuum of care
- Preparing to launch Esteem 2.0 in H1 2024

OUR KEY BRANDS

ESTEEM™ Natura™ Natura™ Stomahesive® Durahesive™ InvisiClose™ me+™ ESENTA™

FOCUS

Driving growth in our key emerging markets

China and Latin America leading the way

Our presence in the global emerging markets has been a key driver of growth in Ostomy Care during 2022. Growing double digit, they now account for ~25% of OC's revenues.

Three of Convatec's key focal markets are in the Emerging Markets: China, Brazil and Colombia,

We estimate that our growth in OC in China in 2022, has been approximately 3x greater than the market. This has been achieved by developing deeper relationships with our existing hospital clients, focusing on new hospital listings, enhancing our e-commerce offering and continuously upgrading customer service. Furthermore, we worked with the local government, pharmacies and volunteers to deliver products during the ongoing lock downs.

In Latin America, we expanded our presence in Colombia and Brazil, through a combination of our Convacare clinics, direct distribution to private hospitals and establishing partnerships with isurance providers.

In 2023, we will continue to grow share in the emerging markets with a focus on patient access and loyalty.

Read more about our full product suite online www.convatecgroup.com/our-categories/ostomy-care/

Esenta accessories

Moldable

Ostomy pouch

Operational review continued

Continence & Critical Care

Seth Segel
President & Chief Operating Officer, Continence Care and Home Services Group

Continued strength in new patient starts and high customer retention drove US growth, supported by Cure and Patient Care Medical acquisitions.

ABOUT CCC

2022 revenue

$546m

Market size*

c. $2.2+bn

Geography	2022 market size ($mm)
US	900
EU4 (UK, France, Italy, Germany)	700
Other EMEA	300
APAC	150
Latin America	100

Market growth

c. 4%

Category position

No. 1

~40% market share

Retailer in intermittent catheters in the US (Home Services Group)

No. 2

~23% market share

Manufacturer of intermittent catheters in the US

Key competitors

- Coloplast
- Hollister
- Bard
- Wellspect

* Continence & Critical Care comprises the global intermittent catheter segment plus the faecal management segment.

2022 performance

Revenue of $546 million rose 0.6% on a reported basis, 2.6% on a constant currency basis and 3.6% on an organic basis. A good operating performance in Continence Care was supported by contributions from the Cure Medical and Patient Care Medical acquisitions, as well as an improving pricing environment in North America.

Continence Care achieved revenue of $409 million in 2022, up 5.0% on an organic basis, with continued strength in new patient starts and high customer retention. This was complemented by good demand for our Cure and GentleCath™ portfolios in the US and Latin America, and our developing presence in France and the UK following the launch of the GentleCath™ Air for Men compact catheter.

During 2022 the strategic decision was taken to exit hospital care and related industrial sales. The hospital care activities, reported as part of CCC, generated $72 million of revenue in 2022 (2021: $79 million). From 31 May, when we closed the Belarus factory, revenue has been excluded from organic calculations. The related industrial sales, reported as part of IC, generated $26 million of revenue in 2022 (2021: $22 million).

Critical Care revenue of $137 million declined 1.3% on an organic basis with Flexi-Seal™, which remains in the Group portfolio, declining following strong COVID-19 impacted comparatives.

In 2023 Continence Care will focus on:

- Continuing to drive US growth via
  - Exceptional service,
  - Both Cure Medical and GentleCath™ portfolios (including the new GentleCath™ Air for Men)
- Expanding in Europe and Global Emerging Markets
- Preparing to launch GentleCath Air™ for Women in late 2023/early 2024

From 2023 onwards, Flexi-Seal™ (2022 revenue: $66 million), our faecal management system, will move from Critical Care to Ostomy Care. The remaining industrial sales, predominantly continence related supplies for B2B customers (2022 revenue: $17 million), will move from Infusion Care into Continence Care. Going forward the CCC category will be renamed Continence Care and we will restate comparatives.

OUR KEY BRANDS

GentleCath FeelClean Technology CURE me+ 180 Medical amcare group

BUILD

Expanding our presence in Continence Care

How one lives with their medical device is equally important to the device itself

As long-time makers of catheters, we know there are no "silver bullets" that solve all customer needs. Users have very different wants and select a product based on diverse criteria. Sometimes it is about the technology and its impact on the anatomy. Sometimes it is the packaging and usability. Sometimes it is about the portability. An important part of offering solutions is helping customers in their daily lives and having a broad range of products with different underlying technologies and designs.

During 2022 we expanded our portfolio by leveraging our state-of-the-art FeelClean™ technology and brought to market a pocket-sized, discreet GentleCath™ Air offering for men. In addition, we continued innovating on our Cure Medical ready-to-use hydrogel platform, which has been developed through a long track record of user-driven, rapid innovation.

Our broader portfolio enables us to expand in key European markets, where discreet catheters comprise ~45% of the catheters distributed. During 2022 we enhanced our presence in France, built a new team in the UK and established our foundational leadership in Italy. In 2023, we will also seek to bring these solutions into established Convatec Global Emerging Markets.

Read more about our full product suite online www.convatecgroup.com/our-categories/continence-critical-care/

GentleCath™ Air for Men

GentleCath™ Glide

Operational review continued

Infusion Care

Kjersti Grimsrud
President & Chief Operating Officer, Infusion Care

Continued strong growth driven by strong demand for our infusion sets for diabetes patients.

ABOUT IC

2022 revenue

$384m

Market size*

c. $1.6+bn

Market growth

c. 8%
Automated Insulin Delivery**

c. 6%
Parkinsons Disease

c. 8%
Pain management

c. 10%
Primary Immunoglobulin deficiency

Key partners

- Beta Bionics
- Medtronic
- Roche
- Sooil
- Tandem

Category position

No. 1 globally
Infusion sets for insulin pumps

Key competitors

- Smiths
- Ypsomed
- Gerresheimer
- Apex Medical

* Infusion Care comprises infusion set for diabetes and biologic drug delivery segment outside of diabetes.
** Based on growth of the automated insulin delivery market from 2022 to 2032.

2022 performance

Our Infusion Care business continued to strengthen in 2022. To respond to the underlying demand for automated insulin delivery systems and their accessories, during 2022, we built additional capacity at our Osted, Denmark and Reynosa, Mexico plants. We continued to innovate, launching our MioAdvance Extended Wear Infusion Sets (EWIS) in the US, and are diversifying our customer base by growing applications outside of diabetes, such as Parkinson's.

Revenue of $384 million increased 7.5% on a reported basis, 10.2% on a constant currency basis and 9.8% on an organic basis. The difference between constant currency and organic growth was due to the impact of the industrial sales exit. This strong growth was primarily driven by continued demand for our infusion sets used by diabetic patients. Growth was also supported by increasing demand for differentiated infusion sets for alternative therapies, such as pain management, albeit off a small base.

In 2023 we will focus on:

- Scaling up production of MioAdvance EWIS
- Expanding the usage of infusion sets for the delivery of other subcutaneous therapies, including launching with AbbVie, once regulatory approval is received for their Parkinson's drug therapy
- Successfully launching a tailored infusion set for Tandem Mobi once regulatory approval is received

OUR KEY BRANDS

neria™ inset™ comfort™

EXECUTE

Increasing capacity to respond to strong demand

Increasing capacity, enhancing quality and developing resilience

We are the global leader in infusion sets for subcutaneous drug delivery, and the diabetes segment is our main focus. Every single day, our product supports more than 1 million people living with diabetes. In order to serve all these end users, we manufacture and deliver more than 110 million products each year.

During 2022 we expanded our footprint and capacity in Denmark and Mexico. We doubled our manufacturing capacity at our plant in Osted, Denmark. It is the most advanced manufacturing site in the overall Convatec network and all electricity is from renewable sources.

We also continued to enhance our quality metrics and develop resilience by improving surge capacity to ensure we deliver for our customers and their patients.

In addition we have continued to innovate, launching our extended wear infusion sets in the US, which is better for our patients and the environment.

Osted facility

MioAdvance Extended Wear Infusion Set

Infusion Set

Read more about our full product suite online www.convatecgroup.com/our-categories/infusion-care/

Financial review

"The Group performed well in 2022, delivering good revenue growth and expansion in the adjusted operating profit margin to 19.5%, notwithstanding the significant inflationary headwinds."

Jonny Mason
Chief Financial Officer

We made good progress in 2022 in executing our FISBE strategy and demonstrated that we are pivoting to sustainable and profitable growth. Revenue grew by 1.7% on a reported basis and 6.9% on a constant currency basis. We delivered an adjusted operating profit margin of 19.5%, representing expansion of 180bps over the previous year with mix/price, operations productivity, significant G&A spend reduction and 80bps of foreign exchange tailwind more than offsetting significant inflation and continued investment in commercial capabilities.

Adjusted basic earnings per share reduced year-on-year primarily due to adjusted operating profit growth being more than offset by increases in adjusted net finance, non-operating and income tax expenses. These are explained in further detail on page 32.

The competitive position of the Group was further strengthened during the year, entering the attractive wound biologics[2] segment through our acquisition of Triad Life Sciences, whilst exiting the lower-margin and lower-growth hospital care and industrial sales activities. We also made good progress with our simplification and productivity initiatives, most notably reducing G&A spend in the year.

In November 2022, we successfully refinanced our bank facilities with $1.2 billion committed for five years at slightly improved margins over base rates compared to the previous facilities. The Group's $500.0 million senior unsecured notes remain in place and are committed until 2029. The Group's financial prospects are attractive and we have confidence in our ability, over the medium term, to deliver sustainable annual mid-single-digit organic revenue growth and to expand our adjusted operating profit margin into the mid-20s.

HIGHLIGHTS

Reported revenue growth
+1.7%

2022	$2,072.5m
2021	$2,038.3m

Adjusted operating profit margin growth[1]
+180bps

2022	19.5%
2021	17.7%

Reported operating profit growth
+1.8%

2022	$207.3m
2021	$203.6m

Adjusted operating profit growth[1]
+11.6%

2022	$403.7m
2021	$361.7m

Reported basic earnings per share
3.1¢
(2021: 5.9¢)

Adjusted basic earnings per share[1]
12.7¢
(2021: 13.1¢)

Reported and adjusted results
The Group's financial performance, measured in accordance with IFRS, is set out in the Consolidated Financial Statements and Notes thereto on pages 168 to 217 and referred to in this Annual Report as "reported" measures.

The commentary in this Financial review includes discussion of the Group's reported results and alternative performance measures (or adjusted measures) (APMs). Management and the Board use APMs as meaningful measures in monitoring the underlying performance of the business. These measures are disclosed in accordance with the ESMA guidelines and are explained and reconciled to the most directly comparable reported measures prepared in accordance with IFRS on pages 224 to 228.

Constant currency growth
Management and the Board review revenue on a constant currency basis which removes the effect of fluctuations in exchange rates to focus on the underlying revenue performance. Constant currency information is calculated by applying the applicable prior period average exchange rates to the Group's reported revenue performance in the current period. Revenue and the revenue growth on a constant currency basis are non-IFRS financial measures and should not be viewed as replacements of IFRS reported revenue.

1. These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measures prepared in accordance with IFRS on pages 224 to 228.
2. Wound biologics segment as defined by SmartTRAK. Includes skin substitutes, active collagen dressings and topical drug delivery.

Group financial performance

	Reported 2022 \$m	Reported 2021 \$m	Adjusted[1] 2022 \$m	Adjusted[1] 2021 \$m
Revenue	**2,072.5**	2,038.3	**2,072.5**	2,038.3
Gross profit	**1,103.9**	1,123.1	**1,245.6**	1,233.3
Operating profit	**207.3**	203.6	**403.7**	361.7
Profit before income taxes	**81.9**	151.3	**337.6**	309.4
Net profit	**62.9**	117.6	**256.8**	263.0
Basic earnings per share (cents per share)	**3.1¢**	5.9¢	**12.7¢**	13.1¢
Diluted earnings per share (cents per share)	**3.1¢**	5.8¢	**12.6¢**	13.0¢
Dividend per share (cents)	**6.047¢**	5.871¢		

1. These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measures prepared in accordance with IFRS on pages 224 to 228.

Revenue

Group revenue for the year ended 31 December 2022 of \$2,072.5 million (2021: \$2,038.3 million) increased 1.7% year-on-year on a reported basis or 6.9% on a constant currency basis.

The Group experienced significant foreign exchange headwinds of 5.2% on its reported revenue growth. The majority of the Group's 2022 revenue was denominated in US dollars (52%), however there are other significant currencies in which revenue is denominated, notably EUR (20%), GBP (6%) and DKK (2%). These currencies depreciated significantly against the US dollar during the year, as disclosed in Note 20 - Financial risk management to the Consolidated Financial Statements.

Adjusting for the foreign exchange headwind and acquisition and divestiture-related activities[2], Group revenue grew by 5.6% on an organic basis. This was driven by continued strong growth in Advanced Wound Care and Infusion Care, with good growth seen in Ostomy Care and Continence & Critical Care. Given the largely reimbursed markets that we serve, there was limited opportunity to pass on the significant inflation we have seen in 2022. However, initiatives executed through our Pricing Centre of Excellence have successfully delivered positive price impact on revenue. For more details about category revenue performance, refer to the Operational reviews on pages 22 to 29.

2. Acquisitions were Triad Life Sciences in 2022 and Cure Medical and Patient Care Medical in 2021. Divestiture-related activities in 2022 were the discontinuation of hospital care, related industrial sales and associated Russia operations, whilst in 2021 it was the divestment of incontinence activities.

Revenue by category

	2022 \$m	2021 \$m	Reported growth %	Foreign exchange impact %	Constant currency growth %	Organic growth %
Advanced Wound Care (AWC)	**620.7**	592.3	4.8%	(7.9)%	12.7%	6.8%
Ostomy Care (OC)	**522.1**	546.5	(4.5)%	(7.3)%	2.8%	3.4%
Continence & Critical Care (CCC)	**546.3**	542.9	0.6%	(2.0)%	2.6%	3.6%
Infusion Care (IC)	**383.4**	356.6	7.5%	(2.7)%	10.2%	9.8%
Total	**2,072.5**	2,038.3	1.7%	(5.2)%	6.9%	5.6%

AWC revenue grew 4.8% on a reported basis or 12.7% on a constant currency basis, supported by the contribution from the Triad Life Sciences acquisition in March 2022, with strong organic growth of 6.8%.

OC revenue fell by 4.5% on a reported basis but increased 2.8% on a constant currency basis. We continued to see good growth in Convatec products of 4.9% on a constant currency basis, driven by strong growth across the Global Emerging Markets and Europe and supported by the launch of the Esenta accessories range. This was partially offset by the planned product rationalisation and transitioning the portfolio away from the lower-margin non-Convatec Ostomy products. The 60bps difference between constant currency growth and organic growth reflects the discontinuation of Russia activities associated with the exit of hospital care.

CCC revenue grew 0.6% on a reported basis or 2.6% on a constant currency basis. Sales in Continence Care grew well by 6.0%, driven by our 180 Medical service business, which was supported by the acquisitions of Cure Medical and Patient Care Medical in 2021 and early progress with catheter sales outside of the United States. This growth was partially offset by a reduction in sales of Critical Care products, following the strategic decision to exit hospital care-related activities as announced in May 2022, coupled with lower Flexi-Seal sales in 2022 following the strong COVID-driven performance in 2021.

IC revenue grew 7.5% on a reported basis or 10.2% on a constant currency basis, reflecting continued strong demand for our innovative infusion sets for diabetes patients, coupled with promising progress in non-diabetes therapeutic areas such as Parkinson's disease, primary immune deficiencies and pain management.

See pages 22 to 29 for detail on the performance of each category.

Financial review continued

Revenue impact of strategic exits during 2022

The strategic exit of hospital care and industrial sales will impact revenues as we move into 2023. The table below shows the 2022 revenue attributable to these activities. The ongoing activities are more focused on higher-margin and higher-growth chronic-care categories.

	2022 reported $m	Impact[1] $m	2022 revenue from ongoing activities $m
Advanced Wound Care	620.7	–	620.7
Ostomy Care	522.1	(4.9)	517.2
Continence & Critical Care	546.3	(71.8)	474.5
Infusion Care	383.4	(25.6)	357.8
Total	2,072.5	(102.3)	1,970.2

1. Sales related to discontinuation from hospital care, related industrial sales and associated Russia operations

Reported net profit

Reported operating profit was $207.3 million, an increase of $3.7 million on the prior year. Reported gross margin decreased year-on-year from 55.1% to 53.3%, driven by inflationary headwinds on raw materials and freight. The reported gross margin was also impacted by increases in one-time divestiture and termination costs (primarily relating to the exit from hospital care and industrial sales activities) of $21.4 million and the release of the fair value uplift of inventory arising from the acquisition of Triad Life Sciences of $8.7 million. These were partly offset by foreign exchange tailwinds and mix/price benefits.

Reported operating expenses decreased by $22.9 million, which was primarily due to a reduction of $70.4 million in general and administrative expenses, partly offset by increases in selling and distribution expenses of $36.2 million and other operating expenses of $13.8 million. The improvement in G&A reflected the Group's increasing focus on simplifying its global processes and improving productivity. The increase in selling and distribution expenses was primarily driven by increases in headcount associated with higher revenue, the inclusion of acquired businesses and inflationary impacts on distribution costs. Other operating expenses of $13.8 million (2021: nil) largely reflected impairments arising from the exit from hospital care and related industrial sales activities in 2022.

Reported net finance costs and non-operating expenses totalled $125.4 million (2021: $52.3 million). Reported net finance costs increased by $24.2 million to $67.7 million, reflecting an additional $8.6 million of net finance expenses and $15.6 million (2021: nil) for the unwind of discount relating to the contingent consideration arising from the acquisitions of Cure Medical in 2021 and Triad Life Sciences in 2022. Reported non-operating expenses of $57.7 million (2021: $8.8 million) principally arose from the remeasurement charges in the year relating to the contingent consideration payable in respect of the Cure Medical and Triad Life Sciences acquisitions of $29.5 million (2021: nil), foreign exchange losses of $14.2 million (2021: loss of $9.3 million), the recycling of cumulative translation losses from reserves following the closure activities associated with the hospital care and industrial sales exit of $12.2 million (2021: nil) and a loss on divestiture-related activities of $2.0 million (2021: $0.5 million gain).

After income tax expense of $19.0 million (2021: $33.7 million), reported net profit was $62.9 million (2021: $117.6 million) generating basic earnings per share of 3.1 cents (2021: 5.9 cents).

Adjusted net profit

Adjusted gross profit increased by 1.0% to $1,245.6 million (2021: $1,233.3 million). The adjusted gross margin of 60.1% was broadly flat to the previous year (2021: 60.5%), with the significant inflationary pressures on both raw materials and freight costs partly offset by foreign exchange tailwinds and mix/price benefits.

The Group achieved adjusted operating profit of $403.7 million (2021: $361.7 million) with an adjusted operating profit margin of 19.5% (2021: 17.7%). There was a decrease in operating expenses in the year, with adjusted G&A reduced by $52.8 million, to 8.9% of revenue (2021: 11.7%). This was partially offset by an increase of $25.7 million in adjusted selling and distribution expenses.

Adjusted net profit fell 2.4% to $256.8 million (2021: $263.0 million) given the $8.6 million increase in adjusted net finance expense from higher market interest rates coupled with a $34.4 million increase in the adjusted income tax expense (which is explained below).

Adjusted basic and diluted EPS were 12.7 cents and 12.6 cents respectively (2021: 13.1 cents and 13.0 cents), calculated on the basic weighted average ordinary shares of 2,024 million shares (2021: 2,009 million shares) and 2,040 million diluted shares (2021: 2,026 million) respectively.

Taxation and tax strategy

	Reported 2022 $m	Reported 2021 $m	Adjusted[2] 2022 $m	Adjusted[2] 2021 $m
Profit before income taxes	81.9	151.3	337.6	309.4
Income tax expense	(19.0)	(33.7)	(80.8)	(46.4)
Effective tax rate	23.2%	22.3%	23.9%	15.0%

2. These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS on pages 224 to 228.

The Group's reported income tax expense was $19.0 million (2021: $33.7 million). The Group's reported effective tax rate of 23.2% for the year was higher than the prior year (2021: 22.3%) mainly due to the increase in US tax expenses following the acquisition of Triad Life Sciences and non-deductible contingent consideration relating to the acquisition of both Triad Life Sciences and Cure Medical, partially offset by the recognition of deferred tax assets for previously unrecognised tax losses of $20.1 million in the US (2021: $6.8 million related to recognition of deferred tax assets following the acquisition of Cure Medical). For further information, see Note 6 – Income taxes to the Consolidated Financial Statements.

After adjusting items, the adjusted effective tax rate was 23.9% (2021: 15.0%). The increase in adjusted effective tax rate was principally driven by the non-cash deferred tax expenses due to the utilisation of US Federal tax losses which are now fully recognised as deferred tax assets following the acquisition of Triad Life Sciences, based on stronger future taxable profitability forecasts, and the impact of profit mix between jurisdictions in which the Group has a taxable presence. The adjusted effective tax rate of 23.9% was in line with guidance provided in the interim results for the period ended 30 June 2022.

In 2021, the adjusted effective tax rate of 15.0% was principally because of the lower incidence of taxes in the US, and a net tax benefit in the UK for additional tax reliefs claimed in respect of prior years. These factors were partially offset by the impact of profit mix between jurisdictions in which the Group has a taxable presence.

Convatec is a responsible business and promotes the highest standards of compliance and ethical behaviour. Management takes a responsible attitude to tax, recognising that it affects all of our stakeholders. The Group had on average more than 10,000 employees worldwide during 2022 and operated in over 100 countries through direct sales and local distributors. As a result, our business activities generated a substantial amount of taxes. These included both corporate income taxes and non-income taxes such as payroll taxes, property taxes, VAT/Sales and Use taxes, and other taxes. In order to provide transparency on the Group's approach to tax, the Global Tax Strategy has been published and is available on the corporate website (www.convatecgroup.com/corporate-responsibility/socio-economic-contribution/tax-statement).

Alternative performance measures (APMs)

In line with the Group's APM policy, the following adjustments were made to derive adjusted operating profit and adjusted profit before tax.

	Operating profit $m		Finance expense $m		Non-operating expense $m	
	2022	2021	**2022**	2021	**2022**	2021
Reported	**207.3**	203.6	**(67.7)**	(43.5)	**(57.7)**	(8.8)
Amortisation of acquired intangibles	**131.3**	130.4	**–**	–	**–**	–
Acquisitions and divestitures	**56.6**	17.8	**15.6**	–	**43.7**	–
Termination benefits and related costs	**7.1**	4.3	**–**	–	**–**	–
Impairment of assets	**1.4**	–	**–**	–	**–**	–
Litigation expenses	**–**	5.6	**–**	–	**–**	–
Adjusted	**403.7**	361.7	**(52.1)**	(43.5)	**(14.0)**	(8.8)

In line with the Group's APM policy, adjustments made to derive adjusted operating profit in 2022 included the amortisation of acquired intangibles of $131.3 million (2021: $130.4 million), of which $93.0 million (2021: $96.8 million) resulted from intangible assets arising from the spin-out from Bristol-Myers Squibb in 2008 and will be fully amortised by December 2026, divestiture-related costs of $39.7 million principally related to the exit from the hospital care and industrial sales activities and acquisition-related costs of $16.9 million primarily related to the acquisition of Triad Life Sciences. Termination costs of $7.1 million were in respect of the exit from hospital care and industrial sales activities and an impairment charge of $1.4 million related to a legacy acquisition-related customer relationship asset.

In 2021, acquisition and divestiture costs of $17.8 million related to potential and actual strategic transactions which were executed, aborted or in-flight and sought to improve the strategic positioning of the Group. Termination costs of $4.3 million were in respect of the Group's Transformation Initiative whilst litigation expenses of $5.6 million related to a one-off claim that was also settled in 2021.

The adjustment of $15.6 million made to derive adjusted finance expenses in 2022 wholly related to the discount unwind in respect of the contingent consideration payable on the Triad Life Sciences and Cure Medical acquisitions.

Adjustments made to derive adjusted non-operating expenses in 2022 included remeasurement charges of $29.5 million in respect of the contingent consideration payable on the Triad Life Sciences and Cure Medical acquisitions and divestiture-related costs of $14.2 million principally related to cumulative translation adjustments and a loss on disposal from the exit of the hospital care and industrial sales activities.

Of the total of $255.7 million of adjusting items, $244.6 million were non-cash items. For further information on Non-IFRS financial information, see pages 224 to 228.

The Board, through the Audit and Risk Committee, continuously reviews the Group's APM policy to ensure that it remains appropriate and represents the way in which the performance of the Group is managed.

Strategic transformation

During 2022, the Group completed the first phase of its FISBE strategy (FISBE 1.0), a global multi-year transformation programme which commenced in 2019. FISBE 1.0 started to position the Group for sustainable and profitable growth and in 2022, we saw improved organic revenue growth performance and adjusted operating profit margin growth. Transformation costs associated with FISBE 1.0, treated as an adjusting item, were minimal in 2022 (2021: $4.3 million).

FISBE 1.0 strengthened the Group, with the business becoming more focused on chronic care, developing a deeper and broader innovation pipeline, notably delivering three new product launches during 2022, and improving commercial and operational execution, for example the significant reduction in complaints per million across the past three years.

The Group has explored and executed acquisitions and divestitures to strengthen the strategic positioning of the Group and increase its focus on the four key categories. During 2022, this included the acquisition of Triad Life Sciences, the equity investment in the preference shares of BlueWind Medical Ltd (BlueWind Medical), the strategic decision to withdraw from hospital care activities and related industrial sales as announced on 12 May 2022 and other potential transactions. Further details are provided in Note 10 - Investment in financial assets, Note 26 - Acquisitions, Note 27 - Divestitures and the Non-IFRS financial information section to the Consolidated Financial Statements.

Financial review continued

As announced at the Capital Markets Event on 17 November 2022, following the completion of FISBE 1.0, our strategy is now evolving to deliver the pivot (FISBE 2.0). This is discussed further on pages 15 to 19. Medium-term targets associated with FISBE 2.0 include delivering sustainable mid-single-digit organic revenue growth per annum and expanding the adjusted operating margin into the mid-20s. This is to be delivered through simplification and productivity initiatives, improving the product margin mix and operating leverage. Furthermore, there may be potential M&A opportunities to further strengthen the Group. The outcome of delivering on these targets will be sustainable and profitable growth with double-digit adjusted EPS and adjusted free cash flow compound annual growth over the medium term.

Acquisitions and investments

As noted above, in line with our strategic transformation and consistent with the "Focus" pillar of FISBE (see page 16), we acquired Triad Life Sciences, a US-based medical device company, on 14 March 2022 for an initial consideration of $125.3 million. The acquisition of Triad Life Sciences strengthens the Group's Advanced Wound Care position in the US, securing access to a complementary and innovative technology platform that enhances advanced wound management and patient outcomes. In addition to the initial consideration, there is further contingent consideration payable of up to $325.0 million, based on the achievement of two short-term milestones (totalling $50.0 million) and sales performance during the first two years post-completion (maximum earnout of $275.0 million based on stretching financial performance over the period). The two short-term milestones were successfully achieved in 2022, resulting in $50.0 million being paid during the year. Based on the latest available information, the discounted fair value of the remaining contingent consideration as at 31 December 2022 was $130.8 million. Refer to Note 26 - Acquisitions to the Consolidated Financial Statements for further details.

Management have identified that reasonably possible changes in certain key assumptions and forecasts may cause the calculated fair value of the contingent consideration to vary materially within the next financial year and accordingly, management have deemed this to be a key estimate. See Note 1.4 - Critical accounting judgements and key sources of estimation uncertainty to the Consolidated Financial Statements for further details.

The Group also has contingent consideration of up to $10.0 million in respect of the acquisition of Cure Medical in 2021, which is based upon post-acquisition performance targets and due to be paid within three years of the acquisition date. Based on the latest available information, the discounted fair value of the remaining contingent consideration as at 31 December 2022 was $9.2 million (2021: $3.1 million).

On 9 May 2022, the Group invested $30.7 million in preference shares of BlueWind Medical, inclusive of transaction costs. This represents an investment into an innovative technology in the large and growing overactive bladder market, related to the Continence space. Refer to Note 10 - Investment in financial assets to the Consolidated Financial Statements for further details.

Strategic decision to exit from hospital care and industrial sales

On 12 May 2022, it was announced that the Group would be withdrawing from its hospital care activities and related industrial sales during the remainder of 2022. The withdrawal from these lower-margin and lower-growth activities is consistent with the Group's FISBE strategy, with the Group focusing on higher-growth chronic care markets with higher margins and higher levels of recurring revenue.

The manufacturing plant in Belarus, which produced hospital care goods, ceased manufacturing on 31 May 2022 alongside the discontinuation of associated Russia activities. The remainder of the hospital care and industrial sales activities were mostly phased out in the second half of 2022. The majority of the exit and closure activities have been completed at the end of the year, with minimal residual sales expected in 2023. Further details are provided in Note 27 - Divestitures to the Consolidated Financial Statements.

Dividends

Dividends are distributed based on the distributable reserves of the Company, which are primarily derived from the dividends received from subsidiary companies and are not based directly on the Group's retained earnings. The distributable reserves of the Company at 31 December 2022 were $1,562.9 million (2021: $1,590.3 million).

The Board declared an interim dividend of 1.717 cents per share in August 2022 and has recommended a final 2022 dividend of 4.330 cents per share, which would bring the full year dividend to 6.047 cents per share (2021: 5.871 cents per share), an increase of 3% and a pay-out ratio when compared to adjusted net profit of 48%. Our stated policy is a pay-out ratio of 35% to 45% of adjusted net profit but this is interpreted flexibly over time to reflect the underlying performance of the business and the Board's confidence in its future growth prospects.

Further information about the Group's dividend policy and dividends paid can be found on page 162 and information on capital maintenance and the available distributable reserves position can be found on page 200.

Sources of cash and free cash flow

Sources of cash

One of the Group's primary sources of cash is net cash generated from operations.

Net cash generated from operations

	Reported 2022 $m	Reported 2021 $m
EBITDA[1]	432.0	420.1
Share-based payments	16.7	16.4
Working capital movement	(62.5)	(31.6)
(Loss) on foreign exchange derivatives	(1.7)	(4.3)
Net cash generated from operations	384.5	400.6

1. EBITDA is reconciled to the most directly comparable financial measure prepared in accordance with IFRS in the cash conversion table on page 228.

Reported net cash generated from operations decreased by $16.1 million to $384.5 million during the year, mainly due to working capital movements. The increase in working capital in the year ended 31 December 2022 was driven by increased inventory levels of $36.3 million to build resilience across the Group and increases in trade and other receivables of $63.6 million due to sales phasing and the timing of receipts. This was partially offset by increases in trade and other payables of $40.7 million primarily due to the increase in derivative financial liabilities as a result of the mark to market (MTM) valuations at the year end and an increase in restructuring provisions.

Free cash flow

Adjusted free cash flow (post-tax), is one of the four key financial performance indicators we use to monitor the delivery of our strategy.

	Reported 2022 $m	Reported 2021 $m	Adjusted[1] 2022 $m	Adjusted[1] 2021 $m
EBITDA	**432.0**	420.1	**500.0**	464.2
Share-based payments	**16.7**	16.4	**-**	-
Working capital movement	**(62.5)**	(31.6)	**(98.6)**	(32.3)
(Loss) on foreign exchange derivatives	**(1.7)**	(4.3)	**(1.7)**	(3.9)
Capital expenditure (net)	**(144.2)**	(94.1)	**(144.2)**	(94.1)
Net cash generated from operations, net of capital expenditure	**240.3**	306.5	**255.5**	333.9
Cash conversion	**55.6%**	73.0%	**51.1%**	71.9%
Income taxes paid	**(52.9)**	(59.2)	**(52.9)**	(59.2)
Free cash flow (post-tax)	**187.4**	247.3	**202.6**	274.7

1. Adjusted free cash flow, adjusted EBITDA, adjusted working capital and adjusted non-cash items are explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS in the cash conversion table on page 228.

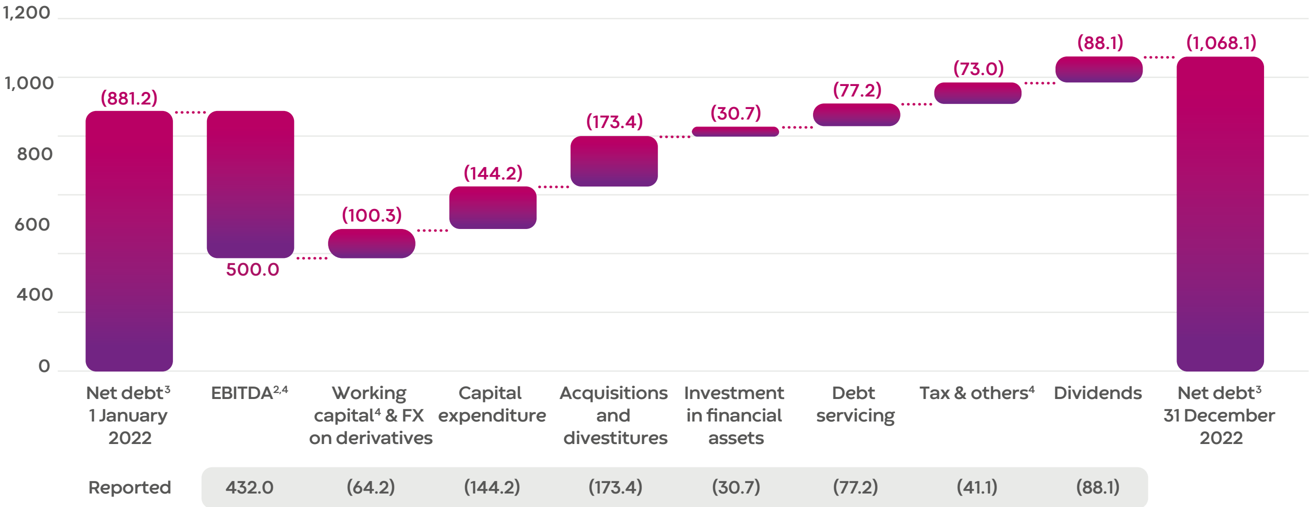
Adjusted free cash flow (post-tax), was $202.6 million (2021: $274.7 million). The $35.8 million increase in adjusted EBITDA, primarily driven by a reduction in adjusted operating costs (see commentary in Adjusted net profit section), was more than offset by the $50.1 million increase in capital programmes as well as the increase in working capital.

Cash conversion was 55.6% (2021: 73.0%) and adjusted cash conversion was 51.1% (2021: 71.9%). The decline in the ratio in 2022 primarily reflected the strategic decision to increase capital expenditure and build inventory for resilience, coupled with the timing of receipts from customers.

The $1.7 million loss (2021: $4.3 million loss) from foreign exchange derivatives was a result of hedging activity to help mitigate the impact on underlying exposures from volatility in foreign exchange rates.

Liquidity and net debt

Net debt bridge ($m)



2. Reported and Adjusted EBITDA are reconciled to the most directly comparable financial measure prepared in accordance with IFRS in the cash conversion table on page 228 and reconciliation of earnings to adjusted earnings table on page 226 respectively.
3. Net debt is calculated as the carrying value of current and non-current borrowings, net of cash and cash equivalents and excluding lease liabilities.
4. EBITDA, working capital and tax & others are on an adjusted basis. The reported numbers are disclosed within the grey bar above and commented on further below.

Adjusted EBITDA was $500.0 million and excludes $39.2 million in respect of working capital movements arising from acquisitions and divestitures, primarily driven by the Triad Life Sciences acquisition and the exit from hospital care and related industrial sales during the year. Other items excluded to derive adjusted EBITDA were $5.0 million of acquisition and divestiture expenses, $10.2 million of termination costs and $16.7 million of share-based payments, offset by a decrease in termination accruals of $3.1 million. These numbers can be seen within the non-IFRS financial information section on page 228.

Adjusted working capital & FX on derivatives of $100.3 million included the $39.2 million working capital movement arising from acquisitions and divestitures as explained above. A reconciliation of adjusted working capital to reported working capital is shown in the Non-IFRS financial information section on page 228.

The Group continued to make significant investments to strengthen and grow the business such as expanding the manufacturing facilities in its Infusion Care business, adding more automation to our production lines and developing new digital technologies to deliver enhanced customer experiences. Consequently, capital expenditure during 2022 was $144.2 million.

Financial review continued

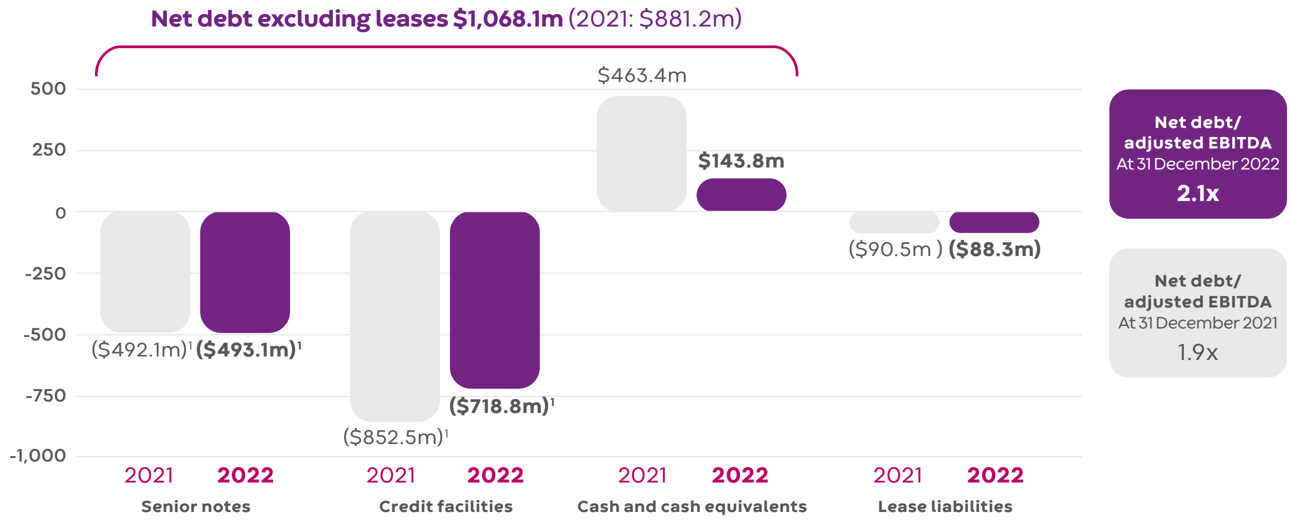
The Group made several strategic investments in 2022 to strengthen its competitive position, including the acquisition of Triad Life Sciences for an initial consideration of $123.3 million and two additional payments totalling $50.0 million for the successful achievement of two milestones in 2022 in relation to that acquisition. The Group also made a $30.7 million equity investment in BlueWind Medical, inclusive of transaction costs.

Debt servicing payments of $77.2 million are comprised of net interest payments of $49.9 million, lease payments of $20.7 million and the amortisation of financing fees of $6.6 million.

Tax & others of $73.0 million, on an adjusted basis, consisted of income taxes paid of $52.9 million, foreign exchange on cash and cash equivalents of $15.9 million, $5.0 million of acquisition and divestiture expenses and $10.2 million of termination costs, offset by foreign exchange on borrowings of $11.0 million. Excluding $5.0 million of acquisition and divestiture expenses, $10.2 million of termination costs and $16.7 million of share-based payments, tax & others, on a reported basis, was $41.1 million.

Dividend cash payments of $88.1 million were made to shareholders in the year. This represented 78.2% of total dividends declared in the year, with the remaining 21.8% electing to settle via scrip dividends.

Borrowings and net debt



1. Senior notes of $493.1 million (2021: $492.1 million) are stated net of financing fees of $6.9 million (2021: $7.9 million). Credit facilities of $718.8 million (2021: $852.5 million) are stated net of financing fees of $8.4 million (2021: $5.4 million).

As at 31 December 2022, the Group's cash and cash equivalents were $143.8 million (31 December 2021: $463.4 million) and the debt outstanding on borrowings was $1,211.9 million (31 December 2021: $1,344.6 million).

The Group successfully refinanced its bank facilities in November 2022, with $1.2 billion committed for five years at slightly improved margins over base rates compared to the previous facilities, comprising a multicurrency revolving credit facility of $950.0 million and a term loan of $250.0 million, both with maturity in November 2027. The Group's $500.0 million senior unsecured notes, issued in October 2021, remain in place with maturity in October 2029.

As at 31 December 2022, $472.8 million of the multicurrency revolving credit facility remained undrawn. This, combined with cash of $143.8 million, provided the Group with total liquidity of $616.6 million at 31 December 2022 (31 December 2021: $663.4 million). Of this, $19.2 million was held in territories where there are restrictions related to repatriation (31 December 2021: $37.5 million).

At 31 December 2022, the Group had total interest-bearing liabilities, including IFRS 16 lease liabilities, of $1,300.2 million (2021: $1,435.1 million). Offsetting cash of $143.8 million (2021: $463.4 million) and excluding lease liabilities, net debt was $1,068.1 million (2021: $881.2 million), equivalent to 2.1x adjusted EBITDA (2021: 1.9x adjusted EBITDA), with the increase primarily driven by strategic investments such as the acquisition of Triad Life Sciences, equity investment in BlueWind Medical and increased investment in capital expenditure.

For further information on borrowings see Note 21 - Borrowings to the Consolidated Financial Statements.

Covenants

At 31 December 2022, the Group was in compliance with all financial and non-financial covenants associated with the Group's outstanding debt.

The Group has two financial covenants, being net leverage and interest cover, each of which is defined, where applicable, within the borrowing documentation. The table below summarises the Group's most restrictive covenant thresholds and position as at 31 December 2022 and 2021.

	Maximum covenant net leverage[1]	Covenant net leverage[1]	Minimum covenant interest cover[1]	Covenant interest cover[1]
31 December 2022	**3.50x**	**2.28x**	**3.5x**	**9.9x**
31 December 2021	3.50x	1.97x	3.5x	11.7x

1. Net leverage is net debt/adjusted EBITDA and interest cover is adjusted EBITDA/interest expense (net) in accordance with the definitions contained in underlying borrowing documentation and are not the same as the definitions of these measures presented in the Adjusted Performance Measures section on pages 224 to 228 and applied in the commentary in this Financial review.

Group financial position

At 31 December	2022 $m	2021 $m	Change $m
Intangible assets and goodwill	**2,149.5**	2,058.5	91.0
Other non-current assets	**553.2**	504.7	48.5
Cash and cash equivalents	**143.8**	463.4	(319.6)
Other current assets	**745.5**	647.4	98.1
Total assets	**3,592.0**	3,674.0	(82.0)
Current liabilities	**(533.1)**	(569.2)	36.1
Non-current liabilities	**(1,449.2)**	(1,410.0)	(39.2)
Equity	**(1,609.7)**	(1,694.8)	85.1
Total equity and liabilities	**(3,592.0)**	(3,674.0)	82.0

Intangible assets and goodwill

Intangible assets and goodwill increased by $91.0 million to $2,149.5 million (2021: $2,058.5 million). This was primarily due to intangible assets and goodwill arising from the Triad Life Sciences acquisition of $284.7 million combined with intangible asset additions of $44.6 million, partially offset by the in-year amortisation of intangible assets of $147.4 million, the net effect of foreign exchange of $84.7 million and an impairment charge of $5.7 million against intangible assets.

We regularly review our trading performance to establish whether there were any triggers that would require an impairment review of goodwill or other intangible assets. During 2022, there was an impairment of $4.3 million in respect of a product-related intangible asset which has been phased out as part of the hospital care exit. There was also a $1.4 million impairment relating to a legacy acquisition-related customer relationship intangible asset as part of the rationalisation of activities in the portfolio.

The annual Cash Generating Unit (CGU) impairment review was conducted on the CGU groups and, taking into consideration our future forecasts and reasonably possible scenarios, significant headroom remained in the carrying value of all CGU groups in comparison to the sensitised recoverable value. No impairment was recognised against goodwill or indefinite lived intangible assets during the year. In addition, management considered the severe but plausible downside scenarios used in the Viability assessment and headroom remained on the carrying value of all CGU groups. Further information on goodwill and other intangible assets can be found in Note 9 - Intangible assets and goodwill to the Consolidated Financial Statements.

Other non-current assets

Other non-current assets, including property, plant and equipment (PP&E), right-of-use assets, investment in financial assets, deferred tax assets, restricted cash and other assets increased by $48.5 million to $553.2 million (2021: $504.7 million). The increase reflected the continued investment in our manufacturing facilities, with additions in PP&E of $100.0 million offset by depreciation of $39.7 million, the net effect of foreign exchange of $17.9 million and impairments of $7.4 million. Included within other non-current assets was the investment made in May 2022 in the preference shares of BlueWind Medical. This was held at fair value of $30.7 million, which has not changed since the date of investment. Restricted cash reduced by $6.3 million primarily due to the reclassification of escrow amounts arising from the acquisitions of Cure Medical and Patient Care Medical in 2021 to current assets whilst ROU assets have reduced by $4.2 million.

Current assets excluding cash and cash equivalents

Current assets, excluding cash and cash equivalents, increased by $98.1 million to $745.5 million (2021: $647.4 million), driven by increases in trade and other receivables of $40.5 million, inventory of $28.1 million and restricted cash of $17.8 million. The increase in trade and other receivables, net of foreign exchange effects of $17.2 million, was mainly due to sales phasing and the timing of receipts whilst the increase in inventories, net of foreign exchange effects of $19.0 million, was largely attributable to the ramp up of inventory in order to build resilience across the Group.

Restricted cash increased by $17.8 million to $18.2 million, driven by escrow amounts arising from the acquisition of Triad Life Sciences in 2022 and the reclassification of escrow amounts arising from the acquisitions of Cure Medical and Patient Care Medical in 2021 from non-current assets to current assets.

Financial review continued

Current liabilities

Current liabilities decreased by $36.1 million to $533.1 million (2021: $569.2 million), reflecting a $144.8 million decrease in the current portion of borrowings as a result of a change in profile of the Group's borrowings under the new credit facilities, largely offset by a $95.2 million increase in provisions primarily driven by the contingent consideration payable on the Triad Life Sciences acquisition and an increase of $20.8 million in derivative financial liabilities, due to movements in the MTM valuations at the year end.

Non-current liabilities

Non-current liabilities increased by $39.2 million to $1,449.2 million (2021: $1,410.0 million). This included an increase in non-current borrowings of $12.1 million, resulting from a change in profile of the Group's borrowings under the new credit facilities and an increase in provisions of $51.4 million driven by the contingent consideration payable on the Triad Life Sciences and Cure Medical acquisitions. This was partially offset by a reduction in other non-current liabilities primarily due to a reduction in the Group's pension obligations and the reclassification of escrow amounts from non-current liabilities to current liabilities.

Going concern

In preparing their assessment of going concern, the Directors considered available cash resources, access to committed funding, financial performance and forecast performance, including continued implementation of the FISBE strategy, together with the Group's financial covenant compliance requirements and principal risks and uncertainties.

Management also applied the same severe but plausible downside scenarios utilised in the preparation of the Viability statement. Under each scenario, the Group retained significant liquidity and covenant headroom throughout the going concern period, i.e. 12 months from the date of this report. A reverse stress test, before mitigation, was also considered to demonstrate what reduction in revenue would be required in the next 12 months to create conditions which may lead to a potential covenant breach. For a breach of covenants to occur in the next 12 months, before mitigation, the Group would need to experience a sustained revenue reduction of more than 10% across all categories and markets. This was considered implausible given the Group's strong global market position, diversified portfolio of products and the mitigations available to the Board and management. For further information on the Viability statement, see pages 98 and 99 and for Going concern, see Note 1.2 to the Consolidated Financial Statements.

Accordingly, the Directors continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Financial control environment

The Group continues to closely monitor the financial and IT general control environment, using a single system for the self-certification of effectiveness of key financial controls across our operations globally. The response rate remained high throughout the year. The Global Financial Controls (GFC) team, acting as the second line of defence, monitors responses and reviews all notified control failures to ensure that there is no risk of material financial misstatement. Focused support and training is given to Global Business Services (GBS) and market finance teams to review controls and ensure that the control framework continues to operate effectively. A similar self-certification process is operated by the IT governance, risk and compliance team for IT controls covering cyber, privacy and financial systems.

The global financial control framework was refreshed in 2022 to increase focus on material risk, with the introduction of a less resource-intensive framework for the smaller operating entities, and additional controls to address new risk areas identified. The control frameworks will continue to evolve to respond to the development of corporate governance requirements in the UK.

Independent assurance on these control frameworks is provided by the Internal Audit team, with a review of the global financial controls and the IT general controls performed in the year, in addition to sample testing carried out by the GFC and IT Governance teams and reviews of financial controls of specific markets and GBS.

Jonny Mason
Chief Financial Officer
8 March 2023

Non-financial information statement

In accordance with the requirements of Section 414CB of the Companies Act 2006, the information below is provided to help our stakeholders understand our position in relation to key non-financial matters including, where appropriate, the relevant policies and processes we operate.

Key non-financial matter	Policies and processes we implement	Page
Environmental matters	Climate change and environmental strategy	Pages 40 to 74
Employees	Our vision and values	Page 6
	Code of Conduct	Page 62
	Diversity, Equity & Inclusion and Wellbeing	Page 59
	Our people strategy	Page 56
	Employee induction, training and development programmes	Page 58
	Employee engagement	Page 58
	Diversity targets and review of metrics	Page 60
Human rights	Human Rights and Labour Standards	Page 63
	Modern Slavery Act Statement	Page 63
Social and community matters	Community engagement	Pages 71 to 74
Anti-corruption and anti-bribery	Third Party Compliance Manual	Page 63
	Compliance helpline and website	Page 62
Principal risks and impact of business activity		Pages 92 to 97
Non-financial key performance indicator		Page 21
Our business model		Page 8

Realising our vision, responsibly

Our approach to Environmental, Social and Governance (ESG) aims to drive the actions necessary to help us to realise our vision whilst acting in a way that engenders trust with all our stakeholders.

Q&A

Karim Bitar, CEO
Chair, ESG Steering Committee

Q There's continued momentum behind ESG. How do you approach ESG at Convatec?

A Improving lives is at the heart of our business: we help people through our products and services. Importantly, the way in which we conduct business also adds value. That's why we launched our ESG framework, Convatec Cares, last year - it's structured to align what we do and how we do it, allowing us to be more than the sum of our parts. Embedding ESG throughout our organisation is a strategic priority for us and I'm proud of the progress we've made. Our commitment is to ensure that words are backed up with actions and outcomes - recognising the benefits to all stakeholders in doing so.

Q Among the hundreds of possible ESG data points that a company can be ranked on, how do you decide what to prioritise?

A Navigating the complexity of ESG considerations can be challenging. This is why we rely on stakeholder feedback - gathered formally through an independent materiality assessment every 18 months, and informally through regular stakeholder interactions. This way, we prioritise the things that matter most to the business as well as those around us.

Q The nature of ESG is cross-disciplinary and cross - functional. What's your approach to ESG governance at Convatec?

A Our ESG framework allows us to bring teams together and organise our initiatives to drive value, while also defining clear and accountable ownership. Our CELT-led ESG Steering Committee has oversight of ESG strategy, oversees sub-committees and working groups on key focus areas and updates the Board to ensure visibility, engagement, support and challenge at all levels.

> ESG practices are central to Convatec's long-term success by enabling our pivot to sustainable and profitable growth and bringing our vision to life.

CONVATEC CARES: OUR ESG FRAMEWORK

Based on our materiality matrix (page 46), our ESG framework Convatec Cares sets out the commitments and activities across the Company that will help us pivot to sustainable and profitable growth. It focuses on the topics that are most material for the Group and our stakeholders.

ESG mission

Underpinned by our values (page 2) our ESG mission is to drive progress towards our vision of pioneering trusted medical solutions to improve the lives we touch by aligning and enabling ESG-related initiatives for the benefit of our customers, colleagues, community and shareholders. Our ESG framework is built around four ESG pillars.

→ To find out more about Convatec Cares, watch our short video www.convatecgroup.com/sustainability/our-frameworks-and-targets/

ESG PILLARS

Delivering for our customers with innovative products, services and solutions that are patient-centric and informed by healthcare professional (HCP) needs and which improve lives

Enabling our people to thrive by protecting their health and safety and using their talent for good

Behaving ethically and transparently to protect and enhance our reputation with all our stakeholders

Protecting the planet and supporting communities through the way we operate and the contribution we make to the world around us

ESG GOVERNANCE: BOARD AND MANAGEMENT

ROLE OF THE BOARD

Our Board has ultimate oversight of ESG, including climate-related risks and opportunities, at Convatec. The Executive Director responsible for these issues is our CEO, Karim Bitar. As a Board member, he brings together continuity and responsibility for our ESG strategy. The Board reviews progress in respect of the execution of our ESG strategy, including two formal touchpoints for ESG updates, as described below.

See pages 105 and 117 for information about the Board's activities in this area during 2022.

Role of the Audit and Risk Committee

The Board's Audit and Risk Committee (ARC) is responsible for reviewing and approving our ESG and Task Force on Climate-related Financial Disclosures (TCFD) reporting, in terms of data integrity and compliance with regulatory requirements, as well as for oversight of the annual assurance of the Responsible business review (page 74).

See page 133 for more information on the ARC's activities in this area.

ROLE OF MANAGEMENT

Our ESG Steering Committee is chaired by the CEO and includes six members of our Convatec Executive Leadership Team (CELT). The Chief Human Resources Officer is the day-to-day CELT sponsor for ESG, providing ESG stewardship across the Group with the support of the CEO.

The Committee oversees the formulation and delivery of the ESG strategy and meets three times a year. It drives the strategy, progress and required actions to manage our ESG-related risks and capitalise on opportunities. This is then reported to CELT for discussion, review and challenge. The Committee updates the Board twice a year. Together, these measures ensure that all members of CELT understand our business response to ESG topics and are committed to delivering against our commitments to become a more sustainable business.

The Committee oversees three sub-groups, which are composed of leaders across the business. The TCFD Working Group, which includes leaders from risk, finance and operations, met quarterly in 2022 to advance the essential work needed to meet TCFD requirements. The Human Rights Committee, which comprises leaders from HR, legal, compliance, procurement and supply chain, monitors progress on protecting labour and human rights in our operations and supply chain and met twice in 2022. In 2022, we formed a Diversity, Equity & Inclusion (DE&I) and Wellbeing Council, which meets annually. In 2023, we intend to launch a working group on product sustainability.

Our central ESG team works across the Group to bring together stakeholder activities, initiatives and priorities, and support the work of the Committee. We also have a dedicated Environmental, Health and Safety (EHS) team within our Global Quality & Operations function. They work across our manufacturing and R&D facilities to deliver environmental management systems in line with our corporate requirements, aligned with ISO 14001, and remain aligned to Group ESG priorities.

INTEGRATION INTO OUR FISBE STRATEGY

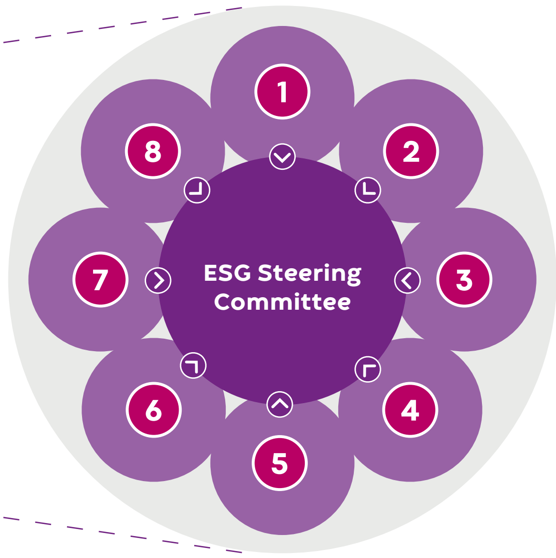
In 2022, ESG was elevated through our Company-wide strategic planning process. Leaders from each business unit and functional area prioritised our ESG targets, integrated them with business plans, internal targets, commitments and actions, and allocated resources against them. The process was designed to prioritise the risks and opportunities presented by our ESG commitments, as well as clarify the necessary processes and activities needed to deliver on our targets.

Given the importance, complexity and dynamic nature of ESG considerations, the strategic planning process also clarified various roles and responsibilities for positioning the Group to meet our targets. This strategic planning cycle ensures appropriate financial and operational plans are in place.

OUR ESG STEERING COMMITTEE

Responsibilities

- Custodian of ESG strategy and objectives, including our approach to key sustainability topics such as:
  - Our impact on the environment and communities, including transition planning
  - Engagement with the workforce and the Group's DE&I and Wellbeing approach, as well as protection of human rights in the supply chain
- Leads on relevant key stakeholder engagement across Convatec (and beyond)
- Establishes and oversees sub-groups to drive execution and focus in particular areas



1	CEO (Chair)	5	EVP, Chief Technology Officer and Head of R&D
2	CFO	6	EVP, Chief Human Resources Officer & ESG Stewardship
3	EVP, Chief of Global Quality & Operations	7	Head of Investor Relations & Corporate Communications[1]
4	EVP, Chief of Corporate Strategy & Business Development, General Counsel & Company Secretary	8	Head of Global Communications, Engagement & ESG[1]

Details on the relevant skills and experience of our CELT members can be found online on pages 112 and 113. The VP, Internal Audit & Enterprise Risk regularly attends the ESG Steering Committee, with particular focus on climate-related risks and opportunities.

In 2023, the ESG Steering Committee will facilitate our ESG agenda through a wider focus on transition planning, Scope 3 emissions, the supply chain, and progress through innovation and strategic community partnerships, while supporting data-driven decision-making and embedding ESG in our FISBE strategy. See page 74 for information on our ESG assurance scope.

1. Not members of CELT

Engaging stakeholders

We proactively engage with our stakeholders to understand their issues, build positive relationships and inform Company practices and decision-making.

Stakeholder	Importance of stakeholders and their key needs	How we engage	Outcomes
The people who use our products and rely on our services			
Customers/ patients	Our products and services are delivered for our customers and patients, who have chronic conditions. They need: - Safe, effective, accessible and innovative products - Support and information	- Direct-to-consumer channels - Home delivery companies - Specialist nurses and call centres - Targeted consumer research - Responding to specific consumer questions, feedback and complaints	- Incorporation of relevant consumer feedback in our research and development processes - Service provision reviews based on customer feedback, and implementation of enhancements as required - Tracking and management of customer issues
Direct enablers who help us deliver			
Healthcare professionals	Healthcare professionals provide valuable insight into our product development and help to ensure that our products reach a wide range of patients. They need: - Products and services that meet patients' needs and benefit the healthcare delivery system - Fair pricing	- Ongoing clinical and commercial dialogue - Targeted research - Specialist training programmes - Advisory boards - Key opinion leader meetings	- Product and service insights inform our development processes and our day-to-day operations
Our people	Our employees bring our vision, values and FISBE strategy to life, fostering an inclusive and supportive culture that enables them to deliver for customers and patients. They need: - Safe, healthy, ethical and fair working environment - Focus on DE&I and wellbeing - Ability to make a difference to the people who rely on our products and services - Career growth opportunities - Attractive reward and recognition	- Group-wide interaction via our intranet, our MyConvatec app and regular town hall meetings - Employee recognition activities - DE&I and wellbeing initiatives, including Employee Resource Groups - Customer stories - Group-wide employee surveys - Union representation and works councils (where relevant) - Board-level engagement programme - Performance reviews - Independent third-party managed whistleblower hotline (Compliance Helpline/website)	- Incorporation of insights to shape our people strategy, talent processes and development/ training programmes - Cadence of employee communications and engagement - Read more about how we enable our people to thrive on pages 56-61
Suppliers and other supply chain partners	Our suppliers and partners are critical to Convatec's ability to deliver our products and services to our customers and patients. They need: - Long-term relationships - Fair pricing and commercial terms - Predictable business - Transparency on suppliers' expected ESG standards audits	- Commercial dialogue - Supplier assessments	- Development of valuable partnerships to address consumers' needs - Supplier awards - Read more on behaving ethically and transparently on pages 62-65
Channel partners[1]	Our channel partners are critical to ensure that Convatec's products and services are available to those with chronic conditions. They need: - Effective, competitively priced products - Fair pricing and commercial terms - Continuity of supply	- Commercial dialogue - Marketing activities - Tender processes - Distributor due diligence and compliance training - Quarterly reviews with partners	- Continued inclusion in tender processes - Development of valuable relationships to address consumer needs

1. Including distributors, large buying organisations, integrated delivery networks, hospitals and national and regional payors

Stakeholder	Importance of stakeholders and their key needs	How we engage	Outcomes
B2B customers	Our B2B customers are critical to ensuring that Convatec's innovative products can be used with other companies' own products to address patient needs. They need: - Innovative products for use with their own products - Long-term relationships - Fair pricing and commercial terms - Continuity of supply	- Commercial dialogue and partnership	- Development of long-term partnerships focused on addressing patient needs
Investors and debt providers	Our investors and debt providers are critical to supporting and maintaining Convatec's ability to operate and deliver, as well as our high standing and reputation in the financial markets. They need: - A clear corporate strategy and delivery on that strategy - Sustainable returns - Responsible business practices - Cash flow to pay dividends and service debt obligations	- Annual General Meeting - Capital Markets Event - Technology & Innovation Event - Active investor relations programme: in 2022 we hosted more than 250 investor meetings including two multi-day roadshows and participation in 6 conferences - Post-roadshow investor surveys plus feedback from corporate brokers - Relationship-led engagement with debt providers - Board members accessibility	- Quality materials to ensure the capital markets appreciate the health of the business and its future prospects - Strategy, Board composition and succession planning and remuneration policy take into account feedback from investors - Read more about our capital allocation policy on page 13
Evaluators who hold us to account for our performance			
Regulators	Regulatory bodies are critical to our license to operate and ability to deliver for customers. They need: - Adherence to legislation and regulation - Proactive engagement when challenges arise	- Regular and ad hoc dialogue in relation to product approvals and other matters	- Implementation of responsible and diligent business practices - Compliance with legislation and regulation - Input into relevant industry consultations
Governments	Governments set out legislative and other frameworks which underpin our work. They need: - Responsible business practices - Employment - Income generation via taxes	- Ad hoc dialogue in relation to specific matters, including fiscal (e.g. taxation), employment (e.g. apprenticeships) and corporate governance	- Making a socio-economic contribution to a range of stakeholders, including through paying taxes as described on page 71
Communities	Communities are core to our people and planet commitments. They need: - Employment opportunities - Medical education - Active management of environmental impact from operations	- Ad hoc dialogue in relation to specific matters - Support for a range of medical education initiatives - Charitable partnerships and donations, including NGO partners	- Enhancing the communities where we operate - Building our reputation in our communities and across broader society
Industry bodies	Industry bodies help us to ensure that our interests are understood and effectively communicated. They need: - High-quality input into industry policies and standards development - Proactive engagement in relation to relevant issues	- Membership of several industry bodies, including Association of British HealthTech Industries, MedTech Europe and AdvaMed - Participation in discussions in relation to industry issues, including best practice	- Contributing to improved understanding of key industry issues - Helping to shape relevant agendas and standards

Convatec Group Plc Section 172 statement

Section 172 of the Companies Act 2006 (the Act) requires each of our Directors to act in a way that he or she considers, in good faith, would most likely promote Convatec's success for the benefit of its shareholders as a whole, having regard to other stakeholders. Section 172 requires our Directors to have specific regard, amongst others, to the matters set out in section 172(1)(a-f) of the Act. On pages 118 to 121 we explain how our Board engages with stakeholders to gain an understanding of stakeholder issues and, during the year, discharged its duty pursuant to section 172 of the Act.

On these pages, we identify our stakeholders and how Convatec engages with them, further detailing within our ESG Materiality Matrix (page 46) what we believe to be the key issues to our stakeholders. As we continue our journey to pivot to sustainable and profitable growth, we are mindful of the importance of staying aware and responsive to stakeholder needs.

The Directors acknowledge that every decision made will not necessarily result in a positive outcome for all stakeholders; however, the Board aims to make well-considered decisions consistent with our vision, values and our strategic priorities.

Responsible business review continued

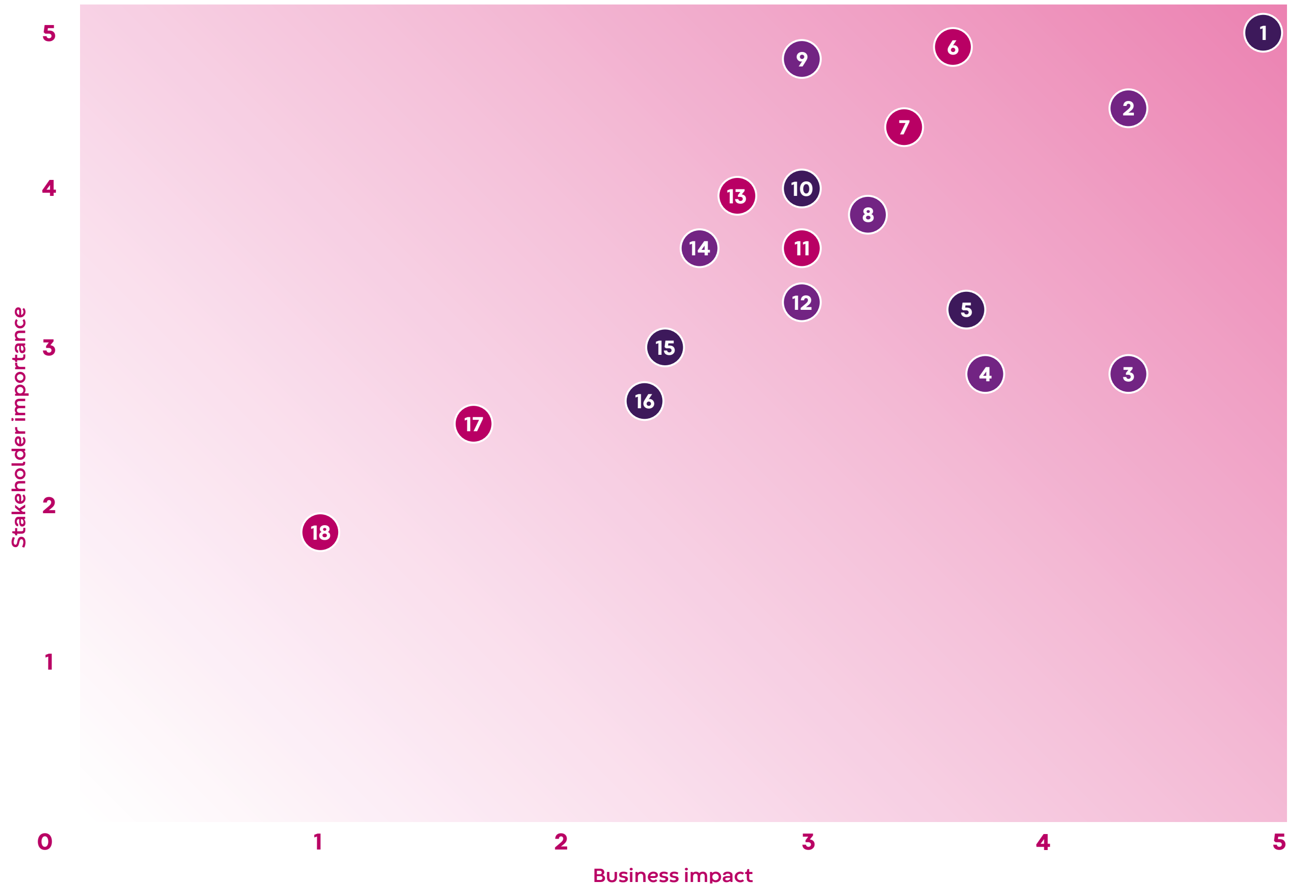
IDENTIFYING KEY ISSUES FOR STAKEHOLDERS

We understand the importance of operating responsibly and generating value sustainably. As we pivot to sustainable and profitable growth, our focus is on the operational, people-led and environmental issues that are most material to us and our stakeholders.

During 2022, we were guided by our materiality matrix developed in 2021, which (through research with internal and external stakeholder input) identified the top 18 issues important to the business and our customers, colleagues, communities and shareholders. These are:

1. Product safety
2. Health and safety
3. Talent attraction and growth
4. Colleague wellbeing
5. Integration of ESG into core business process
6. Sustainable product design
7. Carbon and energy (operational)
8. Labour standards/Modern slavery
9. Customer access
10. Business ethics
11. Waste (operational)
12. DE&I
13. Responsible and resilient supply chain
14. Advocacy and community relations
15. Board-level accountability for ESG performance
16. Data security and privacy
17. Water (operational)
18. Biodiversity impacts on plant and animal life

2022 ESG MATERIALITY MATRIX



To stay aware of and responsive to our stakeholders' needs, we will conduct our next materiality assessment in 2023 to support the continued evolution of our ESG priorities.

In line with best practice, we intend to use a double materiality approach to consider not just the potential impacts of ESG issues on our business success (financial materiality), but also the impacts of the business and its value chain on people and the planet (impact materiality).

- Environmental topics
- Social topics
- Governance topics

SUPPORTING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

We support the United Nations Sustainable Development Goals (SDGs) which aim to align governments, businesses and the third sector in their efforts to end poverty, fight inequality and address climate change. Convatec joins over 15,000 companies as a participant in the UN Global Compact (UNGC) in which we pledge to follow the UNGC's ten principles on human rights, labour, environment and anti-corruption. Our UNGC Annual Communication on Progress can be found at www.convatecgroup.com/sustainability/esg-reports-and-data and on the UNGC website.

Though all 17 goals are interlinked and are important to us and our stakeholders, our business operations and ESG framework explicitly link to six goals where we can contribute to a more sustainable future:

SDG target	Contributing activity and policies
SDG 3.4: By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being **SDG 3.8**: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	- Patients and HCPs served - Improving efficacy and safety of our products through innovation - Supporting wellbeing of colleagues (page 59) - Improving access to products and services by focusing on affordability (page 55), supply chain (page 55) and education (pages 54 and 73) - Vitality index target (page 48) - Quality target (reducing complaints per million) (page 48) - Target to reduce voluntary turnover (page 48)
4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	- Apprenticeship programmes (page 59) - Building capabilities of our people (page 58) - Medical education (page 73) - NGO partnerships (pages 71 to 73)
8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value **8.7**: Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms **8.8**: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	- Strengthened engagement, audit and risk assessment of suppliers (page 63) - Expanding apprenticeship programmes (page 59) - Ensured 100% of our locations at or above the living wage (page 61) - Health and safety programming (page 61) - Updated Code of Conduct; Human Rights & Labour Standards Policy; and Global Third Party Manual - Human Resources policies
10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status **10.4**: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality	- Diversity, equity & inclusion and wellbeing commitments (page 59) - Strengthened and expanded our employee resource groups (page 60) - Our products and services help people with chronic conditions regain increased mobility and ability to partake in societal activities - Updated hiring practices to reduce barriers and increase diversity (pages 59 and 60) - Maintain a target for women in senior leadership - Gender pay gap reporting
12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse **12.6**: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	- Waste, water and packaging waste reduction plans developed (pages 69 and 70) - Scope 1 and 2 Science Based Targets (SBTs) developed to inform emissions reduction plans (page 68) - Launched digital product sustainability tool as part of green design guidelines (GDGs) (page 51) - Our product life-cycle analysis programme and GDGs support the development of more sustainable products
13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	- Increased depth of internal communications on climate change topics such as COP27, driving tips, and the SBT process to engage employees in our commitments - Included educational resources as part of ESG Steering Committee meetings and Board updates - Working with our suppliers on emissions reductions - Setting SBTs

Our ESG targets

Our ESG targets serve as milestones on our ESG journey and ensure we execute against our Convatec Cares framework. We track our progress throughout the year and report to management and the Board.

PROGRESS KEY

Achieved
New
In Progress

Complete definitions for each target are provided on pages 241 and 242. The 2022 progress against a select set of metrics have been reviewed as part of the assurance process. For further details please see the assurance statement on page 74 and basis of reporting at www.convatecgroup.com/sustainability/esg-reports-and-data.

Delivering for our customers

Target	Progress in 2022	Status	Read more
1 **Quality**: Align existing quality metrics to industry best practice and continue focusing on product safety by Q4 2022	Reviewed legacy product quality disclosures to bring 2022 approach into line with industry practice	Achieved	Page 52
Quality target: Reduce complaints per million (CPM) by 8% for 2023 against a 2022 baseline	13% reduction against 2021	New	Page 53
2 **Product vitality**: Vitality Index of 30% by Q4 2025	26% (25% in 2021). Includes product acquisitions.	In Progress	Page 50
3 **Product development**: Implement Green Design Guidelines as part of product development process and expand user base to at least 50 users by Q4 2022	Incorporated GDGs into new product development process and 106 users added to GDG platform	Achieved	Page 50
Product development: Expand use of GDG digital tools, with at least five new product launches assessed by Q4 2023	Implemented and tested assessment process	New	Page 51

Enabling our people to thrive

Target	Progress in 2022	Status	Read more
4 **Health and safety**: 4.1 Increase our Operations Hazard Observation Rate to above 200 per 200,000 hours worked by Q4 2022	234 per 200,000 hours worked (190 in 2021)	Achieved	Page 61
Health and safety: Maintain an annual Operations Hazard Observation Rate above 200 per 200,000 hours worked	See above	New	Page 61
4.2 Sustain Operations Lost Time Injury Rate below 0.22 by Q4 2025	0.20 per 200,000 hours worked (0.3 in 2021)	In Progress	Page 61
5 **Diversity, equity & inclusion and wellbeing**: 5.1 Reach at least 40% females in combined CELT and senior management by Q4 2024	38% (32% in 2021)	In Progress	Page 60
5.2 Reduce voluntary turnover to less than 10% by Q4 2023	12.9% in 2022 (11% in 2021)	In Progress	Page 60

Behaving ethically and transparently

Target	Progress in 2022	Status	Read more
6 **Human rights**: Complete the review, update and publication of our Human Rights and Labour Standards Policy and our Supplier Code of Conduct, by Q4 2022	Updated and republished	✓	Page 63
› **Human rights**: Launch annual compulsory training programme on Human Rights for all employees by Q4 2023	Providers identified to develop Human Rights education module for employees that is consistent with our policy	+	Page 63
Human rights: Strengthen our risk management practices focused on labour standards and modern slavery through our procurement and supply chain, including through the introduction of a new responsible supplier assessment platform by Q2 2023	Conducted due diligence and competitive process to assess potential solutions, resulting in contract award	+	Page 63
7 **Code of conduct**: Ensure at least 95% of employees trained on an annual basis by Q4 2023 and in subsequent years	On track (96% trained in 2022)	→	Page 62
8 **Procurement and supply chain**: Ensure that 80% of Convatec's spend is with suppliers with whom we have engaged to request their participation in our EcoVadis platform by Q4 2023	66% of spend supported by suppliers engaged to participate with EcoVadis EcoVadis participation requested in 23 of 33 request for proposal/request for information events	→	Page 64

Protecting the planet and supporting communities

Target	Progress in 2022	Status	Read more
9 **Emission reduction**: 9.1 Achieve net zero carbon (in line with our SBTi target) by 2045		→	Page 66
9.2 Complete the Scope 3 materiality assessment and develop the measurement strategy by Q4 2022, with the intention of publishing our Scope 3 GHG inventory by Q4 2023	Scope 3 materiality study completed and measurement strategy developed	✓	Page 69
9.3 Reduce our combined Scope 1 and 2 greenhouse gas (GHG) emissions by 5%, against a 2021 baseline by Q4 2022	Scope 1 and 2 GHG emissions reduced by 32%	✓	Page 68
10 **Science-based target commitment**: 10.1 Set quantitative targets for Scope 1 and 2 GHG emissions, against a 2021 baseline, aligned with the SBT criteria by Q4 2022	Scope 1 and 2 SBTs proposed	✓	Page 68
› Reduce our combined Scope 1 and 2 emissions by 70% in line with our SBTs by 2030	See 9.3 above	+	Page 68
10.2 Set quantitative targets for Scope 3 GHG emissions, against a 2021 baseline, aligned with the SBT criteria by Q4 2023	Scope 3 materiality study completed	→	Page 69
10.3 Achieve validated SBT for Scope 1, 2 and 3 emissions by Q4 2023	Scope 1 and 2 SBTs proposed	→	Page 68
11 **Community contributions**: 11.1 Establish new NGO partnership(s) and funding commitments by Q4 2022	$250,000 donated to the Disaster Emergencies Committee (DEC) through ongoing partnership $220,000 supporting NGO partnerships around our manufacturing sites	→	Page 73
› Contribute at least $2 million in cash and in-kind support to our community partners to improve lives by Q4 2025	See above	+	Page 73
11.2 Contribute responsibly to a range of HCP and patient education programmes. Set specific targets for 2023-25 on reach and impact	Over 231k HCPs and patients participated in educational programming led by Convatec. In process of setting impact metrics (see below)	→	Pages 73 and 74
› Continue to expand the reach of our HCP education programmes, including through the development of a global medical education digital platform and recategorisation of activity to improve impact by Q4 2023	Ongoing development of Medical Education Centre of Excellence strategy	+	Pages 73 and 74

Responsible business review - customers

DELIVERING FOR OUR CUSTOMERS

2022 highlights

- Launched three key new products, with an additional five in the pipeline.
- Rolled out our digital sustainability tool, part of our Green Design Guidelines (GDG), enabling research and development colleagues to enhance focus on sustainability in product development.
- Entered the wound biologics segment[1] and overactive bladder markets through strategic investments.
- Implemented enhanced key performance indicators that increase specificity for our quality system, and which prioritise timeliness, ageing, and effectiveness of our actions in the quality system.

2023 priorities

- Expand the use of our digital sustainability tool and GDG, with at least five strategic projects assessed.
- Launch at least three new products and expand our product pipeline in support of our ESG vitality target.
- Continue focus on product safety.

Producing innovative products, services and solutions that improve lives, are patient-centric and informed by HCP needs.

Innovation journey

To fulfil our vision and drive growth, we are continuing to strengthen our research and development (R&D) capabilities, alongside bringing new products to market. We have invested $92 million in 2022 in R&D and continued to make progress towards our goal of reaching and sustaining 30% new product vitality by 2025, supported by strategic acquisitions. Our approach to innovation continues to build momentum in the following ways:

- **Increased investment**: We have more than doubled spend on R&D investment in new products and capabilities since 2019, enabling our new operating model which integrates R&D teams across functions to leverage shared capabilities with cross-functional reviews, new product development process gate reviews and semi-annual portfolio reviews.
- **Innovation mindset**: We recognise that the users of our solutions are people, not just patients. Our solutions therefore involve digital and service offers as well as our products. We also understand that many of our products are produced and used in high volume and must be of the highest quality.
- **Simplified processes**: We use a single business and product development process across all four product categories, from ideation through to launch, that we refer to as IDEAL. This process goes beyond R&D and involves commercial, technical and operations teams.
- **Leadership and competencies**: With a new operating model, we attracted global talent for R&D, medical, regulatory, intellectual property and portfolio management. We maintain four major technology centres: one in the US (Boston), and the others close to our manufacturing facilities in the UK, Denmark and Slovakia.

Q&A

Dr. Divakar Ramakrishnan
EVP, Chief Technology Officer & Head of Research & Development

Q How is Convatec delivering the 'Pioneering' aspect of its vision?

A Chronic care patient needs are large and growing. To realise our vision, we strengthened our technology and innovation capabilities so that we can continue to launch new products and services, supported by a strong pipeline. In 2022, we made good progress through the launch of three new products as well as the acquisition of Triad Life Sciences which provides a key technology platform for us. Together with investments such as BlueWind Medical Ltd (see page 120), these are all examples of how we are improving the lives we touch.

Q How does Convatec engender trust with its customers through its products and services?

A We made a promise to be forever caring. This means that we will never stop listening, learning and improving our solutions for customers and patients. Today, we are working more closely than ever before with our customers - from the people living with difficult chronic conditions, to the healthcare professionals (HCPs), care givers and businesses that support them. We put their needs at the heart of our innovation so that more people can live their lives to the fullest. We're deploying new capabilities such as human centred design and human factors engineering, as we embed our innovation mindset with forever caring at its heart and prioritise quality and efficacy. This in turn builds trust.

Q With ageing populations and increased rates of chronic conditions around the globe, how are you adjusting to the shifting nature of healthcare to meet patient and caregiver needs?

A To close the care gap, we need more than medical products. This is why we see our solutions as having three components: product, digital offerings, and services. The people whose lives we touch, patients, caregivers and HCPs, all want actionable insight in addition to our products. We need to be thinking about solutions which help us stay in line with a dynamic healthcare landscape, including the rise in care being delivered outside a hospital setting.

1. As defined by SmartTRAK: see page 22

- **Portfolio management**: Our investment must be properly managed in order to maximise value for all our stakeholders. It starts with detailed regular reviews as described above. We look through all projects to prioritise where resources are best deployed. In between reviews, we have our budget and strategic planning process and regular engagement with the Board.
- **Continuous improvement**: While proud of our progress, scaling up investment and output has not been without challenge. We take every opportunity to iterate the IDEAL process and new methodologies such as low volume production ahead of high volume automated manufacturing. This helps ensure we're embedding a continuous improvement philosophy in our innovation mindset.

New products and solutions

In 2022, we delivered on our plan to launch three new products. These products offer significant benefits for the user. For example, our GentleCath Air™ for Men uses third-generation catheter technology, which means it does not use a coating that can cause trauma and deposit in the urethra. The InnovaMatrix® AC, derived from porcine placenta, is designed for hard-to-heal wounds. The MioAdvance extended wear infusion set (EWIS) reduces the user's body burden by 50%, as described on the right.

During 2022, a total of 83 patent filings were made (2021: 33) and ideation has been supported by new capabilities in preclinical research that looks at underlying physiological processes, enabling our engineers to create highly targeted solutions to address the most challenging problems. We believe sharing the success of our solutions with our people really matters. In 2022, we developed a new intellectual property recognition programme to recognise creative and innovative thinking and celebrate our commitment to innovations as a core part of our culture.

Preclinical studies

In 2022, we opened a dedicated space, Convatec User Insights and Evidence Suites, to hold controlled studies with healthy volunteers. The space, based at our Deeside, Wales facility, allows for more face-to-face research with volunteers visiting to ensure we fully appreciate how their usage impacts the device and consequently future designs. This can take the format of a wear test in order to better understand the device's performance.

CASE STUDY: MIOADVANCE EXTENDED WEAR INFUSION SET

Convatec has developed and manufactured the first and only infusion set labelled for up to seven days' wear. An infusion set delivers insulin from an insulin pump to the body and typically requires a set change every two to three days. Developed in partnership with Medtronic, our device provides significant benefits for people around the world with diabetes, with an estimated 50% reduction in set changes required. The device was launched for use in 2022 in the US and several European countries.

The technology is a major innovation in infusion sets, consisting of a novel inserter system and infusion set. The extended wear set uses advanced materials that help reduce insulin preservative loss and maintain insulin flow and stability, to double the wear time of the infusion set.

Additionally, use of the set is estimated to result in annual cost savings on insulin of up to 25%, due to a reduced number of infusion set and reservoir changes that result in unrecoverable insulin, as well as around 2kg less plastic waste per year for each patient.

Additional data such as performance and safety information can be collected during these wear studies. This information supplements existing preclinical data on the device such as the biocompatibility of the materials used. This format is designed to develop new knowledge and support future designs of Convatec products.

Strategic investments

In 2022, we acquired Triad Life Sciences, enabling us to progress into the wound biologics segment[1] through Triad's technology, know-how and innovative products. Now named Advanced Tissue Technologies (ATT), these complement our existing AWC portfolio and capabilities, enabling us to meet a wider range of needs for both patients and healthcare practitioners. For more information on Advanced Wound Care, see page 22.

We identified that overactive bladder (OAB), which is related to our continence care activities, is a chronic segment where there is potential to radically improve outcomes for patients, and in 2022, we made a minority investment in BlueWind Medical Ltd. BlueWind is the developer of RENOVA iStim™, an implantable neuromodulation device for the treatment of urge incontinence alone or in combination with urinary urgency and/or urinary frequency. We believe the technology is an important step towards people maintaining greater, daily control over their own treatment.

Sustainable product design

Our new product development (NPD) processes include a review of the proposed materials against certain externally compiled lists of 'substances of concern', including the requirements of California Proposition 65 and REACH25. This approach is consolidated within our Ethical Issues and NPD policy.

As well as focusing on our key product development priorities, we are strengthening our focus on more sustainable product portfolios. In 2021, we launched the pilot of a digital tool for our GDG, which cover a range of aspects including consideration of carbon footprint, water footprint, circularity, substances of concern and non-quantitative 'red flags' (e.g. potential use of substances which

1. As defined by SmartTRAK: see page 22

Responsible business review – customers continued

CASE STUDY: SUSTAINABLE FLOW WRAP PACKAGING

Before and after: previous packaging on the left, next to the new streamlined version

Currently around 45 million ostomy wafers are produced each year across the nine different production lines at the Haina, Dominican Republic, ostomy facility. Historically, these have been packaged using PVC and a paper-plastic hybrid backing, which cannot be recycled and creates waste product.

In 2022, we conducted a study of flow-wrapped wafers with users and healthcare professionals in four countries, and concluded that changing to a flexible flow wrap would not affect usability. Rather, the advantages of flow wrap for our HCPs and customers are substantial in that packs are easier to open and store and are visually improved, thanks to the incorporation of the Convatec colour-coding system developed to help HCPs pick the appropriate size.

Early in 2023, we will begin to package ostomy wafers in flow wrap instead of PVC. As well as contributing to our environmental waste reduction goals, since production is more energy efficient and the packaging has 80% less plastic by weight, it also uses fewer carbon-intensive raw materials. Further Scope 3 emissions exist in the processing of the waste, both from production and end-of-life processing.

are fully legal, but could be seen as less favourable to the wider environment). This tool can also assess the sustainability of new products compared to existing products. In 2022, we developed an extensive raw material database and an additional 29 existing products were incorporated into our digital tool to offer a baseline for comparison when assessing new products. Our ESG target to expand the user base to 50 trained users by Q4 2022 was achieved, and the GDGs have been integrated into our IDEAL process to ensure the selection of materials that reduce the future environmental impact of our products and packaging.

Given our focus on patient safety and the regulatory framework in place for MedTech products, it is not straightforward to change device form and components. Extensive requalification and reapproval of products are necessary after any change before modified products can be launched. It can also be problematic to include recycled content in device materials due to regulatory constraints regarding quality and traceability.

Product quality

Product quality is key for our customers and vital in earning Convatec a reputation as a trusted provider. In 2021, we set an ESG target to align existing quality metrics to industry standards and our continued focus on product safety and efficacy. In 2022, we delivered on that commitment by:

- Baselined quality metrics to industry standards. We've enhanced and implemented new key performance indicators that provide more granularity and proactive insights on the state of the quality system, prioritising timeliness, ageing, and effectiveness, which has enabled us to improve our overall efficiency in problem solving.
- Established goals to increase level of compliance in response to the market, and implemented company-wide training. We are set to launch training for specific roles in 2023.
- Prepared a strategy to decrease response time to our customers via speed of execution within our quality system.

While we continuously monitor customer feedback and have reduced complaints rates during 2022, our first priority continues to be ensuring patient safety and that we take any necessary action with urgency. We have set a new ESG target to reduce complaints per million (CPM) and will place particular focus on those related to adverse events. In 2023, we will be segmenting our overall complaint rates to provide clearer distinction on how we are improving and maintaining the overall product safety profile of our products, as defined by our risk management systems. This will introduce greater visibility to a quality performance target of continued improvement in overall events.

Product safety is also a key priority for our customers and for our reputation as a trusted provider. In 2022, we successfully achieved recertification of our quality system. Regulators consider most of the products and solutions we develop to be of low risk to users. Nevertheless, we have a rigorous and robust supplier audit mechanism and quality management system. Notified bodies, such as the British Standards Institute (BSI) also review our quality processes and procedures. In 2022, we established a new quality compliance programme, focused on continuously improving our overall quality compliance profile through a rigorous corporate internal audit programme. This is already delivering results, strengthening core capabilities, and continuously enhancing our overall quality culture.

We conducted a total of 153 audits on suppliers during 2022 (2021: 187). Our ability to perform onsite audits improved in 2022, so we prioritised onsite follow-ups with our critical suppliers. We performed fewer audits compared to 2021, due to the exit of our hospital care business, which saw a reduction in our supply base.

In rare circumstances it may be considered necessary to conduct a product recall, following a detailed internal quality investigation. Recalls are controlled by standard operating procedures, all of which underwent continuous improvements in 2022 as part of our focus to elevate standards across the quality system. In 2022, we executed 11 product recalls (2021: 8). While there was no risk of harm to patients, the distributed products did not meet the elevated requirements of the quality system.

Use of animals in research

We believe strongly in avoiding the use of live animals in research and testing unless absolutely necessary. Every effort is made to conduct as much of our research with bench work and cell cultures. If there is a critical need to conduct animal studies then the highest of ethical standards are followed. Any discomfort to an animal is avoided and all work is undertaken in certified facilities with veterinarian observation.

All medical devices are required to show biocompatibility prior to approval and use, per ISO 10993-1:2018. This requirement is enforced by government authorities and is part of the registration process for medical devices. As part of this requirement, certain biological risks are required to be evaluated and mitigated through the use of testing. In some cases, this can be done through analytical or in vitro methods; however, some biological risks are only able to be evaluated though the use of defined and prescribed animal tests.

As such, when mandated by the intended use of the device and the registering competent authorities, we will execute the critical biocompatible verification tests required by the ISO standards to ensure patient safety and registration requirements.

We do not willingly perform any animal testing in the development or functional verification of our devices, as described in our Ethical Issues and New Product Development Policy which can be found at www.convatecgroup.com/investors/governance/our-policies-and-statements/.

In 2022, four rats were used to support studies in burn healing research. These studies were conducted at the University of Memphis Biomedical Engineering Department and were cleared with their Institutional Animal Care and Use Committee.

In 2022, as part of the acquisition of Triad Life Sciences and subsequent formation of Convatec Advanced Tissue Technologies, we now engage in studies that use porcine placentas. These are derived naturally through the birthing process and provided in partnership with a farm. The placentas are subsequently stored at ultra-low temperatures until required. No swine are killed in the process.

QUALITY MONTH

Colleagues celebrate Quality Month in Reynosa in October 2022

Responsible business review – customers continued

CASE STUDY: SERVICES

In a historically product-focused industry, we recognise that support services are an essential part of our forever caring promise. In 2022, we grew many of our service offerings.

me+™

Our me+™ programme operates throughout Asia, Latin America, Europe and the US and aims to support people managing chronic conditions to help them enjoy their lives. The programme provides access to phone support and a range of online resources covering lifestyle tips and advice, educational and guided recovery tools and peer-to-peer support related to ostomy care and continence care. In the US, the me+™ programme has expanded its offering to include ostomy care telehealth and supplier connections.

In the past year, we launched two mobile phone applications to increase accessibility of me+™ services. The Ostomy Nurse Solutions (ONS) app helps carers choose which product a patient needs and order samples directly. The My Ostomy Journey (MOJ) app is designed to support the daily needs of those using the product, including tracking pouch changes, fluid intake and food diary, as well as offering easy access to me+ support.

We continued to offer and expand virtual support services, including our virtual telehealth service in the US, available in English and Spanish. These services continue to provide valuable support to many patients and consumers, with 99% of people that have used the service saying that they would recommend it to someone else.

We have increased investment in digital capability in the US and Poland, playing a key role in connecting people living with an ostomy throughout their journey and improving the experience of customers when using our products and services.

Home Services Group

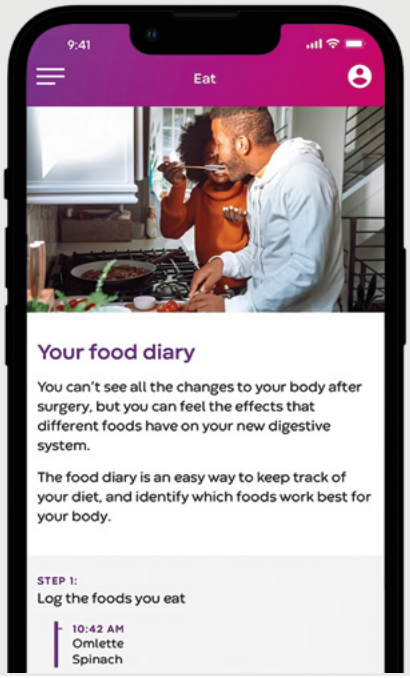
In 2022, we expanded the reach of our Homes Services Group (HSG), which incorporates Amcare™ in the UK and 180 Medical across the US. A dedicated provider of support and solutions to the stoma, continence and wound care communities, HSG has played an important role in our commitment to delivering for customers.

180 Medical expanded its digital offerings in 2022. The number of online chats with customers and potential customers more than doubled during the year. 180 Medical's e-script platform grew to 24% of our facility and doctor referral volume. The 180 Medical Customer Portal has also undergone updates in 2022 so that customers have more oversight of their accounts, and can confirm orders, view and track shipments, pay bills, request changes, update contact information, and even complete certain kinds of documentation by themselves.

180 Medical's customer-focused team structures were updated in 2022 to streamline the intake process, reducing hold times and allowing our team members to specialise more within their roles. Now we have employees dedicated solely to new patient intake and new patient setups. We have a team focused on handling outbound calls and tasks, and one focused entirely on handling calls from existing patients. Our patient advocate programme continues to improve our customers' ability to speak to other users of the products.

Amcare™'s move to a cloud-based platform that empowers Customer Services Teams by reducing order processing times and creating a work-queue system has led us to more efficiencies in our processes in 2022. We now ship more than 10,000 orders to our customers each month, with over 99% of shipments delivered next day. As we head towards 2023, we will continue to develop the capabilities, tailoring this bespoke system to match our needs. We have added further technology systems to our operation to enhance our capabilities and efficiencies to better serve our employees and customers. When combined with our continued training and education of our employees, these system investments have ushered in a new era of culture and technology to Amcare™ and our UK and Ireland operations.

The emphasis on customer support services in 2022 increased the Net Promoter Scores (NPS) of HSG. The Amcare™ NPS for existing customers rose from 40 to 61, and for new customers from 40 to 71. 180 Medical attained an NPS score of 79 in 2022. In addition, 180 Medical reached a major milestone of over 9,000 excellent reviews on Trustpilot, which is an overall 4.8 out of five stars.



Reliability of supply

Satisfying and exceeding our customer expectations continues to be a top priority. Throughout 2022, we've continued to make strong progress to ensure product availability and reliable delivery. Close collaboration across all relevant functions is enabled by our Sales and Operations process. This key capability enables us to plan for short, medium and long-term requirements, anticipating demand scenarios and to ensure production, inventory and logistics readiness. This is supported by a rigorously managed performance framework overseeing end-to-end reliability.

When it comes to resilience, in the short term, we have and will continue to invest in strategic inventory, including raw materials and finished goods in adequate quantities, so that our customers can be secure in the knowledge that products will be delivered, despite the global context of supply chain challenges. In 2022, impacts to shipping lanes placed particular pressure on raw material and finished goods transportation. We're continuing to expand our efforts to establish dual source raw material and manufacturing options. We've added capacity throughout the network so that we can produce sufficient products to insulate our customers against future supply chain disruptions. Overall, notwithstanding supply chain pressures, we significantly reduced and stabilised lead-times associated with moving finished goods to key market warehouses. Our resilience plans mitigated impacts wherever possible, which includes building safety stock of raw and finished good materials and adjusting transportation methods in key markets. We also effectively established a number of new shipping lanes and alternatives modes of transport to ensure ongoing flexibility to move product without delay.

We are in the process of globalising the real-time tracking system of our end-to-end supply chain, giving visibility of inbound shipments, inter-site movements and downstream deliveries to customers. This enables our customers to track their orders right through to delivery. Wherever possible, we work with logistics partners to secure freight capacity and increase end-to-end inventory levels to derisk any interruption in supply to our customers.

Access to healthcare

Access to healthcare is a basic human right that should be available to all who need it. This fundamental principle is integrated in our vision and we run our business to ensure the following:

1. **Availability**: We continue to evolve our sales channels to best meet our customers' needs. Progressing patient and HCP support, in 2022, Ostomy Care launched two mobile apps (page 54). In GEM, our healthcare practitioner medical educational training programmes, such as Convatec's Asia-Pacific Education programme (CAPE), ultimately expand access to products in markets that are rapidly developing and where access has been historically limited.

2. **Adaptability**: Based on feedback from users and healthcare professionals our products address a broad range of patient needs reflecting the different challenges that individual users experience. Getting the range of products right relies on research and stakeholder engagement (see pages 44 and 45).

3. **Usability**: Products may 'do a job' medically, but given the social and emotional context of the people we serve, we need to provide solutions which go beyond the provision of a functional device. To lower access barriers, we help patients identify the device which best suits their needs, provide easy-to-follow literature, videos and online support and deliver millions of products a year.

4. **Affordability**: Affordability is a key issue which we strive to address through competitive pricing and innovation to increase product effectiveness and, as a result, reduce healthcare costs and improve patients' lives. In 2022 we launched a global Pricing Centre of Excellence which considers the role of economic affordability in product availability.

Data privacy

We operate a privacy governance framework to ensure that we protect and properly process personal data and comply with all privacy regulations including the European Union General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA).

This framework includes policies, procedures, controls and records that operate across our business on a global basis. The implementation of this framework is supported by mandatory employee training, which forms part of our induction process for new employees and annual updates for existing employees, underpinned by our Group compliance programme. Its effectiveness is overseen by several internal governance groups, including our Cybersecurity Steering Committee. Our various data policies, procedures and controls are regularly assessed by our internal audit team. In particular markets, trained privacy champions, supported by third-party experts, provide first-line local support on privacy matters. This framework is continually reviewed to ensure any changes in legislation are incorporated and is regularly reviewed for effectiveness by the ARC.

Our new data privacy governance structure ensures global leadership of privacy and compliance Group-wide by setting out the roles and responsibilities for managing the collection, use, retention and disclosure of personal data across the organisation. This is achieved by implementing executive leadership and sponsorship for critical personal data classes, by assigning four CELT leaders accountable for ensuring that the use of four critical personal data classes across the organisation is properly governed.

From time to time, we may experience theft or inadvertent disclosure of data. In 2022, there were no reportable issues to data protection authorities and no significant volume of data subject access requests were received.

For further information on our information systems, security and privacy risk, see page 93.

Responsible business review - colleagues

ENABLING OUR PEOPLE TO THRIVE

2022 highlights

- Maintained a strong performance on McKinsey's global Organisational Health Index (OHI), outperforming peers and the industry in many areas.
- Expanded our Total Safety Leadership training to further enhance our focus on health and safety.
- Rolled out new career pathways globally - a new career architecture and grading framework.

2023 priorities

- Continued progress towards our target of 40% women in leadership positions.
- Roll out a range of new DE&I and Wellbeing programmes, starting with mentoring.
- Expand range and accessibility of leadership and development programmes.

Protecting the health and safety of our people and using their talent for good

At the end of 2022 we employed 10,036[1] people (2021: 10,142). Employee turnover in 2022 was 28.1%[2] (2021: 19%), largely driven by our exit from the hospital care category. As a result of this, we closed our factory in Minsk, Belarus in May 2022. Voluntary turnover in 2022 was 12.9% (2021: 11%). Information on our employee profile is illustrated in the graphs on the following pages, while our definitions for employee count and gender diversity is detailed on page 60.

While our employees are spread across our global footprint, based in 46 countries, approximately 58% of our workforce is employed at our nine manufacturing locations (2021: 59%). In addition to our facilities in the Dominican Republic, Mexico and Slovakia, we have manufacturing operations in the UK (two locations), Denmark (two locations) and the Netherlands. Of countries with no manufacturing operations, the US has the largest concentration of employees.

Our people strategy

Our people mission is to "*create a stimulating, inclusive and rewarding environment for our people to thrive and grow together, for the benefit of our customers, colleagues, communities and shareholders*."
To do this we focus on:

- Aligning talent to value and building a diverse talent workforce
- Building high-performing teams
- Embedding our values-based culture across the Group
- Developing our reputation as a best-in-class employer with a compelling employer value proposition, whilst raising our profile in the communities we serve

As we focus on employee experience, we remain committed to giving our people access to a range of services and data directly through convenient, intuitive and responsive tools. In 2022, we expanded our HR transformation programme launched in 2021, in which we focus on:

- **Processes**: We have worked extensively with HR teams to develop and agree a single, standardised way of working in HR across most areas of our operation for the first time. These standard processes were put into effect as we implemented changes and improvements to Workday and progressed HR transformation.
- **Improving career pathways** (page 59): This work brings to life a new, consistent career framework, helping colleagues around the world understand more clearly where their role currently fits, and informs their future career planning and development.
- **Simplifying global payroll offering**: Strengthening payroll compliance, efficiency and consistency, governance and insight through improved automation.

Q&A

Natalia Kozmina
EVP, Chief Human Resources Officer & ESG Stewardship

Q How are you fostering an inclusive culture at Convatec?

A We've worked hard to create a working environment that allows everyone to be themselves and feel supported to grow. In March 2022, we launched our integrated strategic framework that serves as a central, Company-wide starting point for our DE&I and Wellbeing journey. We appointed CELT sponsors for each of our Employee Resource Groups (ERGs) and continue to support colleagues through flexible working.

Additionally, in 2022 a range of initiatives have driven our employee engagement efforts, including a campaign to embed our new forever caring promise, alongside our vision, values and strategy (the Big Conversation), a new employee recognition platform, Convatec Champions, and a series of global town halls, all seeking to foster an engaging, inclusive and winning culture.

Q How are you continuously improving employee experience?

A Historically, some of our systems and processes have been difficult to navigate and fragmented due to disparate systems, manual ways of

1 Includes eight Non-Executive Directors. For full breakdown, see page 60.
2 This includes voluntary and involuntary turnover.

working and dated tools. This has prompted us to optimise the service experience for employees through simplification and digitisation.

As part of this, we are shifting to more global processes and standard ways of working, so that we can bring greater consistency to how HR and other functions support the business and significantly improve colleague and line manager experiences. This includes making better use of our digital tools including Workday (our people data system) so that it is more widely available and will help shift us to greater levels of being data driven.

Q What are you doing to build high-performing teams?

A We are committed to deliver business value by attracting, developing and retaining the best talent. In 2022, we refreshed our employer brand, enhanced our performance management and succession planning approach and continued to invest in best-in-class recruitment practices to attract the best talent. As part of our learning and development programme, we launched a set of team principles across the Group this year as a starting point to foster a high-performance culture at Convatec.

- **Refreshing the HR operating model**: Moving forward, our model with employee experience at its heart will set out how HR people partners, Centres of Excellence teams (Total Rewards & Recognition; Talent Management, Acquisition, Learning & Development), HR Service Delivery and HR Business Partners all come together, and how our Global Business Services capability will support and make easier day-to-day HR solutions that benefit everyone.

CASE STUDY: BLACK EXECUTIVE LEADERSHIP PROGRAMME

In 2022, a second Convatec cohort finished the Black Executive Leadership Programme (BELP). The BELP, in association with McKinsey, was launched in February 2021 to build core leadership and management capabilities for our black leaders across Convatec, as well as establish an expanded network of peers across industries for continuous engagement and learning. Upon successful completion of the prestigious programme, each participant was assigned a Convatec executive sponsor for additional capacity building and developmental leadership opportunities.

We are seeing the value of our HR transformation, from strengthened business partnering and core capabilities. We are unlocking efficiencies by making Workday more widely available in order to strengthen our data-driven approach and simplify processes, while creating a stronger platform to support our people to grow. Notwithstanding, we continue to navigate a backdrop of dynamic talent and labour market considerations, including the impacts of flexible and hybrid working, automation and digitalisation, and managing employee wellbeing and mental health.

Building a winning culture

Our people strategy was designed to help shape an engaging, inclusive and high-performing culture that enables all our people to give their best and fulfil their potential wherever they work. Our values guide our behaviours and how we run our business every day. They are embedded in our policies and processes, including our performance reviews, which assess both the 'what' and 'how' of each employee's contribution.

2022 saw us redouble efforts to strengthen employee engagement. We hosted our first Global Town Hall, in which all offices and manufacturing sites around the globe joined in a live update and conversation with CELT. Reports are regularly provided to the Board for feedback to help assess and

> "The programme enabled me to develop new skills and learn from colleagues' experiences."
>
> **BELP participant**

monitor culture, including progress on our people strategy, Organisational Health Index (OHI) results, and engagement on talent and succession planning (see page 58).

Recognising and appreciating colleagues and the contribution they make is important, and so in 2022 we launched Convatec Champions - a more impactful way of recognising colleagues across the Company. Built on a best-in-class digital platform, any colleague can nominate another colleague for recognition via an interactive platform to recognise good work and behaviours aligned to our promise and values.

Responsible business review – colleagues continued

GLOBAL LEADERS MEETING

Top 100 leaders gather in Boston

Strengthened employee engagement

In 2022, we hosted our second iteration of the Big Conversation, an initiative designed to demonstrate how we come together as one company through our vision, strategy, promise and values. Colleagues who participated have given the Big Conversation an employee Net Promotor Score (eNPS) of 62 and rated the value of the conversation at 4.7 out of 5.

In October 2022, we conducted our third OHI survey, having completed the previous assessment in 2020, in partnership with McKinsey & Co. We achieved our strongest response to date with 90% of colleagues sharing feedback on what is working well and what can be improved.

We are proud to have maintained our strong position on the global index, achieving an overall score of 75 (November 2020: 76), effectively sustaining our top quartile position. Our last survey in 2020 saw us deliver an 18-point increase on the first OHI in 2019, which McKinsey noted as a significant improvement. In 2022, to sustain that level (despite the challenges of the last two years and the level of change within the organisation), is considered positive. The most recent OHI benchmark data positions Convatec as one of the top-performing medical products, devices and services companies.

We made significant improvements in most of the areas that were identified as priorities following feedback received in the 2020 survey. For example, scores on customer focus, employee engagement and reward and recognition have all risen by between two and four points. As we set a clear path to become even more focused on the customers and patients we serve, we are seeing progress towards that, with increased confidence in some important areas of FISBE, especially Focus (including strategic clarity and shared vision) and Building capabilities. During 2023, to address the survey's findings and the areas that require improvement, each CELT member has developed an action plan and at a Group level we will be focusing on innovation, simplification and work environment.

Building high-performing teams

This year we launched a global high-performing teams programme for our Global Leadership Team, building on work CELT has been doing with the University of Michigan Ross Business School since 2021. In May 2022, as part of the first Global Leaders Meeting that brought together our top 100 leaders for the first time since 2018, we commenced a six-month learning journey with the Michigan team. The journey focuses on building capabilities to embed the five principles of high-performing teams (team principles) within Convatec. The learning journey will continue into 2023 with a focus on leadership capability to build an inclusive culture, and extend to a broader population of people leaders in the business.

Strengthening core capabilities

In 2022, we launched our first Learning Excellence Academy curriculum which outlines learning and development opportunities available to all colleagues and teams. Through this work, we've highlighted strategic and leadership capabilities as well as functional development opportunities. In addition, we strengthened our focus on leadership and management training to ensure managers have easy access to processes and tools needed to lead their direct reports.

To ensure we have the relevant manufacturing skills and competencies, we created a globally consistent Core Training Matrix for our key manufacturing sites. We have mapped all the required training needs, by process and positions and the timing at which each training should be delivered; this is complementary to the existing quality/regulatory matrix already in place. Full deployment will be completed, for all manufacturing across sites by 2023.

All training is designed to improve our ability to deliver for customers, consistent with our forever caring promise. For example, all colleagues and contractors must complete complaint handling training, available in several languages.

In addition, a range of resources support employee growth and development throughout their careers, including a portal to access formal, self-directed, and innovative content that is available to equip employees with the knowledge and skills to develop and perform effectively. Categorised into three levels of leadership communities, from aspiring leaders to strategic leaders, it provides employees with skills such as personal effectiveness, managing change and strategic leadership and delegation.

Our Continuous Improvement team received international recognition in Problem Solving & Decision Making, where we were nominated in six different categories and received awards in three categories. The Kepner-Tregoe (KT) Excellence Awards are given to individuals, teams, and organisations that distinguish themselves as being the best in the world in the application of critical thinking skills to improve business system performance.

Next generation talent

Part of building core capabilities is engaging with and training the next generation. Partnering with Coleg Cambria, we have built an apprenticeship programme for our manufacturing site in Wales, UK. The three-year apprenticeship programme, aimed at students and young adults aged 16+, adds value through approaching multiskilling in a structured way. The recruitment process seeks to dismantle barriers (such as requiring previous experience) by assessing applicants on topics like communication, teamwork, and ability to follow instructions. In 2022, our Deeside site had eight apprentices in engineering and manufacturing, and more are in the pipeline for 2023. The programme also allows Convatec colleagues to engage in meaningful mentorship opportunities.

In 2022, the Michalovce site in Slovakia partnered with Technical University Košice. Through this partnership Convatec supports Biomedical Engineering students on their diploma theses, recruits students and participates in career days.

To encourage innovation among students, Convatec hosted a hackathon in Denmark, where university students could participate in competitions and workshops to develop infusion care solutions related to product design, digital support and sustainability.

In the spirit of next-generation development, we sent three 'rising stars' to the One Young World Summit in Manchester, UK, an annual summit where young leaders from around the world work together on social action programmes. We will support the summit again in 2023.

Career pathways

Career development is a core element of our people mission. In Q4, we reorganised our career pathways framework as the first step to better support development and progression and offer a new common, globally consistent and clearer approach. The revised methodology simplifies the sizing, organising and internal titling of all roles to help colleagues self-navigate their own career development and understand what it takes to move from one role to another. Over time this common approach will also enable greater data and insights to ensure more equitable pay practices as part of our employee 'deal', comprising of contractual, experiential, and emotional elements.

Diversity, Equity & Inclusion (DE&I) and Wellbeing

Our colleagues represent multiple nationalities, as well as the many cultures, religions, races, sexual orientations, backgrounds and beliefs. We recognise that we will only 'grow together' and 'improve care' if we harness the power of our differences and encourage diverse thinking.

Our colleagues should feel included, valued and respected - not just because it's the right thing to do, but because people are the best versions of themselves when they feel they are being treated fairly and respectfully. Diverse opinions and perspectives spark innovation. We cannot expect to meet diverse customer needs without embracing the diversity of our colleagues.

Our Company-wide DE&I and Wellbeing framework, rolled out in 2022, has four priority areas:

1 Cultivate an inclusive culture for our colleagues

- Inclusion was built into high - performing teams training for CELT and the global leadership team
- DE&I goals were set for all people leaders as part of 2022 objectives setting process
- Our third OHI survey included DE&I and Wellbeing questions to strengthen our benchmark to practices moving forward

2 Build a diverse workforce with greater gender and ethnic diversity across our leadership

- Diversity metrics were established for senior management roles
- Employee Resource Groups (ERGs) had a CELT sponsor appointed and our new DE&I and Wellbeing Council was formed
- Expanded our management accelerator programme for black leaders into Europe from the US last year

3 Support wellbeing as a priority for colleagues

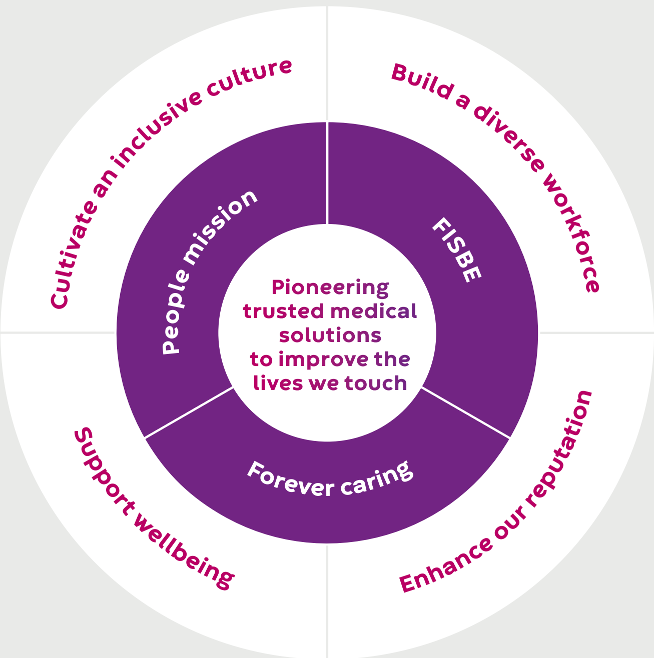
- Strengthened our employee assistance programme, including a focus on financial wellbeing
- Rolled out global digital recognition platform, Convatec Champions
- Ongoing support for hybrid and flexible working through 'Our Work Life' approach

4 Enhance our reputation through leveraging our scale, partnerships and programmes

- Strengthen reporting, such as the steps we take towards meeting our ESG target of 40% females in senior management (CELT+1) by Q4 2024
- Black Executive Leadership Programme (page 57)
- Partnering with local colleges for apprenticeships recruitment (page 59)

For more on our DE&I and Wellbeing journey, click here www.convatecgroup.com/sustainability/enabling-our-people/dei-spotlight-page/.

OUR APPROACH: DE&I AND WELLBEING



Responsible business review - colleagues continued

Increasing diversity

We track employee diversity through our HR systems, and the Board will continue to review our diversity profile on an annual basis. In 2022, we have improved the process flow on our HR systems, expanding fields and providing colleagues with greater control to update their personal information if they choose, including in fields such as pronouns, ethnicity, gender identity and disability.

In 2022, we increased membership and governance of our three ERGs, which include LGBTQIA+ (Pride), Black Employees and Women's Network. To build employee engagement, the ERGs promoted and celebrated key moments on the calendar such as Pride Month, Black History Month and International Women's Day, as well as hosting speaker sessions, leadership opportunities, and photo competitions. Our ERGs have CELT-level sponsorship which includes engagement, mentorship, and strategic support. ERGs also engage in community partnerships, working with universities such as HBCUs and charities such as those that engage with OKC Pride.

As at 31 December 2022, women represented 40% of our Board membership, 38% of our senior management team and 36% of CELT. Our DE&I and Wellbeing target is to reach at least a combined 40% females in senior management and CELT roles by Q4 2024, and our current progress in 2022 is 38% for senior management and CELT combined (32% in 2021). Our gender diversity profile as at 31 December 2022 is below.

		Male		Female	
	Total	Number	%	Number	%
Board[1,2]	10	6	60	4	40
CELT[2]	11	7	64	4	36
Senior management[3]	81	50	62	31	38
Other employees	9,936	3,750	38	6,186	62
Total[1, 4]	10,036	3,813	38	6,225	62

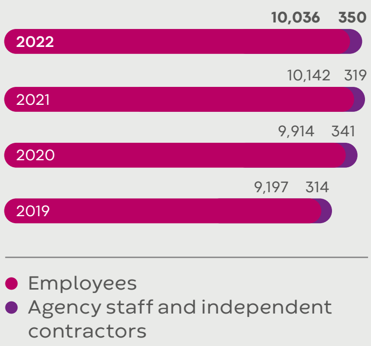
1. Includes eight Non-Executive Directors
2. The CEO and the CFO are included as members of the Board and CELT
3. Includes direct reports of CELT, excluding administrative staff. The percentage of women in CELT and senior management combined in 2022 is 38%
4. Excludes freelancers, independent contractors or other outsourced and non-permanent workers who are hired on a project or temporary basis

Our gender pay gap

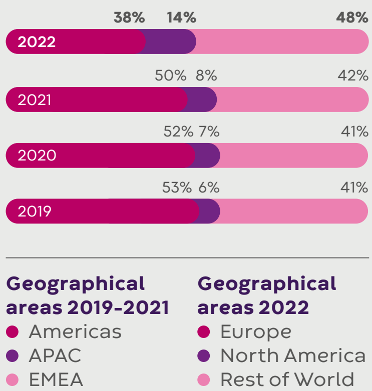
In 2022, the remuneration committee reviewed our UK gender pay ratio. The median hourly pay difference between our UK male and female employees (all UK-based entities) at 5 April 2022 was 12.2%, which is below the UK median pay gap of 14.9% (Source: Office for National Statistics). Further information about our pay data is included in our Gender Pay Gap Report, which can be found at www.convatecgroup.com/sustainability/esg-reports-and-data. Since 2021, we have enhanced our disclosure to include all UK-based entities, including those not in scope of the statutory requirement.

OUR PEOPLE: AT A GLANCE

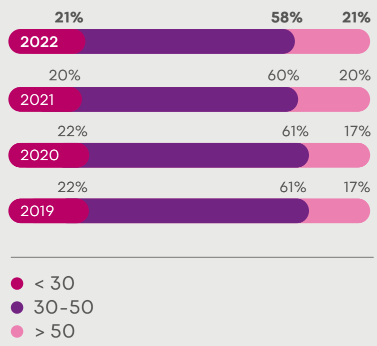
Employees and contractors



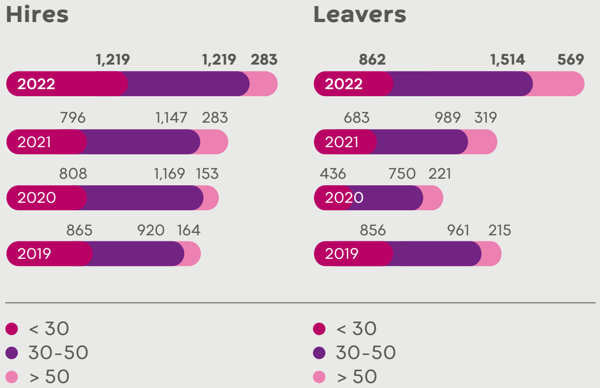
Employees by geography



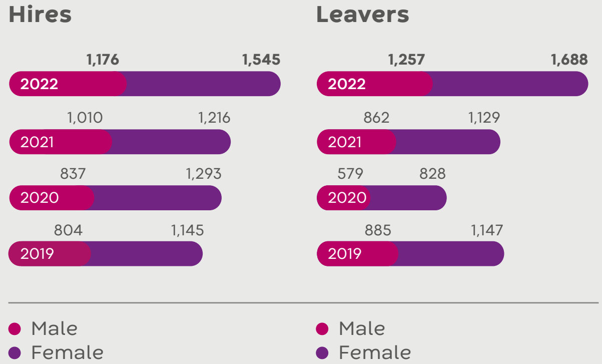
Employees by age band



Leavers and hires by age band



Leavers and hires by gender



Cost of living

In response to rising pressures on the cost of living in the UK and US, we undertook a supplementary mid-year pay review and made salary adjustments for employees in our lower grades. The out of cycle pay awards recognised the rise in the cost of living and inflationary pressures in these countries. For employees globally we continue with our annual salary review increases. In 2023, we will prioritise supporting employees in lower grades globally. In addition, we raised awareness of financial wellbeing support available as part of our global employee assistance programme (EAP), which included a range of educational sessions open to all colleagues.

Paying a living wage

We are committed to providing fair pay for our employees, and in 2022, we conduced a global living wage assessment to ensure that 100% of our locations continue to pay at or above the national or local living wage. Following our accreditation by the UK Living Wage Foundation in November 2017, we have also been confirmed as a 'real living wage' employer in the UK for the sixth consecutive year and continued to work with our contractors to ensure they pay their employees at the same rates. We require all our contractors to comply with local laws on employment rights. We understand concerns from our employees about the rising cost of living.

As a company, we actively look at ways to support our colleagues in line with our core values and our forever caring promise. Through various channels, we shared the resources offered by our EAP, including financial planning support. Mindful of the pressures for many people and families, we have expanded support for those hardest-hit by rising inflation and assessed the issue during our 2023 annual budgeting process.

Health and safety

In the relatively higher-risk locations such as our manufacturing and R&D sites, we have a dedicated Environment, Health and Safety (EHS) team. Our global EHS team leads the development of the EHS strategy, policies and standards; audits performance; supports the site teams to improve working practices; and ensures both legislative and company requirements are met. The global EHS team reports to the Chief Global Quality & Operations Officer, who is a member of CELT and the ESG Steering Committee. EHS performance is reported to senior management on a monthly basis, with updates provided to CELT and the Board during the year.

During 2022, we maintained our focus on key initiatives such as electrical safety, machinery and equipment safety, and developing safety-specific standard work instructions (SWI), delivering improvements and increased engagement with all operations colleagues. The improvements realised through safety SWI were well received and are now an integral part of our ongoing operations and training plans.

Our manufacturing sites in Rhymney, Deeside and Michalovce maintained their ISO 14001 (Environmental) certification, while Deeside and Michalovce also have ISO 45001 (Occupational Health & Safety Management) certification. These types of accreditations further demonstrate our responsible business commitments. We keep under review the benefit of investing further in voluntary certifications and standards for other locations.

During 2022 there were no fatalities. The target of reducing our Operation's Lost Time Injury Rate (LTIR) per 200,000 hours worked to below 0.22 by 2025 is on track. In addition, we have also achieved our target of increasing the Operations Hazard Observation Rate to above 200 per 200,000 hours worked by Q4 2022, attaining a rate of 234 in 2022, reflecting the increased engagement and proactive approach of eliminating hazards before anyone has been hurt.

Our H&S performance table[1]

	2022	2021	2020	2019
Fatalities	**0**	0	0	0
Group Lost Time Injury Rate[2]	**0.18**	0.26	0.21	0.27
Group Hazard Observation Rate[2]	**196**	148	138	86
Operations Lost Time Injury Rate	**0.20**	0.30	0.23	0.30
Operations Hazard Observation Rate	**234**	190	173	96
Lost Time Injuries	**13**	18	15	16

1 The data is based on OSHA definitions and rates are calculated based on 200,000 hours worked, as described in our basis of reporting (page 241).
2 Lower rates are desirable for Lost Time Injury Rates; higher rates are desirable for Hazard Observation Rates.

CASE STUDY: GLOBAL FLEET SAFETY

Read how we are using electric vehicles on page 69

In line with our values, and our forever caring promise, we want to do all we can to help keep our people and their families safe.

Our Fleet Safety Programme is designed to help us enhance safety for all our drivers (not just colleagues travelling on Company business). We are currently working with expert partners in North America and EMEA to enhance existing safety programmes in these regions, combining training modules, driver assessments and other support.

These programmes were strengthened for company drivers during 2022 and will be opened to all employees during 2023.

Responsible business review - commerce

BEHAVING ETHICALLY AND TRANSPARENTLY

2022 highlights

- Achieved Code of Ethics and Business Conduct training completion among 96% of employees.
- Updated and refreshed our Code of Ethics and Business Conduct, Global Third Party Compliance Manual and Human Rights and Labour Standards Policy.
- Continued our global business risk mitigation efforts.
- Strengthened audit process in procurement and supply chain
- Improved average EcoVadis supplier ratings by 6.5%.

2023 priorities

- Update global ethics and compliance policies and employee education.
- Strengthen our risk management activities with a particular focus on third parties and adherence to labour standards and modern slavery-related matters within our supply chain.
- Continue expansion of EcoVadis platform to include additional suppliers.

Protecting and enhancing our reputation across all our stakeholders and with our supply chain

Ethics and compliance governance

CELT meets with our Head of Ethics and Compliance on a quarterly basis to review the compliance programme, including its risk assessment and mitigation efforts; investigative and monitoring oversight; and policy development and educational delivery. The Audit and Risk Committee also meets with the Head of Ethics and Compliance biannually. This helps assure that ethics and compliance concerns are discussed and actioned at the highest levels of the Company. Regular corporate-wide and localised communications and education assure that all of our people are aware of the ethics standards expected of them.

Our extensive ethics and compliance programme incorporates several policies and procedures including:

- Maintaining a Code of Ethics and Business Conduct (Code of Conduct) that is updated regularly and mandating annual training for all employees either online, with electronic acknowledgement of completion, or through participation in town hall meetings.
- Making available an independently provided Compliance Helpline and web link for employees and third parties (convatec.ethicspoint.com), to seek guidance and to report suspected deviations or policy breaches.
- Making it easy for issues to be reported by colleagues, reviewed by our Ethics & Compliance team and where appropriate, that any resulting investigation and outcome of any significant issues are overseen by the ARC (see page 132).
- Serving as a second line of defence by regular onsite or computer-based monitoring of business activities to assure that they are consistent with policy, the Code of Conduct or industry best practices.
- Providing a third line of defence through our risk assessment process, which involves direct engagement with global market or functional leaders, and our commitment when areas of concern are identified, to work with those leaders on an ongoing basis to improve business practices, where needed.

Q&A

Evelyn Douglas
EVP, Chief of Corporate Strategy & Business Development, General Counsel & Company Secretary

Q How are you staying ahead of ethical business practices in a fast-moving industry, with a range of factors beyond your control impacting your business?

A We regularly review and update our policies, procedures and practices to consider and include the most current issues, and accompany these with clear communication and training so our teams know what's expected of them. We also believe it must be as easy as possible to identify and resolve any potential concerns, which is why we maintain a compliance helpline. To keep a pulse on the external environment, we also utilise a range of ratings and disclosure programmes to help us identify risks and opportunities.

Q A growing trend in ESG is addressing sustainability topics further out in the supply chain. What is the role of partnerships in ensuring Convatec meets its commitments to ethics and transparency?

A We can be transparent about how we behave in our own operations, but we also are working to understand how our partners in

During Ethics & Compliance Week we launched our refreshed Code of Ethics and Business Conduct and raised awareness of a range of ethical decision-making resources. Last year, we set a target for at least 95% of employees to be trained on the Code of Conduct annually by Q4 2023 and we achieved that target in 2022.

the supply chain tackle ethics and transparency around issues such as environmental protection and human rights. In 2022 we expanded our practices with the help of EcoVadis, and that will continue to evolve in 2023 with strengthened due diligence and risk assessment through our value chain.

Q How does Convatec ensure that ethics permeates everything it does?

A Doing what's right and owning it are two of the values that we must live out every day, and we start by setting the tone from the top that we take this seriously. As an example, during our annual Ethics & Compliance Week, CELT members showed their support of Convatec's compliance tools and their role in enabling a culture of doing what's right through a series of communications and virtual events. We are investing in our business practices, including regular annual training for all colleagues, to ensure that our decisions at all levels continue to embody these values and to embed ethical behaviour in everything we do.

Although we believe that our conflict-of-interest measures operated effectively in 2022, we piloted a web-based survey mechanism that invites managers to identify actual or potential conflicts of interest. We are planning on expanding the scope of survey participants to most office-based management level employees by 2024.

We are committed to creating a working environment where everyone is treated fairly with respect, dignity and consideration and where there are opportunities for all. We used the platform of International Human Rights Day on 10 December to launch our refreshed Human Rights and Labour Standards Policy, which incorporates principles and guidelines set out in the United Nations Universal Declaration of Human Rights, Modern Slavery Act and the UN Guiding Principles on Business and Human Rights, addresses a range of issues including equal opportunities, anti-harassment and dignity at work. As a policy that underpins the way we work with each other, with partners, and with suppliers, it was updated in 2022 to include:

- explanation of our process for evaluating suppliers to ensure they align with our principles and practices
- articulation of our approach to labour standards, including compliance with relevant laws and regulations in the countries in which we operate
- explanation of the Convatec Human Rights Committee and its role in monitoring implementation of the policy and leading any additional steps required.

In 2022, our cross-functional Human Rights Committee, a sub-group of our ESG Steering Committee, continued driving forward this important agenda. Chaired by Natalia Kozmina, EVP, Chief Human Resources Officer & ESG Stewardship, and including colleagues from legal, compliance, supply chain, and HR, the Committee reviewed and updated our human rights-related policies and practices and identified strategies to strengthen supplier due diligence.

Our Code of Conduct, Human Rights and Labour Standards Policy, and Modern Slavery Act Statement can be found here: www.convatecgroup.com/investors/governance/our-policies-and-statements/.

We also engage with stakeholders on ethical topics within our sector. During 2022, we continued to participate in a number of AdvaMed meetings and discussions regarding key legal, ethical and compliance issues, including HCP interactions. AdvaMed is the largest medical device industry organisation in the US and a global leader in harmonising MedTech industry codes on ethics and assuring transparent interactions with healthcare professionals.

Transparency, ratings, disclosures and memberships

Being transparent with our stakeholders about how we run our business is a vital part of building strong, long-term relationships based on trust. Our disclosures and reporting are assessed and scored by a range of external ESG analysts and other organisations, and we use this information to benchmark our progress. See page 65 for more on our approach to disclosures and memberships.

Supplier due diligence

To help protect against the risk of a third party acting unethically, our compliance team conducts a range of due diligence and compliance audits.

When we execute distributor agreements, they contain appropriate assurances that the distributors will deliver both online and live compliance training programmes to their staff, based on our Global Third Party Compliance Manual. Using a risk-based approach, we conduct due diligence on distributors when they are initially engaged, and every three years thereafter, using an external due diligence web tool.

We require that new suppliers agree to adhere to the manual, which covers a range of topics including commitments to the International Labour Organisation conventions and the Principles of the UN Global Compact and environmental protections. It extends our Code of Conduct and our Human Rights and Labour Standards Policy to the supply chain which, before 2022, were addressed in our Supplier Code of Conduct. The manual is introduced to all existing supplier contracts as these are renewed. A copy of the manual is available at www.convatecgroup.com/investors/governance/our-policies-and-statements/.

We monitor and assess suppliers using third-party risk platforms, which provide in-depth, real-time coverage of a range of factors that could impact on supplier performance (including geopolitical, climatic and civil unrest), as well as events that may have been caused by our suppliers (for example major pollution and strike incidents). We also operate processes that are designed to ensure vendors are engaged promptly when a risk event occurs and that these events are tracked through to satisfactory closure of the potential risk.

Responsible business review – commerce continued

Working responsibly with partners

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. Led by our Global Procurement and Supply Chain teams, we are clear that relationships with third parties must be consistent with our vision and values, and the regulatory framework which underpins our ethical business practices.

We believe that developing a more sustainable supply chain will benefit our business over the long term through increased efficiency, product improvements, reduced risk and deeper, more collaborative relationships.

Our spend is concentrated towards a relatively small number of suppliers. For example:

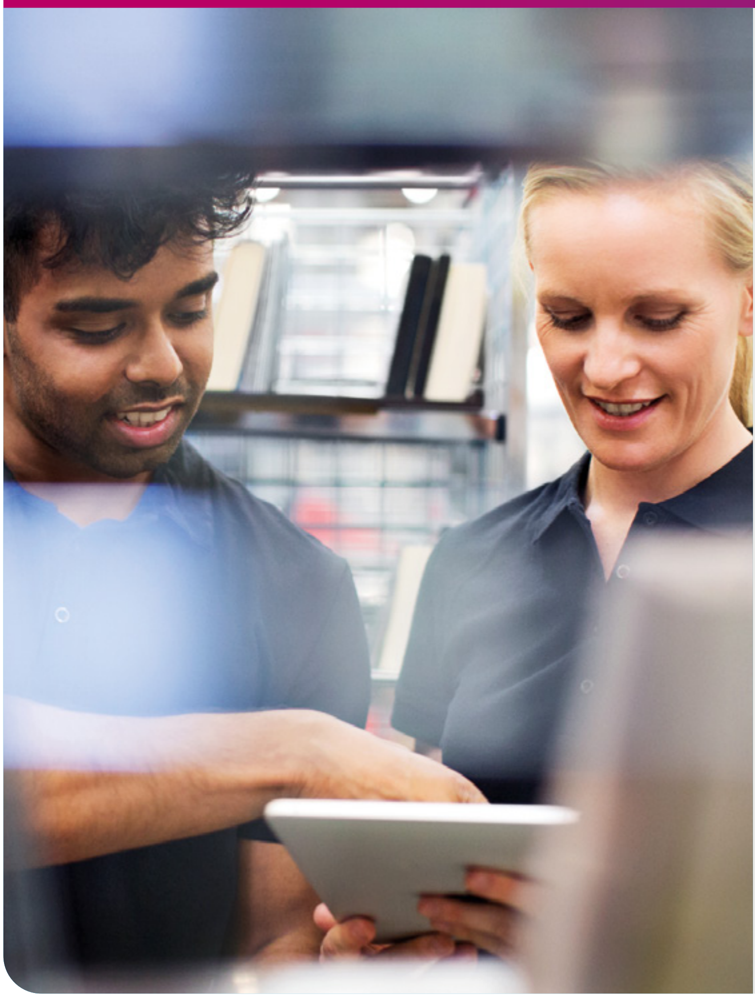
- Ten suppliers represent approximately 80% of our contract manufacturing spend
- Three suppliers represent approximately 70% of our logistics spend, while
- Our raw materials supply chain is more diverse, with 45 suppliers representing approximately 80% of our total raw material spend

Like many medical device companies, our products are often sold by third parties, such as distributors.

We endeavour to select partners who can support our sustainability efforts. For example, in 2021 and 2022, Convatec Colombia contracted a new partner to take on the removal and recycling of paper and cardboard material involved in local logistics (e.g. product deliveries). Through the partnerships, Convatec was able to deliver over five tonnes of material for efficient recycling, transformation and reuse. The Convatec Quality Assurance and Regulatory Affairs team is now working with the partner to implement standards, such as harmonising metrics of recycling process (i.e. Convatec box sizes), and develop strategies for aligning with new laws and trends.

We also work with our suppliers to support and improve their sustainability efforts. For example, proactive engagement with a key direct material supplier has resulted in a 61% increase year-on-year in their EcoVadis rating (see below).

CASE STUDY: LABOUR STANDARDS AND MODERN SLAVERY



In 2022, we made good progress towards our ESG target of engaging with suppliers who represent 80% of Convatec's spend by Q4 2023. Utilising the EcoVadis platform helps identify improvement areas to focus on with our supply chain partners. We take a proactive role in supporting key suppliers to take actions that can prompt feedback from their assessment score, as part of our overall approach to responsible supply chain stewardship. In 2022, these actions have helped contribute to a 6.5% increase in the average score of our rated partners.

As an example, led by our Global Procurement team, we worked with a key small and medium sized (SME) provider of roll stock that we use in our adhesive foam products. Following their assessment, we reviewed their action plan and supported them to make improvements. This included sharing good practice materials and policy examples to strengthen their focus on labour standards and human rights, environmental and ethical practices. This work resulted in the supplier meeting our expectations for a partner of this nature and them creating a revised employee handbook for their employees. Overall, this practice led to a 61% increase to their EcoVadis rating from 2021 to 2022, which as well as enhancing their relationship with Convatec, also strengthens their commercial position in the market.

EXECUTE

Ratings, disclosures and memberships

Convatec has been included in Sustainalytics' 2023 Top-Rated ESG Risk Rating Companies List for our progress in 2022. Note, in 2021 Sustainalytics changed its methodology for better comparability of scores across industries. We now follow the Risk Rating metric.

In 2022, Convatec received a rating of AAA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. We achieved above industry average scores on human capital development - which considers topics such as efforts to attract and retain talent (see page 59) and governance - that assesses strategic oversight of company management (page 114). During the year, we achieved a B score with ISS.

Disclosures

The landscape of ESG ratings and disclosures is complex and constantly evolving. We continue to disclose against various reporting schemes that we believe offer most value to all our stakeholders and keep our approach under regular review. In 2022, we disclosed against Carbon Disclosure Project (CDP) (see page 68), SASB and GRI (see www.convatecgroup.com/sustainability/esg-reports-and-data/), Workforce Disclosure Initiative, FTSE Women Leaders Review, and maintained UK Living Wage Foundation accreditation. Our TCFD disclosure is found on page 75.

Memberships

In addition to the disclosures below, we have maintained UN Global Compact (UNGC) membership since 2018, reporting annually against the ten principles of the UNGC (page 47). We also support MedTech Europe's sector engagement on sustainability and are members of the Asia Pacific Medical Technology Association (APACMed), the Association of British HealthTech Industries (ABHI) and the All-Party Parliamentary Corporate Responsibility Group.

Ratings

Rating organisation	2018	2019	2020	2021	**2022**
ISS	C	B-	B-	B	B
Sustainalytics Overall Performance	72/100	74/100	73/100	Not available	Not available
Sustainalytics Risk Rating[1]	16.5	15.3	15.2	14.6	14.5
MSCI [2]	A	A	AA	AA	AAA

1. As at 1 September 2022. Lower scores are desirable for Risk Rating while higher scores are desirable for Overall Performance.
2. Disclaimer: The use by Convatec of any MSCI ESG Research LLC or its affiliates (MSCI) data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation or promotion of Convatec by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

Responsible business review - communities

PROTECTING THE PLANET AND SUPPORTING COMMUNITIES

2022 highlights

- Set Scope 1 and 2 SBTs, completed Scope 3 materiality assessment, and determined Scope 3 baseline.
- Reduced Scope 1 and 2 greenhouse gas emissions by 32%.
- Deployed a $1.5 million disaster relief response in Ukraine, including cash and product.

2023 priorities

- Set Scope 3 SBTs.
- Validate all SBTs.
- Launch multi-year non-governmental organisation (NGO) partnership.

The way we operate and the contribution we make to the world around us

Our net zero transition

We understand the importance of the 2015 Paris Agreement and the need for change in order to achieve net zero carbon emissions by 2045. To ensure that we follow the climate science and build on our progress made to date in reducing emissions, we committed to validating science-based targets (SBT) by the end of 2023. As such, our key focus this year has been to quantify our baseline Scope 3 emissions, whilst developing the carbon emission reduction pathway for our operational emissions, setting 1.5°C SBTi aligned Scope 1 and 2 targets in this report to be achieved by 2030.

Our net zero transition strategy areas of focus are:

- Governance - to facilitate and ensure coherent action across the Group to reduce the Group's impact on the environment
- Carbon and energy - to achieve validated Scope 1, 2 and 3 SBTs to ensure carbon emissions reductions in our own operations are in line with the Paris Accord. Increase energy efficiency to improve our production efficiency and develop a pipeline of decarbonisation projects globally
- Sustainable product design and supply chain - to ensure innovation in product design to reduce the cradle-to-grave carbon footprint, including assessing our value chain Scope 3 emissions
- Waste - to reduce the amount of production waste leaving our plants and to reach zero waste to landfill by 2030
- Water - to achieve sustainable water withdrawal at high water-stressed locations and develop our water management practices at all locations

See also: EHS policy statement at www.convatecgroup.com/investors/governance/our-policies-and-statements and our TCFD disclosure on page 75.

Q&A

John Haller
EVP, Chief Global Quality & Operations Officer

Q How will Convatec meet its net zero carbon target?

A We've started by focusing on our operations, setting emissions reduction targets and expanding our renewable energy infrastructure in our manufacturing sites. With our net zero target now in place, we have begun the SBT process to inform the reduction targets we need to meet to reach net zero before 2045.

Q How is Convatec working with its supply chain to advance its environmental strategy?

A While we can more easily manage things we control directly, we cannot meet our targets without working with partners in our supply chain. In 2022 we finished a Scope 3 materiality study that confirmed over 90% of our emissions are Scope 3. To reduce these, we are working with expert partners to set SBTs, and regularly meet with suppliers and distributors about their environmental strategies.

Q Apart from environmental work, how does Convatec contribute to its communities?

A We believe developing strong partnerships in the communities where we operate is important in 'doing what's right', and this year we elevated the voice of the community in our programmes and commitments. In addition to our support of humanitarian relief in Ukraine, we also developed partnerships around our manufacturing communities during Forever Caring Month and encouraged colleagues to use their volunteering days.

Energy consumption

In 2022, total energy consumption across the Group was 137,614 MWh (2021:141,960 MWh).

Total energy consumption (by function) (MWh)[1,2]

	2022	2021	2020	2019
Manufacturing locations	103,131	103,207	95,523	97,233
Non-manufacturing locations	9,770	10,736	6,205	7,279
Company vehicles	24,713	28,017	-	-
Total energy consumption	137,614	141,960	101,728	104,512
Total UK energy consumption	25,856	25,339	10,381	-

Total energy consumption (by fuel source) (MWh)[1,2]

	2022	2021	2020	2019
Non-renewable electricity	22,748	43,252	66,047	66,833
Renewable electricity	50,999	31,869	10,607	11,528
Natural gas	38,609	38,130	24,766	16,699
Green gas	-	-	-	8,546
District heating	464	642	254	828
Diesel	82	51	53	78
Company vehicles	24,713	28,017	-	-
Total energy consumption	137,615	141,961	101,727	104,512

Energy intensity (GWh/$m revenue)[1,2]

	2022	2021	2020	2019
Energy intensity	0.066	0.070	0.054	0.057

1. 2.4% is estimated for 2022 data; 2021: 2.7%
2. See our basis of reporting (link on page 241) for our 2021 methodology restatement

Energy intensity

Our overall energy intensity ratio has reduced by 4.7% in 2022. We have reduced the energy intensity ratio at our manufacturing sites by 1.7% (GWh/$m revenue) in 2022 through implementation of our energy efficiency programme. During 2022, 17 new energy efficiency projects have been delivered across our sites, with a further 12 projects being evaluated, awaiting approval and funding, or being implemented.

Our energy transition

Since the launch of our energy, utilities and waste programme in 2019, 66 efficiency projects have been fully implemented, with a further 11 awaiting approval and 12 at feasibility stage. The knowledge gained across our global operations facilities' teams through the sharing of project feasibilities and implementation results have provided a solid foundation to develop our net zero energy transition. By maintaining a clear focus on the Scope 1 and 2 SBT reductions required, a pathway for Scope 1 and 2 emissions reductions has been developed. The most impactful levers were considered by site teams during this process, carefully applying those that would be suitable at a particular site. See below for our identified Scope 1 and 2 levers.

Each lever was assessed and categorised appropriately by site facilities teams and the global energy and environment team. Under the energy efficiency levers, the suite of projects built up from 2019 was referenced at each site as well as other sources such as mandatory Energy Savings Opportunity Scheme (ESOS) audits, energy audits and consultant reports.

LEVERS WE USE FOR EMISSIONS REDUCTION

Scope 1	Improve the energy efficiency of natural gas powered heating systems	Install refrigerant leak detection systems	Replace natural gas heating systems with electric heat pumps	Purchase green gas or 'biogas' certificates
	Implement emerging natural gas replacement technology - e.g. hydrogen	Reduce usage of onsite gas power generation/cooking systems	Electrification of leased vehicle fleet	
Scope 2	Improve the energy efficiency of existing plant and machinery	Install solar panels	Replace district heating equipment with electric heat pump technology	Purchase renewable energy certificates
	Smart metering systems			Procure a 'power purchase agreement' to guarantee the renewable source

Responsible business review - communities continued

Energy efficiency

It is vital that we reduce the energy we use, as the cleanest kWh of energy possible is the one not used. We continue to identify projects to improve our energy efficiency. Information about some of the energy-saving initiatives implemented during 2022 is included below.

Our greenhouse gas emissions

Our greenhouse gas (GHG) reporting follows the methodologies set out in 'The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)', developed by the World Business Council for Sustainable Development and the World Resources Institute. We participated in the Carbon Disclosure Project (CDP) and our response is available on the CDP website. Our disclosure score, published in December 2022 is C (2021: B). The score is representative of activity in 2021, and since then we have set out our ESG framework, enhanced our governance and greatly improved the volume, consistency and sophistication of our date and carbon reporting processes.

This year, we completed a SBT readiness assessment of our Scope 1 and 2 baseline emissions. Improvements in the data are included in our basis of reporting document (page 241) and this includes the restatement of previous years' data due to a materiality of 35% variance of overall reported emissions in our baseline year (2021).

Our GHG emissions relate to consumption of natural gas, diesel, electricity, district heating and refrigerant gases, used to power, heat and cool our facilities and production processes. Our company vehicles are also included. This data is provided by service providers and employees.

Our 2022 GHG emissions under the market-based method totalled 24,653 tonnes CO_2e. In 2022, a reduction in market-based GHG emissions of 34.4% was achieved at our manufacturing locations, through improved energy efficiency and sourcing of renewable electricity at an additional two of our nine global locations. Our fleet of 1,157 vehicles generated emissions of 6,096 tonnes CO_2e. In 2022, our refrigerant gas emissions amounted to 746 (2021: 615) tonnes CO_2e, emitted, with 12.4% of those emissions estimated.

We seek to reduce our Scope 1 emissions through our energy efficiency programme, including initiatives such as the implementation of emerging technologies like heat pumps and hydrogen to replace our natural gas-fuelled processes. In 2022 we have commissioned a study into our process and comfort heating systems by a third-party provider to understand the technologies available to us, the associated emissions reductions, business case and also market readiness.

Facilities	Initiative	Energy consumption reduction (MWh)/%
Deeside	HVAC ductwork leakage resolution	66/(1%)
Rhymney	Chilled water link and air change rate reduction	92/(1%)
Sunderland - Amcare	LED lights	22/(6%)
Haina	Improved practices during downtime periods, phase 1 roof mounted solar PV, and HVAC replacements	1,537/(8%)
Osted	LED lights	63/(1%)
Michalovce	Installation of absorption chillers and optimisation of compressed air distribution networks	600/(2%)
Reynosa	Two-way valve control of HVAC fans and pumping systems	883/(5%)

GHG (market-based method) (tonnes CO_2e)[1,2]

	2022	2021	2020	2019
Scope 1 (Global)	**14,395**	14,931	5,608	5,046
Scope 1 (UK)	**3,202**	3,107	2,012	2,053
Scope 2 (Global)	**10,258**	21,255	24,650	24,016
Scope 2 (UK)	**70**	29	-	-
Total GHG emissions	**24,653**	36,186	30,258	29,062
Total UK	**3,272**	3,136	2,012	2,053

GHG (location-based method) (tonnes CO_2e)[1,2]

	2022	2021	2020	2019
Scope 1 (Global)	**14,395**	14,931	5,608	5,046
Scope 1 (UK)	**3,202**	3,107	2,012	2,053
Scope 2 (Global)	**23,210**	25,872	27,169	27,318
Scope 2 (UK)	**2,200**	2,348	2,433	2,847
Total (Global) GHG emissions	**37,605**	40,803	32,777	32,364
Total UK	**5,402**	5,455	4,445	4,900

GHG emission intensity (tonnes/$m revenue)[1,2]

	2022	2021	2020	2019
GHG emission intensity (location basis)	**18.1**	20.0	17.3	16.7
GHG emission intensity (location basis, UK)	**2.6**	2.7	2.3	2.7
GHG emission intensity (market basis)	**11.9**	17.8	16.0	14.9
GHG emission intensity (market basis, UK)	**1.6**	1.5	1.1	1.1

1. Please refer to our updated methodology for 2021 and 2022 in our Basis of reporting document (link on page 241).
2. In 2022, 2.6% of total Scope 1 and 2 emissions is estimated; 2021: 3.3%.

Vehicle emissions

Convatec's team in Brazil are replacing current petrol and diesel vehicles with electric vehicles (EVs) to distribute Convatec products to hospitals and clinics in the urban area of São Paulo, in partnership with DHL.

Each EV saves approximately five tonnes of CO_2 and 1,900 litres of diesel per year compared to non-EVs. To support employees who use EVs, we have installed charging stations for personal use at our Deeside facility.

Renewable energy

As part of our proposed aligned Scope 1 and 2 SBTi targets, we have committed to procuring 80% of our electricity from renewable sources by 2025, reaching 100% by 2030. We now expect to achieve the 80% target by the end of 2023.

During 2022, we actively progressed renewable energy programmes across our manufacturing operations sites. In Mexico, we purchased international Renewable Energy Certificates (iRECs) certificates from certified in-country solar and wind sources to match our annual electricity consumption. Renewable energy accounted for approximately 37% of total energy consumption in 2022 compared to 22% in 2021. Information about the methodology we use for disclosing renewable energy in relation to our Scope 1 and 2 emissions can be found on page 241.

Scope 3 carbon materiality study

We engaged teams across the business to collect data in each of the 15 Scope 3 categories. A high-level screening was conducted in partnership with UL Solutions, to assess the materiality of each category and quantify those deemed to be material.

The headline result of the study was that 95% of total emissions arise in our value chain. The methodology used was based on the GHG protocol framework. (Source: GHG protocol; Scope 3 standard)

Data was collected from a variety of different sources:

- Supplier-based spend data
- Convatec life cycle analysis studies
- Supplier primary data (through direct Requests for Information (RFIs) or existing platforms such as CDP)
- Convatec's existing environmental data collection platform (UL Solutions)
- Convatec-owned information (e.g. shipment files)
- Convatec company expense and travel agent system
- Interviews with internal product experts in each business unit

The total emissions of each material category is reported below and a link to the methodology used is found on page 241.

Water

During 2022, working with expert partners, we have completed a water risk assessment (using WRI Aqueduct 3.0 Water Risk Atlas and Ecolab Smart Water Navigator) to understand the relative sustainability of our water use and the inherent risks to our operations in each global location. An assessment of the incoming water (quality and quantity) risks and outgoing water (quality) risks has been undertaken to inform the study. The results show that although our site in Haina, Dominican Republic, has the highest potential overall water risk, associated with the physical (quality), regulatory and reputational risks, the water withdrawal risk is low. Whereas our manufacturing site in Reynosa, Mexico, despite having low-medium overall water risks, is the only site with high baseline water stress and consequently a medium water withdrawal risk. As such, this site is prioritised for target setting for water withdrawal. According to the 2021 data, of the total amount of water withdrawn, only 7% is calculated as consumed within our operations.

Scope 3 emissions

	2022	2021
Category 1: Purchased goods and services	**295,482**	299,007
Category 2: Capital goods	**51,301**	31,562
Category 3: Fuel and energy related activities	**8,214**	8,732
Categories 4 and 9: Transport and distribution	**82,421**	62,802
Category 5: Waste generated in operations	**3,055**	5,200
Category 6: Business travel	**2,328**	1,202
Category 7: Employee commuting	**3,352**	3,820
Category 12: End of life treatment of sold products	**40,020**	39,670
Total	**510,824**	488,182

CASE STUDY: EXPANDING CAPABILITIES ON RENEWABLE ENERGY

In Q4 2022, we completed the first phase of our first roof-mounted solar photovoltaic installations, generating green electricity to power a portion of our manufacturing plants' electricity usage in Haina, Dominican Republic. This project provides increased resilience from energy price and power grid fluctuations, whilst also reducing the amount of grid-supplied electricity required. This project generated 109 MWh of green electricity in 2022. Once completed, this project is expected to reduce our total electricity consumption by 1,558 MWh, which equates to an estimated location-based emissions reduction of 875 tonnes of CO_2.

As part of our net zero transition, we have also developed a suite of water reduction projects globally to reduce our water withdrawal. Projects considered during the development of the environmental roadmap include rainwater harvesting, grey water recovery, cooling tower efficiency improvements and control of water appliances in toilets and kitchens.

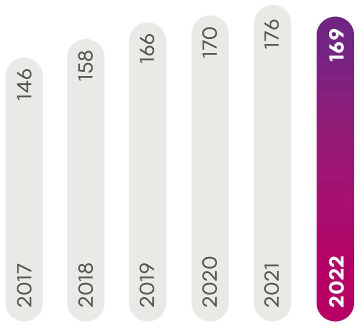
In 2022, we withdrew approximately 169 megalitres of water (2021: 176 megalitres), all of which was provided by municipal water suppliers or other public or private water utilities. The majority of water (95%) is withdrawn at our manufacturing sites in the Dominican Republic, Mexico, Slovakia and the UK. No water is abstracted directly from lakes, rivers or other bodies of water. Data is compiled from invoiced amounts and meter readings. A small percentage of water is treated on site (2022: 0.01%, 2021: 0.04%).

Responsible business review - communities continued

5,641 tonnes of water (2021: 5,391 tonnes) are tankered offsite as hazardous waste, the vast majority relates to our Rhymney site in the UK where, as part of the production process, water becomes contaminated with Industrial Denatured Alcohol (IDA) and is segregated for further processing. After processing, a significant proportion of the IDA is recovered and reused at the site. The remaining treated water is returned to the environment via a sewer as part of a permitted discharge. Other uncontaminated wastewater is discharged via a sewer.

As set out in our Environmental Policy statement, we are committed to understanding, quantifying and minimising our waste (hazardous and non-hazardous), and water consumption. We are also intensifying our focus on initiatives which will drive a reduction in waste generated by our product, packaging and non-manufacturing activities.

Water use (megalitres purchased)



1. 2022 data includes an additional R&D site.

Waste

During 2022, we have undertaken analysis of our waste processing and disposal practices, completing a study of the waste generated from our manufacturing plants and the fate of each type. We have identified preliminary goals, including provisional targets which will be finalised and subject to SBT validation alongside our Scope 3 target at the end of 2023. We are also developing roadmaps with site manufacturing teams, reaffirming baselines and opportunities for reducing waste and minimising environmental impact.

The table below shows our waste recycling and disposal performance over the last five years for both hazardous and non-hazardous waste. Non-hazardous waste represents 69% (2021: 74%) of the total waste generated and the chart indicates the proportion of this waste recycled is 26% (2021: 18%) and the proportion disposed of to landfill is 47% (2021: 66%). The change in the split between recycling and landfill seen during 2021 compared to 2020 is attributable to increased recycling levels in the Dominican Republic, Slovakia and the UK.

Hazardous waste represents 31% (2021: 26%) of total waste generated and 99% (2021: 99%) of this is recycled. The vast majority of hazardous waste (97%, 2021: 95%) is generated at our Rhymney site and its treatment is described in the previous section. Of the remainder, 1% (2021: 1%) is disposed of to landfill.

Following our decision to exit hospital care, we worked with a number of partners to donate products, minimising waste and disposal of products we no longer sell.

Waste recycled (tonnes)[1]

	2022	2021	2020	2019
Non-hazardous waste				
Disposed of	**9,655**	13,599	11,806	10,060
Recycled	**3,425**	2,990	2,120	3,671
Generated	**13,080**	16,589	13,926	13,731
Hazardous waste				
Disposed of	**69**	82	72	78
Recycled	**5,789**	5,606	5,337	5,716
Generated	**5,858**	5,688	5,409	5,794
Total Generated	**18,938**	22,277	19,335	19,525

Fate of non-hazardous waste generated (%)[1]

	2022	2021	2020	2019
Recycled	**26%**	18%	15%	27%
Incineration (with energy recovery)	**27%**	16%	10%	8%
Incineration (without energy recovery)	**0%**	0%	0%	6%
Landfill	**47%**	66%	75%	59%

1. Data restated as per the basis of reporting.

CASE STUDY: INCINERATION OF OSTOMY PRODUCTION WASTE FOR ENERGY RECOVERY IN MICHALOVCE

During 2022, we completed a project to ensure that all Ostomy production scrap which cannot be recycled is incinerated for energy recovery. This project will reduce the amount of waste sent to landfill annually by 300 tonnes (5% of waste sent to landfill globally in 2022). A certified waste provider was commissioned for this work, following Slovakian environmental legislation for the incineration for energy recovery process. This project will also reduce Scope 3 emissions by 133 tCO_2e per annum, due to the improved carbon emissions related to the new process implemented.

Environmental impacts in the value chain

As well as the environmental impact of our own operations, the delivery, use and disposal of our products also creates impacts along the value chain, including the sourcing of raw materials, sterilisation, supplier manufacturing, packaging, logistics and transport. To minimise this 'indirect' environmental impact we will be assessing the environmental performance of key suppliers, reporting value chain impacts and assessing product and packaging performance.

As explained on page 63, we assess suppliers' environmental performance against our Supplier Code of Conduct (SCoC) and we require new suppliers to sign our SCoC. No supply contracts were terminated on the basis of the environmental assessments conducted in 2022.

Environmental impact of products and packaging

Our products are the most visible element of our environmental performance and encapsulate accumulated environmental impacts along the value chain, from extraction of raw materials, through manufacture and logistics, use by customers, and final disposal.

By better understanding where the most significant impacts are created, we are better able to focus on the priorities for attention. In previous years we have undertaken projects to build our knowledge in this key area. As highlighted above, we need to do more work and this will be a key priority in 2023 and is captured in our ESG targets on pages 48 and 49.

Our new product development process and Green Design Guidelines help to facilitate this progress further, as described on pages 51 and 52.

We are in the process of establishing an environmental strategy delivery team collaborating across operations and a review of the carbon impact of our packaging will be considered as part of this initiative.

Socio-economic contribution to society

Through running our business, we aim to make a socio-economic contribution to society. This contribution, which is important to a range of stakeholders, is summarised in the table below.

CASE STUDY: FOREVER CARING MONTH

Reducing hunger and food waste: volunteering in Hong Kong

Using the volunteering policy launched in 2021, colleagues engaged in a range of charitable activity throughout 2022. We celebrated and shared their stories during Forever Caring Month, an initiative that encouraged colleagues to demonstrate our forever caring promise in their communities. Throughout November and December, colleagues shared and celebrated their volunteering stories and how it contributed to growing pride and trust with communities. As part of the initiative, Convatec also partnered with charities around our nine manufacturing sites with over $220,000 donated on issues most important to us and our communities. Over 1,000 lives were impacted through programming supported by our contribution.

	2022 $m	2021 $m	2020 $m	2019 $m
Direct economic value generated	**2,072.5**	2,038.3	1,910.8	1,827.2
Economic value distributed				
Operating costs[1]	**990.4**	962.3	891.7	890.0
Employee wages and benefits	**648.5**	650.1	579.7	515.0
Payments to providers of capital[2]	**312.8**	262.7	254.0	351.2
Payments to governments[3]	**45.7**	47.6	56.3	38.2
Community investment[4]	**0.7**	1.5	0.7	0.5
Economic value retained	**74.4**	114.1	128.4	32.3

1. Operating costs exclude depreciation, amortisation, impairment charges, asset write-offs and operating taxes. Employee wages and benefits, payments to governments and community investments are normally part of operating costs, but have been excluded as they appear on separate lines in the table.
2. Payments to providers of capital have been included on an accruals basis and include interest paid on long-term debt, capital and interest payments on right-of-use assets, net debt repayment, dividends and own share reserve purchase paid to Convatec shareholders.
3. 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.
4. Calculated as costs associated with charitable community donations. Excludes product donations. See page 73 for calculation of value to communities.

Courtesy of the DEC

BUILD

Disaster relief in Ukraine: our approach

With the onset of war in Ukraine, we coordinated a tiered response valued over $1.5 million to support humanitarian relief. This included:

- **Monetary donation** – In line with our commitments as a member of the UNGC and industry best practice, we donated $250,000 to the Disasters Emergency Committee (DEC), who support the on-the-ground work of their 15 member organisations.
- **Product donation** – In partnership with the Polish Red Cross and the Ukraine-Slovakia SOS, we donated over $1.2 million worth of Convatec products from across our portfolio. We know that managing chronic conditions can be stressful at the best of times, and that people affected by the war need support over many months. A small working group comprised of Convatec colleagues from across the business met weekly through March – April 2022 to coordinate the effort, determining culturally appropriate products, necessary translations and brokering the charity partnerships.
- **Support of our people** – Geopolitical events in the region were stressful to many colleagues globally. Throughout 2022, a series of communications and updates to colleagues informed them of the actions the Group was taking. Tosupport their mental health and wellbeing, EAP resources were made available alongside additional wellbeing resources. We also encouraged colleagues to use volunteering days to support charities that they have access to through our global volunteering policy. Many colleagues did so in a range of ways such as driving refugees to host families, fundraising for charities, or spending time on the phone to help displaced people access medical products.

Our response to the war in Ukraine demonstrates the importance of coordinating centralised action to maximise impact, and the value of having processes to ensure quick responses in instances of future disasters.

"We are delighted to be working with Convatec. Your generosity and support has enabled our members to immediately respond on the ground in Ukraine and neighbouring countries with food, shelter and protection."

Disasters Emergency Committee

Contribution to governments

We are fully committed to meeting our legal tax obligations in each of the countries in which we operate. We fully support and embrace greater transparency with tax authorities and the initiatives being introduced by the Organisation for Economic Cooperation and Development (OECD) and governments to ensure clarity and adherence to the tax laws of each jurisdiction in which we operate. Our Tax Policy is available at www.convatecgroup.com/investors/governance/our-policies-and-statements/.

Supporting communities

Our forever caring promise is a commitment we make to customers and those we serve every day. It's also a promise we make to the communities in which we operate.

In recent months, we've made good progress refreshing our approach to support communities. In recognising that the way in which we operate enhances the contribution we make to local communities, we are developing stronger partnerships with select non-governmental organisations (NGOs) to ensure that partnerships can be targeted to achieve maximum impact. We will develop these partnerships over the long term in the places where we operate, and whose activities focus on issues of healthcare access/equity, education, or disaster relief.

From a Group-level perspective, our approach is to support partnerships on issues that closely align with our vision and values, and where the majority of our people and impact is made.

It is also the case that team-driven volunteering and charity work in any community is valuable and also an important part of our impact. Our two-day volunteering policy makes it easy for colleagues to engage in community service. Business units, functions and our ERGs also contribute to further local market activities as well.

Partnerships

In line with our ESG commitment to establish new NGO partnerships and funding commitments, in 2022:

- We partnered with the Disasters Emergency Committee (DEC), to support their efforts for Ukraine relief, including through three donations and employee appeals throughout the year (see left).
- We launched Forever Caring Month, supporting eight partner charities near our manufacturing sites (see page 71).

Medical education

In line with our forever caring promise, we support HCPs through our medical educational programming. We provide grants to support HCPs and third parties (such as regional bodies, associations, educational and hospital institutions) engaging with educational and scientific meetings, programmes, workshops, events, activities and public education, non-contingent on the use of Convatec products. In 2021, we set a target to contribute responsibly to a range of HCP and patient education programmes, and we delivered on this in several ways throughout 2022.

In celebration of 25 years of our Hydrofiber® dressing AQUACEL™, we pledged $250,000 to fund medical education in partnership with the Welsh Wound Innovation Centre (WWIC). Throughout 2022, WWIC hosted four courses, in a four-day online format, covering topics including wound assessment, pressure ulcers/injuries and hard-to-heal wounds. WWIC have educated over 631 delegates from 12 countries, exceeding our original goals for the programme.

2022 VALUE TO COMMUNITIES

In line with our forever caring promise and company values, we supported our communities through:

$500,000+
to community partners through programming and disaster relief

$1.3 million+
Products valued at $1.3 million+ donated to charity partners[1]

$185,000+
in medical education grants supporting over 4,600 HCPs

1. Product value calculated using regional average sale price. Includes contribution from products with shortened shelf lives.

Responsible business review - communities continued

To support future medical education programming, we advanced our multi-channel education capabilities for both HCP and patient programmes within AWC via our Wound Hygiene integrated medical education and communication programmes. Educational publications, webinars and symposia, podcasts and competency-based skills training have to date, been implemented in 38 countries worldwide. A global resource centre, woundhygiene.com provides both theoretical and practical information for HCPs, with plans to expand to patient education in early 2023.

In 2022, our Convatec Asia-Pacific Education (CAPE) activities expanded in several dimensions. Our digital ConvaTeach platform - a multi-channel, global education tool that connects HCPs across regions and disciplines - was improved through the development of new training materials, case compendiums and new features and expanded to an additional 1,000 new users by launching in China in July 2022. We held a CAPE Summit as a virtual conference covering AWC and OC, with Continuing Medical Education (CME) accreditation supported by multiple leading experts in their field from countries across our Global Emerging Markets (GEM). The summit was attended by over 1,800 participants over two days. The number of total HCPs touched through our 2022 CAPE virtual and in-person programmes reached over 231,000 across the GEM region through nearly 7,000 events in 2022.

In 2022, we tracked GEM, AWC, OC and CC&C medical education activity centrally. In 2023, as part of launching a new Medical Education Centre of Excellence, we intend to develop a new Global Professional Medical Education digital platform to capture metrics across the Group. The platform will help us integrate the work of business leads and regional educational programmes, which will strengthen our HCP offering digitally and non-digitally in all business areas. In 2023, we also intend to develop a new patient education programme in AWC.

STATEMENTS

Independent assurance

In line with our commitment to transparency, we commissioned Deloitte LLP to perform limited assurance procedures on selected key performance indicators as detailed in our Responsible business review 2022. The assurance was completed in accordance with the International Standard on Assurance Engagements 3000 (revised) (ISAE 3000) and 3410 (ISAE 3410). Details of the procedures performed are oulined with Deloitte's independent assurance opinion, which can be located at www.convatecgroup.com/investors/governance/our-policies-and-statements/.

Performance data

The scope of Deloitte's work covered the following 2022 disclosures (performance data) from the review:

- Greenhouse gas emissions: Scope 1 (14,395 tonnes CO_2e); Scope 2 (market based) (10,258 tonnes CO_2e); Scope 2 (location based) (23,210 tonnes CO_2e) (page 68)
- Emission intensity (location based: 18.1 tonnes CO_2e/$million revenue and market based: 11.9 tonnes CO_2e/$million revenue) (page 68)
- Energy consumption (137,615 MWh) (page 67)
- Energy intensity (0.066 MWh/$million revenue) (page 67)
- Health and safety: operations lost time injuries and rate (0.20) and hazard observation rate (234) (page 61)
- DE&I and Wellbeing: percentage of females in senior management and CELT (38%) (page 60)

Convatec's basis of reporting for the above metrics can be found at www.convatecgroup.com/sustainability/esg-reports-and-data/. We regularly assess the scope of our ESG assurance and covered metrics.

Deloitte's full Assurance Statement, including opinion and basis of opinion is available at www.convatecgroup.com/sustainability/esg-reports-and-data/.

Deloitte.

Completeness of information

The information contained in the Responsible business review section of our 2022 Annual Report and Accounts covers all operations over which we had financial control for the 2022 financial and calendar year. It also covers all of the issues identified in our ESG framework and places 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.

The Task Force on Climate-related Financial Disclosures

STATEMENT OF COMPLIANCE

We are committed to continued adoption and alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In compliance with the FCA Listing Rule LR 9.8.6R(8) on climate-related disclosure, the table below summarises where we are reporting consistently against the recommendations. Where we are working to strengthen our response, we have indicated what the gap is and how we intend to close the gap. Further supporting information can be viewed in our ESG section of the annual report under the 'Protecting the planet and supporting communities' pillar on pages 66 to 74.

Recommendation	Status	Page
GOVERNANCE		
a) Board oversight	Comply	76
b) Management's role	Comply	76
STRATEGY		
a) Climate-related risks and opportunities	Comply	77
b) The impact of climate-related risks and opportunities - Transition plan: In 2022, Convatec focused on measures we could take to reduce the environmental impact of our direct operational emissions. In 2023, we will develop our transition plan which will incorporate decarbonisation measures as well as plans to align our strategy and wider business activities with 1.5C in a sustainable way.	Explain (partial disclosure)	78
c) The resilience of the organisation's strategy - Strategic and financial planning: Convatec has started to assess the potential future financial impact of climate risks and opportunities and in 2022 we have completed a physical climate risk analysis. As we move forward, we recognise the need to develop our quantified transition plan and we intend to incorporate findings from physical and transition quantitative climate scenario analysis into our strategic planning cycle in 2023 to strengthen our response to climate change.	Explain (partial disclosure)	85
RISK MANAGEMENT		
a) Identifying and assessing climate-related risks	Comply	85
b) Managing climate-related risks	Comply	85
c) Integration into overall risk management	Comply	86
METRICS AND TARGETS		
a) Climate metrics - Cross-industry metrics: In 2022, Convatec undertook a qualitative climate scenario analysis to assess the potential significance of climate risks and opportunities and began quantification of the physical financial impact. In 2023, once we have developed our transition plan, we will be in a better position to fully report against the climate risk and opportunity categories. In 2023, there will be ESG objectives in the personal objectives of each CELT member for bonus purposes. In respect of the two executive directors, the new Executive Remuneration Policy (which will go to the AGM for approval) will include an ESG objective, contributing to 5% of their overall bonus.	Explain (partial disclosure)	87
b) GHG emissions	Comply	87
c) Climate targets	Comply	87

TCFD disclosure continued

Governance

Summary of disclosure

- The Board has oversight of all climate-related matters, with the CEO carrying overall responsibility.
- The ARC is responsible for reviewing and approving Convatec's ESG and TCFD Disclosures and monitoring the integrity of the targets and related metrics.
- In addition to the above two bodies, climate risks and opportunities are further assessed and managed by the ESG Steering Committee and CELT, who feed upwards to the ARC and Board on climate actions and cascade the organisation's climate objectives for implementation and delivery by their teams.

Next steps

- Following the identification and assessment of climate-related risks and opportunities in 2022, during 2023 we will incorporate their consideration as part of our business strategy planning and financial planning processes.
- Given that our response to climate change is dependent on many parts of the business, we plan to devote more time to climate matters in relevant Board committees, in addition to those already assigned to the ARC.

Governance structure for climate-related matters

The Board has oversight of all climate-related issues within the organisation, with the CEO ultimately responsible for the implementation of climate-related actions across business units and functions. Implementation is guided and promoted by CELT members who are responsible for driving progress, performance, compliance, and metrics against the four ESG strategic pillars.

The Board discusses climate-related matters in its meetings including two deep-dive sessions during the year, and is supported by Board and Management committees to aid its understanding and provide relevant information to the Board:

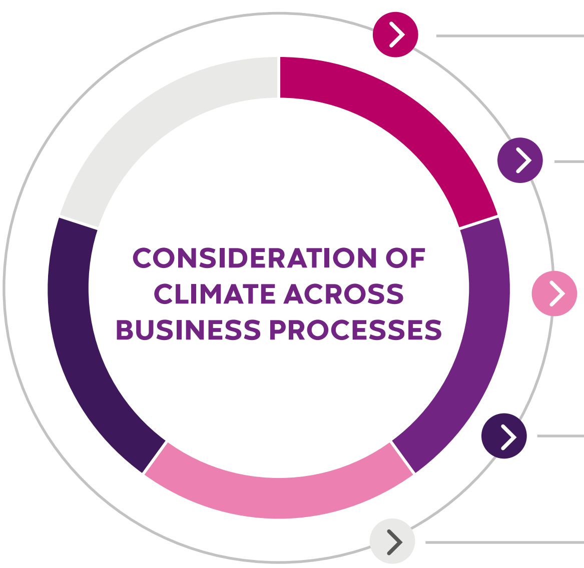
- The ARC is responsible for reviewing and approving Convatec's ESG and TCFD reporting for data integrity, management of risks and compliance with relevant regulatory requirements.
- The Remuneration Committee has oversight of the incorporation of ESG objectives in remuneration going forward.
- CELT has delegated responsibility from the Board to set the direction of Convatec's strategy, ensure climate-related issues have appropriate management in place, and cascade this through the organisation.
- The ESG Steering Committee and the TCFD Working Group support the implementation of the Group's vision, in line with our FISBE strategy, and are supported by the organisation's strategic planning process.

See pages 42 and 43 for further detail on ESG governance structures.

Climate-related governance principles over internal processes, supply chains, and capital allocation

The organisation follows a bottom-up approach when it comes to internally responding to climate-related issues. Each business unit and functional area has an individual risk register which includes impacts of climate-related risks. In addition, the TCFD Working Group has conducted a climate scenario analysis in 2022, which takes a top-down assessment of climate risks and opportunities across the Group.

We have a risk management process to address our principal risks and uncertainties, including the Environment and Communities risk, which incorporates climate change strategy as one of the key principal risk drivers, including transition risks. Several members of senior management have a climate-related personal objective attached to the individual performance elements of their remuneration.



Strategy and risk management

Our strategy includes emissions/environment as an ESG priority aspect. In the next strategic planning cycle, we will also include outcomes from the climate scenario analysis.

Major capital expenditure

In 2022, climate was added as a factor in M&A due diligence and decision-making. During 2023, we will include climate consideration in capital allocation.

Business plans and budgeting

Our strategic plan is used to inform the development of the annual business plan and budget.

Goals and targets

We have committed to reduce our environmental impact across emissions, waste, water and product life cycles and we are developing plans to deliver on these targets.

Performance monitoring

We have KPIs associated with our environmental ambition and we report our annual performance alongside four years of historical data.

Strategy

Summary of disclosure

- Engagement with Group and operating functions to understand the relevance of climate-related matters to the business and the relative level of potential impact in comparison to climate risks as well as other business risks.
- Identification and assessment (including scoring and ranking) of climate risks and opportunities using climate scenario analysis.
- Potential future financial impact of physical climate risks are assessed for productivity loss and damage to Convatec-controlled assets across International Panel on Climate Change (IPCC) scenario pathways.
- Transition risks and opportunities are qualitatively assessed against three climate scenarios, and across short-, medium- and long-term time horizons.

Next steps

- Complete climate scenario analysis by quantifying the financial impact from priority transition risks and opportunities (where data and methodologies allow).
- Incorporation of the climate analysis outcomes into the Group's strategic planning process in 2023, which will inform a range of financial planning decisions.
- Continue to develop near- and long-term transition plans to achieve our net zero goals and demonstrate alignment of our product portfolio and strategy to a low-carbon economy across the value chain and the local communities we operate in.

Approach to climate scenario analysis

In 2022, we identified three priorities to progress the existing identification and assessment of climate-related risks and opportunities. These actions enable us to embed climate considerations in business planning processes. In the future, the integration of climate-related matters will be underpinned by financial impact calculations and increased awareness and capabilities across teams to manage climate risks and opportunities.

We use both a qualitative and quantitative approach to climate scenario analysis. The methodology we apply for these assessments is described in more detail in the Risk Management section (page 85). Before conducting these assessments, we reviewed the risks and opportunities identified last year and built upon these through further research and stakeholder engagement. This exercise gave us confidence that potential risks and opportunities have been identified and documented. We also increased awareness across the Group of potential climate impacts to our business activities.

In the first instance, we use a qualitative approach to screen the relevance and potential impact of identified risks and opportunities. Where the results indicate relatively high levels of impact, and where data and methodologies allow, we will seek to quantify the potential financial impact. In these cases, we refer to the qualitative assessment results and will identify suitable risk indicators to monitor exposure over time.

2022 PRIORITIES	2023 NEXT STEPS
1 **Engage with functions** across the business to build awareness of how climate change may impact operations and identify whether climate risks and opportunities are already being managed.	**Integrate** results of physical risks analysis into impairment testing, and in business continuity and risk management plans. Incorporate priority transition risks and opportunities into the strategic-planning process
2 **Contextualise** identified risks and opportunities based on our business operations and market landscape to better understand the cause and consequence and controls to be put in place.	Use outcomes of identification and assessment to inform decision-making on **response options** based on the significance of potential impacts and those identified as priority in the near term
3 **Conduct climate scenario analysis, to qualitatively** assess transition risks and opportunities and to **quantify** the potential financial impact of the physical risk of selected critical sites within our value chain.	Using results from the qualitative scoring assessment of **transition risks and opportunities** to prioritise those for **quantitative climate scenario analysis**, accounting for methodical limitations

Introduction to climate scenarios

The future is increasingly uncertain over the long time horizons used in climate scenario analysis. In our climate scenario analysis, we draw upon scenarios from the IPCC, the International Energy Agency (IEA) and the Network for Greening the Financial System (NGFS) to inform the assessment of climate impacts. The table below summarises the specific scenario sources we have used.

	Ambitious policy	Middle of the road	High warming
Scenario storyline	Paris-aligned scenario, where global CO_2 emissions are cut severely, with ambitious and gradual efforts to limit temperature rise.	Slower, less ambitious policy action OR a time lag before sudden ambitious action. Emissions remain stagnant in the near-term with notable shifts occurring between 2030 - 2050.	Limited to no action, with society continuing along past trends and emissions increasing significantly resulting in extreme warming.
Scenario sources	- NGFS Orderly transition - REMIND-MAgPie Net Zero scenario - IEA Net Zero scenario - IPPC's SSP1-2.6	- NGFS Disorderly transition - REMIND-MAgPie Delayed Transition scenario - IEA Announced Pledges scenario - IPPC's SSP2-4.5	- NGFS Hot House World - REMIND-MAgPie Current Policy scenario - IEA Stated Policies scenario - IPPC's SSP5 8.5
Temperature outcome (2100)	1.4°C - 1.8°C	1.6°C - 2.7°C	2.5°C - 4.4°C

The time horizons used for this assessment are short term (0 to one year) to reflect baseline risk and align with our business plan, medium term (one to five years) to align with the strategic planning cycle into which climate matters will ultimately be integrated, and long term (five years to 2050) to align with global goals for net zero and as 2050 is a common end-year for scenario projections.

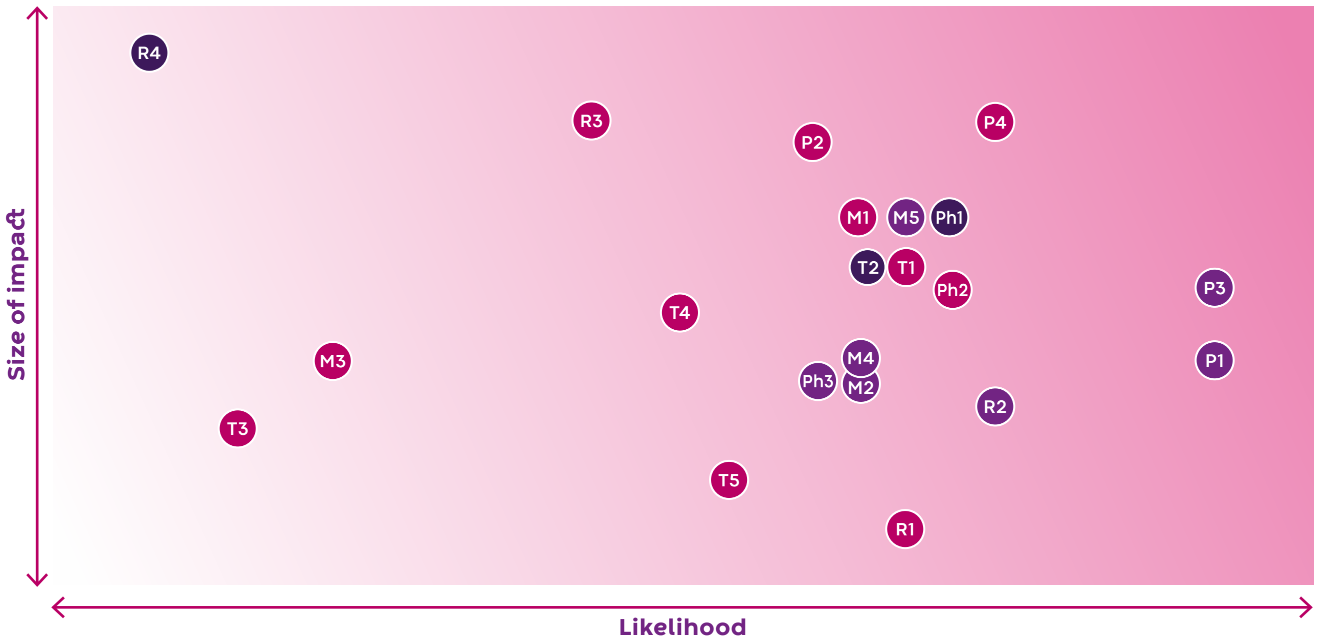
Risk and opportunity assessment

In our qualitative assessment, we draw upon data from climate scenarios as an evidence-based approach to understanding how climate issues will manifest over time, across scenarios. As such, we score each risk identified against vulnerability, impact and likelihood; and opportunity against size and ability to execute (see detailed methodology on page 84). This assessment is granular, and the outcome provides Convatec with detail on the significance of each risk at different intersects of time and future climate scenarios.

The matrices below describe the climate-related risks and opportunities considered material to the business, and the relative significance of these.

In the risk matrix, each risk position is based on the aggregate score for each scoring criterion (vulnerability, impact and likelihood) consolidated across all time horizons and climate scenarios. While it is important to understand the possible shift of risk impact over time and climate scenario, this aggregate view helps to simplify the results and supports the overall prioritisation of the risks.

RISK MATRIX: CONSOLIDATED RISK SCORES ACROSS TIME HORIZONS AND CLIMATE SCENARIOS



Key: High vulnerability Medium vulnerability Low vulnerability

Our assessment of climate-related risks shows that there is potential for significant impacts from hazards across TCFD risk categories including market changes, policy intervention, technological developments, and physical climate change events. We recognise that managing and reducing the impact of our direct operations is important, but the next step and greater challenge for the Group will be to consider our value chain impact, especially the materials we use which will require significant investment in R&D.

Higher magnitude, higher likelihood	Higher magnitude, lower likelihood
- M1. Increase in price for purchased goods and services - M5. Limited availability of renewable energy - P2. Increased pricing of GHG emissions applied to direct operations - P4. Increase in regulation on raw materials used in our products - T1. Cost to invest in climate mitigation and adaptation of operations - T2. Restricted access to alternative materials due to efficacy priorities - Ph1. Increase in repair costs, and loss of productivity at manufacturing sites due to extreme and gradual weather changes	- R3. Customers opt for suppliers providing 'more sustainable' products - R4. Sudden and rapid change in consumer perception of materials used
Lower magnitude, higher likelihood	**Lower magnitude, lower likelihood**
- M2. Change and volatility in energy prices, increase the operating costs of direct operations - M4. Higher costs to procure sustainable materials - P1. Additional costs to comply with evolving regulations and exposure to climate-related litigation - P3. Increase in regulations that affect our manufacturing processes - R1. Increased investor concern and scrutiny over climate credentials - R2. Customers request greater climate ambition and transparency - T5. Gap in the use of AI which is fast developing as a critical tool to manage climate risk - Ph2. Delays in receiving goods or unfilled orders from suppliers disrupted by climatic events - Ph3. Disruption in transportation both upstream and downstream due to extreme weather conditions	- M3. Increased competition to buy oil and gas by-products (e.g. chemicals, plastics) - T3. Increased competition for IP ownership on new low-emission products and materials - T4. Unsuitable or ineffective use of data to inform decision-making on climate issues

In the opportunity matrix, each position is based on the aggregate score for each scoring criterion (size of opportunity and ability to execute), consolidated across all time horizons and climate scenarios. Similar to the risk matrix, this aggregated view helps to simplify where the Group should concentrate its efforts going forward.

The results of our assessment, shown below, represent the relative opportunity against each other. Whilst, the matrix shows the spread of opportunity, we believe we have a high ability to execute across all opportunities. The identified opportunities align with our business strategy which means, whilst we may face some barriers related to the cost and development of technology, plans are being developed or are in place to take action. Over time the significance of realising these opportunities becomes even more important as the likelihood and magnitude of transition and physical risks increase.

OPPORTUNITY MATRIX: CONSOLIDATED OPPORTUNITY SCORES ACROSS TIME HORIZONS AND CLIMATE SCENARIOS

Key: Products and markets, Resource and energy, Resilience

TCFD disclosure continued

Greater size of opportunity, greater ability to execute	Greater size of opportunity, smaller ability to execute
- PM1. Development of lower emission and sustainable materials in products - OR3. Collaboration in industry and lobbying of governments to address climate impacts	- RE2. Investment in onsite renewable generations or PPA
Smaller size of opportunity, greater ability to execute	**Smaller size of opportunity, smaller ability to execute**
- RE1. Implementing energy efficiency projects in offices and manufacturing plants - OR1. Increase resilience in the supply chain to be able to better absorb climate-related shocks - OR2. Use of data to manage climate risk and seize opportunities	- RE3. Decarbonisation of heat to reduce reliance on fossil fuels in manufacturing operations - RE4. Reduce water intensity of operations

Our climate-related risks and opportunities described

The identified risks and opportunities to our business can be grouped into four broad areas of impact which help to understand the relationship between different risks as well as associated opportunities:

1. Supply chain and raw materials used
2. Direct operations and processes
3. Stakeholder expectations
4. Physical damage and disruption

The grouping of each individual risk and opportunity driver into the respective broad areas of business impact are set out in the analyses below.

The table below describes these key impact areas and provides the average score of all risks and all opportunities that feed into it. This score provides an indication of the potential financial impact to Convatec, showing how the impacts may vary over time and climate scenarios.

Relative risk impact	Relative opportunity impact	Scenario	Time period
Low	Low	A = Ambitious	S = Short term (0-1 years)
Medium	Medium	M = Middle of the road	M = Medium term (2-5 years)
High	High	H = High warming	L = Long term (6+ years to 2050)

Supply chain and raw materials used:

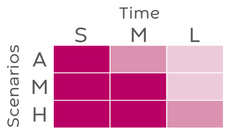
The largest proportion of emissions in our value chain are derived from the materials we use, the majority of which come from petrochemicals. Exploring the feasibility of more sustainable alternative materials across our product portfolios is an important potential means to reduce the embodied GHG emissions and to manage transition risks associated with a change in material availability and price.

Risk drivers

- Suppliers face increased costs as we transition to a low-carbon economy, which may be passed on to Convatec.
- Possible bottlenecks for any sustainable material alternatives as demand increases.
- Period of increased competition for petrochemical-based materials as road transport demand for oil declines.
- Regulation (e.g. taxes on single-use plastics), as well as sudden shifts in consumer perception of materials, could inhibit the use of certain materials.
- Limited options to use sustainable materials without compromising product efficacy, or restricted access to solutions if competitors patent designs.

Includes: M1, M3, M4, P4, T2,T3, R4, R5 - see Risk Matrix above

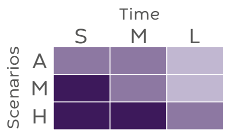
Assessment



Opportunity drivers

- Implementation of Convatec's GDG tool to inform where to focus appraisal of alternative lower-emission material options in the design/redesign phase to promote alignment of our product portfolio with the low-carbon transition.
- Lower emission materials may also increase diversity and resilience of supply, e.g. by reducing reliance on petrochemicals.

Assessment



Possible strategic and financial impact

- Unable to deliver products on time or, in the worst cases, at all, as material shortages mean we cannot manufacture products.
- Increased costs for procurement, which could impact profit margins, or result in loss of sales if products are not priced competitively.
- Large investment costs in R&D to identify and use sustainable material alternatives and to also achieve regulatory compliance.

Possible management response

- Develop a supplier engagement strategy to increase the volume of suppliers with green credentials.
- Continue rollout of the GDG and associated Footprinter tool, ultimately using it for emission measurement and design decisions.
- Invest in suitable resources to monitor trends in material alternatives and availability.

Possible metrics and targets

Emissions from raw material purchases, with the goal to reduce embodied emissions of products

Direct operations and processes:

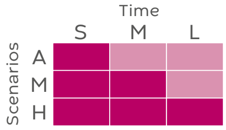
In a transition to a low-carbon economy, we will be affected by global and national policy interventions aimed at increasing the cost of emitting carbon. While we are not currently subject to global carbon pricing mechanisms, we may face a change in the cost of energy consumption as well as restrictions on environmentally intensive processes such as sterilisation. During the energy transition, there is uncertainty about how the supply of renewable sources will meet the exponential increase in demand and we could be faced with limitations in procuring renewable energy.

Risk drivers

- Incentives to shift to low-carbon energy driven by changes in energy prices and the introduction or expansion of carbon pricing mechanisms in regions we operate in.
- In the energy transition there may be limited availability of renewable energy due to a lack of procurement opportunities, extreme costs and constraints in the availability of renewable sources.
- Resource and financial investment into the implementation of low-emission and renewable technologies are required to achieve decarbonisation through the value chain.

Includes: M2, M5, P2, P3, T1

Assessment

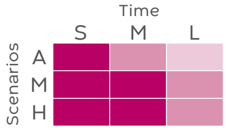


Opportunity drivers

- Continued implementation of energy efficiency and GHG reduction measures (e.g. LED light lamps, low GWP refrigerant charged cooling systems).
- Increasing the number of sites with self-generation renewables will decrease our exposure to potential future increases and volatility of electricity prices.
- Switching from natural gas to lower-carbon or renewable energy sources for heating will reduce our exposure to future increases in the cost of consumption of fossil fuels.

Includes: RE1, RE2, RE3

Assessment



Possible strategic and financial impact

- Increased operational costs if we are not able to decarbonise and reduce reliance on carbon-intensive fuel and chemical sources.
- Large upfront costs to direct capital towards decarbonisation.
- Operational cost savings through the implementation of efficiency measures and avoided transition costs.

Possible management response

- Introduction of a bespoke carbon price to use within capital allocation to support the direction of investment towards projects that avoid GHG emissions or deliver GHG reductions.

Possible metrics and targets

Non-renewable energy - aim to reach 100% renewable electricity by 2030.

Scope 1 and 2 SBT.

Stakeholder expectations:

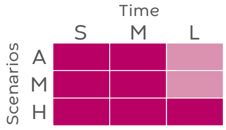
We recognise that managing climate-related risks and opportunities is essential for delivering long-term value and building climate resilience. Stakeholder expectations on transparency, ambition level and performance against ESG and climate matters is evolving rapidly.

Risk drivers

- Increased volume of legislation and reporting requirements will require us to direct appropriate resources to respond and manage increasing stakeholder scrutiny.
- Ineffective or limited use of data and AI could result in us having a limited understanding of baseline impacts and the direction of travel of climate performance. As a result, if we do not have suitable data, we will not be able to make informed decisions in regard to climate action.
- Stakeholder (including investors and customers) requests for climate information are exponential, with high expectations to be ambitious, transparent in disclosure and to appropriately manage risks and opportunities. For example, the NHS has laid out a supplier roadmap to net zero which sets out requirements to 2030.

Includes: P1, T4, T5, R1, R2

Assessment



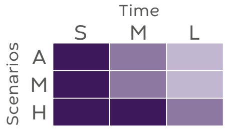
Opportunity drivers

We are best placed to respond to stakeholder expectations if we are able to manage our climate risks appropriately, for example:

- Diversifying our supply chain with supplier duality to better absorb climate-related shocks, including product scarcity, price volatility, and extreme weather.
- Continued investment, use and roll-out of data management tools and software, e.g. increasing supplier engagement through EcoVadis and use of TransVoyant to reduce and monitor distribution costs and increase the efficiency of logistics.
- Implementation of GDG Footprinter tool to improve reporting of emissions impact across the product portfolio.
- Collaboration in industry and lobbying of governments, to drive innovation and identify sustainable solutions which support the decarbonisation of the sector while meeting the needs of patients.

Includes: OR1, OR2, OR3

Assessment



Possible strategic and financial impact

- Limited tender opportunities if we do not meet the 'rules of engagement'.
- Customers switch to alternative suppliers, and we lose sales and market share.
- Limited access to capital if investors switch to better climate-performing stocks.

Possible management response

- Frequent review of investor priorities through consistent engagement to ensure we meet expectations.
- Reviewing performance and reporting on progress against environmental targets.

Possible metrics and targets

Benchmarking of our ESG metrics and targets against government regulations, peers and key stakeholders to ensure we meet our commitments and reduction targets.

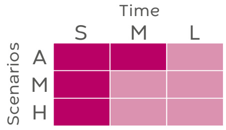
TCFD disclosure continued

Physical damage and disruption:
In the future gradual climate changes and an increase in the frequency of extreme weather events will have an impact across our value chain. While we are aware of the physical climate hazards most prevalent across our manufacturing sites and can implement adaptation and controls to reduce the risk, we have less influence over how suppliers are managing climate risk.

Risk drivers
- Damage and disruption at manufacturing sites due to extreme and gradual weather changes.
- Delays in receiving goods from suppliers due to disruption from climatic events at supplier sites.
- Disruption in transportation both upstream and downstream due to extreme weather conditions, which, for example, may prevent travel on roads (snowstorms) or unloading/loading at ports (storms).
- Rising temperatures and increased frequency of heat wave events.
- Water security reduces due to increasing demand and a shrinking supply of water, especially considering the decline in water quality.
- Floods and storms (e.g., hurricanes) increase in severity and frequency, driven predominantly by the increased likelihood of extreme precipitation events.

Includes:

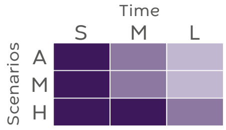
Assessment



Opportunity drivers
- Implementation of water efficiency measures including replenishment initiatives and exploring alternative water sources at priority sites (especially those in high water stress regions - Haina and Reynosa). This will mitigate the potential impact of degrading water quality and water availability due to climate change.

Includes: RE4

Assessment



Possible strategic and financial impact
- Increased costs to manage damage and disruption at manufacturing sites.
- Unable to meet customer orders on time due to unforeseen disruption in the value chain both at supplier sites and in logistics.
- Forced to move operations to an alternative location.
- Loss of revenue and missed growth targets.

Possible management response
- Conduct deep-dive physical risk assessments to understand cause of risk to identify appropriate adaptation response.
- Introduce suitable adaptation measures to reduce risk, i.e. flood defences, temperature control at heat-stressed sites.

Possible metrics and targets
Capital expenditure on climate adaptation. 100% of high risk sites to have implemented business continuity plans.

Identify efficiency metrics and develop monitoring to track impact on performance.

Physical risk impact assessment

Historically, we have undertaken physical climate risk assessments across our property portfolio to maintain our capability to manage and respond to events. The outputs of the analysis inform our business continuity plans for our manufacturing sites and key suppliers. This year, we conducted a quantitative climate scenario analysis to understand how our owned and controlled operations may be financially impacted by climate change over longer time horizons, and under different temperature outcome scenarios. Four locations and seven assets were included in the assessment scope due to their contribution to Group revenue, or due to their locational exposure to higher physical climate risks.

Our assessment of physical climate change impacts has two elements. The first is to understand the actual financial losses and disruption in the past year, and secondly, to assess the potential future financial impacts considering a range of climate hazards and forward-looking climate scenarios.

Actual physical impact assessment:

Our assessment of actual impacts was based on our experiences across our manufacturing sites over the last year. In the past year, we have closed our plant in Haina for one day as a result of Tropical Storm Fiona. This follows established protocols that prioritise the safety of our workforce and ensure we can make the facility storm impact ready. Our business continuity plans were implemented to carefully manage the impact on our business and the financial impact was negligible with any productivity impact mitigated by using plant downtime when the facility was back open or utilising safety stock to ensure there was no impact on patients or customers. As part of our annual production planning process, we incorporate a number of days into the production schedule to allow for potential disruption and plant closure due to adverse weather events.

Forward-looking physical impact assessment:

For the forward-looking assessment, we modelled the potential impact of productivity loss as well as asset damage driven by 12 climate indicators which can be categorised to hazards including flood, heat stress, storms, and water stress.

Hazard: climate variable mapping

Water stress: Monthly Mean Precipitation

Wildfire: Keetch-Byram Drought Index (KBDI) Fire Risk

Heat stress: Monthly Mean Temperature, Monthly Relative Humidity, Air Heatwave Days, Cooling Degree Days, Maximum Temperature Days Higher 35°C

Storms: Heating Degree Days, Extreme Wind Speed, Extreme Precipitation

Floods: Mean Sea Level Rise, Extreme Water Level, Riverine Flood Depth

The analysis was based on data from Climate Insights, a tool owned and developed by CLIMsystems (part of SLR). The data from the Climate Insights tool, shows the potential future change in climate variables based on global climate models (GCMs) of the coupled model intercomparison project (CMIP6) for the periods from 2010 to 2055 with a five-year step under the selected scenarios of SSP1-1.9, SSP2-4.5 and SSP5-8.5 (see page 78 for scenario description). The climate data provided is then correlated to our business data, including revenue generation and building value, to provide an annual assessment of the potential value at risk (VaR) experienced from repair costs for asset damage, and revenue loss due to decreased productivity driven by the likes of employee efficiency and site closures. As such, it is not a forecast of potential annual costs or revenue losses but is a helpful indication of the potential impacts from physical climate change events which are likely to increase over time. The analysis does not take account of any mitigation actions that the business would implement.

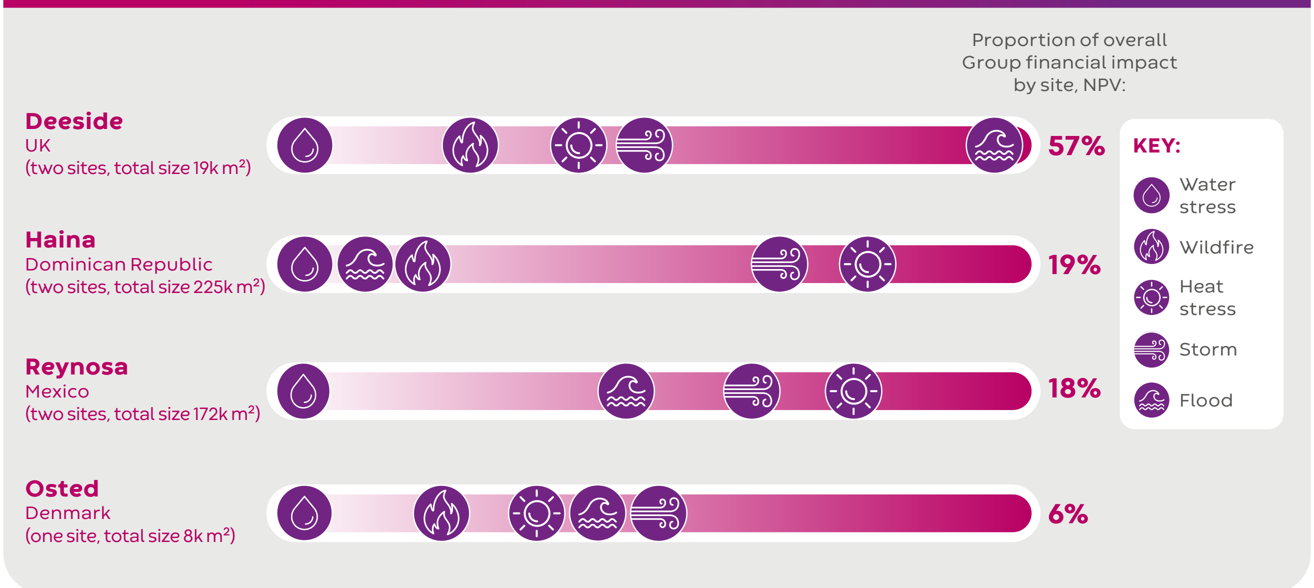
Physical Hazards
The analysis shows an increase in exposure to climate change over time, in response to expected increases in global temperatures. Across the Group's key assets, floods and storm-related damages account for the most significant impact. The diagram below indicates which physical hazards are most likely to impact each site assessed in 2050 using the SSP-8.5 upper global warming scenario. For example, at our manufacturing site at Deeside, flooding could cause the greatest risk of financial losses due to damage and productivity loss. However, heat stress will become a more prevalent issue in the longer-term at our sites in warmer climates including our Reynosa site in Mexico and Haina site in the Dominican Republic.

Financial impact assessment
Here, we report the aggregate potential financial impact across all seven sites, for both damages and productivity loss. To provide a 'worst-case' view for the purpose of ensuring appropriate risk controls, the financial results reported do not account for mitigation and adaptation measures which will reduce our exposure and impact.

We present the assessment results in absolute terms and as a cumulative year-over-year (YOY) change. Whilst the absolute financial impacts provide a useful benchmark for the potential significance of climate-related disruption in the future, the YOY change from the 2023 baseline is useful to understand the potential change over time from what we consider the status quo today.

- **Absolute impact at point in time**: Climate-adjusted value at risk for a given year, indicates the extent and probability of potential losses in the future.
- **YOY cumulative change from baseline**: We have considered the potential increase in losses over time, and as such have calculated the delta of future years against this year as a baseline. We have presented this as the net present value of the cumulative cash flow impact for the period 2023-2050, discounted at the Group WACC.

SIGNIFICANCE OF CLIMATE HAZARDS DRIVING IMPACT IN 2050, SSP5-8.5



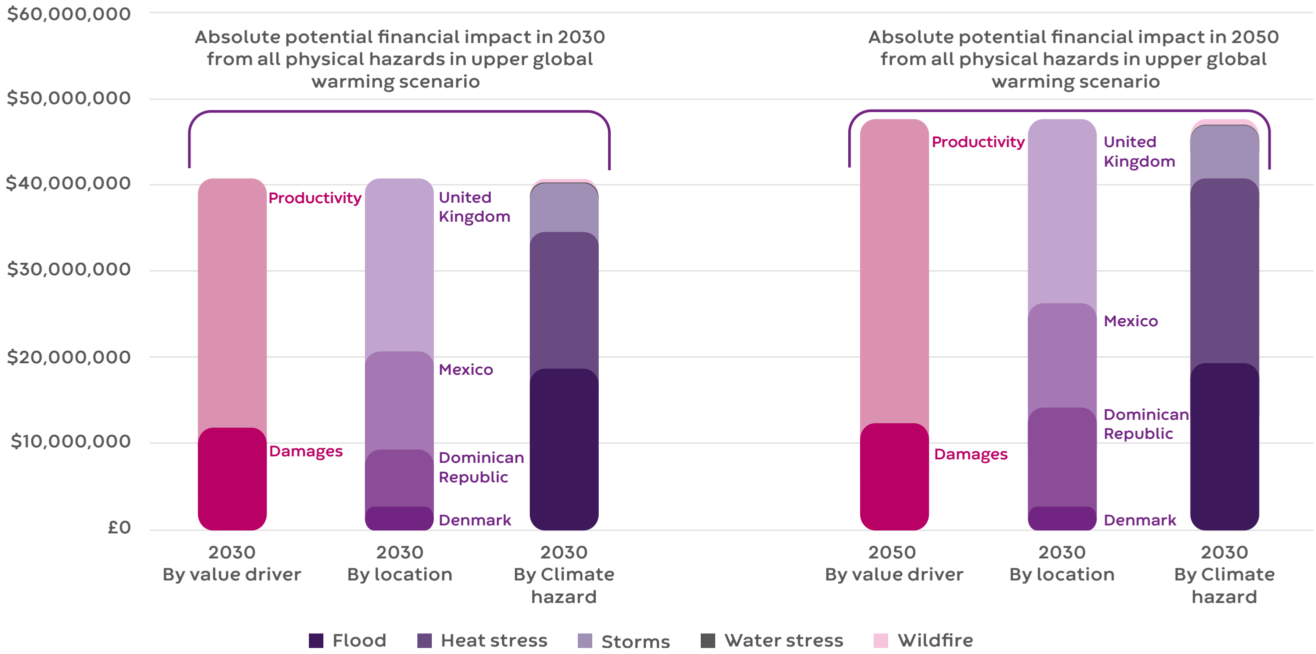
Damage to assets

		Absolute		YOY
		2030 (50th percentile)	2050 (50th percentile)	NPV 2023-2050 (5th - 95th percentile)
Scenario	Ambitious policy	\$11.5m	\$11.9m	Up to \$4.2m
	Middle of the road	\$11.5m	\$12.1m	Up to \$5.1m
	Hot House World	\$11.6m	\$12.4m	Up to \$6.2m

Productivity loss at assets

		Absolute		YOY
		2030 (50th percentile)	2050 (50th percentile)	NPV 2023-2050 (5th - 95th percentile)
Scenario	Ambitious policy	\$29.3m	\$32.6m	\$7.3m to \$23.7m
	Middle of the road	\$29.3m	\$35.5m	\$11.3m to \$29.3m
	Hot House World	\$29.9m	\$38.4m	\$15.9m to \$37.6m

Absolute climate risk adjusted financial impact at point in time, SSP2-4.5, 50th percentile



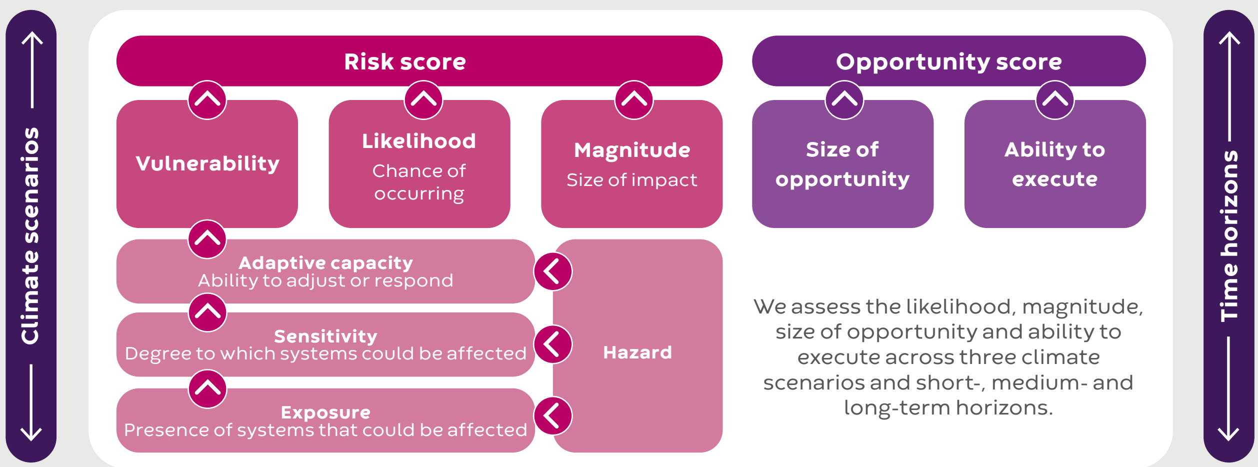
As the analysis in the tables and graphs demonstrate, the most significant physical climate-related risks to the Group's key assets arise from floods and storm-related events. It is important to note that these financial results do not account for mitigation and adaption measures which will allow us to reduce our exposure and potential impact over time. Our risk assessment process allows us to analyse our physical climate-related risks at each site and we have a planned programme of capital investment to develop further resilience measures at each key location which will allow us to mitigate and reduce any potential financial impact, i.e. flood defences, enhanced temperature control systems and building reinforcement measures.

The analysis of the risks and which sites are potentially most impacted by which climate-related risks will be used to help prioritise investment decisions. As we go through our strategic planning cycle in 2023, the analysis will inform our discussions and help ensure we are evaluating climate-related physical risks on an ongoing basis and developing plans to mitigate and minimise the impact on our business.

In addition to the capital investment programmes to mitigate the risks of physical climate-related risks on our business, we also consider other adaption measures across our broader operations and supply chain to help reduce the potential impact of risks going forward, i.e. levels of safety stock holding to minimise any impact of production downtime, alternative production locations for key product lines and different sources of raw material suppliers.

In the event that we do experience an impact on our business from extreme weather events, we operate global insurance programmes that provide levels of financial cover against property damage and business interruption from the impacts of natural catastrophe events such as floods and windstorm.

CLIMATE RISK AND OPPORTUNITY SCORING CRITERIA



We assess the likelihood, magnitude, size of opportunity and ability to execute across three climate scenarios and short-, medium- and long-term horizons.

Resilience and transition plan

One of the major challenges we face as a medical products provider is to increase the delivery of sustainable solutions. There are two main elements to this challenge which will feature in our transition plan, to be developed during 2023.

1. Mapping, measuring and monitoring our supply chain is core to understanding our wider impacts on the environment and to identify areas where we have stronger levels of influence to limit impacts and achieve shared goals. We use software solutions including TransVoyant and EcoVadis to collate data on different aspects, and as a result, have been able to implement efficiencies within logistics and collaborate with suppliers which have aligned ESG goals to us. The use of these solutions gives the Group confidence in its data integrity and will become increasingly important in decision-making to reduce GHG emissions as we head towards our target achievement dates.
2. The GDG (for more detail see page 50) provide us with a framework of environmental factors to be considered as part of new product design and redesign. The associated Footprinter tool provides an overall environmental impact score as well as for each factor, which helps to indicate the trade-off between different material options. This tool was launched in Q4 2022, and in the future will become a vital resource to understand emission hotspots in our product portfolio. Ultimately the tool will be incorporated with other design tools and processes to improve the data accuracy of emissions reporting and transition to lower-impact products. We expect this integration to occur over several years.

We are committed to delivering medical solutions, in an environmentally and socially conscious way. In 2022, our first priority was to identify measures to reduce our operational impact in the manufacture of products. In 2023, we will explore opportunities to manage our Scope 3 emissions and develop a supplier engagement strategy. The actions identified will feature in our transition plan. In 2022 we committed $3 million in climate mitigation and have identified an estimated approximate $40 million of mitigation and adaptation projects across eight manufacturing sites that have or will be starting from 2022 to 2031.

Risk management

Risk management approach

Climate-related issues are considered within the Environment and Communities principal risk which sits under the Strategic Risks category of risks in our Group risk management framework (page 97). This is in recognition of the strategic importance the business places on the need to align with a net zero transition. The Environment and Communities principal risk includes risks associated with the failure to adopt, transition to, and integrate a low-carbon economy strategy through core business activities, to meet stakeholder expectations and net carbon zero targets.

The approach to identify, assess and manage this risk on an ongoing basis follows our overall Group risk management approach which is described within the Risk Management section of this report (pages 88 to 97). The identification of additional mitigations to reduce risk exposure on an ongoing basis is developed by risk owners in each relevant area of the business. Agreed mitigating actions are included in the annual strategic planning process and ESG strategy.

Scenario based climate risk assessment

We further developed our assessment of climate risks by undertaking periodic comprehensive climate scenario analysis. This includes the identification and assessment of transition and physical climate risks and associated opportunities, across future climate scenarios, and time horizons (see pages 78 to 82).

Climate risks and opportunities were identified through detailed business workshops in 2021 from interviews with internal experts, climate policy and regulation research and inputs from climate scenario models (including IPCC, NGFS and IEA). Follow up workshops have been held over the course of 2022 to refresh the climate risks and opportunities to ensure that they remain relevant to the current business operations and practices, and will be held on a periodic basis going forward. The strategy section sets out the results of the current view of our scenario-based climate-related risks and opportunities.

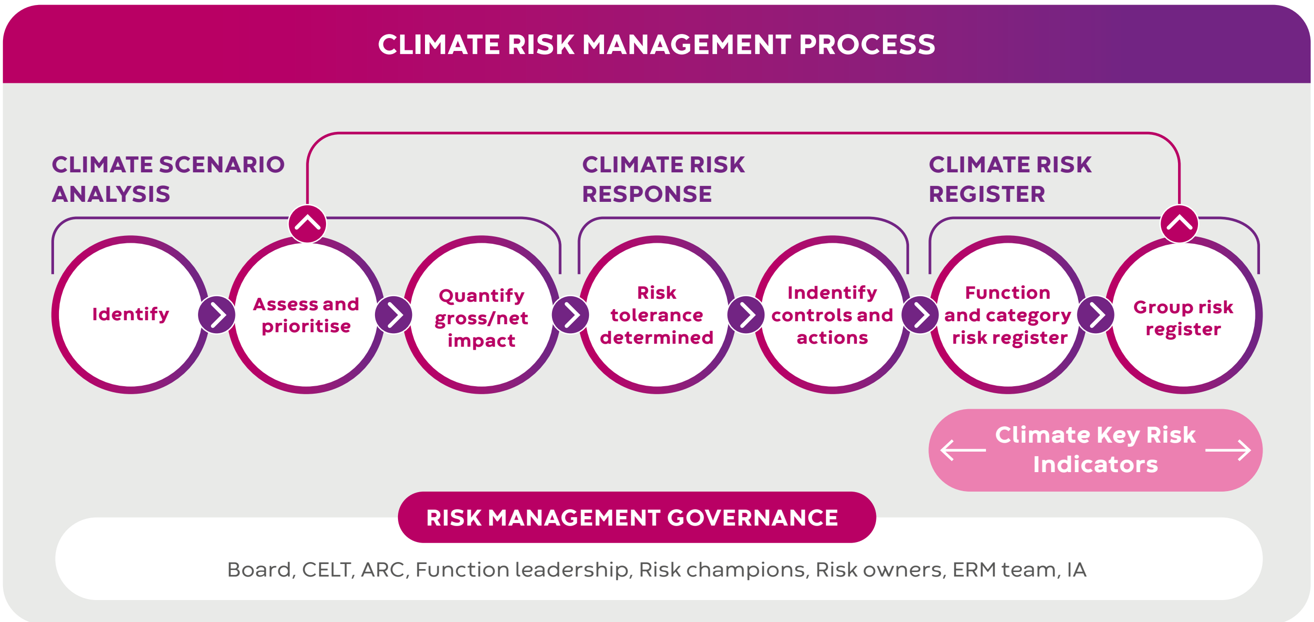
The business has reviewed the risks and opportunities identified within the scenario-based assessment, and where applicable factored them into the group principal risk management process. Consensus was achieved on the principal climate risks and opportunities through a workshop with relevant business teams (including Investor Relations, Finance, Risk Management, Strategy, Innovation and Operations) aimed at first refining and then prioritising risks by financial impact and likelihood.

Next steps

- **Integration**: In 2023, we will complete the quantification of transition financial impacts from material climate risks. In parallel, the business will work towards integrating the assessment into the ERM and strategy planning process. This will include development of key climate risk indicators and tolerances to provide guidance to risk management decisions.
- **Climate risk governance**: As part of our risk management process, we will assign risk owners that will be accountable for determining what appropriate controls and management responses are required.
- **Risk controls**: Integration of climate risks into our ERM Framework will help to ensure appropriate control measures are put into place that are based on the perceived materiality of climate risk and our ability to influence. Although some of these measures are already outlined in our current decarbonisation plans (see page 66), by fully integrating climate risks, we will be able to continuously monitor the sufficiency of control measures as part of our business planning process.

Climate risk governance

We recognise the importance of identifying and monitoring climate-related risks, which feature as drivers of our Environment and Communities principal risk. This includes those risks associated with global climate change, and more broadly, the ability to demonstrate a move to a greener future and deliver positive outcomes for the communities our operations directly impact.



The Board undertakes a bi-annual assessment of the Group's principal risks. The CELT is supported by the Group risk team and a network of risk champions across the business, who are tasked with maintaining identification, assessment, management and awareness of key risks and control measures on an ongoing basis throughout the year.

Ownership and management of all risks is assigned to relevant members of CELT, who are responsible for ensuring the operating effectiveness of the internal control processes and for implementing effective key risk-mitigation plans. Environment and Communities is owned by the EVP, Chief Human Resources Officer & ESG Stewardship. CELT is supported by the Group risk team and a network of risk champions across the business, who are tasked with maintaining awareness of key risks and control measures.

Scenario based climate risk assessment approach

We have worked with our climate strategy adviser, Corporate Citizenship (part of SLR), to further develop our climate risk and opportunity assessment approach. Initiated in 2022, the work will assist the integration of climate considerations into our risk management process. Risk identification was based on a range of sources including a review of regulatory requirements related to climate change, climate policy and climate scenario research, review of peer disclosures and interviews with internal experts. Once risks were identified and scored, they were then validated in a workshop with senior stakeholders representing all relevant Group functions. These risks were then presented to the ARC for review and, where appropriate, incorporated into the group principal risk assessment.

Central to the assessment of climate risks (and opportunities), is the need to account for a range of possible future climate pathways. Climate scenario analysis is undertaken to respond to this uncertainty and complexity by creating a range of hypothetical futures. Thinking about a range of future scenarios supports strategic and risk management decision-making, taking into account a range of different potential outcomes. In accordance with the TCFD implementation guidance, the climate scenario analysis process seeks to assess climate impacts through a combination of both qualitative and quantitative measures (where data and methodologies allow).

The following diagram describes the qualitative assessment criteria used to score and rank the identified climate-related risks and opportunities. To assess the potential impact to its business and cashflows, identified climate-related risks have been assessed against likelihood of occurrence, magnitude of impact and vulnerability, where vulnerability is a function of exposure, sensitivity and adaptive capacity. Sensitivity reflects the predisposition of organisations, assets, societies, processes, or systems to be adversely affected by risk. Adaptive capacity refers to characteristics or actions that may reduce the level of risk posed by a hazard and thereby alleviate vulnerability.

Climate opportunities have been scored based on the potential size of opportunity through avoided costs or increased revenue, as well as the ability to realise the opportunity. Each term is scored on a five-point scale and scoring thresholds are defined for each indicator to ensure a consistent and comparable approach is applied across all impacts, climate scenarios and time horizons. The potentially subjective nature of qualitative scoring is countered by reference to sector and policy research, interviews with internal experts, as well as climate scenario databases including the IPCC WGI Interactive Atlas and NGFS IIASA Scenario Explorer.

The output is the prioritisation of possible impacts on which the business agrees to focus control measures and investment. Where methodologies allow, we have sought to better understand the business impact from a selection of priority physical and transition impacts through the quantification of potential financial impact across different climate scenarios (see page 83). By interpreting climate impacts into corporate financial terms, the business can integrate climate considerations into financial planning and strengthen the case for investment in mitigation and adaptation measures.

Metrics and targets

Summary of disclosure on priority activity in 2022

- Complete GHG inventory reported for Scope 1, 2 and 3, alongside additional climate metrics including energy and water use, and waste generation.

Next steps for 2023

- Formalise risk monitoring of existing climate metrics and targets and assess whether additional metrics are required in order to sufficiently manage risk.
- Propose GHG near-term reduction targets to SBTi for validation, confirming that we are aligned with the latest climate science and pathways under the Paris Agreement.
- Review alignment against the TCFD cross-industry climate-related metric categories to meet full alignment with the TCFD recommendations as well as in recognition of Convatec's support to provide relevant and comparable information to stakeholders.

We use a range of metrics to understand our baseline impact on the environment. There are four key areas that we monitor: emissions, energy use, waste and water. As disclosed on pages 66 to 71, some of these metrics are used to measure our exposure to certain risks and to track performance over time. For example, if a performance trend was upward this would indicate the potential impact may be greater and therefore highlight that additional action and mitigation are needed. Further information on our performance against climate metrics are included on pages 66 to 71, while the detail below shows our alignment against the TCFD cross-industry climate-related metric categories.

- **Scopes 1-3 emissions**: The Group's operational emissions are calculated and reported annually, and for the first time we are reporting a complete Scope 3 inventory (page 69).
- **Climate-related risks**: In 2022, we undertook qualitative and quantitative climate scenario analysis for transition and physical risks respectively. Internally we are using the results of this assessment to inform the appropriate response for priority risks.
- **Climate-related opportunities**: A qualitative climate scenario analysis was conducted for opportunities. Internally we are using the assessment results to prioritise the areas which could have the greatest impact, and to inform management response options for identified opportunities.
- **Capital deployment**: We have an estimated capex spend of circa $40 million of mitigation and adaptation projects across eight manufacturing sites that have or will be starting from 2022 to 2031.
- **Remuneration**: In 2023, there will be ESG objectives in the personal objectives of each CELT member for bonus purposes. In respect of the two executive directors, the new Executive Remuneration Policy (which will go to the AGM for approval) will include an ESG objective, contributing to 5% of their overall bonus.

While measuring and monitoring our environmental performance is valuable, having associated targets keeps us responsible for the active management of climate impacts. For 2023, we are launching new targets across our key environmental impact areas. These targets reflect our strategy and mission to limit the negative impact we have on the planet and to play our part in reducing the likelihood of an extremely high warming future scenario.

- **Emissions**: We have set net zero targets internally, which will align our business with the Paris Agreement. We have proposed GHG near-term reductions targets for submission to SBTi for validation in the current year. This target aligns Convatec with global climate goals and with customer requests to report a science-based target.
- **Energy**: Procure 80% renewable energy by 2025 and 100% by 2030. This target will reduce our exposure to potential future increases in the overall cost of consumption for fossil fuels.
- **Water**: To deliver on our targets for water consumption reduction at high water-stressed locations and develop our water management practices at all locations.
- **Waste**: To deliver on our targets to reduce the amount of production waste leaving our plants to be zero waste to landfill by 2030.

In 2023, we will continue our work to understand what resources and financial investments are needed in the near term in order to enact change and meet these targets. As part of this, we will leverage the different tools and software implemented across Convatec to understand where the largest impact areas are and what the drivers are. This information will support the identification of suitable measures that address the root cause in order to have the greatest impact. For further information on measures implemented in the last year to manage our impacts, see pages 66 to 71.

Risk management

Helping to develop a more resilient business through effective risk management

Risk culture

The Board is responsible for risk management and promotes a transparent and accountable culture. It does not inhibit sensible risk-taking that is critical to growth and delivery of the Group's vision and strategy, but it does set the boundaries for such risk-taking. The Board and its committees set the tone for CELT and other senior management to promote and cascade this culture through the Group and with external stakeholders.

The Board, its committees and CELT ensure that our risk management systems are robust, effective and take account of appropriate exposures. The Board supports effective risk management across the Group by implementing and overseeing a framework of appropriate and effective controls that enable risk to be assessed and managed.

The risk-related responsibilities of the Board's committees

Audit and Risk Committee (ARC)

Monitors and reviews all risk management processes, including the effectiveness of risk identification, appetite, mitigation and control measures.

Nomination Committee

Oversight to ensure that the Group has a talented, diverse and effective Board and CELT, combining extensive corporate experience with knowledge of our markets and regulatory environment, as well as a pipeline of future senior talent capable of identifying and managing risk to enable effective strategy delivery.

Remuneration Committee

Oversees the implementation of appropriate reward arrangements to drive a high-performing culture that manages risk in line with our risk appetite.

Our risk appetite

The Board sets the level of risk we are prepared to accept to deliver our strategy and realise our vision. In 2022, we formally reviewed our risk appetite and the risk tolerance levels of each principal risk. Our risk appetite is defined through four risk appetite statements, which are detailed on this page, and each principal risk is aligned to one of the four statements, with risk tolerance levels set in line with the current and forecast business environment. On an ongoing basis, the ARC monitors the level of risk to which the Group is exposed and how the business continues to mitigate the risk and operate within the stated risk appetite levels. In 2023, we will continue to enhance our approach to risk appetite through embedding identified metrics and obtaining assurance over the key controls for each of our principal risks to support the Group to operate within our risk appetite, and as a management tool for business decisions.

Board risk appetite statements

Seek

Risk is taken in order to choose strategic options that offer potentially higher business rewards and/or there is confidence in the level of robust systems of internal control to respond effectively and limit the duration of potential impact.

Accept

Risks that arise from events that are outside realistic boundaries for Convatec's immediate direct influence and control. A focus is required to build a reasonable level of resilience to impacts on strategic objectives.

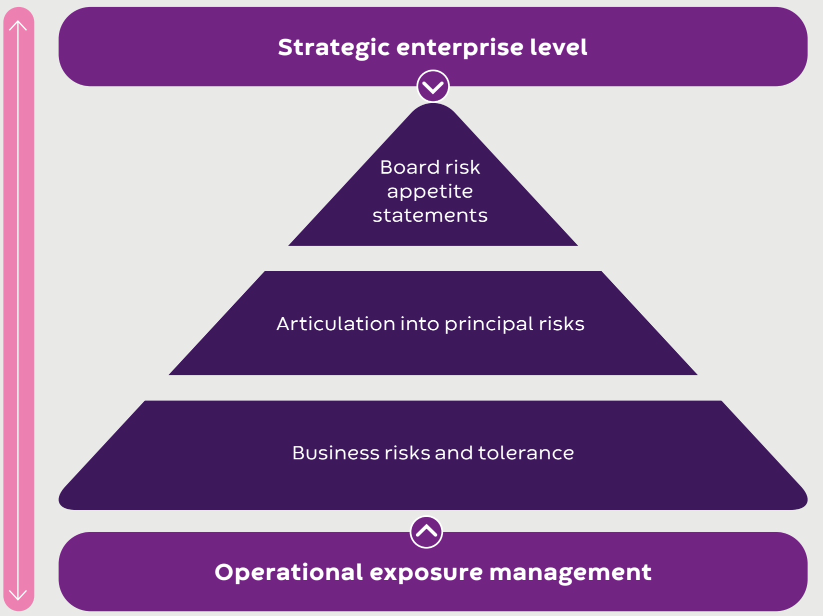
Manage

Risk is accepted by Convatec in order to achieve strategic objectives, and where the risk is able to be managed to a level that would not result in material impact to strategic objectives.

Cautious

Risks arising from Convatec's people, processes, and systems that are controllable and where there is no appetite for risk taking in this area. The objective is to eliminate the risk or to reduce it to an absolute minimal level of tolerance.

RISK MANAGEMENT FRAMEWORK

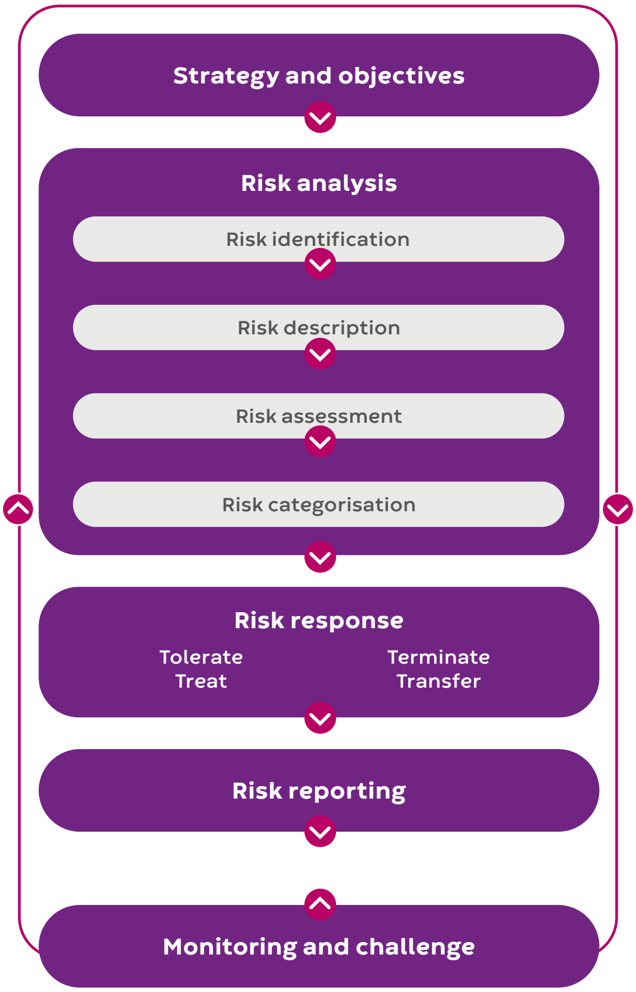


Risk management framework

We continue to strengthen our risk management approach through the development of a process that is based upon ISO 31000, Risk Management, and complies with the requirements of the UK Corporate Governance Code.

Our process undertakes a continuous bottom-up review of risk (current and emerging), across each area of our business, to identify the main threats to delivery of our strategy. The resulting business risk profile is used to inform our biannual principal risk update process, working with subject matter experts from the business and supported by the CELT sponsor(s). We identify, assess and prioritise our business and principal risks in accordance with our defined risk assessment criteria. Risk ratings are used to prioritise our risks and are a product of the expected impact and the likelihood of that impact to occur as a result of an event, taking into consideration identified risk controls and certain additional risk mitigation measures that have been implemented and are monitored to further reduce our risk exposure and ensure alignment with our risk appetite. Consequently, this process results in our principal risks being managed at the residual risk level rather than inherent risk. The ARC oversees the risk management process each quarter. For further information see page 131.

OUR RISK MANAGEMENT PROCESS



Governance and oversight

The work of the Board and the ARC is underpinned by a formal structure of delegated authority and supported by Group policies covering key areas of operation, including risk management. The diagram below shows the key roles, responsibilities and overall arrangements for collecting, monitoring and reviewing risk information.

Risk information top down

Board
- Sets the Group's risk appetite.
- Ensures appropriate risk management and internal control systems are in place to enable the identification and robust assessment of the principal and emerging risks.
- Ensures effective processes exist to manage the principal risks and takes a balanced view of those risks against Convatec's strategy and risk appetite.
- Assesses the Group's prospects and resilience through the Viability statement.
- Sets the 'tone from the top' and the culture for managing risk.
- Sets strategic priorities in light of the Group's risk profile.

Audit and Risk Committee (ARC)
- Considers the risk environment through reporting from management, internal audit and the external auditor and considering external developments (e.g. geopolitical events).
- Reviews, and reports to the Board on the effectiveness of the internal control environment and risk management systems.
- Sets the internal audit annual plan and external audit scope to provide assurance on a materiality basis that the Group operates within the Board's approved risk appetite through appropriate and effective controls and mitigations.

Convatec Executive Leadership Team (CELT)
- Sponsors a coordinated approach to establishing and embedding enterprise risk management.
- Employs a central risk team to establish and facilitate the risk management process across the Group to provide risk information for management oversight and decision.
- Manages the principal risks appropriately to operate within the Group's risk appetite.
- Ensures that risk recognition and appetite are integral to determining strategy.
- Delivers strategy by managing risks.

Principal risks: Risks with potential material consequences at a Group level or where the risk is connected and may trigger a succession of events that, in aggregate, become material to the Group. Risks may materialise individually, simultaneously or in combination to impact the delivery of our strategic priorities and the long-term value of Convatec.

Business risks: Risks identified from any aspect of the Group that are relevant to one or more categories, functions and/or Centres of Excellence, and can be owned at that level.

Risk information bottom up

Leadership Teams
- Identify new and emerging risks to the Group's strategy.
- Review management of their specific risks on a quarterly basis against the Group's risk appetite.
- Identify additional mitigations to reduce risk exposure on an ongoing basis.
- Assign senior business representatives (Risk Champions) for each category and function to take a lead role in the identification of risk, and updating risk information for senior management oversight.

Risk management continued

2022 risk landscape

Our principal risks remain consistent with those identified in 2021, although our overall risk profile has moved to reflect the challenges from the macroeconomic environment, including global inflationary cost pressures, the ongoing supply chain and commercial impact of the Russian invasion into Ukraine and the continuing fallout from the COVID-19 pandemic. Since 2020, the risk profile has been elevated as a result of these global forces, and we have continued to manage the challenges facing the wider business landscape and build further resilience into our operations. As such we remain well placed to successfully deliver our strategy. To support our objectives and mitigate specific external events we increased our focus in certain areas as detailed below.

Strategic risks

In 2022, we continued to drive good momentum in the business through strengthening our competitive position and financial performance as we execute our FISBE strategy, seek to improve efficiencies across the business and deliver acquisitions and divestment to support our strategic growth aims in our key markets. We responded quickly and decisively to stand up a rapid-response team and take action to the growing crisis in Ukraine and its effect on our manufacturing and commercial operations. In our product development pipeline, we successfully delivered three key products to our targeted markets and continue to focus on improving pipeline delivery through our defined innovation framework. Our ESG agenda continues to develop to achieve our net-zero commitment and science-based target initiative as well as the recommendations of the TCFD.

Operational risks

The current climate, driven by global inflationary pressures, continues to bring challenge to the business. We have experienced external supply chain pressures in cost inflation for raw materials, freight and on all other aspects of the business cost base, as well as through constraints in our global supply chain. The business continues to effectively manage and respond to the issues faced and to work closely with third parties on potential areas of exposure to minimise any possible impact, including through building appropriate strategic inventory. The rising cost of living and competition for talent is placing upward pressure on our people risk and we are heavily focused on programmes of initiatives that we have put in place to support the continued attraction, recruitment and retention of key talent, roles and skills. Over the course of 2022, we have continued to improve the robustness of our IT infrastructure and cybersecurity, data management and privacy framework in line with the changing business environment.

Financial risks

We continued to positively manage the adverse effects of the macroeconomic environment on our businesses and overall drove continued strong revenue growth in 2022. Over the year, we continued to improve margin by simplifying our business, driving efficiencies through our cost base and improving margin through mix. Through refinancing our bank facilities in November 2022 with $1.2 billion committed for five years at slightly improved margins over base rates we continued to strengthen our balance sheet and reflect our stronger credit standing. Tax governance continued to be strengthened through effective implementation of transformational change and managing the impact of changes in tax law and regulation.

Compliance risks

We continued to strengthen and adapt our compliance framework as we grow in mature markets and target investment in emerging markets. We took steps to ensure the maintenance of ongoing compliance in our markets, including the continued provision of ethics training and focused global compliance resources and initiatives. During the period, we identified exposures and addressed risks of non-compliance through implementation of appropriate mitigation programmes. We continued to progress improvements in our third-party risk management and contract procurement to maintain expected standards of compliance within our third-party partners. Third-party activity continued to be monitored and managed through due diligence by our Compliance team and an independent, expert third party. The Russian invasion of Ukraine introduced additional sanction framework requirements that we responded to, met and continue to monitor across the relevant parts of our business and supply chain affected.

2023 anticipated risks

We expect certain risks to impact in 2023 and have put in place mitigation measures to reduce any adverse implications for the Group's financial results, operations, reputation and strategy. While these specific risks are embedded in many of our principal risks, further details are provided below.

Global inflationary pressures

Our operating and financial performance is influenced, amongst other factors, by the economic conditions of the countries and markets in which we operate, and our ability to manage exposure to volatile economic measures. Pressure from economic deterioration, inflation and recessionary impacts can all contribute to challenging market conditions. Recent global economic conditions have meant that global inflationary pressure has increased, resulting in rises in our manufacturing and operating cost base. Whilst the management of our supply chain is a core competence, we monitor the evolving situation and have taken appropriate steps to prepare for foreseeable challenges in the current environment over high inflation on commodities, lead times and shortages for raw materials and manufactured goods, fluctuations and adverse movement in shipping costs, congestion and capacity constraints, which are all expected to continue into 2023.

Security of energy supply

Our manufacturing operations are reliant on energy supplies from national infrastructure (electricity and gas) in the countries in which we are based. In turn, these countries are in part reliant on supplies from other parts of the world. Electricity and gas prices and availability will be increasingly shaped in 2023 by international forces, including the effects of sanctions regimes against energy exporters such as Russia, combined with the additional challenge of transitioning to lower carbon generation. Any break in this supply chain, for example as a result of unplanned outages in-country, or as a result of heightening energy costs, could jeopardise our revenues and/or manufacturing productivity and impact supply to customers.

Attraction, recruitment and retention

Our success is dependent on maintaining and growing the capability and capacity of members of our senior management teams and workforce, specifically attracting, retaining and recruiting key talent and skills in critical roles, certain customer-facing employees as well as technical experts focused on the development of new products and technologies. The rising cost of living for our workforce and competition for talent across our markets is intensifying the challenges in retaining and/or recruiting key talent and skills across our business. We expect this pressure to continue into 2023 and programmes of work are in progress to reduce our exposure to workforce engagement and talent attraction and retention risks.

New market growth and product delivery

We expect to launch new products for AWC and IC in 2023 and products across all of our categories continuing into 2024. Delivery of our product pipeline is supported by our product development and launch process, which acts end-to-end to govern our actions and milestones from ideation through development to scale-up and finally approval and launch in a consistent manner. We continue to focus on our 12 key markets around the world, with a particular emphasis on China and the US. In 2023, from a markets perspective, we will continue to invest in China as a key market going forward and continue to grow our market share in the US. We will continue to strengthen our competitive position by evaluating potential partnerships and acquisitions. Any delays or failure to meet market expectations in our growth plans, however, may result in a lack of stakeholder confidence to deliver against stated plans.

Emerging risks

On a biannual basis, our Enterprise Risk Management (ERM) team engages with senior management to identify any emerging risks that relate to new or changing conditions in our market environment, which may impact the Group beyond the horizon of our long-term Viability statement. In 2022, we re-evaluated our emerging risk model with each area of the business against the principal risks and revised the key exposures to expand upon the previous disclosure. In 2023, we will develop this model further to enhance our measurement of these key exposures, the resilience in place and identify relevant metrics to aid with detection. As at the date of this report, the following emerging risks have been identified:

Medical advances

Technology and innovation are essential if we are to meet customer demands. If we do not develop the right products, have access to the right technology or deploy it effectively within our key markets, or adjust to medical and surgical advancements and improvements in detection, cure and prevention (including in the development of smart ‘artificial device’ technology) we may lose market share in multiple key markets to existing and new-entrant competitors.

Future material and operational restrictions

Our future business is dependent on our ability to anticipate and/or adapt to future health, safety and environmental legislation, concerns, studies or the loss of stakeholder confidence in the materials and processes used in the manufacture of current and future products, or where there is a proven greener alternative, for example single-use plastics.

Long-term third-party management

Our current and future products rely on regulated manufacturing processes and approved supply chains. We are dependent on our ability to effectively manage the security of supply in our key raw materials and unfinished goods, critical services and manufacturing energy supply to avoid any future chronic sourcing issues/cessation in service by single or sole source suppliers for key product lines.

Future market environment

Our ambition to drive growth and further develop our business is reliant on our ability to adapt to future market and healthcare models, market competition and major unforeseen economic events. The value of customer data has increased and any shortfall in our ability to adapt to an increase in the management of customer data, expanding data commercialisation capability and technology and widening range of virtual capability allows for potential disintermediation and/or bundling of other products and services by emerging, non-traditional competitors entering the market.

Other factors

For further information relevant to our risk profile see:

- Our business model - pages 8 and 9
- Key performance indicators - pages 20 and 21
- Operational review - pages 22 to 29
- Responsible business review - pages 40 to 74
- The Task Force on Climate-related Financial Disclosures - pages 75 to 87
- Viability statement - pages 98 and 99
- Governance - pages 102 to 165

Principal risks

Below is an overview of the Group's principal risks that could impact the delivery of our strategy and the realisation of our vision, in order of priority. The Board has oversight of all principal risks that the Group faces.

The Board reviews and agrees our principal risks on a biannual basis, taking account of our risk appetite together with our evolving strategy, current business environment and any emerging risks. Our principal risks are set out over the following pages in order of priority (based on the rating of residual likelihood and impact, as described opposite). They are also reflected in the key adverse scenarios underlying the Viability statement (see pages 98 to 99).

2022 RISK MANAGEMENT CASE STUDY

The Russian invasion of Ukraine, supported by Belarus, and the resultant sanction framework implemented by the US, EU and UK (amongst others) required the Group to consider the complexities and risks associated with our presence in Russia and Belarus.

We responded quickly to the evolving situation in Ukraine and the surrounding region when it first emerged at the beginning of 2022. A rapid response team (RRT), comprising of CELT members and senior leadership was formed to take real-time strategic decisions on behalf of the Group. The RRT was supported by a cross-functional senior leadership working group to manage events on a day-to-day basis and provide a structure to form recommendations for the Group to consider.

Risk identification and assessment:
- Short term - focus on maintaining the security of supply for our manufacturing plants, sustain product supply to our customers and respond promptly to the emerging statutory framework of sanctions.
- Medium to long term - existing and future operational and commercial presence in Russia and Belarus; supply chain management; compliance with all laws and regulation in an evolving environment; and financial exposure and obligations.

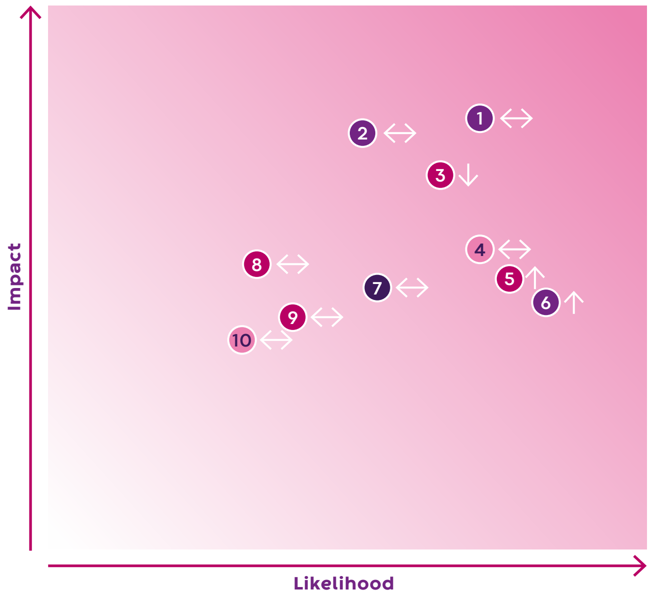
Risk response:
- Assessment of current level of operational and supply chain preparedness and resilience to short-term impacts on customers; and
- Sanction framework checks in place with shareholder register, Compliance, Treasury, banking partners, supply chain and finance teams.

Risk monitoring:
- Working group in place with dedicated workstreams; and
- Continued assessment of potential impacts to the business with appropriate mitigation plans.

On 12 May 2022, it was announced that the Group would be withdrawing from its hospital care activities and related industrial sales during the remainder of 2022. The withdrawal from these low-margin activities is consistent with the Group's FISBE strategy, with the Group focusing on higher-growth chronic care markets with improved margins and higher levels of recurring revenue. Given the geopolitical situation in the region, the manufacturing plant in Belarus which produces hospital care goods ceased manufacturing on 31 May 2022 alongside the discontinuation of associated Russia activities. The remainder of the hospital care and industrial sales activities were mostly phased out in the second half of 2022.

Risk heatmap

The graphic below summarises our assessment of the expected impact and the likelihood of that impact to happen as a result of our principal risks occurring after taking into consideration the mitigating actions and effective controls in place to manage each risk, with an indication of the change in the risk profile since December 2021.



Key:
1. Operational Resilience and Quality
2. Information Systems, Security and Privacy
3. Innovation and Regulatory
4. Customer and Markets
5. Political and Economic Environment
6. People
7. Legal and Compliance
8. Strategy and Change Management
9. Environment and Communities
10. Tax and Treasury

Risk category:
- Strategic
- Operational
- Financial
- Compliance
- ↑ Increased
- ↔ Unchanged
- ↓ Decreased

1. Operational resilience and quality

Risk

Supply and manufacture of products and packaging are reliant on the resilience of supply chain partners and manufacturing assets, and robust clinical and quality system processes. We invest in and develop our assets, systems and processes to provide a level of operational integrity and performance. Failure to respond to events, including geopolitical issues and any increase in extreme weather patterns from climate change, that result in production and/or supply chain delays, adverse product quality and health, safety and environmental incidents could result in underperformance, a requirement to recall a product, reputational harm or a loss of stakeholder confidence in our ability to deliver our strategic ambitions.

Key drivers

- Business continuity management.
- Supply chain resilience capabilities.
- Quality standards and resolution of existing and emerging quality issues within the supply chain, manufacturing and packaging processes.
- Health and safety of employees and contractors. Protection of the environment.
- Maintaining manufacturing plant performance.
- Single source or sole suppliers for raw materials and services.

Risk mitigation

- Executive-led operational business continuity governance group provides high-level oversight. Business continuity plans for manufacturing facilities, inventory movement and our key supply chain to maintain capability to respond rapidly and appropriately to any incident.
- Procurement and supply chain processes to monitor, manage and provide assurance to supply-based risk across our markets, inventory, energy security, key suppliers and supply routes, ports and countries of operation.
- Dedicated engineering, health, safety and environment, and quality project teams and processes to prioritise and address risk to manufacturing processes, facilities and people.

Risk details and link to strategy

Category: Operational

Appetite: Manage

Accountability: John Haller, EVP, Chief Global Quality & Operations Officer

Link to strategy:

Opportunity

Increase the efficiency and effectiveness of operations to support future market and customer demands.

Risk profile change

2022: no material change

Read more on pages 40 to 87

2. Information systems, security and privacy

Risk

Failure to ensure that our systems, data management and related controls supporting our global business are effective, available, integral and secure, and recoverable, including those of our third-party partners, could adversely affect our ability to maintain continuity in our operations and the trust of our customers and other stakeholders. Information security breaches can lead to data theft, fraud or accidental disclosure and result in non-compliance with global data protection laws. Any real or perceived failure to comply with laws and regulations, or to adjust to a change in conditions and increase in scrutiny, could result in adverse consequences such as penalties, regulatory investigation, a decrease in corporate trust from stakeholders or additional compliance measures.

Key drivers

- Data management and privacy.
- Cyber security.
- IT and network resilience, business continuity and disaster recovery arrangements.
- IT network alignment to business needs.
- Digitisation.
- Data optimisation.

Risk mitigation

- Cybersecurity leadership council, ethics committee and privacy leadership team provide governance and oversight with policies, methodologies, training and accountability framework in place to manage the protection and use of personal data.
- Global Information Security and Compliance function supports the business with an IT general control framework in place to protect systems and data. Independent cyber assessment and data review programme in place.
- Regularly evaluate, improve and test the resilience of our infrastructure and security incident response and recovery plan for continued effectiveness and proportionality.

Risk details and link to strategy

Category: Operational

Appetite: Manage

Accountability: Jonny Mason, Chief Financial Officer

Link to strategy:

Opportunity

Enhance the efficiency and resilience of our IT systems and processes to support effective delivery of our operations.

Risk profile change

2022: no material change

Read more on pages 55 & 99

Principal risks continued

3. Innovation and regulatory

Risk

Failure to invest in and develop safe, effective, profitable and sustainable long-life products to meet customer and market expectations, fill unmet medical needs or respond to disruptive new technologies, could result in lost market share, underperformance and a lack of stakeholder confidence to deliver in line with expectations. We are subject to oversight by a number of regulatory jurisdictions that continue to implement significant obligations and scrutinise how we operate. Failure to fulfil emerging obligations, provide safe clinical processes, or produce products and packaging that meet stringent and transparent customer, environmental and performance criteria, or operate inadequate or environmentally inappropriate manufacturing and quality systems could impact our ability to supply or a requirement to recall product(s), with the potential for regulatory action and/or liability claims, due to non-compliance with regulatory bodies, a failure to meet stakeholder expectations or patient harm from faulty products.

Key drivers

- Product innovation transition from end-of-life technology and ageing products.
- Compliance with regulatory frameworks and anticipation of emerging regulatory environment.
- Disruptive and new technologies. Changing customer and market needs.
- Maintaining legal manufacture structure, authorised representatives and assurance process for pre-market, manufacture, and post-market compliance.
- Managing safe clinical services for sustainable growth.
- Sustainable approach to responsible products, packaging and development.

Risk mitigation

- Central Technology & Innovation team provides strategic direction for continued R&D investment, product development, medical education, regulatory approval and new product reimbursement and launches to cultivate the product pipeline.
- Product portfolio reviews provide oversight on short-, medium - and long-term innovations and the balance across product categories and market regions.
- Regulatory teams and regulatory intelligence process supports the business to meet the latest standards and expectations in all our jurisdictions and manages our relationship with regulatory bodies.

Risk details and link to strategy

Category: Strategic

Appetite: Cautious

Accountability: Dr Divakar Ramakrishnan, Chief Technology Officer & Head of Research & Development

Link to strategy:

Opportunity

Create a leading and responsive position in the regulatory environment, and through a sustainable development pipeline, improve the long-term customer experience, meet market demands and capture growth opportunities in our markets.

Risk profile change

2022: decreased - delivery of three key new products, the increased robustness of our development pipeline and the continued delivery of the EU-MDR Compliance programme.

Read more on pages 50 to 55

4. Customer and markets

Risk

Growth and value in our markets rely on our product portfolio, future innovation, M&A pipeline and digital strategy delivering to expectations and meeting customer demands, along with a competitive pricing strategy. There is continued pressure on pricing and cost containment from rising global inflation rates and large and consolidating buying groups, as well as on reimbursement rates for products sold into the home care setting from government or commercial payers managing and reducing their costs. Competitor behaviour, attractiveness and effectiveness of our portfolio from market trends or public perception, and maintaining a low-cost base, all increase competition for sales and reduce prices and margins. Failure to identify, react or plan effectively to changes in market conditions, competition, customer demand, expectations and behaviours could result in suboptimal decisions, underperformance and adverse results.

Key drivers

- Local or national government healthcare budget provisions.
- Operational, contracting and price review process.
- Product portfolio rationalisation.
- Competitive markets and behaviours and consolidation of buying groups.
- Changes in customer buying patterns and service level expectations.
- Manufacturing costs in a low-margin driven pricing environment and as a result of changes in consumer and government behaviour/attitude to sustainability.

Risk mitigation

- Key market and geographies focus supported by the Global Pricing CoE established in key regions to adapt to changing market conditions and provide insight and information in a timely manner to respond to increases in risk, with regular pricing analysis and reviews undertaken.
- Executive operational reviews in place to drive manufacturing cost efficiencies and focus through dedicated R&D and technology innovation teams on new product development and launch.
- Market environment monitored and key strategic markets, such as China, assessed for further growth opportunities. Supply chain team manages and mitigates market and region challenges and logistics.

Risk details and link to strategy

Category: Financial

Appetite: Manage

Accountability: Presidents and Chief Operating Officers

Link to strategy:

Opportunity

Grow portfolio and market share through cost efficient, innovative products that strengthen the relationship with our customer base.

Risk profile change

2022: no material change

Read more on pages 22 to 29

5. Political and economic environment

Risk

Our global operations and markets are subject to various political interventions and changes to corporate governance requirements, particularly in relation to global inflationary and supply chain pressures, security of raw material and energy supply, healthcare system reform, regulatory reform, governance of industry operations, amendment to existing tax and disclosure regimes and fiscal terms, and protection of consumers and business customers. Continuing volatility in the international political climate increases the possibility of tariff structure changes, sanctions or other trade limiting actions. A failure to identify and adapt to these factors could impact sourcing commodities and services, as well as our ability to maintain a presence in current and future markets and countries.

Key drivers

- Financial markets, inflationary and supply chain pressures and macroeconomics.
- National healthcare reforms, political movements and trends
- Geopolitics and security of the supply chain.
- Uncertainties effected by global pandemics, interstate conflict and social unrest affecting key markets.
- Compliance with sanction frameworks.
- Adverse national trading relationships, customs duties and tariffs.

Risk mitigation

- Compliance, IR, Legal, Regulatory and Tax teams support the business, liaise with external stakeholders and respond to changing requirements where appropriate.
- Global supply chain function manages our presence in markets and across regions. Third-party contracts in place to maintain the security of supply. Monitoring of supply chain through implemented systems and third-party partners.
- Dialogue with governments in relation to specific matters. Membership of appropriate industry bodies and participation on industry issues including development and implementation of best practice. External support via third-party consultants to identify and manage risks present to our operations.

Risk details and link to strategy

Category: Strategic

Appetite: Accept

Accountability: Jonny Mason, Chief Financial Officer

Link to strategy:

Opportunity

Effective minimisation of political and macroeconomic disruption will enable us to identify areas for operational improvement, deliver further value and maintain our competitive market positions.

Risk profile change

2022: increased - global inflationary pressure challenges on all aspects of the business cost base as well as global supply chain constraints.

Read more on pages 12 to 13

6. People

Risk

Failure to effectively recruit, retain and develop a diverse and inclusive workforce with strong succession to align the right talent, particularly in our senior management and through the development of the talent pipeline, to enable key business imperatives. Intensifying global cost of living and inflationary pressures increases the challenge in retaining and/or recruiting key talent and skills. Failing to successfully manage transformation and/or the effects of high business disruption could impact employee effectiveness, engagement and wellbeing and adversely affect our ability to transform our business, achieve our strategic objectives and deliver growth.

Key drivers

- Attraction, recruitment and retention of key skills and capabilities, including salary and remuneration inflation challenges in critical areas.
- Effective succession and knowledge management planning strategy for senior leadership and key roles.
- Mental and occupational health and wellbeing of the workforce.
- Resource planning, people capability and capacity, including the speed and volume of management change.
- Performance and development management, diversity, equal opportunities and labour relations.
- Company culture, values and workforce engagement.

Risk mitigation

- Executive and senior leadership focus on maintaining a diverse and effective leadership team with a pipeline of senior future talent and retention and development of key skills across the organisation. Continuing focus on ERGs.
- Talent to value approach embedded in the strategic planning process. Talent management reviews create pipeline of talent for critical and leadership roles.
- OHI and employee pulse surveys in place. Implementation of appropriate reward arrangements to attract and retain top, senior talent, maintain strength in key skills and respond to regional cost of living issues.

Risk details and link to strategy

Category: Operational

Appetite: Manage

Accountability: Natalia Kozmina, EVP, Chief Human Resources Officer & ESG Stewardship

Link to strategy:

Opportunity

Create a sustainable level of expertise and key skills across the Group.

Risk profile change

2022: increased - rising cost of living challenges for our workforce and increased competition for talent across our markets challenges retention and recruitment of key talent and skills

Read more on pages 56 to 61

Principal risks continued

7. Legal and compliance

Risk

Our business is subject to a complex environment of laws and regulations across multiple jurisdictions. Any real or perceived failure to comply with required and/or new and emerging laws, regulations and sanctions or to adjust to a change in conditions and increase in scrutiny, or exposure to litigation from contractual obligations or intellectual property could result in adverse consequences such as penalties, government investigation, a decrease in corporate trust from stakeholders, competitive disadvantage or additional compliance measures.

Key drivers

- Market conduct compliance.
- Legal obligations in relation to customer conduct, including sales practices and distributor activity.
- Product and patient liability.
- Commercial litigation.
- Financial crime.
- Complexity and transparency of IP and patent environment, including in tax and operations.

Risk mitigation

- Our Code of Conduct, Group policies and standards govern how we conduct our affairs through our values and culture. Executive-level Compliance Steering Committee and Audit & Risk Committee provide oversight to the Group on annual compliance assurance programme, mandatory training, compliance initiatives and emerging exposures. Independent whistleblower process in place.
- In-house legal counsel team with external counsel engaged when appropriate. Contract database, contract approval process and Grant of Authority scheme in place. Third-party risk control framework for onboarding due diligence process and distributor training. Patent counsel manages patent protection and ongoing market IP monitoring processes.
- Sanction framework checks in place with shareholder register, Compliance, Treasury, banking partners, supply chain and finance teams.

Risk details and link to strategy

Category: Compliance

Appetite: Cautious

Accountability: Evelyn Douglas, EVP, Chief of Corporate Strategy & Business Development, General Counsel & Company Secretary

Link to strategy:

Opportunity

Create an industry-leading legal and compliance approach to our obligations and stakeholder expectations.

Risk profile change

2022: no material change

Read more on pages 62 to 65

8. Strategy and change management

Risk

Delivery of our strategy will involve growth in a number of networks, simplifying the business and achieving efficiencies, maintaining a low-cost base and divestments to position ourselves to deliver targets whilst sustaining a stable platform for investment. Any failure to ensure that we deliver material growth in key markets, integrate M&A activity and establish strategic partnerships, contend with new market entrants and maximise the value of data could fail to create shareholder value, erode investor confidence, and have a significant impact on the Group's revenues and profits. The successful delivery of business change is fundamental to our future success. Large-scale change initiatives carry complexity and a material delay or challenge to our change programme and the realisation of planned benefits may affect objectives, strategic growth, investor confidence and cause financial loss.

Key drivers

- Transformation execution.
- Programme management and governance.
- Mergers & acquisitions and divestures.
- Strategic partnerships.
- Strategy definition and execution.
- Investor relations and stakeholder management.

Risk mitigation

- The Board approves the Group strategic plan setting the strategic direction and confirming strategic choices that are embedded in targets across the business.
- Central strategy team supports the business delivering against the embedded strategic planning process and timetable to define clear delegated targets in business plans.
- Central Financial Planning, Performance & Delivery function provides overarching global oversight to delivery of change management and efficiencies programme. The function works to ensure capital is allocated in line with strategy and towards projects best able to deliver expected business benefits.

Risk details and link to strategy

Category: Strategic

Appetite: Seek

Accountability: Evelyn Douglas, EVP, Chief of Corporate Strategy & Business Development, General Counsel & Company Secretary

Link to strategy:

Opportunity

Create a continuous streamlined business model that assesses value-adding opportunities, maximises investment returns and delivers strategy to meet stakeholder expectations.

Risk profile change

2022: no material change

Read more on pages 15 to 19

9. Environment and communities

Risk

Long-term success relies on addressing the challenges to the sustainability of our operations (including environmental and social aspects), supply chain resilience, products and the ability to manage the impact of climate change, developing trends in the political environment and increasing pressure and scrutiny from external groups, society, customers and communities in which we operate. The level of requirements and expectation from stakeholders is increasing, which requires a robust, transparent and equitable level of sustainable corporate culture to underpin the way in which the Group operates. Failure to implement appropriate plans across environmental, social and governance aspects, including incorporating the recommendations of the TCFD and SBTi and deliver on a net zero commitment, could hinder efforts to mitigate long-term risks and bring a range of reputational and commercial impacts to the business across a range of stakeholders.

Key drivers

- Environmental and climate change strategy delivering our net zero commitment and Science-Based Targets initiative.
- Recommendations of the TCFD and emerging ESG reporting requirements and standards.
- Responsible and sustainable behaviours across the supply chain.
- Product impacts and sustainable product design.
- Sustainable corporate culture in DE&I and transparent ways of working.
- Community investment programme.

Risk mitigation

- Executive ESG Steering Committee, including functions from across the business, provides oversight and direction on Group strategy and execution.
- ESG framework implemented, aligned to our Group reporting and regulatory requirements, with published policies and independent third-party expert assurance in place.
- Supply chain partners managed through contracts, supplier code of conduct and performance monitoring with third-party assurance process in place for key suppliers.

Risk details and link to strategy

Category: Strategic

Appetite: Manage

Accountability: Natalia Kozmina, EVP, Chief Human Resources Officer & ESG Stewardship

Link to strategy:

Opportunity

Achieve an effective balance between short-term needs and delivery versus longer-term requirements and commitments, in response to anticipated exposures from changes and events in the climate, the environment and society.

Risk profile change

2022: no material change

Read more on pages 66 to 74

10. Tax and treasury

Risk

Our business operates across multiple jurisdictions with complex tax laws and regulations and it manufactures and/or operates across markets with multiple currencies. Changes in tax law and regulations as well as any organisational change that affects the Group's tax operations framework, may impact tax liabilities and increase filing and disclosure requirements and obligations. Failure to manage tax compliance, inflationary pressures, fluctuations in interest and foreign exchange movements, counterparty exposure, the cost of and access to financing or a deterioration in cash-flow and liquidity as a result of impacts to our revenue, costs and/or global financial systems could drive reductions in stakeholder trust, financial performance and future investment.

Key drivers

- Multiple tax jurisdictions and emerging changes to tax law and regulations.
- Complex global tax regulatory environment and complex Group trading structure and intra-group trading. Unprovided tax liabilities.
- Global economic environment, including exposure from interest and foreign exchange rates.
- Financial obligations, cashflow management, access to funding and credit rating.
- Counterparty exposure.
- Financial reporting and controls in key processes.

Risk mitigation

- Central global tax function monitor changes in tax laws and regulations, as well as support during major internal projects, to advise the business regularly on obligations, requirements and future improvements to the tax governance framework.
- Central global tax function works with the business and Finance team in major jurisdictions to understand tax changes and provide support.
- Central corporate Treasury function manages the capital structure that supports strategy, liquidity access to meet financial obligations and liquidity reserve. Refinancing of our bank facilities for five years completed in 2022. Interest rate hedging strategy in place.

Risk details and link to strategy

Category: Financial

Appetite: Manage

Accountability: Jonny Mason, Chief Financial Officer

Link to strategy:

Opportunity

Robust tax arrangements, financial performance and balance sheet to increase stakeholder and shareholder confidence.

Risk profile change

2022: no material change

Read more on pages 30 to 38

The Group's future prospects and viability

An understanding of the Group's strategy, to pivot to sustainable and profitable growth, and its business model (pages 16 to 19 and pages 8 and 9), are central in allowing the Board to assess the Group's prospects, liquidity, resilience and viability. The principal and emerging risks being addressed by the Company (see pages 91 to 97) are reflected in the determination of the Group's strategy and its successful implementation.

Assessment of future prospects

The Group's annual planning process consists of monthly monitoring of progress against the financial budget and key objectives for the current year by CELT and the Board, reforecasting throughout the year in respect of the expected outcome for the current year, preparing a detailed budget for the following year and updating a rolling five-year strategic plan, following a detailed review by the Board, which forms the main basis on which to assess the longer-term prospects of the Group.

In 2022, the Board approved a detailed operational plan and execution model to deliver sustainable and profitable growth over the medium to long term. The Board subsequently approved the financial plan that underpins the Group's five-year strategic plan. The financial plan forecasts the Group's profitability, cash flows and funding requirements for the relevant period.

Our strategy is consumer-centric, agile, focuses on innovation and ensures clear accountability. It has been developed from strategic plans for each of our business units and functional areas, supplemented by items managed at a Group level and assumptions such as macroeconomic activity, market sector growth forecasts, competitor activity and exchange rates. This has then been supplemented by CELT's plans for improving the operational effectiveness and execution of all elements of the Group.

Key factors affecting the Board's view of the Group's prospects over the period of the viability assessment and the longer term are:

- The fundamentals of our markets, products and brands remain sound, as does our current and future strategy of leveraging our product portfolio for growth in attractive segments and geographies, developing and commercialising new technologies and services and striving to reduce complexity and increase efficiency.
- Established positions in large, structurally growing markets; strong brands and a range of differentiated products; a well-diversified business platform across a range of market segments and geographies; and cash generation capabilities.
- Refinancing of the Group's bank facilities with $1.2 billion committed for 5 years in addition to the Group's $500 million 2029 senior unsecured notes.
- The five strategic pillars that will support the delivery of the strategy, which are set out on page 15.

The key assumptions considered in the strategic plan, on which this viability assessment is based, include:

- Our markets remain structurally sound and continue to grow at existing levels with no significant change to re-imbursement environments.
- Margin improvement is driven by successful execution of our operational excellence programmes in order to deliver productivity gains in excess of pricing and other headwinds.
- Although the persistence of COVID-19 remains uncertain, impacts on operations remain limited and have been embedded into the assumptions for the strategic planning cycle.
- Climate risk has been considered but is not expected to have an impact during the viability period of three years.
- Through the execution of our strategy, we simplify our business, remove excess costs and re-invest in future innovation.
- Maintaining the existing dividend policy over the viability period.

Viability assessment

Throughout the year, the Board has undertaken a robust assessment of the principal risks affecting the Group and also emerging risks, particularly those that could threaten the business model and the Group's viability over an extended period, including an assessment of the likelihood of them materialising. These risks and the actions being taken to manage or mitigate these risks are explained in detail on pages 93 to 97. This analysis has then been applied to allow the Board to assess the prospects, liquidity, resilience and viability of the Group.

The directors are of the view that the appropriate period of assessment remains a three-year period from January 2023 to December 2025 ("the Viability Period"). Although the Directors have no reason to believe that the Group will not be viable over a longer period, the Board has chosen to conduct the assessment for this three-year period because:

- Our R&D and production cycles tend to be of a duration of less than three years with key innovation pipeline programs targeting launch within the Viability Period.
- Significant capital investments are being made over the next year to realise the Group's strategy over the medium to long term. The Group's business model means that its capital investment is discretionary and it has the ability to respond in a timely manner to reasonably possible Group specific and market events and therefore does not require a longer time horizon assessment.
- Implicitly, it is harder to accurately forecast the latter years of a five-year plan.

The viability assessment has consisted of stress testing the forecasts underlying the strategic plan by modelling severe but plausible scenarios in which a number of the Group's principal risks and uncertainties materialise within the Viability Period. We have modelled scenarios which group together principal risks where we believe interdependencies exist between risks, in addition to scenarios where unconnected risks occur simultaneously. These scenarios focused on both external factors, such as the possible impact of, economic recession in some markets leading to higher interest rates and increased inflation headwinds, and internal factors, such as a regulatory breach resulting in a loss of revenues.

We continue to strengthen and develop the link between the Group's principal risks and the viability assessment and scenarios. The Group's principal risks are updated through the lens of our risk appetite together with assessing our evolving strategy, current business environment and any emerging risks. We reviewed the severe but plausible risk events from each principal risk and prioritised those by relative impact to form revised long-term viability scenarios. As a result of ongoing investment in our operational resilience over the course of 2022 we have decided to shift focus in our EHS incident scenario from our plant in the Dominican Republic to the equivalent manufacturing facility in Slovakia. The Group has taken into account the COVID-19 situation as part of the budget and strategic plan cycle. We have updated the long-term viability model to include scenarios on financial market distress and macroeconomic forces and/or sanctions restricting access to a key global market as higher priorities in the current environment. This reflects the importance of both these areas to our business as we grow new and emerging markets as well as the changing and emerging external environment that our current and future operations work within.

The scenarios and sensitivity testing have been based upon the current Board-approved strategic plan and forecast revenues, operating profit and balance sheets and were reviewed against the current and projected liquidity and funding position. The main severe but plausible scenarios are included in the table below.

Consideration was also given to a number of other scenarios as well as the combination of the main severe but plausible scenarios, reflecting individual risks and events. In the Board's estimation these events would not plausibly occur to a level of materiality that, in themselves, would endanger the Group's viability.

The scenarios took no account of the likely mitigating actions available to the Directors through adjustments to the Group's strategy and other means in the normal course of business, for example lower capital investment or reduced dividends.

This assessment was informed by Management's and the Board's combined judgement as to the potential financial (particularly liquidity) impact of these risks if they were to materialise, together with their likelihood of occurrence. The Directors reviewed and discussed the process undertaken by Management and also reviewed the results of reverse stress testing performed against the forecast base case to determine the performance levels that would result in a breach of covenants. For a breach of covenants to occur in the next 12 months, before mitigation, the Group would need to experience a sustained revenue reduction of more than 10% across all categories and markets. This was considered to be implausible given the Group's strong global market position and diversified portfolio of products and mitigations available to the Board and management, as described above.

In addition, the Board undertook an independent review of market information, including investors' and analysts' views and the insights from market commentators on the future viability of the Group and the market prospects. This review was undertaken to ensure that where there was an external view or information that was contradictory to the views of Management, the Board understood the rationale for the difference of opinion and agreed with Management's view. This independent review and the scenario tests enabled the Board to conclude on the Group's viability and resilience.

Viability statement

Having assessed the Group's principal risks and uncertainties, and the consolidated financial impact of sensitivity analysis (including a severe but plausible set of scenarios, which did not take into consideration any mitigating actions available to the Group), plus the Group's level of cash generation and existing financing facilities, and the timing of the peak cash outflows, the Board has determined that it has a reasonable expectation that the Group will be able to continue to operate within its existing bank covenants and meet its liabilities over the viability period to December 2025.

The Group's Going Concern statement is detailed on pages 172 and 173.

Karim Bitar
Chief Executive Officer

Jonny Mason
Chief Financial Officer

Scenarios	Linkage to risks on pages 93 to 97
Impacts from a significant EHS incident, linked to a fire, at the Michalovce plant in Slovakia - Impact on supplying customers before plant production is restored - Reduced production or extended period of shut down - Loss of sales could have a material adverse impact on the Group's reputation - Impact of supply disruption	- Operational Resilience and Quality
Impacts from a significant cyber incident producing a significant interruption - A significant data privacy breach, leading to a regulatory penalty and subsequent costs for investigation and remediation - We have modelled a one-off significant fine (3% of revenue) resulting from a privacy issue	- Information Systems, Security and Privacy - Operational Resilience and Quality
Impacts from significant regulatory issues - Significant breach of regulatory compliance in a product line - Reduced production and loss of sales due to reputation - Impact of supply disruption	- Legal and Compliance - Innovation and Regulatory - Operational Resilience and Quality
Financial market distress - Significant economic downturn resulting in additional interest rate and inflation increases - Increased costs as a result of inflationary pressure on materials prices and global logistics costs	- Political and Economic Environment
Macroeconomic forces and/or sanctions restrict access to key global markets - Failure to deliver stated growth targets in a key global focus market - Supply chain issues to our manufacturing and distribution from the affected key global focus market	- Customer and Markets - Political and Economic Environment - Legal and Regulatory - Strategy and Change Management

What's inside

Governance

Governance at a glance

GOVERNANCE HIGHLIGHTS

Board

- Consideration of, and agreement for, the acquisition of Triad Life Sciences.
- Consideration of, and agreement for, the minority investment in BlueWind Medical Ltd of $30.0 million, a company developing an innovative solution for the continence market.
- Consideration of, and agreement for, Convatec's withdrawal from hospital care activities and related industrial sales.
- Ongoing review of other M&A opportunities.
- Oversight of execution against the FISBE 1.0 strategy and the development of FISBE 2.0.
- Capital expenditure discussions and approvals for manufacturing expansion.
- Approval of the refinancing of the Group's banking facilities.
- Review and approval of the Group's Strategic Plans and Budget.
- Review of a revised Treasury Policy and establishment of a new Treasury, Tax & Finance Committee.

Nomination Committee

- Review of, and recommending changes to Board Committee composition, taking into account Directors' skills, knowledge and experience.
- Consideration of progress against diversity, equity & inclusion and wellbeing strategic targets.
- Review of succession and talent at Board, CELT and wider global leadership team levels.
- Consideration of CEO succession plan.

Audit and Risk Committee

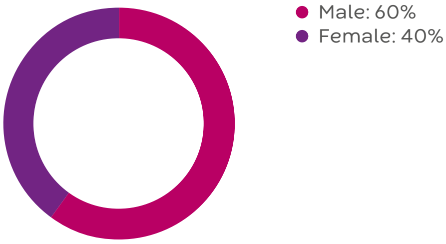
- Consideration of the Group's internal controls environment, including cyber security and data privacy.
- Review of interim and full-year results statements prior to recommending to the Board for approval.
- Oversight of Convatec's enterprise risk management framework and risk reporting.
- Review of the BEIS corporate governance and audit reform proposals and the measures taken or to be taken by the Company in response.
- Review of TCFD and other non-financial reporting and disclosures.
- Review and approval of the external audit plan for the 2022 external audit.
- Review of 2022 internal audit reports and 2023 internal audit plan.
- Evaluation of the effectiveness of the external auditor and internal audit function.

Remuneration Committee

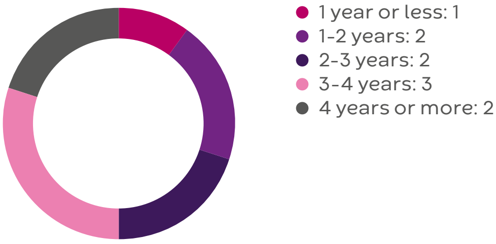
- Review of remuneration advisers to the Committee, selection and appointment of Willis Towers Watson.
- Consideration of shareholder feedback following the 2022 AGM and determination of next steps.
- Development of the new Remuneration Policy taking into account extensive shareholder consultation through the year.
- Review of remuneration arrangements under the LTIP and annual bonus scheme.

BOARD STATISTICS

Gender[1]



Length of tenure[2]



Board and Committee meetings:

8
Board scheduled meetings[3]

7
Audit and Risk Committee meetings

2
Nomination Committee meetings

5
Remuneration Committee meetings

1. As at 31 December 2022 and at 8 March 2023.
2. As at 8 March 2023.
3. In addition, there were several strategic or project-specific meetings of the Board and sub-committees thereof held at short notice throughout the year.

Board statements

Convatec is subject to the requirements of the UK Corporate Governance Code 2018. In accordance with the Code the Board is required to make a number of statements. These are set out in the table below.

Requirement	Board statement	More information
UK Corporate Governance Code compliance	Throughout the financial year ended 31 December 2022, except as explained on page 106, the Company has complied with the Code.	Page 106
Going concern	The Directors are satisfied that the Group has sufficient financial resources to continue operating for at least 12 months from the date of signing of the 2022 Annual Report and Accounts and, therefore, have adopted the going concern basis in preparing the Group's 2022 Financial Statements.	Page 172
Viability statement	The Directors have assessed the viability of the Group over a three-year period ending 31 December 2025, taking into account the principal risks identified by the Board as set out on pages 92 to 97. This assessment had led the Board to the reasonable expectation that the Group will remain viable and continue in operation and meet its liabilities as they become due over the Viability Period through to December 2025.	Pages 98 and 99
Fair, balanced, and understandable	The Directors consider that the 2022 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the necessary information for all stakeholders to assess the Group's position and performance and its business model and strategy.	Page 138
Assessment of the Group's principal and emerging risks	The Directors confirm that they have undertaken a robust assessment of the principal and emerging risks facing the Group.	Pages 88 to 97
Annual review of risk management and internal control systems	The Board undertook a review of the effectiveness of the Group's risk management framework and internal controls, including those over the financial reporting period, and concluded that these provided assurance that there were no control failures in the year which could materially impact the financial statements or the future financial performance of the Group.	Page 121
Stakeholder engagement	The Board has taken steps to understand stakeholders' views and has considered them in its discussions and decision-making process.	Pages 118 to 121

Chair's governance letter

Safeguarding the business now and into the future

"Sound corporate governance and effective oversight provide the foundations of successful and sustainable businesses."

Dr John McAdam CBE
Chair

Dear Shareholder

I am pleased to present this Governance report which covers, amongst other things, key governance developments throughout the year, progress against our diversity strategy at Board and senior management levels and the Board's stakeholder engagement activities.

Our key governance priorities

Sound corporate governance and effective oversight provide the foundations of successful and sustainable businesses. During 2022, the Board not only maintained a sharp focus on execution and delivery against the Group's FISBE strategy, including reviewing progress against our simplification and productivity agenda, but also considered the Group's future corporate strategy and delivery. This included reviewing a number of corporate development opportunities, such as M&A transactions and strategic investments.

Set out later in this report is further detail on some of the key agenda items and decisions made during the year and how the Board considered key stakeholders in making those decisions. We also provide detail on the activities of the Board committees.

Our culture

We have a clear vision statement which encapsulates our purpose and ambition and a set of values that reflect our culture, all of which have become embedded throughout the Group and influence our everyday behaviours and how we do business. The launch of 'Convatec Cares', our ESG framework, supports what we do and reflects our vision and values, and how they are integral to our wider strategic framework, set out on page 8.

The Board remains committed to promoting a culture with our values and forever caring promise at the heart. We have continued to assess and monitor culture through reports provided regularly to the Board and Nomination Committee, including reviews of the results of Convatec's Organisational Health Survey, the outcomes of which are described on page 58. In addition, we received reports on progress against our people strategy as well as talent and succession planning.

An evolving Board

As reported in last year's Annual Report, Jonny Mason joined Convatec as Chief Financial Officer Designate on 31 January 2022 and became Chief Financial Officer and a Director of the Company on 12 March 2022. Jonny replaced Frank Schulkes, who stepped down as CFO and from the Board on 11 March 2022.

Kim Lody and Sharon O'Keefe joined the Board as Non-Executive Directors on 1 February 2022 and 1 March 2022, respectively. Rick Anderson stepped down from the Board on 3 March 2022, as did Dr. Regina Benjamin on 12 May 2022.

Following these Director changes, during the first half of 2022 the Nomination Committee reviewed the resulting Board composition and determined that there continues to be an appropriate mix of skills, knowledge, experience and diversity on the Board to fulfil the Board's vision and support the delivery of the Company's FISBE strategy. The Board supported that assessment.

Membership of each of the Board's committees and changes in the Committees' memberships are set out in the respective committee reports on pages 123, 126 and 139.

Workforce engagement

2022 saw the appointment of Sharon O'Keefe as Convatec's dedicated Non-Executive Director workforce liaison champion. She has since attended and debriefed the Board on a number of employee engagement activities, including a multi-day Convatec Global Leaders Meeting, an event which provided her with an excellent opportunity to engage with Convatec's top 100 leaders. Further details of Board-level workforce engagement can be found on page 118. We are planning yet more direct employee engagement activities for the Board in 2023, including an off-site Board meeting at one of our manufacturing sites.

Convatec's 'Our Work Life' initiative continued to gather momentum and reinforces our approach to working in more agile and flexible ways, as well as supporting employees' physical and mental health and wellbeing. This initiative includes our annual 'Convatec Day', a global mental health awareness campaign, as well as workshops, activities and focus groups.

Our other key stakeholders

Our key stakeholder groups are identified and detailed on pages 44 to 45. Recognising that the sustainable success of our business is dependent on our stakeholders, and mindful of our duty under section 172 of the Companies Act 2006, we have ensured that all Directors have timely access to information about stakeholder issues and concerns. Information about how the Board has taken account of section 172 considerations in our Board discussions and decision-making processes is set out on pages 118 to 121. Our section 172 statement is on page 45.

A key engagement during the year was with our shareholders, as we sought further insight and understanding of concerns following the significant minority vote against Convatec's Directors' Remuneration report resolution at our Annual General Meeting (AGM) in 2022. We are grateful to shareholders for sharing their thoughts and views which have been invaluable as we have developed our new Remuneration Policy which will be put forward for shareholder consideration and vote at the 2023 AGM in May.

Environmental, social and governance (ESG)

The Board oversees our responsible business programme and details of work in this area during the year are included on page 117.

In recent years, we have laid strong foundations to ensure we operate in a responsible and sustainable way (see pages 40 to 74) and in 2022, we made progress against sustainability targets, including against new targets which were set in 2021.

Our CELT-led ESG Steering Committee, chaired by the CEO, met three times during the year.

The remit of the ESG Steering Committee includes reviewing progress on our sustainability targets, setting new targets where required and enhancing our TCFD disclosures.

The Committee provided regular updates to the Board on progress against ESG strategic aims, and to the Audit and Risk Committee in relation to TCFD disclosures and ESG assurance.

Governance practices

During the year the Board held four in-person Board meetings, in March, July, September and December, and four Board meetings by video conference, in April, May, August and October, a pattern which we expect to continue through 2023 and beyond.

Our 2022 AGM took place as a hybrid meeting, with the added functionality of enabling shareholders to attend, fully participate in voting and ask questions, both in person and remotely. Our 2023 AGM will similarly be held as a hybrid meeting.

Board evaluation

In accordance with the Code requirements, a performance evaluation of the Board and Board Committees was carried out in the autumn of 2022. This was conducted by way of an externally facilitated questionnaire to Board members and select senior managers, with findings then collated externally and reports provided to the Board and Board Committees. Details of the evaluation process and key points arising from the 2022 review can be found on page 122.

Chair's governance letter continued

Diversity

The Board is committed to achieving diversity and inclusion across the Group and, in doing so, ensure transparency against our targets. We have chosen to report against the new comply or explain diversity targets under the Listing Rules within this Annual Report. As at 31 December 2022 and the date of this report, we comply with these targets. Further details can be found within the Nomination Committee Report on page 124.

We are compliant with the recommendations of the Parker Review on ethnic diversity and will continue to monitor Board composition to ensure that we maintain an appropriately diverse Board in all respects. As at 31 December 2022 and the date of this report, the proportion of women on our Board was 40% (2021: 30%) and one member of our Board is from a minority ethnic background.

Our objective is to achieve 40% of senior management roles (members of CELT and their direct reports, excluding administrative staff) held by women by the end of 2025. As at 31 December 2022, women held 38% of our senior management roles (2021: 32%).

During the year, the Board and Nomination Committee have considered diversity, equity & inclusion and wellbeing insights globally across a range of metrics, with a focus on gender, and insights from our Employee Resource Groups. Initiatives to increase diversity, equity & inclusion and wellbeing are being consistently implemented across the Group and the Board and Nomination Committee will continue to review the Group's efforts and the implementation of our people strategy.

Our diversity policy for the Board, senior management and the wider workforce is a key pillar of our ESG strategy and is fully aligned to our FISBE strategy and our people strategy. The objectives of our diversity policy are set out on page 59.

The Code

During the year, we have complied with the Code other than:

- Provision 36: formal policy for post-employment shareholding requirements. The Remuneration Committee was of the view that the structure of the Deferred Bonus Plan and LTIP sufficiently supported the requirement for Executive Directors to maintain a meaningful shareholding in the Company for a period of time after they leave the Group. The Committee has considered feedback from shareholders and evolving investor sentiment on post-employment shareholding requirements and a new post-employment shareholding requirement forms part of our new Remuneration Policy which shareholders will be invited to vote upon at our 2023 AGM (see page 157).
- Provision 38: pension contribution rate for Executive Directors to be aligned to those available to the workforce. Karim Bitar's pension benefit previously reflected the shareholder Remuneration Policy in force at the time of his appointment, however his pension benefit was aligned to the wider UK workforce from 1 January 2023. (See page 143). Jonny Mason's pension benefit has been in line with that of the wider UK workforce from his appointment.
- Provisions 40 and 41: employee engagement on executive remuneration. The Remuneration Committee has not undertaken consultation with the workfoce when considering executive remuneration, however the Committee has considered wider pay practices across the Group and is mindful when applying salary increases.

We explain how we have applied the Code's principles on pages 107 to 109. These core principles also serve as a framework for the following sections of this Annual Report which explain our governance structure and the processes we operate to support the Group's long-term success.

2023 priorities

The Board remains committed to the highest levels of corporate governance. As a Board, we will continue to oversee delivery of our FISBE strategy, especially as it evolves this year. We will also continue to monitor our simplification and productivity initiatives, including the continuing transition of key central functions to our Global Business Services team in Lisbon.

In 2022, we saw the launch of several key new products. The Board will continue to monitor the successful development and launch of a range of new products, at the same time overseeing the continuing build of our wider supply chain resilience. After much progress over the last few years, we will also continue to monitor the ESG and climate agenda, evolving societal expectations and Convatec's response and actions.

Dr. John McAdam CBE
Chair
8 March 2023

How we have applied the Code's core principles

BOARD LEADERSHIP AND COMPANY PURPOSE

Principles	Application	Where further information is available
A **An effective and entrepreneurial Board that promotes long-term sustainable success of the Company and which generates value for shareholders and contributes to wider society**	The Board discharges its responsibilities through a programme of activities that include review and approval of the Group's strategy, regular progress reviews of its execution and implementation, discussion on arising key issues and monitoring of performance, to enable the Group to deliver sustainable and profitable growth.	Board focus and principal matters considered in 2022 **Pages 116 to 121**
B **Establishment of purpose, values and strategy and promotion of desired culture**	The Board endorses the Group's vision statement (which encapsulates our promise, purpose and ambition), its values and our forever caring promise. During the year, it has reviewed the Group's strategy and continued to assess and monitor culture to ensure their alignment.	How we realise our vision **Page 6** Building a winning culture **Page 57** Chair's statement **Pages 10 and 11** Chair's governance letter **Pages 104 to 106** Culture **Page 115**
C **Ensuring resources are in place to meet objectives, measuring performance and establishing controls which assess and manage risk**	The Board regularly reviews the Group's financial and non-financial resources to ensure that it has the resources available to deliver its strategy. The Board has approved and regularly reviews a series of KPIs. The Board has established an effective governance and risk management framework.	The Group's KPIs **Pages 20 and 21** The Group's risk management framework **Page 89** Audit and Risk Committee report **Pages 126 to 138**
D **Effective stakeholder engagement and participation**	To fulfil its duty to promote the Group's long-term success and generate value for shareholders, stakeholders and wider society, the Board has designated a Non-Executive Director for workforce engagement and established a number of mechanisms to facilitate stakeholder engagement and ensure that the Directors consider all relevant stakeholder issues and concerns.	Engaging stakeholders and section 172 statement **Pages 44 and 45** Board stakeholder engagement **Pages 118 and 119** Board key decisions **Pages 120 and 121**
E **Ensuring workforce policies and practices are consistent with the Company's values and support long-term sustainable success, and that mechanisms are in place to allow the workforce to raise concerns**	The Board has ensured that workforce policies and practices are consistent with the Group's values and has established mechanisms, including an independently provided whistleblowing/speaking-up facility to allow the workforce to raise concerns anonymously.	Enabling our people to thrive **Pages 56 to 61** Compliance Helpline and website **Page 62** Audit and Risk Committee report **Pages 126 to 138**

How we have applied the Code's core principles continued

DIVISION OF RESPONSIBILITIES

Principles	Application	Where further information is available
F **The Chair's role**	The Chair was independent on appointment and is responsible for the leadership of the Board.	Key Board roles and responsibilities **Page 115**
G **Clear division of responsibilities and appropriate combination of executive and non-executive roles**	The Board includes eight Non-Executive Directors and two Executive Directors. Their responsibilities are clearly defined.	Key Board roles and responsibilities **Page 115**
H **Time commitment, constructive challenge and strategic guidance**	All Directors have demonstrated that they have sufficient time to fulfil their duties and responsibilities. In their roles, the Non-Executive Directors have provided constructive challenge, strategic guidance and held management to account.	Nomination Committee report **Pages 123 to 125** Board evaluation **Page 122**
I **Effective and efficient Board**	All Directors have access to an encrypted electronic portal system which enables them to receive accurate and timely information. They also have access to the advice of the Company Secretary and independent professional advice at the expense of the Group. The Board undertook an externally facilitated Board evaluation by way of detailed questionnaires, the conclusions of which are contained within this report. The Non-Executive Directors meet with the Chair, without the Executive Directors present, to discuss performance against agreed objectives. The Non-Executive Directors also meet without the Chair to appraise his performance. The Chair provides performance feedback to each Non-Executive Director throughout the year as and when the need arises.	Board and Committee meetings **Page 115** Board evaluation **Page 122**

COMPOSITION, SUCCESSION AND EVALUATION

Principles	Application	Where further information is available
J **Board appointments and succession**	A Nomination Committee is established and Board appointments are made in accordance with a formal, rigorous and transparent procedure, with diversity a key consideration as well as relevant knowledge, skills and experience. The Nomination Committee regularly considers Board and senior management succession.	Nomination Committee report and Board appointment procedure **Pages 123 to 125** Board appointments **Page 124** Talent and succession planning **Page 125**
K **Combination of skills, experience and knowledge, with regard also to tenure**	Our Board is balanced and diverse and its members have proven leadership capabilities and relevant healthcare, operational and financial skills and experience. Board member tenure is such that there is a balance of deep knowledge of the Company and fresh perspective and challenge.	Directors' biographical information **Pages 110 and 111** Skills and experience matrix **Page 110** Board member tenure **Page 102**
L **Annual evaluation**	In compliance with the Code, during 2022, the Board undertook an evaluation of its performance and that of its committees. The evaluation was by way of an externally facilitated questionnaire and reporting process.	Board evaluation **Page 122**

AUDIT RISK AND INTERNAL CONTROL

Principles	Application	Where further information is available
M **Independent and effective internal and external audit functions**	The Board has delegated a number of responsibilities to the Audit and Risk Committee including oversight of the Group's financial reporting processes and ensuring the effectiveness and independence of the external and internal auditors. The Audit and Risk Committee Chair regularly briefs the Board on how the Committee has discharged its responsibilities.	Audit and Risk Committee report **Pages 126 to 138**
N **Fair, balanced and understandable assessment**	The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable.	Audit and Risk Committee report **Page 138**
O **Risk management and internal control systems**	The Board sets the Group's risk appetite and assesses the nature and extent of its principal risks. Annually, the Board reviews the Company's principal and emerging risks and the effectiveness of the Group's risk management and internal control systems and processes. The Audit and Risk Committee regularly reviews the effectiveness of these systems and processes throughout the year.	Risk management **Pages 88 to 97** Audit and Risk Committee report **Pages 126 to 138**

REMUNERATION

Principles	Application	Where further information is available
P **Remuneration policy and practices**	The Group's Remuneration Policy, which was approved by shareholders at the 2020 AGM, is designed to support our strategy, be aligned to our vision and our employee and shareholder interests and promote long-term sustainable success.	Remuneration Policy **Pages 153 to 161** Directors' Remuneration report **Pages 139 to 161**
Q **Development of remuneration policy and packages**	Following a comprehensive consultation with Convatec's shareholders, a new Remuneration Policy is being submitted to shareholders for consideration at the 2023 AGM, which has been designed to support Convatec's strategy and promote long-term sustainable growth.	Remuneration Policy **Pages 153 to 161** Directors' Remuneration report **Pages 139 to 161**
R **Independent judgement and discretion**	Following a formal and transparent procedure, the Remuneration Committee sets the remuneration for the Executive Directors and oversees the remuneration of senior management. In doing so it applies judgement and, if required, discretion to ensure a considered outcome on remuneration issues.	Directors' Remuneration report **Pages 139 to 161**

Board of Directors

Experienced leadership

A diversely skilled Board with proven leadership capabilities and relevant healthcare, operational and financial skills and experience.

KEY TO COMMITTEE

AR Audit and Risk Committee

N Nomination Committee

R Remuneration Committee

* Committee Chair

Skills and experience[1]

Strategy, transformation and organisational design	95%
Global business	80%
Listed board experience	90%
Leadership	98%
Operational	85%
Finance	73%
Healthcare	78%
Technology and innovation	78%
Corporate transactions and M&A	78%
Environmental, social & governance and sustainability	55%

1 Percentages based on Directors' individual self-scoring of skills and experience.

Dr John McAdam CBE
Chair

N*

Date of appointment
September 2019

Independent
Yes (on appointment)

Relevant skills and experience
- Extensive chair and board leadership experience, including as former Chair of Rentokil Initial plc and United Utilities Group PLC and as a Non-Executive Director of a number of FTSE 100 and US companies.
- Extensive experience of leading companies undergoing transformation including as Chief Executive of ICI plc between 2003 and 2008.

Current external appointments
Adviser to BlackRock's Long Term Investment Group

Karim Bitar
Chief Executive Officer

Date of appointment
September 2019

Independent
No

Relevant skills and experience
- Significant board level and leadership experience including as Non-Executive Director of Spectris plc between 2017 and 2021 and Chief Executive Officer of Genus plc between 2011 and 2019.
- Successful business transformation track record.
- Extensive and broad management experience.
- Relevant sector knowledge and experience, including 15 years with Eli Lilly, where from 2008, Karim was President of Europe, Australia and Canada.

Current external appointments
Member of the University of Michigan, Ross School of Business Advisory Board.

Jonny Mason
Chief Financial Officer

Date of appointment
March 2022

Independent
No

Relevant skills and experience
Seasoned CFO with an extensive track record in listed and international businesses.

Was formerly CFO of Dixons Carphone Plc, now known as Currys Plc from 2018-2021, CFO of Halfords Plc from 2015 to 2017, CFO of Scandi Standard AB, CFO at Odeon and UCI Cinemas and FD of Sainsbury's Supermarkets.

Current external appointments
None.

Margaret Ewing
Senior Independent Director

AR* N

Date of appointment
August 2017

Independent
Yes

Relevant skills and experience
- Chartered Accountant with significant financial experience, including as former Managing Partner of Deloitte LLP and CFO of BAA plc.
- Extensive audit and risk management experience.
- Strong board experience, having served as a Non-Executive Director of Whitbread plc and Standard Chartered plc and CFO of BAA plc and Trinity Mirror plc.

Current external appointments
Non-Executive Director and Chair of the Audit and Risk Committee of ITV plc.
Non-Executive Director, Chair of the Audit and Compliance Committee and a member of the Nominations Committee of International Consolidated Airlines Group, S.A.

Brian May
Non-Executive Director

AR N R*

Date of appointment
March 2020

Independent
Yes

Relevant skills and experience:
- Significant financial and international business experience, including as Chief Financial Officer of Bunzl plc from 2006 to 2019. Prior to that, Brian held a number of senior management finance roles with Bunzl, including divisional Finance Director, Group Treasurer and Head of Internal Audit.
- Experience as a Non-Executive Director including of United Utilities Group Plc between 2012 and 2021, where he was also Chair of the Audit Committee.
- Extensive experience of significant strategic initiatives that delivered growth and sustained shareholder returns over the long term.
- Chartered accountant.

Current external appointments
Non-Executive Director of Ferguson plc, where Brian is also a member of its Nominations and Governance Committee and Audit Committee. Non-Executive Director of OFI Group Limited.

Prof Constantin Coussios OBE
Non-Executive Director

N R

Date of appointment
September 2020

Independent
Yes

Relevant skills and experience
- Internationally recognised key opinion leader in the field of biomedical engineering.
- Proven track record of translating research into commercial technologies through academic entrepreneurship including as Founder, Chief Technology Officer and Chief Scientific Officer of three successful spin-outs.
- Significant experience of drug delivery devices and technologies, including directing and leading the Oxford Centre for Drug Delivery Devices, a cross-disciplinary centre working across pharmaceutical and medical device companies and the NHS, between 2014 and 2020.

Current external appointments
Director, Institute of Biomedical Engineering, University of Oxford. Professorial Fellow, Magdalen College, Oxford, Founder and Director of OrganOx Limited, OxSonics Limited and OrthoSon Limited. Trustee of the Oxford Transplant Foundation and Governor of Magdalen College School, Oxford.

Heather Mason
Non-Executive Director

AR N

Date of appointment
July 2020

Independent
Yes

Relevant skills and experience
- Significant international healthcare experience leading fully integrated global businesses, including 27 years with Abbott Laboratories, where Heather held a number of global senior operational and strategic leadership roles, including Senior Vice President of Abbott Diabetes Care and most recently Executive Vice President of Abbott Nutrition.
- Extensive relevant international, commercial and operational experience.
- Proven track record of overseeing the development of commercially viable new product pipelines and brand building.

Current external appointments
Chair of SCA Pharmaceuticals, LLC. Non-Executive Director and member of the Audit and Compensation Committees of Immatics, Inc., Non-Executive Director of Pendulum Therapeutics, Inc. and of Assertio Therapeutics, Inc., where Heather is Chair of the Governance Committee and member of the Audit and Compensation Committees.

Kim Lody
Non-Executive Director

N R

Date of appointment:
February 2022

Independent
Yes

Relevant skills and experience
- Extensive healthcare, reimbursement, and MedTech experience with a background in international and multicultural environments.
- Formerly President and CEO of NYSE listed Sonida Senior Living Corporation (retired).
- Leadership and management experience, serving as President of GN Hearing for North America, President of Resound in the US and President of Chronic Care for the US subsidiary of Coloplast, Chief Operating Officer of Senior Home Care, and Executive Vice President and Chief Marketing Officer of Gentiva Health Services. Kim has also held various other senior leadership roles.

Current external appointments
Board of Directors, Ball Ventures.

Sharon O'Keefe
Non-Executive Director

N R

Date of appointment
March 2022

Independent
Yes

Relevant skills and experience
- Extensive healthcare and executive experience, with focus on driving quality, efficiency and innovation.
- Previously President and Chief Operating Officer of UChicago Medicine, Non-Executive Director of Aviv REIT and of Vocera Communications.
- Holds an M.S. in Nursing Administration from the Loyola University of Chicago, and a B.S. in Nursing from Northern Illinois University.

Current external appointments
- Non-Executive Director of Adtalem Global Education Inc., and of Apollo Endosurgery Inc.

Sten Scheibye
Non-Executive Director

Date of appointment
July 2018

Independent
No

Relevant skills and experience
- Substantial healthcare knowledge and significant operational experience as former President and CEO of Coloplast A/S.
- Board experience, including previous roles as Chair of the Novo Nordisk Foundation and of Novo Holdings A/S.
- Extensive governance experience including as a member of the Danish Corporate Governance Committee, also serving as the Committee's Chair.

Current external appointments
Chair of BioInnovation Institute Foundation, BioInnovation Institute Holdings A/S and of The Knud Højgaard Foundation, Non-Executive Director of Perfusion Tech Aps.

Convatec Executive Leadership Team (CELT)

CELT is responsible for the management and performance of the individual business units with frequent reporting to, and oversight by, the Board.

Karim Bitar[1]
Chief Executive Officer

Jonny Mason[1]
Chief Financial Officer

David Shepherd
President & Chief Operating Officer, Advanced Wound Care

Appointed to CELT: 2018

David joined Convatec and CELT in 2018, having previously worked for Johnson & Johnson for 26 years, where he held a variety of sales, marketing, strategic and operations roles, most recently being Vice President, Southern EMEA with responsibility for 15 businesses across the region. Prior to that, he was the US President for Cardiovascular and Speciality Services.

BOARD MEMBERSHIP

Karim Bitar, CEO and Jonny Mason, CFO, are also members of CELT. Their biographical details are provided on page 110.

More detailed CELT member biographical information is available at **www.convatecgroup.com**

Natalia Kozmina[1]
Executive Vice President, Chief Human Resources Officer & ESG Stewardship

Appointed to CELT: 2020

Prior to joining Convatec in 2020, Natalia was Senior Vice President, Human Resources at Iron Mountain. Prior to this, she was Vice President of Human Resources for Smiths Group, following several years as Principal of the Global Health Practice at Egon Zehnder. Natalia transitioned to HR after spending more than 15 years in the pharmaceutical industry and brings more than 20 years of life sciences and technology sectors knowledge to her role.

Kjersti Grimsrud
President & Chief Operating Officer, Infusion Care

Appointed to CELT: 2018

Kjersti joined Convatec and the CELT in 2018. She was a member of the founding team at Axis-Shield and appointed President Europe and the Middle East and President International, at Alere, Inc., following its acquisition. Kjersti's 25 years of experience in the MedTech sector includes roles within diabetes care, including General Manager, Operations, Sales, Marketing and R&D positions.

Seth Segel
President & Chief Operating Officer, Continence Care and Home Services Group

Appointed to CELT: 2020

Seth served as CEO of Woodbury Health Products for five years until it was acquired by Convatec in 2017. Prior to this, Seth was Executive Vice President at Cantel Medical Corp, a speciality healthcare company dedicated to Infection Prevention and Control. Seth has lived and worked in North America, Asia and Europe, holding positions in investment banking, management consulting, and as head of operations.

Dr Divakar Ramakrishnan[1]
Executive Vice President, Chief Technology Officer & Head of Research & Development

Appointed to CELT: 2020

Prior to joining Convatec three years ago, Divakar served as Chief Digital Officer and Vice President for Eli Lilly's Drug Delivery, Device and Digital Health groups, where he led a global R&D team focused on developing innovative and digitally-enabled devices to improve patient care. Divakar's career in healthcare spans more than 20 years. He served as Eli Lilly's Vice President of Manufacturing Science and Technology, a role in which he oversaw all the company's process development across its entire product portfolio.

Bruno Pinheiro
President & Chief Operating Officer, Ostomy Care

Appointed to CELT: 2021

Bruno worked for Bristol Myers Squibb prior to its sale to Convatec in April 2005. Bruno's diverse experience spans across Sales, Business Development & Global Emerging Markets. Prior to his appointment as interim President & COO, Global Emerging Markets, Bruno led a diverse team across eight countries in his role as Head of Convatec's Latin America business. Bruno was appointed as President & Chief Operating Officer, Ostomy Care, in May 2022.

Evelyn Douglas
Executive Vice President, Chief Corporate Strategy and Business Development, General Counsel & Company Secretary

Appointed to CELT: 2020

Evy has in-depth expertise in the MedTech sector, having spent 20 years at Becton, Dickinson and Company (BD) prior to joining Convatec in 2020. At BD, she was Senior Vice President of Corporate Development and Strategy, where she supported the company to build its capabilities, focusing on opportunities for partnerships, acquisitions and divestitures. Prior to her role in corporate development at BD, Evy held senior positions in their legal team.

John Haller[1]
Executive Vice President, Chief Quality & Operations Officer

Appointed to CELT: 2022

John joined Convatec in 2022 from Next Press, where he was General Manager. Previously, he spent 26 years with Stryker Corporation, a leading global MedTech business, where he played a pivotal role in helping Stryker grow from a $1 billion revenue company to a $13 billion revenue company. John has lived and worked in countries around the world.

Anne Belcher
President & Chief Operating Officer, Global Emerging Markets

Appointed to CELT: 2022

Anne joined Convatec last year after 30 years at GlaxoSmithKline (GSK), where she most recently served as Senior Vice President & General Manager, Nordics. She originally joined GSK as a sales representative in New Zealand in 1991 and went on to hold senior roles globally within GSK. Anne has experience in diverse market environments, including both mature and emerging markets across Asia Pacific, EMEA and the Americas.

1. Members of the ESG Steering Committee

How we are governed

INTRODUCTION TO OUR GOVERNANCE FRAMEWORK

The Board is collectively accountable to the Company's shareholders for the proper conduct of the Group's business and its long-term success. The Board is responsible for effective oversight, delegating some of its responsibilities to Board Committees through agreed terms of reference which are subject to annual review. Terms of reference for each Board Committee can be found at www.convatecgroup.com/investors/governance.

The Board also delegates responsibility for the day-to-day operational management of the Company to the Chief Executive Officer, who is supported by the Convatec Executive Leadership Team, which is chaired by the CEO.

The independent Non-Executive Directors exercise independent, objective judgement in respect of decisions of the Board, and scrutinise and challenge management. Through the various committees of the Board, they have responsibility for ensuring the robustness and integrity of financial information, internal controls and risk management framework, that the Board has an appropriate mix of skills, knowledge, experience and diversity to fulfil the Board's vision and support the delivery of the Company's FISBE strategy, and that remuneration arrangements appropriately support the Group's culture and strategic ambition.

GOVERNANCE FRAMEWORK

Our governance framework, which includes the Board and its three committees, is set out below.

Board

Responsibilities:
- Oversees and is responsible for the long-term success of the Group and for ensuring that there is a framework of appropriate and effective governance and controls which enables risk to be assessed and managed.
- Sets the Group's strategic aims, determines resource allocation to ensure that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance.
- Determines the Group's purpose and values and monitors and assesses the Group's culture and ensures that its obligations to shareholders and other stakeholders are understood and met.

Nomination Committee

Responsibilities:
- Reviews Board composition and proposes appointments to the Board.
- Considers succession planning for the Board and senior management.
- Sets diversity and inclusion targets and objectives for Board and senior management.

Audit and Risk Committee

Responsibilities:
- Oversees the integrity of the Group's financial reporting, internal controls and risk management framework.
- Ensures the Group complies with legal and regulatory governance requirements, including those related to financial reporting, environmental and climate change-related matters.
- Assesses the independence and effectiveness of the external and internal auditors.

Remuneration Committee

Responsibilities:
- Ensures the Remuneration Policy and wider remuneration practices are designed to support the Group's strategy and promote long-term sustainable success.
- Oversees Remuneration Policy implementation for Executive Directors and senior management.
- Reviews workforce remuneration and related policies.

Convatec Executive Leadership Team

Responsibilities:
- Implements Group strategy for the long-term success of the Group, monitoring performance and significant business projects and initiatives against budget and the agreed strategy.
- Assists the CEO in executing the authority delegated by the Board, making and implementing day-to-day operational decisions and exercising oversight of the Group's commercial issues.
- Monitors and assesses the Group's cultural activities, execution against the ESG strategy and day-to-day behaviours to ensure that they are aligned with the Group's purpose and values.

Other key committees

ESG Steering Committee
An executive committee chaired by the CEO that drives the ESG agenda within the Group, monitoring performance of the ESG programme and regularly reporting to the Board.

Market Disclosure Committee
A Board committee chaired by the Chair that oversees the disclosure of information by the Company to meet its obligations under the Market Abuse Regulation, Listing Rules and Disclosure Guidance and Transparency Rules.

Treasury, Tax & Finance Committee
An executive committee chaired by the CFO that oversees day-to-day tax and treasury matters and treasury related financial liabilities.

Strategy setting
The CEO, CFO and other members of CELT take the lead in developing the Group's strategy. A dedicated two-day strategy meeting is held annually between the Board and CELT, at which the strategy is reviewed, constructively challenged and approved by the Board.

Culture
The Board has the responsibility of ensuring that Convatec's culture remains fully aligned with the Company's purpose, values and strategy. Our values frame the Group's culture and our employees' behaviours, in turn determining how we do business. To this end, the Board continues to assess and monitor culture in different ways, including:

- Regular briefings from the CEO, the Chief Human Resources Officer and other members of the senior. management team on progress against our FISBE and people strategies.
- Review of Convatec's Organisational Health Index survey results and output from our Big Conversation initiatives.
- Post-engagement briefings from Sharon O'Keefe, the Board's workforce liaison champion.
- Review of Compliance Hotline investigation reports and internal audit reports.

Key Board roles and responsibilities

Chair
- Independent on appointment
- Leads the Board and facilitates constructive Board discussions
- Promotes high standards of governance
- Sets the Board agenda
- Supports and guides the CEO
- Leads the review of the effectiveness and performance of the other Directors

Senior Independent Director
- Sounding board for the Chair
- Serves as intermediary for other Directors when necessary
- Available to shareholders should they have concerns where contact through the normal channels has either failed to resolve or would be inappropriate
- Leads the review of the effectiveness and performance of the Chair

Non-Executive Directors
- Bring relevant skills, experience and knowledge to provide constructive challenge
- Independent Non-Executive Directors provide independent judgement and serve on the Board's committees
- Support the Chair by ensuring effective governance across the Group
- Monitor strategic execution in accordance with risk and control framework

Chief Executive Officer
- Accountable to, and reports to, the Board
- Leads the executive management team in delivery of the Group strategy and objectives as determined by the Board
- Day-to-day responsibility for executive management matters
- Responsible for maintaining dialogue with the Chair and the Group's stakeholders
- Sets the cultural tone throughout the organisation

Company Secretary
- Responsible for advising the Board on all corporate governance matters and best practice
- Works with the Chair to ensure Directors receive accurate and timely information to enable them to discharge their duties
- Works with the Chair to design the induction programme for new Board members, ongoing training and the format of the Board evaluation

Matters reserved for the Board

The Board has a schedule of matters reserved for its approval and a formal structure of delegated authority.

This schedule of matters clearly defines the decisions which can only be made by the Board and largely relates to matters of strategic importance, particularly high value or governance related, where independence from executive management is important. It is available at www.convatecgroup.com/investors/governance. The schedule was reviewed and updated during the year.

The Board has delegated certain responsibilities and authority to the Board committees, which all operate in accordance with Board-approved terms of reference. The Board has also delegated specified management control to the Executive Directors and CELT. The written terms of reference that each of the Board committees operates under can also be found within the web link referenced above.

The principal activities undertaken during the year by the Nomination, Audit and Risk and Remuneration Committees are set out in their respective reports in this Annual Report. The paragraphs under the heading "Directors' Remuneration report" on pages 139 to 161 are incorporated by reference into this Corporate governance report.

Board attendance

Director	Member since	Attended
John McAdam (Chair)	Sept 2019	8/8
Karim Bitar	Sept 2019	8/8
Jonny Mason	March 2022	7/7
Brian May	March 2020	8/8
Margaret Ewing	Aug 2017	8/8
Constantin Coussios	Sept 2020	8/8
Sten Scheibye	July 2018	7/8
Heather Mason	July 2020	8/8
Kim Lody	Feb 2022	8/8
Sharon O'Keefe	March 2022	8/8
Frank Schulkes (Board member until 11 March 2022)	Nov 2017	1/1
Rick Anderson (Board member until 3 March 2022)	Oct 2016	1/1
Regina Benjamin (Board member until 12 May 2022)	Aug 2017	3/3

Board and Committee meetings

Details of the number of Board and Committee meetings which took place during the year can be found on page 102. Attendance at scheduled Board meetings was 100% by all eligible Directors during the year apart from Sten Scheibye who was unable to attend one scheduled meeting due to unavoidable circumstances (see meeting attendance table). Four of the scheduled Board meetings were held in person in the UK, and four meetings were conducted using video and audio conference facilities; a format which the Board intends to continue to follow during 2023. In addition to the scheduled meetings, several meetings were held at short notice to consider specific matters, projects or transactions, for example the acquisition of Triad Life Sciences.

The Non-Executive Directors met on one occasion during the year without the Chair and Executive Directors present.

The Company Secretary and Deputy Company Secretary attend all Board meetings. External advisers also attend meetings where independent guidance and expertise is required to facilitate the Board in carrying out its duties. Members of CELT (who are not Board members) and other senior executives regularly attend relevant parts of meetings to make presentations and provide their input on a range of topics.

The Board and its Committees are provided with appropriate and timely information. For scheduled meetings, agendas are drafted based on a previously agreed annual forward agenda schedule and are then reviewed with the CEO and the relevant Board or Committee Chair. Agendas may then be amended, if deemed appropriate, to reflect current business priorities.

The Directors have access to an encrypted electronic portal system, which enables them to receive and review Board and committee papers quickly and securely electronically.

22
Scheduled Board and committee meetings held

Board activity and actions

Board focus and principal matters considered in 2022

The principal matters considered by the Board during 2022 and their linkage to the Company's strategic priorities are set out in the table below.

As part of the business of each Board meeting, the CEO submits a report on business performance, including areas of progress and areas which are not progressing to plan. The Board also receives a report from the CFO providing updates on the Group's financial performance. Members of the CELT and senior management regularly attend Board meetings to ensure that the Board has good visibility of business developments, opportunities, principal and emerging risks and their mitigation, and key operating decisions. The Board also receives key functional reports and presentations in relation to Convatec's responsible business agenda, enterprise risk management, stakeholder engagement, legal and compliance as well as presentations from internal and external speakers on other topics relevant to the business and the environment it operates in.

Areas of focus	Activities	Strategic priorities
Strategy and delivery • Considering and approving the Group's strategy and any changes and monitoring execution and delivery. • Considering and approving major transactions, capital projects, corporate actions or investments by the Company. • Reviewing and approving the Group's branding strategy.	• Decision in relation to the acquisition of Triad Life Sciences (see Key decisions on page 120) and subsequent review in relation to its integration into the Group. • Decision to approve the strategic investment in BlueWind Medical Ltd (see Key decisions on page 120). • Decision to support substantial investment in high speed automated manufacture of Gentle Cath (GC) Air for Women v2.0 at our Slovakian plant facility (see Key decisions on page 120). • Decision to withdraw from hospital care activities and related industrial sales (see Key decisions on page 121). • Regular review of progress and evolution of the FISBE strategy, including participation in a two-day strategy session and approval of strategic plans and of FISBE 2.0. • Review of other corporate development opportunities or capital investments to ensure alignment with our FISBE strategy and Business Unit plans. • Approval of the Group's term and revolving credit facilities up to $1.2 billion committed for five years. • Ostomy Care and Advanced Wound Care deep-dive business reviews and Global Quality and Operations briefing. • Post-acquisition review of Cure Medical. • Regular review of innovation and technology, including the new product pipeline.	Focus Innovate Simplify Build Execute
Leadership • Making appointments to Board or Board Committees, following recommendations from the Nomination Committee. • Reviewing the performance of the Board and its committees, individual Directors and the Group's overall corporate governance framework.	• Board evaluation completed and results reviewed in late 2022 (see page 122 for details). • Consideration and confirmation of changes to the composition of the Board Committees following changes to the Board in 2022.	Build Execute
Business plan and performance • Approving annual budget and business plan and regularly reviewing actual performance and latest forecasts against the budget and business plan.	• Approved 2023 budget and business plan. • Regular CFO Reports and briefings. • Consideration of published Trading Update in November 2022.	Focus Innovate Simplify Build Execute

Areas of focus	Activities	Strategic priorities
Financial reporting • Approving final and interim results, trading updates, the Annual Report and the release of price-sensitive information. • Approving the dividend policy, determination of any interim dividend and the recommendation (subject to the approval of shareholders) of any final dividend to be paid by the Company.	• Approval of the Viability and Going Concern statements. • Approval of half-year and full-year results. • Confirmation and approval of the interim dividend and recommendation of the final dividend. • Approval of the 2021 Annual Report and Notice of 2022 AGM, held as a hybrid meeting.	Focus Execute
Risk and governance • Ensuring the Group has effective systems of internal control and risk management in place, including approving the Group's risk appetite.	• Review of the effectiveness of the Group's risk management and internal control systems. • Review and approval of the Group's Risk appetite, ensuring that Group strategy and current performance are aligned with risk appetite. • Regular Governance, Legal and Compliance briefings. • Briefings to the Board from the Board Committee Chairs on the activities of the Committees. • Review and update of the Securities Dealing Policy. • Review of Board matters reserved and Board Committee terms of reference.	Focus Innovate Simplify Build Execute
Stakeholder engagement • Considering the balance of interests between the Group's stakeholders. • Receiving and considering the views of the Company's shareholders. • Receiving and considering the views of the Company's employees.	• Briefings provided by the Investor Relations team and/or the Group's corporate brokers on investor feedback following results announcements and investor roadshows. • Debrief on investor feedback following Convatec's Capital Markets event. • The Board met healthcare practitioners and patients from the US and UK to obtain valuable insights into their concerns and needs. • The Chair had meetings with two of our top 20 institutional shareholders during the year. • Sharon O'Keefe took over the role of Non-Executive Director workforce liaison champion providing post engagement briefings to the Board.	Innovate Build Execute
Responsible business • Overseeing the Group's responsible business programme. • Reviewing the Group's responsible business strategy and its implementation. • Considering the Group's people and their welfare.	• Regular briefings from the ESG Steering Committee chaired by the CEO. • Oversight of the development of our new ESG framework. • Reviewed progress against sustainability targets and agreed priorities for 2023. • Review of progress on DE&I initiatives including gender data. • Review of employee gender pay gap data. • Review of the Modern Slavery Statement. • Review of the Group's latest Organisational Health Index results.	Innovate Simplify Build Execute

Board activity and actions continued

BOARD STAKEHOLDER ENGAGEMENT

Connecting with our stakeholders and discharging section 172 duties

When making decisions, the Board acts in a way that the Directors consider most likely to promote the success of the Company, for the benefit of its shareholders as a whole, while also considering the broad range of stakeholders who interact with the business.

Our section 172 statement is set out on page 45.

How we engage as a Board

All of our stakeholders are important to us. Identifying our key stakeholders was an essential step in the implementation of our FISBE strategy. Ultimately, our vision - pioneering trusted medical solutions to improve the lives we touch - can only be fulfilled through interaction with our stakeholders. For that reason, we are committed to maintaining strong relationships and good communication lines with stakeholders. We also consider this fundamental to the successful delivery of our strategy and long-term prospects and alignment with our purpose. Further information on how the Company proactively engages with a broad range of stakeholders to understand their issues and to build positive relationships can be found on pages 44 and 45.

Our vision and values provide a framework which helps our employees make decisions in the best interests of the Group and our stakeholders. This approach ensures that stakeholder issues are considered throughout the organisation and not just at Board level.

How the Board understands stakeholders' interests

The table below summarises how our Board gains an understanding of stakeholder issues. The table on pages 120 and 121 describes how the Board considered different stakeholders in making four key decisions in 2022.

HOW THE BOARD ENGAGED

Stakeholders	Board-level engagement
Our people	Sharon O'Keefe was appointed in May 2022 as our dedicated Non-Executive Director for workforce engagement. Sharon participated in the Global Leaders Meeting in May 2022 , bringing together our top 100 leaders across the business, and has attended other employee-related events and activities, including interaction with the Employee Resource Groups, employee communications via Convatec's intranet and site visits (including 'meet and greet' with employees). Sharon provided post-event briefings to the Board. Members of the management team regularly attend relevant parts of Board and committee meetings to present on specific topics, including briefings on our people strategy, The Chair participated in a 'Q&A' session at the Global Leaders Meeting in 2022. The Board and the Audit and Risk Committee receive reports from the Group's compliance function detailing input from the Group's Compliance Helpline and website. When relevant, this includes details of investigations arising from information provided via the Compliance Helpline and website and resulting outcomes (see page 132).
Investors	All members of the Board are available to meet with shareholders. The Chair had meetings with two of our top 20 institutional shareholders during the year. The Chair and Committee Chairs have regular dialogue with Convatec's major shareholder, Novo, through Novo's representative on our Board, Sten Scheibye. The Board receives analysts' notes published about the Group and the sector and receives regular updates on investor relations matters. The Board considers this feedback important to understand our investors' views on Convatec's progress in pivoting to sustainable and profitable growth. Investors' feedback and insights are taken into account by the Board in our communications to shareholders. The Executive Directors participate in an active IR programme, including investor roadshows. Convatec held an Innovation Day on 17 May 2022 for investors to learn more about our new product launches and held our first Capital Markets Day for investors on 17 November 2022. Further information about our engagement with shareholders and potential investors is provided on page 105. All Directors participated in our 2022 AGM which took the form of a hybrid meeting, which enabled shareholders to attend, vote and ask questions either in person or remotely. The Chair of the Remuneration Committee led a comprehensive shareholder consultation exercise in relation to our proposed new Remuneration Policy, engaging with over 30 shareholders as well as the Investment Association and proxy-voting agencies. The views of our shareholders and other bodies were taken into account in formulating and finalising the Remuneration Policy proposals which are being submitted to shareholders for consideration at our 2023 AGM.

HOW THE BOARD ENGAGED continued

Stakeholders	Board-level engagement
Consumers/ patients/healthcare professionals	During the year, the Board held an in-depth group discussion session with a surgeon specialising in advanced wound care, a vascular nurse and a patient. This provided valuable insight into patient and HCP needs. These insights were applied to the constructive challenge and debate regarding the Group and Business Unit strategies in July 2022.
Supply chain partners and channel partners	During the year, the Board received reports from the Global Quality and Operations team with respect to initiatives they are undertaking to continue to improve the resilience of our global supply chain . The Board confirms its compliance with the UK Payment Practices Reporting Duty and the Prompt Payment Code and similar legislation across the Group in relation to the year ended 31 December 2022. The Board reviewed and discussed strategic plans for each of our business units during the year. The Board supported close collaboration with one of our key partners, Medtronic, with whom we launched the first and only infusion set that can be worn for up to seven days. We work in close cooperation with all of our partners to develop products that improve the quality of life of our patients. The Board considered and approved multi-million dollar manufacturing infrastructure investment, thus strengthening Convatec's supply chain and resilience whilst also scaling up production and availability of life-enhancing products for the customers and patients we serve. Further details of the steps taken to ensure that Convatec's vision and values guide our operations and supply chain, taking a zero-tolerance approach to any form of modern slavery can be found in our Modern Slavery Statement at www.convatecgroup.com/modern-slavery-statement/.
Regulators	The Board has received reports on the implementation of MDR from the Group's regulatory function.
Governments	The Audit and Risk Committee received reports from the Global Tax function on taxation matters across the Group and approved the Tax Statement including tax strategy, which was subsequently agreed by the Board.
All other stakeholders	The Board receives information relating to our stakeholder groups through the executive reports at each Board meeting and in the annual strategy sessions from Business Units.

Board activity and actions continued

BOARD KEY DECISIONS IN 2022

Acquisition of Triad Life Sciences

In March 2022 Convatec acquired Triad Life Sciences.

Based in Tennessee, US, the business has developed and markets a specialist porcine amniotic membrane for treatment and healing of acute and chronic wounds. The acquisition provides an opportunity for Convatec to enter a high-growth, sizeable wound biologics[1] segment, a key growth strategy for our Advanced Wound Care business, and allowing Convatec to better serve patients with advanced wound needs all over the world.

S.172 - How the Board considered different stakeholders in making the decision

The acquisition was fully aligned with our FISBE strategy.

Investors: The acquisition provided strategic opportunities for product development and use of the technology in other areas within Convatec, as well as providing additional revenue growth and increasing the potential for higher shareholder returns.

Patients and HCPs: The new technology has the potential to provide better outcomes for patients who have chronic wounds, and the potential to provide better outcomes for patients with other chronic conditions as the technology is developed and new applications and products are introduced.

Our people: The transaction benefited employees of both organisations by better serving customers and increasing the strength of the combined business and creating opportunities with a larger scale Advanced Wound Care business.

Communities: The acquisition strengthened Convatec's presence, product range and reach to the customers and patients we serve in communities across the world.

Suppliers and distributors: The transaction provides an opportunity to build our partnerships with trusted suppliers and distribution network across the globe.

1. As defined by SmartTRAK: see page 22.

Investment in BlueWind Medical Ltd

In May 2022, Convatec invested $30.7 million, inclusive of transaction costs, in BlueWind Medical, a developer of a small implantable tibial nerve stimulation device for patients with an overactive bladder.

S.172 - How the Board considered different stakeholders in making the decision

Investors: The investment supports Convatec's FISBE strategy by securing a relationship with a company developing an innovative solution related to the US Continence space, an exciting opportunity to gain exposure to a new and innovative technology in the Overactive Bladder segment.

The investment also provides the potential for financial returns in the future.

Patients and HCPs: The new technology has the potential to provide better outcomes for patients who have an overactive bladder (currently there are around 34 million patients affected by this condition in the US alone).

Investment of $26.9 million capital to provide enhanced manufacturing of new product

In March 2022, the Board approved an investment of $26.9 million to provide high-speed automated manufacture of GentleCath Air™ for Women v2.0 at our Slovakian plant facility.

S.172 - How the Board considered different stakeholders in making the decision

The investment was fully aligned with our FISBE strategy.

Investors: Investing in manufacturing plant expansion is expected to lead to additional revenue for Convatec, and ultimately to higher returns for investors. It also underpins confidence in Convatec's future growth and the overall success of the business.

Patients and HCPs: The expanded plant is expected to provide greater output of a new catheter for patients and ensures that patient demand can be met.

Suppliers and distributors: Expanding our capacity to deliver more catheter products not only provides more resilience in the supply chain for Convatec but helps to ensure a consistent supply feed.

Communities: The expansion plans will lead to employment opportunities for local communities in Slovakia. Being able to enhance production of these vital and life-enhancing products will have a positive impact on our customers and patients in all communities around the world.

Withdrawing from the hospital care business and related industrial sales products

During 2022, Convatec withdrew from the lower margin, lower growth hospital care business and ceased related industrial sales. As a result, production of a portfolio of products was phased out at two of the Group's manufacturing sites. The decision was made to close one of the sites, the manufacturing plant in Belarus, which manufactured products almost entirely for the hospital care business.

S.172 – How the Board considered different stakeholders in making the decision

The decision was in full alignment with our FISBE strategy.

Investors: Following the exit, Convatec is focused on higher-growth chronic care markets with improved margins and higher levels of recurring revenue, increasing the potential for higher shareholder returns.

Patients and HCPs: Patient impact was determined to be low in the medium term due to the generic nature of the products concerned. It was determined in the short term that the Company would support customers and patients to find alternative sources of the products.

Our people: With the restructure there were inevitable job losses. The Company was determined to work closely with employees, unions and partners to fulfil obligations and treat all those impacted in line with Convatec's core values.

Suppliers and distributors: It was noted that some suppliers and providers of raw materials had already started exiting Belarus.

Governments: Given the geopolitical situation there was the increased threat of sanctions on the Company should operations have continued in Belarus.

Risk management and internal control effectiveness

The Board is ultimately responsible for overseeing how we manage both internal and external risks (current and emerging) that could impact our business model and strategic goals. The Board also determines the Group's risk appetite and monitors adherence to it through reports received by the Audit and Risk Committee and from the VP of Internal Audit & Enterprise Risk. The Board regularly reviews the Group's principal risks and, on an annual basis, reviews the effectiveness of our risk management and internal control systems and undertakes horizon scanning to identify new emerging risks. The Audit and Risk Committee reviews the Group's risk management and internal control systems periodically throughout the year. The Group's principal and emerging risks are set out on pages 92 to 97

Statement of review

During 2022, the Board has directly, or through delegated authority to the Audit and Risk Committee, monitored and reviewed the Group's risk management activities and processes, including a review of the effectiveness of all material risk mitigations and the financial, operational and compliance internal controls. The Audit and Risk Committee's activities in these areas are set out in the Audit and Risk Committee report on pages 131 and 132. Following this review, the Board is satisfied that the Group's risk management and internal control framework provided assurance that there were no control failures in the year that could have a material impact on the Group's financial statements or its future financial situation.

Board evaluation

Individual Director evaluation

As part of the annual evaluation process, there is a review of the effectiveness and commitment of individual Directors. In respect of the Non-Executive Directors this includes a review of an individual's commitment of time to the Company in light of their other commitments (as noted in their biographies on pages 110 and 111). Except in relation to his own, the Chair leads the individual Director evaluations.

Board Chair evaluation

The evaluation of the performance of the Board Chair by the other Directors was led by the Senior Independent Director (SID) and without the presence of the Board Chair. The overall conclusion was that he was performing very well in all aspects of the role. The Chair values the individual opinions of all Directors and seeks and listens to their views. He chairs effective meetings, allows debate and encourages contribution and challenge, with a focus on clarity and pragmatism in decision-making. He has a strong and constructive relationship with the Executive Directors, particularly the CEO, and provides appropriate challenge, support and advice.

The SID provided feedback to the Board Chair after the review of his performance.

2021 Board evaluation progress report and 2022 Board evaluation review

In 2021 the Board undertook an evaluation of its effectiveness as required by the Code (details of which are set out in the 2021 Annual Report and Accounts). Information about the key priorities arising from this evaluation and progress to date is set out below.

In October 2022 the Board again undertook a questionnaire-based evaluation, externally facilitated by Lintstock. The questionnaire included both quantitative and qualitative questions.

Lintstock analysed the results and provided reports for the Board and Board Committees, with unattributed scoring and comments. The reports and key findings were discussed at the December 2022 Board and Committee meetings, with each forum considering the evaluation outcomes and any appropriate actions.

The key findings from the 2022 Board evaluation process, including the actions agreed to address recommendations resulting from the review process, are set out below. Lintstock has no other connection with Convatec or any of the individual Convatec Directors.

PROGRESS IN RELATION TO ACTIONS ARISING FROM THE 2021 BOARD EVALUATION

Actions	Progress
Board composition The profile of the Board should evolve over the next three to five years to match Convatec's strategic goals. The Board should continue to ensure that digital, innovation and international experience is sought and in addition, medical expertise would be considered to further strengthen the Board, whilst ensuring a sufficient level of diversity is maintained.	The Nomination Committee allocated dedicated time in 2022 to discuss Board composition and succession planning. Three appointments were made to the Board during the year. Succession planning remains on the Nomination Committee forward agenda for each of its two scheduled meetings in 2023.
Strategic and operational oversight The Board would benefit from deep dives into areas such as technological developments in medical solutions; and greater understanding of medical regulations, patients' needs and suppliers/distributors.	Deep dives in these areas were included on the Board agenda during 2022, either at scheduled Board meetings or at the July 2022 strategy meeting.

2022 BOARD AND COMMITTEE EVALUATION REVIEW

Overall the Board was considered to be working effectively, with a view that the Board was well aligned and with good Board member dynamics. The two priority recommendations arising from the Board evaluation and proposed actions are set out below.

Findings	Actions for 2023
Board engagement with the CELT and future leadership talent In support of succession planning and understanding the business, provide a structured engagement programme between NEDs and current and future leadership talent across the Group.	Consider a structured engagement programme between NEDs, Executive Directors, CELT and CELT-1, encompassing both formal and informal events in the UK and elsewhere. Ensure that the Board and/or Committee members visit other Convatec sites other than Head Office.
Board agenda Reinforce focus on key areas for the business, such as the competitive and macroeconomic environments; provide improved stakeholder oversight in areas identified by Board members.	Ensure that the Board's 2023 and 2024 forward agendas evolve to reflect the Board's evolving priorities.

A word from the Chair

"A balanced and diverse Board, with a broad range of skills, experience and knowledge, is more likely to be an effective Board."

Dr John McAdam CBE
Chair of the Nomination Committee

COMMITTEE INTRODUCTION AND OVERVIEW

COMMITTEE MEMBERSHIP, MEETINGS AND ATTENDANCE

The table below shows Committee members and the number of scheduled meetings attended out of the number of meetings members were eligible to attend during 2022.

Director	Member since	Attended
John McAdam (Chair)	September 2019[1]	2/2
Margaret Ewing	May 2019	2/2
Heather Mason	September 2020	2/2
Brian May	September 2020	2/2
Constantin Coussios	January 2022	2/2
Kim Lody	February 2022	2/2
Sharon O'Keefe	March 2022	2/2
Rick Anderson (member until 3 March 2022)	September 2020	0/0
Regina Benjamin (member until 12 May 2022)	June 2019	1/1

1 Dr McAdam was appointed Chair of the Committee on 30 September 2019

There were three appointments to the Committee during the year: Constantin Coussios on 27 January 2022, Kim Lody on 1 February 2022, and Sharon O'Keefe on 1 March 2022. Rick Anderson and Regina Benjamin stepped down as Committee members on resigning from the Board.

The Deputy Company Secretary attends meetings as Secretary to the Committee and the EVP, Chief Human Resources Officer regularly attends the Committee's meetings to provide information and support to the Committee to enable it to carry out its duties and responsibilities effectively.

KEY NUMBERS

Meetings held

2

(2021: 3)

Attendance

100%

(2021: 94%)

ACTIVITY HIGHLIGHTS

- Recommendations to the Board for Committee appointments.
- Reviewed skills, experience and characteristics of Board members and determined that the Board was balanced, diverse and with an appropriate level of skills, knowledge and experience.
- Reviewed talent and succession planning for the CEO and the CELT.
- Reviewed progress and development of the Group's diversity, equity & inclusion and wellness strategy and assessed key metrics.
- Reviewed progress of leadership development programme for CELT and application of new high-performing team principles, helping to build and develop a sustainable, diverse and inclusive organisation.

2023 PRIORITIES

- Maintain focus on succession planning and talent management for Executive Directors and senior management.
- Continue to monitor progress against the diversity, equity & inclusion and wellbeing agenda across the Group.

KEY AREAS OF RESPONSIBILITY

- Reviews regularly the Board's composition.
- Leads Board appointments process as necessary.
- Oversees and recommends orderly Board succession and oversees senior management succession planning.
- Reviews whether each Non-Executive Director is devoting enough time to his or her duties.
- Oversees the balance of skills and experience within the Group and on the Board.
- Monitors diversity within the Board and across the Group.

The role and responsibilities of the Committee are set out in the terms of reference and available at www.convatecgroup.com/investors/governance/. These are subject to annual review.

Nomination Committee report continued

Dear Shareholder

I am pleased to present the Nomination Committee Report, which summarises how the Committee discharged its duties during the year.

Our role

As a Board we recognise that a balanced and diverse Board, with a broad range of skills, experience and knowledge, is more likely to be an effective Board. In support of our vision of pioneering trusted medical solutions that improve the lives we touch, and with the ultimate aim of creating sustainable value for all our stakeholders, we continue to focus on ensuring that we have that right balance of skills, knowledge and diversity, both at the Board and within our leadership team.

An equally important role for the Committee is ensuring that we have an appropriate pipeline of future talent within the business. The Committee regularly reviews succession plans, not only for the Board, but also for CELT. In support of Convatec's succession planning, a new leadership development programme was rolled out for our Global Leadership Team (circa 100 leaders across the business) with emphasis on our high performance team principles. This has been well received and is accelerating the development and retention of this important group of leaders, a group that has a crucial role to play in inspiring and motivating our people to accelerate and deliver on our strategic aims.

Board changes

As Convatec continues to pivot to sustainable and profitable growth, the Committee has continued to focus on recruiting the best executive and non-executive talent to the Board. As reported last year, the Committee recommended to the Board the appointment of Jonny Mason as our new CFO with effect from 12 March 2022, replacing Frank Schulkes who stepped down from the Board and as CFO on 11 March 2022.

At the end of 2021 the Committee recommended the appointment of two new independent Non-Executive Directors, Kim Lody and Sharon O'Keefe, who joined the Board on 1 February 2022 and 1 March 2022, respectively. Rick Anderson resigned as Non-Executive Director on 3 March 2022, and Dr Regina Benjamin resigned as a Non-Executive Director on 12 May 2022.

Board and senior leadership gender representation

	Number of Board members	Percentage of Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	6	60%	3	5	56%
Women	4	40%	1	4	44%

Note: Executive Management includes CELT members, but excludes the CEO and CFO. The Company Secretary, Evelyn Douglas, is included within the CELT disclosure.

Board and senior leadership ethnicity representation

	Number of Board members	Percentage of Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other white (including minority-white groups)	9	90%	3	7	78%
Mixed/multiple ethnic groups	-	-	-	-	-
Asian/Asian British	-	-	-	1	11%
Black/African/Caribbean/black British	-	-	-	-	-
Other ethnic group, including Arab	1	10%	1	1	11%

Note: Executive Management includes CELT members but excludes the CEO and CFO. The Company Secretary, Evelyn Douglas, is included within the CELT disclosure.

Board committees' composition

During the year, the Committee reviewed the composition of Board committees and recommended changes which were approved by the Board. The composition of the Nomination Committee and changes during the year are set out on page 123. Similarly, the composition and any changes to membership during the year of the other Board committees are set out at the beginning of the respective Reports that follow.

Diversity

The Board endorses the aims of the Davies' report entitled "Women on Boards", the Hampton-Alexander report entitled "FTSE Women Leaders - Improving Gender Balance in FTSE Leadership", and the Parker report entitled "A Report into the Ethnic Diversity of UK Boards". The Board also endorses the Government's new five-year review to monitor women's representation in FTSE 350 companies, entitled "The FTSE Women Leaders Review".

At Board level we have members of various nationalities, gender and ethnicity who have an excellent range of appropriate skills and expertise. As at 31 December 2022 and at the date of this report, we comply with the new Listing Rule recommendations. Adjacent on this page, we have provided data on Board and CELT members' gender and ethnicity, and whereby directors and CELT members were asked to self-declare against the Office for National Statistics classification.

The Committee will continue to monitor Board diversity in other respects, including experience, skills, personal attributes, age and ethnicity. In all instances individuals will continue to be appointed on merit and the Committee will remain focused on always ensuring that the Board has the relevant skills and expertise to perform effectively.

As part of our ongoing diversity and inclusion strategy, our target is to achieve 40% of senior management roles to be held by female executives by 2025 and this currently stands at 38%.

During the year the Board has considered diversity insights across a range of metrics with a focus on gender and the initiatives to advance women in leadership. In 2023 the Committee and the Board will continue to monitor the ongoing development of Diversity, Equity & Inclusion and Wellbeing initiatives across the Group.

Relevant skills and expertise

The Board benefits from a wide variety of relevant skills, experience and knowledge, details of which are set out in the biographies and skills matrix on pages 110 and 111.

Board appointments

Appointments to our Board are made solely on merit with the overarching objective of ensuring that the Board maintains the correct balance of diversity, experience, skills, length of service and knowledge of the Group to successfully establish and oversee the delivery of the Group's strategy, whilst also providing constructive challenge as necessary. Appointments are made based on the recommendation of the Nomination Committee with due consideration given to the benefits of diversity in its widest sense, including gender, social and ethnic backgrounds. The Nomination Committee also reviews the ongoing commitments of candidates prior to making recommendations for the appointment of new Directors. Directors are required to seek Board approval prior to taking on additional commitments to ensure that existing roles and responsibilities continue to be met and conflicts are avoided or managed.

When recruiting new Non-Executive Directors, meetings are held between potential candidates and the Chair, CEO, CFO and Non-Executive Directors. Members of the Nomination Committee review feedback and recommend candidates for appointment to the Board. Decisions relating to such appointments are made by the entire Board based on a number of criteria including the candidate's skills and experience, the contribution they can make to our business and their ability to devote sufficient time to properly fulfil their duties and responsibilities.

Reappointment of Directors

All Directors are subject to annual re-election and will be proposed for re-election by shareholders at the AGM to be held on 18 May 2023. Following evaluation, all Directors continue to be effective and have the time available to commit to their role, and the Board has recommended that all directors are put forward for re-election.

Non-Executive Directors are initially appointed for a three-year term and retiring Directors, if willing to act, will be deemed to be re-appointed unless the resolution for their re-appointment is not approved.

Talent and succession planning

Succession planning work during 2022 focused on the Board and CELT. The Committee has considered succession planning for each of the Executive Directors and CELT members, as well as emerging talent within the business. The review included scoping those potential successors ready now, those ready in one to two years, and those anticipated to be ready in three to five years.

Given its importance, succession planning is scheduled for the Committee's consideration twice a year.

External search firms

For all independent Non-Executive and Executive Director appointments, we engage international search and selection firms to support the Board, most recently using firms including Heidrick & Struggles, Spencer Stuart and Russell Reynolds. None of them have any connection with the Group, or any Director, other than they may be engaged to assist with Board and senior management appointments and ordinary course succession planning from time to time.

Board induction, training and development

On joining the Board, all Non-Executive Directors participate in a formal induction programme. The programme is monitored by the Chair (other than in relation to his own induction, which is guided by the Senior Independent Director) and is the responsibility of the Company Secretary. Its purpose is to ensure that each newly appointed Non-Executive Director is able to contribute to Board discussions as quickly as possible.

While each induction programme is tailored to the individual Director's needs based on their skills and experience, typically each programme provides new Directors with insight into the Group's strategy, culture and operations and informs them about the governance and compliance processes and procedures we operate. In 2022, the induction programme for our two new US-based Non-Executive Directors, Kim Lody and Sharon O'Keefe, included meetings with our corporate law firm who provided comprehensive training on UK company law and the Code.

During the year Freshfields Bruckhaus Deringer also provided the Board with directors' duties refresher training and an update on governance and regulatory matters. The Board also received updates and training from the Group's senior management and external advisers covering a range of topics.

We continued to evolve our training programme and, in particular, its scope was expanded to include training from external advisers to both the Remuneration and Audit and Risk Committees. Training focused on matters specific to their respective committee activities, including corporate governance updates, executive remuneration, corporate reporting and audit updates.

All Directors have access to the advice and services of the Company Secretary and, through her, have access to independent professional advice in respect of their duties, at the Group's expense.

Committee evaluation

The Committee conducted an evaluation of its performance in the form of a detailed questionnaire facilitated by an external provider, Lintstock, the results of which were highly rated overall. Matters identified for attention in 2023 are set out under 2023 Priorities on page 123.

Copies of all appointment letters are available for inspection at the Company's registered office.

On behalf of the Nomination Committee.

Dr John McAdam CBE
Chair of the Nomination Committee
8 March 2023

Audit and Risk Committee report

A word from the Chair

"I am pleased to see the progress that has been made to simplify and deliver on environmental matters, resilience, risk management and control."

Margaret Ewing
Chair of the Audit and Risk Committee

COMMITTEE INTRODUCTION AND OVERVIEW

COMMITTEE MEMBERSHIP, MEETINGS AND ATTENDANCE

The table below shows Committee members and the number of meetings attended out of the number of meetings members were eligible to attend during 2022.

Director	Member since	Attended
Margaret Ewing (Chair)[1]	August 2017	7/7
Brian May	March 2020	7/7
Heather Mason	September 2020	7/7

1 Ms Ewing was appointed Chair of the Committee on 28 June 2019.

The biographies of the Committee members on pages 110 and 111 outline the members' collective wide finance, audit, risk management and relevant sector and business experience, enabling the Committee to provide constructive challenge and support to management and the auditors. In accordance with the Code, the Board has determined that Margaret Ewing and Brian May have recent and relevant financial experience and is satisfied that the Committee has competence relevant to the sector and its overall responsibilities.

The Deputy Company Secretary attends meetings as Secretary to the Committee. Other regular attendees, at the invitation of the Committee, include the Chair, CEO, CFO, General Counsel & Company Secretary, VP Group Financial Controller & Transformation, VP Internal Audit & Enterprise Risk and external audit partners.

During the year, the Committee periodically met without others present, and also held separate private sessions with the CFO, VP Internal Audit & Enterprise Risk and the external audit partners.

KEY NUMBERS

Meetings held

7

(2021: 7)

Attendance

100%

(2021: 100%)

ACTIVITY HIGHLIGHTS

- Review of key judgements and estimates, adjusted measures and disclosures in respect of the 2022 financial statements
- Consideration of the withdrawal from hospital care and related industrial sales and associated restructuring
- Monitoring of progress and improvements in ESG reporting, including development of targets and compliance with TCFD requirements
- Review of risks and initiatives to improve operating resilience

2023 PRIORITIES

- Commissioning an independent assessment of the maturity and effectiveness of cybersecurity and data privacy activities to complement the Committee's expertise
- Ensuring the focus of the Internal Auditor is aligned to the Committee's priorities and concerns regarding risk across the Group
- Externally benchmarking the governance approach to ESG to enhance the Committee's ESG-related oversight and responsibilities
- Reviewing the future finance model and its role in delivering the simplification agenda

KEY AREAS OF RESPONSIBILITY

The Committee's principal responsibilities are to oversee and provide assurance to the Board on:

- The integrity and quality of financial reporting
- Effectiveness of audit arrangements
- Robustness and effective operation of internal controls, compliance and risk management processes
- TCFD and ESG metrics and data reporting

The role and responsibilities of the Committee are set out in the terms of reference (available on the Company's website) which were reviewed and updated by the Committee in March and October 2022 to reflect changes in the relevant legislation and regulations and recommended good practice.

Dear Shareholder

On behalf of the Board, I am pleased to present the 2022 Audit and Risk Committee Report. This report is intended to provide shareholders and other stakeholders with an insight into key matters considered in 2022, together with how the ARC has discharged its responsibilities and provided assurance on the integrity of the 2022 Annual Report and Accounts. It is our responsibility to ensure the financial and non-financial information published by the Group appropriately presents its activities to all stakeholders in a way that is transparent, useful and understandable and is aligned with the latest guidance and requirements of regulators and other relevant bodies. In addition, the Committee's fundamental priorities include ensuring the quality and effectiveness of the external and internal audit processes and monitoring the management of the principal risks and effectiveness of the internal controls of the business.

During the year, management undertook a strategic review of the Group to ensure that we can continue to serve, support and innovate to benefit the people who rely on our products and services in chronic care sectors. This led to the announcement of the withdrawal from the hospital care activities and related industrial sales business. In addition, risk management became an area of increasing focus as a result of recent and ongoing global events, including their inflationary implications. Building on the timely business response to recent issues, the Committee welcomed the management initiative to develop a rapid response team to provide a balanced and consistent approach to business continuity in readiness for future events. In planning the Committee's agenda, we took account of management's areas of focus and any consequential significant issues and operational, compliance and financial risks likely to have an impact on the Group's financial statements.

Throughout 2022, we have ensured: the key challenges and risks faced by the Group were reflected in the external and internal audit plans; effective controls remained in place; changes in the Group's principal and emerging risks were identified and effectively managed; ongoing compliance with all regulatory and legal obligations; and sound financial judgements and estimates continued to be made.

During 2022, I have maintained regular dialogue with my fellow members of the Committee, the CFO, other members of management (financial, legal and commercial) and the Vice President of Internal Audit & Enterprise Risk Management, including meeting with 'agenda topic owners' prior to Committee meetings, ensuring the Committee would be provided with the necessary information to enable it to guide, challenge and advise and, when required, make informed decisions. I also met regularly with the lead partners from Deloitte, the external auditor, as part of my ongoing review of their effectiveness.

To help the Committee meet its oversight responsibilities, several knowledge sessions were held during 2022 on key areas including cybersecurity, data privacy, financial and IT general internal controls (and related improvement programme) and proposed regulatory reform. In addition, the Committee was delighted to visit the Global Business Services (GBS) centre in Lisbon, to gain insight into the operations which were set up in 2020 as part of Convatec's transformation and simplification programme. In 2023, we will continue to review progress in the GBS as additional geographies and activities are transitioned to it, processes mature, and as we prepare for the changes in corporate governance and regulatory requirements.

Despite offering to be available for meetings, no direct meetings with Convatec shareholders were held during 2022, with the exception of regular interactions with Sten Scheibye, Novo's representative, and a Non-Executive Director. During 2023, I will seek direct engagement with key investors on financial reporting, risk and assurance planning as we prepare for the proposed corporate governance changes in anticipation of their implementation for the financial year ending 31 December 2024.

In July 2022, the Chair received a letter from the FRC in respect of its review of the Company's Annual Report and Accounts for the year ended 31 December 2021. The review was based solely on the financial statements without any detailed knowledge of the business or the underlying transactions, and did not result in any specific questions or queries. They did, however, note a number of matters where they believed that users of the accounts would benefit from improvements to certain existing disclosures, including changes to the wording of certain accounting policies, disclosures of tax losses by expiry date and more disclosures on restricted cash, leases and Alternative Performance Measures (APMs). The Committee reviewed management's proposed responses in respect of each matter raised and agreed amended disclosure notes where applicable in the 2022 ARA, having also considered the views of the external auditor.

We welcomed Jonny Mason as CFO and supported him during his induction period. During 2022 Jonny has focused on simplifying processes, managing risk and delivering in line with the FISBE strategy. The Committee has developed a very effective, transparent and trusted relationship with Jonny.

I would like to thank my fellow Committee members and all teams involved with the Committee's activities for their contribution during 2022 and their relentless focus on quality, sound judgements, controls and risk in a challenging global environment, politically and economically.

I hope that you find this report informative and responsive to shareholders' and other stakeholders' expectations and can take assurance from the work undertaken by the Committee during the year and planned for 2023.

Audit and Risk Committee report continued

2022 KEY MATTERS

Matters considered at the meetings are set out on pages 129 to 135.

The Committee meeting agendas are tailored to ensure that emerging topics are included and to allow for ad hoc discussion and reviews.

A summary of the Committee's activities during 2022 and until the date of this report is detailed on the following pages.

Annual review

During the year, the Committee members and regular attendees (including the internal and external auditors) undertook an evaluation of the Committee's effectiveness. An external provider, Lintstock, prepared (with input from the Committee chair and Deputy Company Secretary) and provided participants in the evaluation with a questionnaire (different questionnaire for Committee members to that provided to other evaluation participants). Lintstock also collated and summarised the responses, but without drawing conclusions. The findings and proposed responses were discussed initially by the Committee and then shared with the Board. Overall, it was concluded that the Committee continued to perform very effectively and had addressed its key priorities and action plan for 2022, with priority areas of focus for 2023 also identified.

The significant operational and financial issues and risks which may impact the Company's financial statements, internal controls and/or delivery and execution of the Company's strategy were considered by the Committee when planning its agenda and reviewing the audit plans of internal and external auditors. The Committee used its collective expertise to challenge the approach and judgements made by management in the accounting treatment and valuation of financial matters, and the resulting disclosures. The Committee also considered these issues with the external auditor, reviewing reports outlining work performed, and any issues identified, together with consideration of the risk of management override of controls. A summary of the significant areas of audit focus, as described in the Auditor's Report on pages 232 to 240, plus additional areas of key focus by the Committee is outlined below.

Following considerable discussion and review of each significant accounting judgement with management and the external auditor, the Committee was satisfied that there were relevant accounting policies in place in relation to these significant issues and that management had correctly applied these policies and exercised reasonable judgement.

Financial reporting

OUR ROLE

Integrity of the published financial information

Review and challenge judgements, estimates and policies

Advise Board on fair, balanced and understandable

Review appropriateness of the going concern and viability statements

SCOPE OF REVIEW BY THE COMMITTEE

Significant audit risks and accounting judgements

- Interim and full-year results statements, prior to recommendation to the Board for approval, together with supporting reports from CFO and VP, Group Finance Controller highlighting all key judgements and estimates
- External auditor reports to the Committee at each Committee meeting, regarding audit plan and progress in implementation, interim review and full year audit
- Final draft 2022 ARA, the external auditor's and management reports on all key judgements
- Appropriateness of going concern and viability assessments, including basis of preparation and management reports on all key judgements, risk scenarios and underlying assumptions, supporting analysis and evidence
- Acquisition papers and related accounting treatments and judgements, including assessment of earn-outs and impact on the recognition of deferred tax, particularly in respect of the acquisition of Triad Life Sciences
- Accounting treatment and provisions for the costs and contract breaches associated with the closure of our facility in Belarus alongside the discontinuation of associated Russia activities
- Policy for APMs and review of proposed adjusting items for rationale to be considered as non-recurring items
- Group's treasury policy, regular treasury activity and funding status updates, funding strategy and debt covenant compliance at relevant reporting dates
- Group's key tax risks, effectiveness of related controls and mitigations and tax transparency agenda, including the Company's published Tax Strategy Statement, subsequently approved by the Board
- Estimated effective tax rates applied in interim and full-year financial statements, judgements and disclosures in respect of underlying key tax issues/risks
- Progress of the Finance Transformation programme, the implementation of the target operating model and the standardisation of activities transitioned to GBS
- Monitoring of the continuing effectiveness of internal controls and the internal control framework improvement programme

KEY MATTERS IN 2022

Key matter	Issue	Action taken by the Committee and outcome/future actions
Acquisitions and Investments	As reported on pages 213 to 215, the Group acquired Triad Life Sciences (now Advanced Tissue Technologies or ATT) in March 2022 for an initial consideration of $125.3 million, with potential further contingent consideration of $325.0 million based on two short-term milestones and the performance during the first two years post-completion. The two short-term milestones were both achieved in 2022 resulting in payments of $50.0 million. The valuation of the contingent consideration has been identified as a key estimate. Key inputs used in calculating the fair value of the contingent consideration include a weighted probability of different scenarios and revenue projections based on latest available internal forecasts, discounted using an appropriate discount rate. Management engaged a third-party valuation specialist to calculate the appropriate discount rate to use in calculating the $130.8 million discounted fair value of the remaining contingent consideration at 31 December 2022. The potential range of discounted outcomes with the next financial year is between $85.2 million and $230.8 million. In respect of the acquisition of Cure Medical in 2021, there is total potential contingent consideration of $10.0 million, which is based on post-acquisition performance targets and due to be paid within three years of the acquisition date. As at 31 December 2022, the discounted fair value of the contingent consideration was $9.2 million (2021: $3.1 million), with the increase arising as a result of good performance during 2022 together with the latest financial forecasts, and the unwinding of the discount during the year. In May 2022, the Group invested $30.7 million in preference shares of BlueWind Medical Limited, inclusive of transaction costs. The equity investment is held at fair value in the Consolidated Financial Statements, with any changes in fair value taken to Other Comprehensive Income. Management engaged with a third-party valuation specialist to calculate the fair value at 31 December 2022, which has not changed since the date of investment.	The materiality of the acquisition of Triad Life Sciences poses a significant financial risk related to the accounting for this transaction. To address this risk, the Committee compared the performance of Triad Life Science's latest forecasts with the assumptions in the acquisition business case, considered the work undertaken by the external valuation experts and discussed with Deloitte the results of their audit of the transaction accounting. The Committee reviewed and challenged the key drivers of the valuation of intangible assets identified, the fair value uplift of inventory acquired and the resulting value of goodwill. The Committee also ensured that the implications of the potential maximum consideration were reflected in management's going concern and viability assessments. The Committee reviewed the basis for determining the increase in the contingent consideration liability related to Cure Medical and concluded that it was appropriate. In respect of BlueWind Medical, the Committee considered the audit work performed by Deloitte and the conclusions of the external valuation experts. The Committee discussed these key judgements with the auditors and considered the results of their audit review, including the conclusions of Deloitte's valuation experts, and ultimately considered that the accounting for acquisitions and investments was appropriate.
Withdrawal from hospital care and associated industrial sales business	The withdrawal from hospital care and the associated industrial sales business has resulted in management making assumptions related to the costs of a plant closure, restructuring of other impacted businesses and operations and the impact of the contractual commitments to customers in many markets across the globe.	The Committee reviewed the estimates and incurred closure costs throughout the year, with particular attention paid to those unspent at year end and carried over as a provision. The judgements taken on items estimated due to uncertainty were scrutinised and challenged with management and discussed with the external auditor. Management ascertained that the withdrawal costs are a non-recurring item and consequently should qualify as an adjusted item. The Committee carefully reviewed the non-recurring nature of the various related costs, and their consideration as an adjusted item. The Committee concluded that, given the status of the withdrawal from these businesses at the reporting date, the provisions were sensible and the costs treated as adjusted items were categorised appropriately.

Audit and Risk Committee report continued

Key matter	Issue	Action taken by the Committee and outcome/future actions
APMs	APMs are disclosed to enable the reader of the financial statements to form a balanced view of the ongoing prospects of the Group. Non-recurring items impacting the financial statements are adjusted in order to reflect the results of the ongoing business.	The Committee reviewed all proposed adjusting items in detail, ensuring that they are consistent with the policy and challenged the treatment of proposed new adjusted items. The Committee requested additional detail in respect of a number of new costs proposed as adjusting items, particularly in respect of the strategy and plans that give rise to such costs. The Committee concluded that the adjusted items were in accordance with the policy, and that a reconciliation to cash conversion had been included as per the recommendation in the recent letter from the FRC. The Committee will review the APM policy in early 2023 to ensure that it continues to appropriately allow the performance of the underlying ongoing business to be reflected as management implements the FISBE 2.0 strategy.
Management override of controls	There is a risk of management bias and influence on key judgements which may materially impact the financial statements.	The Committee reviewed the internal control framework and its operating effectiveness, in conjunction with the progress by the Fraud Risk Committee on the identification and mitigations of fraud risk. The Committee has reviewed key judgements relation to the exit from hospital care and the acquisition of Triad Life Sciences and considered whether there were any indicators of management bias. The Committee also considered the work of the external auditor who confirmed that they had not identified areas of material management bias or concern over key judgements and consolidation entries. The Committee considered they had been provided with assurance that no material override of controls had occurred.

OTHER IMPORTANT ACCOUNTING AND DISCLOSURE JUDGEMENTS

The Committee considered the key risks, facts and judgements for the following areas:

Matter	Action taken by the Committee	Outcome/future actions
Going concern and viability statements	The Committee reviewed the appropriateness of the going concern basis of accounting in preparing the interim and full-year financial statements and assessed the longer-term viability of the Group in accordance with the requirements of the Code. In reaching its view, the Committee considered the process and methodology adopted by management and the principal and emerging risks and their potential impact, and also challenged the appropriateness of the three-year viability period. The forecasts, stress test scenarios, including the underlying scenario assumptions and the reverse stress test, were reviewed and assessed against the Group's financing facilities and covenants. In addition, the Committee obtained a summary of external views from analysts and other industry commentators, to understand the wider market views on the Group's future financial performance and viability, and the external auditor's findings and conclusions on this matter. The Committee also considered the adequacy and accuracy of the disclosures in the 2022 ARA in respect of the Group's ability to continue as a going concern and its future viability.	Following this thorough assessment, the Committee recommended additional assumptions related to a significant cyber incident scenario and sanctions being applied to certain geographies in response to the macroeconomic market distress scenario. Having taken these recommendations into account, the Committee considered the scenarios applied were severe but plausible and the extent of the analysis made by management to be appropriate and recommended the viability statement and related disclosures and the going concern statement to the Board for approval and inclusion in the 2022 ARA.
Recognition of US deferred tax assets (DTAs)	The Committee reviewed the revised position, following the acquisition of Triad Life Sciences, in relation to the recognition of DTAs in respect of US tax losses. The Committee sought explanations as to how the acquisition of Triad Life Sciences gave rise to new deferred tax liabilities which provided a justification for additional recognition of the Group's DTAs in the US. The Committee considered the assessment and conclusion of the external auditor.	The Committee agreed with management's proposal for additional recognition of US DTAs in light of the new deferred tax liability profile arising from the acquisition of Triad Life Sciences.

Matter	Action taken by the Committee	Outcome/future actions
Dividends and distributable reserves	The Committee reviewed the analysis of realised distributable reserves and the availability of liquidity, including the effect of sensitivities aligned to the viability statement. The Committee considered the proposed dividend with reference to the proposed enhanced dividend and distributable reserves requirements of the Government's proposals (in response to the BEIS consultation on corporate governance reform).	The Committee concluded that it was able to advise the Board that there were sufficient realised distributable reserves and cash resources to enable the Board to approve the 2022 interim and final dividends.
Operating segment reporting	The Committee considered management's assessment to support the position that, for the purposes of financial reporting, no triggers have been identified that contradicted the view that the Group's business should be treated as a single segment entity. Management's assessment concluded that the CEO continues to be the Chief Operating Decision Maker, and the business continues to operate in a matrix structure. Financial information in respect of revenues is provided to the CEO for decision-making purposes, both on a category and key market basis, with the primary focus of financial reporting based on the consolidated Group results.	With reference to IFRS 8, the Committee noted the resource allocation continues to be driven with the support of global functions and Centres of Excellence, and consequently agreed with management's view that the Group should continue to report as a single segment for the purposes of the disclosures in the 2022 ARA. The Committee will continue to review the appropriateness of the single-segment approach as the Group completes its pivot to the new operating model and improvements are made to the internal management reporting process, including allocation of central costs.

DISCHARGE OF OTHER KEY AREAS OF RESPONSIBILITY

Throughout the year, the Committee addressed its other key areas of responsibility contributing to its ability to provide assurance to the Board that it could conclude on the effectiveness of the Company's internal controls, compliance, fraud prevention and risk management processes throughout the year.

Our role	Items reviewed	Outcome/future actions
Enterprise risk management and insurance • Assist the Board to establish and articulate overall risk appetite, oversee specific risk exposures and mitigations and ensure Group is operating within the Board's risk appetite • Ensure a robust assessment of principal and emerging risks has been undertaken, with effective mitigations and controls established • Monitor the policies and process for identifying new, emerging and existing risks, and effectively managing their impact on the Group • Review effectiveness of the Company's risk management systems and processes • Review of the annual insurance renewal strategy and programme to assess coverage of insurable risks across the Group	• Principal and emerging risks, including the interim and full-year risk management statements and disclosures • Update to the risk management policy • Effectiveness of the Group's risk management processes • Progress in improving the risk management framework and reporting • Updates on the management of cyber and data privacy risks • Proposed risk appetite for subsequent consideration and approval by the Board • Support to evidence the Group had operated within the Board-approved risk appetite and the Group's strategy and three-year strategic plan were consistent with the Group's risk appetite • Viability of the Group over the next three years considering severe but plausible scenarios of impact of the Group's principal risks • Annual insurance renewal programme, subsequently approved (other than Board-approved Directors' and officers' liability insurance) • Monitoring of the implementation of additional resilience uplift programmes across the Group in response to insurance programme reviews and recommendations	The Committee noted the continued improvements to the risk framework following the refreshed approach initiated in 2019, including the way in which risks are identified, managed and reported to CELT, the Committee and the Board. The Committee supported the elevation of the political and economic risk given the external global events (including the implications of significantly increased inflation and interest rates). The Committee reviewed the progress in implementing improvements to the management of cyber and data privacy risks, on a quarterly basis, and the results of the oversight survey conducted in 2022. The Committee concluded that, despite some slippage in management's cyber risk strategy implementation, good progress had been achieved, including improved cyber defence capabilities and improvements in the IT controls and risk profile. The Committee reviewed the proposed insurance renewals programme, and scrutinised areas where the extreme total loss scenario exceeded the maximum insurable loss. The Committee was encouraged by the plan to strengthen the enterprise risk management process and continued investment in capital and operational programmes which enhance our business resilience, and to develop a rapid response team to respond to incidents in order to manage certain risks leading to the potential reduction in the cost of insurance cover. The Committee requested a knowledge-sharing session covering the Group insurance programme prior to the renewal in 2023 and a review of alignment between insurable risks and insurance policy cover.

Audit and Risk Committee report continued

Our role	Items reviewed	Outcome/future actions
Internal controls • Promote and review sound risk management and internal control systems over financial, operational and compliance processes • Review the effectiveness of internal controls	• Quarterly updates of management's self-attestation of compliance with the Group's financial control framework, including details of control failures (all immaterial during 2022), their remediation and the independent reviews by the Group Financial Control function • Deep dive on the updated internal control framework and the controls improvement programme • Internal audit reviews of financial and operational controls in a number of countries and businesses with agreed remediation plans (compliance controls are discussed below) • Reports from the external auditor on control weaknesses identified during their audit	The Committee reviewed the proposals to refresh the financial control model to focus on risk and requested a deep dive to understand and challenge the new internal control framework (see case study). The Committee is pleased to note the improvements in the internal control framework in 2022 and in the results of the self-attestations and independent reviews of control evidence. Based on the deep dive and the quarterly updates, and the reports from the internal and external auditors, the Committee noted that the Group's internal controls and risk management processes were monitored throughout the year, with no control failures that could have a material impact on the Group's financial statements. and mitigating actions taken until control failures were remediated.
Compliance, including whistleblowing and fraud • Review the Group's codes, policies, systems and controls in respect of fraud, bribery, corporate conduct and regulatory and legal compliance	• Reports on the global compliance programme, monitoring processes, compliance control testing, issues, and litigation matters from the Deputy General Counsel and the Global Chief Compliance Officer • Reports on the cases raised via the confidential Compliance Helpline for employees and certain third parties to report misconduct or policy deviations with analysis of the volume of cases triaged, investigated and resolved by the Office of Ethics & Compliance, and a summary of the subject matters, locations and disposition of whistleblower matters and any consequent enhancements to our non-retaliation policy • Updates on the global business risk assessment review focusing on commercial relationships performed by the Office of Ethics & Compliance, supported by Internal Audit • Updates on the fraud risk assessment and the development of the fraud risk management framework and associated control programme managed jointly by the respective Vice Presidents for Internal Audit & Enterprise Risk Management and the Office of Ethics & Compliance and Group Financial Control	The Committee considered the results of the global business risk assessments across a number of key global markets that determined the overall existence of an ethical business culture; however, targeted enhancements to certain third-party business partner relationships were required. Executive leadership is continuing to further develop corporate culture throughout the Group and to ensure adherence to global policies and procedures. In addition, the Committee noted positive compliance culture results from the high-level risk assurance initiative in which ten compliance risk areas are self-evaluated by key business leaders and tested by the Office of Ethics & Compliance in partnership with Enterprise Risk Management, and in which most improvements related to resource management. The Committee was pleased to note the ongoing development of the global fraud risk programme to monitor fraud risk effectively across the Group, and the implementation of the associated controls programme. The Committee continues to monitor our compliance culture across the Group with strong focus on markets which have an enhanced perceived corruption index risk score.

CASE STUDY: INTERNAL CONTROL

The Group implemented a global internal control programme in 2019 to support the Directors' related statements in the Annual Report and Accounts. Aligned to COSO, the framework is primarily focused currently on financial reporting risks and comprises the key elements, including Entity Level Controls, controls over the financial processes and IT general controls over the financial systems, and is supported by a control monitoring programme including self-assessments, independent assessments and quarterly updates to the Committee. In 2022, the framework was refreshed to provide a focus on risk, including the introduction of a lighter framework for the smaller operating entities, with controls more closely aligned to the financial reporting 'close' process.

In October, the Committee requested a knowledge session to understand the refreshed control framework, including the monitoring and assurance processes, to provide the basis for the Directors' statement in relation to internal control, and to assess the readiness of the Group for the forthcoming proposed FRC-related changes to the Code.

The Committee noted that the high level of operating effectiveness, recorded by the self-assessment process, was supported by the monitoring process by the Financial Controls team, with a significant improvement in the quality of controls evidence.

The Committee was assured that the recent development towards a more risk-focused controls framework had been appropriate and that the proposed roadmap to extend the internal control framework to manage additional risks (e.g. non-financial data) to address the BEIS requirements was achievable. The Committee will review the assurance of the internal control programme in the light of BEIS guidance in 2023.

Our role	Items reviewed	Outcome/future actions
Regulatory compliance – ESG and TCFD • Review and approve the TCFD disclosures and oversee the Responsible Business report (pages 40 to 87) • Approve the appointment of Deloitte as the ESG assurance partner and review their report	• Progress on the enhancements to the ESG governance and framework, to enable compliance with the increasing stakeholder and regulatory reporting disclosure requirements • The disclosure benchmarking assessment against other listed groups and sector peers • Results of the Scope 3 emissions materiality study and the strategy to develop Scope 3 science-based targets • Monitoring of the progress to develop scenario analyses of climate-related physical and transition risks and opportunities	The Committee remained focused on ESG and TCFD reporting during 2022, providing challenge to management to meet the increasing reporting requirements and stakeholder expectations and develop quantitative targets. The Committee is encouraged by the significant progress made during 2022 as environmental targets are developed, and the Group has started to deliver against them. The Committee will continue to monitor progress and ensure that robust plans and roadmaps are in place to meet the commitments and targets. The Scope 3 materiality study findings were reviewed and assessed by the Committee as a key building block to developing and committing to science-based targets in 2023. The Committee will continue to monitor progress on how the Group works with its suppliers to develop and deliver Scope 3 reduction targets going forward. The appointment of an independent expert adviser on key ESG topics was approved by the Committee to assist with the development of quantitative targets and initiatives to meet these targets, as well as the response to the ongoing development of reporting requirements. The Committee approved the appointment of Deloitte as ESG assurance partner, after considering that it did not impact on their independence as external auditor.

THREE LINES OF DEFENCE

The three lines of defence model summarises the roles and responsibilities for our internal control framework around the Group to ensure that the financial statements are free from material misstatement.

The Board: Ultimate responsibility for internal control

Audit and Risk Committee: Oversight of internal control framework

Tax, Treasury and Finance Committee: Oversight of tax and treasury matters and liabilities

Senior management: Delegated responsibility for internal control

Risk ownership

Business operations

- Identify, assess and manage financial risks on an ongoing basis, including maintenance and operation of the internal control framework to mitigate key risks
- Self-assess on operating effectiveness of key controls through the control monitoring programme.

1st line of defence

Challenge

Group financial control and IM governance, risk and control

- Support the business in their financial risk, IT risk and control management including setting relevant policies, reviewing the risk assessment, advising the business on controls and establishing the key controls
- Report on the operating effectiveness of the control framework (self-attestation and controls monitoring including reviewing the quality of control evidence on a sample basis).

2nd line of defence

Assurance

Internal audit

- Provides independent assurance over the design and operating effectiveness of the Group's Internal control framework.

External audit

- Reviews controls relevant to the external audit approach and report to management on control improvements.

3rd line of defence

Audit and Risk Committee report continued

Our role	Items reviewed	Outcome/future actions
Internal audit • Monitor and review the role and effectiveness of the internal audit function, ensuring the internal audit plan is aligned to the key risks of the business and that the function is able to provide support and assurance to the Board, Committee and management in the execution and delivery of the Group's strategy and transformation and effectiveness of its internal controls and processes	• Annual internal audit plan, resourcing and budget, subsequently approved • Reports summarising conclusions and recommendations made following internal audit and progress of implementation of agreed management actions • Effectiveness of the Group's internal audit function and processes	The Committee considered the results of the audits conducted during the year (particularly any emerging themes of concern) and approved changes to the audit plan to reflect changing circumstances or risks. The Committee approved the proposed 2023 internal audit plan, which had been prepared adopting a risk focused approach, using the Group's principal and emerging risks as a base. In December, the Committee undertook an assessment of the effectiveness of the internal audit function, including obtaining feedback from CELT members and other relevant Management to understand if they feel that they are receiving the assurance they need on the key risks communicated by the VP Internal Audit & Enterprise Risk Management directly with the CELT. Both management and the Committee concluded that the quality and effectiveness of the internal audit function continued to improve in 2022. Looking forward to 2023, the Committee will ensure that the internal auditor function remains independent, whilst responding to the 'pull' from management for increased support and audits, providing independent assurance across an appropriately balanced portfolio of audits covering financial controls and processes and key areas of risk, with some advisory support, particularly to assist the Group in improving its second line of defence capabilities. The Committee will also review the scope of assurance to be obtained from internal audit as the Audit and Assurance policy is developed in line with the expected changes to the corporate governance regulations.

Our role	Items reviewed	Outcome/future actions
Regulatory developments • Monitor the development of regulations relating to ESG, TCFD, climate change, audit and corporate governance, FRC and FCA reporting requirements • Consider management's preparedness to adopt the changing requirements	• Briefings and discussion on the Government's and FRC's responses to the BEIS Audit and Corporate Governance reform proposals • Review of the internal plan to develop and adopt the new requirements within the Group • Review of developments in ESG and TCFD requirements • Review of management's assessment of thematic reviews issued by the FRC during 2022 (including ESEF requirements)	The Committee requested a briefing from the external auditor regarding the status of the BEIS proposals following the Government response to the "Restoring trust in audit and corporate governance" consultation and the auditor's views on the group's key challenges in implementing the likely reforms and the appropriateness of management's implementation plans. Although the many requirements still lack clarity, the Committee was satisfied that the current plans (to focus on no-regret actions, which improved the control environment of the Group) were appropriate to enable the relevant teams to progress, whilst monitoring further guidance as it is released.
Treasury • Provide oversight of the treasury function • Review activities of the treasury function including the status of the treasury instruments, the indebtedness of the Group and compliance with covenants within its debt instruments	• Review of the proposed (and subsequently completed) refinancing of the Group's bank facilities • Monitoring of the implementation of the treasury management system • Group's treasury policy (approved) and review policy compliance at relevant reporting dates	The Committee reviewed the proposed refinancing and recommended it to the Board for approval. The Committee reviewed compliance with covenants and other conditions of financing arrangements. The introduction of the Treasury, Tax and Finance Committee was considered by the Committee to be a key development to align these key finance disciplines, and will lead to improvements to governance, control and risk mitigation.
Tax • Provide oversight of the tax function • Review the key aspects of taxation, including compliance, accounting judgements, reporting, tax strategy and the external reporting requirements of regulators and tax bodies	• Global tax strategy • Company's published tax statement, which was subsequently approved by the Board • Tax rates applied in the interim and full-year financial statements • Judgements and disclosures in respect of underlying key tax issues • The Group's key tax risks, effectiveness or related controls and mitigations and tax transparency agenda	The Committee considered the Group's tax risk profile in light of tax authorities around the world undertaking an increasing number of tax audits in respect of all companies, requirement for greater transparency and new tax legislation in jurisdictions where the Group has presence and was satisfied that the Group manages its tax affairs carefully, ensuring that we operate within our tax risk appetite. The provision for uncertain tax positions was reviewed by the Committee and considered to be in line with the requirements of IFRIC 23. The Committee was concerned with the significant changes in the actual and effective tax rates to be applied during the year compared to the guidance previously shared, and requested a detailed explanation. The Committee was satisfied with the analysis of the tax position by management demonstrating the impact of the Triad Life Sciences acquisition on the US deferred tax liability.

EXTERNAL AUDIT

Audit process

The Committee is responsible for overseeing the relationship with the external auditor, the audit process and, most importantly, the effectiveness and quality of the audit. The following table summarises the steps taken by the Committee in overseeing the effectiveness of the 2022 audit and its quality.

Significant matters for review	Decisions and actions taken by the Committee
The annual audit plan and strategy including the scope of the audit, changes in approach and methodology, emerging industry and Group-specific risks and change in the audit leadership team	Reviewed and challenged the proposed audit plan, and agreed the addition of the accounting for the acquisition of Triad Life Sciences as a significant risk due to the judgements associated with the contingent consideration, and the removal of revenues as a significant audit risk. Challenged the structure of the audit to centralise certain audit activities in Lisbon to leverage the Group's GBS operating model and simplify the management of the audit.
Materiality level for audit including Group materiality and component materiality	Reviewed methodology and agreed a higher level of materiality for 2022. In reaching this conclusion the Committee agreed with the auditor that the methodology applied in 2021 (based on improved forecast profitability) remained appropriate and should be adopted.
Audit fee and terms of engagement	Approved the audit fee and terms of engagement, ensuring no impact on scope of audit or quality of resource engaged due to the agreed fee level. The Committee noted that the regulatory change ISA 315 (Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment) and resource inflation had an impact on audit cost. Deloitte has also been engaged to provide limited assurance on ESG data in 2022.
Audit scope and risk assessment	Further to the challenge by the Committee in 2021 to align to the Group strategy, all 12 of the Group's focus markets were in audit scope - five were subject to full scope audit procedures, four had the material components subject to specified audit procedures, and three were subject to local statutory audits by Deloitte, with desktop reviews undertaken by the central audit team. Deloitte undertook a thorough risk assessment process to identify the three areas of significant audit risk and other areas of audit focus. The Committee sought an explanation for the change in emphasis and particularly the downgrading of risks considered significant in 2021 and agreed with Deloitte's proposals. The Committee did not identify additional risks that could materially impact the consolidated financial statements. Having considered the proposed audit scope, risk assessment and materiality level, the Committee approved the 2022 audit plan and subsequent changes to certain aspects of the plan to reflect the Group's performance.
Audit findings, significant issues and other accounting judgements	Discussed with Deloitte and management throughout the year, and particularly during the year-end audit.
Deloitte's independence, objectivity and quality control procedures	Independence and objectivity confirmed and quality control procedures reviewed (see below).

Audit quality and effectiveness

The Committee is very focused on audit quality and effectiveness, ensuring the rigour and challenge of the external audit process are maintained. The Committee sought to ensure the objectivity and quality of the external audit throughout the year by meeting regularly with the audit partners (with and without management present) and considering the quality and clarity of the auditor's communication with management, the Committee and the Board, both orally and written. The Committee formally reviewed the quality and effectiveness of the external audit in December, taking into consideration management's conclusions. The formal review process and key areas of focus are outlined in the diagram on page 137.

In particular, the Committee assessed the depth of review and the level of challenge provided by the external auditor over the significant accounting policies applied and the judgements and estimates made by management. An example of where the Committee observed the external auditor to demonstrate both professional scepticism and a challenge to management was in relation to the valuation of the provisions associated with the withdrawal from hospital care. The external auditor discussed the basis of the estimates for the provisions with key stakeholders and was eventually satisfied with the provisions recognised. The Committee also considered the summary of the issues raised by the FRC from their Audit Quality Inspection of the external auditor, how the issues identified impact the audit of the Convatec Group, and the actions being taken by the external auditor to address the issues raised. The Committee was pleased with the introduction of a new key audit partner, with specific experience of auditing groups with global business services facilities and noted his responsibility for leading the GBS-based audit activities.

The Committee's review concluded that the Company benefited from a capable and knowledgeable senior audit team, that provided the Committee with strong opinions, views and insights, with clear evidence of robust challenge of management and exercise of appropriate scepticism in relation to key audit judgements and estimates, reliable interpretation of evidence provided by management and use of external sources to support their conclusions when appropriate. Overall, the results of the external

PROCESS TO REVIEW EFFECTIVENESS OF THE EXTERNAL AUDITOR

Survey completed by finance leaders → Report of survey responses → Review and discussion by management → Review and discussion by Audit and Risk Committee → Discussion with external auditor and agree actions → Directors' Statement in the ARA

Review and discussion:

Objectivity	Quality and clarity of communication
Level of challenge over policies, judgements and estimates	Capability and understanding of the business

audit quality and effectiveness review and the evidence gathered by the Committee during the year confirm that Deloitte's audit process and procedures were appropriate and effective, focused on the areas of greatest risk and that the audit team provided an effective, robust and objective challenge to Group management. Based on the Committee's conclusions, we recommended to the Board that Deloitte be proposed for reappointment by shareholders at the AGM to be held on 18 May 2023.

Audit independence

The Committee ensures objectivity and independence of the external auditor through the policy on the provision of non-audit services, which is compliant with the Revised Ethical Standard (2019 ES). The policy requires non-audit engagements performed by the external auditor to be approved by the Committee. Permissible services are subject to a fee cap of 10% of average audit fees billed to the Company by the auditor in the past three financial years. The Group was compliant with the policy in 2022, when non-audit fees principally related to the interim review of the Group's half-year unaudited financial statements. A summary of fees paid to the external auditor is set out in Note 3 to the Financial Statements.

In addition, the Committee's review of the independence of the external auditor included:

- Confirmation to the Directors from Deloitte that they remained independent and objective within the context of applicable professional standards
- Monitoring the tenure and rotation of the lead and engagement partners. Claire Faulkner rotated into the role of lead partner in 2021 and the Committee is very happy for her to continue in this position for the next three years. After completing the permissible seven years' service on the Group's audit this year, Dawn Harris will hand the role of engagement partner to David Holtam for 2023, who will also continue leading the GBS audit
- Monitoring the tenure and rotation of other key personnel
- Observing the relationship and tone of communication between management and the auditor
- Deloitte reconsidering and reconfirming their audit independence under 2019 ES given Margaret Ewing's situation as both a former partner of Deloitte LLP and chair of this Committee, with Deloitte and the Committee (excluding Margaret Ewing) concluding that this relationship does not affect the external auditor's independence

The Committee concluded that Deloitte remained appropriately independent in the role of external auditor.

External auditor appointment and engagement tender

At the AGM on 12 May 2022, shareholders approved the reappointment of Deloitte as the Group's external auditor. Deloitte has been the Group's external auditor since the Company's listing in October 2016 and prior to this were the Company's external auditor for the period 2008 to 2016. The Committee recommended to the Board the proposal to reappoint Deloitte as external auditor at the 2023 AGM.

In compliance with the 2014 Order, the Company will undertake an audit tender (not mandatory rotation) during 2024, effective for the 2026 audit. However, the Committee will review this matter annually, taking into consideration the ongoing provision of a high-quality and effective audit, changing regulations and market practice. The audit tender process will be designed to adopt market and best practice and it is anticipated that challenger or second-tier audit firms will be invited to participate along with major audit firms.

Audit and Risk Committee report continued

FAIR, BALANCED, AND UNDERSTANDABLE

The Board is required to provide its opinion on whether it considers that the Company's 2022 ARA taken as a whole are fair, balanced and understandable, and provide the information necessary for shareholders and other stakeholders to assess the Company's position and performance, business model and strategy and key risks that challenge the Group.

To support the Board in providing its opinion, the Committee considered the overall cohesion and clarity of the ARA and assessment of the quality of reporting through discussion with management and the external auditor and the assurance framework, process and controls that were applied in its preparation. This included:

- a verification process dealing with the factual content
- comprehensive reviews undertaken independently by senior management to consider messaging, adequacy of disclosures, compliance with regulatory and legal reporting requirements, and balance
- specific reviews by the Board and CELT in relation to key sections of the ARA and relevant sections of the ARA as audited by Deloitte
- confirmation from management that the assurance framework had been adhered to for the preparation of the 2022 ARA

Committee conclusions and confirmations

Taking into consideration all areas of focus of the Committee during the year and in reviewing the 2022 ARA, including reviewing the supporting detailed topic papers, presentations and reports from management, the Committee is satisfied that:

- The Financial Statements for the year ended 31 December 2022 have been prepared applying appropriate accounting policies and address the critical accounting judgements and key sources of estimation uncertainty, both in respect of the amounts reported and the disclosures made
- The significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged and are sufficiently robust
- The Group's internal controls and risk management processes were monitored throughout the year, with management continuing to implement further improvements in 2023
- The conclusions in relation to critical accounting judgements, significant assumptions and estimates and key valuation assumptions are in line with those drawn by the auditor, having discussed them with the auditor during the audit planning process and at the finalisation of the year-end audit and following robust challenge of both the auditor and management

Consequently, the Committee has confirmed to the Board, in its advisory capacity, that:

- The key accounting estimates, judgements and disclosures within the Financial Statements are appropriate and serve to provide a true and fair view
- The 2022 ARA, overall, are fair, balanced and understandable. The Board's statement in relation to this confirmation is included on page 165
- It is reasonable for the Directors to make the viability statement and the going concern statement on pages 98 and 99 and pages 172 and 173
- The Group's whistleblowing and fraud risk processes have operated effectively during the year, with further improvements to be implemented during 2023

The Board is able to provide the statement regarding the effective operation throughout the year of the Group's internal controls and risk management processes in the 2022 ARA.

Margaret Ewing
Chair of the Audit and Risk Committee
8 March 2023

A word from the Chair

Brian May
Chair of the Remuneration Committee

"The Committee completed an extensive consultation exercise in 2022 and would like to thank everyone who participated for their valuable feedback and contribution to shaping our Remuneration Policy proposals."

COMMITTEE INTRODUCTION AND OVERVIEW

COMMITTEE MEMBERSHIP, MEETINGS AND ATTENDANCE

The table below shows the number of scheduled meetings attended out of the number of meetings members were eligible to attend during 2022.

Director	Member since	Attended
Brian May[1]	March 2020	5/5
Constantin Coussios	January 2022	5/5
Kimberly Lody	February 2022	3/4
Sharon O'Keefe	March 2022	4/4
Rick Anderson (member until 3 March 2022)	September 2020	2/2
Regina Benjamin (member until 12 May 2022)	June 2019	2/2

1 Mr May was appointed Chair of the Committee on 1 September 2020

There were three appointments during the year: Constantin Coussios was appointed on 27 January 2022, Kimberly Lody was appointed on 1 February 2022 and Sharon O'Keefe was appointed on 1 March 2022. Rick Anderson and Regina Benjamin stepped down from the Committee due to their resignation from the Board.

The Deputy Company Secretary attends meetings as the Secretary to the Committee. The Chair, CEO, CFO, EVP Chief Human Resources Officer & ESG Stewardship and VP Global Head of Total Rewards & Recognition attend meetings of the Committee by invitation, as does the Committee's appointed adviser. Executives are absent when their own remuneration is under consideration.

KEY NUMBERS

Meetings held

5

(2021: 5)

Attendance

95%

(2021: 100%)

ACTIVITY HIGHLIGHTS

- Ensured the remuneration arrangements for the Executive Directors and CELT members in 2022 continue to support Convatec's sustainable and profitable growth strategy.
- Kept under review remuneration arrangements and outcomes to ensure continued alignment of executive interests with those of other stakeholder groups.
- Completed an annual review of the Committee's terms of reference versus best practice guidelines and completed an annual performance review to support continuous improvement.
- Conducted an in-depth review of our Policy (ahead of being required to put this to a binding shareholder resolution at the 2023 AGM) to ensure that it remains fit for purpose, aligned with our strategy, reinforces our remuneration principles and reflects good practice.

2023 PRIORITIES

- Continue to actively engage with key stakeholders on remuneration matters, as appropriate.
- Implement 2023 Remuneration Policy to deliver competitive and motivational remuneration that reinforces the successful delivery of our stated strategic ambition and alignment with long-term shareholder interests.

KEY AREAS OF RESPONSIBILITY

- Designs, recommends and implements the Company's Remuneration Policy, packages for the Executive Directors and CELT, and sets the fee for the Non-Executive Chair.
- Ensures appropriate alignment of executive remuneration with the remuneration approach across the wider organisation.

In this section you will find
Letter from the Chair of the Remuneration Committee
Pages 140 and 141

Our remuneration at a glance
Pages 142 and 143

Our Annual Report on Remuneration
How we implemented our Remuneration Policy during 2022 and how we intend to apply it in 2023. Pages 144 to 152

Our Remuneration Policy
Pages 153 to 161 set out the updated Remuneration Policy for approval.

LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Dear Shareholder

On behalf of the Board, I am pleased to present the report of the Remuneration Committee for the year ended 31 December 2022. I would like to thank our outgoing Non-Executive Directors Rick Anderson and Regina Benjamin for their service on the Remuneration Committee and welcome our new Committee members Constantin Coussios, Kim Lody and Sharon O'Keefe who joined the Committee on 27 January, 1 February and 1 March 2022, respectively.

Context and approach to remuneration

I would like to start this letter by thanking all our employees for their strong commitment and contribution in the past year. It is only through our employees' impressive performance that we have been able to increase our market capitalisation and enter the FTSE 100 during 2022. Our FISBE strategy continues to be embedded into the organisation and we are set to build on this growth trajectory in 2023. We intend that our new policy proposals will allow remuneration decisions that continue to support the future success of the Company.

Shareholder consultation in relation to 2022 AGM voting

The Remuneration Committee recognises that a minority of shareholders were not able to support the Remuneration Report resolution at the 2022 AGM. In conducting an exercise of engagement with our shareholders we understand that the main point of contention was the Committee's decision to exclude the impact of strategic investments on financial outcomes under the 2019 long-term incentive plan (LTIP) award. These investments were made in support of the FISBE strategy and were not yet known at the time targets for the 2019 LTIP award were set.

The Committee continues to believe that neutralising the impact of these elements on performance was an appropriate reflection of Executive Director impact and shareholder experience. That said, the Committee recognises that shareholders would have preferred a greater level of discussion of this point in the years leading up to vesting.

Going forward, the Remuneration Committee is committed to positive and proactive engagement with shareholders, and shareholders will note that no discretion or judgement has been used to modify the 2020 LTIP vesting this year (see below).

Performance in the year ended 31 December 2022 and implications for remuneration

The Board is pleased with the continued strategic progress of the Group and its strong performance in 2022. The Group delivered 6.9% and 12.2% constant currency revenue and adjusted operating profit growth, respectively. Further details are set out in the Financial review on pages 30 to 38.

Based on performance, the Committee approved payouts under the 2022 annual bonus of 73% of maximum for the CEO and 72% of maximum for the CFO. The Committee reviewed the formulaic bonus outcome in the context of the wider performance of the Group, as well as the experience of our stakeholders, and concluded that there was no need to make any discretionary adjustment.

Over the three-year performance period, our adjusted profit before income taxes (PBT) and total shareholder return (TSR) performance resulted in 77% and 92% of maximum vesting under each metric. This means the 2020 LTIP awards will vest at 81% of maximum. The Committee was satisfied that the vesting outcome under both metrics was appropriate given the Company's superior performance and so no discretionary adjustments have been made.

Committee focus and activities in 2022

Focus areas	Activities
Policy	- Undertook a detailed strategic review of Remuneration Policy - Consulted with investors, representing the majority of the register - Considered investor feedback and amended final Policy proposals to reflect investor guidance
Remuneration packages	- Approved Executive Director and CELT salaries for 2022 - Approved the 2021 bonus outcomes for Executive Directors and CELT - Approved 2022 LTIP award levels for Executive Directors and CELT - Considered the AGM voting outcomes and completed follow up shareholder consultation
Setting performance targets	- Reviewed and set financial targets for 2022 annual bonus and 2022 LTIP, in the context of multiple internal and external reference points for performance over the relevant period
Equity incentives	- Confirmed outcome of the 2020 award cycle - Reviewed developments in the executive remuneration landscape
Workforce remuneration	- Received updates on workforce remuneration policies and practices - Reviewed increases to salary budget in light of the inflationary environment and global living wage levels in all our locations
Effectiveness	- Completed a review of our remuneration advisers and selected Willis Towers Watson - Worked with Willis Towers Watson to complete the review of our Remuneration Policy

Appointment of new CFO

Jonny Mason was appointed as CFO on 12 March 2022, after Frank Schulkes stepped down from the Board on 11 March 2022. Frank assisted the Company through the transition period in the early part of the year and we thank him for his service. As disclosed last year, the Committee determined Frank a 'good leaver' and his remuneration arrangements on departure were in accordance with the Remuneration Policy and plan rules.

Jonny is a seasoned CFO with an extensive track record of transformation and performance. His remuneration package is commensurate with his experience and directly aligned with our focus on sustainable and profitable growth. Jonny's salary was set at £500,000 on appointment with a maximum bonus opportunity of 200% of salary and an annual LTIP award opportunity of 250% of salary. In keeping with its stated commitment, the Committee set the pension allowance for Jonny to align with the wider workforce (currently at 8.5% of salary) from appointment.

Proposed amendments to our Remuneration policy

Since the announcement of Karim Bitar as CEO in March 2019, Convatec has grown its market capitalisation considerably from 129 to 75 in the FTSE at the end of 2022. Convatec has also outperformed the FTSE 350 (excluding investment trust) with TSR growth of 91% compared to 18% from the index over the same period (see page 148). Beyond share price performance, the Group has continued its pivot towards sustainable and profitable growth despite considerable cost inflation and economic headwinds.

In light of the above, and the need to support the next chapter of the FISBE growth strategy, the Committee conducted a thorough review of its Remuneration Policy during 2022. Specifically, the review was based on four key objectives to ensure the new policy:

1. Promotes the Group's strategy of pivoting to sustainable and profitable growth
2. Supports the delivery of long-term value creation for shareholders
3. Ensures we retain high calibre individuals and the ability to recruit top talent in a globally competitive sector
4. Acknowledges shareholder views and evolving best practice governance considerations as well as the Group's wider impact on society

To arrive at its final proposals the Group conducted an extensive consultation exercise with its largest shareholders, covering the majority of the share register as well as a number of proxy voting agencies. Taking into account the feedback received, the following amendments are proposed:

- The alignment of the CEO's pension with that of the wider UK workforce (CFO alignment already in place)
- The introduction of a policy on post-cessation shareholding for Executive Directors
- The increase of the maximum LTIP award from 250% to 300% of salary for the CEO (no change to CFO)
- A selection of changes to the choice and weighting of metrics in incentives, namely:
  - The introduction of an organic revenue measure in both the bonus and the LTIP
  - The inclusion of quantifiable ESG metrics in the annual bonus
  - The revision of the relative TSR measure in the LTIP to include equally weighted measurement against two indices: the FTSE 50-150 excluding investment trusts and the S&P Global Healthcare Equipment & Services Index.

In total, these changes align with the key strategic focus areas of our revised FISBE growth strategy, the growth of our business since the CEO's appointment and the need to compete for top talent in the global healthcare sector.

The proposed reduction in pension contributions and the introduction of a post-cessation shareholding requirement are in line with commitments made previously to align with best practice governance. The amendments to performance conditions under both the bonus and the LTIP are proposed to reflect Convatec's focus on sustainable and profitable growth. In particular, the distinction between organic revenue growth in driving long-term shareholder value creation and short-term results was discussed with our major investors during the consultation exercise. Given the importance of encouraging both growth in the year and consistently over several years, the organic revenue growth metric was included as a measure in both schemes.

In addition, the Committee has embedded ESG metrics in the annual bonus to ensure focus on delivery of our ESG agenda, with the flexibility to evolve the definition, weighting and targets of this measure as our ESG strategy matures. Specifically, the measures selected are based on quantifiable targets aligned with our longer-term ESG goals. We have also reflected on the choice of TSR peer groups in the LTIP and have updated our approach to reflect our size and provide an additional global sector-related benchmark of performance.

The proposed increase in the LTIP award for the CEO is reflective of the significant growth and outperformance of the business since the Policy was last renewed. It is also reflective of the globally competitive sector within which the Company operates and remains below the shareholding requirement of the CEO which (at 400% of salary) is well above market norms for a company of Convatec's size. Further details of the measures and targets set out for 2023 awards are included below.

Remuneration in 2023 and beyond

In keeping with its stated commitment, the Committee reduced the pension allowance for the CEO from 15% to 8.5% of salary to ensure all existing and future Executive Directors are aligned with the wider UK workforce. As a result of the changes to our policy for 2023, the annual bonus will be weighted at 45% on adjusted operating profit, 25% on organic revenue growth, 10% on adjusted free cash flow and 20% on strategic objectives including 5% linked to ESG priorities.

2023 LTIP awards will be measured 50% on adjusted PBT, 25% on organic revenue growth and 25% on relative TSR equally weighted against the FTSE 50-150 excluding investment trusts and the S&P Global Healthcare Equipment & Services Index. Further details are set out in the Annual Report on Remuneration, on pages 144 to 152 of this report.

Despite considerable inflationary and wider macroeconomic challenges to our long-term growth plans, the Company's financial objectives remain ambitious. The Committee reviewed the targets under the LTIP and determined that in line with these ambitions, it remains appropriate to set a PBT growth range which requires growth well in excess of consensus and at the upper end of UK market norms. The Company has therefore set a range at 7% to 14% for the 2023 LTIP award versus 8% to 15% last year. Similarly, the Committee decided to set the new organic revenue growth range at 3.5% to 6.5% per annum which is aligned around consensus and the medium-term goals shared at the Capital Markets Day (17 November 2022). The Committee will continue to review the performance ranges very closely on an annual basis for each LTIP grant cycle and ensure that maximum pay outs are only delivered if exceptional performance and long-term shareholder value are delivered.

Despite relatively higher rates of inflation, the Committee decided to moderate the salary increases for the Executive Directors and focus on the wider employee population due to the cost of living pressures. As a result, the increases to the CEO and CFO were held at 2.5% and the average increases to Convatec's wider UK employee population were at 6.2%.

Concluding remarks

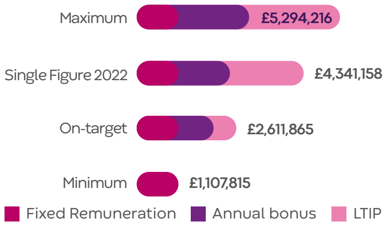
On behalf of the Committee, I would like to thank you for your support and I trust you will find the Directors' Remuneration report useful and informative. I would particularly like to thank our shareholders for their time and feedback in consultations on our policy renewal – the dialogue was invaluable in shaping our proposals set forth in this report. I hope that we can count on your support for both the Annual Report on Remuneration and Remuneration Policy being put to shareholders at the 2023 AGM.

Brian May
Chair of the Remuneration Committee
8 March 2023

OUR REMUNERATION AT A GLANCE

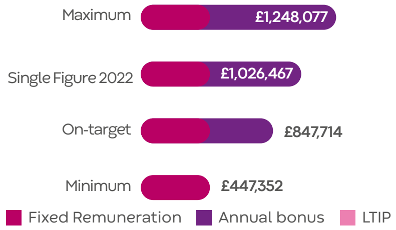
This section provides a summary of outcomes relating to 2022.

2022 remuneration: outcomes vs performance scenarios – Karim Bitar (CEO)



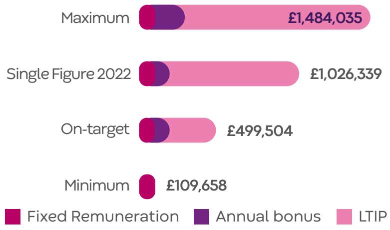
Annual bonus: 145.4% of salary (£1,338,843); 72.7% of maximum bonus opportunity. LTIP: 80.5% maximum LTIP opportunity (£1,894,500).

2022 remuneration: outcomes vs performance scenarios – Jonny Mason (CFO)



Annual bonus: 143.4% of salary (£579,115); 71.7% of maximum bonus opportunity. Bonus pro-rated from appointment to the Board on 12 March 2022.

2022 remuneration: outcomes vs performance scenarios – Frank Schulkes (previous CFO)



Annual bonus: 104.6% of salary (£93,331); 69.7% of maximum bonus opportunity. Bonus pro-rated for the period on the Board to 11 March 2022. LTIP: 80.5% of maximum LTIP opportunity (£823,350). LTIP pro-rated to 8 December 2022.

2022 annual bonus outcomes

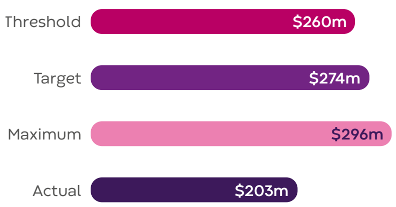
The charts below show how actual performance contributed to the bonus payouts for the Executive Directors for 2022:

Adjusted operating profit[1] (60% weighting)

Outcome warranted by performance: 89.5% of maximum for this element.

1. Adjusted operating profit is calculated on a constant currency basis.

Adjusted free cash flow (20% weighting)

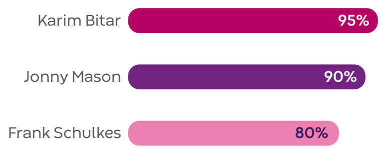


Outcome warranted by performance: 0% of maximum for this element.

Personal strategic objectives (20% weighting)

Personal strategic objectives were set for each Executive Director in relation to the following areas of strategic focus for 2022:

- Customer
- People
- Product/service improvement
- Business performance

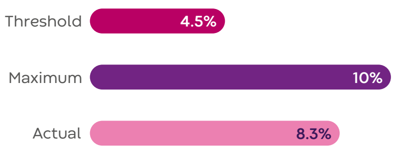


Details of the objectives set for the Executive Directors, and performance against these, are on page 145.

2020-2022 LTIP outcomes

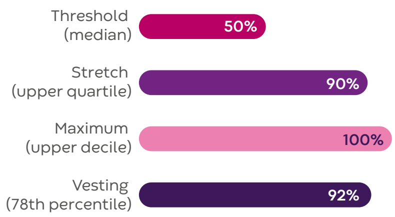
The charts to the right show how actual performance contributed to the LTIP awards vesting for the Executive Directors for the three-year period ended 31 December 2022. Overall the LTIP vesting outcome was at 80.5% of maximum.

Adjusted PBT (75% weighting)



Outcome warranted by performance: 76.7% of maximum for this element.

Relative TSR (25% weighting)



Outcome warranted by performance: 91.8% of maximum for this element.

Our approach to implementing our Remuneration Policy in 2023		Rationale	Link to strategy
Base salary Reviewed annually	Policy: Benchmarked periodically against comparable roles at international Medtech peers, as well as UK-listed companies of similar size and complexity. In deciding base salary levels, the Committee considers personal performance including the individual's contribution to the achievement of the Group's strategic objectives. The Committee will also consider employment conditions and salary levels across the Group, and prevailing market conditions in the geographies in which the Group competes for talent. Base salaries are reviewed annually with any increases normally aligned with those of the wider workforce, and effective from 1 April. Implementation in 2023: Karim Bitar: £943,820; Jonny Mason: £512,500 (2.5% increase).	Due to the cost of living pressures, the increases for the Executive Directors were held at 2.5% compared with the wider UK workforce average at 6.2%.	Innovate, Build
Pension and benefits	Policy: Executives may receive a contribution to a personal pension plan, a cash allowance in lieu or a combination thereof. Other benefits normally include car allowance, medical insurance and life insurance, and are set at a level considered appropriate taking into account market practice and consistent with the wider workforce. Implementation in 2023: Reduction in pension contribution for Karim Bitar down from 15% to 8.5% in line the wider UK workforce from 1 January 2023. Jonny Mason already receives a pension benefit of 8.5%, aligned to that of the wider UK workforce.	Pension levels for all Executive Directors are now aligned to the wider workforce rate, in line with prior commitment to investors.	
Annual bonus	Policy: Maximum opportunity: 200% of salary (target: 50% of maximum). Performance measures, targets and weightings are set at the start of each year. Financial performance will normally be weighted 80% of the overall opportunity, with the remainder (up to 20%) linked to the achievement of personal strategic objectives. A minimum of 5% of the bonus opportunity will be based on quantifiable ESG metrics. One-third of any bonus earned is deferred into shares normally for three years. Malus and clawback provisions apply. Implementation in 2023: Maximum opportunity of 200% of salary for Karim Bitar and Jonny Mason. The annual bonus[1] will be based on: adjusted operating profit (weighted 45%), organic revenue growth (25%), adjusted free cash flow (10%) and personal strategic objectives (20%), of which 5% relate to quantifiable EGS metrics.	The introduction of an organic revenue growth measure in the bonus supports our strategy of sustainable growth. Introducing quantifiable ESG targets also ensures our continued focus in this area aligned with our ESG strategy.	Focus, Build, Innovate, Execute, Simplify
Long-Term Incentive Plan	Policy: Maximum opportunity: 300% of salary. The performance conditions and targets are agreed and set to ensure they remain appropriately stretching and aligned to the Group's strategy. 25% of an award will vest at threshold, with 100% vesting at maximum. The minimum performance and vesting period is three years. A two-year post-vesting holding period will apply. Malus and clawback provisions apply under certain circumstances. Implementation in 2023: Award opportunity of 300% of salary for Karim Bitar and 250% for Jonny Mason. Awards will vest subject to adjusted PBT growth (weighted 50%), organic revenue growth (weighted at 25%), and TSR versus the constituents of the FTSE 50 to 150 excluding investment trusts (12.5%) and the S&P Global Healthcare Services Index (12.5%) over the three financial years to 31 December 2025.	Recognises the significant growth in the size and complexity of Convatec since the last time the Policy was renewed and ensures the attraction and retention of high calibre talent from the international Medtech sector. The introduction of organic revenue growth also drives long-term value creation and furthers our focus on sustainable growth.	Focus, Execute, Simplify, Innovate
Shareholding requirement	Policy: Executives are required to build up shareholdings of 400% of salary for the CEO and 300% of salary for the CFO. These must be retained whilst the Executive Directors remain on the Board. 50% of any net vested share awards (after sales to meet tax liabilities) must be retained until the minimum shareholding requirements are met. At the end of 2022, Karim Bitar held shares worth 547% of his 2022 salary and Jonny Mason held shares worth 22% of his 2022 salary. For 2023, Executive Directors will be required to hold 100% of their in-situ shareholding requirements for 12 months after cessation and 50% for the next 12 months. This means 400% and 300% of salary in the first year and 200% and 150% of salary in the second year post-cessation for the CEO and CFO, respectively.	Current shareholding guidelines are well ahead of market norms for a similarly sized business. Introduction of post-cessation policy aligns with UK corporate governance expectations and prior commitment to investors.	Focus

1. Adjusted operating profit and organic revenue is calculated on a constant currency basis, using a budget rate.

OUR ANNUAL REPORT ON REMUNERATION

This section of the Remuneration report provides details of how our Remuneration Policy was implemented during the financial year ended 31 December 2022, and how it will be implemented during the year ending 31 December 2023. It has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It also meets the requirements of the FCA's Listing Rules.

In accordance with the Regulations, the following sections of the Remuneration report are subject to audit: the single total figure of remuneration for Executive Directors and Non-Executive Directors, and accompanying notes (pages 144 and 147), scheme interests awarded during the financial year (page 146), exit payments made in the year (page 148), payments to past Directors (page 148) and the statement of Directors' shareholdings (page 152). The remaining sections of the report are not subject to audit.

Committee membership in 2022

Details of the membership of the Committee, the number of times it met during 2022 and attendance at its meetings are set out on page 139.

Committee responsibilities

The Committee's key areas of responsibility are also set out on page 139.

Committee performance evaluation

A performance evaluation of the Remuneration Committee was carried out in 2022, facilitated by an external consultant, Lintstock, by way of a detailed questionnaire. The key priority identified for 2023 was to ensure that over the course of the year, Committee members are provided with continuing education on governance and remuneration regulations, including insights into investor expectations.

Advisers

The Committee conducted a detailed review of its advisers and appointed Willis Towers Watson from May 2022. During the year, Willis Towers Watson reported to the Chair of the Committee and provided reward survey benchmark data to the Company. Willis Towers Watson has no other connection with the Group (remuneration-related or otherwise) and is considered to be independent by the Committee. Fees paid to Willis Towers Watson are determined on a time and materials basis, and totalled £130,010 (excluding expenses and VAT) for the 2022 financial year in its capacity as adviser to the Committee. Willis Towers Watson is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK (www.remunerationconsultantsgroup.com). In the period prior, the Committee's adviser was Ellason LLP, with fees for the period appointed at £44,930 (excluding expenses and VAT).

Summary of shareholder voting

The following table shows the results at the 2022 AGM of the advisory vote on the 2021 Annual Report on Remuneration and the binding vote at the 2020 AGM on the 2020 Remuneration Policy.

Resolution	Votes 'for'	Votes 'against'	Votes withheld[1]
Approve the Directors' Remuneration Policy (2020 AGM)	87.54%	12.46%	906,684
To approve the Directors' Remuneration report (2022 AGM)[2]	72.51%	27.49%	24,156,478

1. Votes 'withheld' are not votes in law and, therefore, have not been included in the calculation of the proportion of votes 'for' or 'against' each resolution.
2. The Committee completed an engagement exercise with shareholders following the 2022 AGM, as set out in the Chair's letter on page 140.

Single total figure of remuneration for Executive Directors (audited)

The following table sets out a single figure for the total remuneration received by each Executive Director for the 2022 financial year, and compares this with the equivalent figure for the 2021 financial year.

Director		Base salary '000	Taxable benefits[1] '000	Annual bonus[2] '000	LTIP[3] '000	Pension benefit[4] '000	Other[5] '000	Total Fixed[6] '000	Total Variable[7] '000	Total '000
Karim Bitar	**2022**	**£915**	**£56**	**£1,339**	**£1,895**	**£137**	**n/a**	**£1,108**	**£3,233**	**£4,341**
	2021	£892	£56	£1,433	£298	£134	£888	£1,081	£2,618	£3,699
Jonny Mason	**2022**	**£400**	**£13**	**£579**	**n/a**	**£34**	**n/a**	**£447**	**£579**	**£1,026**
Frank Schulkes	**2022**	**£93**	**£3**	**£93**	**£823**	**£14**	**n/a**	**£110**	**£916**	**£1,026**
	2021	£461	£16	£535	£680	£69	n/a	£547	£1,215	£1,762

1. For Karim Bitar, Jonny Mason and Frank Schulkes, benefits consist primarily of car allowance, private medical insurance, life assurance and permanent health insurance. For Karim Bitar, taxable benefits include a healthcare allowance of £30,000 payable per annum.
2. Reflects the total bonus awarded for performance in the relevant financial year. One-third of the bonus earned by Karim Bitar, Jonny Mason and Frank Schulkes is deferred into shares for three years (the vesting of which is not subject to any further performance conditions). See page 145 for further details.
3. 2022 figures represent the estimated value of LTIP awards made to Karim Bitar and Frank Schulkes in May 2020. These awards shall vest on the third anniversary of grant as to 80.5% of maximum based on performance over the three-year performance period ending 31 December 2022 (further details of which are set out on page 146). The estimated values shown in the table above use the three-month average share price for the period ended 31 December 2022 (221.7p), and will be trued up in next year's report to reflect their value (including any accrued distribution which were reinvested into shares) on the vesting date. The value of vested shares has increased by £133,564 for Karim Bitar and £58,047 for Frank Schulkes since the respective award dates as a result of share price appreciation. The 2021 figure represents the actual vesting value of the 2019 LTIP award.
4. Karim Bitar's and Frank Schulkes' pension benefits in the year, equivalent to 15% of base salary. Jonny Mason's pension benefit is equivalent to 8.5% of base salary.
5. The 2021 figure in the 'Other' column represents the actual vesting value of the Conditional Shares awarded to Karim Bitar as part of the buy-out award made on his appointment. As disclosed in the 2019 Annual Report, the vesting of this award was linked to the same performance conditions as the 2019 LTIP which vested at 44.2% of maximum.
6. Total of base salary, taxable benefits and pension benefit.
7. Total of annual bonus, LTIP and other payments.

Incentive outcomes for the year ended 31 December 2022 (audited)

Annual bonus in respect of performance in the 2022 financial year

For 2022, Karim Bitar and Jonny Mason had a maximum bonus opportunity of 200% of their 2022 base salary. Any payments under the annual bonus are normally payable two-thirds in cash and one-third in shares, deferred for three years. The on-target opportunity was 50% of maximum. The annual bonus for 2022 was based on a combination of adjusted operating profit[1] (weighted 60%), adjusted free cash flow (20%) and personal strategic objectives (20%).

The tables below summarise the structure of the 2022 annual bonus, the targets set, our performance over the financial year and the resulting annual bonus payout.

Financial measure	Link to corporate strategy		Performance targets: Threshold 0% payout	Target 50% payout	Maximum 100% payout	Actual performance
Adjusted operating profit[1] for bonus purposes	Focus	Innovate	$355m	$373m	$394m	$390m
Adjusted free cash flow	Simplify	Execute	$260m	$274m	$296m	$203m

	Objectives and actual performance
Karim Bitar	- Successfully executed FISBE strategy, achieving sustainable and profitable growth while strengthening Convatec's competitive position. - Continued inorganic strategy with successful acquisition and integration of Triad Life Sciences. - Continued delivering improvements in overall quality of products (13% CPM reduction), greenhouse gas emissions (32% reduction in S1/S2 over 2021) and increased resilience of operations. - Successfully launched three new products: Extended Wear Infusion Sets, GentleCath™ Air for Men, and InnovaMatrix®. - Strengthened senior leadership team with key appointments in areas such as Quality & Operations and Global Emerging Markets, along with sustaining high levels of employee engagement.
Jonny Mason	- Successfully exited the hospital care business, including the disposal of the associated factory in Belarus, to increase Convatec's focus on our four chronic care categories. - Secured refinancing of bank facilities for a further five years at attractive rates so that, in conjunction with the bond issue in 2021, the delivery of the strategic plan is fully funded. - Drove simplification of processes in finance and IT, to reduce low-value-added activities and improve productivity. This supported a 2.8 percentage points reduction in G&A cost to sales ratio. - Strengthened the finance team, in corporate and across the business units, to improve the focus on excellent execution of the strategy which supported the evolution from FISBE 1.0 to 2.0, as announced at the Capital Markets Event in November. - Improved performance reporting across the organisation to support the delivery of the financial targets for the year, including the corporate response to the unexpected, substantial inflationary pressures. This supported a 180 basis-points improvement in adjusted operating margin year on year.
Frank Schulkes	- Progressed preparation of the exit from the hospital care business to increase Convatec's focus on our four chronic care categories. - Successfully led 2021 year-end financial reporting in support of the Group's annual reporting. - Continued driving simplification of processes in finance and IT, to reduce low-value-added activities and improve productivity. - Supported onboarding of Jonny Mason, incoming CFO, to ensure smooth integration and transition of leadership in the Finance function.

Annual bonus in respect of performance breakdown

Director	Measure	Weighting	Maximum opportunity (% of salary)	Earned bonus (% of salary)	Earned bonus ('000)
Karim Bitar	Adjusted operating profit for bonus purposes[1]	60%	120%	107%	£989
	Adjusted free cash flow	20%	40%	0%	£0
	Personal strategic objectives	20%	40%	38%	£350
	Total	100%	200%	145%	£1,339
Jonny Mason	Adjusted operating profit for bonus purposes[1]	60%	120%	107%	£434
	Adjusted free cash flow	20%	40%	0%	£0
	Personal strategic objectives	20%	40%	36%	£145
	Total	100%	200%	143%	£579
Frank Schulkes	Adjusted operating profit for bonus purposes[1]	60%	90%	81%	£72
	Adjusted free cash flow	20%	30%	0%	£0
	Personal strategic objectives	20%	30%	24%	£21
	Total	100%	150%	105%	£93

1. Adjusted operating profit for bonus purposes is calculated on a constant currency basis using a budget rate.
2. The bonus for Frank Schulkes is pro-rated to 11 March 2022 for the period served on the Board. The bonus for Jonny Mason is pro-rated from appointment to the Board on 12 March 2022.

One-third of the bonus earned by the Executive Directors (including Frank Schulkes) will be deferred into shares to be held for three years. Details of this element of the bonus award will be disclosed in next year's Annual Report.

Scheme interests vesting in respect of the year ended December 2022

In 2020, Karim Bitar and Frank Schulkes were granted conditional share awards under the LTIP. These LTIP awards were subject to performance over the three-year period ended 31 December 2022, and performance conditions based on a combination of: Relative TSR and adjusted PBT growth, both over a three-year period, weighted 25% and 75% respectively.

The table below sets out details of the targets, and performance against these:

Measure	Weighting	Performance range	Actual performance	Weighted vesting outcome
Three-year Relative TSR against the constituents of the FTSE 350 excluding investment trusts	25%	Median to 90th percentile	78th percentile	23.0%
Three-year compound annualised growth in adjusted PBT	75%	4.5% to 10.0% p.a.	8.3%	57.5%
			Total % vesting	80.5%

Accordingly, Executive Directors' 2020 LTIP awards will vest on the third anniversary of grant as set out below:

Director	Date of grant	Number awarded	% vesting	Number vesting
Karim Bitar	1 May 2020	1,061,532	80.5%	854,533
Frank Schulkes[1]	1 May 2020	461,342	80.5%	371,380

1. Number of awards pro-rated to departure date of 8 December 2022.

Scheme interests awarded in 2022 (audited)

2022 LTIP awards

During the year ended 31 December 2022, the Executive Directors were awarded conditional share awards under the LTIP, details of which are summarised in the table below.

				Face value		
Director	Date of grant	Number awarded	Award price[1]	Value	% of annualised salary	Vesting date
Karim Bitar	14 March 2022	1,238,337	181.13p	£2,243,000	250%	14 March 2025
Jonny Mason	14 March 2022	690,112	181.13p	£1,250,000	250%	14 March 2025

1. The LTIP face values are determined as a percentage of each Executive Director's annualised salary on the date of grant, and converted into numbers of conditional shares using the average of the three-day closing price preceding the date of grant.

The performance conditions attached to these 2022 LTIP awards are set out in the table below.

			Vesting schedule	
Measure	Weighting	Performance period	Performance requirement	% of maximum
Three-year Relative TSR against the constituents of the FTSE350 excluding investment trusts	25%	1 January 2022 to 31 December 2024	< Median	0%
			Median	25%
			75th percentile to ≥ 90th percentile	90%
			≥ 90th percentile	100%
			Straight-line sliding scale vesting between these points	
Three-year compound annualised growth in adjusted PBT	75%	1 January 2022 to 31 December 2024	< 8.0% p.a.	0%
			8.0% p.a.	25%
			≥ 15.0% p.a.	100%
			Straight-line sliding scale vesting between these points	

To the extent the 2022 LTIP awards vest, vested shares will be required to be held for a further two-year post-vesting holding period.

2021 Deferred bonus

One-third of the 2021 bonus earned by Karim Bitar and Frank Schulkes was deferred into shares to be held for three years under the DBP, details of which are summarised in the table below.

				Value		
Director	Date of grant	Number awarded	Award price[1]	£	% of 2021 bonus	Vesting date
Karim Bitar	14 March 2022	263,650	181.13p	£477,549	One-third	14 March 2025
Frank Schulkes	14 March 2022	98,462	181.13p	£178,344	One-third	14 March 2025

1. The award values are determined as one-third of each Executive Director's 2021 bonus and converted into numbers of conditional shares using the average of the three-day share price preceding the date of grant.

Fees retained for external non-executive directorships

Executive Directors may hold one external appointment and retain the fees paid for such a role. Neither of the Executive Directors held an external non-executive director appointment during the year.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the 2022 and 2021 financial years.

	Fee		Benefits[1]		Total	
Non-Executive Director	2022 '000	2021 '000	2022 '000	2021 '000	2022 '000	2021 '000
John McAdam	£326	£320	£0	£0	£326	£320
Margaret Ewing	£117	£117	£1	£0	£118	£117
Sten Scheibye	£75	£75	£1	£1	£76	£76
Brian May	£95	£95	£1	£1	£96	£95
Heather Mason	£75	£75	£2	£1	£77	£76
Constantin Coussios	£75	£75	£1	£0	£76	£75
Kimberly Lody[2]	£69	–	£2	–	£71	–
Sharon O'Keefe[3]	£69	–	£2	–	£71	–
Rick Anderson[4]	£13	£75	£1	£1	£15	£76
Regina Benjamin[5]	£31	£85	£0	£0	£31	£85

1. In addition to the fees payable to each of the Directors, the Group reimburses reasonable expenses.
2. Joined the Board on 1 February 2022.
3. Joined the Board on 1 March 2022. Includes fee for acting as a Board Level Employee Representative.
4. Stepped down from the Board on 3 March 2022.
5. Stepped down from the Board on 12 May 2022.

Percentage change in Director remuneration

The table below shows the percentage change in Director remuneration (from 2019 to 2022) compared to the average percentage change in remuneration for other employees over the same period. As required under The Companies (Directors' Remuneration Policy and Directors' Remuneration report) Regulations 2019, this analysis will continue to be expanded to build up a five-year history.

Convatec Group Plc does not have any other employees other than Executive Directors. For the comparator group, we have used the population of UK-based employees whose remuneration is based on overall Group business performance rather than that of a particular Business Unit. In determining the annual change in average employee remuneration, we have looked at average annual pay increase (excluding promotions) and actual bonus payments. We have only included employees who were in the Group in both years of the comparison to ensure consistency.

	Annualised percentage change from 2021 to 2022			Annualised percentage change from 2020 to 2021			Annualised percentage change from 2019 to 2020		
	Salary or fees[1]	Benefits[2]	Bonus	Salary or fees[1]	Benefits[2]	Bonus	Salary or fees[1]	Benefits[2]	Bonus
Executive Directors									
Karim Bitar	2.6%	0%	(6.5)%	1.9%	0%	(16.9)%	0%	0%	40%
Jonny Mason[3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Frank Schulkes	0%	0.4%	(9.3)%	1.9%	(5.9)%	(17.9)%	2.5%	0.5%	42%
Non-Executive Directors									
John McAdam	2.5%	213.0%	n/a	0%	n/a	n/a	0%	(100)%	n/a
Margaret Ewing	0%	310.1%	n/a	(5.4)%	n/a	n/a	0.9%	(100)%	n/a
Sten Scheibye	0%	72.9%	n/a	15.4%	n/a	n/a	8.3%	(100)%	n/a
Brian May	0%	443.5%	n/a	8.4%	n/a	n/a	n/a	n/a	n/a
Heather Mason	0%	134.2%	n/a	15.4%	n/a	n/a	n/a	n/a	n/a
Constantin Coussios	0%	247.4%	n/a	15.4%	n/a	n/a	n/a	n/a	n/a
Kimberly Lody[4]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sharon O'Keefe[5]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rick Anderson	n/a	2.2%	n/a	11.9%	(4.6)%	n/a	(6.9)%	100%	n/a
Regina Benjamin	0%	0%	n/a	(8.6)%	(100)%	n/a	(1.2)%	(92.1)%	n/a
Average per employee	5.3%	10.0%	13.5%	2.7%	(16.5)%	(39.2)%	2.7%	2.7%	16%

Former Directors (who did not serve on the Board during the financial year under review) have been removed from the table. Relevant prior data and commentary can be found in last year's annual report.
1. Salary/fee figures have been annualised for this analysis to permit a meaningful comparison over time. Effective 1 September 2020, the Non-Executive Director fee structure was changed: the base fee was increased and committee membership fees were discontinued.
2. The year-on-year increase in benefits reflects the Group's best estimate for the change in the average value of benefits for other employees. Non-Executive Directors' benefits relate to taxable expenses (largely travel to attend meetings, and due to COVID-19 restrictions very limited travel took place in 2021 compared to 2022).
3. Joined the Board on 12 March 2022 as CFO.
4. Joined the Board on 1 February 2022.
5. Joined the Board on 1 March 2022 and receives a fee for acting as a Board Level Employee Representative.

Directors' Remuneration report continued

Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends) and total employee pay expenditure for the financial years ended 31 December 2022 and 31 December 2021, and the percentage change year-on-year.

	2022 $m	2021 $m	Year-on-year change
Total employee pay expenditure[1]	**649**	650	(0.2)%
Shareholder distributions[2]	**113**	114	(0.9)%

1. Decrease in total employee pay expenditure predominantly relates to foreign exchange differences.
2. The decrease in dividend is due to the difference in the exchange rate year-on-year. Overall dividend per share paid in 2022 (in cents) remained consistent with 2021.

Exit payments made in the year (audited)

Frank Schulkes stepped down as CFO and as a Director of the Company on 11 March 2022. He remained an employee of the Group until 8 December 2022. In accordance with the terms of his service agreement, Frank continued to receive his salary, pension benefit and other benefits over the period until he left the Group in December 2022. He received a total of £407,551 during the remainder of his notice period as per his contractual agreement. In line with our Policy, the Committee agreed to pay outplacement fees of up to £20,000 (excluding VAT) and make a contribution of up to £10,000 (excluding VAT) towards legal fees incurred in connection with the arrangements relating to his departure during the year. Frank received £10,000 (excluding VAT) with respect to his legal fees.

Frank will be paid a pro-rata bonus of £93,331 for the 2022 financial year. One-third of the payment will be deferred into shares for three years. The Committee exercised the discretion afforded under the plan rules to treat the award in line with the approved policy on cessation.

Payments to past Directors (audited)

There were no payments to past Directors during the year.

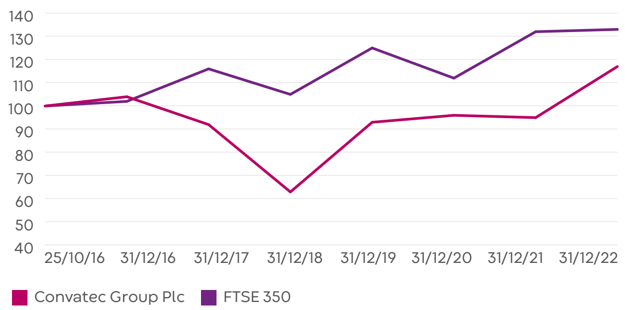
Review of past performance

The first graph shows the Group's TSR compared to the FTSE 350 index, an index of which the Group is a constituent. Performance, as required by legislation, is measured by TSR over the period from commencement of conditional dealing (26 October 2016) to 31 December 2022.

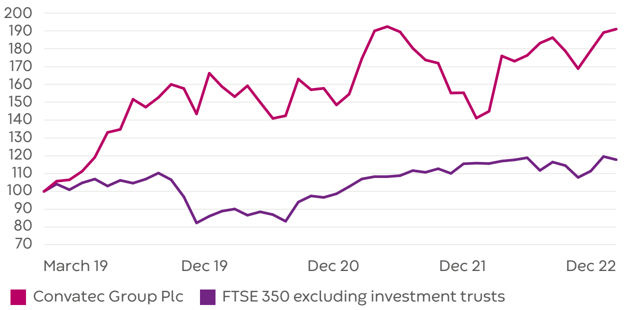
The second graph shows TSR performance of the Group compared with the FTSE 350 index excluding investment trusts since the announcement of Karim Bitar as CEO (25 March 2019) to 31 December 2022.

TSR chart – Convatec vs the FTSE 350 Index

Value of £100 invested on 25 October 2016 in Convatec and the FTSE 350 Index (£)



Value of £100 invested on 25 March 2019 in Convatec and the FTSE 350 Index excluding investment trusts (£)



The table below details the CEO's single total figure of remuneration and incentive outcomes over the same period:

	2017	2018	2019	2020	2021	**2022**
Karim Bitar (from 30 September 2019)						
CEO single figure ('000)			£6,878[1]	£2,786	£3,699[2]	**£4,341**
Annual bonus (% max.)			70.2%	98.5%	79.8%	**72.7%**
LTIP vesting (% max.)			n/a	n/a	44.2%	80.5%[3]
Rick Anderson (15 October 2018 to 29 September 2019)						
CEO single figure ('000)		£264	£1,118			
Annual bonus (% max.)		n/a	n/a			
LTIP vesting (% max.)		n/a	n/a			
Paul Moraviec (to 14 October 2018)						
CEO single figure ('000)	£917	£631				
Annual bonus (% max.)	9%	n/a				
LTIP vesting (% max.)	n/a	n/a				

1. 2019 remuneration includes the face value of the restricted share awards made to Karim Bitar as part of his buyout.
2. Includes the actual vesting value of Karim Bitar's Conditional Share award that formed part of his buyout arrangement on appointment of £888k.
3. Represents the performance outcome of the 2020 LTIP (as a % of maximum) with a final vesting date in May 2023.

CEO pay ratio

The table below discloses the ratio of CEO pay for 2022, comparing the single total figure of remuneration for Karim Bitar to the full-time equivalent total reward of those colleagues whose pay is ranked at the 25th, 50th and 75th percentiles in our total UK workforce.

Methodology Option A has been chosen to calculate the ratio, as it provides a fair comparison of colleague pay with that of our CEO by using a consistent methodology to value remuneration and identify our colleagues ranked at the 25th, 50th and 75th percentiles. Colleague pay was calculated based on actual pay and benefits for the 12 monthly payrolls in respect of the full financial year to 31 December 2022. We are confident that the three colleagues identified are a true reflection of our UK workforce; none of these individuals received any additional or exceptional pay during 2022. We can also confirm that no adjustments were made to the calculation of the total remuneration for these employees from the methodology set out for the CEO's single total figure remuneration. Our pay ratios are set out below:

Year	Method	25th percentile	50th percentile	75th percentile
2022	**Option A**	**125:1**	**98:1**	**59:1**
2021	Option A	115:1	89:1	52:1
2020	Option A	83:1	65:1	40:1

The table below provides information on the salary and total pay and benefits paid to our colleagues ranked at the 25th, 50th and 75th percentiles.

Year	Method	25th percentile	50th percentile	75th percentile
2022	**Salary**	**£29,892**	**£38,000**	**£55,017**
	Total pay and benefits	**£34,757**	**£44,418**	**£73,336**
2021	Salary	£27,638	£34,521	£58,739
	Total pay and benefits	£32,663	£41,964	£71,619
2020	Salary	£26,660	£34,487	£52,415
	Total pay and benefits	£33,425	£42,641	£69,668

Directors' Remuneration report continued

Implementation of Executive Director Remuneration Policy for 2023

Base salary

Following a review of the Executive Directors' salaries and the cost of living challenges, the Committee decided to award a base salary increase of 2.5% (materially lower than the average increase for the general employee population in the UK at 6.2%). The increase will be effective 1 April 2023.

Director	Role	From 1 April 2023	From 1 April 2022
Karim Bitar	CEO	£943,820	£920,800
Jonny Mason	CFO	£512,500	£500,000

Pension

Karim Bitar and Jonny Mason receive a pension benefit of 8.5% of base salary in line with that available to the wider UK workforce. Karim Bitar receives his pension benefit as a combination of a contribution to pension and the balance as a cash allowance. Jonny receives his pension benefit as a cash allowance.

Annual bonus

For 2023, Karim Bitar and Jonny Mason will continue to have a maximum bonus opportunity of 200% of salary. The on-target bonus opportunity remains 50% of maximum. Two-thirds of any bonus earned will be paid in cash, with the remainder deferred into Convatec Group Plc shares for a further three-year period.

The annual bonus for 2023 will be based on the following measures and weightings:

Measure	Link to corporate strategy			Weighting
Adjusted operating profit[1] for bonus purposes	Focus	Innovate	Simplify	45%
Organic revenue growth[1]	Focus	Innovate	Simplify	25%
Adjusted free cash flow	Simplify	Execute		10%
Personal strategic objectives (including ESG)	Focus	Build		20% (of which 5% relates to ESG)

1. Adjusted operating profit and organic revenue growth are both calculated on a constant currency basis using a budget rate.

The Committee believes the balance of financial measures for 2023 (as set out above) is appropriate in the context of the emphasis in our strategy on sustainable and profitable growth. In particular, the introduction of organic revenue alongside operating profit and maintaining a focus on free cash flow were considered by the Committee to provide the right mix to support our strategy in 2023. Lastly, the incorporation of specific and quantifiable ESG metrics in the personal strategic objectives of the bonus ensures continued leadership focus on the ESG agenda and allows flexibility to evolve the ESG metric definition and targets over the life of the Policy as company reporting and strategic focus progresses.

The Board currently considers these targets to be commercially sensitive and intends to disclose retrospectively in next year's Annual Report on Remuneration. In the event the Board considers these targets to remain commercially sensitive, they will be disclosed as soon as possible once they are no longer considered to be sensitive.

In line with our Policy, bonuses for the 2023 financial year will be subject to the Group's policy on deferral, and its malus and clawback provisions (see page 155 for further details).

Long-Term Incentive Plan (LTIP)

The inclusion of an organic revenue metric in the LTIP recognises the importance of sustained revenue growth as a key driver of long-term value creation for shareholders under the next phase of the FISBE strategy. The measurement of our relative TSR against both the FTSE 50-150 excluding investment trusts and a global sector index recognises the growth of the business over time, the diversity of our shareholder base and the varying benchmarks used to measure performance and value creation over the long term.

The 2023 LTIP will vest after three years, subject to the following performance targets assessed over the three years ending 31 December 2025:

Measure	Weighting	Threshold (25% vesting)	Stretch (90% vesting)	Maximum (100% vesting)
Organic revenue growth	25%	3.5%		6.5%
Three-year compound annualised growth in adjusted PBT	50%	7% p.a.		14% p.a.
Three-year Relative TSR rank vs constituents of FTSE 50 to 150 excluding investment trusts and using three-month average opening and closing values)	12.5%	Median	75th percentile	≥ 90th percentile
Three-year Relative TSR rank vs constituents of S&P Global Healthcare Equipment & Services index (calculated in GBP)	12.5%	Median	75th percentile	≥ 90th percentile

To the extent an award vests, it will be subject to a further two-year holding period.

Implementation of Non-Executive Director Remuneration Policy for 2023

The Remuneration Committee sets the fee for the Chair and approved an increase aligned with that of the Executive Directors at 2.5%.

The fees for the Non-Executive Directors, other than the Chair, are reviewed and set by the Non-Executive Director Fee Committee comprised of the Chairman, CEO and CFO.

Non-Executive Director fees were reviewed in late 2022 by the Non-Executive Director Fee Committee who approved an increase of 2.7% to the Non-Executive Director basic fees. In addition, this Committee approved a 4.5% increase to the Audit and Risk Committee Chair fee and a 5% increase to the Senior Independent Director fee, the Remuneration Committee Chair fee and the Board Level Employee Representative fee. The fee increases will take effect on 1 April 2023.

To recognise the international makeup of the Board, the Non-Executive Director Fee Committee approved a change in approach to the Non-Executive Director fee structure introducing US dollar and Euro fee levels, alongside the Sterling fee rates. The Non-Executive Directors will be given the one-time election to have their fee denominated in their preferred currency, and, where relevant, will take effect from 1 April 2023.

The fees payable to the Non-Executive Directors are set out below.

Role	Fee structure in 2023[1]	Fee structure in 2022
Chair	**£336,200**	£328,000
Non-Executive Director basic fee	**£77,000, $101,000 or €89,000**	£75,000
Additional fees:		
Senior Independent Director	**£21,000, $28,000 or €24,000**	£20,000
Chair of the Audit and Risk Committee	**£23,000, $30,000 or €26,000**	£22,000
Chair of the Remuneration Committee	**£21,000, $28,000 or €24,000**	£20,000
Fee for acting as a Board Level Employee Representative	**£10,500, $14,000 or €12,000**	£10,000

1. Effective 1 April 2023.

Directors' shareholdings (audited)

The table below sets out details of the current shareholdings of each Director (and any relevant connected persons) as at 31 December 2022. For Executive Directors, the current shareholding is compared to their shareholding guideline.

	Shares				Options			
	Owned outright or vested							
Director	31 December 2021	31 December 2022	Unvested and not subject to performance conditions	Unvested and subject to performance conditions	Vested but not exercised	Unvested and not subject to performance conditions	Current shareholding[1] (% salary)	Shareholding guideline (% salary)
Current directors								
Karim Bitar	1,606,064	1,943,562	620,458	3,447,560	–	–	547%	400%
Jonny Mason	n/a	50,000	–	690,112	–	–	22%	300%
John McAdam	23,181	23,181						–
Margaret Ewing	10,000	10,000						–
Sten Scheibye	25,000	45,000						–
Brian May	25,000	25,000						
Heather Mason	10,000	10,000						–
Constantin Coussios	8,440	18,301						–
Kimberly Lody	n/a	10,000						–
Sharon O'Keefe	n/a	3,200						
Former directors[2]								
Frank Schulkes	169,180	169,180	223,444	1,735,785		10,230	137%	300%
Rick Anderson	210,706	210,706						
Regina Benjamin	10,000	10,000						–

1. Executive Director shareholdings calculated based on the number of shares that are owned outright or vested plus an estimated number of unvested shares that are not subject to performance conditions, on a net of tax basis. These shares are valued using a share price of 221.7p, being the average share price during the last three months of the 2022 financial year.
2. Reflects shareholding at the date of stepping down from the Board.

No further shares were acquired by the Directors between 31 December 2022 and 8 March 2023, being the latest practicable date prior to publication of this Annual Report.

Share scheme dilution limits

The Company complies with the guidelines laid down by the Investment Association. These restrict the issue of new shares under all the Company's share schemes in any ten-year period to 10% of the issued ordinary share capital and under the Company's discretionary schemes to 5% in any ten-year period.

The Directors' Remuneration report has been approved by the Board and signed on its behalf by:

Brian May
Chair of the Remuneration Committee
8 March 2023

OUR REMUNERATION POLICY

This section of the Directors' Remuneration report has been prepared in accordance with the Remuneration Reporting Regulations, and sets out details of the 2023 Policy to be approved by shareholders at the 2023 AGM in May and is effective for a period of up to three years from that date.

We also describe below how our Policy reflects the principles of Provision 40 of the 2018 UK Corporate Governance Code:
- **Clarity:** we are committed to transparent disclosure of our remuneration structures and decisions, including clear rationale and context for these.
- **Simplicity:** our Policy and approach to its implementation is simple and well-understood internally and externally.
- **Risk:** remuneration arrangements are designed not to encourage or reward excessive risk taking, with targets set to be stretching and achievable, and retaining Committee discretion to adjust formulaic bonus and LTIP outcomes to align with underlying performance.
- **Predictability:** there are defined threshold and maximum pay scenarios, which we have disclosed on page 158.
- **Proportionality:** there is a clear and direct link between performance and reward. No variable remuneration is payable for performance below defined thresholds.
- **Alignment to culture:** the Committee has designed the Policy to align with the Group's culture, driving behaviours that promote the long-term and sustainable success of the Group for the benefit of all stakeholders.

Details of how the Company plans to implement the 2023 Policy for the year ending 31 December 2023, are provided in the Annual Report on Remuneration starting on page 144.

Remuneration principles

When setting remuneration for the Executive Directors, the Committee considers the following principles:
- Incentivise sustained strong financial performance.
- Align rewards with the delivery of the Group's strategy and long-term interests of shareholders.
- Help attract, motivate and retain the best talent to deliver the Group's strategy and create long-term shareholder value.
- Reflect market best practice and consistently adhere to principles of good corporate governance and encourage good risk management.

Directors' Remuneration report continued

2023 Remuneration Policy for the Executive Directors

Purpose and link to strategy	Operation	Opportunity	Performance measures
Base salary			
To attract and retain talented Executive Directors to deliver the Group's strategy, by ensuring base salaries and the implied total package are competitive in relevant talent markets, while not overpaying.	Base salaries will be reviewed by the Committee annually, and benchmarked periodically against comparable roles at international MedTech peers, as well as UK-listed companies of similar size and complexity. Any resulting changes are normally effective from 1 April, in line with the effective date for salary increases for the broader workforce. In deciding base salary levels, the Committee considers personal performance including the individual's contribution to the achievement of the Group's strategic objectives. The Committee will also consider employment conditions and salary levels across the Group, and prevailing market conditions in the geographies in which the Group competes for talent. Base salary increases for the Executive Directors will normally be no higher than those of the wider workforce, but may be made above or below this level in exceptional circumstances such as a material change in responsibilities, size or complexity of the role, or if a Director was intentionally appointed on a below-market salary.	The maximum salary payable to Executive Directors will be capped at the upper quartile of the benchmarking comparator group for the role under review. Salaries will be set on a case-by-case basis to reflect the role and the experience and qualifications of the individual. Base salaries for the year under review and the following year, as well as the rationale for any increases, will be disclosed in the relevant year's Annual Report on Remuneration.	n/a
Pension			
To provide an appropriate level of post-retirement benefit for Executive Directors in a cost-efficient manner, taking account of the provisions for the wider workforce.	Executive Directors may receive a contribution to a personal pension plan, a cash allowance in lieu, or a combination thereof. Salary is the only element of remuneration that is pensionable.	Karim Bitar and Jonny Mason receive a pension benefit from the Group of 8.5% of salary, in line with the wider UK workforce. Details of the pension contributions made to Executive Directors during the year are disclosed in the Annual Report on Remuneration.	n/a

Purpose and link to strategy	Operation	Opportunity	Performance measures
Other benefits			
To provide non-cash benefits which are competitive in the market in which the Executive Director is employed.	The Group may provide benefits in kind including, but not limited to, a company car or car allowance, private medical insurance (or allowance in lieu), permanent health insurance, and life insurance. Executive Directors may also be provided certain other benefits to take account of individual circumstances such as, but not limited to, payment of financial, and/or legal adviser fees, expatriate allowance, relocation expenses, housing allowance and tax equalisation (including associated interest, penalties or fees plus, in certain circumstances or where the Committee consider it appropriate, any tax incurred on such benefits). Executive Directors may also be offered any other future benefits made available either to all senior employees globally or in the region in which the Executive Director is employed.	Benefits for Executive Directors are set at a level which the Committee considers appropriate compared to wider employee benefits, as well as competitive practices in relevant markets. The value of annual benefits will normally not exceed 10% of salary. The Committee retains discretion to approve non-material increases in cost. In addition, the Committee retains discretion to approve a higher cost in exceptional circumstances (e.g. to facilitate recruitment, relocation, expatriation, etc.) or in circumstances where factors outside the Group's control have changed (e.g. market increases in insurance costs). Benefits in respect of the year under review are disclosed in the Annual Report on Remuneration.	n/a
Annual bonus			
To incentivise Executive Directors to deliver strong financial performance on an annual basis and reward the delivery of the Group's strategic aims that will underpin the longer-term health and growth of the business. Deferral into shares enhances alignment with shareholders.	Performance measures, targets and weightings are set by the Committee at the start of the year. After the end of the financial year, the Committee determines the level of bonus to be paid, taking into account the extent to which these targets have been achieved. To the extent that the performance criteria have been met, one-third of the annual bonus earned will normally be compulsorily deferred into shares for a period of three years under the Deferred Bonus Plan. The remainder of the bonus will be paid in cash. Dividends may accrue on deferred bonus shares over the deferral period and, if so, will be paid on deferred shares at the time deferred shares are released to the Executive Director. Malus and clawback provisions apply to the annual bonus in certain circumstances (as set out in the Notes to the Policy Table).	The maximum annual bonus opportunity is 200% of base salary for both Executive Directors. The payout for on-target performance is 50% of maximum; threshold performance results in a payout of no more than 25% of maximum.	Bonuses are based on a combination of stretching annual financial and non-financial/strategic performance measures, selected to reflect the Group's short-term KPIs, financial goals and strategic drivers. The financial element of the annual bonus will normally be weighted 80% of the overall bonus opportunity, with the balance based on personal strategic objectives, including a minimum of 5% linked to qualifiable ESG metrics. The Committee may adjust the formulaic annual bonus outcomes (including to zero) to avoid unintended outcomes, align pay outcomes with underlying Group performance and ensure fairness to shareholders and participants. Further details will be disclosed in the relevant Annual Report on Remuneration. Performance targets set for each year will be disclosed retrospectively, usually in the Annual Report on Remuneration in respect of the year to which such performance targets relate.

Directors' Remuneration report continued

Purpose and link to strategy	Operation	Opportunity	Performance measures
Long-Term Incentive Plan (LTIP)			
To align the interests of Executive Directors and shareholders in growing the value of the Group over the long term.	Executive Directors are eligible to receive annual awards of Convatec Group Plc shares under the LTIP either in the form of conditional share awards or nil cost options. Prior to awards being granted each year, the performance conditions and targets are agreed and set to ensure they remain appropriately stretching and aligned to the Group's strategy. Awards granted under the LTIP to Executive Directors will have a performance period of three years and a minimum vesting period of three years. If no entitlement has been earned at the end of the relevant performance period, awards will not vest. Shares received as a result of an award vesting will normally be subject to an additional two-year holding period. Dividends may accrue on LTIP awards over the vesting period and, if so, will be delivered in shares that vest at the end of the vesting period. LTIP awards granted to Executive Directors will be subject to malus and clawback provisions, as set out in the Notes to the Policy Table.	The maximum annual LTIP opportunity is 300% of base salary for the CEO and 250% of base salary for the CFO. 25% of an award will vest if performance against each performance condition is at threshold and 100% if it is at maximum, normally with straight-line vesting in between. Further details of the LTIP awards granted to each of the Executive Directors will be disclosed in the relevant Annual Report on Remuneration.	Vesting of the LTIP is subject to continued employment during the performance period and the achievement of performance conditions aligned with the Group's strategic plan and shareholder value creation. Measures and their weightings will be determined by the Committee prior to making an award. The Committee may adjust the formulaic LTIP outcome to ensure it takes account of any major changes to the Group (e.g as a result of M&A activity) and is a fair reflection of the underlying financial performance of the Group over the performance period. Further details, including the performance targets attached to the LTIP in respect of each year, will be disclosed in the relevant Annual Report on Remuneration.
Save-As-You-Earn (SAYE) or equivalent scheme			
To align the interests of employees and shareholders by encouraging employees to buy and own Convatec Group Plc shares.	Executive Directors are entitled to participate in the Group's all-employee share plan if available in the jurisdiction in which they are based on identical terms as other eligible employees. A UK or Europe-based Executive Director may make monthly savings over a period of three or five years or other period set by any relevant tax authority linked to the grant of an option over Group shares. The option price will be set at a discount of up to 15% of the market value of the shares at grant (to align with similar all-employee arrangements in the US).	Employees are limited to saving a maximum in line with the monthly savings limit imposed by the Committee (which will not exceed any limits imposed by legislation) at the time they are invited to participate.	n/a

Notes to the Policy Table

Malus and clawback policy

Malus and clawback may be applied to the annual bonus and LTIP awards in certain circumstances including:

- cases of fraud, negligence or gross misconduct by the Executive Director;
- material financial misstatement in the audited financial results of the Group;
- error in calculation; or
- other exceptional circumstances at the Committee's discretion.

Cash bonuses will be subject to clawback, with deferred shares being subject to malus, over the deferral period. LTIP awards will be subject to malus over the vesting period and clawback from the vesting date to the second anniversary of the relevant vesting date.

Share ownership guidelines

The Committee recognises the importance of aligning Executive Directors' and shareholders' interests through significant shareholdings in the Group. The Group's policy is to require Executive Directors to build up shareholdings worth 400% of base salary for the CEO, and 300% of base salary for other Executive Directors, and to retain these shares whilst an Executive remains on the Board of Directors. 50% of any net vested share awards (after sales to meet tax liabilities) must be retained until the minimum shareholding requirements are met. Shareholdings will be valued at the higher of the acquisition price of the shares and the average share price over the last three months of the financial year.

Post-exit shareholding requirement

The Committee further recognises the expectation of shareholders that a requirement is placed on Executive Directors to maintain a meaningful shareholding for a period of time after they leave the Company. In keeping with prior commitments, the 2023 Policy has introduced a requirement for Executive Directors to hold 100% of their in-situ guideline in the first year post-exit and 50% in year two (e.g. 400% and 200% of salary for the CEO in year one and year two, respectively.)

Details of the Executive Directors' current personal shareholdings, and progress towards meeting the share ownership guidelines, are provided in the Annual Report on Remuneration.

Use of discretion

The Committee may apply its discretion (as set out below) when agreeing remuneration outcomes, to help ensure that the implementation of our Remuneration Policy is consistent with the guiding principles set out in this report.

Payments from outstanding awards

The Committee reserves the right, in certain circumstances, to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) where the terms of the payment were agreed: before the Policy in force at that time came into effect; or at a time when the relevant individual was not a Director of the Group provided that, in the opinion of the Committee, the payment was not agreed in consideration of the individual becoming a Director of the Group. For these purposes, payments include the satisfaction of variable remuneration awards previously granted, but not vested, to an individual.

Minor changes to Policy

The Committee retains discretion to make minor, non-significant changes to the Policy set out above (for reasons including, but not limited to, regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without reverting to shareholders for approval for that amendment, where seeking such shareholder approval would be disproportionate to the discretion being exercised.

LTIP awards

The Committee may exercise its discretion as provided for in the LTIP rules approved by shareholders. The Committee may also adjust the number of shares comprising an LTIP award (or the exercise price if the award comprises options) in the event of a variation of share capital, demerger, special dividend, distribution or any other corporate event which may affect the current or future value of an award. It is intended that any adjustment will be made on a neutral basis, i.e. to not be to the benefit or detriment of participants. Any use of discretion by the Committee during a financial year will be detailed in the relevant Annual Report on Remuneration and may be the subject of consultation with the Group's major shareholders, as appropriate.

Remuneration Policy for the wider workforce

The Remuneration Policy for other employees is based on principles that are broadly consistent with those applied to Executive Director remuneration, with a common objective of driving financial performance and the achievement of strategic objectives, and contributing to the long-term success of the Group. Remuneration supports our ability to attract, motivate and retain skilled and dedicated individuals, whose contribution will be a critical factor in the Group's success. Annual salary reviews take into account Group performance, local pay and market conditions, and salary levels for similar roles in comparable companies. Pension entitlements and other benefits vary according to jurisdiction, to ensure these remain appropriately competitive for the local market.

Some employees below executive level are eligible to participate in annual bonus schemes. Opportunities and performance measures vary by organisational level, geographical location and an individual's role. Employee ownership of Convatec Group Plc shares is promoted across the Group. Senior executives are eligible for LTIP awards on similar terms as the Executive Directors, although award opportunities are lower and vary by organisational level. Other executives are eligible for restricted share awards on a discretionary basis. Convatec also offers an opportunity for broader-based participation in a share purchase plan, as approved by shareholders at the 2017 AGM.

Approach to target setting and performance measure selection

The Committee considers carefully the selection of performance measures at the start of each performance cycle, taking into consideration the Group's strategic objectives and the macroeconomic environment.

Annual bonus measures are selected to align with the Group's KPIs (see pages 20 and 21). Measures may change from year-to-year (subject to the Remuneration Policy), and the rationale for any changes to the bonus measures selected will therefore be disclosed in the relevant Annual Report on Remuneration.

Directors' Remuneration report continued

LTIP performance measures are selected to ensure they align with the Group's strategy and long-term shareholder value creation. LTIP awards to be granted in 2023 will be based on a blend of adjusted PBT performance, organic revenue growth, and relative TSR over a three-year period. The Committee considers these measures to align executive and shareholder interests through a good balance between external and internal measures of performance, and between growth and returns in the context of the Group's strategy.

For 2023 LTIP awards, TSR performance will be measured relative to the FTSE 50-150 excluding investment trusts and the S&P Global Healthcare Equipment & Services (50%/50%).

Targets are set to be stretching but achievable over the three-year performance period, taking account of multiple relevant reference points, for example, internal forecasts, external expectations for future performance at both the Group and its closest sector peers, and typical performance ranges at other FTSE companies of comparable size and complexity. The Committee also retains discretion, in exceptional circumstances, to vary, substitute or waive the performance conditions attaching to incentive awards (within the relevant limits set out in the Policy table) if there is a significant and material event which causes the Committee to believe the original conditions are no longer appropriate, and the new performance conditions are deemed reasonable and not materially less difficult to satisfy than the original conditions.

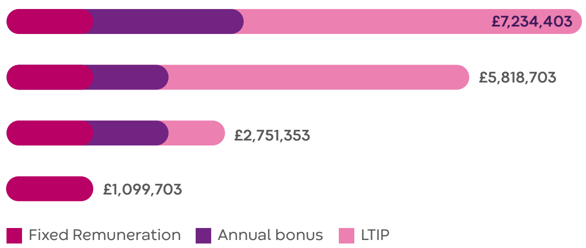
Pay-for-performance: scenario analysis

The charts below provide an estimate of the potential future reward opportunities for Karim Bitar and Jonny Mason, and the potential split between the different elements of remuneration under four different performance scenarios: "Maximum + 50% share price growth", "Maximum", "On target" and "Minimum".

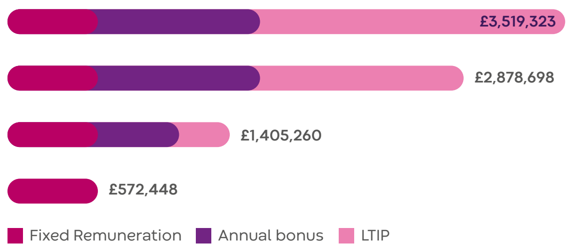
Potential reward opportunities are based on the forward-looking policy, applied to 2023 base salaries and incentive opportunities. LTIP awards granted in a year will not normally vest until the third anniversary of the date of grant, and the projected value of the "Maximum", "On target" and "Minimum" scenarios excludes the impact of share price movement.

Pay scenarios

CEO – Karim Bitar



CFO – Jonny Mason



The above charts are based on the following assumptions:
"Maximum + 50% SPA": fixed remuneration (salary, pension, other benefits), plus maximum bonus (200% of salary) and full vesting of the 2023 LTIP awards (300% of salary for the CEO/250% of salary for the CFO, and reflecting 50% share price growth over the vesting period).
"Maximum": fixed remuneration (as above), plus maximum bonus (200% of salary) and full vesting of the 2023 LTIP awards (300% of salary for the CEO/250% of salary for the CFO) assuming no share price growth.
"On-target": fixed remuneration (as above), plus target bonus (50% of maximum or 100% of salary) and threshold LTIP vesting (25% of maximum or 75% of salary for the CEO/62.5% of salary for the CFO) assuming no share price growth.
"Minimum": fixed remuneration only, being the only element of Executive Directors' remuneration not linked to performance.

Executive Director service contracts

In accordance with general market practice, each of the Executive Directors has a rolling service contract. Karim Bitar and Jonny Mason have service contracts with the Company (copies of which are available to view at the Company's registered office) that are terminable on 12 months' notice from the Group and six months' notice from the Executive Director. This practice will also apply for any new Executive Directors. The following table shows the date of the service contract for each Executive Director that served during the year:

Executive Director	Position	Date of appointment	Date of service agreement
Karim Bitar	CEO	30 September 2019	24 March 2019
Jonny Mason	CFO	31 January 2022	8 December 2021

Exit payments policy

The Group's policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms in the executive's service contract and the circumstances of termination. Executive Directors' contracts provide for the payment of a pre-determined sum in the event of termination of employment in certain circumstances (but excluding circumstances where the Group is entitled to dismiss without compensation), comprising base salary, pension benefit and benefits in respect of the unexpired portion of the notice period. Termination payments may take the form of payments in lieu of notice. Payments would normally be made on a phased basis and subject to mitigation. If the employment is terminated by the Group, the Committee retains the discretion to settle any other amount the Committee considers reasonable to the Executive Director including in settlement of claims, in respect of legal fees incurred in connection with the termination and fees for outplacement services and relocation costs.

In addition to contractual provisions, the following table summarises how awards under each discretionary incentive plan are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion as provided under the rules of the plan. In the event of termination, any outstanding options granted under the SAYE, or equivalent, scheme will be treated in accordance with the rules of the scheme, which do not include discretion. Disclosure in relation to any departing Executive Director, including details of any remuneration payment made to them after they cease to be a Director, will be made on the Company's website in accordance with Section 430(2B) of the Companies Act 2006.

Treatment of awards on cessation of employment

Reason for cessation	Calculation of vesting/payment	Timing of vesting/payment
Annual bonus		
Injury, disability, death, redundancy, retirement, or other such event as the Committee determines	The Committee may determine that a bonus is payable on cessation of employment (normally pro-rated for the proportion of the performance year worked) and the Committee retains discretion to determine that the bonus should be paid wholly in cash. The bonus payable will be determined based on the performance of the Group and of the individual over the relevant period, and the circumstances of the Director's loss of office.	At the normal payment date, taking into account actual Company performance for the performance period.
All other reasons (including voluntary resignation)	No bonus will be paid for the financial year.	Not applicable.
Deferred bonus shares		
Resignation or dismissal for cause	Awards normally lapse.	Not applicable.
All other reasons (e.g. injury, disability, death, redundancy, retirement, or other such event as the Committee determines)	Awards will normally vest in full (i.e. not pro-rated for time) unless the Committee determines that time pro-rating should apply.	At the normal vesting date, unless the Committee decides that awards should vest earlier (e.g. in the event of death).
Change of control	Awards will normally vest in full (i.e. not pro-rated for time). Awards may alternatively be exchanged for equivalent replacement awards, where appropriate.	On change of control.
LTIP awards		
Resignation or dismissal for cause	Awards normally lapse.	Not applicable.
All other reasons (e.g. injury, disability, death, redundancy, retirement, or other such event as the Committee determines)	Awards will normally be pro-rated for time (unless the Committee exercises discretion to disapply time pro-rating) and will vest based on performance over the original performance period (unless the Committee decides to measure performance to the date of cessation).	At the normal vesting date, unless the Committee decides that awards should vest earlier (e.g. in the event of death).
Change of control	LTIP awards will normally be pro-rated for time (unless the Committee exercises discretion to disapply time pro-rating) and will vest subject to performance over the performance period to the change of control. LTIP awards may alternatively be exchanged for equivalent replacement awards, where appropriate.	On change of control.

Approach to remuneration on recruitment

External appointments

In cases of hiring or appointing a new Executive Director from outside the Group, the Committee may make use of all existing components of remuneration set out in the Policy table, up to the disclosed maximum opportunities (where applicable).

When determining the remuneration package for a new Executive Director, the Committee will take into account all relevant factors based on the circumstances at that time to ensure that arrangements are in the best interests of the Group and its shareholders. This may include factors such as the experience and skills of the individual, internal comparisons and relevant market data.

The Committee may also make an award in respect of a new appointment to "buy-out" incentive arrangements forfeited on leaving a previous employer, i.e. over and above the maximum limits on incentive opportunities set out in the Policy table. In doing so, the Committee will consider relevant factors, including any performance conditions attached to these awards, the likelihood of those conditions being met, and the time over which they would have vested. The intention is that the expected value of any "buy-out" award would be no higher than the expected value of the forfeited arrangements, and that the structure will replicate (as far as reasonably possible) that of the awards being forfeited. The Committee may consider it appropriate to structure "buy-out" awards differently from the structure described in the Policy table, exercising its discretion under the LTIP rules to structure awards in other forms (including market value options, restricted shares, forfeitable shares or phantom awards) and may use the exemption permitted within the Listing Rules where necessary to make a one-off award to an Executive Director in this context.

Internal promotion

Where a new Executive Director is appointed by way of internal promotion, the Policy will be consistent with that for external appointees, as detailed above (other than in relation to "buy-out" awards). Any commitments made prior to an individual's promotion will continue to be honoured even if they would not otherwise be consistent with the Policy prevailing when the commitment is fulfilled, although the Group may, where appropriate, seek to revise an individual's existing service contract on promotion to ensure it aligns with other Executive Directors and good practice.

Disclosure on the remuneration structure of any new Executive Director, including details of any "buy-out" awards, will be disclosed in the RNS notification made at the time of appointment and in the Annual Report on Remuneration for the year in which recruitment occurred.

External appointments held by Executive Directors

Executive Directors may accept one external appointment subject to approval by the Board, there being no conflicts of interest and the appointment not leading to deterioration in the individual's performance. Executive Directors may retain the fees paid for such roles. Details of external appointments and the associated fees received will be included in the Annual Report on Remuneration.

Consideration of conditions elsewhere in the Group

The Committee seeks to promote and maintain good relations with employees as part of its broader employee engagement strategy, considers pay practices across the Group and is mindful of the salary increases applying across the rest of the business in relevant markets when considering any increases to salaries for Executive Directors.

Consideration of shareholder views

The Committee will take into consideration all shareholder views received during the year and at the Annual General Meeting each year, as well as guidance from shareholder representative bodies more broadly, in shaping the Group's implementation of its Remuneration Policy. It is the Committee's intention to consult with major shareholders in advance of making any material changes to remuneration arrangements for Executive Directors.

Remuneration Policy for the Non-Executive Directors

Details of the Policy on fees paid to our Non-Executive Directors are set out in the table below:

Purpose and link to strategy	Operation	Opportunity	Performance measures
Non-Executive Director fees			
To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Group	The fees of the Chair are determined by the Committee. The fees paid to Non-Executive Directors are determined by the Chair and Executive Directors. Additional fees are payable for acting as Senior Independent Director and for chairing the Audit and Risk Committee or the Remuneration Committee. An additional fee is also payable for acting as a Board Level Representative for the workforce. Flexibility to introduce Committee membership fees is also retained if deemed to be necessary.	The maximum aggregate annual fee for all Non-Executive Directors (including the Chair) as provided in the Group's Articles of Association is £1,500,000.	n/a
	Fee levels are reviewed annually (with any increases normally effective 1 April), taking into account external advice on best practice and competitive levels, in particular at other FTSE companies of comparable size and complexity. Time commitment and responsibility are also taken into account when reviewing fees. Chair and Non-Executive Director fees are paid in cash. The Committee reimburses the Chair and Non-Executive Directors for reasonable expenses in performing their duties and may settle any tax incurred in relation to these expenses. For any Non-Executive Director that is based overseas, the Group will meet travel and accommodation expenditure as required to fulfil their Non-Executive duties. The fees paid to the Chair and Non-Executive Directors are disclosed in the Annual Report on Remuneration.	Fee increases will be applied taking into account the outcome of the annual review.	

Non-Executive Directors are not eligible to join the Group's pension, incentives or share schemes or to participate in any of the Group's other benefit arrangements.

In recruiting a new Non-Executive Director, the Committee will use the Policy set out above.

Non-Executive Director letters of appointment

None of the Non-Executive Directors has a service contract with the Group. They do have letters of appointment, and will be submitted for re-election annually. The dates relating to the appointments of the Chair and Non-Executive Directors who served during the reporting period are as follows:

Director	Role	Date of appointment	Date of letter of appointment	Date of election/ re-election
John McAdam	Non-Executive Chair	30 September 2019	18 August 2019	12 May 2022
Margaret Ewing	Senior Independent Director	11 August 2017	17 August 2017	12 May 2022
Sten Scheibye	Non-Executive Director	3 July 2018	3 July 2018	12 May 2022
Brian May	Independent Non-Executive Director	2 March 2020	26 February 2020	12 May 2022
Heather Mason	Independent Non-Executive Director	1 July 2020	8 May 2020	12 May 2022
Constantin Coussios	Independent Non-Executive Director	1 September 2020	29 June 2020	12 May 2022
Kimberly Lody	Independent Non-Executive Director	1 February 2022	13 December 2021	12 May 2022
Sharon O'Keefe	Independent Non-Executive Director	1 March 2022	24 February 2022	12 May 2022
Rick Anderson	Independent Non-Executive Director	31 October 2016	12 October 2016	n/a
Regina Benjamin	Independent Non-Executive Director	11 August 2017	15 August 2017	n/a

Rick Anderson and Regina Benjamin stepped down from the Board on 3 March 2022 and 12 May 2022, respectively.

Directors' report

The Directors present their Annual Report on the affairs of the Group, together with the Financial Statements and auditor's report, for the year ended 31 December 2022.

Taken together, the Strategic report on pages 4 to 99 and this Directors' report fulfil the requirements of the Disclosure Guidance and Transparency Rules to provide a management report.

Information incorporated by reference

The following information is provided in other sections of this Annual Report and is incorporated by reference.

Information	Section where provided	Page
Corporate governance	Corporate governance statements	103
	Nomination, Audit and Risk Committee reports	123 to 138
Post-balance sheet events	Financial Statements - Note 30	217
Likely future developments and research and development activities	Strategic report	10 to 87
Preparation and disclosure of Financial Statements and Annual Report	Directors' responsibilities statement	165
Use of financial instruments	Financial Statements - Note 23	209 and 210
Shares held by the Company's Employee Benefit Trust	Financial Statements - Note 17	199 and 200
Board membership and biographical details	Corporate governance report	110 and 111
Related party transactions	Financial Statements - Note 29	216
Employee engagement	Strategic report Governance section	44 118
Greenhouse gas emissions	Strategic report	68 and 69
Engagement with suppliers, customers and others in a business relationship with the Company	Strategic report Governance section	44 and 45 118 and 119

Disclosure of information to the auditor

Each of the Directors, as at the date of this Annual Report, confirms that:
- the Director has taken all steps that he/she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information; and
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006. Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the 2023 AGM.

Branches of the Company

The Group, through various subsidiary and related undertakings, has branches in a number of different jurisdictions in which the business operates. Further details are included in subsidiary undertakings on pages 229 to 231.

Dividends

Our stated policy is to target a payout ratio of between 35% and 45% of adjusted net profit. This is interpreted flexibly over time to reflect the development of the business. The Board is recommending a 3.0% increase in the full year dividend to reflect the underlying improvement in business performance.

We annually assess the application of the policy when proposing the dividend, taking into account, among other things, our growth prospects, capital efficiency, investment plans and the profitability of the Group, whilst also maintaining appropriate levels of dividend cover. Any decision to declare and pay dividends will be made at the discretion of the Directors and will depend on, among other things, applicable law, regulation, restrictions, strategic objectives, capital management, the Group's various stakeholders (for further information see the section 172 statement on page 45), review of our comparator peer group, available and forecast distributable reserves of the Company and the forecast cashflows and liquidity of the Group, and other factors the Directors deem significant.

During the year, the Directors resolved to pay an interim dividend of 1.717 cents per share on 6 October 2022. A scrip dividend alternative was offered in respect of the interim dividend allowing shareholders to elect by 16 September 2022 to receive their dividend in the form of new ordinary shares. On 6 October 2022, 2,107,103 ordinary shares of 10p each were allotted to shareholders who had elected to take the scrip dividend alternative.

The Directors recommend a final dividend for the year of 4.330 cents per share (2021: 4.154 cents) which, together with the interim dividend, makes a total for the year of 6.047 cents per share (2021: 5.871 cents), a 3% increase over the prior year. The final dividend, if approved by the shareholders, will be paid on 25 May 2023 to shareholders on the register at the close of business on 11 April 2023; a scrip dividend alternative will also be available to shareholders.

Capital structure

Share capital

As at 31 December 2022, the Company's issued share capital consisted of 2,043,872,048 ordinary shares of 10p each. Further details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in Note 17 to the Consolidated Financial Statements. As at 31 December 2022, the Company had only one class of share consisting of ordinary shares of 10p each.

Acquisition of Company's own shares

At the Company's AGM on 12 May 2022 the Directors' authority was renewed under shareholders' resolution to purchase through the market up to 10% of the Company's ordinary shares at a maximum price per share at the higher of: (i) an amount equal to 105% of middle market quotations of the price of shares for the five business days prior to the date of purchase; and (ii) an amount equal to the higher of the last independent trade and the highest current independent bid at the time of purchase. This authority will expire at the end of Company's 2023 AGM and the Company will seek its renewal at the AGM. It is confirmed that no acquisition of the Company's own shares has been made under such authority.

Shareholders' rights

The rights attaching to the ordinary shares are governed by the Company's Articles of Association (the Articles) and prevailing legislation. There are no specific restrictions on the size of a holding. Subject to applicable law and the Articles, holders of ordinary shares are entitled to receive all shareholder documents, including notice of any general meeting, attend, speak and exercise voting rights at general meetings, either in person or by proxy, and participate in any distribution of income or capital.

Restrictions on voting

There are no specific restrictions on voting rights, save in situations where the Company is legally entitled to impose such restrictions (usually where amounts remain unpaid on shares after request, or the shareholder is otherwise in default of an obligation to the Company). Currently all issued ordinary shares are fully paid. There are no agreements between holders of securities in the Company that are known to the Company and may result in restrictions on transfer or on voting rights.

Restrictions on the transfer of ordinary shares

The transfer of ordinary shares is governed by the general provisions of the Company's Articles and applicable legislation. There are no restrictions on the transfer of ordinary shares other than: (i) as set out in the Articles; and (ii) certain restrictions which may from time to time be imposed by laws and regulations and pursuant to the Listing Rules whereby Directors and certain officers and employees of the Company require approval to deal in the ordinary shares in accordance with the Company's share dealing policies and the Market Abuse Regulation.

Directors' appointment, replacement and powers

The appointment and replacement of Directors of the Company is governed by its Articles, the Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution. Details of the powers of the Board and its Committees are described in the Corporate governance report on page 115. The powers of the Board are set out in the Articles and the Terms of Reference of each of the Board's committees set out their respective duties and responsibilities. The aforementioned documents can be found at www.convatecgroup.com/investors/governance.

Significant agreements

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. Other than the Group's main funding agreements referenced in the following paragraph, none of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Group and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a change of control resulting from a takeover bid.

In the event of a change of control of the Company, the Group's main funding agreements allow the lenders to give notice of repayment for all outstanding amounts under the relevant facilities.

Directors' indemnities

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

Company Secretary

The Company Secretary provides ongoing support to the Board in relation to corporate governance issues and compliance with the Listing Rules. She is responsible for establishing, implementing and monitoring the corporate governance framework, attending (directly or through a designate) all Board and committee meetings, advising on effective Board processes, advising on Directors' statutory duties, disclosure obligations and requirements under the Listing Rules, and working in conjunction with the investor relations team regarding dialogue with investors.

Political donations

No political donations, including to non-UK political parties, were made during the period. Information about the Group's lobbying activities is included on page 45.

Substantial shareholdings

At 31 December 2022 the Company had been notified in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules, of the following voting rights as a shareholder of the Company. At 8 March 2023, being the latest practicable date prior to the publication of this Annual Report, the Company had not received any further notifications pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules.

Shareholder	No. of ordinary shares	Percentage of voting rights	Nature of holding
Novo Holdings A/S	395,318,793	20.25%	Direct holding
The Capital Group Companies, Inc.	97,418,767	4.9911%	Indirect holding
Artisan Partners Limited Partnership	97,980,658	4.98%	Indirect holding
Pelham Capital LTD.	93,526,729	4.71%	Direct holding/ Financial instruments
Black Creek Investment Management, Inc.	80,048,681	4%	Direct holding/ Indirect holding
Standard Life Aberdeen Plc		Below 5%	Indirect holding
BlackRock, Inc.		Below 5%	Indirect holding/ Financial instruments

It should be noted that the percentages are shown as notified and that these holdings are likely to have changed since the Company was notified, however notification of any change is not required until the next notifiable threshold is crossed.

Directors' report continued

Relationship agreement with controlling shareholders

Novo Holdings A/S (Novo) became a significant shareholder on 31 March 2017 and the Company entered a relationship agreement with Novo on such date as required by Listing Rule 9.2.2A R(2)(a). Given its significant investment in the Company, Novo is entitled to appoint one Non-Executive Director to the Board for so long as they and their associates are entitled to exercise, or control the exercise of, 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. In the financial period to 31 December 2022 (and also from 31 December 2022 to 8 March 2023, being the latest practicable date prior to publication of this Annual Report), the Company has complied with the independence provisions of the relationship agreement, and so far as the Company is aware, Novo and their associates also complied with the independence provisions.

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. The Board considers a diverse workforce as critical to its success. Information about the Group's initiatives to achieve diversity across the business, including specific objectives, are contained on pages 59 and 60.

Employment of disabled people

Applications for employment by disabled people are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of anyone with a disability should, as far as possible, be identical to that of other employees.

Employee share schemes

In addition to the discretionary share schemes operated as part of the Group's long-term incentives, detailed in the Remuneration Policy on page 156, the Group operates an all-employee share scheme in selected jurisdictions. The Directors believe that this scheme aligns the interests of employees and shareholders by encouraging employees to buy and own shares in the Company, thus enabling them to benefit directly from the anticipated growth and success of the Group in the future.

Executive Directors may also participate in the UK all-employee share scheme, which is an HMRC approved savings-related share option plan, on the same basis as other eligible employees. All participants may invest up to the limits set in line with HMRC guidance and as operated by the Group.

Shares acquired through the Group's share plans rank pari passu with existing ordinary shares in issue and have no special rights with regards to voting, rights to dividend, control of the Company or otherwise.

All of the Group's employee share plans contain provisions relating to a change of control. On a change of control, options and awards granted to employees under the Group's share plans may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at that time.

Listing Rules – compliance with LR 9.8.4R

The information required to be disclosed by LR 9.8.4R can be found in the following locations. There are no other disclosures required under this LR.

Section	Applicable sub-paragraph within LR 9.8.4R	Location
1	Interest capitalised	Group Financial Statements, Note 25, page 212
4	Details of long-term incentive schemes	Directors' Remuneration report, page 156
14	Confirmation of relationship agreement	Directors' report, page 164

Annual General Meeting

The Annual General Meeting will be held on 18 May 2023 at 2pm and will take place at 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, in the form of a hybrid meeting. Notice of the meeting, containing details of the resolutions to be put to the meeting, will be available at www.convatecgroup.com/investors/shareholder-centre/agm-information/.

By order of the Board:

Evelyn Douglas
Company Secretary
8 March 2023

Convatec Group Plc is registered in England No. 10361298

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with United Kingdom adopted International Accounting Standards and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing the parent company's financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:
- properly select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:
- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's performance and position, business model and strategy.

This responsibility statement was approved by the Board of Directors on 8 March 2023 and is signed on its behalf by:

Karim Bitar
Chief Executive Officer

Jonny Mason
Chief Financial Officer

What's inside

Financial statements

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Notes	2022 $m	2021 $m
Revenue	2	**2,072.5**	2,038.3
Cost of sales		**(968.6)**	(915.2)
Gross profit		**1,103.9**	1,123.1
Selling and distribution expenses		**(575.9)**	(539.7)
General and administrative expenses		**(214.9)**	(285.3)
Research and development expenses		**(92.0)**	(94.5)
Other operating expenses	4	**(13.8)**	-
Operating profit	3	**207.3**	203.6
Finance income	25	**5.5**	0.8
Finance expense	25	**(73.2)**	(44.3)
Non-operating expense, net	5	**(57.7)**	(8.8)
Profit before income taxes		**81.9**	151.3
Income tax expense	6	**(19.0)**	(33.7)
Net profit		**62.9**	117.6
Earnings per share			
Basic earnings per share (cents per share)	7	**3.1¢**	5.9¢
Diluted earnings per share (cents per share)	7	**3.1¢**	5.8¢

The accounting policies and notes on pages 172 to 217 form an integral part of the Consolidated Financial Statements.
All amounts are attributable to shareholders of the Group and wholly derived from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 $m	2021 $m
Net profit		**62.9**	117.6
Other comprehensive (expense)/income			
Items that will not be reclassified subsequently to the Consolidated Income Statement			
Remeasurement of defined benefit pension plans, net of tax	15	**8.4**	3.3
Change in pension asset restriction	15	**-**	1.3
Items that may be reclassified subsequently to the Consolidated Income Statement			
Foreign currency translation, net of tax		**(113.6)**	(29.6)
Realisation of cumulative translation adjustments	27	**12.2**	-
Effective portion of changes in fair value of cash flow hedges	23	**(7.7)**	(5.1)
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement	23	**16.5**	5.7
Costs of hedging	23	**(1.1)**	(0.4)
Income tax in respect of items that may be reclassified		**2.4**	(0.9)
Other comprehensive expense		**(82.9)**	(25.7)
Total comprehensive (expense)/income		**(20.0)**	91.9

All amounts are attributable to shareholders of the Group and wholly derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 $m	2021 $m
Assets			
Non-current assets			
Property, plant and equipment	8	**400.4**	366.7
Right-of-use assets	24	**79.4**	83.6
Intangible assets and goodwill	9	**2,149.5**	2,058.5
Investment in financial assets	10	**30.7**	-
Deferred tax assets	6	**26.6**	28.9
Derivative financial assets	23	**0.2**	-
Restricted cash	22	**7.3**	13.6
Other non-current receivables	12	**8.6**	11.9
		2,702.7	2,563.2
Current assets			
Inventories	11	**336.9**	308.8
Trade and other receivables	12	**364.0**	323.5
Derivative financial assets	23	**26.4**	15.1
Restricted cash	22	**18.2**	-
Cash and cash equivalents	22	**143.8**	463.4
		889.3	1,110.8
Total assets		**3,592.0**	3,674.0
Equity and liabilities			
Current liabilities			
Trade and other payables	13	**346.6**	342.5
Borrowings	21	**-**	144.8
Lease liabilities	24	**20.3**	19.7
Current tax payable		**33.5**	45.5
Derivative financial liabilities	23	**32.5**	11.7
Provisions	14	**100.2**	5.0
		533.1	569.2
Non-current liabilities			
Borrowings	21	**1,211.9**	1,199.8
Lease liabilities	24	**68.0**	70.8
Deferred tax liabilities	6	**83.2**	87.2
Provisions	14	**53.1**	1.7
Derivative financial liabilities	23	**0.3**	2.9
Other non-current liabilities	13	**32.7**	47.6
		1,449.2	1,410.0
Total liabilities		**1,982.3**	1,979.2
Net assets		**1,609.7**	1,694.8
Equity			
Share capital	17	**250.7**	247.0
Share premium	17	**165.7**	142.3
Own shares	17	**(1.5)**	(2.2)
Retained deficit		**(892.2)**	(842.0)
Merger reserve		**2,098.9**	2,098.9
Cumulative translation reserve		**(177.1)**	(75.7)
Other reserves	17	**165.2**	126.5
Total equity		**1,609.7**	1,694.8
Total equity and liabilities		**3,592.0**	3,674.0

The Consolidated Financial Statements of Convatec Group Plc, company number 10361298, were approved by the Board of Directors and authorised for issue on 8 March 2023 and signed on its behalf by:

Jonny Mason
Chief Financial Officer

Karim Bitar
Chief Executive Officer

Consolidated Financial Statements continued

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Notes	Share capital $m	Share premium $m	Own shares $m	Retained deficit $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total $m
At 1 January 2021		245.5	115.3	(6.7)	(845.3)	2,098.9	(46.1)	109.1	1,670.7
Net profit		–	–	–	117.6	–	–	–	117.6
Other comprehensive income:									
Foreign currency translation adjustment, net of tax		–	–	–	–	–	(29.6)	–	(29.6)
Remeasurement of defined benefit pension plans, net of tax	15	–	–	–	–	–	–	3.3	3.3
Change in pension asset restriction	15	–	–	–	–	–	–	1.3	1.3
Changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	–	(0.7)	(0.7)
Other comprehensive (expense)/income		–	–	–	–	–	(29.6)	3.9	(25.7)
Total comprehensive income		–	–	–	117.6	–	(29.6)	3.9	91.9
Dividends paid	18	–	–	–	(85.8)	–	–	–	(85.8)
Scrip dividend	17, 18	1.5	27.0	–	(28.5)	–	–	–	–
Share-based payments	19	–	–	–	–	–	–	16.4	16.4
Share awards vested		–	–	4.5	–	–	–	(3.5)	1.0
Excess deferred tax benefit from share-based payments		–	–	–	–	–	–	0.6	0.6
At 31 December 2021		247.0	142.3	(2.2)	(842.0)	2,098.9	(75.7)	126.5	1,694.8
Net profit		**–**	**–**	**–**	**62.9**	**–**	**–**	**–**	**62.9**
Other comprehensive (expense)/income:									
Foreign currency translation adjustment, net of tax		**–**	**–**	**–**	**–**	**–**	**(113.6)**	**–**	**(113.6)**
Realisation of cumulative translation adjustments	5, 27	**–**	**–**	**–**	**–**	**–**	**12.2**	**–**	**12.2**
Remeasurement of defined benefit pension plans, net of tax	15	**–**	**–**	**–**	**–**	**–**	**–**	**8.4**	**8.4**
Changes in fair value of cash flow hedges, net of tax		**–**	**–**	**–**	**–**	**–**	**–**	**10.1**	**10.1**
Other comprehensive (expense)/income		**–**	**–**	**–**	**–**	**–**	**(101.4)**	**18.5**	**(82.9)**
Total comprehensive income/(expense)		**–**	**–**	**–**	**62.9**	**–**	**(101.4)**	**18.5**	**(20.0)**
Dividends paid	18	**–**	**–**	**–**	**(88.1)**	**–**	**–**	**–**	**(88.1)**
Scrip dividend	17, 18	**1.1**	**23.4**	**–**	**(24.5)**	**–**	**–**	**–**	**–**
Allotment of shares to Employee Benefit Trust	17	**2.6**	**–**	**(2.6)**	**–**	**–**	**–**	**–**	**–**
Share-based payments	19	**–**	**–**	**–**	**–**	**–**	**–**	**16.6**	**16.6**
Share awards vested		**–**	**–**	**3.3**	**–**	**–**	**–**	**2.9**	**6.2**
Excess deferred tax benefit from share-based payments		**–**	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Transfer between reserves		**–**	**–**	**–**	**(0.5)**	**–**	**–**	**0.5**	**–**
At 31 December 2022		**250.7**	**165.7**	**(1.5)**	**(892.2)**	**2,098.9**	**(177.1)**	**165.2**	**1,609.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 $m	2021 $m
Cash flows from operating activities			
Net profit		**62.9**	117.6
Adjustments for			
Depreciation of property, plant and equipment	8	**39.7**	40.6
Depreciation of right-of-use assets	24	**22.1**	22.8
Amortisation of intangible assets	9	**147.4**	147.2
Income tax	6	**19.0**	33.7
Non-operating expense, net	5	**56.0**	4.5
Finance costs, net	25	**67.7**	43.5
Share-based payments	19	**16.7**	16.4
Impairment/write-off of intangible assets	3	**6.3**	2.9
Impairment/write-off of property, plant and equipment	3	**9.2**	3.0
Change in assets and liabilities:			
Inventories		**(36.3)**	(19.6)
Trade and other receivables		**(63.6)**	(29.4)
Other non-current receivables		**3.0**	1.1
Restricted cash		**(11.8)**	(8.4)
Trade and other payables		**40.7**	10.7
Other non-current payables		**5.5**	14.0
Net cash generated from operations		**384.5**	400.6
Interest received		**5.5**	0.8
Interest paid		**(55.4)**	(36.3)
Income taxes paid		**(52.9)**	(59.2)
Net cash generated from operating activities		**281.7**	305.9
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	8, 9	**(144.2)**	(94.1)
Acquisitions, net of cash acquired	26	**(123.3)**	(113.8)
Payment of contingent consideration arising from acquisitions	26	**(50.0)**	-
Net cash (outflow)/inflow arising from divestitures		**(0.1)**	1.4
Investment in financial assets	10	**(30.7)**	-
Net cash used in investing activities		**(348.3)**	(206.5)
Cash flows from financing activities			
Repayment of borrowings	21	**(842.5)**	(583.9)
Proceeds from borrowings	21	**714.2**	491.8
Payment of lease liabilities	24	**(20.7)**	(22.0)
Dividends paid	18	**(88.1)**	(85.8)
Net cash used in financing activities		**(237.1)**	(199.9)
Net change in cash and cash equivalents		**(303.7)**	(100.5)
Cash and cash equivalents at beginning of the year	22	**463.4**	565.4
Effect of exchange rate changes on cash and cash equivalents		**(15.9)**	(1.5)
Cash and cash equivalents at end of the year	22	**143.8**	463.4

Notes to the Consolidated Financial Statements

1. BASIS OF PREPARATION

This section describes the Group's significant accounting policies that relate to the Consolidated Financial Statements and explains critical accounting judgements and estimates that management has identified as having a potentially material impact to the Group. Specific accounting policies relating to the Notes to the Consolidated Financial Statements are described within that note.

1.1 General information

Convatec Group Plc (the Company) is a public limited company incorporated in the United Kingdom under the Companies Act of 2006. The Company's registered office is 3 Forbury Place, 23 Forbury Road, Reading RG1 3JH, United Kingdom.

The Consolidated Financial Statements have been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Consolidated Financial Statements are presented in US dollars (USD), reflecting the profile of the Company and its subsidiaries (collectively, the Group) revenue and operating profit, which are primarily generated in US dollars and US dollar-linked currencies. All values are rounded to $0.1 million except where otherwise indicated.

Pages 2 and 3 in the Strategic report provide further detail of the Group's principal activities and nature of its operations.

1.2 Significant accounting policies

The following significant accounting policies apply to the Consolidated Financial Statements as a whole:

Basis of accounting and presentation
The consolidated financial information has been prepared on a historical cost basis, except for certain financial instruments where fair value has been applied. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of consolidation
The Consolidated Financial Statements include the results of the Company and all its subsidiary undertakings. Subsidiaries are entities controlled by the Group. Control exists when the Group: (i) has power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement in the investee; and (iii) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The consolidated financial information of the Company's subsidiaries is included within the Group's Consolidated Financial Statements from the date that control commences until the date that control ceases and is prepared for the same year-end date using consistent accounting policies.

Going concern
As discussed in the Financial review on pages 30 to 38, the overall financial performance of the business remains strong with a robust liquidity position.

As at 31 December 2022, the Group held cash and cash equivalents of $143.8 million (31 December 2021: $463.4 million), and borrowings of $1,211.9 million (31 December 2021: $1,344.6 million). During the year, the Group refinanced its bank facilities with $1.2 billion committed for five years at the appropriate reference rate plus margins of 1.75% and 2.00% for the multicurrency revolving credit facility and the term loan facility respectively. The new credit facility of $1.2 billion comprises a $250.0 million term loan and a $950.0 million multicurrency revolving facility. The borrowings as at 31 December 2022 comprised senior notes of $500.0 million, term loan of $250.0 million, and multicurrency revolving credit facilities of $477.2 million, net of unamortised financing fees of $15.3 million. The senior notes are repayable in 2029 and the term loan and multicurrency revolving credit facilities are repayable in 2027. $472.8 million of the multicurrency revolving credit facilities remained undrawn as at 31 December 2022, which together with cash and cash equivalents of $143.8 million, provided the Group with total liquidity of $616.6 million as at that date (2021: $663.4 million). The principal financial covenants remained unchanged and as at 31 December 2022, the Group was in compliance with its financial covenants.

In preparing their assessment of going concern, the Directors have considered available cash resources, financial performance and forecast performance, including strategy delivery, together with the Group's financial covenant compliance requirements and principal risks and uncertainties. The Directors have used cash flow forecasts derived from actual performance in 2022, the Board approved 2023 budget and longer-term strategic plan as foundations. The forecasts reflected the full potential funding requirements in relation to the remaining estimated contingent consideration payable in relation to the Triad Life Sciences and Cure Medical acquisitions, and the impact of exiting hospital care and industrial sales activities. The Directors have considered a going concern period to 31 December 2024, which is at least 21 months from the date of approval of the Consolidated Financial Statements.

In accordance with FRC guidance, management applied severe but plausible downside scenarios linked to the Group's principal and emerging risks, including supply chain disruption, cyber security disruption, significant regulatory breaches, financial market distress and geopolitical events and sanctions to a key global market. Further details of the specific scenarios are provided in the Viability statement on page 99. The Board has reviewed these scenarios as part of the going concern assessment and has concluded that these scenarios are in line with the Group's principal and emerging risks and continue to reflect the financial risk of severe but plausible downside events and circumstances during the going concern period. Under each scenario, the Group is forecast to retain significant liquidity and covenant headroom throughout the going concern period.

The Group has carried out reverse stress test against the forecast base case to determine the performance levels that would result in a breach of covenants. For a breach of covenants to occur in the next 12 months, before mitigation, the Group would need to experience a sustained revenue reduction of more than 10% across all categories and markets. This was considered to be implausible given the Group's strong global market position and diversified portfolio of products and the mitigations available to the Board and management, which include minimising capital expenditure to critical requirements and reducing levels of discretionary spend.

Accordingly, at the time of approving these Consolidated Financial Statements, the Directors have a reasonable expectation that the Group and the Company will have adequate liquid resources to meet their respective liabilities as they become due and will be able to sustain its business model, strategy and operations and remain solvent for a period of at least 12 months from 8 March 2023.

Foreign currency translation and transactions
Assets and liabilities of subsidiaries whose functional currency is not US dollars are translated into US dollars at the rate of exchange at the period end. Income and expenses are translated into US dollars at the average rates of exchange prevailing during the year. Foreign currency gains and losses resulting from the translation of subsidiaries into US dollars are recognised in the Consolidated Statement of Comprehensive Income. Exchange differences arising from the translation of the net investment in foreign operations are taken to the cumulative translation reserve within equity. They are recycled and recognised in the Consolidated Income Statement upon disposal of the operation.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Any gain or loss arising from subsequent exchange rate movements is included as an exchange gain or loss in the Consolidated Income Statement.

1.3 Climate change

The Directors recognise the risk of climate change on the business and acknowledge that the Group must take appropriate action to mitigate and, where feasible, prevent further climate change impact. Accordingly, climate related risks are considered within the "Environment and Communities" principal risks and are discussed in greater detail in the "Principal risks" section within the Annual Report and Accounts.

Whilst the valuation of our assets and liabilities has not been materially impacted as at 31 December 2022, the Group will continue to monitor possible implications of climate related risks that could arise in future years on both future cash flows and the valuation of the Group's assets and liabilities, as Government policies and the Group's own strategy and transition plans evolve. Further detail is provided within the "Responsible business review - communities" and "TCFD disclosure" sections of the Annual Report and Accounts on pages 66 to 87.

1.4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements, in conformity with adopted IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, income and expense. Actual results may differ from these estimates or judgements of likely outcome. Management regularly reviews, and revises as necessary, the accounting judgements that significantly impact the amounts recognised in the Consolidated Financial Statements and the sources of estimation uncertainty that are considered to be "key estimates" due to their potential to give rise to material adjustments in the Group's Consolidated Financial Statements within the next financial year.

Considerations for the identification of critical accounting judgements and key estimates
A detailed assessment was performed by management of the potential impact on each balance sheet caption and associated accounting estimates and judgements at each reporting date during the year. In preparing the Consolidated Financial Statements, no critical accounting judgements have been identified. A key estimate has been identified in relation to the valuation of the contingent consideration related to the acquisition of Triad Life Sciences Inc (Triad Life Sciences).

As detailed further in the Group's Audit and Risk Committee report on pages 126 to 138, the Committee has reviewed, discussed, and challenged management on identification and, where appropriate, the determination of its critical accounting judgements and key estimates.

1. BASIS OF PREPARATION (CONTINUED)

Valuation of the contingent consideration in relation to the acquisition of Triad Life Sciences
The contingent consideration is based on both specified post-acquisition financial and non-financial performance targets as defined by the Merger Agreement. The contingent consideration is fair valued at the date of acquisition with key inputs including a weighted probability of different scenarios and revenue projections based on internal forecasts, discounted using an appropriate discount rate that reflects the relative risk of the investment as well as the time value of money.

Actual revenue results may differ from estimates, leading to a change in the fair value of the contingent consideration. Management has identified that reasonably possible changes in certain key assumptions and forecasts may cause the calculated fair value of the contingent consideration to vary materially within the next financial year. The maximum undiscounted contingent consideration payable under the Merger Agreement was $325.0 million, of which $50.0 million was paid during the year following successful attainment of the two short-term milestones. The estimated discounted fair value of the remaining contingent consideration payable as at 31 December 2022 was $130.8 million.

Management has determined that the reasonable potential range of discounted outcomes within the next financial year is between $85.2 million and $230.8 million, compared to a maximum remaining undiscounted contingent consideration of $275.0 million.

The timing and amount of future contingent elements of consideration is therefore considered a key source of estimation uncertainty. Refer to Note 26 - Acquisitions for more information.

1.5 Accounting standards

New standards, interpretations and amendments applied for the first time
On 1 January 2022, the Group adopted the following amendments which are mandatorily effective for the period beginning 1 January 2022:

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);*
- *Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);* and
- *References to Conceptional Framework (Amendments to IFRS 3).*

The adoption during the year of the amendments and interpretations has not had a material impact on the Consolidated Financial Statements.

Apart from these changes, the accounting policies set out in the Notes have been applied consistently to both years presented in these Consolidated Financial Statements.

New standards, interpretations and amendments not yet effective
There are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);*
- *Definition of Accounting Estimates (Amendments to IAS 8);* and
- *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).*

The following amendments are effective for the period beginning 1 January 2024:

- *IFRS 16 Leases (Amendment - Liability in a Sale and Leaseback);*
- *IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-current);* and
- *IAS 1 Presentation of Financial Statements (Amendment - Non-current liabilities with Covenants)*

The Group is currently assessing the impact of these new accounting standards and amendments and does not believe these will have a material impact on the Group.

Other interpretations and amendments
In addition to these issued standards, there are a number of other interpretations, amendments and annual improvement project recommendations that have been issued but not yet effective that have not yet been adopted by the Group because application is not yet mandatory, or they are not relevant for the Group.

- *IFRS 17 - Insurance contracts (effective from 1 January 2023)* is ultimately intended to replace IFRS 4. It sets out the requirements that a company should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. The Group believes that the adoption of IFRS 17 will not have a significant impact on the Consolidated Financial Statements.

RESULTS OF OPERATIONS

This section includes disclosures explaining the Group's performance for the year, including segmental information, operating costs, other expenses, taxation and earnings per share.

2. REVENUE AND SEGMENTAL INFORMATION

2.1 Revenue recognition

The Group sells a broad range of products to a wide range of customers, including healthcare providers, patients and manufacturers. This note provides further information about how the Group generates revenue and when it is recognised in the Consolidated Income Statement.

Accounting policy

Revenue recognition

The Group measures revenue for goods sold based on the consideration specified in a contract with a customer, net of discounts, chargeback allowances and sales-related taxes. Revenue is recognised when control over a product or service is transferred to a customer, distributor or wholesaler, which is generally when goods have been delivered, as most products are insured by the Group until delivery. Due to the short-term nature of the receivables from sale of goods, the Group measures them at the original transaction price without discounting. The transaction price is the amount the Group expects to receive at that date.

Nature of goods and services

Advanced Wound Care, Ostomy Care, Continence and Critical Care products are sold to pharmacies, hospitals and other acute and post-acute healthcare service providers directly or through distributors and wholesalers. Products are also sold directly to end customers (patients) through the Group's home services entities and a small number of clinical and retail outlets. Infusion Care primarily serves business-to-business customers, consisting principally of the leading insulin pump manufacturers. A small proportion of its revenue is derived from business-to-business urology product sales.

In 2022 and 2021, no single customer generated more than 10% of the Group's revenue.

Nature, timing of satisfaction of performance obligations

Principally, the Group's contracts with customers contain a single performance obligation, that is the delivery of products to customers. Revenue is typically recognised when the customer receives the product but is subject to the shipping terms in each individual contract. Where non-standard shipping arrangements exist, revenue is recognised when control of the goods has transferred. Allowances for returns, where the contract specifies these terms, are made at the point of sale.

For sales to distributors, revenue is recognised when title is transferred to the distributor and the distributor has assumed control, the timing of which depends on the contractual terms with each distributor. Chargeback allowances or contractual deductions relating to end-customer agreements, which may differ from distributor contracts, are made at the point of title transfer to the distributor. In certain European countries, rebates are provided to governments and are often mandated by laws or government regulations. These rebates are estimated based on government regulations and unbudgeted spending, laws and terms of individual rebate agreements, and are recorded as a deduction from revenue at the time the related revenue is recorded. The estimates are adjusted periodically to reflect actual experience.

When distributors buy products from the Group at a contract price and sell these products to end-customers at a price agreed with the Group that is lower than the distributors' list price, a chargeback may arise and a claim may be submitted to the Group by the distributor. The provision for chargebacks is based on expected sell-through levels by the Group's distributors to contracted customers, as well as estimated distributor inventory levels. Retrospective claims are reviewed against estimations to ensure provisions are regularly updated.

Volume discounts

The Group offers certain prospective volume discounts to customers who achieve a specified volume amount or value of purchases in any given year. Volume discounts that meet the definition of a material right are recognised as a separate performance obligation. Material rights are the option to purchase additional products at a discount which would not have been given had the contract not been entered into and are incremental to the range of discounts typically given for those goods to that class of customer.

The stand-alone selling price of these volume discounts is based on the discount that the customer would obtain when exercising the option, adjusted for any discount the customer could receive without exercising the option and the likelihood that the option will be exercised. The revenue allocated to volume discounts is short term in nature and recognised proportionally to the pattern of options exercised by the customer or when the option expires.

Notes to the Consolidated Financial Statements continued

2. REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

Contract costs
Incremental costs in respect of obtaining a contract with a customer principally relate to commissions paid by the Group to its sales representatives. Such costs are capitalised as an asset to the extent that they directly relate to a specific contract, are used to generate or enhance resources used in satisfying performance obligations and are expected to be recovered.

The amortisation period for commissions can differ according to the contract term. Renewals of milestones in the contract are taken into account when determining the amortisation period. For each contract that has sales commissions paid, the Group has determined an appropriate amortisation period that is consistent with the transfer of control to the customer. These capitalised costs amounted to $5.4 million (2021: $5.6 million) at 31 December 2022 and the amount of related amortisation expense for the year ended 31 December 2022 was $4.3 million (2021: $3.6 million). There was no impairment loss in respect of the costs capitalised.

Contract balances
The Group recognises contract liabilities that are primarily in respect of advance consideration received from customers prior to transfer of the related products and material rights offered to customers for options to purchase additional goods. The contract liability balance at 31 December 2022 was $1.3 million (2021: $4.9 million).

2.2 Segment information

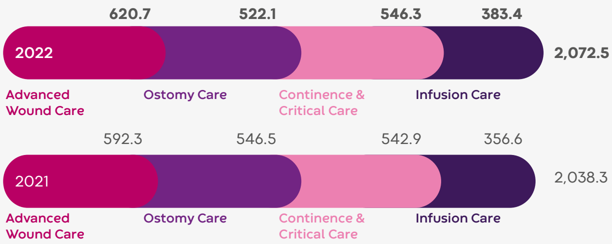
The Board considers the Group's business to be a single segment entity engaged in the development, manufacture and sale of medical products, services and technologies. R&D, manufacturing and central support functions are managed globally for the Group, supporting all categories of sales. Revenues are managed both on a category and regional basis. This note presents the performance and activities of the Group as a single segment.

Pages 22 to 29 of the Strategic report provide further detail of category revenue.

The Group's CEO, who is the Group's Chief Operating Decision Maker, evaluates the Group's global product portfolios on a revenue basis and evaluates profitability and associated investment on an enterprise-wide basis due to shared infrastructures and support functions between the categories and geographies. Financial information in respect of revenues provided to the CEO for decision-making purposes is made on both a category and geographic basis. Resources are allocated on a Group-wide basis, with a focus on key categories and the key markets. The allocations are based on the relative merits of the individual proposals across the Group.

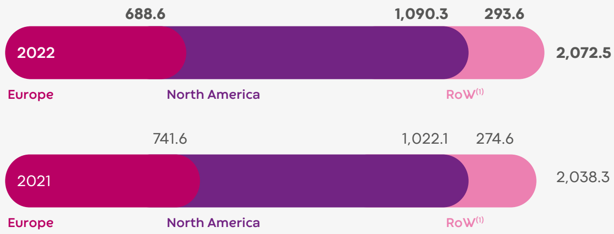
Revenue by category
The Group generates revenue across four major product categories. The following chart sets out the Group's revenue for the year ended 31 December by category:

Revenue by category ($m)



Geographic markets
The following chart sets out the Group's revenue by geographic market in which third-party customers are located:

Revenue by geography ($m)



1. Rest of World (RoW) comprises all countries in Asia-Pacific, Latin America (including Mexico and the Caribbean), South America, the Middle East (including Turkey) and Africa.

From 2023 onwards, Flexi-Seal™ (2022 revenue: $65.8 million), our faecal management system, will move from Continence & Critical Care to Ostomy Care. The remaining industrial sales, predominantly continence-related supplies for B2B customers (2022 revenue: $16.7 million) will move from Infusion Care into Continence Care. Going forward the Continence & Critical Care category will be renamed Continence Care.

Geographic regions

The following table sets out the Group's revenue on the basis of where the legal entity generating the revenue resides, including countries representing over 10% of Group revenue and the UK, where the Group is domiciled:

	2022 $m	2021 $m
Geographic regions		
US	**749.8**	704.1
UK	**131.5**	147.2
Denmark	**371.7**	346.8
Other[1]	**819.5**	840.2
	2,072.5	2,038.3

1. Other consists primarily of other countries in Europe, Asia-Pacific, Latin America and Canada.

The following table sets out the Group's long-lived assets by country in which the legal entity resides:

	2022 $m	2021 $m
Long-lived assets[1]		
US	**1,349.6**	1,141.9
UK	**695.7**	777.8
Denmark	**266.0**	272.6
Other	**318.0**	316.5
Total long-lived assets	**2,629.3**	2,508.8

1. Long-lived assets consist of property, plant and equipment, right-of-use assets, intangible assets and goodwill.

3. OPERATING COSTS

The Group incurs operating costs associated with the day-to-day operation of the business. These operating costs are deducted from revenue to calculate operating profit.

3.1 Operating profit

Operating profit is stated after deducting from revenue:

	Notes	2022 $m	2021 $m
Depreciation:			
Property, plant and equipment	8	**39.7**	40.6
Right-of-use assets	24	**22.1**	22.8
Amortisation of intangible assets	9	**147.4**	147.2
Impairment/write-off of intangible assets	9	**6.3**	2.9
Impairment/write-off of property, plant and equipment	8	**9.2**	3.0
Loss on terminated leases	24	**0.1**	-
Amounts in respect of inventories included in cost of sales		**818.3**	766.7
Write-down of inventories[1]		**22.6**	6.4
Lease expenses[2]	24	**3.9**	2.8
Staff costs:			
Wages and salaries		**532.7**	533.4
Share-based payment expense	19	**16.7**	16.4
Social security costs		**67.5**	64.2
Defined contribution plans post-employment costs		**21.2**	21.0
Defined benefit plans pension costs	15	**1.7**	3.6
Recruitment and other employment-related fees		**8.7**	11.5
Total staff costs		**648.5**	650.1

1. The write-down of inventories to their realisable value is included in cost of sales.
2. Lease expenses comprises the costs in respect of low-value leases and short-term leases. Refer to accounting policy in Note 24 - Leases.

Notes to the Consolidated Financial Statements continued

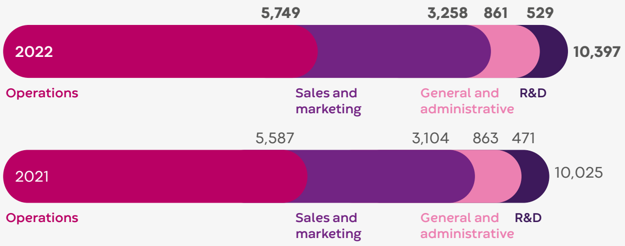
3. OPERATING COSTS (CONTINUED)

The remuneration of the Executive Directors, which is set out on pages 139 to 151, has been audited and is included within staff costs and forms part of these Consolidated Financial Statements.

3.2 Employee numbers

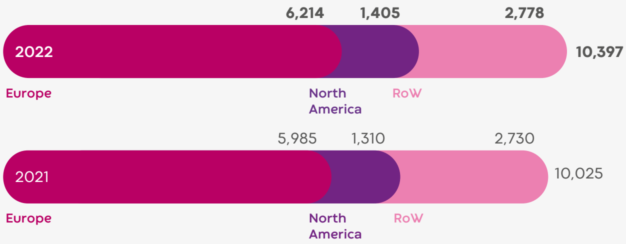
The average number of the Group's employees by function:

Employees by function



The average number of the Group's employees by location:

Employees by location



The total number of employees as at 31 December 2022 was 10,028 (2021: 10,134).

3.3 Auditor's remuneration

The total remuneration of the Group's auditor, Deloitte LLP, for services provided to the Group during the year ended 31 December, is analysed below:

	2022 $m	2021 $m
Fees for audit services		
Group	1.5	1.2
Subsidiaries	3.0	3.2
Total fees for audit services	4.5	4.4
Fees for non-audit services		
Audit-related assurance services	0.2	0.2
Other assurance services	0.1	0.2
Total auditor remuneration	4.8	4.8

A description of the work performed by the Audit and Risk Committee to safeguard auditor independence when non-audit services are provided is set out in the Audit and Risk Committee report on pages 126 to 138.

4. OTHER OPERATING EXPENSES

Other operating expenses were as follows:

	2022 $m	2021 $m
Exit and divestiture-related activities	12.4	-
Impairment of other intangible assets	1.4	-
	13.8	-

As a result of the exit from hospital care and industrial sales-related activities and disposal of a foreign subsidiary, impairments of $8.1 million to property, plant and equipment and $4.3 million to intangible assets have been recognised during the period. See Note 27 - Divestitures for further details. The impairment of other intangible assets relates to a legacy acquisition-related customer relationship asset which was impaired as part of the rationalisation of activities in the portfolio.

5. NON-OPERATING (EXPENSE)/INCOME, NET

Non-operating (expense)/income, net was as follows:

	Notes	2022 $m	2021 $m
Net foreign exchange (loss)/gain[1]		(13.5)	4.3
Realisation of cumulative translation adjustments	27	(12.2)	-
Gain/(loss) on foreign exchange forward contracts	23	15.8	(9.7)
Loss on foreign exchange cash flow hedges	23	(16.5)	(3.9)
Change in contingent consideration[2]	26	(29.5)	-
(Loss)/gain on divestiture	27	(2.0)	0.5
Other non-operating income		0.2	-
Non-operating expense, net[3]		**(57.7)**	(8.8)

1. The foreign exchange losses in 2022 primarily relate to the foreign exchange impact on intercompany transactions, including loans transacted in non-functional currencies. The Group uses foreign exchange forward contracts to manage these exposures in accordance with the Group's foreign exchange risk management policy.
2. The $29.5 million expense relates to the change in fair value of the contingent consideration for the Cure Medical ($5.8 million) and Triad Life Sciences ($23.7 million) acquisitions as described in Note 26 - Acquisitions.
3. Of the total net non-operating expense, $1.7 million (2021: $4.3 million) relates to mark-to-market derivatives, the cash flow impact of which have been shown within the changes in working capital section of the Consolidated Statement of Cash Flows.

6. INCOME TAXES

The note below sets out the current and deferred tax charges, which together comprise the total tax expense in the Consolidated Income Statement. The deferred tax section of the note also provides information on expected future tax charges or benefits and sets out the deferred tax assets and liabilities held across the Group.

Accounting policy

The tax expense represents the sum of current and deferred tax.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years. Taxable profit differs from profit before income taxes because taxable profit excludes items that are either never taxable or tax deductible or items that are taxable or tax deductible in a different period.

Deferred tax

Deferred tax is recognised using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences:

- on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- arising on the initial recognition of goodwill;
- on investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to temporary differences when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Current tax and deferred tax for the year

Current tax and deferred tax are recognised in the Consolidated Income Statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax provisions

The Group is subject to income taxes in numerous tax jurisdictions. Judgement is sometimes required in determining the worldwide provision for income taxes. There may be transactions for which the ultimate tax determination is uncertain and may be challenged by the tax authorities. The Group recognises liabilities for anticipated or actual tax audit issues based on estimates of whether additional taxes will be due. Where an outflow of funds to a tax authority is considered probable and the Group can make a reliable estimate of the outcome of the issue, management calculates the provision for the best estimate of the liability. In assessing its uncertain tax provisions, management takes into account the specific facts of each issue, the likelihood of settlement and the input of professional advice where required. The Group assumes that where a tax authority has a right to examine amounts reported to it, they will do so and will have full knowledge of all relevant information. Where the ultimate liability as a result of an issue varies from the amounts provided, such differences could impact the current and deferred tax assets and liabilities in the period in which the dispute is concluded.

6.1 Taxation

The Group's income tax expense is the sum of the total current and deferred tax expense.

	2022 $m	2021 $m
Current tax		
UK corporation tax	-	0.8
Overseas taxation	**46.8**	46.8
Adjustment to prior years	**(2.0)**	(4.3)
Total current tax expense	**44.8**	43.3
Deferred tax		
Origination and reversal of temporary differences	**(3.7)**	(6.5)
Change in tax rates	**(3.2)**	4.4
Adjustment to prior years	**1.2**	(0.7)
Benefit from previously unrecognised tax losses	**(20.1)**	(6.8)
Total deferred tax benefit	**(25.8)**	(9.6)
Income tax expense	**19.0**	33.7

In 2022, the deferred tax movement included a benefit of $20.1 million in respect of the recognition of previously unrecognised tax losses in the US following the acquisition of Triad Life Sciences.

In 2021, the change in tax rates mainly relates to the revaluation of the net deferred tax liability in the UK following the enactment of Finance Act 2021, which increases the UK corporation tax rate from 19.0% to 25.0% from 1 April 2023.

The Group’s deferred tax benefit in the year ended 31 December 2021 was mainly influenced by the deferred tax benefit of $6.8 million for the recognition of deferred tax assets following the acquisition of Cure Medical LLC (Cure Medical) in respect of previously unrecognised tax losses in the US.

6.2 Reconciliation of effective tax rate

The effective tax rate for the year ended 31 December 2022 was 23.2%, as compared with 22.3% for the year ended 31 December 2021.

Tax reconciliation to UK statutory rate
The table below reconciles the Group’s profit before income taxes at the UK statutory rate to the Group's total income tax expense:

	2022 $m		2021 $m	
Profit before income taxes	**81.9**		151.3	
Profit before income taxes multiplied by rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**15.6**		28.7	
Difference between UK and overseas tax rates[1]	**3.0**		4.0	
Deferred tax impact for increase in UK tax rate	-		4.8	
Non-deductible/non-taxable items	**14.4**		1.3	
Movement in unrecognised tax losses and other assets	**1.0**		(0.1)	
Recognition of previously unrecognised US deferred tax assets	**(20.1)**		(6.8)	
Movement in provision for uncertain tax positions	**2.5**		(0.3)	
Other[2]	**2.6**		2.1	
Income tax expense and effective tax rate	**19.0**	**23.2%**	33.7	22.3%

1. This includes changes in tax rates based on substantively enacted legislation across various tax jurisdictions as of 31 December.
2. Includes tax on amortisation of finite-lived intangibles and taxes on unremitted earnings.

The Group’s income tax expense includes a $20.1 million tax benefit due to the recognition of deferred tax assets following the acquisition of Triad Life Sciences in respect of previously unrecognised tax losses in the US and the $9.5 million effect of non-deductible contingent consideration on the acquisition of both Triad Life Sciences and Cure Medical. Refer to Note 26 - Acquisitions for the acquisition accounting of Triad Life Sciences.

6. INCOME TAXES (CONTINUED)

The Group has worldwide operations and therefore is subject to several factors that may affect future tax charges, principally the levels and mix of profitability in different tax jurisdictions, transfer pricing regulations, tax rates imposed and tax regime reforms. The calculation of the Group's tax expense involves a degree of estimation and judgements in respect of certain items for which the tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, specifically in relation to open tax and transfer pricing matters. Due to the high volume of intercompany transactions, the Group's evolving business model and the increasing complexity in interaction between multiple tax laws and regulations, transfer pricing requires judgement in determining the appropriate allocation of profits between jurisdictions. The Group assessed the impact of ongoing changes to the Group's operating model, the supporting documentation for the tax and transfer pricing positions, existing tax authority challenges, and the likelihood of new challenges by tax authorities. In line with the requirements of IFRIC 23, *Uncertainty over Income Tax Treatments*, the Group has provided for uncertain tax positions in respect of transfer pricing positions and withholding tax liabilities. The net increase in provisions during 2022 was driven by the reassessment of estimates, and settlement and expiry of open tax issues in various jurisdictions. Where open issues exist, the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of discussions with the relevant tax authorities or, where applicable, appeal proceedings. Accordingly, settlement and expiry of open tax issues could have a significant impact on future tax expenses.

The Group is monitoring tax reforms driven by the OECD's project to address the tax challenges arising from the digitalisation of the economy, including Global Anti-Base Erosion Model Rules (Pillar Two). The Group has analysed the tax impact of the project to the Group based on OECD model rules issued on 20 December 2021 and draft legislations available in jurisdictions in which the Group operates in, and expect the tax impact to be not material in the foreseeable future. The Group will reassess the tax impact once new legislation becomes available. This has no impact on the Group's result for 2022.

6.3 Deferred tax

The components of deferred tax assets and liabilities at 31 December are as follows:

	2022 $m	2021 $m
Deferred tax assets	**26.6**	28.9
Deferred tax liabilities	**(83.2)**	(87.2)
	(56.6)	(58.3)

6.4 Movement in deferred tax assets and liabilities

Deferred tax is measured on the basis of the tax rates enacted or substantively enacted at the reporting date. The movements in the deferred tax assets and liabilities were as follows:

	Inventory $m	Tax losses $m	PP&E $m	Intangibles $m	Interest $m	Other $m	Total $m
At 1 January 2021	14.2	55.3	1.2	(175.3)	21.4	23.2	(60.0)
Recognised in Income Statement	(5.8)	34.4	(12.5)	1.1	(4.0)	(3.6)	9.6
Recognised in other comprehensive income	–	–	–	–	(0.9)	0.1	(0.8)
Acquisitions	(0.2)	–	(0.1)	(9.1)	–	–	(9.4)
Other	–	–	–	–	–	0.5	0.5
Foreign exchange	0.2	(0.2)	0.4	0.9	–	0.5	1.8
At 31 December 2021	**8.4**	**89.5**	**(11.0)**	**(182.4)**	**16.5**	**20.7**	**(58.3)**
Recognised in Income Statement	**(1.4)**	**(5.5)**	**5.9**	**(1.7)**	**8.5**	**20.0**	**25.8**
Recognised in other comprehensive income	**–**	**–**	**–**	**–**	**2.4**	**–**	**2.4**
Acquisitions[1]	**(2.4)**	**6.3**	**–**	**(36.2)**	**–**	**–**	**(32.3)**
Other	**–**	**–**	**–**	**–**	**–**	**1.1**	**1.1**
Foreign exchange	**(1.3)**	**(0.2)**	**1.6**	**2.7**	**1.0**	**0.9**	**4.7**
At 31 December 2022	**3.3**	**90.1**	**(3.5)**	**(217.6)**	**28.4**	**42.7**	**(56.6)**

1. Refer to Note 26 - Acquisitions for the acquisition accounting of Triad Life Sciences.

Net deferred tax liabilities provided in relation to intangible assets are predominantly in respect of temporary differences arising on assets and liabilities acquired as part of business combinations. The net movement in deferred tax liability in respect of intangible assets in 2022 mainly relates to the acquisition of Triad Life Sciences. An amount relating to deductible tax amortisation of intangible assets of $15.4 million that are not expected to reverse against taxable income in the future (2021: $15.9 million) is not recognised.

The Group has a history of US tax losses and has recognised a deferred tax asset on US tax losses at 31 December 2022 only to the extent that there are suitable offsetting taxable temporary differences. In 2022, there was an increase in suitable offsetting taxable temporary differences in the US resulting in an additional amount of tax losses in the US being recognised as a deferred tax asset. In particular, upon acquisition of Triad Life Sciences, a net deferred tax liability of $32.3 million was recognised on acquisition (principally in relation to intangible assets - refer to Note 26 - Acquisitions for further details). Some of this can be offset by the Group's US tax losses and, therefore, the deferred tax recognition criteria were met, resulting in a tax benefit of $20.1 million being recognised. Following the Triad Life Sciences acquisition, all Federal tax losses in the US were recognised as deferred tax assets. Deferred tax assets on temporary differences of $0.3 million, state tax losses of $2.3 million and foreign tax credits of $3.9 million remain unrecognised in the US based on forecasts of future taxable profit where the underlying assumptions are consistent with the impairment and going concern forecasts.

Deferred tax on inventory predominantly relates to a deferred tax asset recognised on intra-Group profits arising on intercompany inventory that are eliminated in the Consolidated Financial Statements. As intra-Group profits are not eliminated from the individual entities' tax returns, a temporary difference arises that will reverse when the inventory is sold externally.

Other net temporary differences include accrued expenses, employee costs, and pensions, for which a tax deduction is only available on a paid basis, research and development expenses, unremitted earnings and share-based payments.

To the extent that dividends remitted from overseas subsidiaries and branches are expected to result in additional taxes, appropriate amounts have been provided for. Deferred tax is not provided on temporary differences of $351.8 million in the year to 31 December 2022 (2021: $369.1 million) arising on unremitted earnings as management has the ability to control any future reversal and does not consider such a reversal in the foreseeable future to be probable.

6.5 Unrecognised tax losses carried forward

Deferred tax assets are only recognised where it is probable that future taxable profits will be available to utilise the tax losses. The following table shows the unrecognised tax losses carried forward, including anticipated period of expiration:

Trading and capital losses expiring:	2022 Losses $m	2021 Losses $m
Within 5 years	**10.0**	15.3
Between 5 to 10 years	**12.7**	88.3
More than 10 years	**30.7**	75.0
Unlimited	**958.0**	661.6
Total	**1,011.4**	840.2

The Group also has unrecognised tax credits, in respect of non-US tax payments of $3.9 million (2021: $4.0 million) in the US, which are due to expire within five years.

The unrecognised tax losses of $1,011.4 million reflects judgements and estimates considered in the provision for uncertain tax positions, in line with the requirements of IFRIC 23, *Uncertainty over Income Tax Treatments*. The Group has Luxembourg tax losses of $941.9 million (2021: $638.4 million) which are not recognised and will not expire. The movement in Luxembourg tax losses not recognised is mainly attributable to foreign exchange differences and the reassessment during the year of utilisation of losses in a prior year following an internal corporate reorganisation.

7. EARNINGS PER SHARE

Basic earnings per share is calculated based on the Group's net profit for the year attributable to shareholders divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares is net of shares purchased by the Group and held as own shares.

Diluted earnings per share take into account the dilutive effect of all outstanding share options priced below the market price in arriving at the number of shares used in its calculation.

	2022	2021
Net profit attributable to the shareholders of the Group ($m)	**62.9**	117.6
Basic weighted average ordinary shares in issue (number)	**2,023,839,657**	2,008,923,797
Dilutive impact of share awards (number)	**16,407,811**	17,416,548
Diluted weighted average ordinary shares in issue (number)	**2,040,247,468**	2,026,340,345
Basic earnings per share (cents per share)	**3.1¢ per share**	5.9¢ per share
Diluted earnings per share (cents per share)	**3.1¢ per share**	5.8¢ per share

The calculation of diluted earnings per share excludes 404,241 (2021: 1,878,714) share options that were non-dilutive for the year because the exercise price exceeded the average market price of the Group's ordinary shares during the year.

OPERATING ASSETS AND LIABILITIES

This section set outs the assets and liabilities that the Group holds in order to operate the business on a day-to-day basis, including long-term assets which generate future revenues and profits for the Group.

Liabilities relating to the Group's financing activities are addressed in "Capital structure and financial costs".

8. PROPERTY, PLANT AND EQUIPMENT

The Group invests in buildings, equipment and manufacturing machinery to operate the business and to generate revenue and profits. Assets are depreciated over their estimated useful economic life reflecting the reduction in value of the asset due, in particular, to wear and tear.

Accounting policy

Property, plant and equipment (PP&E) are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset including subsequent additions and improvements when it is probable that future economic benefit associated with the item will flow to the Group and the cost can be reliably measured.

Depreciation is provided on a straight-line basis from the point an asset becomes available for use. Depreciation is calculated to reduce the asset's cost to its residual value over the asset's estimated useful economic life. Assets are depreciated as follows:

Asset category	Useful life
Land	not depreciated
Land improvements	15 to 40 years
Leasehold improvements	shorter of useful life or lease tenure
Buildings	15 to 50 years
Machinery, equipment and fixtures	3 to 20 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset. This difference is recognised in the Consolidated Income Statement.

Assets under construction reflects the cost of construction or improvement of items of PP&E that are not yet available for use. Finance costs incurred in the construction of assets that take more than one year to complete are capitalised using the Group's weighted average borrowing cost during the period in which the asset is under construction. Capitalisation of finance costs ceases when the asset becomes available for use.

Consideration of useful economic lives

The assets' residual values, depreciation methods and useful economic lives are reviewed annually and adjusted if appropriate.

Impairment of assets

The carrying values of PP&E are reviewed for indicators of impairment annually or when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, being the higher of an asset's fair value less costs to sell and the net present value of its expected pre-tax future cash flows (value in use).

When an asset's recoverable amount falls below its carrying value, an impairment is charged to the Consolidated Income Statement.

The movement in the carrying value of each major category of PP&E is as follows:

	Land & land improvements $m	Building, building equipment and leasehold improvements $m	Machinery, equipment and fixtures $m	Assets under construction $m	Total $m
Cost					
1 January 2021	15.8	129.4	483.4	77.2	705.8
Additions	–	1.5	3.6	65.7	70.8
Disposals[1]	–	(4.0)	(12.0)	(0.3)	(16.3)
Transfers	–	6.0	34.3	(40.3)	–
Foreign exchange	(0.5)	(3.0)	(18.6)	(3.8)	(25.9)
31 December 2021	**15.3**	**129.9**	**490.7**	**98.5**	**734.4**
Additions	**-**	**1.8**	**8.2**	**90.0**	**100.0**
Arising from acquisitions (Note 26)	**-**	**0.5**	**0.3**	**-**	**0.8**
Disposals[1]	**-**	**(4.0)**	**(17.5)**	**(1.8)**	**(23.3)**
Transfers	**-**	**13.7**	**24.7**	**(38.4)**	**-**
Foreign exchange	**(1.1)**	**(6.7)**	**(25.2)**	**(4.6)**	**(37.6)**
31 December 2022	**14.2**	**135.2**	**481.2**	**143.7**	**774.3**
Accumulated depreciation					
1 January 2021	0.9	50.5	302.2	–	353.6
Depreciation	0.1	6.1	34.4	–	40.6
Disposals	–	(3.3)	(11.0)	–	(14.3)
Impairment	–	1.0	–	–	1.0
Foreign exchange	–	(1.2)	(12.0)	–	(13.2)
31 December 2021	**1.0**	**53.1**	**313.6**	**-**	**367.7**
Depreciation	**-**	**6.8**	**32.9**	**-**	**39.7**
Arising from acquisitions (Note 26)	**-**	**0.2**	**0.1**	**-**	**0.3**
Disposals	**-**	**(4.0)**	**(17.5)**	**-**	**(21.5)**
Impairment	**-**	**1.9**	**5.5**	**-**	**7.4**
Foreign exchange	**-**	**(2.7)**	**(17.0)**	**-**	**(19.7)**
31 December 2022	**1.0**	**55.3**	**317.6**	**-**	**373.9**
Net carrying amount					
31 December 2021	14.3	76.8	177.1	98.5	366.7
31 December 2022	**13.2**	**79.9**	**163.6**	**143.7**	**400.4**

1. Included within disposals costs were asset write-offs of $1.8 million (2021: $2.0 million).

9. INTANGIBLE ASSETS AND GOODWILL

The split of intangible assets and goodwill is as follows:

	Notes	2022 $m	2021 $m
Intangible assets	9.1	**924.9**	902.2
Goodwill	9.2	**1,224.6**	1,156.3
Intangible assets and goodwill		**2,149.5**	2,058.5

9.1 Intangible assets

The Group's intangible assets are those that have been recognised at fair value as part of business combinations, investment in product development and software purchased to support business operations. These are assets that are not physical in nature but can be sold separately or arise from legal rights.

Accounting policy

Recognition

Measurement on initial recognition of intangible assets is determined at cost for assets acquired by the Group and at fair value at the date of acquisition if acquired in business combinations. Following initial recognition of the intangible asset, the asset is carried at cost less any subsequent accumulated amortisation and accumulated impairment losses.

Purchased computer software and certain costs of information technology are capitalised as intangible assets. Software that is integral to purchased computer hardware is capitalised as PP&E.

R&D

R&D expenses are comprised of all activities involving investigative, technical and regulatory processes related to obtaining appropriate approvals to market our products. It also includes new product development aimed at developing more sustainable product portfolios for the longer term, as mentioned within the Responsible Business review section (refer to page 51). Costs include payroll, clinical manufacturing and pre-launch clinical trial costs, manufacturing development and scale-up costs, product development, regulatory costs including costs incurred to comply with legislative changes, contract services and other external contractors' costs, research licence fees, depreciation and amortisation of laboratory facilities, and laboratory supplies.

Research costs are expensed as incurred. Development costs are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and use or sell the asset. Subsequent to initial recognition, development costs are measured at cost less accumulated amortisation and any accumulated impairment losses. Upgrades and enhancements are capitalised to the extent they will result in added functionality and probable future economic benefits.

Amortisation

Intangible assets with an indefinite life are not amortised. Amortisation of intangible assets with a finite life is calculated using the straight-line method based on the following estimated useful lives:

Asset category	Useful life
Product-related	3 to 20 years
Capitalised software	3 to 10 years
Customer relationships and non-compete agreements	2 to 20 years
Trade names - finite	2 to 10 years
Trade names - indefinite	indefinite
Development costs	5 years

Assets under construction reflects the cost of development or improvement of intangible assets that are not yet available for use.

Impairment of assets

Intangible assets with finite life are reviewed for indicators of impairment at each reporting period or when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, being the higher of an asset's fair value less costs to sell and the net present value of its expected pre-tax future cash flows (value in use).

When an asset's recoverable amount falls below its carrying value, an impairment is charged to the Consolidated Income Statement.

Refer to Note 9.3 - CGU impairment review for consideration of impairment of indefinite-lived intangible assets.

The movement in the carrying value of each major category of intangible assets is as follows:

	Product-related $m	Capitalised software[1] $m	Customer relationships and non-compete agreements $m	Trade names $m	Development cost $m	Assets under construction $m	Total $m
Cost							
1 January 2021	2,101.2	128.6	305.5	260.2	12.5	8.2	2,816.2
Additions	–	2.2	–	–	–	20.6	22.8
Arising from acquisitions[2]	4.9	–	33.2	4.6	–	–	42.7
Write-offs	(7.1)	(21.6)	(0.7)	–	–	(0.4)	(29.8)
Transfers	–	13.3	–	–	–	(13.3)	–
Foreign exchange	(12.9)	(0.3)	(7.0)	(1.1)	(0.9)	(0.3)	(22.5)
31 December 2021	**2,086.1**	**122.2**	**331.0**	**263.7**	**11.6**	**14.8**	**2,829.4**
Additions	**10.0**	**0.6**	**–**	**–**	**–**	**34.0**	**44.6**
Arising from acquisitions[2]	**154.8**	**–**	**–**	**–**	**–**	**–**	**154.8**
Write-offs	**(50.7)**	**(1.8)**	**(0.3)**	**–**	**–**	**(0.6)**	**(53.4)**
Transfers	**–**	**11.8**	**–**	**–**	**–**	**(11.8)**	**–**
Foreign exchange	**(79.7)**	**(2.4)**	**(6.3)**	**(0.9)**	**(0.6)**	**(0.9)**	**(90.8)**
31 December 2022	**2,120.5**	**130.4**	**324.4**	**262.8**	**11.0**	**35.5**	**2,884.6**
Accumulated amortisation							
1 January 2021	1,530.9	90.4	185.8	7.7	9.0	–	1,823.8
Amortisation	107.1	12.3	24.5	1.9	1.4	–	147.2
Write-offs	(7.1)	(21.6)	(0.7)	–	–	–	(29.4)
Impairment	–	2.5	–	–	–	–	2.5
Foreign exchange	(10.1)	(0.1)	(6.1)	0.1	(0.7)	–	(16.9)
31 December 2021	**1,620.8**	**83.5**	**203.5**	**9.7**	**9.7**	**–**	**1,927.2**
Amortisation	**108.6**	**12.0**	**24.3**	**1.4**	**1.1**	**–**	**147.4**
Write-offs	**(50.7)**	**(1.8)**	**(0.3)**	**–**	**–**	**–**	**(52.8)**
Impairment	**4.3**	**–**	**1.4**	**–**	**–**	**–**	**5.7**
Foreign exchange	**(61.0)**	**(0.9)**	**(5.4)**	**–**	**(0.5)**	**–**	**(67.8)**
31 December 2022	**1,622.0**	**92.8**	**223.5**	**11.1**	**10.3**	**–**	**1,959.7**
Net carrying amount							
31 December 2021	465.3	38.7	127.5	254.0	1.9	14.8	902.2
31 December 2022	**498.5**	**37.6**	**100.9**	**251.7**	**0.7**	**35.5**	**924.9**

1. Capitalised software is in respect of purchased and internally generated software.
2. Acquisitions comprise assets in relation to the Triad Life Sciences acquisition. See Note 26 – Acquisitions. In the year ended 31 December 2021, acquisitions comprise of Cure Medical and Patient Care Medical.

9. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Amortisation expenses in respect of finite-lived intangible assets for the year ended 31 December were as follows:

	2022 $m	2021 $m
Cost of sales	**113.1**	110.7
Selling and distribution expenses	**3.2**	2.0
General and administrative expenses	**29.1**	32.5
Research and development expenses	**2.0**	2.0
Total amortisation expense	**147.4**	147.2

The carrying amount of trade names with indefinite life at 31 December 2022 was $248.9 million (2021: $249.8 million). Each of these trade names are considered to have an indefinite life, given the strength and durability of the current trade name and the level of marketing support. The trade names are in relatively similar stable and profitable market sectors, with similar risk profiles, and their size, diversification and market shares mean that the risk of market-related factors causing a reduction in the lives of the trade names is considered to be relatively low. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factor which could limit their useful lives.

Individual intangible assets with a carrying amount in excess of 10% of the total intangible asset carrying amount were as follows:

	2022 $m	2021 $m	Remaining life
Trade names			
Convatec trade name	**234.6**	234.6	Indefinite
Product-related			
InnovaMatrix®	**145.6**	–	13.3 years
Aquacel® including Hydrofibre®	**120.2**	172.2	3.6 years
Stoma care	**113.6**	145.2	3.6 years

9.2 Goodwill

The Group recognises goodwill resulting from business combinations where there are future economic benefits from assets which cannot be individually separated and recognised. Goodwill represents the amount paid in excess of the fair value of the net assets of the acquired business.

Accounting policy

Refer to Note 1 - Basis of preparation for the Group accounting policy in relation to the initial valuation and recognition of goodwill arising from acquisitions.

Goodwill is not subject to amortisation but is tested for impairment annually or when events or changes in circumstances indicate the carrying value may be impaired. Refer to Note 9.3 - CGU impairment review for consideration of impairment of goodwill.

Goodwill is denominated in the functional currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

The changes in the carrying value of goodwill as at 31 December were as follows:

	Total $m
1 January 2021	1,097.2
Divestitures	(0.9)
Arising from acquisitions	79.0
Foreign exchange	(19.0)
31 December 2021	**1,156.3**
Arising from acquisitions (Note 26)	**129.9**
Foreign exchange	**(61.6)**
31 December 2022	**1,224.6**

9.3 Cash generating unit (CGU) impairment review

An impairment assessment is required to be performed annually for goodwill and indefinite-lived intangibles or when events or changes in circumstances indicate the carrying value may be impaired. An impairment is a reduction in the recoverable amount of an asset compared to the carrying value of the asset. Recoverable amount is the higher of value in use and fair value less costs to sell.

This note provides details of the annual impairment assessment that has been performed.

Accounting policy

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Additionally, goodwill arising from a business combination is allocated to a CGU or groups of CGUs that are expected to benefit from the synergies of the combination. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amounts of the CGUs are determined based on value in use calculations, which reflect the estimated future cash flows of each CGU discounted by an estimated weighted average cost of capital that represents the rate of return an outside investor would expect to earn. This discount rate is based on the weighted average cost of capital for comparable public companies and is adjusted for risks specific to the CGU including differences in risk due to its size, geographic concentration and trading history.

Future cash flows are determined using the latest available Board-approved forecasts and strategic plans. These forecasts and strategic plans are based on specific assumptions for each CGU during the five-year planning period with respect to revenue, results of operations, working capital, capital investments and other general assumptions for the projected period. The forecast assumptions that derive the future cash flows are based on the historical results of each CGU combined with external market information and defined strategic initiatives.

If identified, impairment losses are recognised in the Consolidated Income Statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the remaining assets in the CGU, on a pro-rated basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The Group has not recognised any reversal of previous impairments in either 2022 or 2021.

The Group continues to operate under the same operating model as prior year and determined that there has not been any triggers for a change in CGU groups. There has been no change in the reporting to the CODM during the year ended 31 December 2022, with profitability continuing to be assessed on a consolidated basis, and management's focus is predominantly category and key market focus. Goodwill is deemed to be monitored on a category basis, and the Group's CGU groups continue to be; (i) Advanced Wound Care; (ii) Ostomy Care; (iii) Continence & Critical Care, and (iv) Infusion Care.

Goodwill and intangible assets with indefinite life (trade names) are allocated to the Group's CGU groups as at 31 December as follows:

	Goodwill		Indefinite-lived intangible assets	
	2022 $m	2021 $m	**2022 $m**	2021 $m
CGU groups				
Advanced Wound Care	**490.0**	386.9	**104.8**	104.8
Ostomy Care	**116.5**	121.7	**91.2**	91.2
Continence & Critical Care	**535.6**	558.0	**41.2**	41.4
Infusion Care	**82.5**	89.7	**11.7**	12.4
Total	**1,224.6**	1,156.3	**248.9**	249.8

Determining the estimated recoverable amount of a CGU group is judgemental in nature. The key input used in the estimation of value in use as at 31 December 2022 is the Group's five-year Board approved strategic plan, with key assumptions including forecast sales growth rates, terminal value growth rate and discount rates. Forecast sales growth rates are based on past experience adjusted for macroeconomic activity, sector market growth forecasts, competitor activity and strategic decisions made in respect of each CGU group.

9. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The terminal value growth rate and discount rates used were as follows:

Discount rate (pre-tax)[1]	2022 %	2021 %
CGU groups		
Advanced Wound Care	**13.5**	10.5
Ostomy Care	**12.5**	10.0
Continence & Critical Care	**11.5**	9.5
Infusion Care	**12.5**	9.5
Terminal value growth rate[2]	**2.0**	2.0

1. The discount rate is based on the weighted average cost of capital for comparable public companies and is adjusted for risks specific to the CGU group including differences in risk due to its size, geographic concentration and trading history.
2. The estimated terminal value growth rate for the CGU groups is a prudent estimate based on expectations concerning the growth trends of the CGU groups, taking into account global gross domestic product growth, general long-term inflation and population expectations.

Global equity markets have become more volatile in 2022, driven by rising inflation levels, the war between Russia and Ukraine and the energy crisis. Consequently, discount rates have seen an increase in the year, driven by rises in the markets' risk-free rates.

No impairments have been recognised in respect of the Group's current CGU groups for the years ended 31 December 2022 and 2021.

Taking into consideration the Board approved 2023 budget and longer-term strategic plan as foundations, sensitivity analysis was performed considering changes in key assumptions including discount rates and terminal value growth rate, and consideration of risk-based severe but plausible downside scenarios consistent with those identified as part of the Viability assessment (refer to page 99 for full details of scenarios). As part of the assessment, an external benchmarking assessment was also carried out on the forecast sales growth rates.

Under all severe but plausible scenarios, headroom remained on all CGU groups, demonstrating that the impairment of goodwill and indefinite-lived intangible assets is not a key source of estimation uncertainty and any possible impairment would not result in a material adjustment in the next financial year.

10. INVESTMENT IN FINANCIAL ASSETS

Accounting policy

The Group has made an irrevocable election to designate its equity investment in BlueWind Medical at fair value through other comprehensive income (FVOCI). It has been initially recorded at fair value plus transaction costs and will be remeasured at subsequent reporting dates to fair value.

Unrealised gains and losses are recognised in other comprehensive income.

On disposal of the equity investment, any gains and losses that have been deferred in other comprehensive income are transferred directly to retained earnings.

Dividends on equity investments are recognised in the income statement when the Group's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably.

On 9 May 2022, the Group invested $30.0 million in preference shares of BlueWind Medical Limited (BlueWind Medical). BlueWind Medical is developing an implantable tibial neuromodulation device, for the treatment of urge incontinence and urinary urgency. This represents an investment into an innovative technology in the large and growing overactive bladder market, related to the Continence space.

In line with IFRS 9 *Financial Instruments*, the investment met the definition of an equity instrument and the Group has made an irrevocable election on initial recognition to measure the investment at FVOCI. The Group considers this investment to be strategic in nature and it is not held for trading.

In line with IFRS 13 *Fair value measurement*, this investment has been classified as Level 3 in the fair value hierarchy as its measurement is derived from significant unobservable inputs. As at the date of the transaction, the equity investment was recorded at its cost of investment which approximates to fair value plus transaction costs of $0.7 million.

As at 31 December 2022, the fair value of the investment has been remeasured and remained at $30.7 million. No dividends were recognised during the year.

11. INVENTORIES

Inventories are the materials used in manufacturing, products manufactured or purchased to be sold by the Group in the ordinary course of business. Inventories include finished goods, goods which are in the process of being manufactured (work in progress) and raw and packaging materials awaiting use in production.

Accounting policy

Inventories are valued at the lower of cost or net realisable value with the cost determined using an average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and indirect production overheads. Production overheads comprises indirect material and labour costs, maintenance and depreciation of the machinery and production buildings used in the manufacturing process, as well as costs of production administration and management.

Net realisable value is defined as anticipated selling price or anticipated revenue less cost to completion. Estimates of net realisable value are based on the average selling prices at the end of the reporting period, net of applicable direct selling expenses. Subsequent events related to the fluctuation of prices and costs are also considered, if relevant. If net realisable values are below inventory costs, a provision corresponding to this difference is recognised.

Provisions are also made for obsolescence of inventories that; (i) do not meet the Group's specifications; (ii) have exceeded their expiration date; or (iii) are considered slow-moving. The Group evaluates the carrying value of inventories on a regular basis, taking into account such factors as historical and anticipated future sales compared with quantities on hand, the price the Group expects to obtain for products in their respective markets compared with historical cost and the remaining shelf life of goods on hand.

The components of inventories at 31 December were as follows:

	2022 $m	2021 $m
Raw and packaging materials	**79.6**	71.9
Work in progress	**41.6**	37.9
Finished goods	**215.7**	199.0
Inventories	**336.9**	308.8

Inventories are stated net of provision for obsolescence of $25.5 million (2021: $21.3 million). Adjustments to write-down inventory to its net realisable value are provided in Note 3.1 - Operating profit.

12. TRADE AND OTHER RECEIVABLES

Trade receivables consist of amounts billed and currently due from customers. Gross trade receivables are presented before allowances for expected credit losses, sales discounts and chargeback allowances. Credit risk with respect to trade receivables is generally diversified due to the large dispersion and type of customers across many different geographies.

Other receivables include amounts due from third parties not related to revenue and prepaid expenses.

Accounting policy

Credit is extended to customers based on the evaluation of the customer's financial condition. Creditworthiness of customers is evaluated on a regular basis. Exposure to credit risk is managed through credit approvals, credit limits and monitoring procedures. The Group considers a default event to be one where the customer does not have sufficient funds to make their required payments and/or is in the process of being liquidated.

An allowance is maintained for expected lifetime credit losses that result from the failure or inability of customers to make required payments. It is not necessary for a credit event to have occurred before credit losses are recognised. Instead, the Group accounts for expected lifetime credit losses and changes in those expected lifetime credit losses. In determining the allowance, consideration includes the probability of recoverability based on past experience and general economic factors, incorporating forward-looking information and adjustments for customers who represent a lower risk of default, which includes public or private medical insurance customers and customers guaranteed by local government. The amount of expected credit losses, if any, is required to be updated at each reporting date.

Certain trade and other receivables may be fully reserved when specific collection issues are known to exist, such as pending bankruptcy. The Group writes off uncollectable receivables at the time it is determined the receivable is no longer collectable.

Trade and other receivables are not collateralised or factored and the Group does not charge interest on past due amounts. Refer to Note 2.1 - Revenue recognition for details on the accounting policy in respect of chargeback allowances.

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables at 31 December were as follows:

	2022 $m	2021 $m
Included within current assets:		
Trade receivables	**344.7**	296.9
Less: allowances for expected credit losses	**(22.0)**	(14.6)
Less: sales discounts and chargebacks	**(37.6)**	(31.7)
Other receivables[1]	**54.2**	50.9
Prepayments	**24.7**	22.0
Trade and other receivables	**364.0**	323.5

1. The balance of restricted cash with a maturity of less than one year as at 31 December 2022 is $18.2 million and is presented separately on the face of the Consolidated Statement of Financial Position. The prior year balance of $0.4 million is presented within other receivables and has not been reclassified due to its immateriality.

The aged analysis of trade receivables at 31 December was as follows:

	2022 $m	2021 $m
Current	**255.0**	235.2
Past due 1 to 30 days	**33.6**	15.5
Past due 31 to 90 days	**22.5**	17.3
Past due 91 to 180 days	**7.9**	0.7
Past due by more than 180 days	**25.7**	28.2
	344.7	296.9

The unimpaired amounts at 31 December that are past due were aged as follows:

	2022 $m	2021 $m
Past due 1 to 30 days	**32.1**	14.2
Past due 31 to 90 days	**20.6**	16.5
Past due 91 to 180 days	**4.7**	-
Past due by more than 180 days	**10.3**	16.4
	67.7	47.1

The Group believes that the unimpaired amounts that are past due are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk.

Movements in the allowance for expected credit losses for the years ended 31 December were as follows:

	2022 $m	2021 $m
At 1 January	**(14.6)**	(12.6)
Charges	**(6.6)**	(8.2)
Utilisation of provision	**1.1**	5.6
Foreign exchange	**(1.9)**	0.6
At 31 December	**(22.0)**	(14.6)

Other non-current receivables

Other non-current receivables of $8.6 million (2021: $11.9 million) are principally in respect of deposits held with lessors, prepaid expenses and other receivables.

13. TRADE AND OTHER PAYABLES

Trade payables consist of amounts owed to third-party suppliers and represent a contractual obligation to deliver cash in the future.

Other payables include taxes and social security, accruals and liabilities for other employee-related benefits.

Accounting policy

Trade payables are recognised at the value of the invoice received from the supplier and are not interest bearing. The carrying amount of trade and other payables is considered to approximate fair value, due to their short-term maturities.

The components of trade and other payables at 31 December were as follows:

	2022 $m	2021 $m
Included within current liabilities:		
Trade payables	**112.2**	116.7
Taxes and social security	**26.0**	29.0
Other employee-related liabilities	**92.3**	92.3
Accruals and other payables	**116.1**	104.5
Trade and other payables	**346.6**	342.5

	2022 $m	2021 $m
Included within non-current liabilities:		
Defined benefit obligations (Note 15)	**11.0**	19.7
Other employee-related liabilities	**7.7**	7.4
Accruals and other payables	**14.0**	20.5
Other non-current liabilities	**32.7**	47.6

14. PROVISIONS

A provision is an obligation recognised when there is uncertainty over the timing or amount that will be paid. Provisions held by the Group are primarily in respect of restructuring, decommissioning, dilapidations, legal liabilities and contingent consideration relating to acquisitions.

Accounting policy

A provision is recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation and that obligation can be measured reliably. Restructuring provisions are only recognised when a constructive obligation exists, which requires both a detailed formal plan and a valid expectation being raised in those affected by starting to implement that plan or announcing the main features. Provisions are measured at the best estimate of the expenditure required to settle the obligation and are discounted to present value if the effect is material. Provisions are reviewed on a regular basis and adjusted to reflect management's best current estimates. Due to the judgemental nature of these items, future settlements may differ from amounts recognised.

When the timing of a settlement is uncertain or expected to be more than 12 months from the reporting date, amounts are classified as non-current.

Notes to the Consolidated Financial Statements *continued*

14. PROVISIONS (CONTINUED)

The movements in provisions are as follows:

	Decommissioning and dilapidations $m	Restructuring $m	Legal $m	Contingent consideration $m	Total $m
1 January 2022	1.2	5.0	0.5	-	6.7
Contingent consideration from acquisitions	-	-	-	141.8	141.8
Charged to income statement	1.7	15.7	(0.3)	29.5	46.6
Utilised	-	(10.4)	-	(50.0)	(60.4)
Discount unwinding	-	-	-	15.6	15.6
Reclassification from trade and other payables[1]	-	-	-	3.1	3.1
Foreign exchange	(0.1)	-	-	-	(0.1)
31 December 2022	2.8	10.3	0.2	140.0	153.3
Current	-	10.3	-	89.9	100.2
Non-current[2]	2.8	-	0.2	50.1	53.1

1. During the year ended 31 December 2022, $3.1 million was reclassified from trade and other payables in relation to the Cure Medical acquisition to better reflect the estimation uncertainty of the contingent consideration.
2. The expected timings of the payment of the contingent consideration are disclosed in Note 26 - Acquisitions. The timing for other non-current provisions is undefined.

Decommissioning and dilapidation provisions

Decommissioning provisions represent the estimated costs of dismantling and removing PP&E and restoring the site on which it was located. Dilapidation provisions are in respect of contractual obligations, on the expiry of a lease, to return leased properties in the condition which is specified in the individual leases.

Restructuring provisions

Restructuring provisions are mainly related to the exit from the low-margin hospital care and industrial sales portfolio. Further details are in Note 27 - Divestitures. All restructuring provisions are supported by detailed plans and a valid expectation has been raised in those affected as required by the Group's accounting policy.

Legal provision

Legal provision of $0.2 million is in respect of an ongoing case. Legal issues are often subject to uncertainties over the timing and the final amounts of any settlement.

Contingent consideration

Contingent consideration arising from business combinations is fair valued on acquisition and at each reporting period.

As at 31 December 2022, the discounted fair value of the contingent consideration payable in respect of the Cure Medical acquisition was $9.2 million (2021: $3.1 million), with an increase of $5.8 million arising as a result of good performance to date, together with the latest financial forecasts, and the unwind of discount of $0.3 million during the year. This has been charged to the Consolidated Income Statement.

As at 31 December 2022, the discounted fair value of the contingent consideration payable in respect of the Triad Life Sciences acquisition was $130.8 million, with the movements since the acquisition date fair value of $141.8 million being a combination of an increase of $23.7 million arising from management's view that the latest available financials are expected to exceed original expectations and the unwind of discount of $15.3 million during the year, partly offset by the payments of $50.0 million to the sellers following successful attainment of the two short-term milestones per the Merger Agreement.

Further detail is provided in Note 26 - Acquisitions.

15. POST-EMPLOYMENT BENEFITS

The Group has over 10,000 employees globally and operates a number of defined benefit and defined contribution pension plans for its employees. Each individual plan is subject to the applicable laws and regulations of the country inwhich the plan operates.

Defined contribution arrangements are where the Group pays fixed payments as they fall due into a separate fund on behalf of employees participating in the plan and has no further legal or constructive obligations. The cost of Group contributions to defined contribution arrangements during the year is provided in Note 3 - Operating costs.

A defined benefit plan is a pension or other post-employment benefit plan under which the Group has an obligation to provide agreed benefits to current and former employees. The Group bears the risk that its obligation may increase or that the value of the assets in the pension fund may decline. The benefit payable in the future by the Group is discounted to the present value and the fair value of plan assets is deducted to measure the defined benefit pension position.

The Group has defined benefit plans in a number of European countries. The most significant plans are: Switzerland, which has a state-mandated plan that remains open to all Swiss employees; and Germany, which has one unfunded plan, that remains open to German employees but is now closed to new entrants, and a funded plan that was put in place from April 2019. The value of the funded plan in Germany is negligible to the Group. The Group's other defined benefit plans are located in Austria, France and Italy (referred to as "Other" in the tables below). The Group's UK defined benefit plan was bought out by Aviva in December 2021 and the Group has no further liability for the benefits accrued under that plan.

For plans in Switzerland, Germany and Austria, asset funds for each country are being accumulated to meet the accruing liabilities. The assets of each of these funds are either held under trusts or managed by insurance companies and are entirely separate from the Group's assets.

Accounting policy

Defined contribution pension plans

Payments to defined contribution pension plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are treated as payments to defined contribution pension plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution pension plan.

Defined benefit pension plans

The Group records an asset or liability related to its defined benefit pension plans as the difference between the fair value of the plan assets and the present value of the plan liabilities. The obligations of the plans are calculated using the Projected Unit Credit Method, with actuarial valuations being performed by an independent actuary at the end of each reporting period. The valuation requires estimates and judgements to be made to calculate the Group's liabilities, and results in actuarial gains and losses being recorded.

Actuarial gains and losses, movements in the return on plan assets (excluding interest) and the impact of the asset ceiling (if applicable) are recognised immediately in the Consolidated Statement of Financial Position with a charge or credit to the Consolidated Statement of Comprehensive Income. Remeasurements recorded in the Consolidated Statement of Comprehensive Income are not subsequently reclassified to the Consolidated Income Statement.

Past service cost is recognised in the Consolidated Income Statement in the period of plan amendment, where relevant. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

The assets of the plans are held at fair value, which is equal to market value, and are held in separate trustee-administered funds or similar structures in the countries concerned. Surplus assets within the plan are only recognised to the extent that they are recoverable in accordance with IFRIC Interpretation 14, *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (IFRIC 14).

Notes to the Consolidated Financial Statements *continued*

15. POST-EMPLOYMENT BENEFITS (CONTINUED)

Risks

The defined benefit plans typically expose the Group to risks. The most significant risks impacting the Group as a result of these plans are as follows:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high-quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the Group's plans invest primarily in debt instruments.
Interest risk	A decrease in the interest rate will increase the plan liability, but this will be partially offset by an increase in the return on the plan's fixed rate debt instruments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Amounts recorded in the Consolidated Financial Statements

Consolidated Income Statement

The aggregate expense for all post-employment defined benefit plans recognised in the Consolidated Income Statement for the year ended 31 December was as follows:

	2022 $m	2021 $m
Defined benefit plans:		
Current service cost	**1.7**	2.2
Past service cost	**(0.2)**	–
Interest income on plan assets	**(0.2)**	–
Interest expense on defined benefit obligations	**0.4**	0.2
UK pension settlement cost[1]	**–**	1.2
Total expense (Note 3)	**1.7**	3.6

1. The UK defined benefit pension scheme was bought out during the year ended 31 December 2021, with a loss on settlement of $1.2 million recognised in the Consolidated Income Statement.

Consolidated Statement of Comprehensive Income

Aggregate actuarial gains and losses for all defined benefit plans recognised in the Consolidated Statement of Comprehensive Income for the year ended 31 December were as follows:

	2022 $m	2021 $m
Remeasurement effect recognised in other comprehensive income:		
Actuarial gain on liabilities due to experience	**1.3**	1.6
Actuarial gain/(loss) arising from changes in financial assumptions	**8.9**	(0.8)
Actuarial gain arising from changes in demographic assumptions	**–**	0.8
Actuarial (loss)/gain on plan assets	**(1.7)**	1.6
Remeasurement gain recognised in other comprehensive income	**8.5**	3.2
Deferred tax on remeasurement gain recognised in other comprehensive income	**(0.1)**	0.1
Change in pension asset restriction	**–**	1.3
Total amount recognised in other comprehensive income	**8.4**	4.6

Consolidated Statement of Financial Position

The amount recognised for each defined benefit arrangement in the Consolidated Statement of Financial Position at 31 December was as follows:

	Germany		Switzerland		Other		Total	
	2022 $m	2021 $m	**2022 $m**	2021 $m	**2022 $m**	2021 $m	**2022 $m**	2021 $m
Fair value of schemes' assets	**-**	-	**10.4**	13.3	**0.7**	0.8	**11.1**	14.1
Present value of funded schemes' liabilities	**-**	-	**(12.3)**	(17.2)	**(0.7)**	(1.4)	**(13.0)**	(18.6)
Deficit in the funded schemes	**-**	-	**(1.9)**	(3.9)	**-**	(0.6)	**(1.9)**	(4.5)
Present value of unfunded schemes' liabilities	**(7.4)**	(12.6)	**-**	-	**(1.7)**	(2.6)	**(9.1)**	(15.2)
Net pension liability	**(7.4)**	(12.6)	**(1.9)**	(3.9)	**(1.7)**	(3.2)	**(11.0)**	(19.7)
Recognised within Consolidated Statement of Financial Position:								
Defined benefit obligations (Note 13)							**(11.0)**	(19.7)

The weighted average duration of the Group's defined benefit obligations at the end of the year is 17 years (2021: 21 years).

Fair value of assets and present value of the liabilities of the plan

The amount included in the Consolidated Statement of Financial Position arising from its obligations in respect of its defined benefit plans was as follows:

	Assets $m	Liabilities $m	Total $m
At 1 January 2021	30.3	(49.8)	(19.5)
Current service cost	-	(2.1)	(2.1)
Interest income/(expense)	0.1	(0.3)	(0.2)
Remeasurement gain	0.1	1.2	1.3
Contributions by employer	0.7	-	0.7
Contributions by members	0.6	(0.6)	-
Benefits paid	(2.7)	3.0	0.3
Experience gain	-	1.9	1.9
Pension settlement	(14.4)	11.0	(3.4)
Foreign exchange	(0.6)	1.9	1.3
At 31 December 2021	**14.1**	**(33.8)**	**(19.7)**
Current service cost	**-**	**(1.7)**	**(1.7)**
Past service cost	**-**	**0.2**	**0.2**
Interest income/(expense)	**0.2**	**(0.4)**	**(0.2)**
Remeasurement gain/(loss)	**(1.7)**	**6.5**	**4.8**
Contributions by employer	**0.6**	**-**	**0.6**
Contributions by members	**0.5**	**(0.5)**	**-**
Benefits paid	**(2.4)**	**2.7**	**0.3**
Experience gain	**-**	**3.9**	**3.9**
Foreign exchange	**(0.2)**	**1.0**	**0.8**
At 31 December 2022	**11.1**	**(22.1)**	**(11.0)**

Plan assets

The fair value of defined benefit plan assets at 31 December, which has been determined in accordance with IFRS 13, *Fair Value Measurements*, is analysed below. All assets have a quoted market price and are categorised as a Level 1 measurement in the fair value hierarchy.

	Germany		Switzerland		Other		Total	
	2022 $m	2021 $m	**2022 $m**	2021 $m	**2022 $m**	2021 $m	**2022 $m**	2021 $m
Equity instruments	**-**	-	**3.4**	4.0		-	3.4	4.0
Debt instruments	**-**	-	**4.1**	4.8		-	4.1	4.8
Property	**-**	-	**1.6**	2.0		-	1.6	2.0
Qualifying insurance policies	**-**	-		-	**0.7**	0.8	0.7	0.8
Other	**-**	-	**1.3**	2.5		-	1.3	2.5
Plan assets	**-**	-	**10.4**	13.3	**0.7**	0.8	11.1	14.1

15. POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions

The Group makes certain key assumptions in order to value the plan obligations, and the approach to how these are set was as follows:

	Approach taken
Discount rate	Calculated by reference to the yields on high-quality corporate bonds which match expected cash flows in each territory in which a defined benefit plan is present.
Inflation	Calculated using the difference on yields between fixed and index-linked government bonds.
Future salary increases	Based on historical expectations and known future increases, including expected inflation rates.
Mortality	Based on mortality tables derived from assessments performed by national governments and based upon recommendations by plan actuaries.

The principal actuarial assumptions for each defined benefit arrangement used at 31 December were as follows:

	Germany		Switzerland		Other	
	2022	2021	**2022**	2021	**2022**	2021
Discount rate	**3.56%**	1.03%	**1.90%**	0.30%	**3.47% to 4.05%**	0.29% to 1.22%
Rate of price inflation	**N/A**	N/A	**1.00%**	0.50%	**2.20% to 3.00%**	1.20% to 2.00%
Future salary increases	**3.00%**	2.00%	**1.75%**	1.75%	**0.00% to 3.00%**	0.00% to 3.00%

Discount rates have increased in the year, driven by macroeconomic factors such as rising inflation levels, the war between Russia and Ukraine and the energy crisis.

The current mortality assumptions underlying the values of the obligations in the defined benefit plans were as follows:

	Germany		Switzerland		Other	
	2022	2021	**2022**	2021	**2022**	2021
Life expectancy at age 65						
Male	**18.6 years**	17.5 years	**22.8 years**	22.7 years	**23.9 years**	20.5 years
Female	**22.0 years**	20.9 years	**24.6 years**	24.5 years	**27.9 years**	24.0 years
Life expectancy at age 65 in 20 years' time						
Male	**21.4 years**	20.2 years	**25.1 years**	25.0 years	**24.9 years**	21.7 years
Female	**24.3 years**	23.1 years	**26.6 years**	26.5 years	**28.9 years**	25.1 years

Sensitivity analysis

The effect of movements in the key actuarial assumptions in respect of the Germany and Switzerland plans at 31 December 2022 would be an (increase)/decrease to the defined benefit asset/liabilities as follows:

	Germany		Switzerland	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
Discount rate	0.7	(0.7)	1.1	(0.8)
Inflation	N/A	N/A	(0.2)	0.6
Future salary increases	N/A	N/A	(0.1)	0.4
	1 year increase	1 year decrease	1 year increase	1 year decrease
Life expectancy	(0.1)	0.2	(0.1)	0.3

Future funding

Payments expected to be made by the Group to its defined benefit pension plans in the year ended 31 December 2023 are as follows:

	Germany $m	Switzerland $m	Other $m	Total $m
Expected payments	0.1	0.7	–	0.8

CAPITAL STRUCTURE AND FINANCIAL COSTS

The Group ensures that all entities within the Group have sufficient funding to deliver the Group's strategy while maximising the return to shareholders through the debt and equity balance. The capital structure of the Group consists of net debt (which includes borrowings less cash and cash equivalents and excluding lease liabilities) and equity of the Group, comprising issued capital, reserves and earnings as disclosed in the Consolidated Statement of Changes in Equity.

16. CAPITAL STRUCTURE AND NET DEBT

The capital structure of the Group at 31 December was as follows:

	2022 $m	2021 $m
Borrowings (Note 21)	**1,211.9**	1,344.6
Less: Cash and cash equivalents (Note 22)	**(143.8)**	(463.4)
Net debt (excluding lease liabilities)	**1,068.1**	881.2
Equity	**1,609.7**	1,694.8
Total capital	**2,677.8**	2,576.0

The Group's capital structure is managed to provide ongoing returns to shareholders and service debt obligations, whilst maintaining maximum operational flexibility. Refer to pages 30 to 38 in the Financial review for discussion of the Group's sources and uses of cash.

17. SHARE CAPITAL AND RESERVES

Share capital

Called up share capital is the total number of shares in issue at their par value. The rights attaching to the ordinary shares are uniform in all respects. They form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Group. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds, net of tax.

Repurchased shares are classified as own shares and are disclosed in the own shares reserve.

Share premium

The share premium represents amounts received in excess of the nominal value of the ordinary shares.

Own shares

Own shares are ordinary shares in the Group purchased and held by an Employee Benefit Trust to satisfy obligations under the Group's employee share ownership programmes.

When any Group company purchases the Company's equity share capital (own shares), the consideration paid, including any directly attributable incremental costs (net of tax), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable costs and the related tax effects, is recognised in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Merger reserve

In 2016, the Consolidated Financial Statements were prepared under merger accounting principles. Under these principles, no acquirer was required to be identified and all entities were included at their pre-combination carrying amounts. This accounting treatment led to differences on consolidation between issued share capital and the book value of the underlying net assets. This difference is included within equity as a merger reserve.

Cumulative translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Other reserves

Other reserves comprises the cumulative changes in the effective portion of cash flow hedges, cost of hedging, remeasurement of defined benefit plans and the share-based payment reserve.

17. SHARE CAPITAL AND RESERVES (CONTINUED)

Share capital

Shares were allotted during the year in respect of the Group's scrip dividend offering. The movements in ordinary shares of 10 pence each were as follows:

Issued and fully paid or credited as fully paid	Ordinary shares number	Share capital $m	Share premium $m
1 January 2021	2,004,347,138	245.5	115.3
Issue of new shares for Scrip Scheme - 2020 final dividend	9,475,532	1.3	24.8
Issue of new shares for Scrip Scheme - 2021 interim dividend	750,265	0.2	2.2
	10,225,797	1.5	27.0
31 December 2021	**2,014,572,935**	**247.0**	**142.3**
Issue of new shares for Employee Benefit Trust	**20,000,000**	**2.6**	**-**
Issue of new shares for Scrip Scheme - 2021 final dividend	**7,192,010**	**0.9**	**18.0**
Issue of new shares for Scrip Scheme - 2022 interim dividend	**2,107,103**	**0.2**	**5.4**
	29,299,113	**3.7**	**23.4**
31 December 2022	**2,043,872,048**	**250.7**	**165.7**

At 31 December 2022, 10,975,451 shares (2021: 742,756 shares) were held in the Employee Benefit Trust. The market value of own shares at 31 December 2022 was $30.8 million (2021: $1.9 million).

Other reserves

Other reserves include the share-based payment reserve of $155.0 million (2021: $135.3 million) and remeasurement of defined benefit obligations of $4.8 million (2021: $3.6 million loss), a transfer between reserves of $0.5 million (2021: nil) and the effective portion of cash flow hedges of $4.9 million (2021: $5.2 million loss). A reconciliation of movements in all reserves is provided in the Consolidated Statement of Changes in Equity.

Distributable reserves

Retained and realised distributable reserves equates to the retained surplus of Convatec Group Plc as set out in the Company Financial Statements on page 218. At 31 December 2022, the retained surplus of the Company was $1,562.9 million (2021: $1,590.3 million). The capacity of the Company to make dividend payments is primarily determined by the availability of these retained and realised distributable reserves and the Group's cash resources including available borrowing facilities.

Cumulative translation reserve

During the year to 31 December 2022, the Group disposed of a subsidiary as part of the exit from all hospital care and related industrial sales activities. The cumulative amount of exchange differences relating to this foreign operation of $12.2 million, recognised in other comprehensive income, has been reclassified from equity to the Consolidated Income Statement, within non-operating expense (Note 5).

18. DIVIDENDS

The Group ensures that adequate realised distributable reserves are available in the Company in order to meet proposed shareholder dividends, and the purchase of shares for employee share scheme incentives. The Company principally derives distributable reserves from dividends received from subsidiary companies.

In determining the level of dividend for the year, the Board considers the following factors and risks that may influence the proposed dividend:

- The underlying performance of the business;
- The Board's confidence in the Group's future growth prospects;
- Availability of realised distributable reserves;
- Available cash resources and commitments;
- Strategic opportunities and investments, in line with the Group's strategic plan; and
- Principal risks of the Group (as disclosed on pages 92 to 97).

The Board paid the 2021 final dividend in May 2022 and the 2022 interim dividend in October 2022. The Board has taken into consideration balancing the return to shareholders with investment in the business. The decision to increase the dividend for 2022 by 3.0% reflects the Board's confidence in the future performance of the Group and the underlying financial strength, distributable reserves position and cash generation of the Group. Detail of the Group's considerations and rationale for its policy in respect of the dividend distribution is given in the Directors' report on page 162.

Accounting policy

Dividends paid are included in the Group Consolidated Financial Statements at the earlier of payment of the dividends or, in respect of the Company's final dividend for the year, on approval by shareholders.

The Company operates a scrip dividend scheme, allowing shareholders to elect to receive their dividend in the form of new fully paid ordinary shares. For any particular dividend, the Directors may decide whether or not to make the scrip offer available.

Dividends paid and proposed were as follows:

	Pence per share	Cents per share	Total $m	Settled in cash $m	Settled via scrip $m	No of scrip shares issued
Final dividend 2020	2.845	3.983	79.7	53.6	26.1	9,475,532
Interim dividend 2021	1.229	1.717	34.6	32.2	2.4	750,265
Paid in 2021	4.074	5.700	114.3	85.8	28.5	10,225,797
Final dividend 2021	**3.161**	**4.154**	**77.8**	**58.9**	**18.9**	**7,192,010**
Interim dividend 2022	**1.410**	**1.717**	**34.8**	**29.2**	**5.6**	**2,107,103**
Paid in 2022	**4.571**	**5.871**	**112.6**	**88.1**	**24.5**	**9,299,113**
Final dividend 2022 proposed	**3.657**	**4.330**	**88.5**			

The final dividend proposed for 2022, to be distributed on 25 May 2023 to shareholders on the register at the close of business on 11 April 2023, is based upon the issued and fully paid share capital as at 31 December 2022 and is subject to shareholder approval at the Annual General Meeting on 18 May 2023. The dividend will be declared in US dollars and will be paid in Sterling at the chosen exchange rate of $1.184/£1.00 determined on 8 March 2023.

The Company operates a scrip dividend scheme allowing shareholders to elect to receive their dividends in the form of new fully paid ordinary shares. For any particular dividend, the Directors may decide whether or not to make the scrip offer available. A scrip dividend alternative will be offered allowing shareholders to elect by 3 May 2023 to receive their dividend in the form of new ordinary shares.

The interim and final dividends for 2022 give a total dividend for the year of 6.047 cents per share, an increase of 3.0% over the prior year (2021: 5.871 cents per share).

19. SHARE-BASED PAYMENTS

The Group operates a number of plans used to award shares to Executive Directors and other senior employees as part of their remuneration package. A charge is recognised over the vesting period in the Consolidated Income Statement to record the cost of these, based on the fair value of the award at the grant date.

The Group's share-based payment schemes in place are as follows:

Long Term Incentive Plan (LTIP)

Provides Performance Share Plan (PSP) awards subject to Group performance and market conditions and Restricted Stock Units (RSU) subject only to remaining employed up to the vesting date. Details on share-based payments in relation to Executive Directors is set out on page 146.

Deferred Bonus Plan (DBP)

Provides for the grant of share awards to defer a portion of the participant's bonus as determined by the Remuneration Committee. The awards vest subject only to remaining employed up to the vesting date.

Share Plan (SP)

Provides for the grant of discretionary share awards. Awards granted in 2022 will vest to employees still employed on the vesting date.

Employee Plans

The Group also operates Employee Plans which provide eligible employees the opportunity to save up to £500 per month (or local currency equivalent) with an option to acquire shares using these savings at a 15% discount to the market price at date of grant. The Employee Plans are available to employees under the following schemes:

- *Save-As-You-Earn (SAYE)* - Available to all employees in the UK employed by participating Group companies.
- *Employee Stock Purchase Plan (ESPP)* - Available to all employees in the US.
- *International Share Save Plan* - Available to all employees in certain countries in the rest of the world.

Accounting policy

Equity-settled share-based payment awards are measured at the fair value of the award on the grant date, excluding the effect of non-market-based vesting conditions. The fair value of the awards at the date of the grant is expensed to the Consolidated Income Statement over the vesting period on a straight-line basis.

Appropriate adjustments are made to reflect expected and actual forfeitures during the vesting period due to uncertainties in satisfying service conditions or non-market performance conditions. The corresponding credit is to other reserves in the Consolidated Statement of Financial Position.

19. SHARE-BASED PAYMENTS (CONTINUED)

Share-based payment expenses recognised in the Consolidated Income Statement as follows:

	2022 $m	2021 $m
LTIP	**10.8**	11.6
SP	**3.0**	2.1
DBP	**1.6**	1.4
Employee Plans	**1.3**	1.3
	16.7	16.4

During the year to 31 December 2022, $16.6 million (2021: $16.4 million) of share-based payment was equity-settled and $0.1 million (2021: nil) was cash-settled. All amounts that were equity-settled were recognised in Other reserves, with the amounts that were cash-settled recognised through other liabilities.

Awards outstanding

The movements in the number of share and share option awards and the weighted average exercise price of share options are detailed below:

	2022		2021	
	Number of shares/ options 000's	Weighted average exercise price of options £ per share	Number of shares/ options 000's	Weighted average exercise price £ per share
Outstanding at 1 January	**33,707**	**0.43**	30,472	0.51
Granted	**14,225**	**0.32**	13,190	0.33
Forfeited	**(7,728)**	**0.48**	(8,265)	0.53
Exercised	**(9,404)**	**0.54**	(1,690)	0.46
Outstanding at 31 December	**30,800**	**0.33**	33,707	0.43
Exercisable at 31 December	**993**	**1.33**	826	1.80
Weighted average fair value of awards granted (£ per share)	**-**	**1.18**	-	1.18

The average share price during 2022 was £2.11 (2021: £2.15). The share price of the Company at 31 December 2022 was £2.33.

The range of exercise prices and the weighted average remaining contractual life of options outstanding at 31 December were as follows:

Range of prices	2022 Number of shares/ options 000's	2021 Number of shares/ options 000's
Nil	**24,990**	24,198
1.21	**788**	5,338
1.74	**2,511**	-
1.76	**1,108**	1,344
1.84	**18**	755
2.08	**1,385**	2,072
	30,800	33,707
Weighted average remaining contractual life of options outstanding	**2.2 years**	1.9 years

Valuation assumptions

All share awards granted are valued directly by reference to the share price at date of grant except:

- PSP shares awarded under the LTIP plans are subject to both market-based measures and non-market-based measures. Values under the market-based element are based on relative Total Shareholder Return (TSR) performance conditions and are valued using a Monte Carlo simulation.
- Options granted under the Employee Plans are valued using the Black-Scholes model.

The principal assumptions used in these valuations were:

	2022			2021		
	LTIP	SAYE & International Share Save Plan	ESPP	LTIP	SAYE & International Share Save Plan	ESPP
Share price at date of grant	**£1.79**	**£2.13**	**£1.99**	£1.92	£2.44	£2.44
Exercise price	**nil**	**£1.74**	**£1.74**	nil	£2.08	£2.08
Expected life	**3.0 years**	**3.6 years**	**2.0 years**	3.0 years	3.6 years	2.0 years
Expected volatility[1]	**28.7%**	**28.7%**	**28.7%**	40.6%	40.6%	40.6%
Risk-free rate	**1.3%**	**1.3%**	**1.3%**	0.1%	0.1%	0.1%
Dividend yield	**2.5%**	**2.5%**	**2.5%**	2.1%	2.1%	2.1%
Fair value	**£1.03**	**£0.36**	**£0.33**	£1.00	£0.54	£0.48

1. The expected volatility was determined by calculating the observed historical volatility of share prices of peer group companies (including the Company) over the expected life of the share award.

20. FINANCIAL RISK MANAGEMENT

The Group’s treasury policy seeks to minimise the Group's principal financial risks. No trading or speculative transactions in financial instruments are undertaken. This note presents information about the Group’s exposure to financial risks and the Group’s objectives, policies and processes for measuring and managing risks.

Financial risk management objectives

Based on the global operations of the Group, management consider the key financial risks to be liquidity, foreign exchange, interest rate and counterparty credit. The management of counterparty credit risk is discussed in Note 12 - Trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group manages and minimises liquidity risk by using global cash management solutions and actively monitoring both actual and projected cash outflows to ensure that it will have sufficient liquidity to meet its liabilities when due and have headroom to provide against unforeseen obligations. As at 31 December 2022, the Group held cash and cash equivalents of $143.8 million (2021: $463.4 million), of which 74.5% was held centrally.

On 15 November 2022, the Group refinanced its existing bank facilities with $1.2 billion of committed bank lending, comprising a multicurrency revolving credit facility of $950.0 million and a term loan of $250.0 million, both with a maturity in November 2027. The Group’s $500.0 million senior unsecured notes remain in place, with maturity in October 2029. As at 31 December 2022, $472.8 million of the multicurrency revolving credit facility remained undrawn.

Medium and long-term borrowing requirements are met through committed bank facilities and capital market funding as detailed in Note 21 - Borrowings. Short-term borrowing requirements, if necessary, may be met from drawings under the multicurrency facility.

Longer term, the Group has assessed its liquidity forecast as part of the viability assessment and its ability to continue trading as a going concern. For further detail on the Group's assessment of liquidity risk, refer to the Viability statement on pages 98 and 99.

Foreign exchange risk

As a result of the global nature of operations, the Group is exposed to market risk arising from changes in foreign currency exchange rates.

Where possible, the Group manages foreign exchange risk by matching same currency revenues and expenses. It will also denominate debt in certain currencies and use foreign exchange forward contracts and swap contracts to further minimise transactional foreign exchange risk, with certain currency contracts designated as cash flow hedges; refer to Note 23 - Financial instruments for details. As a result, the impacts of the fluctuations in the market values of assets and liabilities and the settlement of foreign currency transactions are reduced.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table summarises the exchange rates used for the translation of currencies into US dollars that have the most significant impact on the Group results:

Currency	Average rate/ Closing rate	2022	2021
USD/EUR	Average	**1.05**	1.18
	Closing	**1.07**	1.14
USD/GBP	Average	**1.24**	1.38
	Closing	**1.20**	1.35
USD/DKK	Average	**0.14**	0.16
	Closing	**0.14**	0.15

During 2022, revenue was mostly USD denominated (52%). Other significant currencies were EUR (20%), GBP (6%) and DKK (2%). The balance comprises a basket of other currencies which, on an individual basis, were each less than 2% of revenue.

Sensitivity analysis on foreign exchange risk
The sensitivity analysis below assumes a 10% strengthening of the US dollar against the principal currencies to highlight the sensitivity of profit before income taxes and total equity to translation foreign exchange risk as at 31 December, with all other variables held constant.

Currency	Sensitivity	2022 $m	2021 $m
Increase/(decrease) in profit before income taxes			
USD/GBP	+10%	**4.0**	0.1
USD/EUR	+10%	**(12.8)**	(40.6)
USD/DKK	+10%	**(10.4)**	(20.5)
Decrease/(increase) in total equity			
USD/GBP	+10%	**(81.6)**	(93.0)
USD/EUR	+10%	**(8.1)**	6.5
USD/DKK	+10%	**(24.3)**	(31.4)

Interest rate risk

The Group's principal exposure to interest rate risk is in relation to interest expense on borrowings made under the Group's credit facilities which attract interest at floating rates plus a fixed margin as well as any cash or investments that result in interest income at floating rates. Floating rate instruments expose the Group to interest rate cash flow and expense risk. The Group manages this exposure on a net basis within Board-approved policy parameters, including the use of interest rate swaps designated as cash flow hedges to maintain an appropriate mix between fixed and floating rate borrowings.

As at 31 December 2022, the Group's borrowings were denominated in USD and Euros. Prior to refinancing in November 2022, credit facilities exposed the Group to USD LIBOR and EURIBOR reference rates. In line with IBOR reform, the facilities executed in November 2022 referenced USD SOFR and EURIBOR. The Group's interest rate swaps of $275.0 million as at 31 December 2022, which matured in January 2023 were referenced to USD LIBOR. As at the year end, the Group had also entered into forward starting interest rate swaps of $180.0 million, which are effective from January 2023, and these are referred to the SOFR benchmark (see Note 23 - Financial Instruments).

IBOR Reform

Non-derivative financial liabilities
In November 2022, the Group refinanced its bank borrowings and as a result extinguished its existing non-derivative financial liabilities linked to US LIBOR. The Group's new facilities are at floating rate and reflect IBOR reform. Whilst one of the Group's facilities is multicurrency, most borrowings are expected to be denominated in USD and EUR with the reference rates of SOFR and EURIBOR, respectively.

In July 2019, the Belgian Financial Services and Markets authority granted authorisation with respect to EURIBOR under European Union Benchmarks Regulation. This allows market participants to continue to use EURIBOR. The Group expects EURIBOR will continue as the EUR benchmark for the foreseeable future.

Derivatives
As of 31 December 2022, the Group held interest rate swaps for the purpose of risk management that are designated in cash flow hedge relationships. The floating legs of these swaps are linked to both US LIBOR and SOFR. The Group's derivatives are governed by contracts based on the master agreement of the International Swaps and Derivatives Association (ISDA).

All interest rate swaps linked to US LIBOR had a maturity of January 2023. Interest rate swaps traded after November 2022 have a floating rate linked to SOFR, aligned with the Group's facilities. See Note 23 - Financial Instruments.

Hedge accounting
At the date of refinancing, the Group's existing bank borrowings were extinguished and replaced with drawings under the new facilities. Existing cash flow hedges were maintained as the underlying interest rate risk still existed and the hedging relationships continued to fulfil the requirements of IFRS 9.

Swaps with floating legs linked to SOFR have also been designated as cash flow hedges and will provide interest rate risk management beyond January 2023.

Sensitivity analysis on interest rate risk

Based on the composition and the terms of the Group's borrowings as at 31 December 2022, and including the 0% interest rate floor and after the effect of the interest rate swaps and cash, if interest rates were to increase or decrease by 100 basis points, the interest expense on borrowings would increase by $4.0 million (2021: $0.1 million) or decrease by $4.0 million (2021: $2.3 million increase) assuming that all other variables remain constant and excluding any effect of tax. In 2021, the impact of the interest rate decrease is limited due to the 0% interest floor on the borrowings.

21. BORROWINGS

The Group's sources of borrowing for funding and liquidity purposes derive from senior notes and credit facilities, including a committed revolving credit facility.

In November 2022, the Group refinanced its bank facilities with $1.2 billion committed for a five-year term. The Group's 2029 unsecured senior notes of $500.0 million remain in place.

Accounting policy

Borrowings are recognised at fair value less directly attributable costs on the date that they are entered into and subsequently measured at amortised cost using the effective interest rate method. Borrowing costs directly attributable to the facility are capitalised and amortised over the period of the loan.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Borrowings are classified as non-current when the repayment date is more than 12 months from the period-end date or where they are drawn on a facility with more than 12 months to expiry.

The Group derecognises borrowings when its contractual obligations are discharged, terminated or expired.

Fair value measurement

Borrowings are classified as Level 1 or Level 2 in the fair value hierarchy in accordance with IFRS 13, Fair Value Measurements, based upon the degree to which the fair value movements are observable.

The Group's borrowings as at 31 December were as follows:

	Currency	Year of maturity	2022 Face value $m	2021 Face value $m
Revolving Credit Facility[1]	USD/Euro	2027	**477.2**	–
Term Loan	USD	2027	**250.0**	–
Senior Notes	USD	2029	**500.0**	500.0
Revolving Credit Facility	Multicurrency	2024	**–**	–
Term Loan Facility A[2]	USD/Euro	2024	**–**	461.2
Term Loan Facility B[3]	USD/Euro	2024	**–**	396.7
Interest-bearing borrowings			**1,227.2**	1,357.9
Financing fees[4]			**(15.3)**	(13.3)
Total carrying value of borrowings			**1,211.9**	1,344.6
Current portion of borrowings			**–**	144.8
Non-current portion of borrowings			**1,211.9**	1,199.8

1. Included within the Revolving Credit Facility was €145.0 million ($155.2 million) at 31 December 2022 (2021: nil), representing 32.5% of RCF debt denominated in Euros and 67.5% denominated in US dollars.
2. Included within Term Loan Facility A as at 31 December 2021 was €78.4 million ($89.2 million) representing 19% of the loan denominated in Euros and 81% denominated in US dollars.
3. Included within Term Loan Facility B as at 31 December 2021 was €67.5 million ($76.7 million), representing 19% of the loan denominated in Euros and 81% denominated in US dollars.
4. Financing fees of $15.3 million (2021: $13.3 million) related to the remaining unamortised fees incurred on the credit facilities of $8.4 million (2021: $5.4 million) and on the senior notes of $6.9 million (2021: $7.9 million).

21. BORROWINGS (CONTINUED)

Credit facilities

The credit facilities held by the Group are committed and available for the refinancing of certain existing financial indebtedness and general corporate purposes. On 15 November 2022, the Group refinanced its credit facilities. The original facilities, maturing in October 2024 and, consisting of two five-year multicurrency term loans totalling $1.5 billion and an undrawn $200.0 million multicurrency revolving credit facility, were settled and extinguished respectively on refinancing. During the year and until the refinancing activity, $27.5 million (2021: $88.4 million) was repaid in accordance with the repayment schedule for the original facilities.

The new credit facility for $1.2 billion comprises of a $250.0 million term loan and a $950.0 million multicurrency revolving credit facility, both committed for a five-year term. As at 31 December 2022, the term loan was fully drawn and $477.2 million of the revolving credit facility was drawn, with $472.8 million undrawn.

Transaction costs directly attributable to the refinancing have been capitalised and are amortised over the term of the facility using the effective interest rate method. Unamortised deferred financing fees of $2.7 million associated with the previous credit agreement have been written off to the Consolidated Income Statement in 2022 (refer to Note 25 - Finance income and expense).

The principal financial covenants are based on a permitted net debt to covenant-adjusted EBITDA[1] ratio and interest cover test as defined in the credit facilities agreement. Testing is required on a semi-annual basis, at June and December, based on the last 12 months' financial performance. At 31 December 2022, the permitted net debt to covenant-adjusted EBITDA[1] ratio was a maximum of 3.50 times and the interest cover a minimum of 3.50 times, terms as defined by the credit facilities agreement. In accordance with the credit facilities agreement, the net debt to covenant-adjusted EBITDA[1] ratio can increase toa maximum 4.00 times for permitted acquisitions or investments.

Senior notes

Unsecured senior notes of $500.0 million were issued on 7 October 2021 with a maturity date of 15 October 2029 at a coupon rate of 3.875% per annum, payable semi-annually and, except for certain options redemption conditions, is not redeemable at the issuer's option prior to 7 October 2024. The Group's refinancing activity did not affect the senior notes.

The senior notes are subject to a financial covenant which is an interest cover test (minimum of 2 times) as defined in the indenture. Testing is required annually based on the last 12 calendar months' financial performance.

Financial covenants

The Group was in compliance with all financial and non-financial covenants at 31 December 2022, with significant available headroom on the financial covenants (in excess of $588.0 million debt headroom on net debt to covenant-adjusted EBITDA[1]).

Excluding the impact of interest rate swaps, the weighted average interest rate on borrowings for the year ended 31 December 2022 was 3.4% (2021: 2.0%). The increase in the weighted average interest rate was due to rising underlying reference base rates on debt with floating rates and a full year of interest on the senior notes issued in 2021.

Borrowings not measured at fair value

The senior notes are listed and their fair value at 31 December 2022 of $430.8 million (2021: $507.7 million) has been obtained from quoted market data and therefore categorised as a Level 1 measurement in the fair value hierarchy under IFRS 13, *Fair Value Measurements*. For the Group's other borrowings, the fair value is based on discounted cash flows using a current borrowing rate and is categorised as a Level 2 measurement. At 31 December 2022, the estimated fair value of the Group's other borrowings was $762.4 million (2021: $847.3 million).

1. Covenant-adjusted EBITDA is calculated based on terms as defined in the credit facilities agreement. This is different to adjusted EBITDA, which is an alternative performance measure (APM) as disclosed on pages 224 to 228.

Maturity of financial liabilitiesS

The contractual undiscounted future cash flows, including contractual interest payments, related to the Group's financial liabilities were as follows:

	Contractual cash flows							
	Within 1 year or on demand $m	1 to 2 years $m	2 to 3 years $m	3 to 4 years $m	4 to 5 years $m	More than 5 years $m	Total $m	Carrying amount $m
At 31 December 2022								
Borrowings	**57.5**	**55.2**	**50.8**	**50.2**	**777.8**	**538.8**	**1,530.3**	**1,211.9**
Lease liabilities (Note 24)	**22.7**	**17.8**	**13.1**	**9.8**	**7.9**	**94.2**	**165.5**	**88.3**
Trade and other payables (Note 13)	**346.6**	**–**	**–**	**–**	**–**	**–**	**346.6**	**346.6**
Derivative financial instruments (Note 23)								
Derivative financial instruments payable	**1,919.8**	**6.3**	**1.2**	**–**	**–**	**–**	**1,927.3**	**32.5**
Derivative financial instruments receivable	**1,912.5**	**6.9**	**1.0**	**–**	**–**	**–**	**1,920.4**	**26.6**
At 31 December 2021								
Borrowings	184.7	182.0	591.2	19.4	19.4	558.1	1,554.8	1,344.6
Lease liabilities (Note 24)	22.6	19.4	14.7	10.9	8.3	28.4	104.3	90.5
Trade and other payables (Note 13)	342.5	–	–	–	–	–	342.5	342.5
Derivative financial instruments (Note 23)								
Derivative financial instruments payable	1,723.4	2.9	–	–	–	–	1,726.3	14.6
Derivative financial instruments receivable	1,726.3	–	–	–	–	–	1,726.3	15.1

Reconciliation of movement in borrowings

	2022 $m	2021 $m
Borrowings at 1 January	**1,344.6**	1,456.4
Repayment of borrowings[1]	**(842.5)**	(583.9)
Proceeds of new borrowings, net of financing fees[2]	**714.2**	491.8
Foreign exchange	**(11.0)**	(26.5)
Non-cash movements[3]	**6.6**	6.8
Borrowings at 31 December	**1,211.9**	1,344.6

1. In the year ended 31 December 2022, repayment of borrowings included the scheduled repayment instalment on Term Loan Facility A of $27.5 million (2021: $88.4 million) and the full repayment of all term loans facilities of $815.0 million as part of the refinancing activity.
2. On 15 November 2022, the Group entered into new revolving credit facilities and term loan facility. The transaction costs in respect of the refinancing activities were $8.6 million. For the year ended 31 December 2021, 180 Medical, Inc. a wholly owned subsidiary of the Group, issued 8-year, non-call for 3 years unsecured senior notes of $500.0 million in accordance with Rule 144A and Regulation S [under the Securities Act]. Transaction costs in respect of the issuance were $8.2 million.
3. Non-cash movements were in respect of the amortisation of deferred financing fees associated with the borrowings and the $2.7 million write-off of the remaining unamortised deferred financing fees following early termination of the Group's previous credit facilities.

22. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash held at bank is used for the Group's day-to-day operations. The Group utilises bank deposits or money market funds which have a maturity of three months or less as liquid investments that enable short-term liquidity requirements to be met.

Accounting policy

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions. All liquid investments, including term deposits and money market funds, have original maturities of three months or less, are subject to insignificant risk of changes in value and are repayable within one business day with no significant loss of interest, resulting in classification as cash equivalents.

Cash at bank earns interest at rates based on daily bank deposit rates. Term deposits and money market funds earn interest at the respective short-term deposit rate.

Cash and cash equivalents at 31 December 2022 included $19.2 million (2021: $37.5 million) of cash held in territories where there are restrictions related to timely repatriation. The amounts meet the definition of cash and cash equivalents but are not deemed to be readily available for general use by the wider Group.

Consolidated Statement of Cash Flows

Under certain circumstances, the Group utilises bank overdrafts to manage temporary fluctuations in cash positions. The bank overdrafts are repayable on demand, used as part of the Group's overall cash management strategy and form part of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows. The Group had no bank overdrafts as at 31 December 2022 or 31 December 2021.

The Group reports cash flows from operating activities using the indirect method in accordance with IAS 7, *Statement of Cash Flows*. The Group has elected to classify net interest paid (including interest on lease liabilities) as cash flows from operating activities. Short-term lease payments and payments for leases of low-value assets are included in cash flows from operating activities.

Changes in working capital assets and liabilities as reported in cash flows from operating activities reflect the changes in the Consolidated Statement of Financial Position between the current and previous financial year end, including adjustments for amounts relating to acquisitions and disposals (when necessary), as well as currency translation adjustments.

Cash payments for the principal portion of lease liabilities is included within cash flows from financing activities.

Acquisition of property, plant and equipment, and intangible assets reflects additions to the related assets, including adjustments for changes in capital accruals. Acquisition of intangible assets relates to capitalised software, development and product-related licences. Refer to Note 9 - Intangible assets and goodwill for further details.

The adjustment for non-operating expense, net in the Consolidated Statement of Cash Flows, excludes the gains and losses realised on cash-settled derivative financial instruments. Refer to Note 5 - Non-operating (expense)/income, net.

Restricted cash

In certain instances, there are requirements to set aside cash to support payment guarantees and obligations, including the payment of value-added taxes, custom duties on imports, tender programmes and lease arrangements. Such amounts are classified by the Group as restricted cash, which do not form part of cash and cash equivalents. Cash paid into escrow, arising from a business combination, is also classified as restricted cash.

	2022 $m	2021 $m
Cash at bank and in hand	**42.6**	69.5
Money market funds and bank deposits	**101.2**	393.9
Cash and cash equivalents	**143.8**	463.4

	2022 $m	2021 $m
Restricted cash - current[1]	**18.2**	0.4
Restricted cash - non-current	**7.3**	13.6
Total restricted cash	**25.5**	14.0

1. In the prior year, restricted cash with a maturity of less than one year of $0.4 million is included in Trade and other receivables.

Current restricted cash of $18.2 million (2021: $0.4 million) relates to cash held in escrow in respect of the Cure Medical, Patient Care Medical and Triad Life Sciences acquisitions.

Included in non-current restricted cash of $7.3 million (2021: $13.6 million) is $4.0 million (2021: $9.7 million) relating to cash held in escrow in respect of the above acquisitions. The remaining balance of $3.3 million (2021: $3.9 million) relates to amounts held in respect of guarantees and the Group's Share Save scheme for employees. None of these amounts are accessible on demand.

23. FINANCIAL INSTRUMENTS

A derivative financial instrument is a contract that derives its value from the performance of an underlying variable, such as foreign exchange rates or interest rates. The Group uses derivative financial instruments to manage foreign exchange and interest rate risk arising from its operations and financing. Derivative financial instruments used by the Group are foreign exchange forwards and interest rate swaps.

The Group utilises interest rate swap agreements, designated as cash flow hedges, to manage its exposure to variability in expected future cash outflows attributable to the changes in interest rates on the Group's committed borrowing facilities.

Accounting policy

Derivative financial instruments are initially recognised at fair value on the derivative contract date and are remeasured at their fair value at subsequent reporting dates. Derivative financial instruments are classified at fair value through profit or loss (FVTPL) unless they are designated and qualify as an effective cash flow hedge. The fair value of forward foreign exchange contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate from third parties at the reporting date.

Hedge accounting

The Group has elected to apply the IFRS 9, *Financial Instruments* hedge accounting requirements. Changes in the fair values of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent the hedges are effective. The fair value is the estimated amount that the Group would receive or pay to terminate the forward or swap at the reporting date, taking into account current market rates, the Group's current creditworthiness, as well as that of the financial instrument counterparties.

The cumulative gain or loss is then reclassified to the Consolidated Income Statement in the same period when the relevant hedged transaction is realised. Any ineffectiveness on hedging instruments is recognised in the Consolidated Income Statement as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in the cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is immediately reclassified to profit or loss. Gains and losses arising from forward points and foreign currency basis spreads are excluded from designation and are treated as a cost of hedging, deferred initially in other equity reserves and released into profit or loss over the life of the hedging relationship.

The Group held USD interest rate swaps of $275.0 million, with exposure to USD LIBOR as a reference rate and maturing in January 2023. New USD interest rate swaps of $180.0 million were entered during 2022 with an effective date of 23 January 2023, with exposure to USD SOFR as a reference rate and maturing at various points in the next two years. These have been designated as cash flow hedges through other comprehensive income. In assessing hedge effectiveness on a prospective basis for this relationship, the Group has assumed that the USD LIBOR-related interest cash flows on the swap are not altered by IBOR reform and the hedge continues to be highly effective. Furthermore, hedge accounting did not need to be discontinued during the period of IBOR-related uncertainty as the Group had taken the relief available in Phase 1 to separately identify the risk component at the initial hedge designation and not on an ongoing basis.

At the date of refinancing, the Group's existing bank borrowings were extinguished and replaced with drawings under the new facilities. Existing cash flow hedges were maintained as the underlying interest rate risk still existed and the hedging relationships continued to fulfil the requirements of IFRS 9. Swaps with floating legs linked to SOFR have also been designated as cash flow hedges and will provide interest rate risk management beyond January 2023.

Right to offset

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Fair value measurement

Financial instruments are classified as Level 1, Level 2 or Level 3 in the fair value hierarchy in accordance with IFRS 13, *Fair Value Measurements*, based upon the degree to which the fair value movements are observable. Level 1 fair value measures are defined as those with quoted (unadjusted) market prices in active markets for identical assets or liabilities. Level 2 fair value measurements are defined as those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (prices from third parties) or indirectly (derived from third-party prices). Level 3 fair value measurements are defined as those derived from significant unobservable inputs.

The only instrument classified as Level 1 are the senior notes, given the availability of quoted market price (Note 21 - Borrowings). The Group's derivative financial instruments, discussed below, are classified as Level 2, and the Group's equity investment in preference shares is classified as Level 3 (Note 10 - Investment in financial assets).

23. FINANCIAL INSTRUMENTS (CONTINUED)

The Group holds interest rate swap agreements to fix a proportion of variable interest on US dollar-denominated debt, in accordance with the Group's risk management policy. The interest rate swaps are designated as hedging instruments in a cash flow hedging relationship.

In accordance with Group policy, the Group uses forward foreign exchange contracts, designated as cash flow hedges, to hedge certain forecast third-party foreign currency transactions. When a commitment is entered into, a layered approach is taken when hedging the currency exposure, ensuring that no more than 100% of the transaction exposure is covered. The currencies hedged by forward foreign exchange contracts are US dollars, Swiss francs, Pound sterling, Danish krone and Japanese yen.

The Group further utilises foreign exchange contracts and swaps classified as FVTPL to manage short-term foreign exchange exposure.

Cash flow hedges

The fair values are based on market values of equivalent instruments at 31 December. The following table presents the Group's outstanding interest rate swaps, which were designated as cash flow hedges at 31 December:

			2022		2021	
	Effective date	Maturity date	**Notional amount $m**	**Fair value[1] assets/ (liabilities) $m**	Notional amount $m	Fair value[1] assets/ (liabilities) $m
3 Month LIBOR Float to Fixed Interest Rate Swap	24 Jan 2020	24 Jan 2023	**275.0**	**2.0**	275.0	(2.9)
6 Month term SOFR Float to Fixed Interest Rate Swap	23 Jan 2023	23 Jan 2024	**90.0**	**0.2**	–	–
6 Month term SOFR Float to Fixed Interest Rate Swap	23 Jan 2023	23 July 2024	**40.0**	**–**	–	–
6 Month term SOFR Float to Fixed Interest Rate Swap	23 Jan 2023	23 Jan 2025	**50.0**	**(0.3)**	–	–

1. The fair values of the interest rate swaps were disclosed in non-current derivative financial liabilities in the Consolidated Statement of Financial Position. There was no ineffectiveness recognised in the Consolidated Income Statement.

Foreign exchange forward contracts

The following table presents the Group's outstanding foreign exchange forward contracts valued at FVTPL and foreign currency forward contracts designated as cash flow hedges, disclosed in current derivative financial assets and liabilities, at 31 December:

		2022		2021	
	Term	**Notional amount $m**	**Fair value asset/ (liabilities) $m**	Notional amount $m	Fair value assets/ (liabilities) $m
Foreign exchange contracts	≤ 3 months	**996.6**	**21.3**	864.6	14.5
Foreign currency forward exchange contracts designated as cash flow hedges	≤ 12 months	**72.7**	**3.1**	40.8	0.6
Derivative financial assets		**1,069.3**	**24.4**	905.4	15.1
Foreign exchange contracts	≤ 3 months	**703.7**	**(30.2)**	695.9	(6.5)
Foreign currency forward exchange contracts designated as cash flow hedges	≤ 12 months	**132.8**	**(2.3)**	130.2	(5.2)
Derivative financial liabilities		**836.5**	**(32.5)**	826.1	(11.7)

During the year ended 31 December 2022, the Group realised a net gain of $15.8 million (2021: $9.7 million loss) on foreign exchange forward contracts designated as FVTPL in non-operating expenses, net, (Note 5) in the Consolidated Income Statement.

Impact of hedging on other comprehensive income

The following table presents the impact of hedging on other comprehensive income:

	2022 $m	2021 $m
Recognised in other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges:		
Interest rate swaps	**3.3**	(1.0)
Foreign currency forward exchange contracts designated as cash flow hedges	**(11.0)**	(4.1)
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement	**16.5**	5.7
Cost of hedging	**(1.1)**	(0.4)
Total	**7.7**	0.2

24. LEASES

The Group principally leases real estate and vehicles. Leases are recognised as a right-of-use asset with a corresponding liability recorded at the date at which the leased asset is available for use by the Group.

Accounting policy

The lease liability is measured at the present value of future lease payments discounted using the rate implicit in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Options such as lease extensions or terminations on lease contracts are considered on a case-by-case basis by regular management assessment.

Each lease payment is allocated between amounts paid for principal and interest. The interest cost is charged to the Consolidated Income Statement over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the lease term.

Payments associated with short-term leases and low-value leases are recognised on a straight-line basis as an expense in the Consolidated Income Statement. Short-term leases are leases with a lease term of 12 months or less and low-value leases comprise of leases with an underlying asset value of less than $5,000. Expenses recognised for these short-term and low-value leases for the year ended 31 December 2022 were $3.9 million (2021: $2.8 million).

The movements in right-of-use assets were as follows:

	Real estate and other $m	Vehicles $m	Total $m
As at 1 January 2021	70.3	15.5	85.8
Lease additions	17.1	7.8	24.9
Acquisitions	0.7	-	0.7
Leases terminated	(0.4)	(1.1)	(1.5)
Depreciation of right-of-use assets	(14.5)	(8.3)	(22.8)
Foreign exchange	(2.9)	(0.6)	(3.5)
As at 31 December 2021	70.3	13.3	83.6
Lease additions	**12.3**	**8.4**	**20.7**
Acquisitions (Note 26)	**2.2**	**-**	**2.2**
Leases terminated	**(1.4)**	**0.1**	**(1.3)**
Depreciation of right-of-use assets	**(14.7)**	**(7.4)**	**(22.1)**
Foreign exchange	**(3.1)**	**(0.6)**	**(3.7)**
As at 31 December 2022	**65.6**	**13.8**	**79.4**

Movements in lease liabilities were as follows:

	2022 $m	2021 $m
Lease liabilities as at 1 January	**90.5**	92.1
Lease additions	**21.0**	24.9
Acquisitions	**2.9**	0.7
Payment of lease liabilities	**(20.7)**	(22.0)
Leases terminated	**(1.2)**	(1.5)
Interest expense on lease liabilities (Note 25)	**3.3**	3.8
Interest paid on lease liabilities	**(3.3)**	(3.8)
Foreign exchange	**(4.2)**	(3.7)
Lease liabilities as at 31 December	**88.3**	90.5

Total cash outflow of lease liabilities including interest for the year ended 31 December 2022 was $24.0 million (2021: $25.8 million). Interest paid during the year was $3.3 million (2021: $3.8 million).

Lease liabilities by category at 31 December were as follows:

	2022			2021		
	Real estate and other $m	**Vehicles $m**	**Total $m**	Real estate and other $m	Vehicles $m	Total $m
Current	**13.8**	**6.5**	**20.3**	13.2	6.5	19.7
Non-current	**60.6**	**7.4**	**68.0**	64.0	6.8	70.8
Total	**74.4**	**13.9**	**88.3**	77.2	13.3	90.5

24. LEASES (CONTINUED)

The maturity of lease liabilities at 31 December was as follows:

	2022			2021		
	Real estate and other $m	Vehicles $m	Total $m	Real estate and other $m	Vehicles $m	Total $m
Within 1 year	**13.8**	**6.5**	**20.3**	13.2	6.5	19.7
1 to 2 years	**12.3**	**4.2**	**16.5**	12.7	4.1	16.8
2 to 3 years	**9.5**	**2.3**	**11.8**	10.7	2.0	12.7
3 to 4 years	**8.1**	**0.7**	**8.8**	8.5	0.6	9.1
4 to 5 years	**7.2**	**0.1**	**7.3**	6.8	0.1	6.9
5 to 10 years	**23.5**	**0.1**	**23.6**	24.2	–	24.2
More than 10 years	**–**	**–**	**–**	1.1	–	1.1
Total	**74.4**	**13.9**	**88.3**	77.2	13.3	90.5

The undiscounted contractual cash flows in relation to the maturity of leases liabilities have been disclosed in Note 21 - Borrowings.

25. FINANCE INCOME AND EXPENSE

Finance expenses arise from interest on the Group's borrowings and lease liabilities. Finance income arises from interest earned on investment of surplus cash.

Accounting policy

Finance expenses, including the transaction costs for borrowings and any discount or premium on issue, are recognised in the Consolidated Income Statement using the effective interest rate method.

When existing debt is derecognised in the financial statements any transaction costs not amortised are recognised immediately in the Consolidated Income Statement.

Upon derecognition of financial liabilities, any unamortised financing fees are recognised immediately in the Consolidated Income Statement.

Interest related to qualifying assets under construction included within PP&E is capitalised (refer to Note 8 - Property, plant and equipment).

Refer to Note 24 - Leases for accounting policy on interest expense on lease liabilities.

Interest arising from interest rate swaps is recorded as either interest income or expense over the term of the agreement. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in the cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

Finance costs, net for the year ended 31 December were as follows:

	2022 $m	2021 $m
Finance income		
Interest income on cash and cash equivalents	**5.5**	0.8
Total finance income	**5.5**	0.8
Finance expense		
Interest expense on borrowings	**(46.4)**	(29.2)
Other financing-related fees[1]	**(8.2)**	(8.1)
Interest expense on interest rate derivatives	**(1.4)**	(3.8)
Interest expense on lease liabilities	**(3.3)**	(3.8)
Capitalised interest[2]	**2.0**	0.6
Unwinding of discount[3]	**(15.6)**	–
Other finance costs	**(0.3)**	–
Total finance expense	**(73.2)**	(44.3)
Finance costs, net	**(67.7)**	(43.5)

1. Other financing-related fees include the amortisation of deferred financing fees associated with the multicurrency revolving credit facilities, term loan facilities and senior notes. This also includes $2.7 million of deferred financing fees related to the early termination of the Group's previous credit agreement.
2. Capitalised interest was calculated using the Group's weighted average interest rate over the year of 3.4% (2021: 2.0%).
3. The unwinding of discount is in respect of the contingent consideration payable in relation to the Triad Life Sciences and Cure Medical acquisitions. Refer to Note 26 - Acquisitions.

26. ACQUISITIONS

During the year to 31 December 2022, the Group completed the acquisition of Triad Life Sciences Inc, a US-based medical device company.

This note provides details of the transaction and the acquisition accounting that has been recorded to reflect the fair value of assets acquired and liabilities assumed as well as the intangible assets and goodwill recognised upon acquisition. This note also provides details of any fair value changes identified post-acquisition in respect of previous acquisitions that the Group has completed.

Accounting policy

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. Consideration transferred in respect of an acquisition is measured at the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed on the date of the acquisition. Identified assets acquired and liabilities assumed are measured at their respective acquisition-date fair values.

The excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired is recorded as goodwill. If the fair value of the identifiable net assets acquired is greater than the fair value of the consideration given, the excess is recognised immediately in the Consolidated Income Statement as a bargain purchase gain. Acquisition-related costs are expensed as incurred.

The operating results of the acquired business are reflected in the Group's Consolidated Financial Statements from the date of acquisition.

Triad Life Sciences Inc (Triad Life Sciences)

Description of the transaction

On 14 March 2022, the Group completed its acquisition of 100% of the share capital of Triad Life Sciences Inc. The acquisition of Triad Life Sciences strengthens the Group's Advanced Wound Care position in the US, securing access to a complementary and innovative technology platform that enhances advanced wound management and patient outcomes.

In addition to the initial consideration of $125.3 million, the sellers may earn contingent consideration up to a maximum of $325.0 million, in the form of (i) two additional payments of $25.0 million each relating to short-term milestones; and (ii) two earnout payments conditional on performance during year 1 and year 2 post completion, with the maximum earnout for these two payments totalling $275.0 million based on stretching financial performance over the period.

The discounted fair value of the contingent consideration at the date of acquisition was $141.8 million, of which $25.0 million was paid in April 2022 and a further $25.0 million paid in October 2022 following attainment of the first and second short-term milestones. The earnout payments are due to be paid within three years of the acquisition date, subject to achieving the specified targets.

Following completion of the initial acquisition accounting, any changes in the fair value of the contingent consideration at each reporting date will be recorded in the Consolidated Income Statement in accordance with the Group's accounting policies. This is explained further on in this note.

26. ACQUISITIONS (CONTINUED)

Assets acquired and liabilities assumed

The transaction meets the definition of a business combination and has been accounted for under the acquisition method of accounting. The following table summarises the provisional fair values of the assets acquired and liabilities assumed as of the acquisition date:

	Triad Life Sciences *Provisional* $m
Non-current assets	
Property, plant & equipment	0.5
Right-of-use assets	2.2
Intangible assets - Product-related	154.8
Current assets	
Trade and other receivables	4.7
Inventories	10.8
Cash and cash equivalents	15.9
Total assets acquired	188.9
Non-current liabilities	
Lease liabilities	(2.7)
Deferred tax liabilities	(32.3)
Current liabilities	
Trade and other payables	(2.6)
Lease liabilities	(0.2)
Total liabilities assumed	(37.8)
Net assets acquired	151.1
Goodwill	129.9
Total	281.0
Initial cash consideration	125.3
Deferred purchase consideration paid into escrow[1]	13.8
Working capital adjustment[2]	0.1
Contingent consideration	141.8
Total consideration	281.0

Analysis of cash outflow in the Consolidated Statement of Cash Flows	*Provisional* $m
Initial cash consideration	125.3
Deferred purchase consideration paid into escrow[1]	13.8
Cash and cash equivalents acquired	(15.9)
Working capital adjustment[2]	0.1
Net cash outflow from acquisitions, net of cash acquired	123.3

1. $13.8 million was paid on closing into escrow as security and indemnity by the seller for its obligations under the Merger Agreement. $1.3 million was released in December 2022 to the sellers following agreement of the closing statement. It is expected that the remaining balance will be released within the next 12 months subject to the terms of the Merger Agreement.
2. This is the Group's calculation of the working capital adjustment and forms part of the initial consideration. The final amount was determined in accordance with the terms of the Merger Agreement and this was finalised and paid by the reporting date.

The fair values of the assets acquired and liabilities assumed are provisional at 31 December 2022. The Group will finalise these amounts as it obtains the information necessary to complete the measurement process. Any changes resulting from facts and circumstances that existed as of the acquisition date may result in retrospective adjustments to the provisional amounts recognised at the acquisition date. The Group will finalise these amounts no later than one year from the acquisition date.

As part of the acquisition accounting, a $10.2 million fair value adjustment was applied to the carrying value of inventory held at the acquisition date. The fair value adjustment relates to work-in-progress and finished goods and was calculated as the estimated selling price less costs to complete and sell the inventory, associated margins on these activities, and holding costs. As at 31 December 2022, $8.7 million has been expensed to cost of goods sold in the Consolidated Income Statement as these have been sold. The remaining fair value uplift of $1.5 million is expected to be released over the next 6 to 12 months, in line with forecast revenues.

The fair value of trade and other receivables amounts to $4.7 million, with a gross contractual amount of $7.0 million. At the acquisition date, the Group's best estimate of the contractual cash flows expected not to be collected amounts to $2.3 million.

The goodwill recorded, which is not deductible for tax purposes, represents the cost savings, operating synergies and future growth opportunities expected to result from combining the operations of Triad Life Sciences with those of the Group.
The Triad Life Sciences acquisition is included in the Advanced Wound Care CGU group.

Fair value of contingent consideration at reporting date
The two short-term milestones were achieved and paid during the year ended 31 December 2022. As at 31 December 2022, management reviewed the fair value of the remaining contingent consideration since the acquisition date, based on the most recent Board-approved strategic plan and forecast information. Consequently, the discounted fair value of the remaining contingent consideration was increased by $23.7 million since the amount recognised at 30 June 2022, and was recognised in non-operating expenses in the Consolidated Income Statement (see Note 5 - Non-operating (expense)/income, net). The amount of discount unwind recognised in the Consolidated Income Statement during 2022 was $15.3 million and shown within finance expenses (see Note 25 - Finance income and expense). The discounted fair value of the remaining contingent consideration as at 31 December 2022 was $130.8 million. Refer to Note 14 - Provisions for the movement in the contingent consideration during the year.

Management have determined that the potential range of discounted outcomes within the next financial year is between $85.2 million and $230.8 million, from a maximum undiscounted contingent consideration of $275.0 million.

Acquisition-related costs
The Group incurred $2.4 million of acquisition-related costs directly related to the Triad Life Sciences acquisition in the year ended 31 December 2022, primarily in respect of legal and advisers' fees. The acquisition-related costs have been recognised in general and administrative expenses in the Consolidated Income Statement.

Revenue and profit
The revenue of Triad Life Sciences for the period from the acquisition date to 31 December 2022 was $34.8 million and net profit for the period was $5.8 million, before recognising acquisition-related intangible asset amortisation charge of $9.2 million and the inventory fair value uplift release of $8.7 million. If the acquisition had been completed on 1 January 2022, reported Group revenue would have been $4.4 million higher and Group profit for the year would have been $0.9 million lower, before recognising acquisition-related intangible asset amortisation charges of $2.0 million.

Cure Medical LLC (Cure Medical)

On 15 March 2021, the Group acquired 100% of the share capital of Cure Medical.

During 2022, management reviewed the expectation of the contingent consideration based on the most recent Board-approved strategic plan and forecast information. The Cure Medical business has outperformed its performance targets to date and forecast financial performance was expected to exceed the original expectations. Consequently, the discounted fair value of the contingent consideration has been revised from $3.1 million to $8.9 million during the year and the remeasurement charge of $5.8 million has been recognised in non-operating expenses in the Consolidated Income Statement (see Note 5 - Non-operating (expense)/income, net). The amount of discount unwind recognised in the Consolidated Income Statement during 2022 was $0.3 million and shown within finance expenses (see Note 25 - Finance income and expense). The discounted fair value of the contingent consideration as at 31 December 2022 was $9.2 million. Refer to Note 14 - Provisions for the movement in the contingent consideration during the year.

This is due to be paid within three years of the acquisition date, subject to the terms of the Share Purchase Agreement.

27. DIVESTITURES

During the year ended 31 December 2022, the Group withdrew from its hospital care activities and related industrial sales.

Accounting policy

A divestiture or disposal occurs when the Group ceases to control a subsidiary, business or trade and assets associated with a specific product line or class of business. Consideration received in respect of a divestiture is measured at fair value, and all associated assets and liabilities are derecognised at the date control is transferred. The difference between the carrying value of the net assets divested and the fair value of consideration received is recorded as a gain or loss on divestiture in the Consolidated Income Statement.

Foreign exchange translation gains or losses relating to subsidiaries that the Group has divested, and that have previously been recorded in other comprehensive income or expense, are also recognised as part of the gain or loss on divestiture.

The operating results of the divested subsidiary, business or product line cease to be included in the Group's Consolidated Financial Statements from the date of divestiture.

27. DIVESTITURES (CONTINUED)

Exit from hospital care and industrial sales activities

On 12 May 2022, following a strategic review, it was announced that the Group would be withdrawing from its hospital care activities and related industrial sales during 2022. This does not represent a separate major line of business or component of the Group.

As a result of the exit from the hospital care and industrial sales activities, the Group recognised impairment losses in the year ended 31 December 2022 in relation to the following:

- $8.1 million was recognised, within other operating expenses, as an impairment to property, plant and equipment, primarily in relation to manufacturing equipment in Belarus and Slovakia.
- $4.3 million was recognised, within other operating expenses, as an impairment to product-related intangible assets.
- $13.4 million was recognised, within cost of sales, in relation to the write-off of inventories and provision for those which are not expected to be sold.

In addition, the Group recognised $7.3 million of severance costs, of which $1.2 million remains as a provision as at 31 December 2022, and also recognised a $6.9 million provision in relation to contract exit costs. Management will review this at each reporting period. The Group incurred $6.7 million of divestiture-related costs in relation to legal fees and closing down of manufacturing site costs. The majority of the exit and closure activities have been completed at the end of the year, with minimal costs expected in 2023.

As part of the exit from all hospital care and related industrial sales activities, a subsidiary was sold during the year. The cumulative amount of exchange losses of $12.2 million recognised in Other Comprehensive Income relating to those operations, and a loss on disposal of $2.0 million, have been recognised in the Consolidated Income Statement as non-operating expenses. All costs associated with the exit have been classified as an adjusting item in accordance with our Alternative Performance Measures policy.

28. COMMITMENTS AND CONTINGENCIES

Commitments represent the Group's future capital expenditure which is not recognised as a liability in the Consolidated Financial Statements but represents a non-cancellable commitment.

A contingent liability is a possible liability that is not sufficiently certain to qualify for recognition as a provision because the amount cannot be measured reliably or because settlement is not considered probable.

Capital commitments

At 31 December 2022, the Group had non-cancellable commitments for the purchase of property, plant and equipment, capitalised software and development of $39.3 million (2021: $32.1 million).

Contingent liabilities

There were no contingent liabilities recognised as at 31 December 2022 and 31 December 2021.

29. RELATED PARTY TRANSACTIONS

The Directors have not identified any related parties to the Group, other than the key management personnel. The Group considers key management personnel as defined in IAS 24, *Related Party Disclosures* to be the members of CELT as set out on pages 112 to 113 and the Non-Executive Directors as set out on page 111.

Key management personnel compensation

Key management personnel compensation for the year ended 31 December was as follows:

	2022 $m	2021 $m
Short-term employee benefits	**16.4**	14.4
Share-based payment expense	**9.2**	9.0
Post-employment benefits	**0.8**	0.7
Termination benefits	**0.4**	-
Total	**26.8**	24.1

Further details of short-term employee benefits, share-based payment expense and post-employment benefits for the Executive Directors are shown on page 144. Details of the Non-Executive Directors' fees, included in the table above, are provided on page 147.

The Group has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel had or was to have a direct or indirect material interest.

30. SUBSEQUENT EVENTS

The Group has evaluated subsequent events through to 8 March 2023, the date the Consolidated Financial Statements were approved by the Board of Directors.

On 1 March 2023, the Board proposed the final dividend in respect of 2022 subject to shareholder approval at the Annual General Meeting on 18 May 2023, to be distributed on 25 May 2023. See Note 18 - Dividends to the Consolidated Financial Statements for further details.

Company financial statements

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 $m	2021 $m
Assets			
Non-current assets			
Investment in subsidiaries	3	**3,818.9**	4,271.5
Deferred tax assets	4	**2.6**	2.1
		3,821.5	4,273.6
Current assets			
Other receivables	5	**22.4**	10.2
Total assets		**3,843.9**	4,283.8
Equity and liabilities			
Current liabilities			
Trade and other payables	6	**5.5**	8.3
Total liabilities		**5.5**	8.3
Net assets		**3,838.4**	4,275.5
Equity			
Share capital	7	**250.7**	247.0
Share premium	7	**165.7**	142.3
Own shares	7	**(1.5)**	(2.2)
Retained surplus		**1,562.9**	1,590.3
Merger reserve		**1,765.6**	1,765.6
Cumulative translation reserve		**3.7**	460.8
Other reserves		**91.3**	71.7
Total equity		**3,838.4**	4,275.5
Total equity and liabilities		**3,843.9**	4,283.8

The Company reported a net profit for the year ended 31 December 2022 of $85.2 million (2021: $51.5 million).

The Financial Statements of Convatec Group Plc (registered number 10361298) were approved by the Board of Directors and authorised for issue on 8 March 2023. They were signed on its behalf by:

Jonny Mason
Chief Financial Officer

Karim Bitar
Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital $m	Share premium $m	Own shares $m	Retained surplus $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total equity $m
At 1 January 2021	245.5	115.3	(6.7)	1,653.1	1,765.6	499.8	58.6	4,331.2
Net profit	–	–	–	51.5	–	–	–	51.5
Foreign currency translation adjustment	–	–	–	–	–	(39.0)	–	(39.0)
Total comprehensive income	–	–	–	51.5	–	(39.0)	–	12.5
Dividends paid	–	–	–	(85.8)	–	–	–	(85.8)
Scrip dividend	1.5	27.0	–	(28.5)	–	–	–	–
Share-based payments	–	–	–	–	–	–	16.4	16.4
Share awards vested	–	–	4.5	–	–	–	(3.5)	1.0
Excess deferred tax benefit from share-based payments	–	–	–	–	–	–	0.2	0.2
At 31 December 2021	247.0	142.3	(2.2)	1,590.3	1,765.6	460.8	71.7	4,275.5
Net profit	**–**	**–**	**–**	**85.2**	**–**	**–**	**–**	**85.2**
Foreign currency translation adjustment	**–**	**–**	**–**	**–**	**–**	**(457.1)**	**–**	**(457.1)**
Total comprehensive income	**–**	**–**	**–**	**85.2**	**–**	**(457.1)**	**–**	**(371.9)**
Dividends paid	**–**	**–**	**–**	**(88.1)**	**–**	**–**	**–**	**(88.1)**
Scrip dividend	**1.1**	**23.4**	**–**	**(24.5)**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**16.6**	**16.6**
Share awards vested	**–**	**–**	**3.3**	**–**	**–**	**–**	**2.9**	**6.2**
Excess deferred tax benefit from share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Allotment of shares to Employee Benefit Trust	**2.6**	**–**	**(2.6)**	**–**	**–**	**–**	**–**	**–**
At 31 December 2022	**250.7**	**165.7**	**(1.5)**	**1,562.9**	**1,765.6**	**3.7**	**91.3**	**3,838.4**

For further information on share-based payments, refer to Note 19 - Share-based payments, and for dividends refer to Note 18 - Dividends to the Consolidated Financial Statements.

Company financial statements continued

1. BASIS OF PREPARATION

This section describes the Company's significant accounting policies in respect of the Company Financial Statements and explains critical accounting judgements and estimates that management has identified as having a potentially material impact to the Company. Specific accounting policies relating to the Notes to the Company Financial Statements are described within that note.

1.1 General information

The separate Financial Statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC). Accordingly, the Financial Statements have been prepared in accordance with Financial Reporting Standard 101 (FRS 101) Reduced Disclosure Framework as issued by the FRC.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in respect of share-based payments, financial instruments, capital management, comparative information, presentation of a cash flow statement, new but not yet effective IFRSs and certain related party transactions.

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the current or prior year. The profit attributable to the Company is disclosed in the footnote to the Company's Statement of Financial Position.

Where required, equivalent disclosures are given in the Consolidated Financial Statements.

The auditor's remuneration for audit and other services is disclosed in Note 3.3 - Auditor's remuneration to the Consolidated Financial Statements.

1.2 Significant accounting policies

Basis of accounting
The Financial Statements have been prepared on the historical cost basis, except for certain financial instruments where fair value has been applied. The principal accounting policies adopted are the same as those set out in the Consolidated Financial Statements except as noted below.

Foreign currencies
The functional currency of the Company is Sterling, being the currency of the primary economic environment in which it operates.

The Company has adopted US dollars as the presentation currency for its Financial Statements, in line with the presentation currency for the Consolidated Financial Statements. For the purpose of presenting individual company financial statements, assets and liabilities of the Company are translated into US dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity, the cumulative translation reserve, in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Share-based payments
The Company has implemented the generally accepted accounting principle for accounting for share-based payments with subsidiary undertakings under FRS 101, whereby the Company has granted rights to issue its shares to employees of its subsidiary undertakings under an equity-settled arrangement and the subsidiaries have not reimbursed the Company for these rights. Under this arrangement, the Company treats the share-based payment recognised in the subsidiary's financial statements as an increase in the cost of investment in the subsidiary and credits equity with an equal amount.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's Financial Statements in accordance with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, income and expense. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management has concluded that there are no critical accounting judgements and key sources of estimation uncertainty that could result in a material adjustment in the next 12 months.

2. STAFF COSTS

The Executive Directors of Convatec Group Plc are the only employees of the Company. The remuneration of the Executive Directors is set out on pages 142 to 151 within the Remuneration Committee report.

Their aggregate remuneration comprised:

	2022 $m	2021 $m
Wages and salaries	**4.1**	3.6
Share-based payment expense	**3.6**	3.5
Social security costs	**1.0**	0.5
Pension-related costs	**0.3**	0.3
Total	**9.0**	7.9

Average monthly number of employees (including Executive Directors) was 2 (2021: 2).

3. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent the cost of the Company's investment in its subsidiary undertakings, net of any impairment charges. Refer to pages 229 to 231 for details of all the Company's direct and indirect holdings.

Accounting policy

Investments in Group undertakings are stated at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the investment is less than the carrying amount of the investment, the investment is considered to be impaired and is written down to its recoverable amount.

Any impairment charge is initially taken to retained earnings and subsequently offset against any merger reserve by way of a reserves transfer.

	Cost $m	Impairment $m	Net book value $m
At 1 January 2021	6,038.2	(1,732.3)	4,305.9
Capital contributions in respect of share-based payments to employees of subsidiaries	12.1	-	12.1
Reduction due to reimbursement upon exercised awards	(3.0)	-	(3.0)
Foreign exchange	(61.0)	17.5	(43.5)
At 31 December 2021	**5,986.3**	**(1,714.8)**	**4,271.5**
Capital contributions in respect of share-based payments to employees of subsidiaries	**12.8**	**-**	**12.8**
Reduction due to reimbursement upon exercised awards	**(8.0)**	**-**	**(8.0)**
Foreign exchange	**(641.0)**	**183.6**	**(457.4)**
At 31 December 2022	**5,350.1**	**(1,531.2)**	**3,818.9**

An impairment assessment was performed on the investments in subsidiaries at 31 December 2022 and 31 December 2021 with no impairment identified. The share price of Convatec Group plc at 31 December 2022 was £2.33 (2021: £1.93).

The following UK subsidiaries are exempt from the requirement to file audited accounts by virtue of Section 479A of the Companies Act 2006:

	Company registration number
Convatec Group Holdings Limited	12698069
Convatec International U.K. Limited	06622355

Company financial statements continued

4. DEFERRED TAX ASSETS

Deferred tax assets mainly arise in relation to timing differences on the exercise of share-based awards, and taxable losses arising in the normal course of business.

	$m
At 1 January 2021	2.7
Movement in income statement	(0.8)
Movement in other comprehensive income	0.2
At 31 December 2021	**2.1**
Movement in income statement	**0.6**
Movement in other comprehensive income	**0.1**
Foreign exchange	**(0.2)**
At 31 December 2022	**2.6**

The deferred tax asset consists of deferred tax on the following items:

	2022 $m	2021 $m
Share-based payments	**2.6**	2.1
At 31 December	**2.6**	2.1

Deferred tax assets are only recognised where it is probably that future profit will be available to utilise the tax losses.

5. OTHER RECEIVABLES

Other receivables consist of amounts due from Group undertakings, other receivables and prepaid insurance.

	2022 $m	2021 $m
Amounts falling due within one year:		
Amounts owed by Group undertakings	**14.9**	7.1
Other receivables	**7.4**	2.9
Prepayments	**0.1**	0.2
	22.4	10.2

Included in the amounts owed by Group undertakings at 31 December 2022 are intercompany loans of $5.7 million (2021: $1.5 million) with a variable interest rate set at a margin 10bps below SONIA. The loans are unsecured and are repayable on demand.

6. TRADE AND OTHER PAYABLES

Trade payables consist of amounts payable to third parties related predominantly to the Company's corporate responsibilities.

Other payables represent amounts owed to Group undertakings, accruals and other taxation and social security.

	2022 $m	2021 $m
Amounts falling due within one year:		
Trade payables	**0.9**	2.9
Other taxation and social security	**1.2**	1.0
Accruals	**3.4**	4.4
	5.5	8.3

7. RESERVES

All reserve balances included in this note are components of Equity and are non-distributable.

Share capital, share premium and own shares

Details of the Company's share capital, share premium and own shares are detailed in Note 17 - Share capital and reserves to the Consolidated Financial Statements.

Merger reserve

The merger reserve represents the fair value in excess of the par value of shares issued as part of a share exchange upon incorporation of the Company.

Currency translation reserve

The currency translation reserve comprises the exchange differences arising on the translation of the assets and liabilities of the Company into US dollars at the prevailing balance sheet rate and income and expense items being translated at the average exchange rates for the period.

Other reserves

Other reserves are in respect of movements on equity-settled share-based payments.

8. DISTRIBUTABLE RESERVES

As the Company is a holding company with no direct operations, the capacity of the Company to make dividend payments is primarily derived from dividends received from subsidiary companies.

The retained surplus $1,562.9 million (2021: $1,590.3 million) of the Company equates to the distributable reserves. Details of the considerations and rationale for the distribution of dividends are given in the Directors' report on page 162.

9. FINANCIAL GUARANTEES

The Company has guaranteed certain external borrowings of subsidiaries which at 31 December 2022 amounted to $1,227.2 million (2021: $1,357.9 million).

10. SUBSEQUENT EVENTS

On 1 March 2023, the Board proposed the final dividend in respect of 2022 subject to shareholder approval at the Annual General Meeting on 18 May 2023, to be distributed on 25 May 2023. See Note 18 - Dividends to the Consolidated Financial Statements for further details.

Non-IFRS financial information

Non-IFRS financial information or alternative performance measures (APMs) are those measures used by management on a day-to-day basis in their assessment of profit and performance and comparison between periods. The adjustments applied to IFRS measures reflect the effect of certain cash and non-cash items that the Board believes distort the understanding of the quality of earnings and cashflows as, by their size or nature, they are not considered part of the core operations of the business. Adjusted measures also form the basis for performance measures for remuneration, e.g. adjusted operating profit. For further information see pages 225 to 228.

The APMs used include adjusted gross profit, adjusted general & administration expenses, adjusted selling & distribution expenses, adjusted operating profit, EBITDA, adjusted EBITDA, adjusted net finance expenses, adjusted non-operating expenses, adjusted net profit, adjusted earnings per share, adjusted working capital, adjusted cash conversion, adjusted free cash flow and net debt. Reconciliations for these adjusted measures determined under IFRS are shown on pages 226 to 228. The definitions of adjusted measures are as calculated within the reconciliation tables.

It should be noted that the Group's APMs may not be comparable to other similarly titled measures used by other companies and should not be considered in isolation or as a substitute for the equivalent measures calculated and presented in accordance with IFRS.

In determining whether an item should be presented as an allowable adjustment to IFRS measures, the Group considers items which are significant either because of their size or their nature and arise from events that are not considered part of the core operations of the business. These tend to be one-off events but may still cross more than one accounting period. Recurring items may be considered in respect of the amortisation of acquisition-related intangibles assets in order to provide comparability between peer groups where such assets may have been internally generated and therefore, are not reflected on that company's balance sheet with a resulting amortisation charge.

If an item meets at least one of these criteria, the Board, through the Audit and Risk Committee, then exercises judgement as to whether the item should be classified as an allowable adjustment to IFRS performance measures.

Adjustments to derive adjusted operating profit, excluding the impact of tax, for the years ended 31 December 2022 and 2021 include the following costs:

- Amortisation of intangible assets in respect of material acquisitions ($131.3 million and $130.4 million respectively).
- Costs incurred in respect of acquisition and divestiture activities ($56.6 million and $17.8 million respectively).
- Impairment of intangible assets from material acquisitions ($1.4 million and $nil respectively).
- Termination costs in respect of the Group's transformation programme and exit from hospital care business and related industrial sales activities ($7.1 million and $4.3 million respectively).
- Litigation expenses arising on matters deemed outside the ordinary course of business ($nil and $5.6 respectively).

The tax effect of the adjustments is reflected in the adjusted tax expense to remove the tax impact from adjusted net profit and adjusted earnings per share.

Adjusted EBITDA, which is used to calculate the metric of adjusted cash conversion and adjusted working capital, is calculated by adding back share-based payments to adjusted operating profit, together with the annual depreciation, amortisation charge and impairment/write-off of assets not already removed within the adjusted operating profit.

Amortisation of acquisition-related intangible assets

The Group's strategy is to grow both organically and through acquisition, with larger acquisitions being targeted to strengthen our position in key geographies and/or business categories or which provide access to new technology. The nature of the businesses acquired includes the acquisition of significant intangible assets, which are required to be amortised. The Board and management regard the amortisation as a distortion to the quality of earnings and it has no cash implications in the year. The amortisation also distorts comparability with peer groups where such assets may have been internally generated and, therefore, not reflected on their balance sheet. Amortisation of acquisition-related intangible assets is, by its nature, a recurring adjustment.

Acquisition-related activities

Costs directly related to potential and actual strategic transactions which have been executed, aborted or are in-flight and which would improve the strategic positioning of the Group are deemed adjusting items.

Acquisition-related costs relate to deal costs, integration costs and earn-out adjustments including discounting impact which are incurred directly as a result of the Group undertaking or pursuing an acquisition. Deal costs are wholly attributable to the deal, including legal fees, due diligence fees, bankers' fees/commissions and other direct costs incurred as a result of the actual or potential transaction. Integration costs are wholly attributable to the integration of the target and based on integration plans presented at the point of acquisition, including the cost of retention of key people where this is in excess of normal compensation, redundancy of target staff and early lease termination payments.

Adjusted measures in relation to acquisitions also include aborted deal costs.

Divestiture-related activities

Divestiture-related activities comprise the gains or losses resulting from disposal of assets or divestment of a business as a result of a sale, major business change or restructuring programme. These include write-down of non-current assets, provisions to recognise inventories at realisable value, provisions for costs of exiting contracts and associated legal fees, and any other directly attributable costs. Any income from the ultimate disposal of a business or subsidiary is included in the gain or loss.

Adjusted measures in relation to divestiture also include aborted deal costs.

Impairment of assets

Impairments, write-offs and gains and losses from defined programmes and where the Group considers the circumstances of such event are not reflective of normal business trading performance or when transactions relate to acquisition-related intangible assets where the amortisation is already excluded from the calculation of adjusted measures.

Termination benefits and related costs

Termination benefits and other related costs arise from Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business, including divestitures from non-strategic activities. The Board considers each project individually to determine whether its size and nature warrants separate disclosure. Qualifying items are limited to termination benefits (including retention) without condition of continuing employment in respect of major Group-wide change programmes. Where discrete qualifying items are identified these costs are highlighted and excluded from the calculation of adjusted measures. Due to their nature, these adjusted costs may span more than one year. Restructuring costs not related to termination benefits are reported in the normal course of business and are not adjusted.

Litigation expenses

Litigation expenses may arise from the ongoing defence or pursuit of claims against or for the Group or the settlement of claims. The Board considers each litigation claim individually to determine whether the financial consequences were due to a major incident or uncontrollable factors which distort IFRS measures, and determine if adjusting for the expense would aid the user in understanding the Group's performance in that year and comparative periods.

Non-IFRS financial information continued

Reconciliation of earnings to adjusted earnings for the years ended 31 December 2022 and 2021

Year ended 31 December 2022	Revenue $m	Gross profit $m	Operating costs $m	Operating profit $m	Finance expense, net $m	Non-operating expense, net $m	PBT $m	Income tax $m	Net profit $m
As reported	**2,072.5**	**1,103.9**	**(896.6)**	**207.3**	**(67.7)**	**(57.7)**	**81.9**	**(19.0)**	**62.9**
Amortisation of acquired intangibles	-	111.6	19.7	**131.3**	-	-	**131.3**	(29.2)	**102.1**
Acquisition-related costs	-	8.7	8.2	**16.9**	15.6	29.5	**62.0**	(3.5)	**58.5**
Divestiture-related costs	-	16.6	23.1	**39.7**	-	14.2	**53.9**	(7.8)	**46.1**
Termination benefits and related costs	-	4.8	2.3	**7.1**	-	-	**7.1**	(1.2)	**5.9**
Impairment of assets	-	-	1.4	**1.4**	-	-	**1.4**	-	**1.4**
Total adjustments including tax effect	**-**	**141.7**	**54.7**	**196.4**	**15.6**	**43.7**	**255.7**	**(41.7)**	**214.0**
Other discrete tax items	-	-	-	-	-	-	-	(20.1)	**(20.1)**
Adjusted	**2,072.5**	**1,245.6**	**(841.9)**	**403.7**	**(52.1)**	**(14.0)**	**337.6**	**(80.8)**	**256.8**
Software and R&D amortisation				16.1					
Depreciation				61.8					
Impairment/write-off of assets				1.7					
Share-based payments				16.7					
Adjusted EBITDA				**500.0**					

Year ended 31 December 2021	Revenue $m	Gross profit $m	Operating costs $m	Operating profit $m	Finance expense, net $m	Non-operating expense, net $m	PBT $m	Income tax $m	Net profit $m
As reported	2,038.3	1,123.1	(919.5)	203.6	(43.5)	(8.8)	151.3	(33.7)	117.6
Amortisation of acquired intangibles	-	109.5	20.9	130.4	-	-	130.4	(10.8)	119.6
Acquisitions and divestitures	-	-	17.8	17.8	-	-	17.8	-	17.8
Termination benefits and related costs	-	0.7	3.6	4.3	-	-	4.3	(0.7)	3.6
Litigation expenses	-	-	5.6	5.6	-	-	5.6	-	5.6
Total adjustments including tax effect	-	110.2	47.9	158.1	-	-	158.1	(11.5)	146.6
Other discrete tax items	-	-	-	-	-	-	-	(1.2)	(1.2)
Adjusted	2,038.3	1,233.3	(871.6)	361.7	(43.5)	(8.8)	309.4	(46.4)	263.0
Software and R&D amortisation				13.7					
Amortisation of immaterial acquired intangibles				3.1					
Depreciation				63.4					
Impairment/write-off of assets				5.9					
Share-based payments				16.4					
Adjusted EBITDA				464.2					

Included within the amortisation of acquired intangibles of $131.3 million (2021: $130.4 million), $93.0 million (2021: $96.8 million) related to intangible assets arising from the spin-out from Bristol-Myers Squibb in 2008. The carrying amount of these intangible assets at 31 December 2022 was $330.2 million and will be fully amortised by 31 December 2026.

Acquisition-related costs of $62.0 million are directly related to potential and actual strategic transactions which have been executed, aborted or are in-flight and which seek to improve the strategic positioning of the Group. The majority of acquisition-related costs are in respect of the Triad Life Sciences acquisition, which included $2.4 million of legal and adviser's fees, $23.7 million of remeasurement charge on contingent consideration, $15.3 million of discounting unwind and $8.7 million of inventory fair value uplift release. The net cash impact in relation to acquisition-related costs was $2.9 million.

Divestiture-related costs of $53.9 million are mainly related to the phased exit from the low margin hospital care business and industrial sales portfolio, and include the impairment of intangible assets and property, plant and equipment, write-off of inventories, and contract exit costs (refer to Note 27 - Divestitures). The net cash impact in relation to divestiture-related costs was $2.1 million.

Termination benefits and related costs of $7.1 million, pre-tax, are primarily in respect of the severance costs from the Group's withdrawal from its hospital care and industrial sales portfolio. The net cash impact of these costs was $10.3 million.

Of the total net cash impact of $15.3 million as presented above, $4.2 million related to accruals recorded in the prior year.

Impairment of assets of $1.4 million relates to a legacy acquisition-related customer relationship asset which was impaired aspart of rationalisation of activities in the portfolio.

Other discrete tax items in 2022 relate to the tax benefit from the recognition of deferred tax assets following the acquisition of Triad Life Sciences. In 2021, other discrete tax items related to the tax benefit of $6.8 million resulting from the recognition of deferred tax following the acquisition of Cure Medical, partially offset by a tax expense of $5.6 million relating to the revaluation of deferred tax liabilities on UK-acquired intangibles as a result of the increase in the UK corporation tax rate from1 April 2023. For further details on deferred taxation see Note 6 - Income taxes to the Consolidated Financial Statements.

Reconciliation of operating costs to adjusted operating costs for the years ended 31 December 2022 and 31 December 2021

	2022					2021			
	S&D[1] $m	G&A[2] $m	R&D[3] $m	Other[4] $m	Operating costs $m	S&D[1] $m	G&A[2] $m	R&D[3] $m	Operating costs $m
As reported	**(575.9)**	**(214.9)**	**(92.0)**	**(13.8)**	**(896.6)**	(539.7)	(285.3)	(94.5)	(919.5)
Amortisation of acquired intangibles	–	19.7	–	–	19.7	–	20.9	–	20.9
Acquisitions and divestitures	9.0	9.9	–	12.4	31.3	0.5	17.3	–	17.8
Impairment of assets	–	–	–	1.4	1.4	–	–	–	–
Termination benefits and related costs	2.0	0.3	–	–	2.3	–	3.7	(0.1)	3.6
Litigation expenses	–	–	–	–	–	–	5.6	–	5.6
Adjusted	**(564.9)**	**(185.0)**	**(92.0)**	**–**	**(841.9)**	(539.2)	(237.8)	(94.6)	(871.6)

1. S&D represents selling and distribution expenses.
2. G&A represents general and administrative expenses.
3. R&D represents research and development expenses.
4. Other relates to the impairment of assets from the Group's withdrawal from hospital care and industrial sales portfolio and impairment of product-related intangible assets from previous acquisition.

Reconciliation of income tax expense to adjusted income tax expense

	2022 $m	2021 $m
Income tax expense	**(19.0)**	(33.7)
Tax effect of adjustments	**(41.7)**	(11.5)
Other discrete tax items[1]	**(20.1)**	(1.2)
Adjusted income tax expense	**(80.8)**	(46.4)

1. Other discrete tax items - see note above in respect of adjustments to profit.

Reconciliation of basic and diluted earnings per share to adjusted earnings per share for the years ended 31 December 2022 and 31 December 2021

	2022 $m	Adjusted 2022 $m	2021 $m	Adjusted 2021 $m
Net profit attributable to the shareholders of the Group	**62.9**	**256.8**	117.6	263.0
		Number		Number
Basic weighted average ordinary shares in issue[1]		**2,023,839,657**		2,008,923,797
Diluted weighted average ordinary shares in issue[1]		**2,040,247,468**		2,026,340,345
	Cents per share	Cents per share	Cents per share	Cents per share
Basic earnings per share	**3.1**	**12.7**	5.9	13.1
Diluted earnings per share	**3.1**	**12.6**	5.8	13.0

1. See Note 7 - Earnings per share to the Consolidated Financial Statements.

Non-IFRS financial information continued

Cash conversion for the years ended 31 December 2022 and 31 December 2021

	2022 $m	2021 $m
Operating profit	**207.3**	203.6
Depreciation of property, plant and equipment	**39.7**	40.6
Depreciation of right-of-use assets	**22.1**	22.8
Amortisation of intangible assets	**147.4**	147.2
Impairment/write-off of intangible assets and property, plant and equipment	**15.5**	5.9
EBITDA	**432.0**	420.1
Non-cash items		
Share-based payments	**16.7**	16.4
Working capital movement	**(62.5)**	(31.6)
Loss on foreign exchange derivatives	**(1.7)**	(4.3)
Net cash generated from operations	**384.5**	400.6
Acquisition of property, plant and equipment and intangibles assets	**(144.2)**	(94.1)
Net cash for cash conversion	**240.3**	306.5
Income taxes paid	**(52.9)**	(59.2)
Free cash flow (post-tax)	**187.4**	247.3

Reconciliation of adjusted net cash and adjusted free cash flow (to calculate adjusted cash conversion)

	2022 $m	2021 $m
Net cash for cash conversion	**240.3**	306.5
Non-operating (gain)/loss on foreign exchange forward contracts	**–**	0.4
Acquisitions and divestitures adjustments	**5.0**	13.0
Termination benefits and related costs adjustments	**10.2**	8.4
Litigation costs adjustments	**–**	5.6
Adjusted net cash for cash conversion	**255.5**	333.9
Income taxes paid	**(52.9)**	(59.2)
Adjusted free cash flow (post-tax)	**202.6**	274.7
EBITDA	**432.0**	420.1
Adjusted EBITDA	**500.0**	464.2
Cash conversion	**55.6%**	73.0%
Adjusted cash conversion	**51.1%**	71.9%

Reconciliation of adjusted working capital

	2022 $m	2021 $m
Working capital movement[1]	**(62.5)**	(31.6)
Decrease in termination benefits[2]	**3.1**	4.1
Increase in respect of acquisitions and divestitures[2]	**(39.2)**	(4.8)
Adjusted working capital movement	**(98.6)**	(32.3)

1. Working capital movement is the change in assets and liabilities total within the Consolidated Statement of Cash Flows on page 171.
2. These are the cash flow impacts to the adjusted items shown in the reconciliation of earnings to adjusted earnings table on page 226.

Net debt

Net debt is calculated as the carrying value of current and non-current borrowings (Note 21 - Borrowings), net of cash and cash equivalents (Note 22 - Cash and cash equivalents) and excluding lease liabilities.

	2022 $m	2021 $m
Borrowings	**1,211.9**	1,344.6
Lease liabilities	**88.3**	90.5
Interest-bearing liabilities	**1,300.2**	1,435.1
Cash and cash equivalents	**(143.8)**	(463.4)
Interest-bearing liabilities net of cash	**1,156.4**	971.7
Net debt (excluding lease liabilities)	**1,068.1**	881.2
Net debt (excluding lease liabilities)/adjusted EBITDA	**2.1**	1.9

Subsidiary and related undertakings

Details of the Company's subsidiaries and associated undertakings at 31 December 2022 are as follows:

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
Akers & Dickinson Limited[1]	United Kingdom	100%	100%
Allied Medical (UK) Services Limited[1]	United Kingdom	100%	100%
Alpha-Med (Medical & Surgical) Limited[1]	United Kingdom	100%	100%
Amcare Limited[1]	United Kingdom	100%	100%
Arthur Wood Limited[1]	United Kingdom	100%	100%
B.C.A. Direct Limited[1]	United Kingdom	100%	100%
Bradgate-Unitech Limited[1]	United Kingdom	100%	100%
Convatec Accessories Limited[1]	United Kingdom	100%	100%
Convatec Holdings U.K. Limited[1]	United Kingdom	100%	100%
Convatec Speciality Fibres Limited[1]	United Kingdom	100%	100%
Convatec International U.K. Limited[1]	United Kingdom	100%	100%
Convatec Limited[1]	United Kingdom	100%	100%
Farnhurst Medical Limited[1]	United Kingdom	100%	100%
Lance Blades Limited[1]	United Kingdom	100%	100%
M.S.B. Limited[1]	United Kingdom	100%	100%
Needle Industries (Sheffield) Limited[1]	United Kingdom	100%	100%
Nottingham Medical Equipment Limited[1]	United Kingdom	100%	100%
Novacare UK Limited[1]	United Kingdom	100%	100%
Pharma-Plast Limited[1]	United Kingdom	100%	100%
Resus Positive Limited[1]	United Kingdom	100%	100%
Rotax Razor Company Limited[1]	United Kingdom	100%	100%
Shrimpton & Fletcher Limited[1]	United Kingdom	100%	100%
Steriseal Limited[1]	United Kingdom	100%	100%
SureCalm Healthcare Holdings Limited[1]	United Kingdom	100%	100%
SureCalm Healthcare Ltd[1]	United Kingdom	100%	100%
SureCalm Pharmacy Limited[1]	United Kingdom	100%	100%
Unomedical Developments Limited[1]	United Kingdom	100%	100%
Unomedical Holdings Limited[1]	United Kingdom	100%	100%
Unomedical Limited[1]	United Kingdom	100%	100%
Unoplast (U.K.) Limited[1]	United Kingdom	100%	100%
Convatec Finance Holdings Limited*[2]	United Kingdom	100%	100%
Convatec Management Holdings Limited*[2]	United Kingdom	100%	100%
Convatec Group Holdings Limited*[2]	United Kingdom	100%	100%
Convatec Services Limited (dissolved)[2]	United Kingdom	100%	100%
Cidron Healthcare Limited*[3]	Jersey	100%	100%
Convatec Healthcare Ireland Limited[4]	Ireland	100%	100%
Convatec France Holdings SAS[5]	France	100%	100%
Laboratoires Convatec SAS[5]	France	100%	100%
Convatec Healthcare D S.à.r.l.[6]	Luxembourg	100%	100%
Convatec Spain Holdings, S.L.[7]	Spain	100%	100%
Convatec Spain S.L.[7]	Spain	100%	100%
CVT Business Services, Unipessoal Lda.[8]	Portugal	100%	100%
KVTech Portugal - Produtos Medicos Unipessoal Ltda[9]	Portugal	100%	100%
Convatec OY[10]	Finland	100%	100%
Convatec (Switzerland) GmbH[11]	Switzerland	100%	100%
Convatec International Services GmbH[12]	Switzerland	100%	100%
Convatec (Austria) GmbH[13]	Austria	100%	100%
Convatec Italia S.r.l.[14]	Italy	100%	100%
Convatec Hellas Medical Products S.A.[15]	Greece	100%	100%
Convatec Polska Sp. Z.o.o[16]	Poland	100%	100%
Convatec Ceska Republika s.r.o.[17]	Czech Republic	100%	100%
Convatec (Australia) PTY Limited[18]	Australia	100%	100%
Convatec (New Zealand) Limited[19]	New Zealand	100%	100%
Convatec Sağlik Ürünleri Limited Şirketi[20]	Turkey	100%	100%
Convatec (Sweden) AB[21]	Sweden	100%	100%
Convatec Norway AS[22]	Norway	100%	100%

Subsidiary and related undertakings continued

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
Convatec (Germany) GmbH[23]	Germany	100%	100%
EuroTec GmbH[24]	Germany	100%	100%
Unomedical s.r.o.[25]	Slovakia	100%	100%
EuroTec B.V.[26]	Netherlands	100%	100%
EuroTec Beheer B.V.[26]	Netherlands	100%	100%
Convatec Nederland B.V.[27]	Netherlands	100%	100%
Convatec Belgium BVBA[28]	Belgium	100%	100%
EuroTec BV (Belgium Branch)[29]	Belgium	100%	NA
Papyro-Tex A/S[30]	Denmark	100%	100%
Convatec Denmark A/S[31]	Denmark	100%	100%
Unomedical A/S[32]	Denmark	100%	100%
Convatec Denmark Holdings ApS[32]	Denmark	100%	100%
Convatec South Africa (PTY) Limited[33]	South Africa	100%	100%
ConvaCare Medical South Africa (PTY) Ltd[33]	South Africa	100%	100%
Convatec Middle East & Africa LLC[34]	Egypt	100%	100%
Convatec Middle East FZ-LLC[35]	United Arab Emirates	100%	100%
Convatec (Singapore) PTE Limited[36]	Singapore	100%	100%
ConvaCare Medical Singapore Pte Ltd (liquidated)[36]	Singapore	100%	100%
Convatec Malaysia Sdn Bhd[37]	Malaysia	100%	100%
Convatec China Limited (Beijing Branch)[38]	China	100%	NA
Convatec China Limited (Guang Zhou Branch)[39]	China	100%	NA
Convatec China Limited[40]	China	100%	100%
Convatec Dominican Republic Inc.[41]	Dominican Republic	100%	100%
Boston Medical Device Dominicana S.R.L.[42]	Dominican Republic	100%	100%
Convatec Hong Kong Limited[43]	Hong Kong	100%	100%
Convatec Japan KK[44]	Japan	100%	100%
Convatec (Singapore) PTE Limited (Taiwan Branch)[45]	Taiwan	100%	NA
Convatec (Thailand) Co. Limited[46]	Thailand	100%	100%
ZAO Convatec[47]	Russia	100%	100%
Convatec Korea, Ltd[48]	Korea	100%	100%
Convatec Argentina SRL[49]	Argentina	100%	100%
Convatec Canada Limited[50]	Canada	100%	100%
Unomedical S.A de C.V.[51]	Mexico	100%	100%
Boston Medical Care, S. de R.L. de C.V.[52]	Mexico	100%	100%
Boston Medical Device de México, S. de R.L. de C.V.[52]	Mexico	100%	100%
Unomedical Devices S.A. de C.V.[53]	Mexico	100%	100%
Convatec Peru S.A.C.[54]	Peru	100%	100%
Convatec Brasil Ltda.[55]	Brazil	100%	100%
Convatec Medical Care Assistência a Paciente Ltda[55]	Brazil	100%	100%
Boston Medical Devices Colombia Ltda.[56]	Colombia	100%	100%
Boston Medical Care S.A.S IPS[57]	Colombia	100%	100%
Boston Medical Care de Chile S.P.A [58]	Chile	100%	100%
Boston Medical Device de Chile S.A.[58]	Chile	100%	100%
Boston Medical Device Ecuador S.A.[59]	Ecuador	100%	100%
Boston Medical Device de Venezuela, C.A.[60]	Venezuela	100%	100%
Convatec India Private Limited[61]	India	100%	100%
ConvaCare Medical India Private Limited[62]	India	100%	100%
180 Medical Acquisition Inc.[63]	US	100%	100%
180 Medical Holdings Inc.[63]	US	100%	100%
180 Medical Inc.[63]	US	100%	100%
AbViser Medical, LLC[64]	US	100%	100%
Boston Medical Device, Inc.[64]	US	100%	100%
Convatec Inc.[64]	US	100%	100%
Boston Medical Device International, LLC[65]	US	100%	100%
Cidron Healthcare GP, Inc.[66]	US	100%	100%
Convatec Technologies Inc.[67]	US	100%	100%
Personally Delivered, Inc.[68]	US	100%	100%

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
Woodbury Holdings, Inc.[68]	US	100%	100%
WPI Acquisition Corporation[68]	US	100%	100%
WPI Holdings Corporation[68]	US	100%	100%
Wilmington Medical Supply, Inc.[69]	US	100%	100%
PRN Medical Services, LLC[70]	US	100%	100%
PRNMS Investments LLC[70]	US	100%	100%
Symbius Medical Inc.[70]	US	100%	100%
South Shore Medical Supply, Inc.[71]	US	100%	100%
Unomedical America, Inc.[72]	US	100%	100%
Unomedical, Inc.[72]	US	100%	100%
J&R Medical, LLC[73]	US	100%	100%
Cure Medical LLC[74]	US	100%	100%
Convatec Triad Life Sciences, LLC [75]	US	100%	100%

1 GDC First Avenue, Deeside Industrial Park, Deeside, Flintshire CH5 2NU, UK
2 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, UK
3 44 Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands
4 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland
5 90, Boulevard National, La Garenne Colombes, F-92250, Paris, France
6 12C, rue Guillaume Kroll, L-1882, Luxembourg
7 Constitucion 1, 3ºPlanta, 08960 Sant Just Desvern, Barcelona, Spain
8 Avenida da Liberdade, 249 -1, 1250-143 Lisbon, Portugal
9 Avenida da Liberdade, 144, 7º 1250-146, Lisbon, Portugal
10 Life Science Center, Keilaranta 16 B, 02150 Espoo, Finland
11 Mühlentalstrasse 38, 8200 Schaffhausen, Switzerland
12 Mühlentalstrasse 36/38, 8200 Schaffhausen, Switzerland
13 Schubertring 6, 1010 Wien, Austria
14 Via della Sierra Nevada, 60-00144 Rome, Italy
15 392A Mesogeion Avenue, Ag. Paraskevi, 15341, Athens, Greece
16 Al. Armii Ludowej 26, 00-609 Warszawa, Poland
17 Olivova 2096/4, Prague 1, 110 00, Praha 1, Czech Republic
18 Level 2 Building 5, Brandon Office Park, 530-540 Springvale Road, Glen Waverley VIC 3150, Australia
19 Crowe Horwath, Level 29, 188 Quay Street, Auckland 1010, New Zealand
20 Şehit İlknur Keles Sokak, Hüseyin Bağdatlioğlu Plaza 7/3, Kozyatagi, Istanbul, Turkey 34742
21 Gårdsfogdevägen 18B, 168 67 Bromma, Sweden
22 Nils Hansen vei 2, 0667 Oslo, Norway
23 Gisela-Stein-Strasse 6, 81671 Munich, Germany
24 Solinger Strasse 93 40764 Langenfeld, Germany
25 Priemyselný Park 3, 071 01 Michalovce, Slovakia
26 Schotsbossenstraat 8, 4705AG Roosendaal, Netherlands
27 Houttuinlaan 5F, 3447 GM Woerden, Netherlands
28 Parc d'Alliance, Boulevard de France 9, B-1420 Braine l'Alleud, Belgium
29 Stationsstraat 35, 2950 Kapellen, Belgium
30 c/o Convatec Harlev Skinderskovvej 32-36, 2730, Harlev, Denmark
31 Lautruphoj 1 DK-2750 Ballerup, Denmark
32 Åholmvej 1-3, 4320 Lejre, Denmark
33 Workshop 17 Office 1-4, 16 Baker Street, Rosebank, Johannesburg, Gauteng 2196, South Africa
34 22 Kamal El Din Hussein St, 3rd Floor, Heliopolis Sheraton, Post Code 11977, Cairo, Egypt
35 Customer Services Counter, Building N. 02, First Floor, Dubai Studio City, UAE
36 456 Alexandra Road, Fragrance Empire Building #18-01/02, Singapore 119962
37 10th floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia
38 Unit 805, 8F Jinbao Tower, No.89 Jinbao Street Dongcheng District, Beijing 100005, P.R.C.
39 Unit 808, Level 8, Fortune Plaza, No.116 Ti Yu Dong Road, Tianhe District, Guangzhou City, Guangdong Province, 510620, P.R.C.
40 Unit 1105-1106, Crystal Plaza Office Tower 1, No.1359 Yaolong Road, Pudong District, Shanghai 200124, P.R.C
41 Carretera Sanchez km 18 ½, Parque Industrial Itabo, Haina, San Cristóbal, Dominican Republic
42 Avenida Winston Churchill ES1. 27 de Febrero, Apto Plaza Central, Tercer Nivel, del Sector PIANTINI de la Ciudad de Santo Domingo de Guzman, Suite A-368, Dominican Republic
43 Unit 1901 Yue Xiu Bldg 160-174, Lockhart Road, Wan Chai, Hong Kong
44 1-1-7 Choraku, Bunkyo-ku, Tokyo 112-0004, Japan
45 5F.-4, No. 57, Fuxing N. Rd, Songshan Dist., Taipei City, Taiwan (Post code: 10595)
46 No. 87, 9th Floor M Thai Tower All Seasons Place, Wireless Road, Lumpini, Phatumwan, Bangkok, Thailand
47 Kosmodamianskaya nab. 52, building 1, 9th floor, 115054, Moscow, Russia
48 4F, American Standard B/D, Yeongdongdaero 112gil 66, Gangnam-Gu, Seoul, Republic of Korea 06083
49 CERRITO 1070 Piso:3 Dpto:71, 1010-CIUDAD AUTONOMA BUENOS AIRES, Argentina
50 900-1959 Upper Water Street, Halifax, Nova Scotia B3J 2N2, Canada
51 Avenida Industrial Falcón, L7, Parque Industrial del Norte, Reynosa Tamps, Mexico C.P. 88736
52 Avenida Insurgentes sur 619, 3° Piso, CIUDAD DE MEXICO, Nápoles, 03810, Mexico
53 Av. Fomento Industrial L9 M3, Parque Industrial del Norte, Reynosa Tamps, Mexico C.P. 88736
54 Av. La Encalada 1010 of. 806, Santiago de Surco, Lima 15023, Perú
55 Rua Alexandre Dumas, 2100,15º. Andar, Ed Corporate Plaza, Conj 151 e 152, - Chácará Stº Antonio - São Paulo, Brazil Cep: 04717-913
56 Torre los Nogales, Calle 76 # 11-17, Fifth and Second Floor, Bogotá, Colombia
57 Calle 82 # 18-31, Bogotá, Colombia
58 Av Suecia 0181, Providencia, Santiago, Chile
59 Robles E4-136 y Av. Amazonas, Edificio Proinco Calisto, piso 12, Quito, Ecuador EC170526
60 Av. Sorocaima, Libertador con Venezuela, Edif Atrium. Piso 3, Oficina 3G, Urb El Rosal, Municipio Chacao, Edo, Miranda, Venezuela
61 Next Logistics, Unit No 206, Tower B, Digital Greens, Sector-61 Golf Course Extension Road,
Gurgaon-122102, Haryana, India
62 10th Floor 1002 B, Mangnum Tower-1, Gold Course Extention Road, Sector 58, Gurugram, Gurgaon, Haryana, India, 122011
63 8516 Northwest Expressway, Oklahoma City, OK 73162, US
64 200 Crossing Boulevard, Suite 101 Bridgewater, NJ 08807, US
65 2315 NW 107th Avenue Suite A30, Doral, Florida 33172, US
66 The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware 19801, US
67 3993 Howard Hughes Parkway Suite 250, Las Vagas, Nevada 89169-6754, US
68 725 Primera Blvd, Suite 230, Lake Mary, FL 32746-2127, US
69 1206 N. 23rd Street, Wilmington, NC 28405-1810, US
70 20333 N. 19th Avenue, Suite 101, Phoenix, AZ 85027-3627, US
71 58 Norfolk Avenue, Unit 2, South Easton, MA 02375-1907, US
72 5701-1 S Ware RD, McAllen, TX 78504, US
73 4635 Southwest Freeway, Suite 800, Houston, TX 77027-7105, US
74 120 South Central Avenue, Clayton, Mo 63105
75 251 Little Falls Drive, Wilmington, Delaware, 19808, US
* Directly held investment by Convatec Group Plc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONVATEC GROUP PLC

Report on the audit of the Financial Statements

1. Opinion

In our opinion:

- the Financial Statements of Convatec Group Plc (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Company Statements of Financial Position;
- the Consolidated and Company Statements of Changes in Equity;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 30 of the Consolidated Financial Statements and Notes 1 to 10 of the Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and the Company for the year are disclosed in note 3.3 to the Financial Statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	In the current year, we have identified the following new key audit matters: - Acquisition of Triad Life Sciences Inc; - Accounting for the exit of hospital care and related industrial sales activities; and - Revenue recognition across key markets. Further explanation of the reasons these have been assessed as key audit matters is provided in Section 5. In 2021, we identified four key audit matters, none of which have been identified as continuing in the current year. These included: (i) changes in cash-generating unit ("CGU") groups and reallocation of goodwill, for which there were no CGU changes in 2022 (ii) Taxation - uncertain tax positions (UTPs) in connection with transfer pricing arrangements which we did not identify as a significant risk in 2022 (iii) identification and valuation of adjusting items reported within Alternative Performance Measures ("APMs"), where management policy for APMs is embedded and is no longer deemed to be a key audit matter, and (iv) acquisition accounting of Cure Medical LLC - focusing on the intangible asset valuation which is non recurring in nature.
Materiality	The materiality that we used for the Group Financial Statements was $9.8m which was determined based on adjusted profit before tax.
Scoping	Combined, we performed audit procedures across fourteen countries accounting for 82% of revenue, 88% of profit before tax and 81% of net assets.
Significant changes in our approach	In addition to changes in key audit matters discussed above, our audit approach for 2022, changed in response to management's decision to centralise certain finance processes in the Group's Global Business Services "GBS" hub which is a shared service centre located in Lisbon, Portugal. In line with the considerable extent of finance processes transitioned from the markets to Lisbon, we delivered a significant proportion of the component audits from GBS.

4. Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the recently completed financing facilities including nature of facilities, repayment terms and covenants;
- Assessing the appropriateness of underlying assumptions used in the forecasts and historical forecasting accuracy;
- Evaluating level of headroom in the forecasts (cash and covenants); and
- Applying sensitivity analysis to forecasting models.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report continued

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Acquisition of Triad Life Sciences Inc.

Key audit matter description	In March 2022, the Group completed the acquisition of 100% of the issued share capital of Triad Life Sciences Inc ("Triad") a company based in Memphis, Tennessee for a consideration of $281.0m. The acquisition resulted in the recognition of identifiable product related intangible assets of $154.8m and goodwill of $129.9m. Key judgements related to the acquisition included: - The valuation of intangible assets identified and resulting goodwill. Management used a third party expert to assist with the valuation of the acquired intangibles; - The valuation of contingent consideration payable. Triad was acquired early in its business lifecycle and a key judgement at acquisition and at 31 December 2022 related to the fair value of contingent consideration payable. - Following cash milestone payments in the year totalling $50.0m, at 31 December 2022 $130.8 million was estimated as the remaining contingent consideration which is included within provisions. The range of reasonably possible discounted outcomes within the next financial year is between $85.2 million and $230.8 million, compared to a maximum remaining undiscounted contingent consideration of $275.0 million over the earn out period to 31 March 2024. The valuation of contingent consideration has been disclosed as a "Critical accounting judgement and a key source of estimation uncertainty" within Note 1.4 to the Consolidated Financial Statements. Full details in relation to the acquisition accounting are included within Note 26. The Audit and Risk Committee include their assessment of this matter on page 129.
How the scope of our audit responded to the key audit matter	We performed the following procedures in respect of this key audit matter: - We obtained an understanding of the relevant controls over the acquisition accounting, including the determination of contingent consideration and the fair valuation of intangible assets arising on acquisition. - We reviewed the significant terms of the acquisition within the sale and purchase agreement. - We assessed the competence, capability, and objectivity of management's expert. - With involvement of our internal valuation experts, we evaluated management's assumptions and the appropriateness and application of the valuation methodology. - We assessed performance and budgeting accuracy since acquisition to evaluate whether the forecasts that underpin the valuation of intangibles arising on acquisition were appropriate. - We assessed the accuracy of the revenue used in the calculation of contingent consideration, including verification of a sample of actual revenue transactions for FY22 and evaluation of forecasts for the remainder of the earn out period to 31 March 2024. - We evaluated the appropriateness of the disclosures in the Financial Statements including the disclosure as a key source of estimation uncertainty.
Key observations	We conclude the fair values of the goodwill and product related intangible assets recognised on acquisition to be appropriate. We are satisfied the assumptions used in the valuation of the discounted fair value of the contingent consideration are within an acceptable range and reasonable. We consider the disclosures in relation to the acquisition and the range of possible outcomes to the earn out to be appropriate.

5.2. Accounting for the exit of hospital care and related industrial sales activities.

Key audit matter description	In May 2022, the Group announced the decision to withdraw from its hospital care activities and related industrial sales by the end of 2022. As a result of the exit, the Group has recognised $46.7m of costs of which $25.8m relates to impairments of product related intangibles, inventory and property, plant and equipment ("PPE"). The exit costs also included $7.3 million of severance costs, $6.9 million on estimated contract exit costs and $6.7m of legal and closing down costs. The completeness of the accounting for the exit has been identified as a key judgement as this has an impact on the accuracy and reasonability of provisions recognised as well as the appropriateness of disclosures in the annual report and accounts. The related disclosure is included within Note 27. The Audit and Risk Committee included their assessment of this risk on page 129. For specific detail on the Group's accounting policy, please see Note 215.
How the scope of our audit responded to the key audit matter	We performed the following procedures in respect of this key audit matter: - We obtained an understanding of the relevant controls related to the identification and quantification of impairments and contract exit costs associated with the exit. - We assessed the accuracy and completeness of management's impairments relating to intangible assets and property plant and equipment based on the assets previously used in the hospital care and industrial sales activities. - We have assessed the inventory write down and provision by substantively testing the post year-end sales and orders to ensure the accuracy and completeness of the provision. - We tested the severance costs substantively by agreeing a sample of the costs to correspondence with the employees and to payment. - We held direct discussions with Convatec's internal and external legal advisors as well as operational leads to assess the level of provisioning for contract exit costs. In addition we reviewed the correspondence received in the year relating to this matter. - We evaluated the appropriateness of the disclosures in the Financial Statements.
Key observations	We consider the accounting for the exit of hospital care and related industrial sales activities to be reasonable and complete. We are satisfied the disclosures made in the Financial Statements are appropriate.

5.3. Revenue recognition across key markets.

Key audit matter description	The Group recorded revenue of $2,072.5m million for the year ended 31 December 2022 (31 December 2021: $2,038.3m) under IFRS 15: *Revenue from contracts with customers*. As disclosed in Note 2.1 to the Financial Statements, the Group's policy is to recognise revenue when control over a product has transferred, generally on delivery, to a customer, distributor or wholesaler. The Group measures revenue for goods sold based on the consideration specified in a contract with a customer, net of discounts, rebates, chargeback allowances and sales-related taxes. The UK, US and Denmark make up the Group's key sales markets. Further information is included in the geographic segment information in Note 2.2. As the audit of revenue is one of the key determinants of our overall audit strategy, revenue recognition has been included as a key audit matter. Significant allocation of audit resources as well as increased levels of direction and supervision of the components was required in the current year, partly as a result of the transfer of a number of processes to the Group's Global Business Services centre.

Independent auditor's report continued

How the scope of our audit responded to the key audit matter	We performed the following procedures in respect of this key audit matter: - We completed walkthroughs of the revenue cycle to gain an understanding of the end-to-end revenue process and to evaluate relevant controls across the Group, and tested controls at the following components: the US, UK and Denmark; - We tested the general IT controls, including three-way matching in SAP which is the main financial reporting system in the Group; - We performed analytical reviews in certain components to identify any unusual sales trends and obtained an explanation for any such movements; - We held direct enquiries with category and geographic market leaders, assessing changes in customer demand and new product introductions that might impact sales patterns; - We performed detailed transaction testing on a sample basis, agreeing sales through to invoice, final sales contracts and delivery notes; - We also reviewed a sample of distributor contracts to assess the terms of sale and to support recalculation of rebates and chargebacks associated with the revenue. - We assessed whether the disclosures within the annual report and accounts are in compliance with the requirements of IFRS 15 *Revenue from contracts with customers*.
Key observations	We are satisfied that revenue recognised across key markets and the disclosures made are in compliance with the requirements of IFRS 15.

6. Our application of materiality

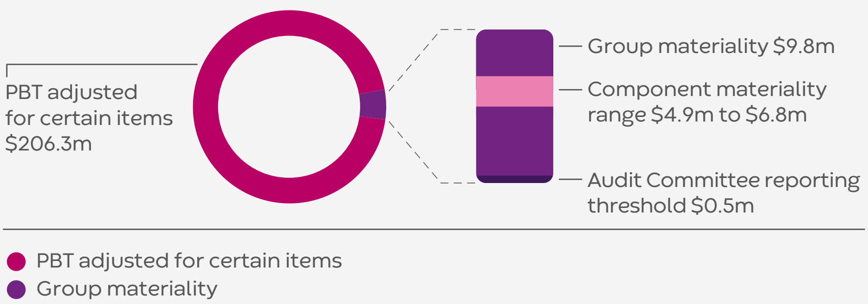
6.1. Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Company Financial Statements
Materiality	$9.8m (2021: $8.4m)	$5.9m (2021: $5.0m)
Basis for determining materiality	4.8% (2021: 4.7%) of pre-tax profit adjusted for acquisition and divestiture costs, termination benefits and asset impairment.	The Company materiality equates to 0.2% (2021: 0.1%) of net assets, which is capped at 60% (2021: 60%) of Group materiality.
Rationale for the benchmark applied	In determining our materiality benchmark, we considered the focus of the users of the Financial Statements. Pre-tax profit is the base from which key performance measures are calculated as well as key metrics used in providing trading updates. We have adjusted pre-tax profit for certain non-recurring items as summarised above.	In determining our materiality, based on professional judgement, we have considered net assets as the appropriate benchmark given the Company is primarily a holding company for the Group. We then capped materiality at 60% of Group materiality.

PBT adjusted for certain items



6.2. Performance materiality
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.

	Group Financial Statements	Company Financial Statements
Performance materiality	70% (2021: 70%) of Group materiality	70% (2021: 70%) of Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. our risk assessment, including our understanding of the entity and its overall control environment; b. the disaggregated nature of the Group and the likelihood of an individually material error; and c. our cumulative experience from prior year audits and level of corrected and uncorrected misstatements identified.	

6.3. Error reporting threshold
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $0.5m (2021: $0.4m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

7. An overview of the scope of our audit

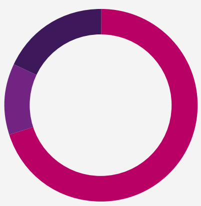
7.1. Identification and scoping of components
Our Group audit was scoped on an entity level basis, assessing components against the risk of material misstatement at the Group level. We have also considered the quantum of Financial Statement balances and individual financial transactions of a significant nature. In performing our assessment, we have considered the geographical spread of the Group and any risks presented within each region.

Based on this assessment, we focused our work on thirteen (2021: thirteen) components covering seven (2021: eight) countries, 70% (2021: 72%) of revenue, 83% (2021: 83%) of profit before tax and 74% (2021: 77%) of net assets. All thirteen (2021: thirteen) components were subject to a full scope audit. The thirteen (2021: thirteen) components are in the United States of America, United Kingdom, Switzerland, Denmark, Germany, Italy and France, which include the principal operating units of the Group.

In addition, we have performed specified audit procedures in ten (2021: eight) components covering nine (2021: eight) countries, 12% (2021: 8%) of revenue, 5% (2021: 4%) of profit before tax, and 7% (2021: 6%) of net assets. The eleven (2021: eight) components are located in: the United States of America, Denmark, Spain, Canada, Brazil, the Dominican Republic, Japan, Australia and Slovakia.

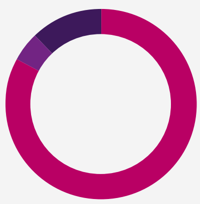
In carrying out our work, we responded to management's decision to centralise finance processes in the GBS hub. In line with the considerable extent of finance processes transitioned from the markets to Lisbon, we delivered a significant proportion of the component audits from GBS whilst providing direction and exercising supervision of component work at the Group level. We centrally determined the scope of the audit procedures executed by component audit teams and at the GBS.

Revenue



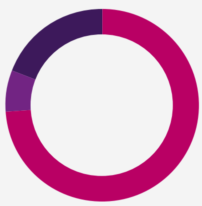
- Full audit scope 70%
- Specified audit procedures 12%
- Review at group level 18%

Profit before tax



- Full audit scope 83%
- Specified audit procedures 5%
- Review at group level 12%

Net assets



- Full audit scope 74%
- Specified audit procedures 7%
- Review at group level 19%

7.2. Our consideration of the control environment

Our audit approach is evolving alongside management's plans to continue standardising the control environment across the Group, including at GBS. Whilst our audit remains largely substantive, we increased the extent of our procedures performed on the control environment in 2022, focusing on enhancing our understanding of the progress made in the standardisation by testing the relevant controls in the business processes that have transitioned to the shared service centre.

For components we identified relevant IT systems for the purpose of our audit work, we obtained an understanding of relevant IT controls and tested the general IT controls for some operating companies with the involvement of our IT specialists. We performed focused controls tests on the main financial reporting IT environment in the shared service centre and used the results of this work as part of our Group reporting and to support the components reporting under local statutory requirements.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its Financial Statements. The Group has reassessed the risk and opportunities relevant to climate change and maintained the Environment & Communities risk as a principal risk across the Group. This risk grading has been maintained at the same level as the prior year and has been considered and embedded into the business as explained in the Strategic Report.

As a part of our audit procedures, we have reviewed management's environment related risk assessment and held discussions with the Audit and Risk Committee to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's Financial Statements. While management has acknowledged that the transition and physical risks posed by climate change have the potential to impact the medium to long term success of the business, they have assessed that there is no material impact arising from climate change on the judgements and estimates made in the Financial Statements as at 31 December 2022 as explained in note 1.3 on page 173.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transactions and did not identify any additional risks of material misstatement. Our procedures include reviewing disclosures included in the Strategic Report to consider whether they are materially consistent with the Financial Statements and our knowledge obtained in the audit.

7.4. Working with other auditors

As part of our oversight of the component teams, planning meetings were held with all component audit teams. The purpose of these planning meetings was to determine whether the component teams had sufficient understanding of the Group's businesses, its core strategy and significant risks.

We issued our component teams detailed instructions, included them in our team briefings and discussed their risk assessment. We also provided direction in response to enquiries made by the component auditors. All the findings observed were discussed with the component auditors in detail and instructions to perform further procedures were issued where relevant.

In response to the easing Covid-19 restrictions and increased opportunities to travel, we visited local operations in Denmark, the United States of America, GBS in Portugal, and the UK. Considering the new GBS centre, we increased the frequency of interactions with management and component teams during the planning and audit execution stages. The shared service centre audit represented a substantial change to our planned approach from the prior year. Members of the Group engagement team responded to this change by investing significant effort in directing, supervising and reviewing the work of the GBS audit team in Lisbon, with visits to Lisbon through the year and regular virtual meetings.

8. Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Board;
- results of our enquiries of management, internal audit, the Directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance.
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations ;
- the matters discussed among the audit engagement team including component audit teams and relevant internal specialists, including tax, valuations, IT and forensics specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the accounting for the exit in hospital care and related industrial sales activities. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Food and Drug Administration ("FDA") and the Medical Devices Regulation ("MDR").

11.2. Audit response to risks identified

As a result of performing the above, we identified the accounting for the exit from the hospital care and related industrial sales activities as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the audit committee and both in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports correspondence with HMRC;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 165;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 98;
- the Directors' statement on fair, balanced and understandable set out on page 165;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 103;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 88 and 89; and
- the section describing the work of the audit committee set out on page 126.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Directors to audit the Financial Statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the years ending 31 December 2016 to 31 December 2022.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these Financial Statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Claire Faulkner, FCA
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
8 March 2023

ESG target definitions

Basis of reporting for metrics whose 2022 progress metrics underwent a formal assurance process as listed on page 74, as well as voluntary turnover and Scope 3 emissions can be found at www.convatecgroup.com/sustainability/esg-reports-and-data/.

1. Quality:

Align existing quality metrics to industry standards and our continued focus in product safety by Q4 2022 (end of December 2022) to ensure metrics cover both product quality and safety aspects.

New: Reduce our complaints per million (CPM) by 8% for 2023 (calculated as CPM during 1 January 2023 through to 31 December 2023) against a 2022 baseline (calculated as CPM during 1 January 2022 through to 31 December 2022). CPM is calculated as the number of complaints received divided by the number of sales for the given period, multiplied by one million, rounded to the nearest whole number. Complaints include all input from customers that meet the criteria of a complaint, as defined in our procedures, and are received primarily via our customer service and sales channels. All Convatec employees have a responsibility to report a complaint at any time when interacting with anyone that has used our products.

2. Product vitality:

Improve Vitality Index to 30% by Q4 2025 (end of December 2025). Vitality index is defined as the percentage of revenues that are generated from new or significantly upgraded products, and products launched by Convatec in the preceding five-year period. This includes products that enter our portfolio, including through acquisitions, when treated as organic revenue.

3. Product development:

Implement Convatec Group's Green Design Guidelines (GDG), which assess products in five environmentally related areas, as part of our internal product development processes (new product development and material change processes) for all new products. Expand the user base of our new GDG digital tool to at least 50 users by Q4 2022 (end of December 2022). Users are defined by licences to the software, will come from research and Development (R&D) and Sustaining Engineering Group (SEG), and will be trained on using the tool.

New: Expand use of GDG digital tools, with at least five new product launches assessed by Q4 2023. Strategic projects are defined as current or future prioritised projects. Assessment involves comparing the new product's Bill of Materials against the most similar thing that Convatec currently markets.

4. Health & Safety:

4.1 Increase our Operations Hazard Observation Rate to above 200 per 200,000 hours worked by Q4 2 2022 (end of December 2022). Operations comprise our nine manufacturing locations, with the rate normalised per 200,000 hours worked, during calendar year 2022. The metric includes contractor/agency staff working at our sites, as well as permanent staff. Hazard Observation Rate is defined based on OSHA definitions.

4.2 Reduce Operations Lost Time Injury Rate (LTIR) to below 0.22 by Q4 2025 (end of December 2025). Operations comprises our nine manufacturing locations, with the rate normalised per 200,000 hours worked, during calendar year 2022. LTIR is defined as per OSHA definitions.

5. Diversity, Equity & Inclusion and Wellbeing:

5.1 Reach at least 40% females among senior management and CELT roles combined by Q4 2024 (end of December 2024). Senior management roles include direct reports of CELT members, excluding executive assistants. Calculated on employees as at December 2024.

5.2 Reduce voluntary turnover to less than 10% by Q4 2023. Voluntary turnover includes retirement and excludes redundancies, terminations, apprentices, interns, working students, temporary workers, fixed term and contingent workers. It is calculated as total employees leaving for the year/average monthly headcount.

6. Human rights:

Complete the (internal) review, update and publication of our human rights-related policies, our Human Rights and Labour Standards Policy and Supplier Code of Conduct, by Q4 2022 (end of December 2022).

New: Launch annual compulsory training programme on Human Rights for all employees by Q4 2023. Training module to include asynchronous and live training materials required for full-time, part-time and fixed term employees, leveraging our established learning management platform and completion monitoring tracked through Compliance teams.

New: Strengthen our risk management practices focused on labour standards and modern slavery through our procurement and supply chain, including through the introduction of a new responsible supplier assessment platform by Q2 2023. Practices supported by the platform and included in the target include but are not limited to risk assessment methodology, due diligence, additional audit insights and training for stakeholders.

7. Code of Conduct:

Have at least 95% of employees trained on an annual basis by Q4 2023 and in subsequent years. Training is conducted digitally. It includes part-time and full-time employees and excludes contractors, agency workers and employees on long-term absence. Percentage is calculated as number of employees trained and employed on 31 December divided by total number of employees as at 31 December.

8. Procurement and supply chain:

By 31 December 2023, ensure that 80% of Convatec's spend (from all Business Units globally) is supported by suppliers who we have requested to participate in our EcoVadis platform. Suppliers include direct material and external manufacturers and exclude indirect service/materials providers. Participation is considered when a supplier is either: assessed by EcoVadis on all four themes covered in the platform, or when an invitation to participate has been extended and the supplier has declined to participate, and Convatec has a documented audit trail of the dialogue between parties.

ESG target definitions continued

9. Emission reduction:

9.1 Achieve net zero carbon (in line with our SBTi target) by 2045. This includes reducing all value chain carbon emissions (Scope 1, 2 & 3) in line with SBTi 1.5°C targets by 2036, with defined five-year milestone targets developed by Q4 2022 aligned to SBTi. All value chain emissions will be reduced to zero by beginning of Q1 2045

9.2 Complete the Scope 3 materiality assessment and develop the measurement strategy by Q4 2022, with the intention of publishing our Scope 3 greenhouse gas (GHG) inventory by Q4 2023. Analyse existing data available for all 15 categories of Scope 3 emissions and determine a measurement strategy to determine a full GHG inventory for material Scope 3 emissions in 2023. Scope 3 inventory to be published by Q4 2023.

9.3 Reduce our combined Scope 1 and 2 GHG emissions by 5%, against a 2021 baseline by Q4 2022.

10. Science Based Target commitment:

10.1 Set quantitative Science Based Targets (SBT) for Scope 1 and 2 emissions, against a 2021 baseline, by Q4 2022 (end of December 2022). Set aligned SBTs for Scope 1 and 2, utilising the SBTi (1.5°C) calculation tool, to predict expected verified SBTi's at the end of 2022

New: Reduce our combined Scope 1 and 2 GHG emissions by 70% in line with our SBTs by 2030. See basis of reporting document for reporting boundaries.

10.2 Set quantitative targets for Scope 3 GHG emissions, against a 2021 baseline, aligned with the SBT criteria by Q4 2023. Set aligned SBTs for Scope 3, utilising the SBTi (1.5°C) calculation tool, to predict expected verified SBTi's at the end of 2023.

10.3 Achieve validated SBTs for Scope 1, 2 & 3 emissions by Q4 2023. Gain fully validated SBTi's, certified by the SBT Initiative, covering Scope 1, 2 & 3 emissions, using the 2021 baseline.

11. Community contributions:

11.1 Establish new NGO partnership(s) and funding commitments by Q4 2022 (end of December 2022). Partnerships are formalised via Letters of Agreement and may involve product or monetary donations, in-kind support, volunteering, or other means of cooperation.

New: Contribute at least $2 million in cash and in-kind support to our community partners to improve lives by Q4 2025. Cash contributions are valued at face value; product donations are calculated at regional commercial value. Lives touched include immediate contact as well as number of individuals supported by trained healthcare professionals (HCP) during the reporting period, Q1 2023 to Q4 2025.

11.2 Contribute responsibly to a range of HCP and patient education programmes by Q4 2022 (end of December 2022). Set specific targets for 2023-25 on reach and impact. Contributions may include monetary and in-kind donations or other types of partnerships.

New: Continue to expand the reach of our HCP education programmes, including through the development of a global medical education digital platform and recategorisation of activity to improve impact by Q4 2023. Expansion may include unique number of HCPs touched, number of programes, depth of programming, and geographic reach.

Shareholder information

Our corporate website: www.convatecgroup.com
Information about our Stock Exchange announcements, key dates in our financial calendar, our share price information and background information is available on our corporate website at www.convatecgroup.com/investors.

The date for the release of our interim results for the six months ended 30 June 2023 will be posted in due course on our website.

Shareholders may also receive information by email by signing up to the news alert service available at www.convatecgroup.com/investors/sign-up-for-more-information.

Share price information
Our closing share price as at 31 December 2022 was 232.60p.

Managing your shareholding
You can manage your shareholding online by registering to use Investor Centre, a free and secure website. Investor Centre is available 24 hours a day, 365 days a year. To find out more about Investor Centre visit www.investorcentre.co.uk. Registration is a straightforward process and all you will need is your shareholder reference number (SRN) and registered address details.

Shareholders who prefer not to manage their shareholding online can contact our Registrars, Computershare Investor Services PLC, who manage our share register. The shareholder helpline number is +44 (0) 370 703 6219 and further information about Computershare Investor Services PLC is set out below.

Internet share dealing
Please note that, if you wish to purchase shares in the Company, you may do so through a bank or stockbroker. Alternatively, please go to www.computershare.com/dealing/uk for a range of dealing services made available by Computershare; this service is only available to shareholders in the UK. This service provides shareholders with a convenient way to buy or sell the Company's ordinary shares on the London Stock Exchange. The commission is 1.4%, subject to a minimum charge of £40. In addition, stamp duty, currently 0.5%, is payable on purchases. Real-time dealing is available during market hours. In addition, there is a convenient facility to place your order outside of market hours.

Up to 90-day limit orders are available for sales. Before you can trade you will need to register for the service. To access the service log on to www.computershare.com/dealing/uk.

Shareholders should have their SRN available. The SRN appears on share certificates as it will be required as part of the registration process. A bank debit card will be required for purchases.

Postal share dealing
Please note this service is, at present, only available to shareholders resident in the UK. The commission is 1.4% plus a charge of £40. In addition, stamp duty, currently 0.5%, is payable on purchases. The service is available from 8.00am to 4.30pm Monday to Friday, excluding bank holidays, on telephone number +44 (0) 370 703 0084. Before you trade you will need to register for this service. This can be done by going online at www.computershare.com/dealing/uk. Shareholders should have their SRN ready when making the call. The SRN appears on share certificates. A bank debit card will be required for purchases. Detailed terms and conditions are available on request by telephoning +44 (0) 370 703 0084.

Please note that due to the regulations in the UK, Computershare are required to check that you have read and accepted their Terms and Conditions before being able to trade, which could delay your first telephone trade. If you wish to trade quickly, we suggest visiting their website and registering online first.

Share fraud
We would like to warn all of our shareholders to be very wary of any unsolicited telephone calls or letters which offer investment advice, offer to buy your shares at a discounted price, or sell them at an inflated price or offers free company reports. This type of call should be treated as an investment scam. Further information about investment scams and how they should be reported is available at www.convatecgroup.com/investors/shareholder-services/.

Company Secretary and registered office
Evelyn Douglas
3 Forbury Place
23 Forbury Road
Reading RG1 3JH

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol, BS13 8AE
Telephone +44 (0) 370 703 6219
Email www.investorcentre.co.uk/contactus

Auditor
Deloitte LLP

Brokers
Citigroup Global Markets Limited
UBS Limited

Solicitors
Freshfields Bruckhaus Deringer LLP

Glossary

Adjusted free cash flow	Adjusted net cash generated from operations, net of PP&E and tax paid
Adjusted or alternative performance measures (APMs)	Certain financial measures in this Annual Report and Accounts not prepared in accordance with IFRS and used as a meaningful supplement to reported measures
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
AGM	Annual General Meeting of the Company
ARA	Annual Report and Accounts
ARC	Audit and Risk Committee
Articles	The Articles of Association of the Company for the time being in force
Base erosion and profit shifting (BEPS) initiative	OECD initiative which seeks to close gaps in international taxation for companies that allegedly avoid tax or reduce tax burden in their home country by engaging in tax inversions
Basic earnings per share	Net profit available for Convatec shareholders divided by the weighted average number of ordinary shares in issue during the year
Basis points (bps)	One hundredth of a percentage point. Used, for example, in quoting movements in margin percentages
BEIS	Business, Energy & Industrial Strategy
Board	The Board of Directors of Convatec Group Plc
Book tax rate	The tax charge in the income statement as a percentage of profit before tax
Brexit	The UK's withdrawal from the European Union
Compound annual growth rate (CAGR)	CAGR shows the rate of growth over a certain period of time, expressed in annual percentage terms
Capital expenditure (capex)	Purchases of property, plant and equipment and intangible assets
Cash conversion	Cash generated from operations, net of PP&E divided by EBITDA
Cash-generating units (CGUs)	The smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets
CE mark	Certification mark that indicates conformity with health, safety and environmental protection standards for products sold within the European Economic Area
CELT	Convatec Executive Leadership Team
Code	UK Corporate Governance Code 2018 in effect from 1 January 2019, issued by the FRC
Code of Conduct	Our code of conduct which covers business conduct and compliance issues, including bribery and corruption
CoE	Centre of Excellence
COGS	Cost of goods sold
Companies Act	Companies Act 2006, as amended, of England and Wales
Company or parent company	Convatec Group Plc
Constant currency growth	Constant currency growth is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period
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
COSO	The Committee of Sponsoring Organizations, a global organisation providing a framework for risk management, internal control, governance and fraud deterrence
COVID-19	Coronavirus disease 2019
CR	Corporate responsibility.
DE&I	Diversity, equity and inclusion
Derivatives	Financial instruments used to reduce risk, the price of which is derived from an underlying asset, index or rate
Diluted earnings per share	The calculation of diluted earnings per share includes the dilutive impact of share awards where the average market price of the Group's ordinary shares exceeds the exercise price
Director	A member of the Board of Directors of Convatec Group Plc
Disclosure guidance and transparency rules (DTRs)	FCA disclosure guidance and transparency rules with which the Group must comply
Dividend cover	Adjusted cash generated from operations, net of PP&E (see page 67) divided by dividend paid (dividend payable), excluding the effect of a scrip option
EBITDA	Earnings before interest, tax, depreciation and amortisation
Effective tax rate (ETR)	The tax charge in the income statement as a percentage of profit before tax
EMEA	Countries located in Europe, Middle East and Africa
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
EU	The European Union
EURIBOR	Euro Interbank Offered Rate
FCA	Financial Conduct Authority
FDA	US Food and Drug Administration
FRC	Financial Reporting Council
FX	Foreign exchange
GDGs	Green Design Guidelines
GDPR	General Data Protection Regulation
GHG emissions	Greenhouse gas emissions
Group	The Company and its subsidiaries
GPO	Group purchasing organisations
H&S	Health and safety

Home Services Group (HSG)	The Group's home services business unit for distribution of catheter and ostomy products
IASB	International Accounting Standards Board - the independent standard setting body of the IFRS Foundation
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards as issued by the IASB
IFRIC	International Financial Reporting Interpretations as issued by the IASB
Infusion Care (IC)	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
IP	Intellectual property
IPO	Initial public offering
IR	Investor relations
KPI - Key Performance Indicator	Financial and non-financial measures that the Group uses to assess performance and strategic progress
LIBOR	London Inter-bank Offered Rate
Leverage	Net debt divided by covenant adjusted EBITDA
LTIP	Long-term incentive plan
LTIR	Lost time injury rate
M&A	Mergers and acquisitions
MAR	Market abuse regulation
MDR	Medical Device Regulations introduced in the EU with required transition by May 2021. MDR imposes rigorous requirements in relation to a number of areas including clinical data and post-market surveillance
MedTech	Medical technology
MIP	Margin Improvement Programme
Net debt	Borrowings less cash and cash equivalents and excluding lease liabilities
NHS	The UK National Health Service
OECD	Organisation for Economic Co-operation and Development
Opex	Operating expenses, being the total of selling and distribution expenses, general administrative expenses and research and development, and other operating expenses
Organic growth	Period-over-period growth at constant currency, adjusted for: Triad Life Sciences (March 2022), Cure Medical (March 2021) and Patient Care Medical (December 2021) acquisitions; Incontinence divestment (December 2021) and, from 31 May, the discontinuation of hospital care, related industrial sales and associated Russia operations
Organisational Health Index (OHI)	An index tracking the organisational elements that drive performance
Ostomy Care (OC)	Devices, accessories and services for people with a stoma (surgicallycreated opening where bodily waste is discharged), commonly resulting from causes such as colorectal cancer, inflammatory bowel disease and bladder cancer
PBT	Profit before income taxes
PP&E	Property, plant and equipment
Product categories	The Group has four product groups, being Advanced Wound Care, Ostomy Care, Continence & Critical Care and Infusion Care
R&D	Research and development
ROIC	Return on invested capital
SBTi	Science Based Target initiative
SBTs	Science Based Targets
SID	Senior Independent Director
SKU	Stock keeping unit
SNC	Special nomination committee
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Rate
Sterling, £, pence or p	The currency of the United Kingdom
Subsidiary	A company over which the Group exercises control
TCFD	Task Force on Climate-related Financial Disclosures
Transformation Initiative	Initiatives and associated investment focused on transforming the business to deliver sustainable and profitable growth
TSL	Total Safety Leadership
TSR	Total shareholder return
UKLA	The UK's Listing Authority
US dollar, $, cent or ¢	The currency of the United States of America
Viability period	The three-year period from January 2023 to December 2025

Important information for readers of this Annual Report

Cautionary statement regarding forward-looking statements

The purpose of this Annual Report is to provide information to the members of the Company. The Group and its Directors, employees, agents and advisers do not accept or assume responsibility to any other person to whom this Annual Report is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. In order, among other things, to utilise the "safe harbour" provisions of the US Private Securities Litigation Reform Act 1995 and the UK Companies Act 2006, we are providing the following cautionary statement: This Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group, including among other things, statements about expected revenues, margins, earnings per share or other financial or other measures. Forward-looking statements are generally identified by the use terms such as "believes", "estimates", "aims", "anticipates", "expects", "intends", "plans", "predicts", "may", "will", "could", "targets", "continues" or , in each case, their negatives or other similar expressions. These forward-looking statements include all matters that are not historical facts.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies that are difficult to predict and many of which are outside the Group's control. As such, no assurance can be given that such future results, including guidance provided by the Group, will be achieved.

Forward-looking statements are not guarantees of future performance and such uncertainties and contingencies, including the factors set out in the "Principal Risks" section of the Strategic report which begins on page 92, could cause the actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates, to differ materially from the position expressed or implied in the forward-looking statements set out in this Annual Report. Past performance of the Group cannot be relied on as a guide to future performance. Nothing in this Annual Report should be construed as a profit forecast.

Forward-looking statements are based only on knowledge and information available to the Group at the date of preparation of this document and speak only as at the date of this Annual Report. The Group and its Directors, officers, employees, agents, affiliates and advisers expressly disclaim any obligations to update any forward-looking statements (except to the extent required by applicable law or regulation).

Third-party data

The industry and market data contained in this Annual Report has come from third-party sources and from the Group's own internal research and estimates based on the knowledge and experience of the Group's management in the market in which the Group operates. While the Group believes that such sources, research and estimates are reasonable and reliable, they have not been independently verified and are subject to change without notice. Accordingly, undue reliance should not be placed on any of the industry or market data in this Annual Report.

Convatec website

Information on or accessible through our website www.convatecgroup.com and other websites mentioned in this Annual Report, does not form part of and is not incorporated into this Annual Report.

Figures

Figures in parentheses in tables and in the Financial Statements are used to represent negative numbers.

Convatec Group Plc

3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

T: + 44 (0) 118 952 8100
www.convatecgroup.com
Company No: 10361298

Credits

Designed and produced by

Conran Design Group

Printed by

Pureprint Group, ISO14001, FSC® certified and CarbonNeutral®

This Annual Report is printed on Revive Silk 100 and Revive Offset 100 paper, manufactured from FSC® Recycled certified fibre derived from 100% pre and post-consumer waste. Printed in the UK by Pureprint using its pureprint® environmental printing technology, and vegetable inks were used throughout. Pureprint is a CarbonNeutral® company. Both the manufacturing mill and the printer are registered to the Environmental Management System ISO14001 and are FSC® chain-of-custody certified.

www.convatecgroup.com