



convatec
— forever caring —

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

Convatec Group Plc
Annual Report and Accounts 2023

We are forever caring We are Convatec

Pioneering trusted medical solutions to improve the lives we touch

Convatec is a global medical products and technologies company, focused on solutions for the management of chronic conditions, with leading positions in advanced wound care, ostomy care, continence care and infusion care.

With around 10,000 colleagues, we provide our products and services in almost 100 countries, united by a promise to be forever caring. Our solutions provide a range of benefits, from infection prevention and protection of at-risk skin, to improved patient outcomes and reduced care costs.

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OUR 2023 HIGHLIGHTS

FINANCIAL

Group revenue

\$2,142m
(2022: \$2,073m)

Adjusted¹ operating profit

\$432m
(2022: \$404m)

Diluted earnings per share

6.3¢
(2022: 3.1¢)

Operating profit

\$263m
(2022: \$207m)

Adjusted¹ operating profit margin

20.2%
(2022: 19.5%)

Adjusted¹ diluted earnings per share

13.4¢
(2022: 12.6¢)

STRATEGIC

FOCUS

- 7.2% organic revenue growth¹
- >90% revenue from chronic care

INNOVATE

- Acquired novel nitric oxide technology platform
- Launched ConvaFoam™, GentleCath Air™ for Women, various infusion sets

SIMPLIFY

- c.6% reduction in general and administrative spend¹
- Closed plant in the Netherlands to optimise the network

BUILD

- Pricing Centre of Excellence (CoE) delivered +100 bps benefit to gross margin
- Continued to embed Pricing, Sales and Marketing CoEs

EXECUTE

- c.12% reduction in complaints per million
- Winning share in Global Emerging Markets

Read more about our progress on our FISBE strategy on pages 13 to 15

We also made considerable progress embedding our ESG framework, Convatec Cares. See pages 38 to 65

1. Certain financial measures in this document, including adjusted results above, are not prepared in accordance with International Financial Reporting Standards (IFRS). All adjusted measures are reconciled to the most directly comparable measure prepared in accordance with IFRS in the Non-IFRS Financial Information (pages 34 to 37).

Convatec at a glance

About us

Convatec is committed to the people we serve - patients living with chronic conditions, their care givers and the healthcare professionals who support them

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.

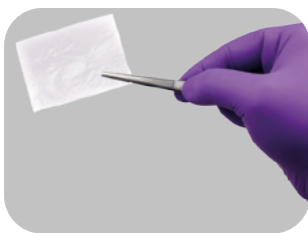
[Read more on page 18](#)



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 on page 20](#)



InnovaMatrix®



Moldable baseplate for two-piece Natura® pouching system

KEY FACTS

~875m
finished products in 2023

~10,000
colleagues in 2023

12
key markets

9
manufacturing locations

Since 1978 we have supported patients in managing long-term chronic conditions, with leading market positions in Advanced Wound Care, Ostomy Care, Continence Care and Infusion Care



Continence Care (CC)

Products and services for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes.

[Read more on page 22](#)



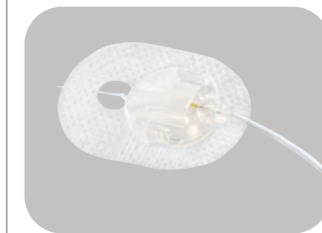
Infusion Care (IC)

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 on page 24](#)



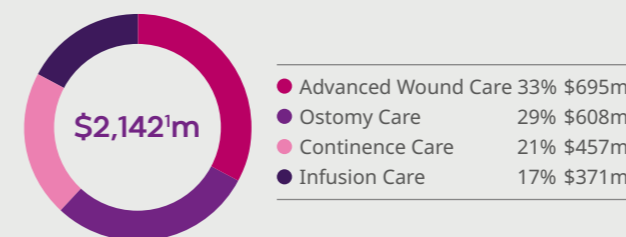
GentleCath Air™ for Women



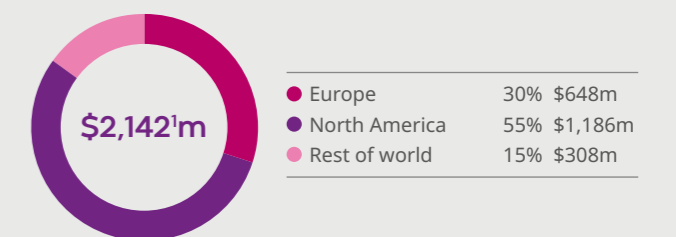
Infusion set

OUR BUSINESS

Group-reported revenue by category



Group-reported revenue by geography



1. Includes \$11m of hospital care and related industrial sales

Strategic report

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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) practices
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Read more on pages 12 to 16

OUR VALUES

 Improve care	 Deliver results	 Grow together	 Own it	 Do what's right
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Read more on page 52

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
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Read more on pages 38 to 65

Our business model

Delivering on our promise and creating value for 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 BUSINESS MODEL

THE VALUE WE CREATE

OUR RESOURCES AND RELATIONSHIPS

A talented and diverse workforce

Category knowledge and understanding

Innovation and intellectual property

Relationships with patients and healthcare professionals

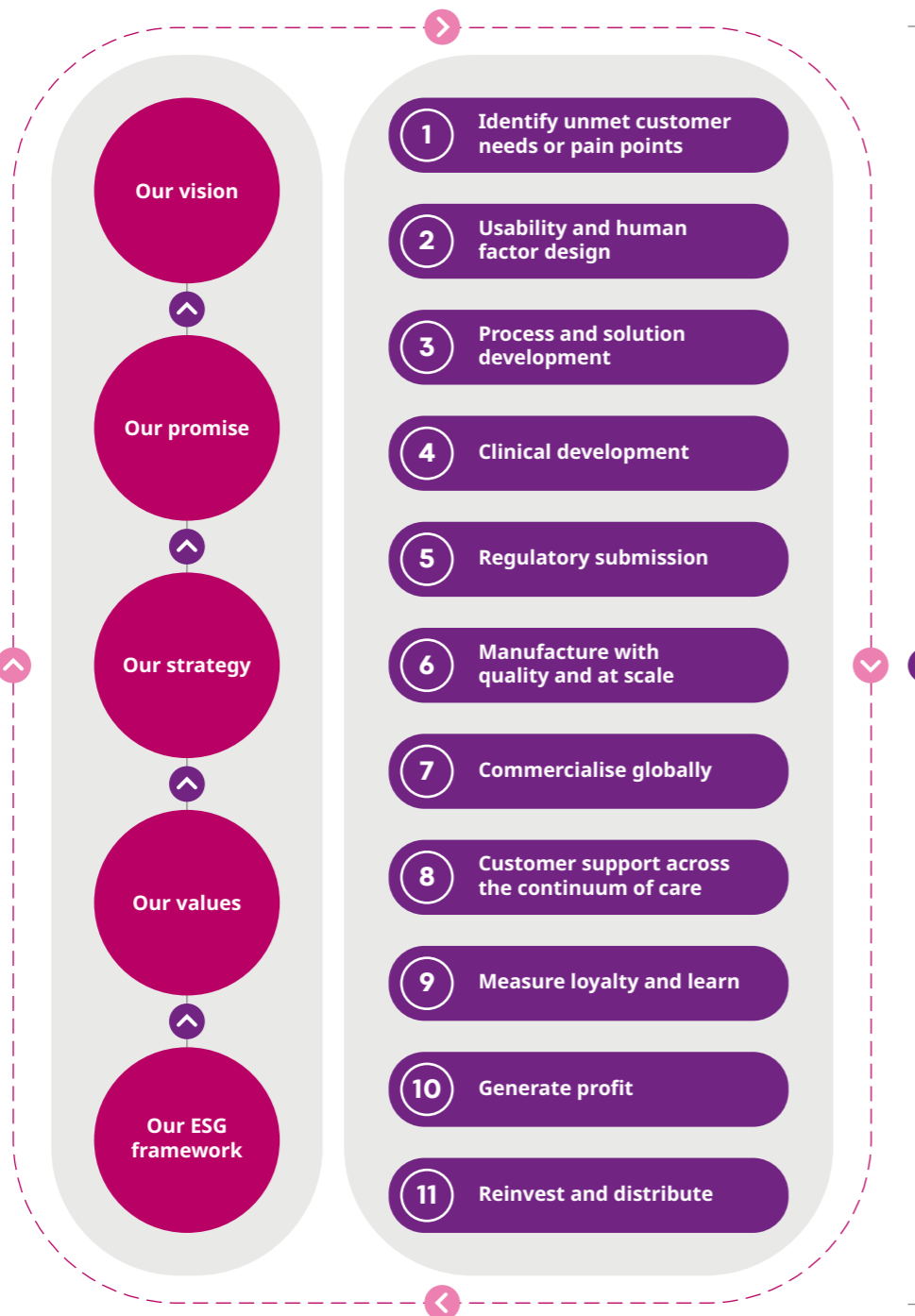
A robust quality function and supply chain

Strong quality brands

Global sales and marketing platform

Customer insights and support programmes

Read more about our vision, promise, strategy and values on page 5



- 1. Identify unmet customer needs or pain points**
Consistently and systematically map customer journeys, to better understand the needs of patients and healthcare professionals
- 2. Usability and 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 loyalty 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	~875m finished products manufactured
Healthcare professionals (HCPs) Providing value-added solutions, support and advice	~240k HCPs engaged in medical education
Health plan contracts Enabling healthcare systems to reduce costs and increase efficiency	>1,750 health plan contracts
Employees Providing employment and development opportunities	~10,000 employees
Shareholders Generating returns for investors	\$110.7m cash dividends paid to shareholders
Society Making a positive contribution through community engagement and paying tax	\$35.9m corporate tax paid

Chair's statement



We are united by a promise to be forever caring

Dear Shareholder

Despite continuing global macroeconomic challenges in 2023, Convatec has once again delivered strong financial results and has also continued to strengthen its competitive position with a rich stream of innovation and successful product launches. The continued execution of our FISBE 2.0 strategy has been key to Convatec's progress and our ability to consistently deliver sustainable and profitable growth.

Execution of our strategy

During 2023, we have continued to strengthen our competitive position and our innovation and technology agenda has continued to gather momentum. We made several acquisitions, including the acquisition of 30 Technology Limited's anti-infective nitric oxide technology platform, which will strengthen our ability to provide best-in-class solutions for patients. In addition to applications in advanced wound care, we will explore application of this highly innovative technology platform across our businesses. We also launched six new products including ConvaFoam™ in the US and GentleCath Air™ for Women in France.

We have continued to drive operational and commercial improvements as part of our simplification and productivity agenda. During the year, we migrated manufacturing operations from our EuroTec facility in the Netherlands to Slovakia and opened a new Global Business Services centre in Kuala Lumpur to provide around-the-clock support to the Group. Our various Centres of Excellence continue to have a positive impact on the business, helping to achieve better pricing and salesforce productivity, particularly following the roll-out of a new single Customer Relationship Management platform in our top 12 markets.

We have also continued to develop the resilience of our operations with strategic infrastructure investments in automation and capacity across our manufacturing network, ensuring that we are ready to respond to opportunities for growth.

2023 trading and dividend

Our reported revenue for the Group was \$2,142 million, up 3.4% against 2022 (3.2% higher on a constant currency basis). Operating profit was \$263 million on a reported basis (2022: \$207 million) and \$432 million on an adjusted basis (2022: \$404 million). Despite the ongoing inflationary headwinds during the year, we improved our adjusted operating profit margin to 20.2% (2022: 19.5%). Net debt rose slightly as a result of strategic investments in M&A and R&D to drive growth but leverage¹ at 31 December 2023 remained steady at 2.1x, in line with our guidance and prior year.

Given these results, Convatec's underlying financial strength and the Board's continuing confidence in the Group's future growth prospects and cash generation, the Board is pleased to recommend a final dividend of 4.460 cents per share to be paid on 23 May 2024 to shareholders on the register at the close of business on 26 April 2024. The final dividend will be subject Annual General Meeting on 16 May 2024 and, if approved, will bring the full year dividend to 6.229 cents per share (2022: 6.047 cents). The payout ratio of 46% of adjusted EPS remains modestly ahead of the target range of 35-45%, this progressive dividend recommendation is consistent with the approach over the last 3 years. Taking into consideration the recent trends in take up and the cost of operating, the Board has taken the decision to terminate the scrip dividend option.

Board changes

In September 2023, Convatec agreed with Novo Holdings A/S to end the

relationship agreement entered into when Novo Holdings acquired their stake in the Company. As a result, Sten Scheibye stepped down from the Board after five years of valuable service.

During the year, we have made further progress on Board and senior management diversity, exceeding both the gender targets set by the FTSE Women Leaders Review and the ethnic and cultural targets set by the Parker Review, including the diversity targets in the Listing Rules. While we continue to remain focused on recruiting on merit and ensuring that we appoint 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. Further information on this, including our targets for gender and ethnic diversity within senior management, can be found in the Responsible business review.

Following careful review, the Board continues to consider 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.

OUR INVESTMENT CASE

1	2	3	4	5	6
Chronic care is a large and growing market	We have leading positions	The business is now growing sustainably in 5-7% range	We expect to expand our operating profit margin over time	The business generates strong cash flow	This supports future revenue growth and serves stakeholders

[Read more overleaf](#)

Convatec Cares

Convatec Cares, our approach to Environmental, Social and Governance (ESG), sets out the commitments and activities that enable us to fulfil our forever caring promise and integrate ESG practices throughout the organisation. Convatec Cares is integrated within our FISBE strategy and supports our ability to consistently deliver 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
- Protecting the planet and supporting communities

There is detailed commentary against each of these pillars in the Responsible business review (pages 38 to 65), as well as further insight into the ESG framework, governance, metrics and targets and our refreshed ESG materiality analysis, 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 89 to 146 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 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.

Finally, the Board remains focused on execution of the Group's FISBE 2.0 strategy, maintaining a sharp focus on driving the simplification and productivity agenda. This includes oversight of the innovation pipeline and the global product launch programme. While the macroeconomic environment remains uncertain, with challenges to shipping lanes in the Middle East and the ongoing conflicts in the Middle East and Ukraine, I believe the Group is well placed to continue to strengthen its competitive position and successfully deliver sustainable and profitable growth into the medium term.

**Dr John McAdam CBE
Chair
5 March 2024**

INTRODUCING CONVATEC'S BOARD OF DIRECTORS



- | | |
|--|---|
| <p>1 Jonny Mason
Chief Financial Officer</p> <p>2 Heather Mason
Independent Non-Executive Director</p> <p>3 Sharon O'Keefe
Independent Non-Executive Director</p> <p>4 Dr. John McAdam CBE
Chairman</p> <p>5 Brian May
Independent Non-Executive Director</p> | <p>6 Karim Bitar
Chief Executive Officer</p> <p>7 Professor Constantin Coussios OBE
Independent Non-Executive Director</p> <p>8 Margaret Ewing
Senior Independent Non-Executive Director</p> <p>9 Kim Lody
Independent Non-Executive Director</p> |
|--|---|

[Read more about Board member skills and experience on pages 96 and 97.](#)

1. Net debt (excluding lease liabilities)/adjusted EBITDA.

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 size¹

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 65+

2020: 0.8bn | 2060: 1.6bn

Source: United Nations, World Population Prospects.

2. Chronic conditions are rising
Approximately one in three adults globally suffer from chronic conditions (e.g. diabetes, cancer).

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

3. People are now living longer
Average life expectancy in the world (years)

1950: 47 | 2022: 72

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 18 to 25 for detail.

2

We have leading positions

Refer to operational reviews on pages 18 to 25 for further detail.

Advanced Wound Care¹

#3 globally

Ostomy Care¹

#3 globally

Continence Care¹

#1 in the US

Infusion Care¹

#1 globally

3

Revenue is now growing sustainably in the 5-7% range

2. APMs see pages 34 to 37.

Organic revenue growth %

Year	Growth %
2023	7.2
2022	5.6
2021	5.3
2020	4.2
2019	2.3

Adjusted operating profit growth² %

Year	Growth %
2023	7.0
2022	11.6
2021	5.4
2020	0.9
2019	-14.3

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

- Acquiring higher-growth, higher-margin businesses
- Natural benefit given our faster-growth categories are higher margin
- Improving the margin within our categories

iii. Increasing operating leverage as revenue grows

5

The business generates strong cash flow

Adjusted EBITDA¹

\$527m

Free Cash Flow to Equity^{1,2}

\$228m

6

This supports future growth and serves stakeholders

Target leverage³ ~2x over time

- Invest organically in opex and capex
- Progressive dividend targeting payout ratio of 35-45% of net profit⁴
- Bolt-on M&A
- Any surplus capital returned to shareholders

This results in attractive financial outcomes

MEDIUM-TERM TARGETS

- Sustainable top-line growth**
- 5-7% organic revenue growth p.a.

OPPORTUNITY

- Expanding operating profit margin^{1,4}**
- Mid-20% operating profit margin by 2026 or 2027
- Potential M&A to enhance growth**
- Strengthen positions in technology, geography and capability

MEDIUM-TERM OUTCOME

- Sustainable and profitable growth**
- Double digit EPS⁴ and Free Cash Flow to Equity^{1,4} CAGR**

1. APMs see pages 34 to 37.
 2. Free cash flow to equity is a new non-IFRS financial measure introduced in the year. Refer to the Non-IFRS financial information section for how this is calculated. The Directors consider that this new measure provides improved definition, clarity and insight.
 3. Net debt (excluding lease liabilities) / adjusted EBITDA¹.
 4. Adjusted.

Chief Executive Officer's review



Strong strategic progress and positive outlook

Convatec's revenue growth accelerated and was broad-based across all our categories. We further expanded our operating margin and increased earnings per share and free cash flow to equity.

Given our innovative new product pipeline and strengthened competitive position, Convatec has pivoted to a higher level of organic sales growth and we remain on track to deliver our medium-term margin guidance.

Karim Bitar
Chief Executive Officer

Convatec continued to successfully execute its FISBE 2.0 strategy, strengthening its competitive position and delivering on our forever caring promise for patients and customers. The various strategic initiatives actioned during the period enhanced the quality of the business and improved our financial performance and prospects.

Attractive growth prospects

Convatec operates in four categories of the structurally-growing, attractive chronic care markets. These have a combined market size¹ of \$14 billion p.a. and market growth rates¹ of between 4-8% p.a. We are among the 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 which our customers rely on, resulting in attractive recurring revenue. 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 2.0 strategy we have been investing in our innovation pipeline, building mission-critical capabilities, expanding capacity and increasing our resilience.

A chronic care focused business delivering sustainable and profitable growth

We continued to execute our FISBE strategy, strengthening our competitive position and our ability to consistently deliver sustainable and profitable growth. After a period of catch-up investment, equity cash conversion² has now normalised and this strong cash generation will support continued organic and inorganic investment for growth, consistent with our capital allocation priorities.

Over the course of 2023, we remained focused on delivering for our customers. Our continued focus on innovation resulted in six new products launching and the R&D function was strengthened by an increased emphasis on clinical and regulatory. We enhanced both our innovation pipeline and service proposition using cash generated to acquire three businesses.

We further simplified our organisation, closed a small factory in the Netherlands and opened a new Global Business Services centre in Kuala Lumpur, which in combination with Lisbon and Bogota, will provide 24/7 support. Our Centres of Excellence continued to positively impact the business, with better pricing and greater salesforce productivity as the Customer Relationship Management platform roll-out was completed for our top 12 markets.

Further details on the progress made under each pillar can be found on pages 13 to 15.

OUR FISBE STRATEGY



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)

We achieved a strong financial performance

Group reported revenue of \$2,142 million rose 3.4% (2022: \$2,073 million), and 3.2% on a constant currency basis, lower than organic growth because of the strategic exit of the non-core hospital care activities and related industrial sales in 2022. Organic revenue growth was 7.2%, in line with our latest guidance.

Adjusted operating profit rose 7.0% (10.2% on a constant currency basis). Adjusted operating profit margin was 20.2% (2022: 19.5%) with mix/price, operational productivity and G&A spend reduction more than offsetting significant inflation, continued investment in R&D and commercial capabilities, as well as a 60 bps foreign exchange headwind. Over a two-year period Convatec has delivered 250bps of improvement in its adjusted operating profit margin.

In 2022, the Group incurred costs relating to the exit of the hospital care business. As a result, and also benefitting from a higher gross margin, the reported operating profit increased 26.7% over the previous year.

Adjusted diluted EPS increased by 6.1% primarily due to improvements in adjusted operating profit and a reduction in non-operating expenses more than offsetting an increase in finance costs from higher market interest rates.

Reported diluted EPS increased by 105.9% as the prior year was impacted by higher adjusting items mostly relating to the exit of hospital care and the Triad Life Sciences.

Capital expenditure during 2023 was \$129 million (2022: \$144 million) as we continued to invest for future growth, expanding our manufacturing lines and developing new digital technologies to deliver enhanced customer experiences.

4. Net debt excludes lease liabilities
5. Net debt / adjusted EBITDA

Free cash flow to equity increased to \$228 million (2022: \$105 million). Equity cash conversion (free cash flow to equity as a proportion of adjusted net profit) was 83% (2022: 41.0%) primarily driven by a significantly lower working capital outflow, the increase in EBITDA and lower capital expenditure.

Net debt increased by \$61m to \$1,129m, following three acquisitions and the payment of the first year earnout for Triad Life Sciences acquisition, together totaling \$179m. Our net debt to EBITDA ratio remained unchanged at 2.1x. We continue to target leverage of 2x over time but are comfortable temporarily going higher for appropriate M&A opportunities.

Executing on our FISBE strategy

The execution of our FISBE (Focus, Innovate, Simplify, Build, Execute) strategy is progressing well.

Focus

We continued to **focus on our top 12 markets**, achieving organic revenue growth of 8.4%, compared with 7.2% globally. The US was our largest market and grew strongly, supported by the contribution from InnovaMatrix®. China, whilst still a small part of the overall group, remained a key strategic market where we continued to strengthen our position, growing double-digit and winning market share in both Ostomy Care and Advanced Wound Care.

Having **laid the foundations for customer net promoter score (NPS)** insight gathering, through a series of pilots in 2023, during 2024 we will focus on embedding actionable NPS insight more broadly across the business.

Innovate

We continued to invest to strengthen our Technology & Innovation capabilities and advance our pipeline; we **increased adjusted R&D expenditure** by 12.9% to \$104 million (2022: \$92 million), equivalent to 4.8% of sales.

We started **launching ConvaFoam™ in the US**, which is strengthening our competitive position in the very large and growing foam segment. Feedback from evaluations has been encouraging, with healthcare professionals particularly positive about its exudate and adhesion properties.

In April, we **acquired a highly innovative anti-infective nitric oxide technology** platform with a unique natural antimicrobial mode of action, backed by compelling scientific and clinical data. We will be looking to secure the first regulatory approvals for the first wound care product in 2025.

We began launching our new compact catheter, **GentleCath Air™ for Women** with FeelClean™ Technology in France in Q4. This technology is designed for urethral protection and to reduce the risk of UTIs.

In Infusion Care we **continued to collaborate with a number of partners within and outside diabetes** and launched a number of products during the period:

- Infusion set with Beta Bionics new iLet bionic pancreas system
- Extended Wear Infusion Set in US with Medtronic 780G
- Infusion set for new Tandem Mobi pump, cleared by the FDA in July
- Infusion set for AbbVie Parkinson's therapy launch in Japan

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 18 to 25 for detail.
2. Equity cash conversion is a new non-IFRS financial measure introduced in the year and is calculated as Free cash to equity/Adjusted net profit. The Directors consider that this new measure provides improved definition, clarity and insight.
3. APM see pages 34 to 37.

Chief Executive Officer's review continued

Looking into 2024 we expect continued momentum with product launches. In Q1 we have begun to launch our new one-piece convex pouching system, Esteem Body™ with Leak Defense™ in Europe and the US. It is very early days but we are encouraged by the reaction from healthcare professionals so far.

We will also be leveraging our recent product launches by rolling them out in key geographies:

- InnovaMatrix® in certain GEM markets and, in the US, with new iterations
- Begin the roll-out of ConvaFoam™ in Europe
- GentleCath Air™ for Women in Europe and the US
- supporting AbbVie's Parkinson's drug launch in Europe and, later in the year, in the US

For 2025 and beyond we are also developing a richer pipeline with exciting new innovations, including:

- AWC: an enhanced hydrofibre, Nitric oxide wound dressing and ConvaVac™ (a single use negative pressure treatment)
- OC: Natura Body™
- CC: GentleCath Air™ for Men v2.0
- IC: Further customer pump technology innovations including a potential new Parkinson's therapy

Simplify

We continued to make progress simplifying the organisation.

Adjusted G&A reduced to 8.1% of sales (2022: 8.9%), declining 6.4% to \$173 million (2022: \$185 million) as we continued to transition activities to our Global Business Services centres; allowing us to improve, standardise and automate processes, build internal expertise and consolidate our corporate office facilities footprint.

We opened a new GBS facility in Kuala Lumpur to provide 24/7 business service support to the Group in conjunction with Lisbon and Bogota, started the migration of HR services and created a new IT Centre of Excellence.

As part of our **Plant Network Optimisation initiative**, we closed a small factory in Roosendaal, the Netherlands, and migrated machines to our larger and more efficient site in Michalovce, Slovakia, which already manufactures similar Ostomy products.

In 2024, we intend to continue to embed our Global Business Services network, driving further efficiencies in finance, IT and HR. Our Global Quality and Operations function will continue to introduce smart factory tools and automation to the manufacturing footprint to drive enhanced productivity.

OUR CEO AND BOARD MEMBERS ENGAGE WITH TEAMS



Build

Our Pricing Centre of Excellence (CoE), in collaboration with our business units, supported the **delivery of 100 bps of pricing improvement** on gross margin.

During the year we further **developed our clinical and regulatory functions** with a step up in clinical evidence generation and in scientific publications, and another year with more than 80 patent filings.

In 2024, we will continue to embed our CoEs within the business and drive commercial excellence. For example our Marketing CoE will drive our NPS customer loyalty measurement programme.

Execution

Our **Salesforce CoE has continued to roll out** the single CRM platform to all of our Top 12 markets. This is driving enhanced salesforce productivity by increasing call rates and improving targeting to priority (A,B,X) accounts.

Through improved commercial execution we are **winning share in the Global Emerging Markets** in both AWC and OC. Our sales in GEM continued to grow double digit, with revenue in China growing 30% notwithstanding the broader industry slow-down since the summer.

We have continued to focus on **execution excellence within our Global Quality and Operations function**, expanding capacity in IC, increasing automation on certain AWC product lines and further reducing complaints per million by c.12% during 2023.

We also made further **progress embedding our Convatec Cares responsible business strategy**, which underpins our commitment to embedding environmental, social and governance (ESG) practices.

In line with our goal to achieve net zero by 2045, we reduced Scope 1 and Scope 2 greenhouse gas emissions by 35% in 2023. We are pleased that our manufacturing sites now use 100% renewable electricity. In addition, our Scope 1, 2 and 3 (near term) targets were validated by Science-Based Targets Initiative (SBTi). We also received a 'B' from the Carbon Disclosure Project (CDP) in their 2023 ratings, recognising our progress.

Consistent with our commitment to diversity, equity and inclusion (DE&I) and wellbeing, we finished 2023 with 44% of the senior management team⁶ being women, exceeding our 40% target.

2024 guidance and upgraded medium term outlook

In 2024, we expect organic revenue growth of 5-7%. We are also raising our medium-term organic revenue growth to 5-7% p.a. (previously 4-6% p.a.), given growing confidence in both the new product pipeline and improved commercial execution. This reflects our expectations of high single-digit growth in AWC and IC and mid single-digit growth in OC and CC.

We remain focused on expanding our operating margin by growing revenue, improving our mix/price and delivering on our simplification and productivity agenda. In 2024 we expect further improvement in the adjusted operating margin to at least 21%, on a constant currency, based on the current geopolitical backdrop and an inflation expectation of 3-5%.

We expect adjusted net finance expense for 2024 to be \$75-85 million. The adjusted book tax rate is expected to be approximately 24% with the cash tax rate at approximately 18%. We expect capex of \$120-140 million reflecting the continued investments we are making across the Group.

In the medium term, we are on track to deliver a mid-20s% adjusted operating margin in 2026 or 2027. This requires on average 100bps or more of expansion per annum, compared to the delivery of 125bps expansion per year over the last 2 years in a high inflation environment.

6. Convatec Executive Leadership Team and their direct reports, excluding administrative support.

INTRODUCING CONVATEC'S EXECUTIVE LEADERSHIP TEAM



- | | |
|--|---|
| 1 Bruno Pinheiro
President & Chief Operating Officer,
Ostomy Care | 7 Evelyn Douglas
EVP, Chief of Corporate Strategy
& Business Development and General Counsel |
| 2 Kjersti Grimsrud
President & Chief Operating Officer,
Infusion Care | 8 David Shepherd
President & Chief Operating Officer, Advanced
Wound Care |
| 3 Seth Segel
President & Chief Operating Officer,
Continence Care & Home Services Group | 9 John Haller
EVP, Chief Quality & Operations Officer |
| 4 Karim Bitar
Chief Executive Officer | 10 Anne Belcher
President & Chief Operating Officer,
Global Emerging Markets |
| 5 Jonny Mason
Chief Financial Officer | 11 Divakar Ramakrishnan
EVP, Chief Technology Officer
and Head of Research & Development |
| 6 Moyra Withycombe
Interim Chief People Officer | |

Read more about CELT members' skills and experience on pages 98 and 99.

We have now pivoted to sustainable revenue growth, have started to deliver margin expansion and expect to achieve double digit compound growth in EPS and free cash flow to equity over the medium term.

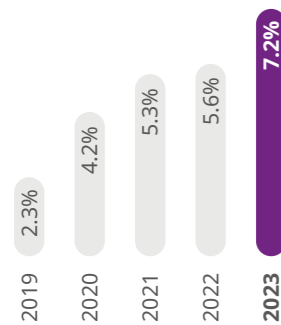
Karim Bitar
Chief Executive Officer
5 March 2024

Key performance indicators

We are continuously tracking our progress

FINANCIAL METRICS

Organic revenue growth (%)*



Metric

Period-over-period growth at constant currency, adjusted for acquisitions, divestments and discontinuations.

Relevance

Sustainable top-line growth is a key tenet of our strategic ambition and a key metric by which investors judge our strategic progress.

We have indicated in the medium-term we expect revenues to grow between 5-7% every year.

Remuneration linkage

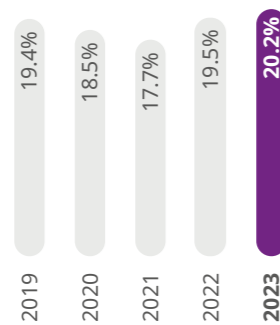
Organic growth metric is 25% of the annual bonus.

Organic growth metric is 25% of the 2023 LTIP plan.

2023 performance

During 2023 we delivered significant improvement in our organic growth to 7.2%. This was driven by strong high single-digit organic growth in our Advanced Wound Care and Infusion Care businesses, strong organic growth in Contingence Care and good mid single-digit organic growth in Ostomy Care.

Adjusted operating profit margin (%)



Metric

Adjusted operating profit as a % of Group revenue. (The definitions of adjusted measures are as calculated within the reconciliation tables on page 35.)

Relevance

Adjusted operating profit margin reflects how effective we are at running our business. It is the second key tenet of our strategic ambition and a key metric by which investors judge our strategic progress.

We have indicated that we believe a mid-20% adjusted operating margin is achievable in 2026 or 2027.

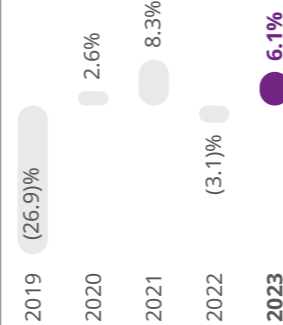
Remuneration linkage

Adjusted operating profit (\$m) metric is 45% of annual bonus.

2023 performance

Despite continued inflationary pressures, further R&D and commercial investments and a foreign exchange headwind of 60 bps, we expanded the adjusted operating profit margin by 70bps to 20.2%.

Adjusted diluted EPS growth (%)*



Metric

Period-over-period growth of adjusted diluted EPS. (The definitions of adjusted measures are as calculated within the reconciliation tables on page 36.)

Relevance

Growth in adjusted diluted EPS illustrates our ability to deliver sustainable and profitable growth overall, including the impact of any M&A undertaken to further strengthen the business. It is a key metric by which investors judge our strategic progress.

We have indicated, after 2023, we expect to grow our adjusted diluted EPS by a double digit compounded annual growth rate over the medium term.

Remuneration linkage

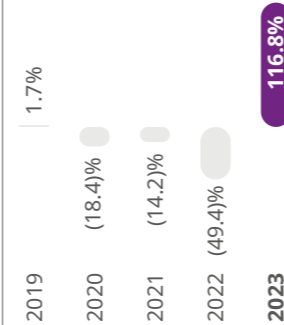
Adjusted PBT growth is 50% of 2023 LTIP.

2023 performance

Adjusted diluted EPS rose 6.1% during 2023.

Strong growth in the adjusted operating profit, of 7.0%, was partially offset by increased interest, owing to the rise in market interest rates, and an increase in tax expense.

Free cash flow to equity growth (%)*



Metric

Period-over-period growth of Free Cash Flow to Equity. (The definitions of adjusted measures are as calculated within the reconciliation tables on page 37.)

Relevance

Free cash flow to equity reflects how effectively we are converting the profit we generate into cash (after accounting for working capital, capital investments, adjusting items, tax and interest). This cash is then available to reinvest in the business (i.e. through M&A), distribute to shareholders or be used to pay down debt. It is a key metric by which investors judge our strategic progress.

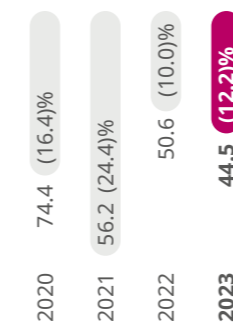
We have indicated that we expect to grow our Free cash flow to equity by a double digit compounded annual growth rate over the medium term.

Remuneration linkage

Previously adjusted free cash flow post tax related to 10% of annual bonus. Going forward free cash flow to equity will be the bonus metric.

2023 performance

Free cash flow to equity increased significantly year on year. The principal driver was a significant improvement in working capital. EBITDA grew and capital expenditure remained high as we continue to invest to strengthen the business, although this was lower than in 2022. An increase in interest paid was broadly offset by a reduction in cash tax paid.

NON-FINANCIAL METRICS¹Quality - Complaints per million²

Metric

Period-over-period reduction in the number of complaints received per million (CPM) products sold.

Relevance

CPM is a strong indication of our manufacturing quality. It is key to ensuring that we develop trusted medical solutions, consistent with our vision. It is a reflection of our core capabilities and our ability to execute effectively.

CPM features as a key ESG metric within the customer pillar of our Convatec Cares ESG framework (see page 39). We targeted to reduce CPM by 8% during 2023.

Remuneration linkage

Executive members of the Board plus certain members of the CELT and the Quality leadership team are incentivised to deliver improvement as part of their personal objectives.

2023 performance

Year-on-year reduction of 12.2% as the Quality CoE continues to have a positive impact, delivering for our customers, driven by implementation of continuous improvement across our manufacturing and quality operations.

The CPM numbers have been restated following the exit from hospital care and related industrial sales in 2022. See page 49 for further details on our approach to quality.

Product innovation - Vitality index³

Metric

The percentage of revenues that are generated from new or significantly upgraded products and services launched by Convatec in the preceding five-year period.

Relevance

Our vision is pioneering trusted medical solutions to improve the lives we touch. The vitality index is a measure of how effective our innovation efforts are at meeting patients' needs and delivering for customers.

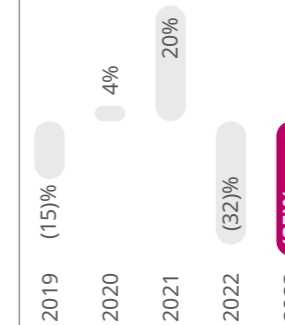
Vitality features as a key ESG metric within the customer pillar of our Convatec Cares ESG framework (see page 39). We are targeting a vitality index of 30% by Q4 2025.

Remuneration linkage

Executive members of the Board plus certain members of the Board and the R&D leadership team are incentivised to deliver improvement as part of their personal objectives.

2023 performance

We brought six new products to market, and continue to see good performance from products launched in the recent past.

Environmental progress - In Scope 1 and 2 greenhouse gas (GHG) emissions²

Metric

Period-over-period reduction in our combined Scope 1 and 2 GHG emissions.

Relevance

We understand the importance of the need for change in order to achieve our ambition of net zero carbon emissions by 2045.

Reduction in our Scope 1 and 2 features as an ESG metric within the communities pillar of our Convatec Cares ESG framework (see page 39). Our target is to reduce our Scope 1 and 2 emissions by 70% by 2030.

Remuneration linkage

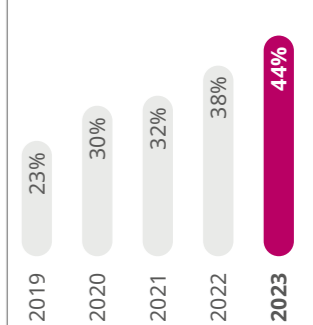
Executive members of the Board plus certain members of CELT and the Global Operations leadership team are incentivised to deliver improvement as part of their personal objectives.

2023 performance

During 2023, we further reduced our emissions through the purchase of renewable electricity, installation of on-site renewables and implementation of energy efficiency projects. In the year the Science-Based Target initiative (SBTI) also validated our near-term Scope 1, 2 and 3 carbon reduction targets.

We updated our reporting methodology in 2022 to align to GHG protocol and SBTi guidelines. See our basis of reporting and ESG definitions on page 65.

See pages 60 and 61 for more detail about carbon emissions across all categories.

Diversity, Equity & Inclusion (DE&I) - proportion of female representation at leadership level³

Metric

Proportion of females in combined CELT and senior management.

Relevance

We recognise that if we harness the power of our differences and encourage diverse thinking we can deliver more for our customers. Therefore building a diverse workforce with greater gender diversity across leadership is important.

It features as a key ESG metric within the colleagues pillar of our Convatec Cares ESG framework (see page 39). In 2022, we set a target achieve at least 40% females in senior management by Q4 2024, which we are committed to maintaining and advancing further.

Remuneration linkage

Executive members of the Board plus certain members of CELT and members of the HR leadership team are incentivised to deliver improvement as part of their personal objectives.

2023 performance

During 2023 we achieved attainment of our 40% target, a year ahead of plan. As such we have set a further target to achieve 50% by Q4 2027. Baseline population numbers are subject to year-on-year variation³.

* These KPIs are new for 2023.

1. As our ESG journey continues and our metrics and measurement mature it is possible we may modify our non-financial KPIs.

2. Percentage movements are calculated on actual unrounded numbers.

3. The percentage of women in CELT and senior management combined in 2023 is 44% (2022: 38%). Total population in 2023 is 79 (2022: 92).

Advanced Wound Care

Market dynamics

Advanced Wound Care is a growing market globally

Prevalence of hard-to-heal wounds is increasing



100m patients¹ p.a. globally

Wound healing rates need to improve



~50% unhealed despite therapy²

Wound-care related costs are increasing



Now 2-4% of healthcare budgets³

1. Based on Convatec estimates and external study: Human Wound and Its Burden: Updated 2020 Compendium of Estimates
 2. Based on Convatec estimates and external study: Cohort study evaluating the burden of wounds to the UK's National Health Service in 2017/2018
 3. Guest et al. Cohort study evaluating the Burden of wounds to the UK's NHS in 2017/2018. BMJ, 2020

Convatec has strong positions and attractive brands in fast-growing segments

	Wound biologics ⁵	Foam	Antimicrobials	Single-use NPWT	Other ⁵
Segment size ⁴	\$2.4bn	\$1.9bn	\$1.0bn	\$0.4bn	\$0.7bn
Segment growth ⁶	~6%	~6%	~6%	~13%	~5%
Convatec brands	InnovaMatrix ^{AC}	ConvaFoam TM	Aquacel [®] Ag+ Extra	Ayelle TM	ConvaMax TM SUPERABSORBER DUODERM [®]
Our segment position ⁷	#7	#5	#1	#3	#1

SOURCES:
 4. Segment size based on SmartTrak projections for FY2023; including all sub-segments, total Advanced Wound Care market size is c.\$7.5bn
 5. Wound Biologics includes: skin substitutes, collagen dressings and topical delivery drugs; Other segment includes: Alginates and fibre, superabsorbers, hydrocolloids;
 6. Segment market growth as projected by SmartTrak five-year CAGR '22-'27
 7. Segment positions based on SmartTrak YTD Q3 2023 reported revenues across companies



David Shepherd
 President & Chief Operating Officer, Advanced Wound Care

Performance

	Total sales	Organic growth
2023	695	9.5%
2022	621	6.8%
2021	592	9.2%
2020	547	-2.7%
2019	570	0.5%
2018	587	0.2%

2023 performance

Revenue of \$695 million increased 12.0% on a reported basis or 11.6% on a constant currency basis. On an organic basis revenue rose by 9.5%. This performance was enhanced by InnovaMatrix[®], which contributed to organic growth from April.

The business achieved strong sales growth in North America supported by the growing position in the wound biologics segment⁴, broad-based double-digit growth in GEM despite some market softness in China in H2 and good growth in Europe. Continued leadership in the antimicrobial segment enhanced the overall performance of the division.

We continued to make strategic progress in AWC during 2023, strengthening our position in the US with the launch of ConvaFoamTM. Reaction from healthcare professionals has been encouraging with a number of ongoing evaluations as well as conversions from competitor product to ConvaFoam. InnovaMatrix[®] continued to achieve strong momentum in the large and rapidly growing wound biologics segment⁴. Feedback from clinicians has been positive.

In 2024 we will focus on:

- Rolling-out recent launches to new markets:
 - Launching ConvaFoamTM in Europe
 - Launching new iterations of InnovaMatrix[®] in the US

- Continuing to develop the future 2025+ AWC pipeline with:
 - a new nitric oxide dressing, a new enhanced hydrofibre dressing and ConvaVacTM
- Improving commercial performance:
 - Further leverage Salesforce Effectiveness Centre of Excellence (CoE) in our focus markets
 - Further expand ATT salesforce and build synergies with existing AWC sales team

STRENGTHENING OUR FOAM PRESENCE WITH CONVAFOAM

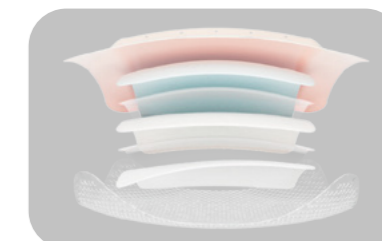
Convatec has been committed to pioneering Advanced Wound Care solutions for more than 40 years.

By actively listening to the needs of patients and HCPs, we have created ConvaFoamTM. ConvaFoamTM has been designed to make choosing of dressings simpler by providing best in class performance with easy to access information for healthcare professionals, caregivers and patients.

The ConvaFoamTM family of dressings includes our new enhanced silicone technology for improved adhesion and we have also improved the absorbency and fluid handling

resulting in up to 7-days wear time. ConvaFoamTM can be used for skin protection and on a spectrum of wound types making it the simple dressing choice. ConvaFoamTM dressings includes AQUACEL[®] Hydrofiber[®] Technology, so HCPs can trust that every ConvaFoamTM dressing helps to create an optimal wound healing environment.

Following the 2023 rollout in the US and Chile, we have received positive feedback on the performance and benefits that ConvaFoamTM brings to patients. As we move into 2024, we will launch in other key global markets so more patients will soon have access to ConvaFoamTM.



Ostomy Care

Market dynamics

Global trends driving growth

Aging population and increase in life expectancy



~2.8m patients¹

Rise in underlying conditions (obesity, cancer, etc)



~50% lifelong conditions

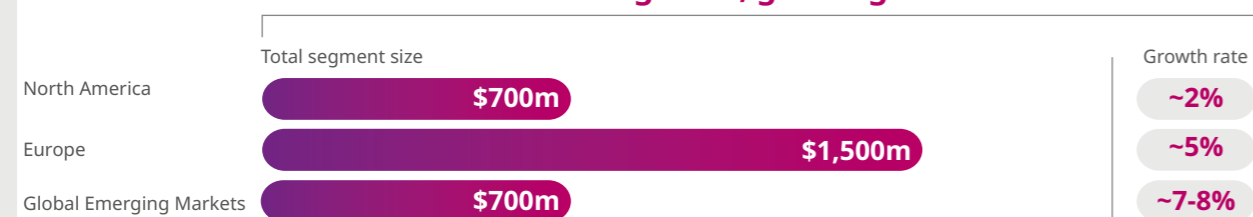
Improved access in emerging markets



Growing 2x faster than developed markets

Large and growing segment with attractive recurring revenues

~\$3bn segment, growing at ~4-5%



Supporting patients across the continuum of care is critical to achieving growth

Category position

#3 Global ostomy

#2 US

Products



Services



Source: Market dynamics, segment size, growth rates and positions based on internal analysis and publicly available sources

1. IIsop M, et al. Quality of life profiles and their association with clinical and demographic characteristics and physical activity in people with a stoma: a latent profile analysis. Qual Life Res. 2022;31(8):2435-2444. doi:10.1007/s11136-022-03102-5



Bruno Pinheiro
President & Chief Operating Officer, Ostomy Care

Performance

	Total sales	Organic growth
2023	608	4.2%
2022	583	1.7%
2021	615	2.0%
2020	590	4.5%
2019	569	1.0%
2018	582	-0.9%

2023 performance

Revenue of \$608 million was up 4.3% on a reported basis and increased 4.2% on constant currency and organic bases. The Ostomy Care category comprises Convatec ostomy products, our Flexi-Seal™ sales (fecal management system product) and non-Convatec ostomy products.

We are making positive progress with the turnaround in Ostomy Care, particularly with Convatec ostomy products, where revenue grew 6.3%. The business achieved double-digit growth in the Global Emerging Markets as it continued to win share. In North America 180 Medical grew ostomy sales well from a small base and New Patient Starts remained stable. There was a good performance in Europe although, as expected, further planned declines in non-Convatec product sales via Amcare™ UK partially offset

this positive performance. The launch of the ESENTA™ brand of accessories continued to progress well. As anticipated, Flexi-Seal™ finished close to flat for the full year, having declined in the first half when it was lapping tough comparatives.

Strategic progress continued in the ostomy business, as the team prepared for the launch of our new one-piece convex pouching system, Esteem Body™ with Leak Defense™ in the US and Europe. Leak Defense™ refers to the exclusive combination of Convatec's gold-standard adhesives (Durahesive® and Modified Stomahesive®) coupled with the comprehensive, soft convexity range, which together are designed to adapt to the body for a secure seal that can help prevent leaks and achieve the desired wear time.

In 2024 we will focus on:

- Continuing to progress our innovation pipeline:
 - Launching our new Esteem Body™ in the US and certain European markets
 - Developing a new Flexi-Seal™ Air product
 - Developing a 2-piece Body portfolio for the future
- Further improving commercial execution across the continuum of care:
 - Bringing all the products we sell in the fast-growth accessories market under the ESENTA™ brand
 - Improving new patient starts in the US, with continued collaboration with Home Service Group (HSG)
 - Enhancing engagement with patients, through Me+, and the interactions with healthcare professionals

'ESSENTIAL' SKINCARE FOR STOMA CARE

As part of our vision to improve the lives of the people we touch, we identified the opportunity to deliver more consumer-friendly looking accessories, with one consistent brand, in a discreet and premium looking packaging. The result was the continued success of our brand ESENTA™, with the release of our improved Sting-Free skincare products.

ESENTA™ was developed in collaboration with customers and HCPs, repositioning accessories as an essential part of the lives of our customers. Sting-Free products provide the performance our patients need and expect, with packaging designed to live in the home not the hospital,

allowing users to focus on themselves not their stoma.

A simplified set of SKUs under a single brand launched globally using our Healthy Bonds campaign enables us to participate in the attractive, fast-growing ostomy accessories market as awareness increases about skin protection as part of ostomy care.



Continence Care

Market dynamics

Core urinary intermittent catheter usage is largely in the home

Customers require manual intervention to void their bladders daily



3-6x per day

In-home usage, typically without any assistance



>95% at home

Enduring relationships via chronic conditions¹ and distinctive services

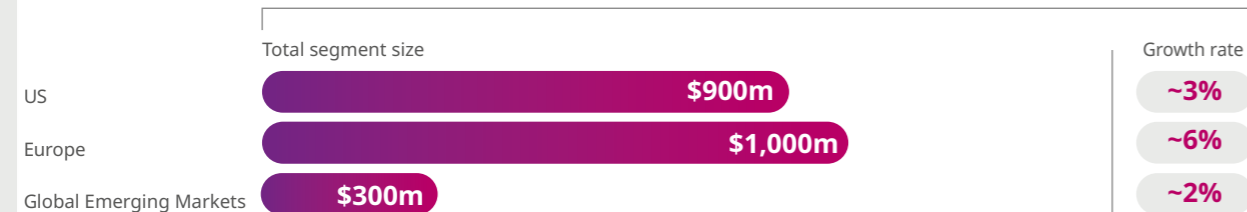


average 3-5 year relationship with end-user

1. BPH (benign prostatic hyperplasia (prostate enlargement)), SCI (spinal cord injury), MS (multiple sclerosis), Spina Bifida, urinary retention

Large and growing segment with attractive recurring revenues

~\$2.2bn segment, growing at ~4%



Delivering solutions for users - both service and product How one lives with their device is equally important to the device itself

Category position

US service share
#1: ~40%

US manufacturing share
#2: ~23%

Service

Forward integrated solutions for high retention



Products

Expansive and growing portfolio



Source: Market dynamics, segment size, growth rates and positions based on internal analysis and publicly available sources including Medicare/CMS and Millennium Research Group



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

Performance

	Total sales	Organic growth
2023	457	6.5%
2022	426	5.1%
2021	405	3.4%
2020	363	5.4%
2019	342	5.4%
2018	325	12.0%

2023 performance

Revenue of \$457 million rose 7.5% on a reported basis and 7.4% on a constant currency, with modest incremental contribution from the two acquisitions. On an organic basis revenue rose 6.5%.

A strong operating performance was supported by higher reimbursement pricing in the US during the year and increasing patient adoption of Convatec products (Cure Medical and GentleCath™). The quality and breadth of the Convatec product portfolio have resulted in it growing as a proportion of overall sales, which is beneficial to the gross margin. In the US home service market (direct to consumer) we continued to gain share by providing world-class customer service.

We further strengthened the Home Service Group by acquiring A Better Choice Medical Supply LLC (Michigan) and All American Medical Supply Corp (New York), two North American continence care service businesses.

We made further progress building international sales and management teams, which has resulted in incremental sales in GEM and Europe which, although modest, were supportive to overall growth. We launched our new and improved GentleCath Air™ for Women 2.0 in Q4 2023 in France which has been well received by healthcare professionals and customers.

In 2024 we will focus on:

- Rolling-out launches to new markets:
 - Launching GC Air for Women in additional European markets and the US
 - Introducing Cure products into European and GEM markets
- Further improving commercial execution globally:
 - Integrating recent HSG acquisitions in the US
 - Continuing to build out and strengthen commercial teams in Europe
 - Leveraging improved customer service performance at Amcare UK

GENTLECATH AIR™ FOR WOMEN: GENTLE PROTECTION AND CONFIDENT LIVING

The Continence Care forever caring promise to HCPs and intermittent catheter users is to champion higher standards of continence care for all. Our aim is to provide intermittent catheter users with products and services that allow them to live their lives confidently.

In Q4, we started launching GentleCath Air™ for Women, our new compact catheter that blends gentle, protective cathing with everyday discretion and ease of use.

GentleCath Air™ for Women uses our next-generation FeelClean Technology™. It uniquely integrates hydrophilic properties into the material of the catheter, avoiding the sticking and tugging associated

with some coated hydrophilic catheters¹ - while minimising mess and residue¹.

It is designed to minimise damage to the urethral mucosa, reduce discomfort, bleeding and protect the first line of defence against UTIs^{1,2}. GentleCath Air™ for Women delivers Gentle Protection and Confident Living.



1. Pollard D, Allen D, Irwin NJ, Moore JV, McClelland N, McCoy CP. Evaluation of an integrated amphiphilic surfactant as an alternative to traditional polyvinylpyrrolidone coatings for hydrophilic intermittent urinary catheters. Biotribology. Published online August 31, 2022:100223.
2. Data on file

Infusion Care

Market dynamics

Subcutaneous drug delivery is relevant to multiple therapeutic areas

Diabetes

~33 million

intensive insulin users¹

of which

~1.7 million (5%)

use pumps to manage daily insulin needs¹

Significant penetration opportunity as pumps displace users currently on multiple daily injections (~31m)

Other therapies

Pain management – 7.5m patients² and 8% market growth³
– Morphine and combinations-palliative care

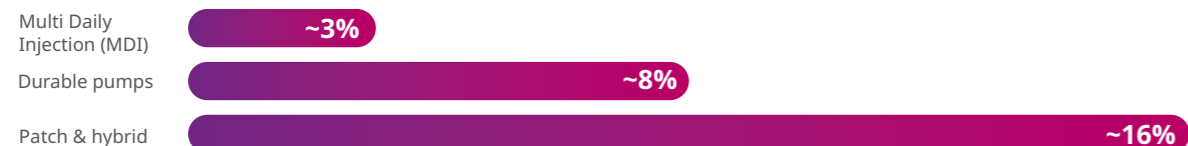
Immunoglobulin deficiency – 6m patients⁴ and 10% market growth⁵
– IgG antibodies for e.g. autoimmune and cancer

Parkinson's disease – 10m patients and 6% market growth⁶
– Abbvie or Mitsubishi Tanabe targeting advanced patients

1. Seagrove SIMM April 2023

Within insulin intensive diabetes, durable, patch and hybrid pumps will grow rapidly¹

2023-2038 CAGR of patients



Convatec's modular technology platform can be used across an expanding spectrum of pump solutions, in diabetes and other therapies

Existing partners in diabetes

Medtronic **BetaBionics** **Roche**
Tandem Diabetes Care **Ypsomed** **Sooil**

New partners outside of diabetes

Abbvie
Mitsubishi Tanabe Pharma

2. WHO 2020 – Palliative Care fact sheet

3. Center to Advance Palliative Care facts and stats

4. Bousfiha et al. Primary Immunodeficiency Diseases Worldwide: More Common than Generally Thought. J Clin Immunol. 2013; 33:1-7

5. MEGAN A. COOPER et al. Primary Immunodeficiencies Am Fam Physician. 2003;68(10):2001-2009

6. WHO 2022 fact sheet, estimate based on yearly new diagnoses in the US from US Parkinson's disease foundation



Kjersti Grimsrud
President & Chief Operating Officer, Infusion Care

Performance

	Total sales	Organic growth
2023	371	8.7%
2022	341	9.2%
2021	316	11.5%
2020	283	18.5%
2019	238	2.2%
2018	227	-5.0%

2023 performance

Revenue of \$371 million increased 8.7% on reported, constant currency and organic bases. This growth was primarily driven by sustained strong demand for our innovative infusion sets for people with diabetes. We supported our customers with multiple product launches during 2023: Medtronic's 780G insulin pump approval in the US, Beta Bionics iLet bionic pancreas system launch in the US and soft launch of Tandem's Mobi pump.

Our neria™ brand infusion sets, for non-insulin therapies, achieved strong double-digit growth, and included the launch of AbbVie's new Parkinson's drug therapy in Japan.

In 2024 we will focus on:

- Delivering for our diabetes customers given the continued strong demand for our infusion sets:
 - Scaling up MioAdvance Extended Wear Infusion Set following US launch of Medtronic's 780G
 - Supporting Tandem with the full launch of Mobi in the US
 - Supporting Beta Bionics following its iLet launch in the US
 - Supporting Ypsomed as they grow their durable pumps business
- Continuing to diversify patient base
 - Providing Neria sets for AbbVie Parkinson's launch in Europe and preparing for US launch, expected in 2024
 - Increasing penetration with European distributors of infusion sets for European palliative care and pain management
- Enhancing operations:
 - Increasing production capacity for future demand
 - Optimising existing production lines and further improving quality

EXPANDING OUR LEADERSHIP IN DIABETES

During 2023, Convatec expanded its leadership in the design and manufacturing of infusion sets for insulin pump treatment, supporting more partners with exciting new pump launches.

Convatec has been committed to pioneering diabetes solutions for more than 30 years. We remain focused on expanding our offer by partnering with companies, who share our ethos of providing innovative and simplified medical device solutions which improve the lives we touch.

We partnered with Medtronic to launch, in the US, the Extended Wear Infusion Set with their new 780G pump.

We are also sole supplier to BetaBionics, who in Q2 launched their iLet Bionic Pancreas – an innovative, first of its kind device which simplifies the user experience by only requiring the input of the user's weight, the continuous glucose monitoring (CGM) sleep target and overall CGM target.

In Q3, Tandem received FDA approval for Mobi, the world's smallest durable automated insulin delivery system. The pump's discrete size provides users with new options in wearability, the flexibility to disconnect, and full smartphone control. Specifically for Tandem Mobi, Convatec developed the AutoSoft XC™ with a new short 5" (12 cm) tubing – enabling users to wear the Mobi pump as an on-body system.



Financial review



“Convatec continued to build momentum in 2023. Organic revenue growth accelerated, adjusted operating profit margin expanded despite continued high cost inflation and cash flow performance improved. We have now pivoted to sustainable revenue growth and remain focused on delivering our FISBE 2.0 strategy, which will lead to double-digit compound annual growth in adjusted diluted earnings per share and free cash flow to equity.”

Jonny Mason
Chief Financial Officer

Revenue grew by 3.4% on a reported basis, 3.2% on a constant currency basis and 7.2% on an organic basis. Constant currency growth was lower than organic growth due to the exit from the low-margin, low-growth hospital care activities during 2022.

The adjusted operating profit margin was 20.2%, representing an increase of 70bps over the previous year. Adjusting for foreign exchange headwinds, the expansion was 130bps, with pricing and mix benefits more than offsetting inflation and continued investment in commercial and R&D capabilities. The adjusted operating profit margin has increased by 250bps over the past two years.

Adjusted diluted earnings per share increased by 6.1% year-on-year to 13.4 cents per share, primarily due to improvements in adjusted operating profit and a reduction in adjusted non-operating expenses more than offsetting an increase in finance expenses. Reported diluted EPS more than doubled to 6.3 cents per share (2022: 3.1 cents per share).

Net cash generated from operations improved by 27.6% to \$490.6 million (2022: \$384.5 million), with free cash flow to equity increasing by 116.8% to \$228.3 million (2022: \$105.3 million), driven by higher EBITDA and significantly better changes in working capital compared to the previous year. Equity cash conversion improved to 83.3% (2022: 41.0%).

We further enhanced the competitive position of the Group during the year, with the acquisition of an innovative anti-infective nitric oxide technology platform to strengthen our Advanced Wound Care portfolio, and two bolt-on acquisitions to strengthen our Home Services Group in the US.

In November 2023, the Group extended the term of its multicurrency revolving credit facility by one year and this is now committed to 2028. The Group's term loan and \$500.0 million senior unsecured notes remain committed until 2027 and 2029 respectively.

We remain confident of delivering sustainable future revenue growth and an adjusted operating margin in the mid-20s by 2026 or 2027, with double-digit compound annual growth in adjusted diluted EPS and free cash flow to equity.

Reported revenue growth
+3.4%

2023	\$2,142.4m
2022	\$2,072.5m

Organic revenue growth¹
+7.2%

2023	+7.2%
2022	+5.6%

Reported operating profit margin growth
+230bps

2023	12.3%
2022	10.0%

Adjusted operating profit margin growth¹
+70bps

2023	20.2%
2022	19.5%

Reported diluted earnings per share
+105.9%

2023	6.3c
2022	3.1c

Adjusted diluted earnings per share¹
+6.1%

2023	13.4c
2022	12.6c

Net cash generated from operations
+27.6%

2023	\$490.6m
2022	\$384.5m

Equity cash conversion^{1,2}
83.3%

2023	\$228.3m
2022	\$105.3m

Free cash flow to equity¹

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 148 to 196 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 34 to 37.

Revenue and the revenue growth on constant currency and organic bases are non-IFRS financial measures and should not be viewed as replacements of IFRS reported revenue. Constant currency and organic growth are defined in the Glossary to the Annual Report and Accounts. Percentage movements throughout this report are calculated on actual unrounded numbers.

1. These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measures prepared in accordance with IFRS on pages 34 to 37.

2. Equity cash conversion is calculated as free cash flow to equity divided by adjusted net profit.

Group financial performance

	Reported 2023 \$m	Reported 2022 \$m	Adjusted ¹ 2023 \$m	Adjusted ¹ 2022 \$m
Revenue	2,142.4	2,072.5	2,142.4	2,072.5
Gross profit	1,200.6	1,103.9	1,320.7	1,245.6
Operating profit	262.7	207.3	431.8	403.7
Profit before income taxes	167.4	81.9	357.2	337.6
Net profit	130.3	62.9	274.1	256.8
Basic earnings per share (cents per share)	6.4c	3.1c	13.4c	12.7c
Diluted earnings per share (cents per share)	6.3c	3.1c	13.4c	12.6c
Dividend per share (cents)	6.229c	6.047c		

1. These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measures prepared in accordance with IFRS on pages 34 to 37.

Revenue

Group reported revenue for the year ended 31 December 2023 of \$2,142.4 million (2022: \$2,072.5 million) increased 3.4% year-on-year on a reported basis and 3.2% on a constant currency basis.

Adjusting for foreign exchange and acquisition and divestiture-related activities², Group revenue grew by 7.2% on an organic basis. This was driven by strong growth in Advanced Wound Care, Infusion Care and Continence Care and good growth in Ostomy Care. For more details about category revenue performance, refer to the Operational reviews on pages 18 to 25.

Revenue by category

	2023 \$m	2022 \$m	Reported growth %	Foreign exchange impact %	Constant currency growth %	Organic growth %
Advanced Wound Care (AWC)	695.3	620.7	12.0%	0.4%	11.6%	9.5%
Ostomy Care (OC)	608.3	583.0	4.3%	0.1%	4.2%	4.2%
Continence Care (CC)	457.2	425.4	7.5%	0.1%	7.4%	6.5%
Infusion Care (IC)	370.9	341.1	8.7%	0.0%	8.7%	8.7%
Revenue excluding hospital care exit	2,131.7	1,970.2	8.2%	0.2%	8.0%	7.2%
Exit of hospital care and related industrial sales	10.7	102.3	(89.5)%	n/a	n/a	n/a
Total	2,142.4	2,072.5	3.4%	0.2%	3.2%	7.2%

AWC revenue of \$695.3 million increased 12.0% on a reported basis, 11.6% on a constant currency basis and 9.5% on an organic basis, with good growth in Europe and strong growth across the Global Emerging Markets and in North America, with the latter supported by the contribution from InnovaMatrix[®], which continued to grow rapidly in the large, fast-growth wound biologics segment³. InnovaMatrix[®] was part of the Triad Life Sciences acquisition in 2022 and contributed to organic growth from April 2023.

OC revenue of \$608.3 million increased 4.3% on a reported basis and 4.2% on constant currency and organic bases. This was driven by a 6.3% growth of sales of Convatec Ostomy products on a constant currency basis, principally across the Global Emerging Markets and key European markets and supported by its world-class Direct to Consumer service proposition through the Home Services Group in the US. As expected, growth was partially offset by the ongoing planned transition away from the lower-margin non-Convatec Ostomy products.

CC revenue of \$457.2 million increased 7.5% on a reported basis, 7.4% on a constant currency basis and 6.5% on an organic basis, driven by both higher reimbursement pricing and higher volumes of Convatec products (Cure Medical and GentleCath[™]) in the US. We continued to see strong performance on customer satisfaction, retention and pricing in the US.

IC revenue of \$370.9 million increased 8.7% on reported, constant currency and organic bases. This growth was primarily from sustained strong demand for our innovative infusion sets for people with diabetes. It was also supported by double-digit growth of our Neria[™] brand infusion sets and for non-insulin therapies such as subcutaneous infusion of immunoglobulins (linked to cancer and autoimmune diseases), pain management and Parkinson's medications.

See pages 18 to 25 for detail on the performance of each category.

2. Acquisitions were Starlight Science, A Better Choice Medical Supply and All American Medical Supply in 2023 and Triad Life Sciences in 2022. Divestitures related to the 2022 discontinuation of hospital care, related industrial sales and associated Russia operations (with the final discontinuances in early 2023).

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

Financial review continued

Reported net profit

Reported gross margin increased from 53.3% to 56.0%. This was largely driven by pricing and mix benefits being partly offset by inflationary pressures and foreign exchange headwinds. Prior year comparatives also included higher one-time divestiture and termination costs primarily as a result of the hospital care and related industrial sales exit in 2022.

Reported operating profit increased by 26.7% to \$262.7 million, driven by improvements in the reported gross margin being partially offset by an increase in reported operating expenses of \$41.3 million to \$937.9 million. Increases in selling and distribution expenses of \$36.6 million to \$612.5 million and R&D of \$18.0 million to \$110.0 million were partly offset by a reduction in other operating expenses of \$11.3 million (down from \$13.8 million).

Reported net finance costs increased by \$23.4 million to \$75.5 million, primarily due to an additional \$28.8 million of interest expense on borrowings due to higher market interest rates.

During the year, the fair value movement of the contingent consideration arising on acquisitions was \$24.6 million (2022: \$45.1 million).

Reported non-operating income/(expense) decreased by \$33.0 million to \$4.8 million income (2022: \$28.2 million expense) and principally consisted of foreign exchange gains of \$0.2 million (2022: \$14.2 million loss) and a gain of \$3.9 million on divestiture-related activities relating to the sale of the Unometer™ trademarks during the year. The prior year also included the recycling of \$12.2 million of cumulative translation losses following the closure activities associated with the hospital care exit and a \$2.0 million loss on divestitures.

The reported income tax expense for the year ended 31 December 2023 was \$37.1 million (2022: \$19.0 million) and this is explained further in the Taxation section below. The reported net profit was \$130.3 million (2022: \$62.9 million).

The basic reported earnings per share rose 105.6% to 6.4 cents (2022: 3.1 cents), reflecting the reported net profit divided by the basic weighted average number of ordinary shares of 2,038,653,228 (2022: 2,023,839,657).

Adjusted net profit

Adjusted gross profit increased by 6.0% to \$1,320.7 million (2022: \$1,245.6 million). The adjusted gross margin increased year-on-year from 60.1% to 61.6% due to a combination of price, mix and productivity benefits of 460bps being partially offset by inflation and foreign exchange headwinds of 250bps and 60bps respectively. The Group benefited from the impact of reduced volumes of low-margin and low-growth products following the hospital care exit in 2022 and the growing contribution from Advanced Tissue Technology (ATT).

Adjusted operating expenses saw a net increase of \$47.0 million to \$888.9 million, with increases in adjusted selling and distribution expenses and adjusted R&D partly offset by a reduction in adjusted general and administrative expenses.

Increases in adjusted selling and distribution expenses of \$47.0 million to \$611.9 million, primarily driven by higher headcount associated with growing the business, expansion in the acquired ATT business and higher labour inflation, were only partially offset by the exit of hospital care.

Increases in adjusted R&D of \$11.9 million to \$103.9 million reflected the continued investment in our future pipeline of new products and new R&D talent joining the business through the recent acquisitions over the past few years.

Adjusted G&A decreased by \$11.9 million to \$173.1 million, reflecting the Group's focus on simplification and productivity, notably as we continued to build internal expertise and reduce external third party spend whilst also seeing the benefits of transitioning more activities to our Global Business Services (GBS) centre in Lisbon. Adjusted G&A as a percentage of revenue fell to 8.1% (2022: 8.9%)

A reconciliation between reported and adjusted operating expenses is provided in the Non-IFRS financial information section on pages 34 to 37. The Group achieved an adjusted operating profit of \$431.8 million (2022: \$403.7 million), delivering an adjusted operating margin of 20.2% (2022: 19.5%) despite ongoing inflationary headwinds and continued investments for growth.

Adjusted net profit increased 6.7% to \$274.1 million (2022: \$256.8 million). The increases in adjusted operating expenses (as explained above), finance expenses (driven by higher market interest rates) and adjusted income tax expense (which is explained below) were more than offset by strong adjusted gross margin improvement and a reduction in adjusted non-operating expenses of \$14.9 million (driven by favourable foreign exchange impacts on intercompany transactions).

Adjusted basic and diluted EPS at 31 December 2023 were 13.4 cents and 13.4 cents respectively (2022: 12.7 cents and 12.6 cents).

Taxation

	Year ended 31 December			
	2023 \$m	Effective tax rate	2022 \$m	Effective tax rate
Reported income tax expense	(37.1)	22.2%	(19.0)	23.2%
Tax effect of adjustments	(38.5)		(41.7)	
Other discrete tax items	(7.5)		(20.1)	
Adjusted income tax expense	(83.1)	23.3%	(80.8)	23.9%

The Group's reported income tax expense was \$37.1 million (2022: \$19.0 million). The decrease in the reported effective tax rate was mainly driven by a one-off net tax benefit following the successful resolution of an uncertain tax position, which for the purpose of calculating the adjusted income tax expense, was treated as an adjusting item.

The adjusted effective tax rate of 23.3% for the year ended 31 December 2023 (2022: 23.9%) was after reflecting the tax impact of items treated as adjusting items (further details can be found in the Reconciliation of reported earnings to adjusted earnings table

in the Non-IFRS financial information section on page 35). The decrease in the adjusted effective tax rate was principally driven by the impact of profit mix between jurisdictions in which the Group had a taxable presence.

Adjusting items

Management and the Board will make adjustments to the reported figures, where appropriate, to produce more meaningful measures to monitor the underlying performance of the business – Alternative performance measures (APMs). The Group's APM policy can be found in the Non-IFRS financial information section on page 34 and in line with this, the following adjustments were made to derive adjusted operating profit and adjusted net profit.

	Operating profit \$m		Fair value movement of contingent consideration \$m		Non-operating income/(expense) \$m		Income tax \$m	
	2023	2022	2023	2022	2023	2022	2023	2022
Reported	262.7	207.3	(24.6)	(45.1)	4.8	(28.2)	(37.1)	(19.0)
Amortisation of acquired intangibles	136.2	131.3	-	-	-	-	(32.6)	(29.2)
Acquisitions and divestitures	10.1	56.6	24.6	45.1	(3.9)	14.2	(0.7)	(11.3)
Termination benefits and related costs	9.5	7.1	-	-	-	-	(2.0)	(1.2)
Impairment of assets	-	1.4	-	-	-	-	-	-
Other adjusting items	13.3	-	-	-	-	-	(3.2)	-
Other discrete tax items	-	-	-	-	-	-	(7.5)	(20.1)
Adjusted	431.8	403.7	-	-	0.9	(14.0)	(83.1)	(80.8)

Adjustments made to derive adjusted operating profit in 2023 included the amortisation of acquired intangibles of \$136.2 million (2022: \$131.3 million), of which \$93.2 million (2022: \$93.0 million) resulted from intangible assets arising from the spin-out from Bristol-Myers Squibb in 2008 and will be fully amortised by December 2026.

Acquisition and divestiture-related costs of \$10.1 million (2022: \$56.6 million) consisted of acquisition-related costs of \$8.3 million (2022: \$16.9 million) and divestiture-related costs of \$1.8 million (2022: \$39.7 million). Acquisition-related costs, which primarily consisted of deal-related fees, also included the inventory fair value release of \$1.5 million (2022: \$8.7 million) in respect of the Triad acquisition in 2022. Divestiture-related costs of \$1.8 million were incurred as a result of the exit from the hospital care and related industrial sales activities.

Termination costs of \$9.5 million were in respect of one-off, fundamental transformation projects and primarily due to the migration of HR services to our Global Business Services, the closure of the EuroTec factory in the Netherlands and a restructuring of activities in Switzerland. The latter two projects, in addition to the office footprint optimisation programme previously announced, contributed to other adjusting items of \$13.3 million. These costs largely consisted of legal and professional fees, the impairment of right-of-use assets and property, plant and equipment and charges related to certain office closures.

During the year, the fair value movement of the contingent consideration arising on acquisitions was \$24.6 million (2022: \$45.1 million).

Net adjustments of \$3.9 million made to non-operating income in 2023 wholly related to a gain made from the sale of the UnoMeter™ trademarks, previously part of hospital care. This is disclosed within Note 5 – Non-operating income/(expense), net to the Consolidated Financial Statements.

Of the total \$169.1 million of adjusting items recognised within operating profit in the Consolidated Income Statement in the year (excluding tax impact), \$16.1 million was cash-impacting in 2023 (2022: \$11.1 million). There was also a cash outflow of \$7.5 million during the year in respect of adjusting items recorded as accruals in the prior year. For further information on Non-IFRS financial information, see pages 34 to 37.

In the year to 31 December 2023, other discrete tax items related to the tax benefit of \$15.1 million resulting from a provision release following the successful resolution of an uncertain tax position, partially offset by tax expenses of \$7.6 million in respect of a restructuring of activities Switzerland. In the year to 31 December 2022, other discrete tax items related to the tax benefit of \$20.1 million resulting from the recognition of deferred tax assets following the acquisition of Triad Life Sciences. For further details on deferred taxation see Note 6 – Income taxes to the Consolidated Financial Statements.

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

Acquisitions

During the year, the Group completed three acquisitions. The acquisition of Starlight Science Limited in April 2023 included the highly innovative anti-infective nitric oxide technology platform, which complements the Group's Advanced Wound Care portfolio and has potential applications across the Group's other categories. In addition to the initial consideration of \$56.7 million (£45.3 million), the sellers may earn contingent consideration up to a maximum of \$163.9 million (£131.0 million), in the form of (i) a milestone payment of \$58.8 million (£47.0 million) due upon regulatory clearances in the US and Europe; and (ii) earnout payments based on sales of products over the lifetime of the acquired patents, with the maximum earnout payable capped at \$105.1 million (£84.0 million). The provisional discounted fair value of the contingent consideration recognised at the date of acquisition was \$66.7 million.

We also completed two small bolt-on acquisitions in 2023 (A Better Choice Medical Supply LLC and All American Medical Supply Corp) for a combined net cash outflow of \$27.7 million to further strengthen our US Home Services Group. There was no contingent consideration associated with these two acquisitions.

Financial review continued

During the year, \$94.7 million was paid in respect of contingent consideration associated with the Triad Life Sciences acquisition, in addition to the \$50.0 million paid in 2022 following achievement of two short-term milestones. As at 31 December 2023, the discounted fair value of the contingent consideration payable in respect of the Group's acquisitions was \$138.0 million (2022: \$140.0 million). Refer to Note 26 – Acquisitions to the Consolidated Financial Statements for further details.

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, this has been identified as a key source of estimation uncertainty. Refer to Note 1.4 – Critical accounting judgements and key sources of estimation uncertainty to the Consolidated Financial Statements for further details.

Dividends

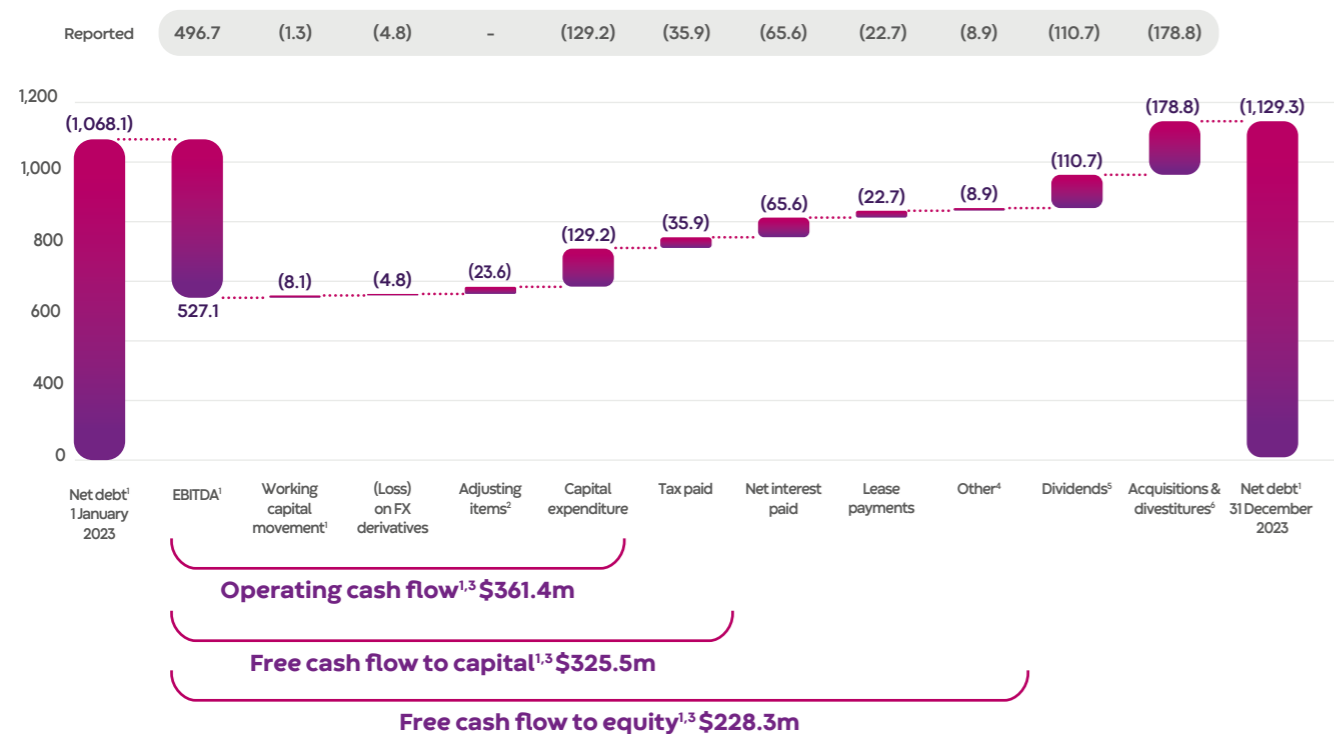
Dividends are distributed based on the distributable reserves of the Company, which are primarily derived from the dividends received from subsidiary companies and are not based directly on the Group's consolidated retained earnings. The distributable reserves of the Company at 31 December 2023 were \$1,539.4 million (2022: \$1,562.9 million).

The Board declared an interim dividend of 1.769 cents per share in August 2023 and has recommended a final 2023 dividend of 4.460 cents per share, which would bring the full year dividend to 6.229 cents per share (2022: 6.047 cents per share), an increase of 3% and a pay-out ratio when compared to adjusted net profit of 46%. 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. The Board has also taken the decision to terminate the scrip dividend option.

Further information about the Group's dividend policy and dividends paid can be found on page 143 and information on capital maintenance and the available distributable reserves position can be found on page 181.

Cash Flow and Net Debt

Net debt bridge \$m



- These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS in the Non-IFRS financial information section on pages 34 to 37.
- Details of adjusting items are provided in the adjusting items cash movement table in the Non-IFRS financial information section. Of the total cash outflow of \$23.6 million during the year, \$7.5 million related to accruals recorded in the prior year.
- Compared to 2022, certain cash flow measures have been simplified in respect of their title. 'Net cash for cash conversion' has been renamed 'Operating cash flow' and 'Free cash flow (post-tax)' has been renamed 'Free cash flow to capital'. In addition, a new measure has been introduced, 'Free cash flow to equity' (as defined in the 'Reconciliation of operating free cash flow, free cash to capital and free cash to equity' table on page 37). The Directors consider that these changes result in consistency of cash flow measures and provide improved definition, clarity and insight.
- Other consisted of financing fees amortisation \$2.8 million (2022: \$6.6 million) and net FX loss on cash and borrowings of \$6.7 million (2022: \$4.9 million) offset by proceeds from PPE sales of \$0.6 million (2022: nil).
- Dividend cash payments of \$110.7 million were made to shareholders during the year. This represented 87.3% of total dividends declared in the period, with the remaining 12.7% electing to settle via scrip dividends. The Board took the decision to terminate the scrip dividend option during the year.
- Net acquisition and divestiture payments of \$178.8 million consisted of the initial consideration payment of \$56.7 million in respect of the Starlight acquisition, \$27.7 million in respect of the acquisitions of A Better Choice Medical Supply LLC and All American Medical Supply Corp and \$94.7 million in respect of the Year 1 earn out associated with the Triad Life Sciences acquisition. These were offset by \$0.3 million of income arising from divestiture-related activities.

EBITDA

Adjusted EBITDA increased by \$27.1 million to \$527.1 million (2022: \$500.0 million), with the increase in adjusted gross profit of \$75.1 million more than offsetting the increase in adjusted operating expenses of \$47.0 million. These are explained in the adjusted net profit commentary section. A reconciliation of adjusted EBITDA to the closest IFRS measure is provided in the Non-IFRS financial information section on pages 34 to 37.

Free cash flow to capital

Free cash flow to capital increased by \$138.1 million to \$325.5 million (2022: \$187.4 million), largely driven by a significantly lower working capital outflow (resulting in a movement year-on-year of \$90.5 million), the increase in adjusted EBITDA of \$27.1 million as explained above, a reduction in capital expenditure spend of \$15.0 million and a reduction in cash tax paid of \$17.0 million. These were partly offset by an increase in adjusting cash outflow items of \$8.4 million, of which details are provided in the Non-IFRS financial information section on page 37.

The Group invested \$129.2 million in capital expenditure (2022: \$144.2 million) to increase manufacturing capacity and automation and improve information technology and digital tools.

The adjusted working capital outflow of \$8.1 million (2022: \$98.6 million outflow) improved significantly year-on-year, with increased inventory levels of \$53.9 million on an adjusted basis largely offset by a \$30.2 million decrease in trade and other receivables, a \$10.5 million increase in trade and other payables and a \$7.8 million reduction in restricted cash.

Increased inventory levels reflected strategic decisions to continue to build supply chain resilience across the Group, which was achieved in the first half of the year. There was a modest decline in inventory in the second half of the year.

The decrease in trade and other receivables reflected improving cash collections, coupled with a receivables financing arrangement entered by the Group during the year to normalise receivable terms for certain major customers, equating to \$27.4 million, and favourable movements in the mark-to-market valuation of derivative financial assets. Further details on the receivables financing arrangement can be found in Note 12 – Trade and Other receivables to the Consolidated Financial Statements.

The increase in trade and other payables of \$10.5 million reflected standardisation of supplier payment terms implemented in the year as part of our simplification and productivity initiatives, coupled with some favourable timing impacts which will partly reverse in 2024. The increase was partially offset by a decrease in derivative financial liabilities as a result of the mark-to-market valuation at the year end.

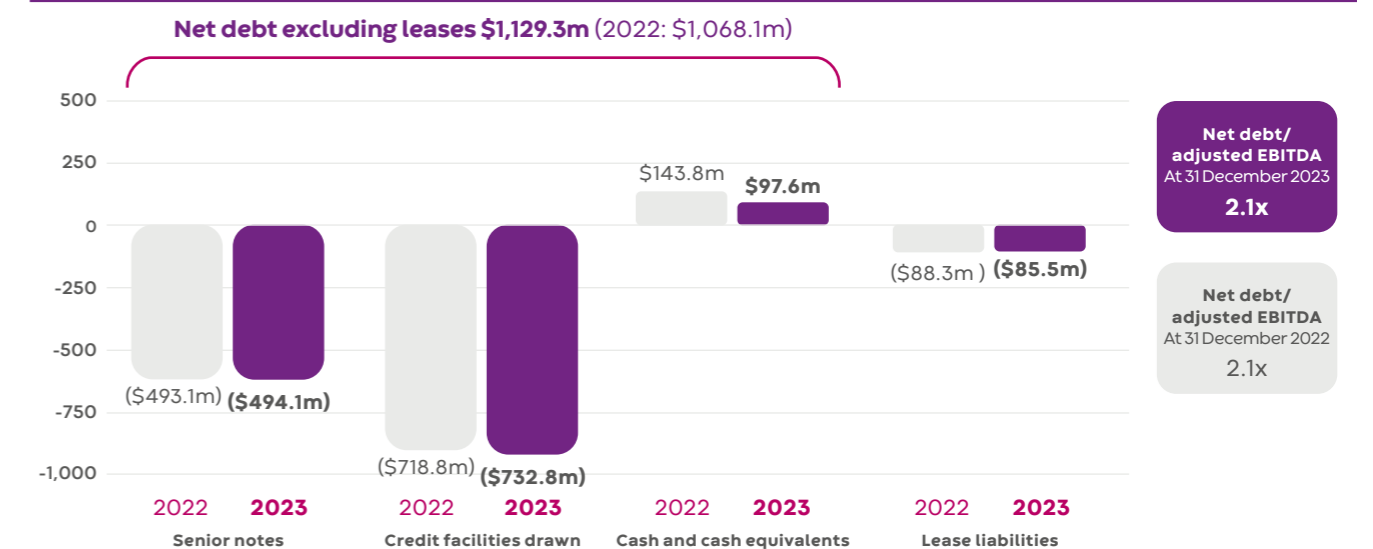
Operating cash conversion¹ was 83.7% (2022: 59.5%). The increase in the ratio primarily reflected the significantly lower working capital outflow as commented on above. Further details are provided in the Non-IFRS financial information section.

Free cash flow to equity

Free cash flow to equity increased by \$123.0 million to \$228.3 million (2022: \$105.3 million). This was driven by an increase in free cash flow to capital of \$138.1 million as explained above and a decrease in the amortisation of financing fees of \$3.8 million. These favourable movements were partly offset by higher finance expense payments of \$15.7 million due to higher market interest rates.

Equity cash conversion² was 83.3% (2022: 41.0%).

Borrowings and net debt



- The previous ratio called 'Adjusted cash conversion', calculated as Operating cash flow/Adjusted EBITDA, has been replaced by 'Operating cash conversion' and is now calculated as Operating cash flow/Adjusted operating profit. The Directors consider that this change results in consistency of cash flow measures and provides improved definition, clarity and insight.
- A new measure has been introduced. 'Equity cash conversion' is calculated as Free cash flow to equity/Adjusted net profit. The Directors consider that this change results in consistency of cash flow measures and provides improved definition, clarity and insight.

Financial review continued

As at 31 December 2023, the Group's cash and cash equivalents were \$97.6 million (31 December 2022 \$143.8 million) and the debt outstanding on borrowings (net of deferred financing fees) was \$1,226.9 million (31 December 2022: \$1,211.9 million).

The Group's banking facilities comprise of a multicurrency revolving credit facility of \$950.0 million and a term loan of \$250.0 million. In November 2023, the Group extended the term of its multicurrency revolving credit facility by an additional year and this is now committed to November 2028. The term loan remains committed to 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 2023, \$459.4 million of the multicurrency revolving credit facility remained undrawn. This, combined with cash of \$97.6 million, provided the Group with total liquidity of \$557.0 million at 31 December 2023 (31 December 2022: \$616.6 million). Of this, \$21.1 million was held in territories where there are restrictions related to repatriation (31 December 2022: \$19.2 million).

The Group ended the period with total borrowings, including IFRS 16 lease liabilities, of \$1,312.4 million (2022: \$1,300.2 million). Offsetting cash of \$97.6 million (2022: \$143.8 million) and excluding lease liabilities, net debt was \$1,129.3 million (2022: \$1,068.1 million), equivalent to 2.1x adjusted EBITDA (2022: 2.1x adjusted EBITDA).

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

Covenants

At 31 December 2023, 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 2023 and 2022.

	Maximum covenant net leverage	Actual covenant net leverage	Minimum covenant interest cover ¹	Actual covenant interest cover ¹
31 December 2023	3.50x	2.30x	3.5x	7.0x
31 December 2022	3.50x	2.28x	3.5x	9.9x

1. Interest cover is adjusted EBITDA/interest expense (net) and net leverage is net debt/adjusted EBITDA in accordance with the definitions contained in underlying borrowing documentation and are not the same as the definitions of these measures presented in the Non-IFRS financial information section on pages 34 to 37 and applied in the commentary in this Financial review.

Group financial position

At 31 December	2023 \$m	2022 \$m	Change \$m
Intangible assets and goodwill	2,234.1	2,149.5	84.6
Other non-current assets	609.6	553.2	56.4
Cash and cash equivalents	97.6	143.8	(46.2)
Other current assets	772.4	745.5	26.9
Total assets	3,713.7	3,592.0	121.7
Current liabilities	(536.4)	(533.1)	(3.3)
Non-current liabilities	(1,484.6)	(1,449.2)	(35.4)
Equity	(1,692.7)	(1,609.7)	(83.0)
Total equity and liabilities	(3,713.7)	(3,592.0)	(121.7)

Intangible assets and goodwill

Intangible assets and goodwill increased by \$84.6 million to \$2,234.1 million (2022: \$2,149.5 million). This increase was primarily driven by intangible assets and goodwill arising from the acquisitions during the year of \$162.7 million, combined with intangible asset additions of \$37.6 million and the net effect of foreign exchange of \$38.9 million, being partially offset by the in-year amortisation of intangible assets of \$154.6 million.

No triggers of impairments were identified during 2023. Further detail is provided 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 (ROU assets), investment in financial assets, deferred tax assets, restricted cash and other assets increased by \$56.4 million to \$609.6 million (2022: \$553.2 million). The increase reflected the continued investment in our manufacturing facilities, with additions in PP&E of \$97.3 million and the net effect of foreign exchange of \$16.5 million being partly offset by depreciation of \$37.5 million and impairments of \$2.7 million.

Included within other non-current assets was the investment made in the preference shares of BlueWind Medical in 2022. The fair value at 31 December 2023 decreased to \$22.9 million (2022: \$30.7 million) due to a downgrade in revised forecasts as a result of delays in obtaining regulatory approvals, with the movement taken to Other Comprehensive Income. Restricted cash reduced by \$2.0 million primarily due to movements in amounts held in escrow arising from the Group's acquisitions, whilst ROU assets reduced by \$4.7 million.

Current assets excluding cash and cash equivalents

Current assets, excluding cash and cash equivalents, increased by \$26.9 million to \$772.4 million (2022: \$745.5 million), primarily driven by an increase in inventories of \$59.2 million. Excluding a foreign exchange effect of \$9.8 million, inventory increased on a reported basis by \$49.4 million and was largely to build resilience across the Group. This was partly offset by reductions in trade and other receivables of \$5.6 million (net of foreign exchange effect of \$9.8 million), current tax receivable of \$8.2 million, derivative financial assets of \$12.8 million and restricted cash of \$5.7 million.

Derivative financial assets decreased by \$12.8 million due to movements in the mark-to-market valuations at the year end, whilst restricted cash fell by \$5.7 million, driven by movements in cash held in escrow that arose from the Group's acquisitions.

Current liabilities

Current liabilities increased modestly by \$3.3 million to \$536.4 million (2022: \$533.1 million), with an increase in trade and other payables of \$42.1 million largely offset by decreases in derivative financial liabilities of \$15.8 million, provisions of \$16.5 million and current tax payable of \$6.9 million.

Trade and other payables increased due to an extension to supplier payment terms following standardisation as part of our simplification and productivity initiatives, coupled with some favourable timing impacts which will partly reverse in 2024. Derivative financial liabilities decreased due to movements in the mark-to-market valuations at the year end.

Overall, provisions increased by \$1.7 million, with amounts less than one year decreasing by \$16.5 million and amounts greater than one year increasing by \$18.2 million. The overall increase was primarily due to an increase in restructuring provisions of \$3.7 million offset by a reduction in contingent consideration payable of \$2.0 million. Refer to Note 14 – Provisions to the Consolidated Financial Statements for further commentary.

Non-current liabilities

Non-current liabilities increased by \$35.4 million to \$1,484.6 million (2022: \$1,449.2 million). This included an increase in non-current borrowings of \$15.0 million, an increase in provisions of \$18.2 million (see comments in current liabilities above) and an increase in deferred tax liabilities of \$5.0 million primarily due to deferred tax recognised on the acquisition of Starlight Science Limited in the year.

These were partially offset by a reduction in lease liabilities of \$3.2 million, as a result of the office footprint optimisation programme that commenced in 2023 as part of our simplification and productivity initiatives.

Going concern

In preparing their assessment of going concern, the Directors considered available cash resources, access to committed undrawn 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 corporate level mitigations, 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 corporate 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 corporate mitigations available to the Board and management. For further information on the Viability statement see pages 86 and 87 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 closely monitors the financial and IT general control environment (in respect of those IT controls that have an implication on the financial processes) using a formal control programme to confirm the effectiveness of key reporting and IT controls across our global operations, including self-certifications from control owners. Compliance was high throughout the year.

The Internal Controls team acts as the second of line of defence monitoring the controls framework, including monitoring responses, undertaking random sample testing of responses to supporting evidence and reviewing all notified financial and IT control failures to safeguard against risk of material financial misstatement.

Independent assurance on the control framework is given by the Internal Audit team, including key controls in their reviews of specific markets and GBS. In addition, key controls in the framework were tested by the external audit team as part of their controls reliance approach in 2023.

In response to the developments in corporate governance in the UK, the scope of the formal control programme was extended to include key non-financial metrics reported in the ARA, notably the ESG metrics currently in scope for limited assurance.

Jonny Mason
Chief Financial Officer
5 March 2024

Non-IFRS financial information

Non-IFRS financial information or alternative performance measures (APMs) are those measures used by the Board and 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 of performance measures for remuneration, e.g. adjusted operating profit.

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, particularly in respect of the amortisation of acquisition-related intangibles assets. 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.

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.

Amortisation of acquisition-related intangible assets

The Group's strategy is to grow both organically and through acquisition, with 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 are deemed adjusting items.

Acquisition-related costs relate to deal costs, integration costs and earn-out adjustments, including the 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 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 divestitures 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 material, one-time 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.

Other adjusting items

Other adjusting items relate to material, one-time initiatives which are part of the Group's strategy to improve productivity in the business and optimise cash flows. The Board considers each project individually to determine whether its size and nature warrants separate disclosure. Qualifying costs are limited to directly attributable costs of the initiatives and any realignment costs. Due to the nature of the initiatives, these adjusted costs may span more than one year.

Organic revenue growth

Organic revenue growth represents the change in organic revenue year on year. Organic revenue represents reported revenue, as determined under IFRS, and excludes the impact of acquisitions, divestitures and currency exchange movements. KPI

Cash flow measures

Operating cash flow is the net cash generated from operations, as determined under IFRS, less capital expenditure. Free cash flow to capital is defined as operating cash flow less tax paid.

Free cash flow to equity reflects how effectively we are converting the profit we generate into cash (after accounting for working capital, capital investments, adjusting items, tax and interest). Refer to page 37 for details on how these measures are calculated.

KEY

KPI Please see page 16

Reconciliation of reported earnings to adjusted earnings for the years ended 31 December 2023 and 2022

Year ended 31 December 2023	Revenue \$m	Gross profit \$m	Operating costs \$m	Operating profit \$m	Finance expense, net \$m	Fair value movement of contingent consideration \$m	Non-operating income, net \$m	PBT \$m	Income tax \$m	Net profit \$m
As reported	2,142.4	1,200.6	(937.9)	262.7	(75.5)	(24.6)	4.8	167.4	(37.1)	130.3
Amortisation of acquired intangibles	-	110.4	25.8	136.2	-	-	-	136.2	(32.6)	103.6
Acquisition-related costs	-	1.5	6.8	8.3	-	24.6	-	32.9	(1.4)	31.5
Divestiture-related costs/(income)	-	3.6	(1.8)	1.8	-	-	(3.9)	(2.1)	0.7	(1.4)
Termination benefits and related costs	-	2.1	7.4	9.5	-	-	-	9.5	(2.0)	7.5
Other adjusting items	-	2.5	10.8	13.3	-	-	-	13.3	(3.2)	10.1
Total adjustments including tax effect	-	120.1	49.0	169.1	-	24.6	(3.9)	189.8	(38.5)	151.3
Other discrete tax items	-	-	-	-	-	-	-	-	(7.5)	(7.5)
Adjusted	2,142.4	1,320.7	(888.9)	431.8	(75.5)	-	0.9	357.2	(83.1)	274.1
Amortisation				18.4						
Depreciation				60.2						
Impairment/write-off of assets				2.1						
Share-based payments				14.6						
Adjusted EBITDA				527.1						

Year ended 31 December 2022	Revenue \$m	Gross profit \$m	Operating costs \$m	Operating profit \$m	Finance expense, net \$m	Fair value movement of contingent consideration \$m	Non-operating expense, net \$m	PBT \$m	Income tax \$m	Net profit \$m
As reported¹	2,072.5	1,103.9	(896.6)	207.3	(52.1)	(45.1)	(28.2)	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 ¹	-	8.7	8.2	16.9	-	45.1	-	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	-	45.1	14.2	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
Amortisation				16.1						
Depreciation				61.8						
Impairment/write-off of assets				1.7						
Share-based payments				16.7						
Adjusted EBITDA				500.0						

1. The comparatives have been re-presented as outlined in Note 1.6 to the Consolidated Financial Statements.

Adjusted operating profit margin of 20.2% (2022: 19.5%) is calculated as adjusted operating profit of \$431.8 million (2022: \$403.7 million) divided by revenue of \$2,142.4 million (2022: \$2,072.5 million). A reconciliation of adjusted operating profit to its closest IFRS measure is shown in the tables above. KPI

Non-IFRS financial information continued

Reconciliation of reported operating costs to adjusted operating costs for the years ended 31 December 2023 and 31 December 2022

	2023					2022				
	S&D \$m	G&A \$m	R&D \$m	Other \$m	Operating costs \$m	S&D \$m	G&A \$m	R&D \$m	Other \$m	Operating costs \$m
As reported	(612.5)	(212.9)	(110.0)	(2.5)	(937.9)	(575.9)	(214.9)	(92.0)	(13.8)	(896.6)
Amortisation of acquired intangibles	-	19.8	6.0	-	25.8	-	19.7	-	-	19.7
Acquisition-related costs	-	6.8	-	-	6.8	-	8.2	-	-	8.2
Divestiture-related costs/(income)	(1.0)	(0.4)	-	(0.4)	(1.8)	9.0	1.7	-	12.4	23.1
Impairment of assets	-	-	-	-	-	-	-	-	1.4	1.4
Termination benefits and related costs	1.6	5.7	0.1	-	7.4	2.0	0.3	-	-	2.3
Other adjusting items	-	7.9	-	2.9	10.8	-	-	-	-	-
Adjusted	(611.9)	(173.1)	(103.9)	-	(888.9)	(564.9)	(185.0)	(92.0)	-	(841.9)

Reconciliation of reported basic and diluted earnings per share to adjusted basic and diluted earnings per share for the years ended 31 December 2023 and 31 December 2022

	2023 \$m	Adjusted 2023 \$m	2022 \$m	Adjusted 2022 \$m
Net profit attributable to the shareholders of the Group	130.3	274.1	62.9	256.8
		Number		Number
Basic weighted average ordinary shares in issue ¹		2,038,653,228		2,023,839,657
Diluted weighted average ordinary shares in issue ¹		2,052,589,260		2,040,247,468
	Cents per share	Cents per share	Cents per share	Cents per share
Basic earnings per share	6.4	13.4	3.1	12.7
Diluted earnings per share	6.3	13.4	3.1	12.6

1. See Note 7 – Earnings per share to the Consolidated Financial Statements.

Adjusted diluted EPS has increased by 6.1% and is calculated as adjusted diluted EPS for the current period less adjusted diluted EPS for the prior year, divided by the prior year adjusted diluted EPS. This is calculated on actual unrounded numbers. **KPI**

Cash flow conversion

	Year ended 31 December	
	2023	2022
Operating cash conversion¹	83.7%	59.5%
Equity cash conversion¹	83.3%	41.0%

1. 'Adjusted cash conversion', previously calculated as Operating cash flow/Adjusted EBITDA, has been replaced by 'Operating cash conversion' and is calculated as Operating cash flow/Adjusted operating profit. In addition, a new measure has been introduced. 'Equity cash conversion' is calculated as Free cash flow to equity/Adjusted net profit. The Directors consider that these changes result in consistency of cash flow measures and provide improved definition, clarity and insight. Refer to the next page for the calculations of Operating cash flow and Free cash flow to equity.

Reconciliation of Operating cash flow, Free cash flow to capital and Free cash flow to equity

	Year ended 31 December	
	2023 \$m	2022 \$m
Net cash generated from operations	490.6	384.5
Less: acquisition of property, plant and equipment and intangible assets	(129.2)	(144.2)
Operating cash flow¹	361.4	240.3
Tax paid	(35.9)	(52.9)
Free cash flow to capital¹	325.5	187.4
Net interest paid	(65.6)	(49.9)
Payment of lease liabilities	(22.7)	(20.7)
Financing fee amortisation	(2.8)	(6.6)
Foreign exchange (loss) on cash and borrowings	(6.7)	(4.9)
Proceeds from sale of property, plant and equipment	0.6	-
Free cash flow to equity¹	228.3	105.3

1. The cash flow measures have also been simplified. 'Net cash for cash conversion' has been renamed 'Operating cash flow' and 'Free cash flow (post-tax)' has been renamed 'Free cash flow to capital'. In addition, a new measure has been introduced, 'Free cash flow to equity' (as defined in the table above). The Directors consider that these changes result in consistency of cash flow measures and provide improved definition, clarity and insight.

Free cash flow to equity has increased by 116.8% to \$228.3 million (2022: \$105.3 million). The increase is calculated as the movement in free cash flow to equity year-on-year divided by the free cash flow to equity in the prior year. A reconciliation of free cash flow to equity to its closest IFRS measure is shown in the table above. **KPI**

Reconciliation of reported and adjusted working capital movement

	Year ended 31 December	
	2023 \$m	2022 \$m
Reported working capital movement	(1.3)	(62.5)
Increase/(decrease) in respect of acquisitions and divestitures	3.1	(39.2)
(Decrease)/increase in termination benefits	(6.1)	3.1
(Decrease) in respect of other adjusting items	(3.8)	-
Adjusted working capital movement	(8.1)	(98.6)

Cash outflows from adjusting items

	Year ended 31 December	
	2023 \$m	2022 \$m
Acquisition and divestitures adjustments	(13.6)	(5.0)
Termination benefits and related costs adjustments	(3.4)	(10.2)
Other adjusting items	(6.6)	-
Cash outflows from adjusting items	(23.6)	(15.2)

We are here for good

Convatec Cares

Karim Bitar
CEO
Chair, ESG Steering Committee



Doing business responsibly and generating value sustainably underpins our forever caring promise to patients and customers. Convatec Cares is our approach to integrating environmental, social and governance (ESG) practices across the Company.

“Our approach to ESG aims to drive the actions necessary to help us realise our vision in a way that engenders trust with all our stakeholders.”



→ For a short summary of our ESG journey click here www.convatecgroup.com/sustainability/our-frameworks-and-targets/



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

In recent years, we've transformed our Company, refreshed our strategy and introduced our forever caring promise. At the same time, we have advanced operational, people-led and environmental topics that are most important to us and our stakeholders, including customers, colleagues, communities and shareholders.

Forever caring is the promise we make to customers and those we serve every day and underpins our commitment to being a responsible business. We're proud of the progress achieved so far – thanks to the care and determination of our people. We also recognise there's more to do and are committed to building trust and confidence by acting on issues that are important to our stakeholders, and meeting standards that demonstrate these commitments.

We are making an increasingly positive difference to our stakeholders and the world around us – not only through our products and services, but by the way in which we operate.

Convatec Cares – our approach to ESG – sets out the commitments and activities across the Company that enable us to fulfil our forever caring promise and integrate ESG practices throughout our organisation.

Our commitment is to ensure that words are backed up with actions – recognising the benefits to all stakeholders in doing so; whether that's more engaged employees, better access to capital, strengthened investor confidence, or a stronger, healthier brand and reputation. Because it's all this that drives Convatec's value for the long term – and that's what makes ESG central to our vision: Pioneering trusted medical solutions to improve the lives we touch.

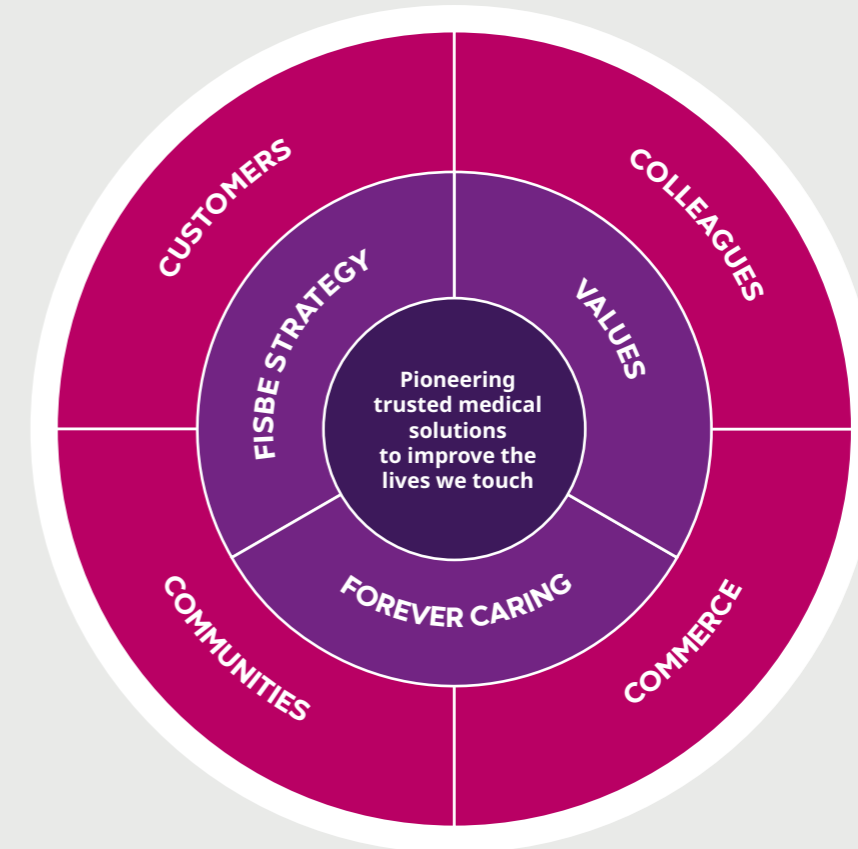
**Karim Bitar, CEO
Chair, ESG Steering Committee**

CONVATEC CARES: OUR ESG FRAMEWORK

Integrated within our FISBE strategy and informed by our refreshed materiality matrix (page 44), Convatec Cares sets out our commitments and activities that are supporting our pivot to sustainable and profitable growth. It focuses on the topics that are material for Convatec and our stakeholders and considers a dynamic range of societal and planetary needs.

ESG mission

Underpinned by our values (page 52), 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, communities and shareholders. Our ESG framework is built around four pillars.



ESG PILLARS



Delivering for our customers
Innovative patient-centric products, services and solutions that improve lives (see page 48)



Enabling our people to thrive
Ensuring the health, safety and wellbeing of our people and using their talent for good (see page 52)



Behaving ethically and transparently
Protecting and enhancing our reputation with all our stakeholders (see page 56)



Protecting the planet and supporting communities
How we operate and our contribution to the world around us (see page 58)

Responsible business review continued

ESG GOVERNANCE: BOARD AND MANAGEMENT

ROLE OF THE BOARD

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.

See pages 92 to 103 for information about the Board's activities in this area during 2023.

Role of the Audit and Risk Committee

The Board's Audit and Risk Committee (ARC) met seven times during the year and 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 (pages 38 to 65).

See page 115 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). Committee members provide ESG stewardship across a range of areas for Convatec.

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.

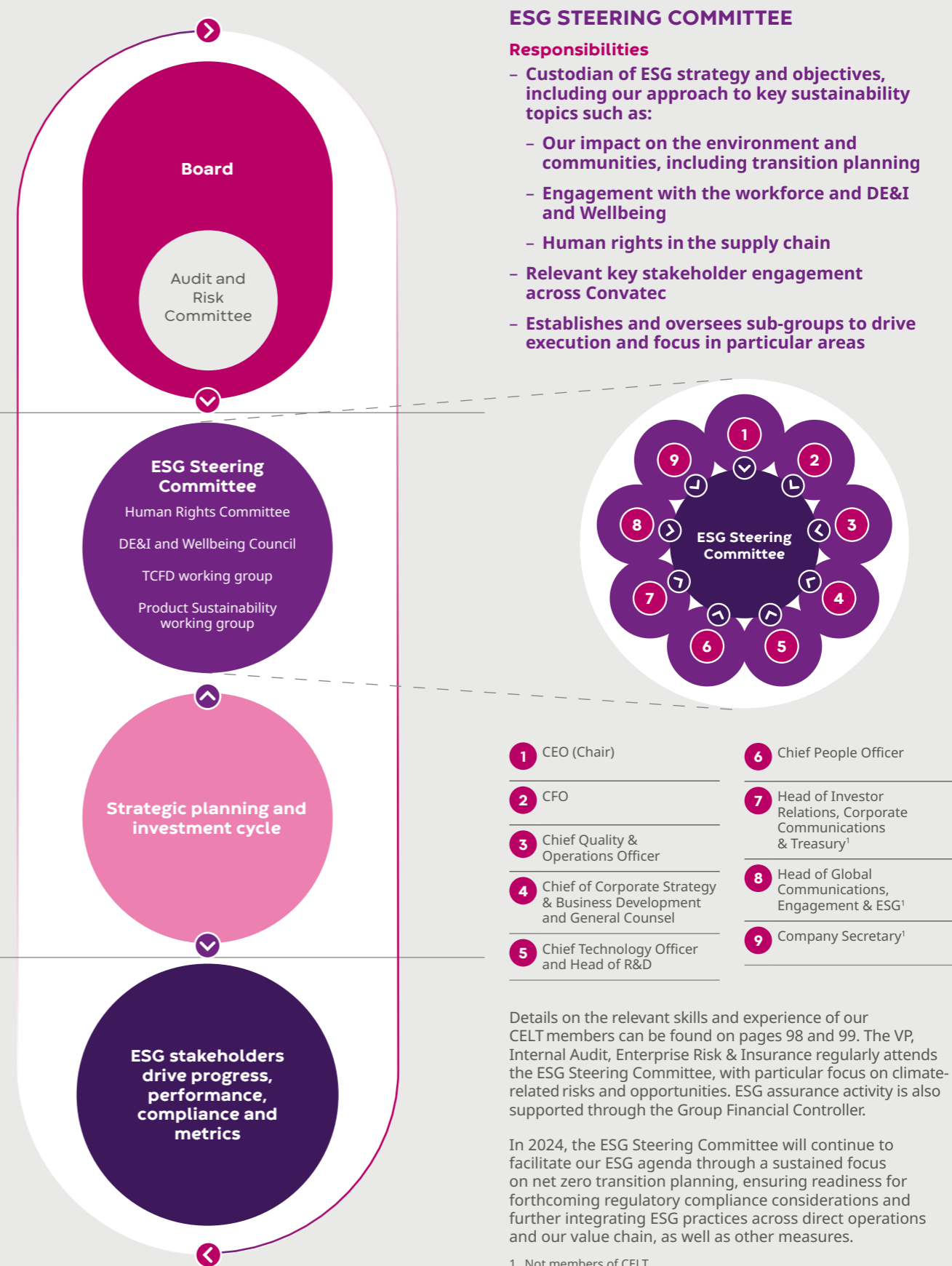
The Committee oversees four sub-groups, which are composed of leaders across the business. The TCFD working group, which includes leaders from Risk, Finance and Operations teams, met quarterly in 2023 to advance the essential work needed to meet TCFD requirements. The Human Rights Committee, which comprises leaders from HR, Legal, Compliance, Procurement and Supply Chain teams, monitors progress on protecting labour and human rights in our operations and supply chain and met twice in 2023. The Diversity, Equity & Inclusion (DE&I) and Wellbeing Council meets annually, alongside regular engagement with CELT and the Nomination Committee on relevant DE&I topics. In 2023, we launched a Product Sustainability and Scope 3 emissions working group, which met three times in 2023 to develop an action plan for addressing Scope 3 emissions as part of Convatec's net zero transition plan.

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

INTEGRATION INTO OUR FISBE STRATEGY

In 2023, ESG was elevated in our Company-wide strategic planning process, with a focus on its role in supporting execution in our FISBE strategy. Leaders from each business unit and functional area revisited ESG priorities set in 2022 to ensure their alignment with business plans and to update internal targets, initiatives and allocated resources. The process was designed to prioritise the risks and opportunities presented by our ESG commitments, as well as to clarify the necessary processes and activities needed to deliver on our targets and transition to a low-carbon economy.

Given the importance, complexity and dynamic nature of ESG considerations, the strategic planning process also clarified various roles and responsibilities for positioning the Company to meet our targets, particularly related to our net zero transition plan, see pages 58 to 60.



Engaging stakeholders

We proactively engage with our stakeholders to understand their perspectives, and build positive relationships which inform our 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 designed for and delivered to our customers and patients, who have chronic conditions. They need: <ul style="list-style-type: none"> – Safe, effective, accessible and innovative products – Support and information 	<ul style="list-style-type: none"> – Direct-to-consumer channels – Home delivery companies – Specialist nurses and call centres – Targeted consumer research – Responding to specific consumer questions, feedback and complaints – Training and online support 	<ul style="list-style-type: none"> – 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: <ul style="list-style-type: none"> – Products and services that meet patients' needs and benefit the healthcare delivery system – Fair pricing 	<ul style="list-style-type: none"> – Ongoing clinical and commercial dialogue – Targeted research – Specialist training programmes – Advisory boards – Key opinion leader meetings 	<ul style="list-style-type: none"> – 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: <ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – Group-wide interaction via our intranet, app and regular town halls – Employee recognition activities – DE&I and wellbeing initiatives – Customer stories – Employee surveys – Union representation and works councils (where relevant) – Board-level engagement programme – Performance reviews – Compliance helpline and website (Speak up) 	<ul style="list-style-type: none"> – Incorporation of insights to shape our people strategy, talent processes and development/ training programmes – Ensure a cadence of communications and engagement that encompasses employee feedback – Read more about how we enable our people to thrive on pages 52 to 55
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: <ul style="list-style-type: none"> – Long-term relationships – Fair pricing and commercial terms – Predictable business – Transparency on suppliers' expected ESG standards 	<ul style="list-style-type: none"> – Commercial dialogue – Supplier due diligence, assessments and audits 	<ul style="list-style-type: none"> – Development of valuable partnerships to address consumers' needs – Value chain emissions reporting – Supplier awards – Read more on behaving ethically and transparently on pages 56 and 57
Channel partners¹	Our channel partners are critical to ensure that Convatec's products and services are available to those with chronic conditions. They need: <ul style="list-style-type: none"> – Effective, competitively priced products – Fair pricing and commercial terms – Continuity of supply 	<ul style="list-style-type: none"> – Commercial dialogue – Marketing activities – Tender processes – Distributor due diligence and compliance training – Quarterly reviews with partners 	<ul style="list-style-type: none"> – 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: <ul style="list-style-type: none"> – Innovative products for use with their own products – Long-term relationships – Fair pricing and commercial terms 	<ul style="list-style-type: none"> – Commercial dialogue and partnerships 	<ul style="list-style-type: none"> – 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. They need: <ul style="list-style-type: none"> – A clear corporate strategy and delivery on that strategy – Sustainable returns – Responsible business practices – Cash flow to pay dividends and service debt obligations 	<ul style="list-style-type: none"> – Annual General Meeting – Active investor relations programme: in 2023 we hosted more than 260 investor meetings including seven roadshows and participation in 13 conferences – Post-roadshow investor surveys plus feedback from corporate brokers – Relationship-led engagement with debt providers – Access to the Chair of the Board of Directors, and other Board members 	<ul style="list-style-type: none"> – 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 11
Evaluators who hold us to account for our performance			
Regulators	Regulatory bodies are critical to our licence to operate and ability to deliver for customers. They need: <ul style="list-style-type: none"> – Adherence to legislation and regulation – Proactive engagement when challenges arise 	<ul style="list-style-type: none"> – Regular and ad hoc dialogue in relation to product approvals and other matters 	<ul style="list-style-type: none"> – 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: <ul style="list-style-type: none"> – Responsible business practices – Employment – Income generation via taxes 	<ul style="list-style-type: none"> – Ad hoc dialogue in relation to specific matters, including fiscal (e.g. taxation), employment (e.g. apprenticeships) and corporate governance 	<ul style="list-style-type: none"> – Making a socio-economic contribution to a range of stakeholders, including through paying taxes as described on page 63
Communities	Communities are core to our people and planet commitments. They need: <ul style="list-style-type: none"> – Employment opportunities – Medical education – Active management of environmental impact from operations 	<ul style="list-style-type: none"> – Ad hoc dialogue in relation to specific matters – Support for a range of medical education initiatives – Charitable partnerships and donations, including NGO partners 	<ul style="list-style-type: none"> – Investing to enhance the communities where we operate – Building our reputation in our communities and across broader society – Decarbonisation/net zero plans
Industry bodies	Industry bodies help us to ensure that our interests are understood and effectively communicated. They need: <ul style="list-style-type: none"> – High-quality input into industry policies and standards development – Proactive engagement in relation to relevant issues 	<ul style="list-style-type: none"> – Membership of several industry bodies, including Association of British HealthTech Industries, MedTech Europe, APACMed and AdvaMed – Participation in discussions in relation to industry issues, including best practice 	<ul style="list-style-type: none"> – 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 42 and 43 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 on page 44 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, promise, strategy and values.

Responsible business review continued

IDENTIFYING KEY ISSUES FOR STAKEHOLDERS

Our ESG focus is on the operational, people-led and environmental issues that are most material to us and our stakeholders.

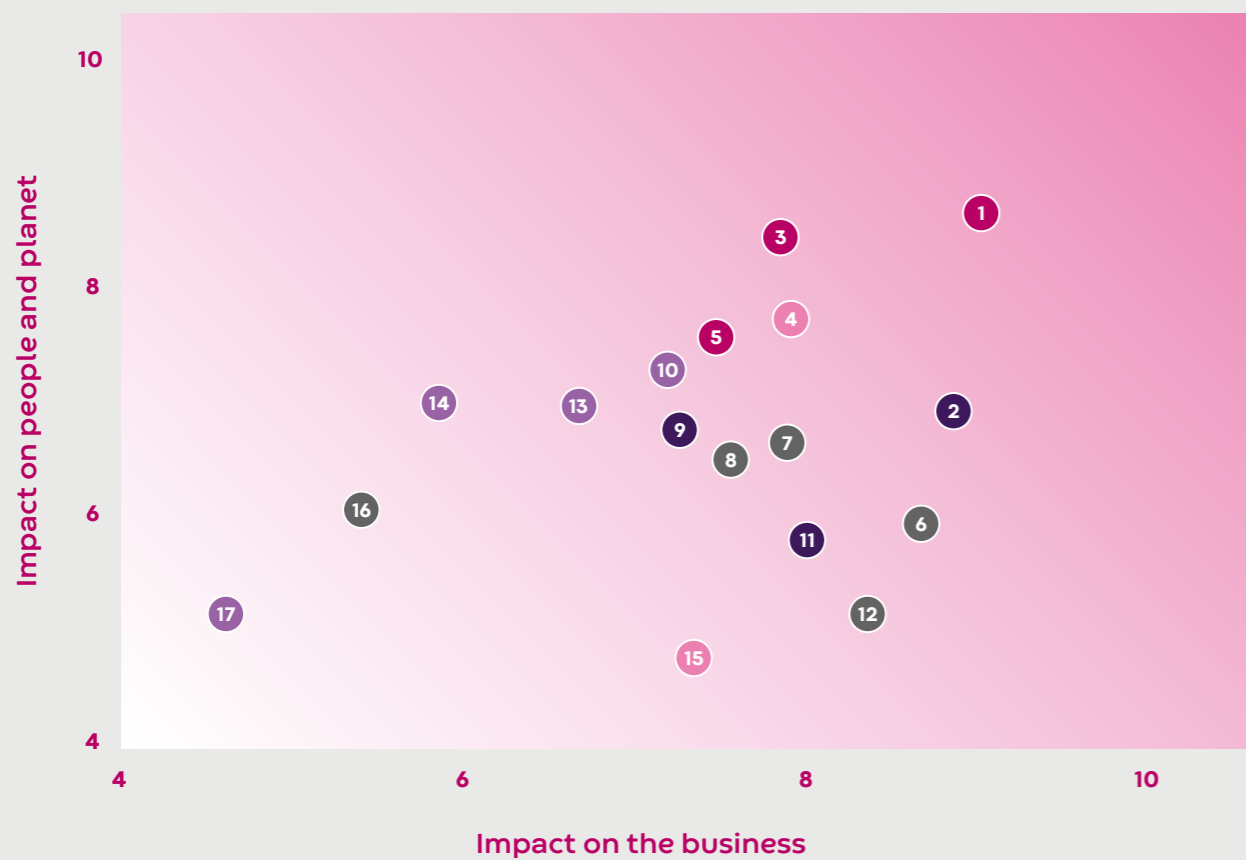
We regularly engage stakeholders (see page 42) and, in 2023, reassessed ESG materiality. This helped us to identify the most important issues for Convatec as they relate to business success and our impact on our value chain, people and the planet. The process was guided by third-party expert support and aligned to a range of good practice and standards.

The process involved document research (policies, industry trends, regulatory horizon), engagement with more than 100 stakeholders and an assessment of priority topics for Convatec, our customers, colleagues, communities and shareholders. The matrix was reviewed and approved by our ESG Steering Committee and Board. Insights are aligned with our approach to enterprise risk management and established corporate governance.

We will use the findings to strengthen stakeholder engagement in the coming years and ensure alignment with emerging disclosure requirements.

- 1 Product quality and patient safety
- 2 Responsible business
- 3 Sustainable product and packaging design (circular economy)
- 4 Developing user-centric solutions
- 5 Customer access and affordability
- 6 Talent attraction and development
- 7 Human rights and labour rights in own workforce
- 8 Diversity, equity & inclusion and wellbeing
- 9 Data privacy and cybersecurity
- 10 Climate change
- 11 Corporate governance
- 12 Workers elsewhere in the value chain (inc. health and safety)
- 13 Waste (operational)
- 14 Water (operational)
- 15 Geopolitical risks and value chain resilience
- 16 Local community engagement
- 17 Natural capital and biodiversity/ecosystems

ESG MATERIALITY MATRIX



We anticipate conducting our next materiality exercise in 2026, aligned to regulatory expectations at that time, and to support the continued evolution of our approach to ESG.

KEY

- Products & customer
- Environmental
- Governance
- Cross-cutting
- Social

SUPPORTING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

We support the United Nations Sustainable Development Goals (SDGs) which aim to align governments, businesses and the civil society sector in their efforts to end poverty, fight inequality and address climate change. As a supporter since 2018, 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 important to stakeholders, we have prioritised six goals where we can contribute to a more sustainable future:

SDG target	Contributing activity and policies
 <p>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</p> <p>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</p>	<ul style="list-style-type: none"> - Patients and HCPs served - Improving efficacy and safety of our products through innovation - Supporting wellbeing of colleagues (page 54) - Improving access to products and services by focusing on affordability (page 50), supply chain (page 51) and education (page 63) - Vitality Index (page 48) - Quality target (reducing complaints per million) (page 49) - Target to reduce voluntary turnover (page 52)
 <p>SDG 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</p>	<ul style="list-style-type: none"> - Apprenticeship programmes (page 53) - Building capabilities of our people (page 53) - Medical education (page 63) - NGO partnerships (page 64)
 <p>SDG 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</p> <p>SDG 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</p> <p>SDG 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</p>	<ul style="list-style-type: none"> - Strengthened engagement, audit and risk assessment of suppliers (page 57) - Expanding apprenticeship programmes (page 53) - Ensured 100% of our locations at or above the living wage (page 54) - Health and safety programming (page 55) - Updated Code of Conduct; Human Rights & Labour Standards Policy; and Global Third Party Manual - Human Resources policies
 <p>SDG 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</p> <p>SDG 10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality</p>	<ul style="list-style-type: none"> - Diversity, equity & inclusion and wellbeing commitments (page 54) - Strengthened and expanded our employee resource groups (page 54) - 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 (page 54) - Maintain a target for women in senior leadership - Gender pay gap reporting
 <p>SDG 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p> <p>SDG 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p>	<ul style="list-style-type: none"> - Waste, water and packaging waste reduction plans developed (page 62) - Transition plan to meet our net zero target (page 58) - Enhanced the data completeness of our digital product sustainability tool (page 50) - Product sustainability working group drives the Scope 3 emissions reduction levers to meet our net zero target (page 59)
 <p>SDG 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning</p>	<ul style="list-style-type: none"> - Increased depth of internal communications on climate change topics such as COP28, 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 - Science-based targets and aligning with the UK Transition Plan Taskforce guidance (page 58)

Responsible business review continued

Our ESG targets

We are committed to sharing progress towards our ESG targets and milestones. We track our progress throughout the year and report to management and the Board.

PROGRESS KEY

- ✔ Achieved
- + New
- ➔ In progress

The 2023 progress against a select set of target metrics have been reviewed as part of the external assurance process. For further details see the assurance statement on page 65 and basis of reporting at www.convatecgroup.com/sustainability/esg-reports-and-data

Delivering for our customers

Target	Progress in 2023	Status	Read more
1 Quality: Reduce complaints per million (CPM) by 8% for 2023 against a 2022 baseline	12.2% (2022: 10.0%) ¹	✔	Page 49
Reduce complaints per million (CPM) by 8% for 2024 against a 2023 baseline	Replaces 1 above	+	Page 49
2 Product vitality: Vitality Index of 30% by Q4 2025	27% (2022: 26%)	➔	Page 48
3 Product development: Expand use of Green Design Guidelines (GDGs) digital tools, with at least five new product launches assessed by Q4 2023	6 new products assessed by the GDGs	✔	Page 50
Product development: Ensure we have complete and actionable carbon intensity data recorded in our digital product sustainability tool for all Convatec manufactured products raw materials by Q4 2024. Ensure data is incorporated into our new product design process for carbon footprinting by Q4 2024, as we continue to expand the impact of the platform	Replaces 3 above	+	Page 50

Enabling our people to thrive

Target	Progress in 2023	Status	Read more
4 Health and safety: 4.1 Maintain an annual Operations Hazard Observation Rate above 200 per 200,000 hours worked	265 per 200,000 hours worked (2022: 234)	➔	Page 55
4.2 Sustain Operations Lost Time Injury Rate below 0.22 by Q4 2025	0.22 per 200,000 hours worked (2022: 0.20)	➔	Page 55
5 Diversity, equity & inclusion and wellbeing: 5.1 At least 40% females in senior management by Q4 2024	44% (2022: 38%)	➔	Page 54
50% of senior management are female by Q4 2027	Replaces 5.1 above	+	Page 54
At least 25% of senior management are from ethnic minority/under-represented groups by Q4 2027	Self-ID campaign	+	Page 54
5.2 Reduce voluntary turnover to less than 10% by Q4 2023	10.0% (2022: 12.9%)	➔	Page 52
Sustain voluntary turnover at 10% or less by Q4 2027	Replaces 5.2 above	+	Page 52

1. Excluding exit from hospital care and associated industrial sales.



Behaving ethically and transparently

Target	Progress in 2023	Status	Read more
6 Human rights: 6.1 Launch annual compulsory training programme on Human Rights for all employees by Q4 2023	Launched Human Rights training to all employees	✔	Page 56
6.2 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	Integrated use of risk assessment platform in our supplier engagement programme. Engaged with key suppliers to join the platform.	✔	Page 57
6.3 Ensure that supplier's sites covering 80% of spend across direct, external manufacturing and logistics are registered with our risk assessment platform by end Q4 2025	2023 is our baseline year	+	Page 57
7 Code of conduct: 7.1 Ensure at least 95% of employees trained on an annual basis by Q4 2023 and in subsequent years	90% trained in 2023 (2022: 96%) Change attributed to the transition to a new learning management system.	➔	Page 56
8 Procurement and supply chain: 8.1 Ensure that 80% of Convatec's in-scope spend is with suppliers with whom we have engaged to request their participation in our EcoVadis platform by Q4 2023	89% of in-scope spend supported by suppliers engaged to participate with EcoVadis	✔	Page 61
8.2 Ensure that suppliers covering 60% of our Scope 3 category 1 emissions have committed to set science-based targets by end Q4 2026	Commenced new engagement programme with suppliers. Suppliers covering 19% of our category 1 emissions have committed to set near-term science-based targets at end Q3 2023	+	Page 57



Protecting the planet and supporting communities

Target	Progress in 2023	Status	Read more
9 Emission reduction: 9.1 Achieve net zero carbon (in line with our SBTi target) by 2045	See below	➔	Page 58
9.2 Reduce our combined Scope 1 and 2 emissions by 70% against a 2021 baseline, in line with our SBTs, by 2030	55% ² (2022: 32%)	➔	Page 60
9.3 Reduce our Scope 3 emissions by 52% per sold product against a 2021 baseline, in line with our SBTs, by 2030	Validated target with SBTi	+	Page 61
10 Science-based target commitment: 10.1 Set quantitative targets for Scope 3 GHG emissions, against a 2021 baseline, aligned with the SBT criteria by Q4 2023	See 9.3 above	✔	Page 58
10.2 Achieve validated SBT for Scope 1, 2 and 3 emissions by Q4 2023	Achieved validated Scope 1, 2 and 3 targets in December 2023	✔	Page 58
11 Community contributions: 11.1 Establish new NGO partnership(s) and funding commitments by Q4 2022	Launched three-year, \$2million partnership with international NGO, Partners In Health	✔	Page 63
11.2 Contribute \$2 million to our community partners to improve lives by Q4 2025	See above	➔	Page 63
11.3 Contribute responsibly to a range of HCP and patient education programmes. Set specific targets for 2023-25 on reach and impact	Approximately 240,000 HCPs and patients participated in educational programming led by Convatec.	✔	Page 63
12 Medical education: 12.1 Reach more than 500,000 healthcare professionals with medical education programmes per year by 2027	See 11.3 above	+	Page 63
12.2 Expand healthcare professional education programmes through the development of a global medical education digital platform and review of activity to enhance impact by end 2024	Ongoing development of Medical & Clinical Affairs capabilities	+	Page 63
13 Community impact: By 2027, touch one million lives in our communities through medical education programming and support of strategic community partners	Strengthened programmes and partnerships	➔	Page 63

2. 35% in 2023 vs 2022.

Responsible business review – customers

DELIVERING
FOR OUR
CUSTOMERSInnovative and patient-centric
products, services and solutions
that improve lives

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

“Forever caring means we will never stop listening, learning and improving our solutions for customers and patients. Today, we are working closer than ever before with our customers. We put their needs at the heart of our innovation so that more people can live their lives to the fullest. We’re embedding an innovation mindset and continue to prioritise safety, quality and efficacy in our solutions.”

2023 highlights

- Launched six new products
- Added antimicrobial nitric oxide technology to our R&D portfolio
- Rolled out new customer loyalty programme
- Enhanced quality system
- Enhanced data completeness in our digital product sustainability tool and assessed six projects

2024 priorities

- Support roll out of new products and continue to develop our product pipeline
- Continue focus on product quality, efficacy and safety
- Advance our focus on customer loyalty
- Strengthen clinical and new product research capabilities

Innovation journey

To fulfil our vision and drive growth, we continue to strengthen our research and development (R&D) capabilities, alongside bringing new products to market. We have invested \$104 million (2022: \$92 million) in 2023 in (adjusted) R&D and continued to make progress towards our goal of reaching and sustaining a 30% Vitality Index by 2025. Our approach to innovation continues to build momentum in the following ways:

- **Increased investment:** We have more than doubled spend on R&D investment 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 offerings 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:** We have attracted global talent for R&D, medical, regulatory, intellectual property and portfolio management. We have five technology centres: one in the US (Boston), and the others close to our manufacturing facilities in the UK (Flintshire and Oxfordshire), Denmark and Slovakia.
- **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 we are building momentum and in a position where we are now developing and launching multiple medical technology platforms each year, we are also identifying learnings to continuously improve our overall new product scale-up process. We have begun incorporating these learnings into our IDEAL stage gate review process, as well as our overall new product operating system spanning capabilities, metrics, governance, tools and infrastructure. This will help ensure we are rapidly and effectively driving continuous improvement in terms of quality, speed and value across our innovation portfolio.

New products and solutions

In 2023, we launched six new products. We also provided new infusion sets to support four new pump launches. Our new products offer significant benefits for the user. ConvaFoam™ offers customers a broad portfolio of dressings that provide longer wear times due to better absorption and improved adhesive technology and GentleCath Air™ for Women 2.0, is our improved female compact catheter offering.

During 2023, a total of 82 patent filings were made (2022: 83) 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.

Convatec continued to strengthen strategic partnerships in 2023. Partnering with Tandem Diabetes Care, Convatec supported the production of Tandem Mobi, the world's smallest durable insulin delivery system. Specifically for Tandem Mobi, Convatec developed new, kink-free tubing, with discretion and flexibility. The new insulin pump system aims to provide people living with diabetes with new options in wearability, the flexibility to disconnect, and full smartphone control.

Convatec partnered with Beta Bionics in 2023 on the iLet Bionic Pancreas system, the first and only automated insulin-delivery system that determines 100% of all insulin doses. Convatec is the sole supplier for the infusion set used in the system, which, by simplifying user experience, aims to significantly improve diabetes management and the quality of life and convenience for people living with diabetes. Our partnership with AbbVie focused on the launch of drug Produodopa for advanced Parkinson's disease in Japan, a continuous under-the-skin drug infusion delivered via a pump through Convatec's neria™ guard infusion set.

Strategic investments

In 2023, Convatec acquired the anti-infective nitric oxide technology platform of 30 Technology Limited which includes new product assets and research and development in the anti-infective space. The innovative technology platform and new product pipeline complement Convatec's Advanced Wound Care portfolio and strengthen our ability to provide best-in-class solutions for patients. Other potential applications for this technology include the prevention of urinary tract infections as well as other transformative applications. For more information on Advanced Wound Care, see page 18.

Strengthened customer loyalty

In 2023, we strengthened our focus on customer loyalty with a new programme to embed customer Net Promoter Score (cNPS), building on work in our Home Services Group which has established excellent practice in using cNPS to continuously improve its customer support. We have built on this with a series of pulse surveys in the US and Europe, reaching over 30,000 healthcare professionals (HCP) and patients.

By actively listening to what our customers are saying, and ensuring we act on that feedback, our customer loyalty programme will help us become a more customer-centric organisation.

Product quality

Product quality is key for our customers and vital in earning Convatec a reputation as a trusted provider. We have established quality certifications in place across the business. In 2023, we set an ESG target to reduce complaints per million (CPM) by 8% against a 2022 baseline. We met this target with a 12.2% reduction¹. Please see page 65 for the scope of our ESG assurance, basis of reporting and ESG definitions.

Furthermore, in 2023, we continued to build on our commitment to improve quality by:

- Delivering on improvements of core quality system processes to increase efficiency and effectiveness of problem solving
- Simplifying and standardising core quality processes and tools across the business
- Leveraging data analytics and technology solutions to improve alert timing, decision-making and increase our pace of execution
- Enhancing internal problem-solving capabilities and increasing robustness in the areas of quality systems, quality compliance and supplier quality

In 2024, we aim to further reduce CPM and we will also further expand our data segmentation capability to support prioritisation and focus on targeted improvements to maximise impact on the experience of our customers.

Product safety is also a key priority for our customers and for our reputation as a trusted provider. In 2023, 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) and GMED also review our quality processes and procedures on an annual basis. Moreover, our quality compliance programme focuses on continuously improving through a rigorous corporate internal audit programme. By strengthening our core capabilities, this continually enhances our overall quality culture.

We conducted a total of 98 audits on suppliers during 2023 (2022: 153). Our ability to perform onsite audits improved in 2023, so we prioritised onsite follow-ups with our critical suppliers. We performed fewer audits compared to 2022, due to the exit of our hospital care business, which saw a reduction in our supply base.

From time to time, it may be considered necessary to conduct a product recall, following a detailed internal quality investigation led by our Quality, Regulatory and Medical and Clinical Affairs teams. Recalls are controlled by standard operating procedures, all of which underwent continuous improvements in 2023 as part of our focus to elevate standards across the quality system. In 2023, we executed three product recalls (2022: 11), including a FDA Class 1 recall in the US for an infusion set. Each of the three recalls in 2023 occurred where the distributed products did not meet the requirements of our quality system and we took all necessary steps to ensure customers and patients were informed and supported.

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. As an example of how we are progressing patient and HCP support, our mobile apps continue to enhance patient access for Ostomy patients. Me+ nurses are able to enhance the support they provide through triaging challenging cases for telehealth intervention to provide support and guidance for patients needing enhanced teaching and troubleshooting. In Global Emerging Markets (GEM), our HCP medical educational training programmes continue to expand access to products through a standardised protocol-of-care, such as our Wound Hygiene Academy. These programmes are rapidly developing where access has historically been 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. For example, in Ostomy Care, we launched a medical education series on sexual health with a successful presentation at Wound and Ostomy Care Nursing (WOCN) 2023 and regional engagement programmes to enhance the ability of HCP's to provide appropriate care and guidance to ostomates on intimacy.

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. In Ostomy Care, we developed the first abdominal stoma model with finite element analysis of our convex range, in order to guide HCPs to understand emerging evidence on when to use and how to select convex products. This translational approach is the first stage in educating the HCP and then the patient on appropriate product selection by visualising recent research from an international panel of experts.

1. Excluding exit from hospital care and associated industrial sales

Responsible business review - customers continued

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. Our global Pricing Centre of Excellence considers the role of economic affordability in product availability. We are launching a new Reimbursement and Market Access Centre of Excellence in 2024. In Ostomy Care, we completed a health economics outcomes research project in Norway, demonstrating the cost savings of moldable technology compared to cut-to-fit products currently on the market. In China, we set up two Patient Access Programmes (PAPs); firstly, an Ostomy PAP for patients from poorer economic backgrounds, providing access to high-quality solutions and appropriate medical knowledge. Secondly, an Advanced Wound Care PAP which focuses on children suffering from burns injuries, by helping their physical and psychological recovery. We invite HCPs from burns wards to collect treatment plans and jointly explore alternative treatment methods.

Sustainable product design

Our IDEAL 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 new product design policy; www.convatec.com/marketingzone/mediadownload/?id=f82bf09-66c4-4301-805f-fad37047cc0f&lid=en-GB

We are focusing on key product development priorities, while integrating sustainability in line with our net zero carbon transition plan (see page 58). Where possible, we aim to lower the carbon intensity of our products, guided by data obtained through our digital product sustainability tool, Green Design Guidelines (GDGs) and life cycle assessments.

Our GDGs were rolled out in 2022 and are an important part of our IDEAL process, helping us systematically examine the environmental impact of our solutions and consider ways to reduce their impact. In addition to calculating carbon footprint, the tool assesses the impact of our products and packaging on water use, circularity, substances of concern and nonquantitative 'red flags' (e.g. potential use of substances which are fully legal, but could be seen as less favourable to the wider environment). The tool can also assess sustainability factors of new products compared to existing products.

We will continue to identify projects that have the potential to reduce the environmental footprint of our portfolio. In 2023, we assessed six launches alongside using the tool to evaluate design changes.

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. We are engaging with industry alliances and partners in the value chain with regards to the development of materials and solutions that support a net zero ambition.

Due to significant regulatory restrictions on our industry and our priority focus on safety, quality and efficacy in our solutions, manufacturing environmentally sustainable products is a challenge we face along with our industry peers.

Sustainable packaging

Primary packaging is strongly connected to the product, forming a sterile barrier and is therefore an essential component of our products and packaging. We are reviewing our primary packaging roadmap to increase its focus on sustainability.

For example, in 2022 we commenced a flow wrap project to eliminate PVC and reduce packaging weight by almost 80% on all baseplates in our Ostomy Care portfolio. We have continued to roll-out flow wrap this year and through the year ahead. We have also strengthened our packaging team further and elevated our focus on packaging in our strategic planning process and ESG governance.

Secondary and tertiary packaging: 100% of our cartons and shipping boxes are paper-based and therefore recyclable. Moving forward we're focusing efforts to reduce carton size and emissions, while maximising space efficiently.

In addition, we are working with suppliers that support our ambition to achieve FSC/PEFC certification. Our focus will be to achieve certification as part of new product development in the coming years.

We have strengthened the quality of our Extended Producer Responsibility (EPR) reporting by establishing an internal digital product sustainability tool based on product and packaging composition at a component level. From 2024, this will enable more precise calculation of packaging weights and their relative carbon footprint.

Clinical studies

We made significant progress in 2023 to ramp up clinical evidence generation; starting nine clinical studies, including a global randomised clinical trial, and also delivered three healthy volunteer studies (HVS). This work has resulted in 16 peer-reviewed publications and 28 scientific posters and presentations to share evidence generation work. This represents a significant increase to previous years.

Our HVS work took place at our user insights and evidence facilities, based at our technology centre in Deeside, Wales. The face-to-face interactions with healthy volunteers allows us to explore our current products and inform new knowledge and insights for future design to our portfolio. The clinical data generated supplements existing pre-clinical data on our products. To ensure diversity in our clinical data, patients from our ConvaClinics across Latin America are also included in our clinical studies.

Use of animals in research

At Convatec, we are always looking for ways to improve welfare and minimise the use of animals in research. Consistent with other leading organisations and established practice, we have adopted the 3Rs - replacement, refinement and reduction of use of animals in research, and continue to identify innovative solutions to gain knowledge and support regulatory submissions without the use of live animal models.

Every effort is made to conduct as much of our research with benchwork, cell cultures, and where appropriate, ex-vivo tissue models. When live animal models are required, our research is highly regulated to ensure responsible, ethical and humane treatment by following local ethical approval boards, laws and regulations. Animal welfare is a priority and we conduct our research at reputable facilities and organisations that are Assessment and Accreditation of Laboratory Animal Care (AAALAC) accredited (or equivalent) with fully trained veterinarians and dedicated welfare teams.

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, some biological risks are only able to be evaluated through the use of defined and prescribed animal tests. As such, when mandated 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 we refreshed in 2023, and can be found at www.convatecgroup.com/investors/governance/our-policies-and-statements.

To avoid the use of living animal studies, in 2023 we used porcine (pig) ex-vivo tissue models to assess urethral tissue damaged by novel urinary catheters. All ex-vivo models were collected from animals that were being slaughtered for the sole purpose of meat production. Our ex-vivo tissue suppliers are either AAALAC accredited or are registered to supply animal by-products (EU Article 23, No. 1069/2009).

In 2023, as part of our biological risk assessment to determine compatibility of our devices within a biological system, we conducted biocompatibility tests using nine rabbits and 100 rodents (2022: 41 rabbits and 275 rodents). Additionally, we conducted a performance and efficiency study of infusion catheters using two swine at Aalborg University Hospital, Denmark (2022: two). All studies were approved by local animal welfare committees and/or responsible government authorities.

Convatec Advanced Tissue Technologies (ATT) solutions are derived from 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 destroyed or affected in the process.

Reliability of supply

Satisfying and exceeding our customer expectations continues to be a top priority. Throughout 2023, we've continued to make progress in ensuring product availability and reliable delivery. Close collaboration across all relevant teams 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 rigorous performance framework overseeing end-to-end reliability.

2023 saw the supply chain marketplace recovery continue, notwithstanding present challenges to shipping lanes in the Middle East and the ongoing conflict in the region. We have continued to focus on strengthening resilience throughout our supply chain, in the areas of manufacturing capacity and inventory. Our manufacturing network has seen additional capacity come online to support service and sales growth. We are continuing our efforts to establish dual source raw material on our strategic raw materials.

We have a range of partnerships with logistics providers to support our agility to move products without delay, respond to our customer expectations for delivery lead-times and balance cost.

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), the California Consumer Privacy Act (CCPA) and the Personal Information Protection Law PIPL (China).

This framework includes policies, procedures, controls and records that are implemented on a global basis. This 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 compliance programme. Its implementation is overseen by several internal governance groups, including our Cybersecurity Steering Committee. In 2023, we undertook external, independent assessment and shared findings with the Board, including opportunities for continuous improvement. We have undertaken a range of activities to strengthen our data privacy programme and maturity. Our various data policies, procedures and controls are regularly assessed by our internal audit team. In certain 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 across Convatec. This is achieved by implementing executive leadership, accountability and sponsorship for critical personal data classes, by assigning four CELT members 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 2023, there were three reportable issues to data protection authorities (one report was made jointly to the Dutch and Belgian DPA, another to the Polish DPA and one to the US authorities). No significant volume of data subject access requests were received. For further information on our information systems, security and privacy risk, see page 81.

OUR SUSTAINABLE PACKAGING DESIGN PRINCIPLES

Simplify

As we transition away from existing packaging, we intend to simplify operations and reduce costs.

Minimise pack size

Always ensure the package size is optimal.

Recycle ready

Increased focus on recyclability of materials.

Transition existing products

Move to smaller, recycle-ready packaging for existing products.

Responsible business review - colleagues

ENABLING OUR PEOPLE TO THRIVE



Moyra Withycombe
Interim Chief People Officer

"2023 has been a significant year as we commenced roll-out of our new HR operating model, putting employee experience at its heart. It's an exciting time for our people at Convatec as we bring forever caring to life and create a winning culture where our people can learn, grow, thrive and make a real difference."

2023 highlights

- Refreshed people strategy and commenced roll-out of new HR operating model
- Advanced our journey to become a listening organisation and drive employee engagement
- Strengthened learning and development to embed high-performing teams
- Sustained momentum across health and safety, DE&I and Wellbeing initiatives
- Enhanced talent management practices

2024 priorities

- Integrate and scale up our new HR operating model
- Roll-out new employee listening platform to support ongoing dialogue and feedback
- Focus on supporting colleagues, leadership development and career progression
- Continue to elevate DE&I and Wellbeing practices
- Advance talent development practices and initiatives

Ensuring the health, safety and wellbeing of our people and using their talent for good



At the end of 2023 we employed 10,136¹ people (2022: 10,036). Employee turnover in 2023 was 18.8%² (2022: 28.1%). Voluntary turnover in 2023 was 10.0% (2022: 12.9%). Information on our employee profile is illustrated in the graphs on the following pages, while our definitions for employee count and gender diversity are detailed on page 54.

While our employees are based in 45 countries, approximately 55% of our workforce is employed at our nine manufacturing locations (2022: 58%). 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 Memphis, United States. Consistent with our corporate theme of simplification and productivity, in 2023, we closed our manufacturing site in Roosendaal, the Netherlands, moving operations to our larger site in Michalovce, Slovakia. Of countries with no manufacturing operations, China has the largest concentration of employees.

Our people strategy

Our people strategy has evolved to reflect where we are as a company and the prioritisation required to win in the coming years. Our people mission is: *Creating a winning culture where our people can learn, grow, thrive and make a real difference.* To do this we focus on three core areas:

- **Build key capabilities:** Anticipate and embed core capabilities to support our pivot to sustainable and profitable growth through high-performing leadership, talent and teams.
- **Shape our winning culture:** Bring our vision, promise, strategy, values and team principles to life so we can attract, engage and retain the diverse talent we need to win.
- **Unlock potential to enable change:** Build a best-in-class HR team, digital capabilities and foundation that drives simplification and productivity and improves employee experience.

Build key capabilities

We are on a journey to strengthen capabilities and build stronger integrated talent practices through key focus areas including: democratising learning for all employees, building strong leaders to deliver our winning culture, and enhancing manager capability to attract and retain employees.

We launched new learning tools to support colleague development including access to best-in-class content, facilitated by industry experts. We have designed and developed instructor-led sessions as part of virtual onboarding that welcomes our new joiners to Convatec. These enable new recruits to meet one another, build their Convatec knowledge and connect with the right people to grow their internal network.

We enhanced our talent review process by identifying development opportunities for potential successors for critical roles in order to build a stronger senior leader pipeline. Additionally, we invested in mid-level leader development and launched an online coaching platform.

To ensure more global and standardised hiring practices, we designed and launched a learning journey to support hiring managers and teams with an end-to-end hiring process including structured interview guides. This effort is a meaningful step forward to strengthen manager capability and candidate experience to attract the best talent.

This year we continued to embed our high performing team principles, with a broader population of leaders across the business, focusing on leadership capability to build an inclusive culture. Our goal in 2024 is to cascade our team principles throughout the organisation.

Our values

Our values ensure we all work and act in ways that deliver our forever caring promise, every day.

- 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 celebrate diversity and respect one another. We help our colleagues around us grow, develop and thrive, so they can fulfil their potential
- Own it**
We take personal ownership of all our work: taking the initiative, innovating 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

Shape our 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.

2023 saw us redouble efforts to strengthen employee engagement. We continued our live global town hall series which engages offices and manufacturing sites around the globe with updates, patient stories and conversation with CELT. We also introduced CELT Live, giving colleagues the opportunity to ask questions directly to leadership on any topic in an open forum, virtual 'coffee and conversation' series, initially focused on our CEO and CFO. We also hosted our third iteration of the Big Conversation, an initiative designed to bring teams together in leader-led discussions around core topics including our vision, promise, strategy, values and team principles.

In July 2023, we launched a new employee voice platform to embed employee Net Promoter Score (eNPS), following our last Organisational Health Index survey in October 2022. The platform will support our ambition to become a listening organisation, using regular surveys aligned to comprehensive external benchmarks. A representative sample of around 3,800 colleagues were invited to participate in our pilot during 2023. We conducted two surveys in the year, with above benchmark results and strong participation rates (more than 90% on an aggregated basis). We will establish our global baseline during 2024 and set an eNPS target for the business.

Recognising colleagues and their contribution is important. In 2023, Convatec Champions, our way of celebrating colleagues who go the extra mile, surpassed more than 10,000 awards since its launch in September 2022. Built on a best-in-class digital platform, any colleague can make a nomination for an award for good work and behaviours aligned to our promise and values.

Reports are regularly provided to the Board to help assess and monitor workplace practices and culture, including progress on our people strategy, employee engagement, DE&I and Wellbeing, and on talent and succession planning.

Unlock potential to enable change

Some of our systems and processes have been difficult to navigate, including manual ways of working and legacy tools. This has prompted us to optimise our employee service experience through simplification and

digitisation as part of HR transformation, including leveraging AI and machine learning capabilities.

This year we have shifted to more global processes and ways of working through a refreshed HR operating model, so that we can bring greater consistency to how HR and other functions support the business and improve colleague and people manager experience, with a focus on:

- **Processes:** Standardised ways of working and leveraging digital tools, underpinned by data driven insights
- **Improving career pathways:** Bringing to life a new, consistent career framework, helping colleagues around the world understand more clearly where their role currently fits, and their future career planning and development
- **Simplifying global payroll offering:** Strengthened payroll compliance, efficiency and consistency, governance and insight through improved automation
- **Refreshing our HR operating model:** Brings together our HR people partners, Centres of Excellence, HR Service Delivery as well as our Global Business Services capability to support day-to-day HR solutions that benefit everyone.

We continued to navigate a dynamic talent and labour market, including the impact of flexible and hybrid working, automation and digitalisation, cost of living and employee wellbeing and mental health.

Building high-performing teams

We continued our high-performing teams programme, including our partnership with the University of Michigan Ross Business School. Following the roll-out of our high-performing team principles in 2022, we continued to engage leaders and their teams through 2023 in order to embed the team principles across Convatec, in support of our values and behaviours (see page 52).



For the second year, we were pleased to send a delegation to the One Young World Summit in Belfast, UK. The annual summit brings together young leaders from around the world to work on social action programmes.

Next generation talent

Part of building core capabilities is engaging with and training the next generation. In Lisbon, Portugal we welcomed the first cohort of six finance graduate trainees who started their initial placements at our GBS centre. The pilot programme offers an opportunity for talented graduates, with high potential and strong critical thinking skills, to develop and learn across a range of finance teams.

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. In 2023, the Deeside site successfully recruited one engineering apprentice, who will be working within the maintenance team at the site, bringing the total to nine apprentices in engineering and manufacturing, and more are in the pipeline for 2024.

In 2023, the Michalovce site in Slovakia continued its partnership with Technical University Košice by supporting students with their diploma theses. Biomedical engineering and mechanical engineering students participated in career days in which the site hired two graduates from the university in 2023 for critical positions within Operations and Technology & Innovation (T&I).

Our Haina site also supports engineering careers, as part of the Educational Committee for the free zone sector with the major universities in Dominican Republic, and hosts over 200 students from five universities. After every graduation, the site receives resumes of new professionals to ensure an eligible pool of early talent candidates is available.

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. As a result, our innovation team has further developed an idea with the winning team: an accessory for the product Neria Guard™ to help people with weak fine motor skills, for example Parkinson's patients, apply the infusion set to the body without any help.

1. Includes eight Non-Executive Directors. For full breakdown, see page 54.
2. This includes voluntary and involuntary turnover.

Responsible business review - colleagues continued

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

We are proud of the progress we're making to advance DE&I and Wellbeing at Convatec and deliver on our ambitious commitments. We recognise the multiple benefits of ensuring our business reflects the diversity of customers and patients we serve, while ensuring colleagues can be themselves.

Building on momentum since launching a refreshed approach to DE&I and Wellbeing in 2022, we have continued to embed DE&I and Wellbeing as part of our overall ESG governance – including our DE&I and Wellbeing Council led by our Chief People Officer.

In 2023, alongside our existing Employee Resource Groups (ERGs) – Women's Network, Pride Network (LGBTQIA+) and Black Employee Network (BEN) – we launched our fourth ERG, Latinx, for the Latin America community, which makes up a large part (~40%) of the workforce. Each ERG has CELT-level sponsorship and celebrates key moments in the calendar such as Pride Month, Black History Month, International Women's Day and Hispanic Heritage month.

We launched a self-ID campaign, in countries where lawfully permitted, to enable employees to self-identify on a voluntary basis and provide their demographic data for race/ethnicity. The information collected will help us measure progress so that we can respond to a range of stakeholder requirements.

We track employee diversity through our HR systems, and the Board reviews our diversity profile on an annual basis. In 2023, we strengthened our HR systems and enabled colleagues with greater control to update their personal information, including adding pronouns, ethnicity, gender identity and disability if they wish.

We have four pillars to our DE&I and Wellbeing approach, with the following key activities in 2023:

- 1 Cultivate an inclusive culture for our colleagues**
 - Strengthened our global DE&I and Wellbeing Council.
 - Expanded ERG membership to support communities of interest.
 - Launched our Convatec mentoring programme, engaging more than 300 colleagues.
 - Rolled out diversity-focused training, aligned to our high performing team principles, to our global leadership team.

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

- Exceeded our ESG target of at least 40% female representation in senior management by 2025.
- Launched a campaign to enable colleagues to self-identify on our HR systems.
- Advanced talent acquisition practices to better recruit and retain diverse talent

- 3 Support wellbeing as a priority for colleagues**

- Continued to embed flexible and hybrid working as part of Our Work Life.
- Celebrated our fourth annual Convatec Day, aligned to wellbeing and global mental health awareness day.
- Strengthened our culture of recognition with more than 10,000 awards through Convatec Champions.

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

- Consistent pay structure, benefits and flexibility for employees aligned to their role.
- Reviewed parental leave policies in order to transition to equalised maternity and paternity leave in the coming years.

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

Increasing diversity

At 31 December 2023, women represented 44% of our Board membership (2022: 40%) and 44% of our CELT and senior management team (2022: 38%). Our gender diversity profile at 31 December 2023 is found below.

Our gender pay gap

In 2023, the Remuneration Committee reviewed our UK gender pay ratio. The median hourly pay difference between our UK-based male and female employees at 5 April 2023 was 3.8% (2022: 12.2%), which is below the UK median pay gap of 14.3% (Source: Office for National Statistics). The fall in the pay gap seen was due to a job levelling exercise undertaken, to ensure that employees are classified consistently based on their role scope, remit and authority. Company headcount growth has also influenced the reduction, with an increase in the male population with salaries distributed in the lower quartiles and an overall increase in the median hourly rates for women compared to 2022. Further information about our pay data is included in our Gender

Gender diversity demographic data

	Total	Male		Female	
		Number	%	Number	%
Board ^{1,2}	9	5	56	4	44
CELT ²	11	7	64	4	36
Senior management ³	68	37	54	31	46
Other employees	10,050	3,765	37	6,285	63
Total ^{1,4}	10,136	3,812	38	6,324	62

1. Includes seven Non-Executive Directors.
 2. The CEO and the CFO are included as members of the Board and CELT. Stated total numbers are adjusted to remove duplication.
 3. Includes direct reports of CELT, excluding administrative staff. The percentage of women in CELT and senior management combined in 2023 is 44% (2022: 38%). Total population in 2023 is 79 (2022: 92).
 4. Excludes freelancers, independent contractors or other outsourced and non-permanent workers who are hired on a project or temporary basis

Pay Gap Report, which can be found at www.convatecgroup.com/sustainability/esg-reports-and-data.

Our disclosure is enhanced to include all UK-based entities, including those not in scope of the statutory requirement. Overall, we are pleased with the progress we have made and will continue to ensure this is an area of focus. We also report gender pay gap in other markets where there is a regulatory requirement, such as France, Italy, Portugal and Spain.

Paying a living wage

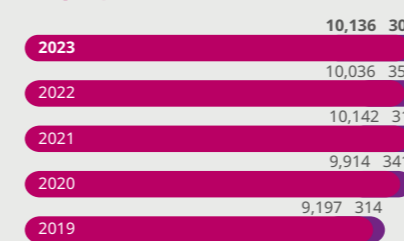
For employees globally we continue with our annual salary review increases and are committed to providing fair pay for our employees. Every two years we conduct a global living wage assessment to ensure that 100% of our locations continue to pay at or above the national or local living wage. Our next review will be conducted in 2024. We have also been confirmed as a 'real living wage' employer in the UK for the seventh consecutive year and continue 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.

Cost of living

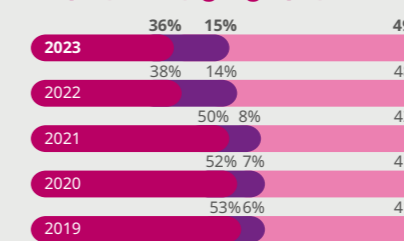
We understand concerns from our employees about the cost of living. As a company, we actively look at ways to support our colleagues in line with our core values and our forever caring promise. In 2023, as well as maintaining annual pay awards, we continued to prioritise supporting employees in lower grades through the compensation cycle, conducted a mid-year review to raise salaries that had fallen below our stated ranges and raised awareness of financial wellbeing support available as part of our global employee assistance programme (EAP), which included a range of educational sessions and other resources to support financial planning.

OUR PEOPLE: AT A GLANCE

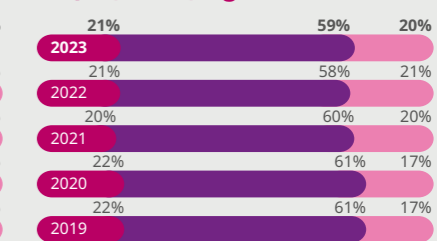
Employees and contractors



Employees by geography



Employees by age



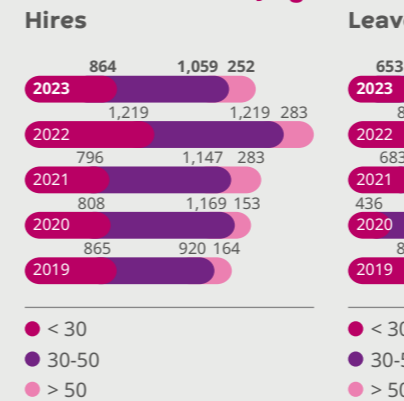
- Employees
- Agency staff and independent contractors

- #### Geographical areas 2019-2021
- Americas
 - APAC
 - EMEA

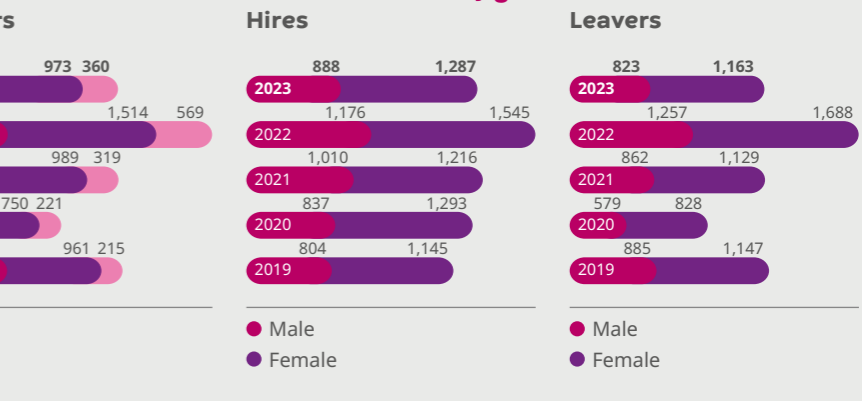
- #### Geographical areas 2022-2023
- Europe
 - North America
 - Rest of World

- < 30
- 30-50
- > 50

Leavers and hires by age¹



Leavers and hires by gender¹



1. Includes voluntary and non-voluntary turnover.

Health and safety

Our global Environment, Health and Safety (EHS) team support the development of strategy, policies and standards, audit performance and support site teams to improve working practices, aligned to both regulatory and company requirements. The team report to the VP, Global Manufacturing, who in turn reports to the Chief Quality & Operations Officer, who is a member of CELT and the ESG Steering Committee. Performance is reported to senior management including CELT and the Board on a regular basis. Manufacturing and R&D sites have a dedicated EHS team at their location.

During 2023, we continued to deliver improvements focused on key initiatives: electrical safety, machinery and equipment safety, developing safety-specific standard work instructions (SWI), and enhancing our safety culture programme, tailoring delivery to site specific requirements. Reviews and development activities have supported improved communication and engagement, enhanced working practices and improved performance.

Our manufacturing sites in Rhymney, Deeside and Michalovce maintained their ISO 14001 (Environmental Management) certification.

Our Health and Safety performance¹

	2023	2022	2021	2020	2019
Fatalities	0	0	0	0	0
Convatec Lost Time Injury Rate ²	0.17	0.18	0.26	0.21	0.27
Convatec Hazard Observation Rate ²	227	196	148	138	86
Operations Lost Time Injury Rate	0.22	0.20	0.30	0.23	0.30
Operations Hazard Observation Rate	265	234	190	173	96
Lost Time Injuries	12	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 65).
 2. Lower rates are desirable for Lost Time Injury Rates; higher rates are desirable for Hazard Observation Rates.

Plans are in place to expand certification across other manufacturing sites, starting in 2024. In addition, our Deeside and Michalovce sites maintained their ISO 45001 (Occupational Health & Safety Management) certification, with plans to expand this further from 2024. We recognise the value of aligning our practices to international standards.

There were no fatalities on our estate in 2023, maintaining our record of zero events. The target of sustaining our Operations Lost Time Injury Rate (LTIR) per 200,000 hours worked below 0.22 by 2025 remains on track.

The continuation of our proactive approach to engagement and hazard elimination has sustained our Operations Hazard Observation Rate above the target of 200 per 200,000 hours worked for 2023, enabling the identification and elimination of a significant number of hazards across our sites, reflecting the safety focus of our operations teams.

In addition, the continued focus on engagement, safety leadership and proactive behaviours has also contributed to a reduction in the total number of accidents incurred, resulting in a 40% reduction from 2022, improving the working environment and safety for all employees.

Responsible business review - commerce

BEHAVING ETHICALLY AND TRANSPARENTLY



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

“At Convatec, one of our core values is Do what’s right, as we know that how we do business matters. Our commitment to responsible business practices on important topics such as human rights, environmental stewardship and ethical and transparent behaviours extends to all those who we work with - colleagues and through our global supply chain. Across Convatec, we are committed to building stakeholder trust and confidence by meeting standards that demonstrate our ESG commitments in action.”

2023 highlights

- Strengthened third party and supply chain risk management practices
- Launched human rights training for employees
- Enhanced conflict of interest reporting and risk assurance processes

2024 priorities

- Expand supplier ESG engagement
- Enhance third party risk management programme
- Increase scope of human rights training for colleagues

Protecting and enhancing our reputation with all our stakeholders



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. Audit and Risk Committee (ARC) meets with the Chief Compliance Officer quarterly. 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 ethical 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 (Speak up) and web link for employees and third parties (<https://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, ensuring that any resulting investigation and outcome of any significant issues are overseen by the ARC (see page 41).
- Regular onsite or computer-based monitoring of business activities to assure that they are consistent with policy, including the Code of Conduct.
- Providing an additional 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.

In 2021, we set a target to ensure at least 95% of employees are trained on our Code of Conduct annually. We achieved that target in 2022, and due to a transition to a new learning management system in 2023, training rates dropped to 90%. Plans are in place to drive participation on our new system in 2024.

In 2023, we further enhanced our conflict of interest measures by piloting a web-based survey mechanism that invites

managers to identify actual or potential conflicts of interest, with plans to expand the scope of survey participants to include all management roles by 2025.

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. In recent years we have refreshed our 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, and addresses a range of issues including equal opportunities, anti-harassment and dignity at work. The policy underpins the way we work with each other, with partners, and with suppliers and so in 2023, we launched an annual training around the policy’s principal areas of focus. These include:

- Compulsory labour
- Human trafficking
- Supply chain concerns

In 2023, our cross-functional Human Rights Committee, a sub-group of our ESG Steering Committee, continued driving forward this important agenda. Chaired by our Chief People Officer, 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.

Consistent with our core values, we are passionate about embedding a culture of respect within Convatec, with this in mind a Global Human Rights e-learning module was developed and launched in 2023. This interactive module guides all Convatec colleagues through important subjects such as human trafficking prevention, speaking up and environmental issues.

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 2023, we continued to participate in a number of MedTech Europe and AdvaMed meetings and discussions regarding key legal, ethical, compliance topics, including HCP interactions, as well as other ESG areas.

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 below for more on our approach to disclosures and memberships.

Supplier due diligence and contracting

To help protect against the risk of a third party acting unethically, our teams conduct a range of due diligence and related activities. We require that new suppliers agree to adhere to our third-party compliance manual, or demonstrate adherence to the principles stated therein, which may derive from their own codes of conduct. Our manual covers a range of topics including commitments to the International Labour Organisation conventions and the Principles of the UN Global Compact (UNGC) and environmental protections. It extends our Code of Ethics and Business Conduct and our Human Rights and Labour Standards Policy to the supply chain. 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.

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, contract manufacturers, and transport and

logistics companies. 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.

Convatec’s sustainability requirements are now part of our standard Request for Proposal and contract documentation so that all new suppliers understand and accept these at the start of our trading relationship.

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

- nine suppliers represent approximately 80% of our contract manufacturing spend
- five suppliers represent approximately 60% of our logistics spend
- Our raw materials supply chain is more diverse, with 42 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 work with partners who share our sustainability ambitions, aligned to our core values and can support our journey. We have communicated our ambitions to our partners, including setting out our monitoring arrangements for sustainability performance, expectations around minimum standards and requirements for annual disclosure of greenhouse gas emissions (GHGs), commitment to setting science-based targets and the publishing of carbon reduction plans. We will continue to embed these standards in 2024 across the Company, including our commitment to monitor and ensure a risk-based audit programme are in place. Expectations vary based on their industry and magnitude of the supply relationship, taking a proportionate approach so that we focus on the suppliers and supply categories that have the largest impact and influence on our sustainability performance.

Ratings

Rating organisation	2023	2022	2021	2020	2019
ISS	B	B	B	B-	B-
Sustainalytics Risk Rating ¹	16.6	14.5	14.6	15.2	15.3
MSCI ²	AAA	AAA	AA	AA	A
CDP	B	C	B	B	C
WDI	73%	43%	54%	60%	19%

1. As at June 2023, Convatec rated low risk. Lower scores are desirable for Risk Rating.
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 - planet and communities

PROTECTING THE PLANET AND SUPPORTING COMMUNITIES

How we operate and our contribution to the world around us



John Haller
EVP, Chief Quality & Operations Officer

"We've advanced our transition planning, have set clear emissions reduction targets, and continued to expand our renewable energy infrastructure across our manufacturing sites. We've validated our Science Based Targets and are committed to reach net zero by 2045. While we can more easily manage things we control directly, we cannot meet our targets without working with partners in our global supply chain.

We continued to focus on communities, and launched an exciting new partnership with Partners In Health, alongside a range of initiatives to encourage colleagues to make a difference."

2023 highlights

- Near-term science-based targets¹
- 100% renewable electricity across all manufacturing sites
- Shaped carbon transition plan and identified priorities
- 240,000 HCPs engaged in medical education programme
- Launched pilot community health worker programmes with Partners In Health

2024 priorities

- Continue to advance our transition plan
- Progress ISO 14001 (Environmental Standard) Certification across all manufacturing sites
- Prepare for waste diversion from landfill certification
- Enhance our water stewardship effort
- Expand medical education programmes

1. Validated science based target baseline in 2021.

Our climate ambition and transition plan

Convatec's strategic climate ambition is to achieve net zero by 2045. We are committed to delivering our vision whilst enabling ESG-related activities and transitioning to a 1.5°C-aligned net zero economy. As part of our annual report, we are sharing an update on our progress, in line with the UK Transition Plan Taskforce Disclosure framework. This section of our report covers the commitments and actions we are taking to support the transition. Our plans provide the foundation of our climate risk management response and transition to net zero.

Convatec Cares, our ESG framework, sets out our priorities (see page 39). Each of the four pillars in our framework contributes to our role in the transition to a net zero economy.

- **Customers:** We are committed to delivering products and solutions that meet the needs of our patients and customers, ensuring efficacy, quality and safety, as well as seeking ways to continually reduce their climate impact (see page 48).
- **Colleagues:** We have developed climate-related digital tools to support teams to drive our ambition. We are also raising awareness internally of environmental sustainability and our impact (see page 52).
- **Communities:** Our validated near-term science-based targets include our commitment to reduce Scope 3 emissions by 52% per sold product by 2030, from our 2021 baseline. This target specifically includes the emissions from purchased goods and services (category 1), upstream transportation and distribution (category 4) and waste (category 5).
- **Commerce:** We are working closely with suppliers to support value chain decarbonisation and communicated requirements for suppliers to set SBTs (see page 57).

For more information on our alignment with the Transition Plan Taskforce Disclosure framework, see page 214.

Our climate-related targets²

2030 near-term carbon targets

- 70% Scope 1 and 2 absolute reduction
- 52% Scope 3 reduction per sold product (including Category 1: Purchased goods and services, Category 4: Upstream transport and distribution and Category 5: Waste generated in operations)

2045 long-term carbon target

- 90% absolute reduction Scope 1, 2 and 3 including 100% neutralisation of limited residual emissions by 2045.

Energy:

- 80% renewable electricity by 2025 and 100% by 2030.

Resource use

Water:

Deliver sustainable water withdrawal at high water-stressed locations and develop our water management practices at all locations.

Waste:

Reduce the amount of production waste leaving our plants and to certify our waste diversion from landfill practices by 2030.

Supplier engagement:

Suppliers covering 60% of our Scope 3 category 1 emissions to have committed to set science based targets by 2026.

2. Target baseline year is 2021.

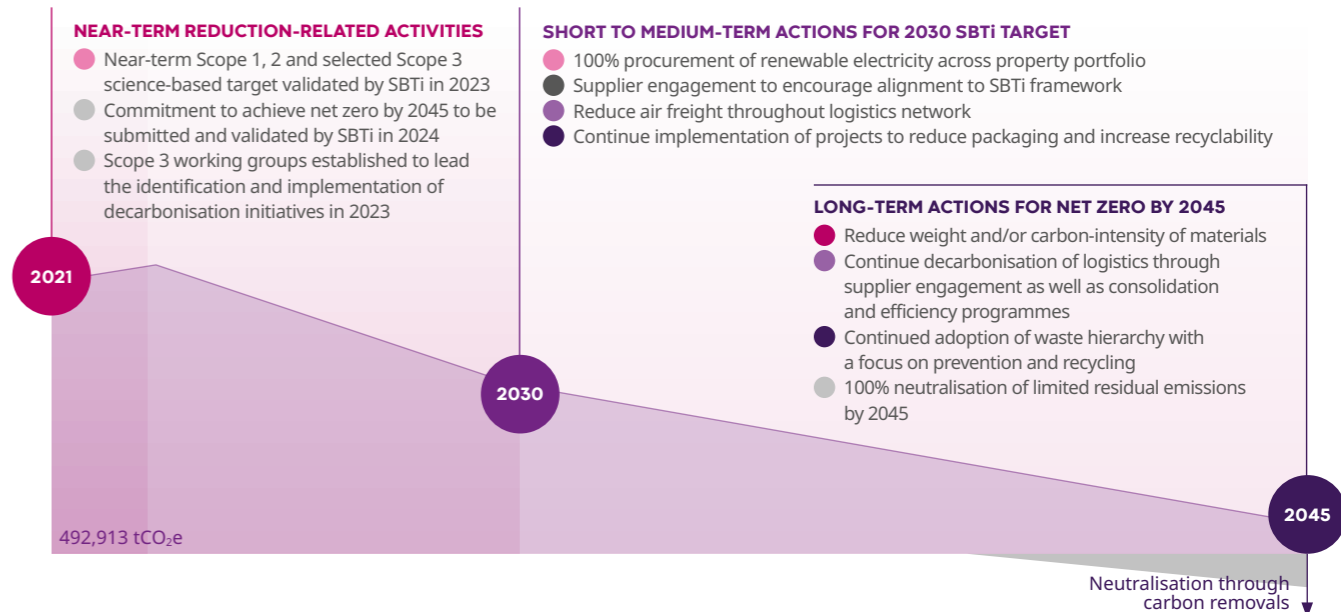
Our ESG Steering Committee brings together CELT members who are driving our net zero ambitions, supported by working groups to identify and implement decarbonisation plans

See also: Environmental policy at www.convatecgroup.com/sustainability/esg-reports-and-data and our TCFD disclosure on page 66.



Renewable electricity generation installed at our UK manufacturing site in Deeside during 2023.

CONVATEC'S AMBITION TO NET ZERO



KEY

Developing plans across our key levers

- **Product:** We are building up a database of emission factors for materials and products across our portfolio. The development of our strategy is contingent on this exercise to highlight where our impact hotspots are, what material change options there are as well as any other design changes which will deliver emission reductions. We expect this to complete in 2024.
- **Net zero target validation and Scope 3 milestones**

● **Logistics:** The logistics software we use gives us a granular view on transport movements across the network. We have identified some key reduction levers related to productivity efficiencies, reduction of air freight, shifting to lower-carbon suppliers etc.

● **Supplier engagement:** Our strategy is in action, and we have set up a programme for continual data collection and analysis to increase supplier alignment to net zero.

● **Direct operations:** We have reduction plans for our Scope 1 and 2 and are using emissions and energy consumption metrics to monitor performance against targets.

● **Packaging:** Our strategy is based on a prioritisation of new product development and alignment to the waste hierarchy. For primary packaging, our focus is on recycling and prevention, as many materials are non-recyclable and paper/plastic blends. For secondary and tertiary packaging our focus is prevention as 100% of our cartons and shipping boxes are paper-based and therefore recyclable.

We recognise that our plans to achieve a net zero transition will require Company-wide collaboration on a range of risks, challenges and solutions. These are outlined in the table below and in our TCFD narrative (page 66).

RISKS, CHALLENGES AND SOLUTIONS

Risks	Challenges	Solutions
Use of data	More accurate data is needed to baseline our impact and identify potential emission reduction options. (Including T4 ¹ and T5 ¹)	There are ongoing initiatives across the business to collate primary data and minimise assumptions. We need to ensure the source data is used effectively. This will allow Convatec to evidence the impact of decarbonisation initiatives.
Strategic and financial planning	Dedicated resource is needed to progress and enhance innovation as it relates to decarbonisation at Convatec. Otherwise Convatec risks not being able to achieve its target. (Including T1 ¹ and R1 ¹)	The incorporation of climate considerations into the annual strategic planning process is a step forward in identifying the required financial resource required. Our intention is to further integrate climate across other decision-making frameworks to ensure financial resource is budgeted.
Regulation	Limitations in material and design options associated with medical safeguards and material regulation. In addition, there is a long lag time to realise emission reductions due to lengthy regulatory processes as well as the long lifetime of our products. (Including P3 ¹ and P4 ¹)	Convatec's strategic planning is core to developing near-term plans, and through our Product Sustainability and Scope 3 emissions working group, we are considering longer-term actions required to achieve net zero.
Efficacy priorities	Product safety is our top priority. It is essential that in achieving our climate ambitions we do not compromise on the efficacy and safety of products. Nonetheless, this should not stop us from innovating design for new and legacy products. (Including T2 ¹)	Through engagement with value chain partners as well as more broadly across the industry, we aim to overcome some of the barriers preventing accelerated decarbonisation, such as low-carbon materials.
Technology limitations	There are limited material and design alternatives that are readily and easily implementable given a range of regulatory considerations in the MedTech sector. (Including T3 ¹)	Investing in resources like our Green Design Guidelines helps to drive sustainable behaviours through the identification and review of potential alternatives.
Physical risk	In addition to our decarbonisation levers, we are also cognisant of the need to implement climate adaptation measures to ensure the resiliency of operations at our manufacturing facilities under physical climate hazards. (Including Ph1 ¹ , Ph2 ¹ , Ph3 ¹)	To supplement our contingency plans, capital investment programmes mitigate the risks of physical climate-related risks on our business. Measures across our broader operations and supply chain also help to mitigate future risks, levels of safety stockholding to minimise any impact of production downtime, alternative production locations for key product lines and different sources of raw material suppliers.

1. Refer to pages 68 and 69 for TCFD identified risks and opportunities.

Responsible business review - planet and communities continued

Scope 1 and 2 GHG emissions

During 2023 we validated our near-term science-based targets to reduce our combined scope 1 and 2 emissions by 70% by 2030, from our 2021 baseline.

Our 2023 Greenhouse Gas (GHG) emissions under the market-based method totalled 16,142 tonnes CO₂e (2022: 24,653), equating to an in-year reduction of 34.5% (2022: 31.9%). This reduction was achieved through improved energy efficiency and sourcing of renewable electricity at all nine of our global manufacturing locations. Our fleet of 1,312 vehicles (2022: 1,157) generated emissions of 6,790 tonnes CO₂e (2022: 6,075), and our refrigerant gas emissions amounted to 776 tonnes CO₂e (2022: 746).

Energy consumption

In 2023, total global energy consumption was 133,713 MWh (2022: 137,615 MWh).

Energy efficiency

In 2023, our overall energy intensity ratio reduced by 6% (2022: 4.7%) through implementation of our global energy efficiency programme. We are prioritising the reduction of our absolute energy consumption as the key means for reducing emissions. We continue to identify and implement projects to improve our energy efficiency by leveraging sources such as mandatory Energy Savings Opportunity Scheme (ESOS) audits, voluntary internal energy audits and best practice sharing across our sites.

Energy efficiency projects to reduce our Scope 1 and 2 emissions in 2023 included; energy efficient chiller installation, steam system efficiency improvements, smart metering, air handling unit retrofits, compressed air heat recovery system and LED lighting.

Renewable energy

As part of our Scope 1 and 2 science-based targets, we have committed to procuring 80% of our electricity from renewable sources by 2025, reaching 100% by 2030. As of 2023, renewable electricity accounts for 95% of total electricity consumed (2022: 69%) with 100% renewable electricity procured at all of our manufacturing sites.

During 2023 we expanded the amount of renewable energy we generated from owned sources 1,448 MWh (2022: 109 MWh), through the installation of roof-mounted solar PV at our manufacturing sites in Deeside, UK, and Osted, Denmark and further generating capacity added at our facility in Haina, Dominican Republic. We continue to develop project feasibilities within our efficiency project pipeline.

Information about the methodology we use for disclosing renewable energy in relation to our Scope 1 and 2 emissions can be found in our basis of reporting document (page 65).

GHG (market-based method) (tonnes CO₂e)^{1,2}

	2023	2022	2021	2020
Scope 1 (Global)	14,632	14,395	14,931	5,608
Scope 1 (UK)	2,867	3,202	3,107	2,012
Scope 2 (Global)	1,510	10,258	21,255	24,650
Scope 2 (UK)	72	70	29	-
Total GHG emissions	16,142	24,653	36,186	30,258
Total UK	2,939	3,272	3,136	2,012

GHG (location-based method) (tonnes CO₂e)^{1,2}

	2023	2022	2021	2020
Scope 1 (Global)	14,632	14,395	14,931	5,608
Scope 1 (UK)	2,867	3,202	3,107	2,012
Scope 2 (Global)	23,430	23,210	25,872	27,169
Scope 2 (UK)	2,403	2,200	2,348	2,433
Total (Global) GHG emissions	38,062	37,605	40,803	32,777
Total UK	5,270	5,402	5,455	4,445

Scope 1 and 2 GHG emission intensity (tonnes/\$m revenue)^{1,2}

	2023	2022	2021	2020
GHG emission intensity (location basis)	17.8	18.1	20.0	17.3
GHG emission intensity (location basis, UK)	2.5	2.6	2.7	2.3
GHG emission intensity (market basis)	7.5	11.9	17.8	16.0
GHG emission intensity (market basis, UK)	1.4	1.6	1.5	1.1

1. Please refer to our Basis of reporting for accounting methodologies (page 65).
2. In 2023, 3% of total Scope 1 and 2 emissions is estimated; 2022: 2.6%.

Total energy consumption (by function) (MWh)^{1,2}

	2023	2022	2021	2020
Manufacturing locations	95,374	103,131	103,207	95,523
Non-manufacturing locations	9,969	9,770	10,736	6,205
Company vehicles	28,370	24,713	28,017	-
Total energy consumption	133,713	137,615	141,961	101,728
Total UK energy consumption	25,922	25,856	25,339	10,381

Total energy consumption (by fuel source) (MWh)^{1,2}

	2023	2022	2021	2020
Non-renewable electricity	3,451	22,748	43,252	66,047
Renewable electricity	64,464	50,999	31,869	10,607
Natural gas	35,218	38,609	38,130	24,766
Propane	1	-	-	-
District heating	1,538	464	642	254
Diesel	671	82	51	53
Company vehicles	28,370	24,713	28,017	-
Total energy consumption	133,713	137,615	141,961	101,728

Energy intensity (GWh/\$m revenue)^{1,2}

	2023	2022	2021	2020
Energy intensity	0.062	0.066	0.070	0.054

1. 2.5% is estimated for 2023 data; 2022: 2.4%.
2. See our basis of reporting (page 65) for reporting methodology.

Scope 3 emissions

The accuracy of Scope 3 emissions measurement is dependent on strong engagement with our suppliers and partners to collect primary data to replace spend-based emissions factors. During 2023 we collected 8% of Scope 3 data from primary sources (2022: 2%). These numbers were collected through direct engagement or use of third-party platforms such as EcoVadis, which we encourage our suppliers to use to improve transparency and encourage continuous improvement. In 2023, we achieved our target of ensuring that a minimum of 80% of Convatec's spend is with suppliers with whom we have engaged to request their participation in EcoVadis.

In 2023, our Scope 3 GHG emissions totalled 459,590 tonnes CO₂e (2022: 491,162). The reduction in total Scope 3 emissions is due to the increased use of primary data from suppliers and efficiencies in transportation costs. See our basis of reporting on page 65 for full accounting methodologies, including exclusions.

Our GHG reporting follows the methodologies set out in 'The GHG Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)', developed by the World Business Council for Sustainable Development and the World Resources Institute.

Biodiversity

Guided by the results of our materiality assessment, page 44, our focus in 2023 has been on the climate change impact of our business and achieving validation of our science-based carbon reduction targets. However, we recognise the importance of biodiversity and nature-based topics and the associated impact of our products and operations. In recent years we have completed life cycle analysis studies in each of our business units and a water risk assessment to analyse water quality risks at our global manufacturing sites. The results of these studies have provided initial data on biodiversity and we will continue to deepen our understanding of our impacts on natural capital throughout the value chain and take actions to address the highest risk areas.

Water

During 2023, working with expert partners, we have updated our water risk assessment (using WRI Aqueduct 4.0 Water Risk Atlas and Ecolab Smart Water Navigator), based on 2022 operational data. We confirmed that the relative sustainability of our water uses and the inherent risks to our operations in each global location remains similar to last year. Our manufacturing site in Reynosa, Mexico, remains the only site with high baseline water stress

Scope 3 emissions (tCO₂e)¹

	2023	2022	2021
Category 1: Purchased goods and services	283,780	295,482	299,007
Category 2: Capital goods	54,416	51,301	31,562
Category 3: Fuel and energy related activities	7,670	8,214	8,732
Category 4: Upstream transport and distribution ²	53,131	83,078	63,843
Category 5: Waste generated in operations	3,524	3,055	5,200
Category 6: Business travel	8,576	2,698	1,428
Category 7: Employee commuting ²	6,635	7,315	7,284
Category 12: End of life treatment of sold products	41,858	40,020	39,670
Total Scope 3 emissions	459,590	491,162	456,727
Total emissions (Scope 1, 2 and 3)	475,732	515,815	492,913

1. Please refer to our Basis of Reporting for accounting methodologies including exclusions (page 65).
2. Data restated in 2021 and 2022 to include well-to-wheel emissions.

and consequently a medium water withdrawal risk. As such, this site was prioritised for target setting and facility level engineering. A facility level assessment was completed to identify opportunities to reduce our clean water demands and improve water efficiency. Our short-term sustainability target has been confirmed using a combination of sub-metering, water recycling and reuse, and low flush rest room facilities. In addition, a desk-top survey identified key water opportunities and challenges within the local catchment (both surface water and groundwater), and key water stakeholders have been identified and mapped. These actions are aligned with our progress to become water stewards, working with others in the catchment to reach sustainable water management. The Alliance for Water Stewardship (AWS) Audit Ready Tool has been used to indicate progress against the AWS Standard at Reynosa, and key staff members at both the Reynosa and Haina (Dominican Republic) facilities have undergone initial water stewardship training.

As part of our preparation for water stewardship certification, we have also developed a suite of water reduction projects at our high-risk locations, to reduce our water withdrawal. Projects implemented during 2023 include retrofit of efficient restroom appliances and recovery of water during fire pump tests for maintenance purposes.

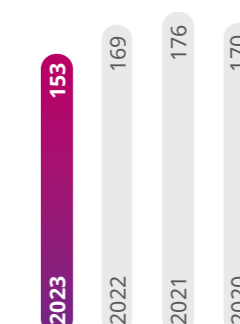
In 2023, we withdrew approximately 153 megalitres of water (2022: 169 megalitres), all of which was provided by municipal water suppliers or other public or private water utilities. The majority of water (95%) is withdrawn at our manufacturing sites in the Dominican Republic, Mexico, Slovakia and the 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 (2023: 0.2%, 2022: 0.01%). In 2024, our focus will

remain on achieving our sustainability water targets and becoming positive water stewards at all of our plants. We will continue to monitor water risks at our facilities and prepare for water stewardship certification at our priority sites.

6,015 tonnes of water (2022: 5,641 tonnes) are tankered offsite as hazardous waste, the vast majority relating 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, 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)



Responsible business review - planet and communities continued

Waste generated (tonnes)

	2023	2022	2021	2020
Non-hazardous waste				
Disposed of	8,499	9,655	13,599	11,806
Recycled	2,779	3,425	2,990	2,120
Generated	11,278	13,080	16,589	13,926
Hazardous waste				
Disposed of	98	69	82	72
Recycled	6,073	5,789	5,606	5,337
Generated	6,171	5,858	5,688	5,409
Total generated	17,449	18,938	22,277	19,335

Fate of non-hazardous waste generated (%)

	2023	2022	2021	2020
Recycled	25%	26%	18%	15%
Incineration (with energy recovery)	18%	27%	16%	10%
Incineration (without energy recovery)	1%	0%	0%	0%
Landfill	56%	47%	66%	75%

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. We also recognise that there are a range of benefits to communities and society as a result of our products, services and jobs directly and indirectly created.

	2023 \$m	2022 \$m	2021 \$m	2020 \$m
Direct economic value generated	2,142.4	2,072.5	2,038.3	1,910.8
Economic value distributed				
Operating costs ¹	937.1	990.4	962.3	891.7
Employee wages and benefits	701.3	648.5	650.1	579.7
Payments to providers of capital ²	223.2	312.8	262.7	254.0
Payments to governments ³	61.2	45.7	47.6	56.3
Community investment ⁴	1.3	0.7	1.5	0.7
Economic value retained	218.3	74.4	114.1	128.4

- 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.
- 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.
- 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.
- Calculated as costs associated with charitable community donations. Excludes product donations. See page 63 for calculation of value to communities.

Waste

During 2023, we have built on the work undertaken in recent years to analyse our waste processes and disposal practices globally. We have implemented waste segregation trials at key sites to improve data quality and identify opportunities for increased recycling and reuse of materials, with the aim of raising waste streams up the waste hierarchy. This will allow us to reduce the amount of production waste generated and increase our production recycling rates. Our ambition is to achieve waste diversion from landfill certification at all global manufacturing sites by 2030. We intend to stage the journey, beginning with key sites and bring all global sites up to the same level of maturity by 2030. During 2024 we will complete gap analysis assessments at the first sites, for which we aim to achieve waste diversion from landfill certification in 2025.

The table (left) shows our waste recycling and disposal performance over the last four years for both hazardous and non-hazardous waste. Non-hazardous waste represents 65% (2022: 69%) of the total waste generated and the chart indicates the proportion of this waste recycled is 25% (2022: 26%) and the proportion disposed of to landfill is 56% (2022: 47%). The increase in waste sent to landfill and incinerated without energy recovery is due to a change in waste provider at our manufacturing site in Haina, Dominican Republic. Work is currently being undertaken to complete a baseline analysis of the waste generated in Haina, and on completion we will be investigating opportunities to improve disposal rates of the waste streams as part of a drive to achieve waste diversion from landfill certification.

Hazardous waste represents 35% of total waste generated (2022: 31%) and 98% of this is recycled (2022: 99%). The increase in hazardous waste generated in 2023 is due to increased production rates at our manufacturing site in Rhymney, UK, where 98% of our hazardous waste is generated (2022: 97%). The recovery process is described on page 61. Of the residual hazardous waste, 1% is disposed of to landfill (2022: 1%).

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

Forever caring is a promise we make to the communities in which we operate.

Globally, our approach is to support community partnerships on issues that closely align with our vision and values, and where the majority of our people and impact is made. In recognising that the way in which we operate enhances the contribution we make to local communities, we maintain partnerships with select non-governmental organisations (NGOs) to achieve maximum impact. These partnerships focus on issues of healthcare access/ equity, education and disaster relief.

Partnerships

We continued our support to the Disasters Emergency Committee in 2023 by contributing to their Turkey-Syria Earthquake appeal after the devastating earthquake in February 2023. In order

to support our colleagues in the region, we also donated products to the Wound, Ostomy and Incontinence Nurses' Society (WOINS) – a registered NGO in Turkey which provided aid to those injured. We continued our support for the Red Cross providing humanitarian relief in Ukraine through donating more than \$630,000 worth of Convatec products from across our portfolio in 2023.

In line with our ESG commitment to establish new NGO partnerships and funding commitments, in 2023 we launched a multi-year partnership with the international NGO Partners In Health (see page 64).

Engagement and volunteering

Throughout the year, Convatec colleagues spent hundreds of hours in their communities, participating in volunteering activities on issues that matter to them. For the second year, we hosted Forever Caring month to encourage colleagues to get involved in their communities and utilise Company supported volunteering time. Stories are shared and celebrated as a way to witness our forever caring promise for communities.

Our two-day volunteering policy makes it easy for colleagues to engage in community service. Business units, functions and our ERGs contribute to further local market activities as well.

→ For a short summary of Forever Caring month, watch this short video <https://vimeo.com/899871065/3467918b4a>

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 2022, 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 2023 – supporting almost 3,000 HCPs with medical education grants alone.

Our commitment continues with expansion and global reach of Wound Hygiene Academy training, along with the introduction of a National Wound Hygiene day on 4 October 2023, where we partnered with healthcare professionals to host education events worldwide. We also continue to collaborate with the Welsh Wound Innovation Centre (WWIC) through a series of scientific & clinical e-learning programmes for healthcare professionals worldwide. To date, from five programmes, WWIC have educated over 631 delegates from 12 countries, exceeding our original goals for the programme.

2023 VALUE TO COMMUNITIES



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

\$1.3 million
to community partners through programming and disaster relief

\$2 million+
Product value donated to charity partners¹ (2022 - 2023)

240,000+
HCPs and patients participated in educational programmes

\$475,000+
in medical education grants supporting over 3,000 HCPs

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

Responsible business review - planet and communities continued

In 2023, Convatec began a three-year collaboration with Partners In Health (PIH) to explore innovative methods for recruiting, training and deploying over 1,000 Community Health Workers (CHWs) and enhance treatment of chronic conditions.



OUR PARTNERSHIP GOALS:

- Enhance care for underserved communities in **Mexico, Peru** and the **United States**, with potential to scale elsewhere
- Improve over **250,000** lives by activating CHWs to provide high-quality services and home visits
- Share our expertise in managing chronic conditions to support vulnerable populations

IMPACT AREAS:

- Financial support: **\$2 million** will support training and recruitment of CHWs, with a 10:1 social return on investment
- Product: Convatec will **donate products** to support other PIH sites, including programmes in Sierra Leone, Liberia and Haiti
- Education: Our Medical and Clinical Affairs teams **lead adaptation and sharing of materials** to upskill a range of PIH health workers globally

CELT visited PIH colleagues in Boston in October 2023 to learn more about the Community Health Worker model and discuss areas of collaboration.

“PIH is proud to work with Convatec in this new, multifaceted partnership to improve care for patients living with chronic conditions. We’re especially pleased that Convatec deeply understands the transformative role of community health workers in managing chronic health conditions and in promoting the health and wellness of the communities in which they live.”

Dr. Sheila Davis
CEO, Partners In Health

→ For more information on PIH, visit their website at www.pih.org



© Partners In Health

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 2023. 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 outlined in 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 2023 disclosures (performance data) from the review:

- Greenhouse gas emissions: Scope 1 (14,632 tonnes CO₂e); Scope 2 (market based) (1,510 tonnes CO₂e); Scope 2 (location based) (23,430 tonnes CO₂e) (page 60)
- Emission intensity (location based: 17.8 tonnes CO₂e/\$million revenue and market based: 7.5 tonnes CO₂e/\$million revenue) (page 60)
- Energy consumption (133,713 MWh) (page 60)
- Energy intensity (0.062 MWh/\$million revenue) (page 60)
- Health and safety: operations lost time injuries and rate (0.22) and hazard observation rate (265) (page 55)
- DE&I and Wellbeing: percentage of females in senior management and CELT (44%) (page 54)
- Quality: Complaints per million, added to the assurance scope in 2023 (44.5) (page 17)

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



Basis of reporting and ESG definitions

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

Completeness of information

The information contained in the Responsible business review section of our 2023 Annual Report and Accounts covers all operations over which we had financial control for the 2023 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.

TCFD disclosure

The Task Force on Climate-related Financial Disclosures

Statement of Compliance

Convatec is committed to continued adoption and alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Our disclosure follows the recommendations and is compliant with the UK Government's introduction of reporting requirements through the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

We are compliant with the requirements of the FCA Listing Rule LR 9.8.6R(8) on climate-related disclosure, the table below summarises where we are reporting consistently against the TCFD recommendations and recommended disclosures. 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 58 to 65.

Recommendations	Relevant information	Status	Page ref
GOVERNANCE			
a) Board oversight	<ul style="list-style-type: none"> Responsibility for the identification and management of climate-related matters Frequency of engagements on climate-related matters 	Comply	Page 67
b) Management's role	<ul style="list-style-type: none"> How climate is integrated across business processes and frameworks 	Comply	Page 67
STRATEGY			
a) Climate-related risks and opportunities	<ul style="list-style-type: none"> Description of time horizons used in the analysis Climate risks and opportunities identified 	Comply	Page 68
b) The impact of climate-related risks and opportunities	<ul style="list-style-type: none"> Climate scenario analysis, including qualitative and quantitative impact assessment results and the management response measures Climate integration in financial planning processes and climate transition plan on alignment to net zero 	Comply	Page 68
c) The resilience of the organisation's strategy	<ul style="list-style-type: none"> Description of climate scenarios used Conclusion on climate resilience under different scenarios 	Comply	Page 72
RISK MANAGEMENT			
a) Describe the organisation's processes for identifying and assessing climate-related risks	<ul style="list-style-type: none"> Process and methodology to identify and assess climate risks and opportunities 	Comply	Page 73
b) Managing climate-related risks	<ul style="list-style-type: none"> Process to identify and select risk controls 	Comply	Page 73
c) Integration into overall risk management	<ul style="list-style-type: none"> Overview of climate integration in Convatec enterprise risk management framework 	Comply	Page 73
METRICS AND TARGETS			
a) Climate metrics	<ul style="list-style-type: none"> Overview of climate metrics and targets used to monitor performance Climate metrics used to monitor risk and opportunity exposure included in R+O table 	Comply	Page 75
b) GHG emissions	<ul style="list-style-type: none"> Scope 1, 2 and 3 GHG emissions reported in responsible business section 	Comply	Page 75
c) Climate targets	<ul style="list-style-type: none"> Climate commitments to align with the low-carbon transition and to reduce our exposure 	Comply	Page 75

Governance

Our ESG framework, described on pages 39-41, outlines the responsibility of the Board and management specifically around climate-related issues and the frequency of meetings where these topics are discussed. Whilst the Board has oversight and the CEO overall responsibility for climate matters, the following describes the governance roles involved in identifying and managing climate risks and opportunities (R+Os) and reporting these to the business.

Identifying R+Os: Climate-related risks and opportunities are identified by the TCFD working group. The risks and opportunities are discussed and reviewed by the working group team members and Subject Matter Experts (SMEs) from each business unit. This information is cascaded to the ESG Steering Committee who then refers up to the Audit and Risk Committee (ARC) and the Board.

Managing R+Os: Risk controls are identified by affected business units, with the support of the TCFD working group and risk team. In a bottom-up approach, risk owners are identified in each business unit and are given responsibility to identify appropriate controls, monitor risk exposure and provide updates each quarter. In addition, some controls are defined in a top-down manner as climate change is managed under the Principal Risk: Environment and Communities. The ARC is responsible for reviewing and approving Convatec's management of all risks.

Frequency of engagements on climate-related matters: Climate is a standing agenda item across most Board and management committees. There were over nine discussions on climate-related matters in 2023. For further details on the frequency of meetings please see page 40.

Climate change is considered across different business units and functions to ensure accountability and action against our commitments. For example, the ESG Steering Committee, chaired by the CEO, met three times during the year to discuss climate change matters and approve key climate-related activities, i.e. SBTi validation of Convatec's near-term science-based target, the establishment of a Scope 3 working group to drive decarbonisation, and the elevation of ESG activities in strategy and financial planning.

Strategy

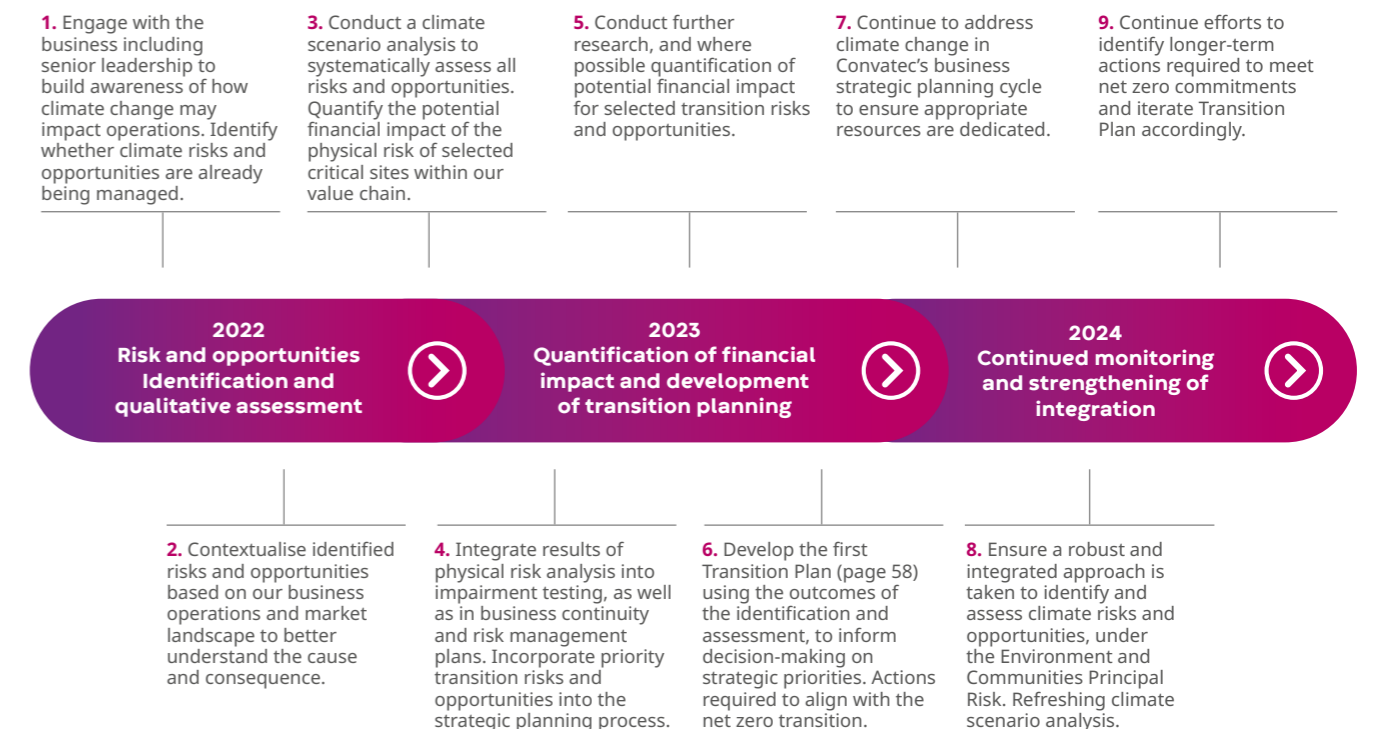
Our approach to climate resilience

Climate-related risks and opportunities have been assessed and managed as a Principal Risk since 2021. However, in recent years, in response to regulatory requirements and as we advance our understanding of climate issues through our approach to ESG strategy, we have undertaken climate scenario analysis to assess and enhance the resilience of our business.

We have adopted a two-layered approach for climate scenario analysis, assessing climate-related financial impacts both qualitatively and quantitatively, to ensure a solid foundation is in place as we advance our ways of working in line with our net zero strategic ambitions. Using a qualitative approach in the first instance has provided a baseline score for all identified material risks and opportunities across climate scenarios and timeframes, which supports the prioritisation of further mitigating action.

As a result of our in-depth climate scenario analysis, we have been able to incorporate climate factors into our strategy planning process and financial statements disclosures (refer to Note 1.3 on page 153). This is an important step as we invest in environmental sustainability initiatives and ensure suitable action is taken to drive resilience and value under uncertain climate scenarios.

Our climate scenario analysis approach



TCFD disclosure continued

Introduction to climate scenarios

The future is increasingly uncertain over the long time horizons used in climate scenario analysis. As such, we draw upon scenarios from the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), the Regional Model of Investment and Development and the Model of Agricultural Production and its Impact on the Environment (REMIND-MAGPie) and the Network for Greening the Financial System (NGFS) to inform the assessment of climate impacts, ensuring our assessment is robust and evidence-based. The temperature outcome scenarios used are diverse, to identify the transition and physical risks. The table below summarises the scenario sources Convatec has used in analysis to date, which are commonly referenced by our sector.

	Ambitious policy	Middle of the road	High warming
Scenario storyline	Paris agreement aligned scenario, where global CO ₂ emissions are cut severely, with ambitious and gradual efforts to limit temperature rise.	Slow, 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 and 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 Action 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	2.6°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 in which climate matters are integrated, and long-term (five years to 2045) to align with Convatec's goal of achieving net zero and the longer-term nature in which climate issues may manifest.

Risk and opportunity qualitative assessment

In the qualitative assessment, we score each risk identified against impact and likelihood; and opportunity against size and ability to execute. This assessment is granular, and the outcomes provide us with detail on the significance of each risk and opportunity at different intersects of time and future climate scenario.

In the risk and opportunity matrices, we present all risks and opportunities identified and show the relative significance of the potential impact over time,

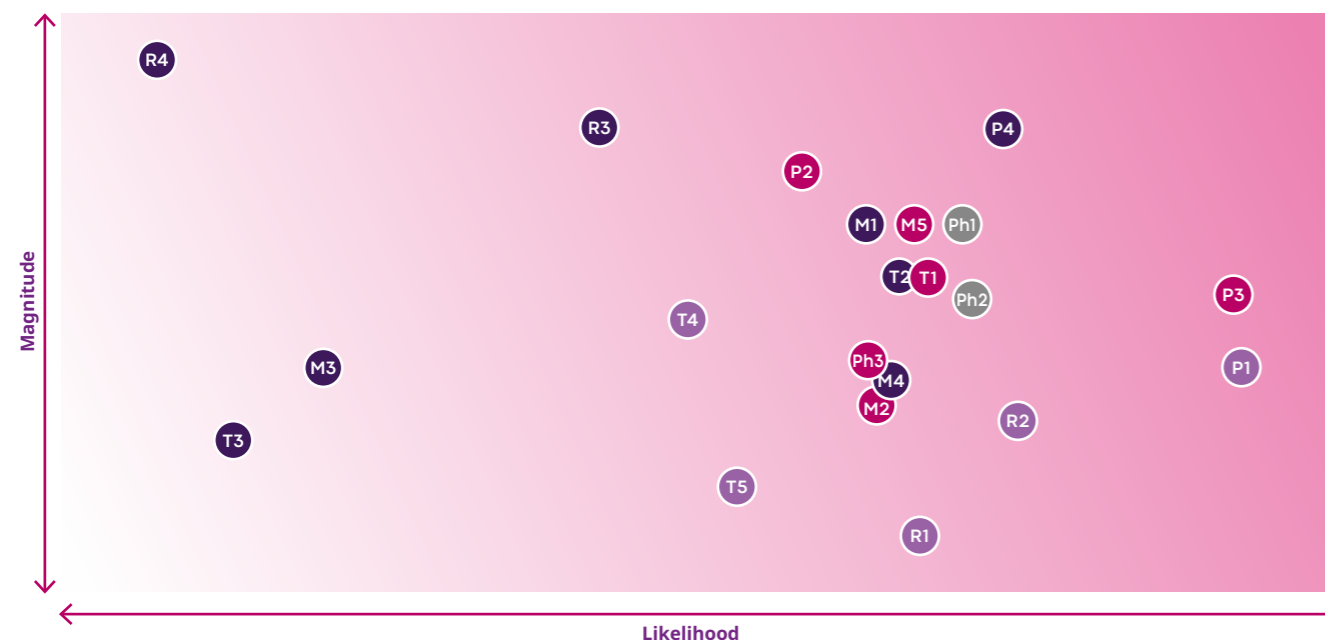
across all climate scenarios. The relative significance is determined by averaging the qualitative assessment scores for each scenario and time horizon intersect. Refer to Convatec's Annual Report 2022, page 80 for our assessment results by climate scenario and time horizon. While it is important to 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. We believe that Convatec has a high ability to execute across all identified opportunities, as these align with our business strategy. As such, whilst we may face some barriers

related to the cost and development of technology, plans are being developed or are being executed.

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

1. Supply chain and sustainable design
2. Direct operations and processes
3. Stakeholder expectations
4. Physical damage and disruption

Risk matrix: consolidated risk scores across time horizons and climate scenarios



RISK CATEGORY KEY

- Supply chain and sustainable design
- Direct operations and processes
- Stakeholder expectations
- Physical damage and disruption

Opportunity matrix: consolidated opportunity scores across time horizons and climate scenarios



OPPORTUNITY CATEGORY KEY

- Supply chain and sustainable design
- Direct operations and processes
- Stakeholder expectations
- Physical damage and disruption

Supply chain and sustainable design	Stakeholder expectations
<p>Risk</p> <ul style="list-style-type: none"> - M1. Increase in price for purchased goods and services - M3. Increased competition to buy oil and gas by-products (e.g. chemicals, plastics) - M4. Higher costs to procure sustainable materials - P4. Increase in regulation on raw materials used in our products - T2. Restricted access to alternative materials due to efficacy priorities - T3. Increased competition for IP ownership on new low-emission products and materials - R3. Customers opt for suppliers providing more sustainable products - R4. Sudden and rapid change in consumer perception of materials used 	<p>Risk</p> <ul style="list-style-type: none"> - P1. Additional costs to comply with evolving regulations and exposure to climate-related litigation - T4. Unsuitable or ineffective use of data to inform decision-making on climate issues - T5. Gap in the use of AI which is fast developing as a critical tool to manage climate risk - R1. Increased investor concern and scrutiny over climate credentials - R2. Customers request greater climate ambition and transparency
<p>Opportunity</p> <ul style="list-style-type: none"> - PM1. Development of lower emission and sustainable materials in products 	<p>Opportunity</p> <ul style="list-style-type: none"> - 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 - OR3. Collaboration in industry and lobbying of governments to address climate impacts
Direct operations and processes	Physical damage and disruption
<p>Risk</p> <ul style="list-style-type: none"> - M2. Change and volatility in energy prices, increase the operating costs of direct operations - M5. Limited availability of renewable energy - P2. Increased pricing of GHG emissions applied to direct operations - P3. Increase in regulations that affect our manufacturing processes - T1. Cost to invest in climate mitigation and adaptation of operations 	<p>Risk</p> <ul style="list-style-type: none"> - Ph1. Increase in repair costs, and loss of productivity at manufacturing sites due to extreme and gradual changes to weather and climate (acute and chronic hazards respectively) - 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
<p>Opportunity</p> <ul style="list-style-type: none"> - RE1. Implementing energy efficiency projects in manufacturing and non-manufacturing locations - RE2. Investment in onsite renewable generations or PPA - RE3. Decarbonisation of heat to reduce reliance on fossil fuels in manufacturing operations 	<p>Opportunity</p> <ul style="list-style-type: none"> - RE4. Reduce water intensity of operations

In the risk and opportunity detail in the following pages, we describe the risk and opportunity drivers. The potential strategic and financial impact is supported by examples of current and future management response options. For additional detail on how we are managing the identified climate risks and opportunities, please refer to our Transition Plan on pages 58-62.

TCFD disclosure continued

Supply chain and sustainable design

The largest proportion of emissions in our value chain are derived from the materials Convatec uses, the majority of which come from petrochemicals. Exploring the feasibility of sustainable design options across our product portfolios, as well as packaging, with a focus on new product development is an essential activity required 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 during transition to a low-carbon economy, which may be passed on to Convatec.
- Lack of opportunity for sustainable material alternatives, and possible bottlenecks in advanced materials due to expected high demand.
- 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.

Opportunity drivers

- Implementation of Convatec's Green Design Guidelines (GDG) digital tool to identify potential alternative lower-emission 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.
- Increase data accuracy through supplier data collection, and increase alignment across the value chain to the SBTi framework.

Possible strategic and financial impact

- Material shortages due to increased competition could result in disruption to production.
- Increased costs for procurement from increased carbon cost which could impact profit margins, or result in loss of sales if products are not priced competitively.
- Investment in R&D to identify and use sustainable material alternatives and to also achieve regulatory compliance.

2023 management response

- In 2023, we created a supplier engagement strategy to increase the number of suppliers with green credentials.
- Continued integration of the Green Design Guidelines and the associated digital product sustainability tool that calculates the emissions associated with materials used in Convatec's product library as well as our packaging solutions.

Future management response

- Further roll-out of the GDGs and digital product sustainability tool across the product development team.
- Invest in suitable resources to monitor trends in material alternatives and availability.

Key KPIs and targets

- Emissions from raw material purchases, with the goal to reduce embodied emissions of products.
- Convatec has committed to reducing Scope 3 GHG emissions, from Purchased Goods and Service, Upstream Transport and Distribution, and Waste by 52% per sold product by 2030 from a 2021 base year.

Direct operations and processes:

In a transition to a low-carbon economy, Convatec will be affected by global and national policy interventions aimed at increasing the cost of emitting carbon. While Convatec is not currently subject to global carbon pricing mechanisms, Convatec may face a change in the cost of energy as well as restrictions on energy 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 Convatec could be faced with the reduced availability of renewable energy or price volatility.

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 Convatec operates in.
- In the energy transition there may be limited availability of renewable energy due to a lack of procurement opportunities, extreme costs and in 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.

Opportunity drivers

- Continued implementation of energy efficiency and GHG reduction measures (e.g. LED lighting, low GWP refrigerant-charged cooling and heating systems).
- Increasing the number of sites with self-generation renewables will decrease Convatec's 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 Convatec's exposure to future increases in the cost of consumption of fossil fuels.

Possible strategic and financial impact

- Increased operational costs associated with renewable energy procurement.
- Large upfront costs to direct capital towards decarbonisation.
- Operational cost savings through the implementation of efficiency measures and avoided transition costs.

2023 management response

- We have decarbonised a selection of our sites through improved efficiency and renewable electricity procurement.
- We have installed on-site renewable energy at three manufacturing sites, and are currently procuring 95% renewable energy.

Future management response

- Introduction of a bespoke carbon price to use within capital allocation to support the investment direction towards projects that avoid GHG emissions or deliver GHG reductions.
- Switch our company cars to all be electric vehicles by 2030.

Key KPIs and targets

Non-renewable energy with the aim to reach 100% renewable electricity throughout the estate by 2030.

Scope 1 and 2 SBT.

- SBTi target of reducing absolute Scope 1 and 2 GHG emissions by 70% by 2030 from a 2021 base year.

Stakeholder expectations:

Convatec recognises 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 are 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 Convatec does not have suitable data, Convatec will not be able to make informed decisions in regard to climate action.
- Stakeholder (including investors and customers) requests for climate information are rising with high expectations on ambition, transparency of disclosure and management of risks and opportunities. For example, the NHS has laid out a supplier roadmap to net zero which sets out requirements to 2030, such as reporting progress against net zero and enhancing product specific data.

Opportunity drivers

Convatec is best placed to respond to stakeholder expectations if Convatec is 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 digital product sustainability tool to improve reporting of emissions across the current and future 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.

Possible strategic and financial impact

- Impact on tenders if Convatec does not meet the 'rules of engagement' or does not progress to its SBTi target.
- Customers switch to alternative suppliers demonstrating accelerated climate action, and Convatec loses sales and market share.
- Reduced access or increased cost of capital if investors switch to better climate-performing stocks.

2023 management response

- Frequent review of investor priorities through consistent engagement to ensure Convatec meets expectations.
- Reviewing performance and reporting on progress against environmental targets.
- Use of ESG rating indices to indicate evolving investor expectations in climate performance.

Future management response

- Continued review of investor priorities as they evolve and assessment of any additional environmental reporting requirements.

Key KPIs and targets

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

Physical damage and disruption:

In the future, gradual climate changes and increased frequency of extreme weather events will have an impact across global value chains. While Convatec is aware of the physical climate hazards most prevalent across our manufacturing sites and can implement adaptation and control measures to reduce the risk, Convatec has less influence over how suppliers are managing climate risk.

Risk drivers

- Damage and disruption at manufacturing sites due to extreme and gradual changes to weather and climate (acute and chronic hazards respectively).
- 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 heatwave events.
- Water security issues 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.

Opportunity drivers

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

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.
- Increased cost of insurance and reduced cover for climate events.

2023 management response

- Convatec has site-specific dependency flows and business contingency plans for each manufacturing and distribution location.
- Infrastructure investment to mitigate potential climate-related business disruption, e.g. back-up generators at our plant in Mexico to address power disruption due to extreme cold weather in the US and additional drainage measures at our plant in Deeside, UK to address flood risk.

Future management response

- Monitor need for further adaptation measures to reduce risk, i.e. flood defences, temperature control at heat-stressed sites.

Key KPIs 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.

TCFD disclosure continued

Risk and opportunity deep dive and financial impact assessment

Over the past year, to strengthen our understanding of climate impacts on the business, we have expanded the depth of our risk and opportunity assessment. Further information on this process can be found on page 74. Our further analysis has included:

- Financial impact assessment of physical risks on key manufacturing assets
- Financial impact assessment of costs associated with the low carbon transition (energy price change, and carbon pricing mechanisms)
- Further research into the potential future disruption in our plastics supply chain associated with regulation and change in supply.

Avoided costs from achievement of target:

The implementation of decarbonisation measures and achievement of target will reduce our emissions intensity of operations and inherently reduce our exposure to transition risks. This presents an opportunity for Convatec to minimise the potential financial impact and demonstrate resilience to uncertain climate changes.

The financial analysis results below show the potential range of impact under different climate scenarios. We present the results as climate-adjusted net present value for the period 2024-2050 in line with a long-term time horizon, indicating the extent and probability of potential losses in the future. Our calculation methodology and key assumptions are described on page 75.

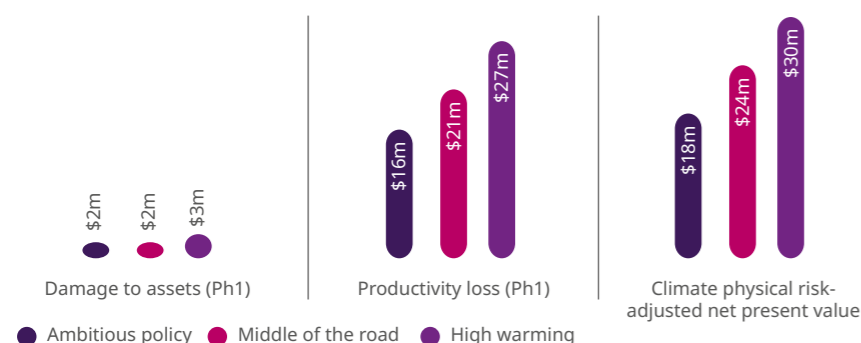
- **Physical risk:** We have considered the potential increase in losses over time, and as such have calculated the delta of future years against this year as a baseline. We have presented this as the net present value of the cumulative cash flow impact for the period 2024-2050, discounted at the Convatec WACC. The results are presented for the 50th percentile, indicating the 'best guess' on the potential impact under each scenario. To provide a 'worst-case' view for the purpose of ensuring appropriate risk controls we have not accounted for physical risk mitigation or adaptation measures that reduce our exposure. Active contingency plans are in place which are described on page 71.

- **Transition risk and opportunity:** These are hypothetical absolute costs which could affect the cost base of our operations in the future. To understand the potential downside, we have assumed a 'worst-case' and less likely scenario where our major operations (all manufacturing assets and material suppliers) are subjected to carbon pricing as a proxy to transition costs. The results presented account for our decarbonisation plan as we are committed to transition to a net zero economy.

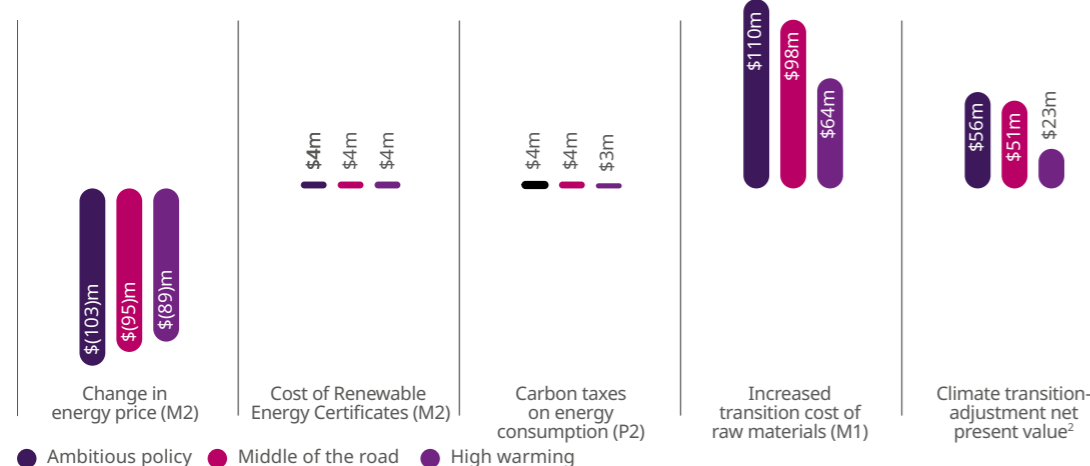
Based on the risks and opportunities quantified only, the results show that transition impacts are more significant to the business than physical climate change. The greatest risk stems from our value chain, reflecting the exposure of high transition costs from procurement of raw materials used in products and packaging. Our commitment to decarbonisation and associated actions (detailed in our Transition Plan on page 58) greatly reduces our exposure to these potential net zero transition financial impacts and contributes to the achievement of our climate strategy.

We believe Convatec is resilient to the potential impacts under different climate scenarios including those that could limit global warming to 1.5°C as well as on the opposite end of the spectrum with more than 4°C warming. Whilst our qualitative and quantitative climate scenario analysis illustrate the potential unmitigated level of financial impact, in reality we already have mitigations in place which reduce our exposure and minimise potential impacts to climate-related events. This is because climate change is a key component of our strategy through our ESG framework.

Physical climate financial impact: NPV (2024-2050)



Climate transition gross financial impact: NPV (2024-2050)¹



1. These represent gross financial impacts. The results of our climate scenario analysis are indicative, in recognition of the uncertainty of future climate impacts. The intention is that the results are used to inform risk management and financial planning discussions. Please refer to the scenario sources used on page 68, and our calculation methodology on page 75.
 2. This includes planned capital investment in decarbonisation (T1).

EVOLVING REGULATORY AND ENVIRONMENTAL IMPACTS*

- US** – A new bill in California will require all plastic packaging to be recyclable or compostable by 2032. With a large share of our market output, the value chain operations throughout the US contributes the most to the overall financial impact.
- UK** – The UK has introduced a plastic packaging tax of approximately £200 per tonne. Increasing use of renewable energy sources and efficiency measures at our UK sites. Flood is the primary risk driver at our manufacturing plant in Deeside, UK, driving an increase in repair and maintenance costs. The risk is mitigated at our site, but we have limited influence on the adaptive capacity of local infrastructure.
- EU** – The EU's Packaging and Packaging Waste Directive aims to increase recycling to 70% by 2030.

*not an exhaustive overview

Risk and opportunity - actual impacts

Convatec's assessment of actual impacts is based on experiences across its manufacturing sites over recent years. This includes the closure of our plant in Haina as a result of a severe tropical storm and power disruption to our plant in Reynosa as a result of extreme cold weather in the US. In both examples, our business continuity plans were implemented to carefully manage any impact on our business and the financial impact was negligible.

To date, we have not recognised additional costs in our procurement of energy or raw materials associated with climate-related policy specifically. Our manufacturing operations and those of our supply chain are not knowingly subject to any current carbon pricing mechanisms. However, in some cases, it may be that we are experiencing higher costs passed on in procurement which is partly driven by climate transition costs which are not delineated on invoices or pricing agreement structures. Beyond financial impacts, in recent years we have noticed a step change in stakeholder interest in our ESG and climate-related actions. As such, we are dedicating more internal resources towards responding to stakeholder questions and customer requests.

Risk governance

Climate-related issues are considered within the 'Environment and Communities' Principal Risk. This reflects the strategic importance the business places on the need to align with a net zero transition, through the adoption, transition, and integration of a low-carbon economy.

The Board undertakes a bi-annual assessment of Convatec's principal risks. The Convatec Executive Leadership Team (CELT) is supported by the risk team and a network of 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 are 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 Chief Quality & Operations Officer.

Integration of climate in risk management

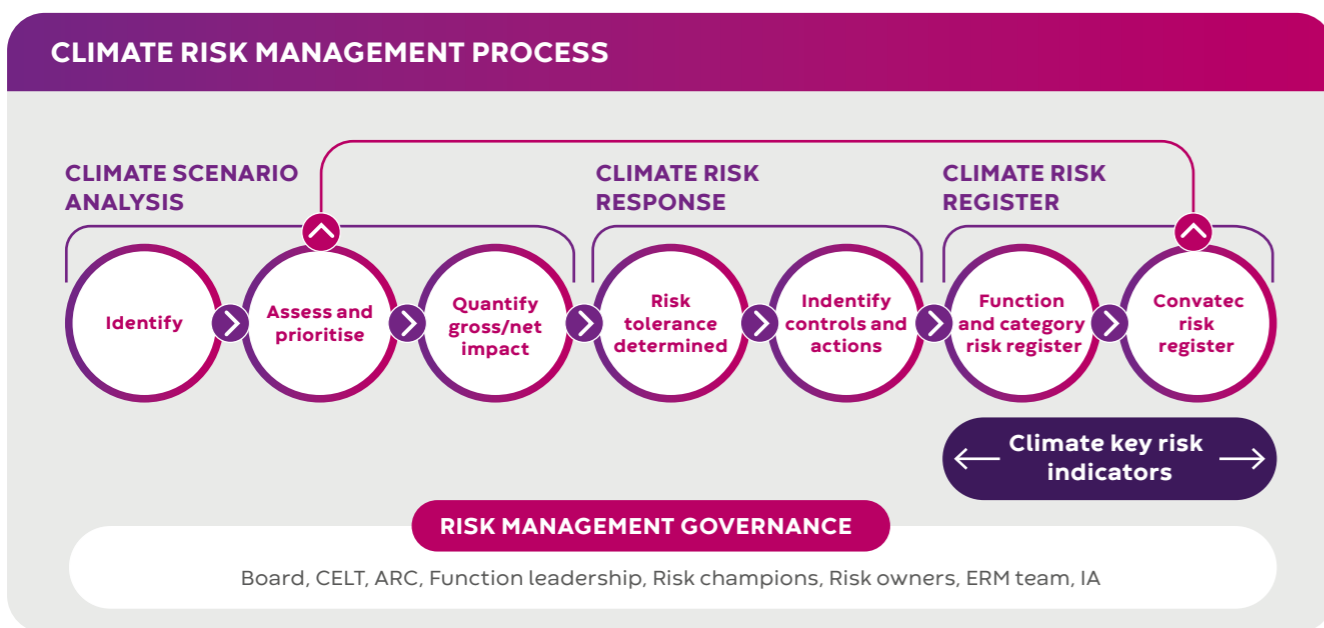
The ongoing review of climate issues is integrated into Convatec's risk management approach, described on pages 76 to 84. In addition to the company-wide assessment, Convatec uses climate scenario analysis to ensure a complete and thorough review of climate issues across long-term time horizons.

Risks and opportunities are identified for Convatec but are considered in the context of the geographies, business units, functions and assets that are affected.

Many of the management response options used to mitigate identified risks and impacts can be considered opportunities for the business to strengthen resilience and capitalise on cost savings and revenue growth and are already part of our strategy to align with the net zero transition. Annually, our strategic planning process helps to identify the commitments and actions of each business unit to respond to key risks and opportunities, as well as to contribute to the net zero alignment.

Decisions to control, mitigate or accept climate-related risk impacts are informed by top-down and bottom-up risk management processes. The risk appetite for the Environment and Communities Principal Risk is used to determine the level of resources and investment that should be dedicated. This overarching principal risk is further informed by bottom-up climate scenario analysis which indicates the scale of potential impact across time frames and climate scenarios. More information on the measures in place, or that are planned, to respond to our climate risks and opportunities are described on pages 58-62, and 70-71.

TCFD disclosure continued



Identifying, assessing, and managing climate risks using a climate scenario approach

Convatec has conducted a scenario-based assessment of identified risks and

opportunities, as described on pages 68-71. The staged approach to assessment means we have a foundational understanding of all identified risks and opportunities to reference to. This means that where,

to date, we have not been able to quantify the potential financial impact we still have a comprehensive assessment to reference.

ENVIRONMENT AND COMMUNITIES: PRINCIPAL RISK - CLIMATE RELATED RISK

In each area of business, the risks to the delivery of Convatec's strategy are identified, assessed and prioritised using the Convatec risk assessment criteria, which includes establishing the risk drivers and mitigation.

TOP DOWN

Risk ratings are used to prioritise risks and are a product of the expected impact and the likelihood of that impact to occur due to an event.

Each business unit has an individual risk register, where it is also responsible for the application of additional management and mitigation per risk as required.

BOTTOM UP

The financial risk assessment of climate issues assesses the potential losses attributable to sites to help inform decision-making.

– **Identification:** 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 functions. These risks were then presented to the ARC for review and, where appropriate, incorporated into the principal risk assessment.

– **Qualitative assessment:** 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.

– **Selecting risks and opportunities for quantification:** The qualitative scoring allows for the prioritisation of possible impacts on which the business agrees to focus control measures and investment. Where methodologies allow, Convatec has 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.

Financial assessment methodology

Physical risk:

Convatec has undertaken a financial assessment of potential losses associated with physical climate risk across seven key manufacturing sites, selected based on their contribution to Group revenues or criticality on product delivery. The forward-looking assessment modelled the potential impact of productivity loss and asset damage driven by 12 climate indicators which are categorised into the following hazards: flood, heat stress, storms, and water stress.

The climate analytics are sourced 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), using the scenarios described on page 68. The climate data provided is 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 of physical climate change events which are likely to increase over time. The analysis does not consider any mitigation actions that the business would implement.

Transition risk:

Our financial assessment of transition risks has focused on the potential increases in costs of direct operations at our manufacturing sites, associated with energy price and carbon taxes, as well as increases in costs from raw material suppliers, using carbon tax as a proxy. The potential impacts are determined for two business cases. A reference case where no further decarbonisation action beyond what is known and planned is taken, and a mitigation case where Convatec achieves its near- and long-term emission reduction targets.

SLR Consulting supported Convatec in quantifying the potential future financial impact of the low-carbon transition referencing climate scenario data from the International Energy Agency. This data included regional carbon price and energy price projections which were overlaid onto our emissions and energy profile. The climate-related information is sourced from the International Energy Agency's World Energy Outlook which outlines current trajectories as well as required level of policy action to limit global warming to 1.5°C by the end of the century. This information is overlaid with our business data on projected energy consumption and emissions profile to 2050.

The projections on our energy and emissions correspond with the same data used for our net zero and Transition Plan modelling to ensure consistency and alignment in the level of investment required to mitigate risks, achieve targets, seize opportunities, and align with the low-carbon transition. The outcome provides a climate-adjusted view of cashflows. Across the different scenarios analysed, we used the price projections to inform the range in ambition level but assumed a start date of carbon tax impact in 2030 for our raw materials as there is uncertainty in the applicability and likelihood of suppliers being subject to additional transition costs that will be wholly passed on to us.

Metrics and targets

Convatec use a range of metrics to understand our baseline impact on the environment. There are four key areas that Convatec monitors: emissions, energy use, waste and water. As disclosed on pages 58-62, 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 58-62, while the detail below shows our alignment against the TCFD cross-industry climate-related metric categories.

– **Scopes 1-3 emissions:** Convatec's operational emissions are calculated and reported annually (Scope 3 emissions data is on page 61).

– **Climate-related risks:** In 2023, Convatec undertook qualitative and quantitative climate scenario analysis for transition and physical risks respectively. Internally Convatec is 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 Convatec is 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:** Convatec has an estimated capex spend of circa \$30 million of mitigation and adaptation projects across eight manufacturing sites that have or will be starting from 2024 to 2028. These initiatives include projects to increase green electricity generation (for example, through solar panel schemes and decarbonisation of heat through electrification with air source heat pumps), upgrades to more efficient HVAC systems (Heating, Ventilation and Air Conditioning), improved water treatment solutions and energy efficiency improvement projects.

– **Remuneration:** There are ESG objectives in the personal objectives of CELT members aligned to their remuneration. In respect of the two executive directors, the new Executive Remuneration Policy includes ESG objectives, contributing 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. Our commitments to minimise environmental impact and align with the low-carbon transition are listed on page 58, alongside the actions we are taking to achieve these targets. Across the board, we are leveraging different tools and software 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 to have the greatest impact. For further information on measures implemented in the last year to manage our impacts, see pages 58-62.

Risk management

Understanding and appropriately managing our risk maximises potential opportunities to deliver our strategy and realise our vision.

Risk culture

The Board is responsible for risk management. The Board promotes a transparent and accountable culture, which does not inhibit sensible risk-taking, critical to growth and delivery of the Group's vision and strategy, but also sets the boundaries for such risk-taking. The Board and its committees set the tone for the Convatec Executive Leadership Team (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 2023, 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 2024, we will continue to enhance our approach to risk appetite through continuing to embed identified metrics and obtain 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

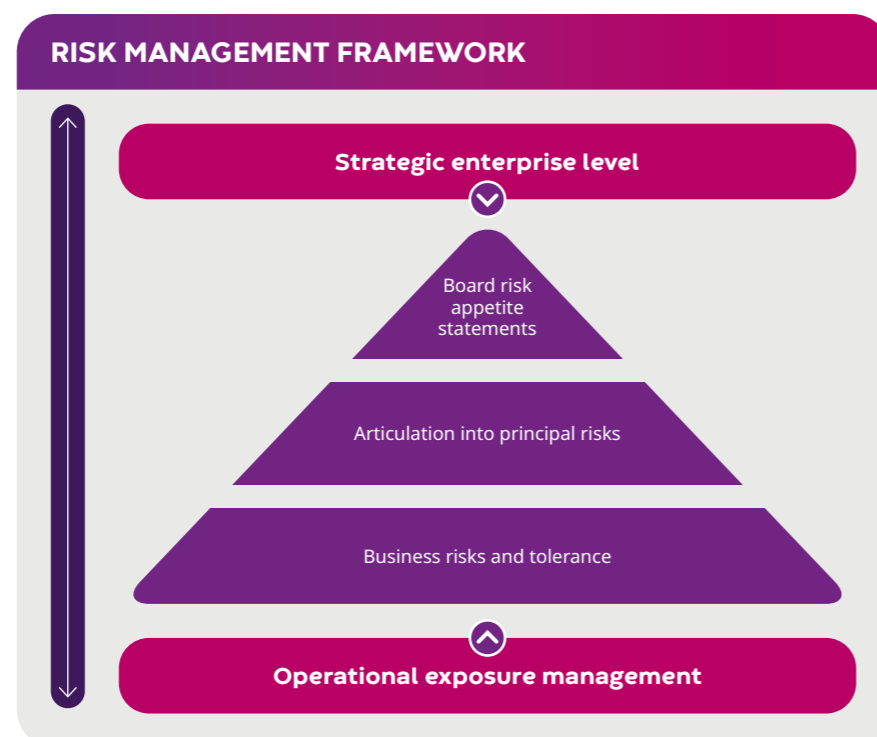
Risks that arise from events that are outside realistic boundaries for Convatec's immediate direct influence and control. A focus is required to build a reasonable level of resilience to impacts on strategic objectives.

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

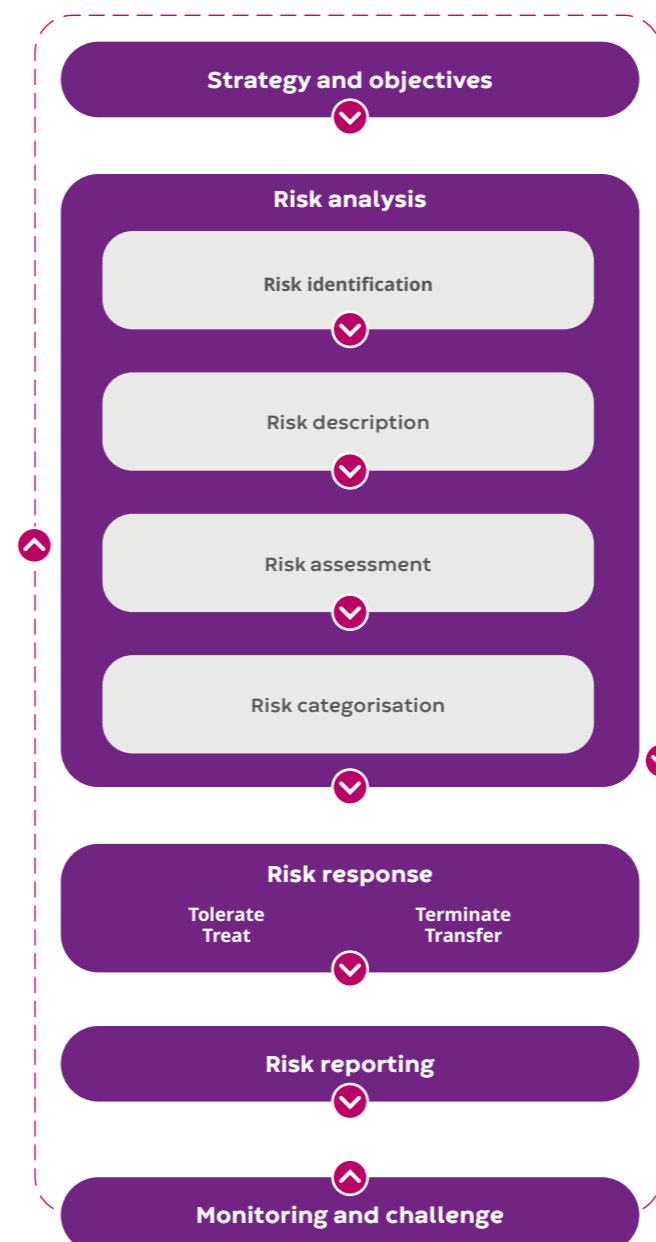
Risks arising from Convatec's people, processes, and systems that are controllable and where there is no appetite for risk taking in this area. The objective is to eliminate the risk or to reduce it to an absolute minimal level of tolerance.



Risk management framework

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. Risk controls have been identified and certain additional risk mitigation measures implemented and 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 114.



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.

- ##### 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.

- ##### Leadership teams
- Identify new and emerging risks to the Group's strategy.
 - Review management of their specific risks 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 information top down

Risk information bottom up

Risk management continued

2023 risk landscape

Our overall risk profile has moved to reflect both the ongoing enhancement in our business resilience capability and the continuing challenges from the macroeconomic and political environment. Following year-end review, we took the decision to remove our principal risk for Strategy and Execution Delivery. Strategically, we are pivoting into FISBE 2.0 and, with work carried out to date, this principal risk is now considered normal business activity. Since 2020, the risk profile has been elevated as a result of various global forces, and we continue 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 2023, we demonstrated good momentum in the business with strong sales growth and margin expansion by further strengthening our competitive position, accelerating our simplification and productivity agenda and acquiring businesses to strengthen our positions. In our product development pipeline, we successfully delivered six 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 our transition plan that will deliver 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 persistent external supply chain pressures with cost inflation for raw materials, freight, utilities and on all other aspects of the business cost base. 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 the right level of strategic resilience in our inventory holding. The cost of living challenges and competition for talent continues to place pressure on our people risk and we remain focused on delivering programmes of initiatives to support having the right level of key talent, roles and skills in place to deliver our strategic objectives. Over the course of 2023, 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 have continued to positively manage the adverse effects of the macroeconomic environment on our business and, overall, drove continued strong organic revenue growth in 2023. Over the year, we continued to improve margin through our improved portfolio mix across and within categories, and by simplifying our business and driving productivity through improving business cost efficiencies (including extending our global business services with another location in Asia to provide round the clock support to our organisation), driving automation and efficiencies in our manufacturing operations and improving commercial, sales and marketing productivity. Driven by our pricing centre of excellence, improving pricing practices across the Group has continued to positively impact our strong financial performance. We have implemented additional tax solutions to enhance our level of tax governance, and further refinancing of bank facilities and credit facility extension initiatives have continued to strengthen our balance sheet and reflect our robust credit standing.

Compliance risks

We have strengthened and adapted 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 have 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.

2024 anticipated risks

We expect certain risks to impact in 2024 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 macroeconomic 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, the persistence of inflation, interest rate uncertainty, recessionary impacts and the additional challenge of transitioning to lower carbon generation can all contribute to challenging market conditions. Global economic conditions have broadly improved since 2023, but we continue to focus on delivering efficiencies to our manufacturing and operating cost base in response to the environment and the reality of delivering, and the required investment to achieve, net zero. Whilst the management of our supply chain is a core competence, we continue to monitor the evolving situation and take appropriate steps to prepare for foreseeable challenges in the current environment over persistent 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 have continued uncertainty into 2024.

Geopolitical tensions

Volatility in the international political climate increases pressure on our operations. We are reliant on supply chain partners predominantly in North America and Europe, but also from across the world. The integrity of our supply chain depends on access to and the reliability of raw material and energy supply and the storage, logistics, processing and manufacturing infrastructure operated by us and our third parties. The continued worsening international political climate increases the possibility of commodity and energy price volatility, unstable exchange rates, implementation of additional sanctions or other trade limiting actions that could impact our ability to source commodities and raw materials, or maintain a presence in current and future markets and countries. Any break in this supply chain, for example as a result of interstate conflict, regional tensions, terrorist activity including acts and threats to shipping channels or cyber-attacks, or as a result of heightening operating costs, could jeopardise our revenues and/or manufacturing productivity and impact supply to customers.

New market growth and product delivery

We expect to launch a new product for Ostomy and leverage recent product launches by rolling them out in key geographies in 2024. We expect to continue launching new products across all of our categories into 2025 and beyond. 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 the US and China. In China, during 2023, there was a small impact (principally for AWC) from the nationwide anti-bribery and corruption campaign because of the reduced access to healthcare professionals. We anticipate the slower AWC growth rate and industry-wide regulatory restriction will be temporary, and that market activity will normalise in 2024 with no material impact on the overall Group. In 2024, 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 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 risk management process engages with senior management to identify any emerging risks, which represent a significant change in the business environment that may impact over a longer timeline than that of the current business objectives. In 2023, we continued to enhance our emerging risk model with each area of the business against the principal risks to further develop our measurement of the key exposures and the resilience in place. In 2024, 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, the emergence of new drugs to treat chronic conditions and artificial intelligence), 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 to 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 and the emergence of artificial intelligence 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 6 and 7
- Key performance indicators – pages 16 and 17
- Operational review – pages 18 to 25
- Responsible business review – pages 38 to 65
- The Task Force on Climate-related Financial Disclosures – pages 66 to 75
- Viability statement – pages 86 and 87
- Governance – pages 89 to 146

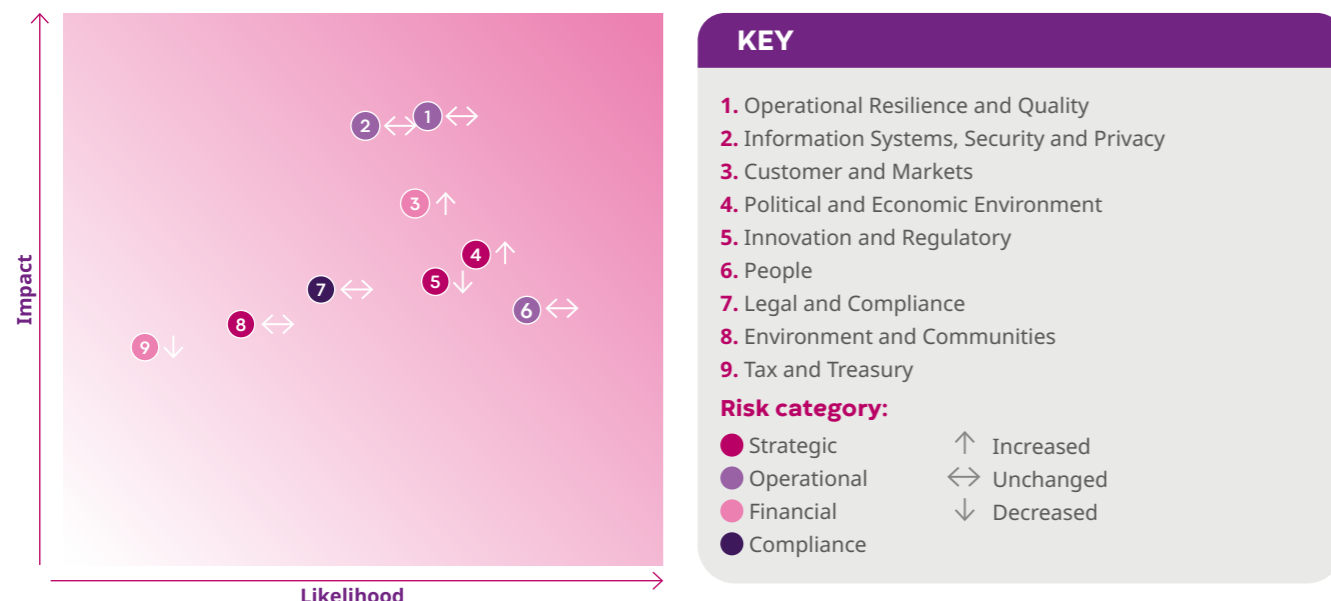
Principal risks

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 86 to 87).

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 2022.



KEY

- Operational Resilience and Quality
- Information Systems, Security and Privacy
- Customer and Markets
- Political and Economic Environment
- Innovation and Regulatory
- People
- Legal and Compliance
- Environment and Communities
- 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	Risk mitigation
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Business continuity plans for manufacturing facilities, inventory movement and our key supply chain processes 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	Opportunity	Risk profile change
<p>Category: Operational</p> <p>Appetite: Manage</p> <p>Accountability: John Haller, EVP, Chief Quality & Operations Officer</p> <p>Link to strategy:</p>	Increase the efficiency and effectiveness of operations to support future market and customer demands.	2023: no material change

[Read more on pages 38 to 75](#)

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	Risk mitigation
<ul style="list-style-type: none"> Data management and privacy. Cybersecurity. IT and network resilience, business continuity and disaster recovery arrangements. Digitisation. IT network alignment to business needs. Data optimisation. 	<ul style="list-style-type: none"> 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. Third party partner contracts in place. Programmes of enhancements in data and cyber security effectiveness being implemented during 2024. Security operations team respond to threats and ensure the security of IT. Policies, technical standards and guidance documents in place to manage the use and governance of IT systems.

Risk details and link to strategy	Opportunity	Risk profile change
<p>Category: Operational</p> <p>Appetite: Manage</p> <p>Accountability: Jonny Mason, Chief Financial Officer</p> <p>Link to strategy:</p>	Enhance the efficiency and resilience of our IT and data management systems and processes to support effective delivery of our operations.	2023: no material change

[Read more on pages 51 & 87](#)

3. 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 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 to 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	Risk mitigation
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. Ongoing investment into the Reimbursement and Market Access CoE to focus on reimbursement market rates. 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. Investment and continual focus on digital strategy capability for patient and customer interaction. 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	Opportunity	Risk profile change
<p>Category: Financial</p> <p>Appetite: Manage</p> <p>Accountability: Presidents and Chief Operating Officers</p> <p>Link to strategy:</p>	Grow portfolio and market share through cost-efficient, innovative products that strengthen the relationship with our customer base.	2023: increased – global inflationary challenges continue to pressure healthcare systems' financial constraints with potential effects on future pricing and reimbursement rates.

[Read more on pages 18 to 25](#)

Principal risks continued

4. 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/develop in current and future markets and countries.

Key drivers	Risk mitigation
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 supply chain risks present to our operations.

Risk details and link to strategy	Opportunity	Risk profile change
<p>Category: Strategic Appetite: Accept Accountability: Jonny Mason, Chief Financial Officer Link to strategy:</p> 	<p>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.</p>	<p>2023: increased – global inflationary pressure and geopolitical tension & conflict continues to challenge all aspects of the business cost base.</p>

[Read more on pages 10 to 11](#)

5. 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	Risk mitigation
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Central Technology & Innovation team provides strategic direction for continued R&D investment, product development, medical education, regulatory approval, M&A initiatives 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	Opportunity	Risk profile change
<p>Category: Strategic Appetite: Cautious Accountability: Dr Divakar Ramakrishnan, EVP, Chief Technology Officer and Head of Research & Development Link to strategy:</p> 	<p>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.</p>	<p>2023: decreased – delivery of six key new products and the continued delivery of the EU-MDR Compliance programme.</p>


[Read more on pages 48 to 51](#)

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. Global cost of living and inflationary pressures continue to challenge 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 achieve our strategic objectives and deliver growth.

Key drivers	Risk mitigation
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 Employee Resource Groups (ERG). 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 market inflation challenges.

Risk details and link to strategy	Opportunity	Risk profile change
<p>Category: Operational Appetite: Manage Accountability: Moyra Withycombe, Interim Chief People Officer Link to strategy:</p> 	<p>Create a sustainable level of expertise and key skills across the Group.</p>	<p>2023: no material change</p>


[Read more on pages 52 to 55](#)

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	Risk mitigation
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 the ARC 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	Opportunity	Risk profile change
<p>Category: Compliance Appetite: Cautious Accountability: Evelyn Douglas, EVP, Chief of Corporate Strategy & Business Development and General Counsel Link to strategy:</p> 	<p>Create an industry-leading legal and compliance approach to our obligations and stakeholder expectations.</p>	<p>2023: no material change</p>

[Read more on pages 56 to 57](#)

Principal risks continued

8. 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 continues to increase, 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, with regular Board engagement.
- ESG framework implemented, aligned to Group strategy and our Group reporting and regulatory requirements. 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

Opportunity

Risk profile change

Category: Strategic
Appetite: Manage
Accountability: Moyra Withycombe, Interim Chief People Officer
Link to strategy:

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.

2023: no material change



Read more on pages 58 to 65

9. 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 and increasingly hardening 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. Interest rate hedging strategy in place.

Risk details and link to strategy

Opportunity

Risk profile change

Category: Financial
Appetite: Manage
Accountability: Jonny Mason, Chief Financial Officer
Link to strategy:

Robust tax arrangements, financial performance and balance sheet to increase stakeholder and shareholder confidence.

2023: decreased – delivery of extended credit facilities. Additional tax solutions implemented to maintain stability and control over tax positions.



Read more on pages 26 to 33

Non-financial and sustainability 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 and sustainability matters including, where appropriate, the relevant policies and processes we operate.

Key matter	Position and policies and processes we implement	Page
Environmental matters	Climate change and environmental strategy	Pages 38 to 64
	Climate-related financial disclosures	Pages 66 to 75
Employees	Our vision and values	Pages 5
	Code of Conduct	Page 56
	Diversity, Equity & Inclusion and Wellbeing	Page 54
	Our people strategy	Pages 52 and 53
	Employee induction, training and development programmes	Page 53
	Employee engagement	Page 53
Human rights	Diversity targets and review of metrics	Pages 54 and 55
	Human Rights and Labour Standards	Page 56
Social and community matters	Modern Slavery Act Statement	Page 56
	Community engagement	Pages 63 and 64
Anti-corruption and anti-bribery	Third Party Compliance Manual	Page 57
	Compliance helpline and website	Page 57
Principal risks and impact of business activity		Pages 58 and 59 and 76 to 84
Non-financial key performance indicators		Pages 16 and 17, 60 to 62, and 75
Our business model		Page 6

→ You can find more information, including copies of our policies, processes and statements at: www.convatecgroup.com/investors/governance/our-policies-and-statements/ www.convatecgroup.com/sustainability/esg-reports-and-data/

Viability statement

The Group's future prospects and viability

An understanding of the Group's strategy, to deliver sustainable revenue growth and expanding operating margin, and its business model (pages 12 to 15 and pages 6 and 7), are central to 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 80 to 84) are reflected in the determination of the Group's strategy and its successful implementation.

Assessment of future prospects

The Directors are of the view that the appropriate period of assessment remains a three-year period from January 2024 to December 2026 (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 programmes targeting launch within the Viability Period.
- Significant capital investments are being made 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 Group's management process consists of monthly monitoring of progress against the financial budget and key objectives for the current year by CELT and the Board, and reforecasting throughout the year in respect of the expected outcome for the current year. It also includes the preparation of a detailed budget for the following year and updating a rolling five-year strategic plan, which forms the main basis on which to assess the longer-term prospects of the Group.

In 2023, the Board approved a detailed operational plan and execution model to deliver sustainable and profitable growth including the financial plan that underpins the Group's five-year strategic plan. The five-year financial plan from 2023 to 2028 forecasts the Group's profitability, cash flows and funding requirements, inclusive of the Viability 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 across 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.
- Strong cash generation capabilities with no refinancing requirement within the Viability Period with the Group's \$250 million term loan committed until 2027, \$950 million revolving credit facilities committed until 2028, and the Group's \$500 million senior unsecured notes due in 2029.
- The evolved five strategic pillars that support the delivery of the strategy, which are set out on pages 12 to 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 reimbursement environments.

- Margin improvement is driven by successful execution of our operational excellence programmes in order to deliver productivity gains in excess of inflation and other headwinds.
- Climate risk has been considered but is not expected to have an impact during the viability assessment period of three years.
- Through the execution of our strategy, we simplify our business, remove excess costs and re-invest in capacity and future innovation.
- Dividend growing progressively 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 80 to 84. This analysis has then been applied to allow the Board to assess the prospects, liquidity, resilience and viability of the Group.

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 impact of economic recession leading to higher interest rates and increased inflation headwinds, and affecting reimbursement rates, and internal factors, such as a major EHS incident 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 2023, we have decided to shift focus in our EHS incident scenario from our plant in Slovakia as modelled in 2022, to our manufacturing facilities in Deeside, UK. We have also incorporated a significant adverse change to reimbursement rates to our market distress scenario, which is in addition to sustained inflationary pressures and high interest rates. We have maintained our risk scenarios in relation to significant cyber incident, regulatory issues within product lines, and macroeconomic forces and/or sanctions restricting access to a key global market due to geopolitical challenges. This reflects the importance of all 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 corporate mitigating actions available to and within control of the Directors, through adjustments to the Group's strategy and other means in the normal course of business, for example reducing expansionary capital investment.

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 Board 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 corporate mitigation, the Group would need to experience a sustained revenue reduction of at least 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.

In addition, the Board undertook an independent review of market information, including investors' and analysts' views on the future viability of the Group and 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 corporate mitigating actions available to the Group, that can be deployed in the unlikely event that two of the scenarios occur at the same time), plus the Group's level of cash generation and existing financing facilities, and the timing of the forecast 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 2026.

The Group's Going Concern statement is detailed on pages 152 to 153.

The Strategic Report comprising pages 5 to 87 was approved by the Board on 5 March 2024.

Karim Bitar
Chief Executive Officer

Jonny Mason
Chief Financial Officer

Scenarios	Linkage to risks on pages 80 to 84
<p>Impacts from a significant manufacturing incident modelled on a plant fire, for example Deeside, UK</p> <ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Operational Resilience and Quality
<p>Impacts from a significant cyber incident producing a significant interruption</p> <ul style="list-style-type: none"> - 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 resulting from a privacy issue in 2024 	<ul style="list-style-type: none"> - Information Systems, Security and Privacy - Operational Resilience and Quality
<p>Impacts from significant regulatory issues in a key product line</p> <ul style="list-style-type: none"> - Significant breach of regulatory compliance in a product line - Reduced production and loss of sales due to adverse impact on the Group's reputation - Impact of supply disruption 	<ul style="list-style-type: none"> - Legal and Compliance - Innovation and Regulatory - Operational Resilience and Quality
<p>Market distress</p> <ul style="list-style-type: none"> - Significant reimbursement reduction in a major market resulting in adverse change to pricing - Increased costs as a result of sustained inflationary pressure matched by sustained high interest rates - Impact of sustained geopolitical unrest on financial markets and confidence 	<ul style="list-style-type: none"> - Customer and Markets - Political and Economic Environment - Tax and Treasury
<p>Macroeconomic forces and/or sanctions restrict access to key global markets</p> <ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Customer and Markets - Political and Economic Environment - Legal and Compliance

Governance

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Governance at a glance

GOVERNANCE HIGHLIGHTS

Board

- Consideration of, and agreement for, the acquisition of an innovative anti-infective nitric oxide technology platform from 30 Technology Limited for initial consideration of £45 million, plus potential milestone and future payments of up to £131 million.
- Consideration of, and agreement for, two bolt-on acquisitions: A Better Choice Medical Supply and All American Medical Supply Corp. for a total of \$28 million, which will further strengthen our HSG business in the US.
- Ongoing review of other M&A opportunities.
- Oversight of execution against the FISBE 2.0 strategy.
- Capital expenditure discussions and approvals for omnichannel commercial transformation and manufacturing expansion.
- Review and approval of the Group's Strategic Plans and Budget.
- Review of quality and operations.
- Oversight of the Group's ESG framework and progress against sustainability targets and priorities.

Nomination Committee

- Review of Board and Committee composition, considering Directors' skills, knowledge and experience.
- Consideration of progress against diversity, equity and inclusion, and wellbeing strategic targets.
- Review of succession planning and talent at Board, CELT and wider global leadership team.

Audit and Risk Committee

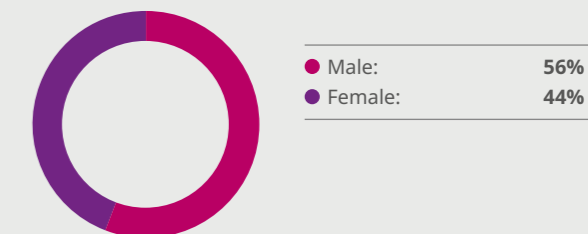
- Consideration of the Group's internal controls environment, including cyber security and data privacy.
- Review of interim and full-year results statements prior to recommending to the Board for approval.
- Oversight of Convatec's enterprise risk management framework and risk reporting.
- Review and approval of the external audit plan for the 2023 external audit.
- Review of 2023 internal audit reports and 2024 internal audit plan.
- Evaluation of the effectiveness of the external auditor and internal audit function.
- Planning the audit tender process.
- Review of management's response to proposed Department for Business and Trade corporate governance reforms and revised UK Corporate Governance Code.
- Review of TCFD and other non-financial reporting and disclosures.

Remuneration Committee

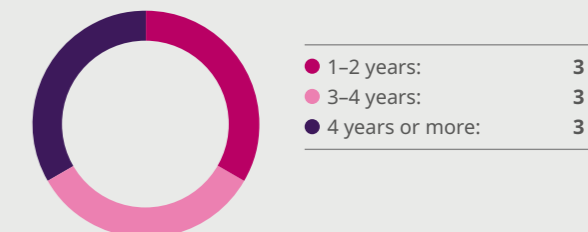
- Implementation of the Remuneration Policy approved by shareholders at the 2023 AGM.
- Review and approval of 2023 Executive Director and CELT salaries and LTIP awards.
- Review and approval of the 2022 Executive Directors and CELT bonus outcomes.
- Received regular updates on workforce remuneration policies and practices.
- Conducted peer-group benchmarking on executive remuneration with support from Willis Towers Watson.

BOARD STATISTICS

Gender¹



Length of tenure²



BOARD AND COMMITTEE MEETING

8³ Board scheduled meetings	3 Nomination Committee meetings
5 Audit and Risk Committee meetings	4 Remuneration Committee meetings

1. As at 31 December 2023 and at 5 March 2024.
 2. As at 31 December 2023.
 3. In addition, there were further routine Board meetings to approve the release of annual results, interim results and trading updates. There were also several strategic or project-specific meetings of the Board and sub-committees thereof held at short notice throughout the year.

Board statements

Throughout 2023, Convatec was subject to the requirements of the UK Corporate Governance Code 2018 (Code). During the year, we have complied with the Code other than provisions 40 and 41, employee engagement on executive remuneration. The Remuneration Committee has not undertaken consultation with the workforce when considering executive remuneration, however the Committee has considered wider pay practices across the Group and is mindful when applying salary increases.

During 2024, the Board will consider the implications of the UK Corporate Governance Code 2024, which will apply to financial years beginning on or after 1 January 2025. 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 2018 compliance	Throughout the financial year ended 31 December 2023, except as explained above, the Company has complied with the Code.	Pages 93 to 95
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 2023 Annual Report and Accounts and, therefore, have adopted the going concern basis in preparing the Group's 2023 Financial Statements.	Page 152
Viability statement	The Directors have assessed the viability of the Group over a three-year period ending 31 December 2026, taking into account the principal risks identified by the Board as set out on pages 80 to 84. This assessment 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.	Pages 86 and 87
Fair, balanced, and understandable	The Directors consider that the 2023 Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the necessary information for all stakeholders to assess the Group's position and performance and its business model and strategy.	Page 111
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 76 to 84
Annual review of risk management and internal control systems	The Board undertook, throughout the year, 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 105
Stakeholder engagement	The Board has taken steps to understand stakeholders' views and has considered them in its discussions and decision-making process.	Pages 104 to 105

Chair's governance letter

Firm foundations for the future



Dr. John McAdam CBE
Chair

Dear Shareholder

I am pleased to present this Governance report for the year ended 31 December 2023. The report that follows, in conjunction with the Nomination, Remuneration and Audit and Risk Committee reports, seeks to demonstrate our robust governance framework and key governance developments throughout the year, progress against our diversity strategy at Board and senior management levels, open engagement with stakeholders, and prudent risk management.

Our culture

We have a clear vision statement which encapsulates our purpose and ambition, a promise to be forever caring 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. During the year, we have continued to embed Convatec Cares, our ESG framework, which supports what we do and reflects our promise, vision and values, and how they are integral to our wider strategic framework, set out on pages 5 to 7.

The Board remains committed to promoting a culture with our values and forever caring promise at the heart. We were pleased to be able to connect with employees during our visit to our manufacturing site and research and development facility at Deeside in Wales. The Board used the visit as an opportunity to engage with staff at all levels of the organisation on both a formal and informal basis, and assess the culture of the Company. We have also continued to monitor culture through reports provided regularly to the Board and Nomination Committee, as well as receiving reports on progress against our people strategy and talent and succession planning.

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. This initiative includes our annual Convatec Day, a global mental health awareness campaign, as well as workshops, activities and focus groups.

Our Board

Through the Nomination Committee, we focus on Board succession and composition to ensure we have the appropriate balance of skills, independence, experience and diversity to fulfil the Company's vision and support the delivery of the FISBE strategy.

In September, Convatec ended its relationship agreement with Novo Holdings A/S and consequently Sten Scheibye stood down from the Board after five years of excellent service.

Membership of each of the Board's committees is set out in the respective committee reports on pages 107, 110 and 120.

Workforce engagement

This year we have continued with our chosen workforce engagement approach, with Sharon O'Keefe serving as our designated Workforce Liaison Champion. Sharon met with a number of employees from across the business throughout 2023. Key discussion topics from the meetings this year included:

- Ways of working, including increasing agility in our decision making
- Focus on manufacturing simplification and productivity, increasing the standardisation of processes
- Clarity of purpose and customer orientation, with an emphasis on the value of engagement with customers and patients
- Employee experience, noting the importance of continuing employee recognition and investment in development opportunities.

The Board is committed to understanding the views of Convatec's stakeholders to inform the decisions that we make. Further details of Board-level workforce engagement can be found on pages 103 and 104. We are planning yet more direct and indirect employee engagement activities for Sharon and the Board in 2024, including additional site-based focus groups, holding Board and Committee meetings at various Convatec locations and Board member attendance at our 2024 Global Leaders' Meeting.

Other key stakeholders

Our key stakeholder groups are identified and detailed on pages 42 and 43. Recognising that the sustainable success of our business is dependent on our stakeholders, 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 104 and 105. Our section 172 statement is on page 42.

Our governance practices are enabling Convatec to pivot to sustainable and profitable growth.

Chair’s governance letter continued

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 103.

In recent years, we have laid strong foundations to ensure we operate in a responsible and sustainable way (see pages 38 to 65) and in 2023, we made further progress with our ESG agenda particularly with respect to building a business where our people can thrive. We rolled out an executive education series to engage our senior leaders in diversity, equity and inclusion practices and have had our ESG-targets approved by the SBTi. In addition, we have met our target to introduce 100% renewable energy across all our manufacturing sites.

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 compliance with ESG-related regulatory requirements including relevant assurance.

Our 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, July and October, a pattern which we expect to continue through 2024 and beyond.

Our 2023 AGM took place as a hybrid meeting, enabling shareholders to attend either in person or remotely. Our 2024 AGM will similarly be held as a hybrid meeting, full details can be found in the Notice of 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 2023. 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 2023 Board review can be found on page 106.

Diversity

The Board is committed to achieving diversity and inclusion across the Group and, in doing so, ensuring transparency against our targets. As at 31 December 2023 and the date of this report, we have met the diversity targets under the Listing Rules. Further details can be found within the Nomination Committee Report on page 108.

We are compliant with the recommendations of the Parker Review on ethnic diversity and the FTSE Women Leaders Review on gender diversity, and will continue to monitor Board composition to ensure that we maintain an appropriately diverse Board in all respects. As at 31 December 2023 and the date of this report, the proportion of women on our Board was 44% (2022: 40%) and two members of our Board self-identify as being from a minority ethnic background.

Our objective was to achieve over 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 2023, we are pleased to announce that we have exceeded our target with 44% of our senior management roles held by women (2022: 38%).

Despite this great progress, we recognise that there is no room for complacency and in order to continue to achieve greater diversity at senior management level, greater representation needs to be achieved across all levels of the organisation. Nurturing a diverse pipeline of talent has been an area of focus throughout the business.

During the year, the Board and Nomination Committee has considered diversity, equity and inclusion and wellbeing insights globally across a range of metrics, as well as insights from our Employee Resource Groups. Initiatives to increase DE&I 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 54.

The Code

We explain how we have applied the Code’s principles on pages 93 to 95. 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.

During 2024, the Board will consider the implications of the UK Corporate Governance Code 2024, which will apply to financial years beginning on or after 1 January 2025.

2024 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.

We will also continue to track progress on our simplification and productivity initiatives, including the continuing transition of key central functions to our Global Business Services teams in Lisbon, Bogota and Kuala Lumpur and our Plant Network Optimisation to simplify and create efficiencies in our manufacturing operations.

In 2023, we saw the launch of several key new products including ConvaFoam™ in the US. 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 track the ESG and climate agenda, evolving societal expectations and Convatec’s response and actions.

**Dr. John McAdam CBE
Chair
5 March 2024**

How we have applied the Code’s core principles

BOARD LEADERSHIP AND COMPANY PURPOSE

Code 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 2023 Pages 102 and 103
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 5 Shaping our winning culture Page 53 Chair’s statement Pages 8 and 9 Chair’s governance letter Pages 91 and 92 Culture Page 101
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 that monitor performance and delivery of strategy. The Board has established an effective governance and risk management framework.	The Group’s KPIs Pages 16 and 17 The Group’s risk management framework Page 76 Audit and Risk Committee report Pages 110 to 119
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. A number of mechanisms have also been established to facilitate shareholder, workforce and wider stakeholder engagement and ensure that the Directors consider all relevant stakeholder issues and concerns.	Engaging stakeholders and section 172 statement Pages 42 and 43 Board stakeholder engagement Pages 104 and 105 Board key decisions Page 105
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 52 to 55 Compliance Helpline and website Page 56 Audit and Risk Committee report Pages 110 to 119

How we have applied the Code's core principles continued

DIVISION OF RESPONSIBILITIES

Code 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. The Chair effectively facilitates robust discussions at Board meetings and active participation from all Board members.	Key Board roles and responsibilities Page 101
G Clear division of responsibilities and appropriate combination of executive and non-executive roles	The Board includes seven Non-Executive Directors and two Executive Directors. Their responsibilities are clearly defined.	Key Board roles and responsibilities Page 101
H Time commitment, constructive challenge and strategic guidance	All Directors have demonstrated that they have sufficient time to fulfil their duties and responsibilities, including taking into account any new significant external appointments during the year. In their roles, the Non-Executive Directors have provided constructive challenge, strategic guidance and held management to account. The Board and Nomination Committee regularly reviews the skills and experience of its members to ensure that the Board continues to be effective.	Nomination Committee report Pages 107 to 109 Board evaluation Page 106
I Effective and efficient Board	All Directors have access to an encrypted electronic portal system which enables them to receive accurate and timely information. The Board works with the Company Secretary to ensure it has processes in place to function effectively and efficiently.	Board and Committee meetings Page 101 Board evaluation Page 106

COMPOSITION, SUCCESSION AND EVALUATION

Code 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 107 to 109 Board appointments Page 109 Talent and succession planning Page 109
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 as well as relevant healthcare, operational skills, financial expertise 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 96 and 97 Skills and experience matrix Page 96 Board member tenure Page 89
L Annual evaluation	In compliance with the Code, during 2023, 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, 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. Led by the Senior Independent Director, 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 evaluation Page 106

AUDIT RISK AND INTERNAL CONTROL

Code 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 (ARC) including oversight of the Group's financial reporting processes, and ensuring the effectiveness and independence of the external and internal auditors. The ARC Chair regularly briefs the Board on how the Committee has discharged its responsibilities. The ARC assesses throughout the year the effectiveness of the internal and external audit functions, including a formal assessment, taking into consideration management's views, once per year.	Audit and Risk Committee report Pages 110 to 119
N Fair, balanced and understandable assessment	The Board has established procedures and processes to ensure that reports and other information published by the Group are fair, balanced and understandable.	Audit and Risk Committee report Page 111
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 ARC regularly reviews the effectiveness of these systems and processes throughout the year.	Risk management Pages 76 to 84 Audit and Risk Committee report Pages 110 to 119

REMUNERATION

Code principles	Application	Where further information is available
P Remuneration policy and practices	The Group's Remuneration Policy, which was approved by shareholders at the 2023 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 134 to 142 Directors' Remuneration report Pages 120 to 142
Q Development of remuneration policy and packages	The Remuneration Committee reviews remuneration packages of CELT members to ensure that they support our strategy and provide an appropriate balance between motivating and challenging our senior leaders. Executive Directors are not involved in making decisions on their own remuneration.	Remuneration Policy Pages 134 to 142 Directors' Remuneration report Pages 120 to 142
R Independent judgement and discretion	Following a formal 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 120 to 142

Board of Directors

Experienced Leadership

A diversely skilled Board with proven leadership capabilities and relevant healthcare, operational and financial 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 Advisory Board of the University of Michigan, Ross School of Business.



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 2018, 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 (now Reach PLC).

Current external appointments
Non-Executive Director, Chair of the Audit and Risk Committee and member of the Nomination 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.



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
Interim CEO of Asserzio Therapeutics, Inc.; Chair of SCA Pharmaceuticals, LLC. Non-Executive Director of Immatics, Inc., and Non-Executive Director of Pendulum Therapeutics, Inc.



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, recognised with an OBE for Services to 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 spinouts.
- 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, OxSonic Limited and OrthoSon Limited. Trustee of the Oxford Transplant Foundation. Transplant Foundation.



Kim Lody
Non-Executive Director

N R

Date of appointment:
February 2022

Independent:
Yes

Relevant skills and experience

- Extensive healthcare, reimbursement, and MedTech experience specialising in branding, business development, innovation and growth.
- Leadership experience as President and CEO of NYSE listed Sonida Senior Living Corporation (retired); President of GN Hearing North America, President of Resound US; President of Coloplast Chronic Care US, Chief Operating Officer of Senior Home Care, and Executive Vice President and Chief Marketing Officer of Gentiva Health Services.

Current external appointments
Non-Executive Director and Chair of the Talent & Compensation Committee, Ball Ventures; Non-Executive Director and Chair of the Nominating, Governance, and Compensation Committee of Invacare Corporation; and, Non-Executive Director and member of the Audit Committee of Mozarc Medical.



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.

Skills and experience

	John McAdam	Karim Bitar	Jonny Mason	Margaret Ewing	Brian May	Constantin Coussios	Kim Lody	Heather Mason	Sharon O'Keefe
Board Experience	●	●	●	●	●	●	●	●	●
Corp. Transactions & M&A	●	●	●	●	●	●	●	●	●
ESG		●		●	●				
Finance	●	●	●	●	●		●	●	
Global	●	●	●		●		●	●	
Healthcare		●				●	●	●	●
Leadership	●	●	●	●	●	●	●	●	●
Operational	●	●			●	●	●	●	●
Strategy, Transformation & Org Design	●	●	●	●	●	●	●	●	●
T&I	●	●	●		●	●	●	●	●

Key

● **Advanced.** Director demonstrates significant skill and knowledge and/or previous experience. (5-8 years)

● **Expert.** Director demonstrates extensive experience, identifiable by occupation, profession and career. (8+ years)

Nil value for more limited understanding or skill

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 Bitar¹
Chief Executive Officer



Jonny Mason¹
Chief Financial Officer

Board membership

Karim Bitar, CEO and Jonny Mason, CFO, are also members of CELT. Their biographical details are provided on page 96.

More detailed CELT member biographical information is available at www.convatecgroup.com



Moyra Withycombe¹
Interim Chief People Officer

Appointed to CELT: 2023

Moyra joined Convatec in January 2021. She was previously VP, HR Business Partner for our Advanced Wound Care business. Prior to Convatec, she held several HR leadership roles at GE Healthcare, GE Aviation and NXP (formerly Motorola Semiconductors). For over a decade at GE, she held a variety of regional and global roles including leading HR for their European Healthcare business.



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 Ramakrishnan¹
Executive Vice President,
Chief Technology Officer & Head
of Research & Development

Appointed to CELT: 2020

Prior to joining Convatec, 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 of Convatec in 2008. 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^{1,2}
Executive Vice President, Chief Corporate
Strategy and Business Development Officer
and General Counsel

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 Haller¹
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 in 2022 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.



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.

1. Members of the ESG Steering Committee.
2. Evy also acted as Company Secretary until August 2023. From 1 September 2023, the Board was supported by Robyn Butler-Mason following her appointment as Company Secretary.

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 regular review. Terms of reference for each Board Committee and matters reserved for the Board 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 the 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 committees, is set out below.



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, promise 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 People 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 and Speaking Up hotlines investigation reports and internal and external 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 (all independent as at 31 December 2023)

- Bring relevant skills, experience and knowledge to provide constructive challenge
- 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's 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 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.

Board attendance

Director	Member since	Attended
John McAdam (Chair)	Sept 2019	8/8
Karim Bitar	Sept 2019	8/8
Jonny Mason	March 2022	8/8
Brian May	March 2020	8/8
Margaret Ewing	Aug 2017	8/8
Constantin Coussios	Sept 2020	8/8
Heather Mason	July 2020	8/8
Kim Lody	Feb 2022	8/8
Sharon O'Keefe	March 2022	8/8
Sten Scheibye (Board member until 8 September 2023)	July 2018	4/5

Board and Committee meetings

Details of the number of Board and Committee meetings which took place during the year can be found at page 89. 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 2024. In addition to the scheduled meetings, several meetings were held at short notice to consider specific matters, projects or transactions, for example the acquisitions of the nitric-oxide technology platform from 30 Technology Limited and All American Medical Supply Corp.

The Non-Executive Directors met on one occasion during the year without the Chair and Executive Directors present.

The Company Secretary and the Group 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 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.

20

Scheduled Board and Committee meetings held

Board activity and actions

Board focus and principal matters considered in 2023

The principal matters considered by the Board during 2023 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 CEO's report also addresses people and culture, including updates on voluntary turnover, employee engagement, DE&I and wellbeing and talent to ensure those matters are considered regularly by the Board. 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 <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Consideration and approval of the acquisition of an innovative nitric oxide technology platform from 30 Technology Limited and acquisition of A Better Choice Medical Supply LLC. (see Key decisions on page 105). Regular review of progress and evolution of the FISBE strategy, including participation in a two-day strategy session and approval of strategic plans. Review of other corporate development opportunities and/or capital investments to ensure alignment with our FISBE strategy and Business Unit plans. Regular review of innovation and technology, including the new product pipeline and quality and operations enhancements to improve resilience. Regular review of capital expenditure, including approval of omnichannel investment and investment in manufacturing expansion. 	<ul style="list-style-type: none"> Focus Innovate Simplify Build Execute
Leadership <ul style="list-style-type: none"> Recommendation of directors for re-election, 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. 	<ul style="list-style-type: none"> Board evaluation completed and results reviewed in late 2023 (see page 106 for details) Consideration of the composition and skills, knowledge and experience of the Board and Board Committees. 	<ul style="list-style-type: none"> Build Execute
Business plan and performance <ul style="list-style-type: none"> Approving annual budget and business plan and regularly reviewing actual performance and latest forecasts against the budget and business plan. 	<ul style="list-style-type: none"> Approved 2024 budget and business plan. Regular CEO and CFO Reports and briefings. Deepdives into business unit performance and plans including Advance Wound Care and Global Quality and Operations in September. 	<ul style="list-style-type: none"> Focus Innovate Simplify Build Execute
Financial reporting <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Approval of the Viability and Going Concern statements. Approval of half-year and full-year results. Consideration and approval of Trading Update in May and November 2023 prior to publication. Confirmation and approval of the interim dividend and recommendation of the final dividend. Approval of the 2022 Annual Report and Notice of 2023 AGM, held as a hybrid meeting. 	<ul style="list-style-type: none"> Focus Execute

Areas of focus	Activities	Strategic priorities
Risk and governance <ul style="list-style-type: none"> Ensuring the Group has effective systems of internal control and risk management in place, including approving the Group's risk appetite. 	<ul style="list-style-type: none"> 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 including an in-person update from external advisers. Briefings to the Board from the Board Committee Chairs on the activities of the Committees. Review of Board Committee terms of reference. 	<ul style="list-style-type: none"> Focus Innovate Simplify Build Execute
Stakeholder engagement <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Briefings provided by the Investor Relations team and the Group's corporate brokers on investor feedback following results announcements and investor roadshows. The Board met healthcare professionals and a patient 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 continued her role as Non-Executive Director workforce liaison champion and provided regular post-engagement briefings to the Board and the Board considered the 2024 plan for workforce engagement (see page 91). 	<ul style="list-style-type: none"> Innovate Build Execute
Responsible business <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Regular briefings from the ESG Steering Committee. Oversight of the Group's ESG framework. Reviewed progress against sustainability targets and agreed priorities for 2024 and embedding ESG into strategy. Review of talent management and progress on DE&I initiatives including gender and ethnicity data. Review of employee gender pay gap data. Review of the Modern Slavery Statement. Review of results collected from and management's responses to two employee surveys carried out following the launch of our new employee voice platform which aims to embed the Employee Net-Promoter Score. 	<ul style="list-style-type: none"> Innovate Simplify Build Execute

CASE STUDY: BOARD EDUCATION AND EMPLOYEE ENGAGEMENT



BOARD VISIT TO DEESIDE, WALES

In September 2023, the Board visited the Company's manufacturing and research and development sites in Deeside, Wales.

A tour of the facilities was arranged, followed by presentations and a meet-and-greet with colleagues from across the manufacturing and R&D teams. The Board was provided with opportunity to engage with employees and understand more about their roles as well as challenges and opportunities within these areas of the business.

Employees also joined the Board for a dinner as a chance to engage on a more informal basis.

Further opportunities to meet with colleagues from across the business at various Convatec locations will be arranged throughout 2024.

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 other stakeholders who interact with the business.

Our section 172 statement is set out on page 42.

How we engage as a Board

All of our stakeholders are important to us. Identifying and engaging with our key stakeholders is essential for the continued success 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 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 42 and 43.

Our vision, values and our forever caring promise 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 page 105 describes how the Board considered different stakeholders in making two of our key decisions in 2023.

HOW THE BOARD ENGAGED

Stakeholders	Board-level engagement
Our people	<p>Sharon O'Keefe was appointed in May 2022 as our dedicated Non-Executive Director for workforce engagement. Sharon has attended several 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). In September 2023, Sharon met with a number of colleagues from T&I and GQO at Deeside in Wales. These focus groups provided colleagues with an opportunity to discuss their experiences including the challenges and opportunities they face. Sharon provided post-event briefings to the Board.</p> <p>During the Deeside site visit, several employees were also invited to join the Board for dinner, giving them a chance to engage on a more informal basis.</p> <p>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 Chairs of the Audit and Risk Committee and Remuneration Committee engage directly with relevant management and team members between Committee meetings.</p> <p>The Board and the ARC 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 115).</p>
Investors	<p>All members of the Board are available to meet with shareholders.</p> <p>The Chair had meetings with two of our institutional shareholders during the year.</p> <p>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.</p> <p>The Executive Directors participate in an active IR programme, including investor roadshows. Further information about our engagement with shareholders and potential investors is provided on page 103.</p> <p>All Directors participated in our 2023 AGM which took the form of a hybrid meeting, which enabled shareholders to attend, vote and ask questions either in person or remotely.</p>
Consumers/patients/healthcare professionals	<p>During the year, the Board held an in-depth group discussion session with a surgeon specialising in advanced wound care. In addition, the Board also heard from a wound care patient and her healthcare professional. These sessions provided valuable insight into patient and HCP needs as well as broader perspectives on the advanced wound care market, particularly the future for skin-substitute products and decellularised extracellular matrices. These insights were applied to the constructive challenge and debate regarding the Group and Business Unit strategies.</p>

HOW THE BOARD ENGAGED CONTINUED

Stakeholders	Board-level engagement
Supply chain partners and channel partners	<p>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.</p> <p>The Board confirms its compliance with the UK Payment Practices Reporting Duty and similar legislation across the Group in relation to the year ended 31 December 2023.</p> <p>The Board received updates on the multi-million dollar investments in automation and capacity across its manufacturing network to strengthen Convatec's supply chain, resilience and readiness for growth. Convatec has adjusted its inventory position whilst maintaining robust resilience throughout its supply chain evidenced by its continuously improving customer service levels.</p> <p>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/.</p>
Governments and regulators	<p>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.</p> <p>The Board and Committees also received briefings on the UK Government's and FRC's proposed changes to corporate governance.</p>
All other stakeholders	<p>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.</p>

BOARD KEY DECISIONS IN 2023

<p>Acquisition of an innovative nitric oxide technology platform from 30 Technology Limited</p> <p>In April 2023, Convatec acquired an innovative anti-infective nitric oxide technology platform, including new product assets in the wound care market, from 30 Technology Limited. The acquisition provides an opportunity for Convatec to explore application of this highly innovative technology platform across its business categories, starting with advanced wound care.</p>	<p>Section 172 - How the Board considered different stakeholders in making the decision</p> <p>The acquisition was fully aligned with our FISBE strategy.</p> <p>Investors: The acquisition provided strategic opportunities for product development and use of the technology platform in multiple areas within Convatec, as well as providing future additional revenue growth and increasing the potential for higher shareholder returns.</p> <p>Patients and HCPs: The new technology has the potential to provide best-in-class solutions 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.</p>	<p>Our people: The transaction benefited employees of both organisations by better serving customers, increasing the strength of the combined business and creating opportunities for innovation and growth in our Advanced Wound Care business and beyond.</p> <p>Communities: The acquisition will strengthen Convatec's product range and reach to the customers and patients we serve in communities across the world.</p> <p>Suppliers and distributors: The transaction provides an opportunity to build our partnerships with new and existing trusted suppliers and our distribution networks across the globe.</p>
<p>Omnichannel investment</p> <p>In March 2023, the Board approved an investment of \$36.8 million to deliver an omnichannel user engagement approach.</p> <p>The solution will offer customers a fully integrated experience, giving access to all products, offers, and support services via all channels, platforms, and devices through an integrated and cohesive solution. Omnichannel seeks to provide a consistent user experience, regardless of the platform or method the customer chooses to use.</p>	<p>Section 172 - How the Board considered different stakeholders in making the decision</p> <p>The investment was fully aligned with our FISBE strategy. Delivering these changes should result in a more efficient and effective commercial organisation, with improvements on commercial spend and effectiveness in customer execution.</p> <p>Investors: Investment in omnichannel will allow us to strengthen customer loyalty and is expected to support revenue growth for Convatec which is needed to ultimately deliver higher returns for investors. It also underpins confidence in Convatec's future growth and the overall success of the business.</p> <p>Suppliers and distributors: The solution will expand our capacity to deliver products and improve our service, creating increased demand and helping to ensure a robust supply feed.</p>	<p>Patients and HCPs: The solution has the potential to provide patients with better access to our products and services and will enable us to deliver closer connections with our customers as they use more digital solutions.</p> <p>Furthermore, by updating our systems and connecting disparate data sources we will enable a seamless view of how our customers are interacting with us along their journey, enabling us to better understand their needs and how to serve them effectively.</p> <p>Our people: The solution will benefit employees by increasing the strength of the business and creating opportunities for innovation and growth. We will also be investing in developing our people with additional skills to support inclusion of digital into our commercial function.</p>

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 & Insurance. 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 regularly throughout the year. The Group's principal and emerging risks are set out on pages 80 to 84.

Statement of review

During 2023, 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 114 and 115. 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

2022 Board evaluation progress report and 2023 Board evaluation review

In 2022 the Board undertook an evaluation of its effectiveness as required by the Code (details of which are set out in the 2022 Annual Report and Accounts). Information about the key priorities arising from this evaluation and progress to date is set out below.

In October 2023 the Board 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 2023 Board and Committee meetings, with each considering the evaluation outcomes and any appropriate actions.

The key findings from the 2023 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.

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 96 and 97. Except in relation to his own, the Chair leads the individual Director evaluations.

All Non-Executive Directors were considered to be providing valuable input and robust challenge to management and therefore the Board is recommending all Non-Executive Directors for re-election at the 2024 AGM.

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 and that his experience, thoughtfulness and congeniality provide considerable value to management, the Board and the wider business.

The review highlighted that the Chair values the individual opinions of all Directors and seeks and listens to their views, but also holds them accountable in the delivery of their respective responsibilities. 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.

PROGRESS IN RELATION TO ACTIONS ARISING FROM THE 2022 BOARD EVALUATION

Actions	Progress
Board engagement with the CELT and future talent In order to support succession planning and understanding of the business, the Board would benefit from a structured engagement programme between NEDs and current and future leadership talent across the Group.	A structured engagement programme between NEDs, Executive Directors, CELT and other current and future leadership talent, encompassing both formal and informal events in the UK and abroad, was implemented during the year. As part of this programme, the Board and Committee members visited a number of Convatec sites. A similar programme has been put in place for 2024 and will be in future years.
Board agenda The Board would benefit from a reinforced focus on key areas for the business, such as the competitive and macroeconomic environments.	Deep dives into key areas for the business were included on the Board agenda during 2023, either at scheduled Board meetings or at the July 2023 strategy meeting.

2023 BOARD 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 three priority recommendations arising from the Board evaluation and proposed actions are set out below.

Findings	Actions for 2024
Board education and understanding around external developments and competition Reinforce focus on key areas for the business including: broad emerging trends, IT, talent and the competitive landscape.	Company Secretary to work with the Board to ensure that the Board's 2024 and 2025 forward agendas evolve to reflect the Board's priorities.
Engaging with stakeholders, particularly through site visits In order to gain better insight into stakeholder priorities and concerns and to provide opportunities to improve relationships, continue the momentum in respect of stakeholder engagement and look for further opportunities for the Board and management to engage with colleagues and customers.	Continue with a structured engagement programme encompassing both formal and informal engagement in the UK and abroad. Ensure that the Board and Committee programmes include visits to Convatec sites and opportunities to engage with a cross-section of key stakeholders.
Board information, including R&D Ensure that the Board is equipped with high quality information to improve knowledge and oversight and to inform its decision making.	Continue to improve the quality and clarity of Board packs and ensure that the Board's regular Technology and Innovation updates continue to include information on internal R&D efforts and the new product pipeline and the strategy to convert this into shareholder value.

Nomination Committee report

A word from the Chair

“We recognise the multiple benefits of a Board that brings a diverse range of skills and experience to Convatec, and the value it creates for all our stakeholders as a result.”



Dr. John McAdam CBE
Chair of the Nomination Committee

Committee membership, meetings and attendance

Director	Member since	Attended
John McAdam (Chair)	September 2019 ¹	3/3
Margaret Ewing	May 2019	3/3
Heather Mason	September 2020	3/3
Brian May	September 2020	3/3
Constantin Coussios	January 2022	3/3
Kim Lody	February 2022	3/3
Sharon O'Keefe	March 2022	3/3

1. Dr. McAdam was appointed Chair of the Committee on 30 September 2019

The table above shows Committee members and the number of scheduled meetings attended out of the number of meetings members were eligible to attend during 2023.

The Group Deputy Company Secretary attends meetings as Secretary to the Committee and the Company Secretary and the Chief People Officer regularly attend the Committee's meetings to

provide information and support to the Committee to enable it to carry out its duties and responsibilities effectively.

COMMITTEE INTRODUCTION AND OVERVIEW

Activity highlights

- 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 Board 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.

2024 priorities

- Maintain focus on succession planning and talent management for the Board, Executive Directors and senior management.
- Continue to monitor progress against the DE&I and wellbeing agenda across the Group.

- Continual development in training and support to ensure that the Committee continues to operate in accordance with best practice.

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 and were last reviewed in April 2023.

Key numbers

Meetings held

3

(2022: 2)

Attendance

100%

(2022: 100%)

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 to 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 the 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, the Committee received reports on talent management, DE&I and Wellbeing initiatives as well as progress of the Group's efforts to increase the number of internal VP appointments, through a leadership development programme for mid-level leaders with emphasis on personal development goals. This programme aims to accelerate the development and retention of this important group of leaders, a group that has a crucial role to play in delivering on our strategic aims into the future.

Board and Committee composition

As a consequence of the end of the Relationship Agreement between the Company and Novo Holdings A/S, Sten Scheibye resigned as Non-Executive Director on 8 September 2023. Following the departure of Sten, the Committee reviewed the composition of the Board and determined that no changes were required at this time, but this would be kept under review.

The composition of the Nomination Committee is set out on page 107.

Diversity

The Board endorses the aims of The FTSE women leaders review and the Parker 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 2023 and at the date of this report, we comply with the recommendations of both the FTSE Women Leaders Review and the Parker Review, as well as the requirements of the Listing Rules in relation to gender and ethnicity at a Board and executive management level. On this page, we have provided data on Board and executive management gender and ethnicity. For the purposes of gathering this information, individuals were asked to self-declare their gender and ethnicity 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 44%.

During the year the Board has considered diversity insights across a range of metrics with a focus on gender and ethnicity. In 2024 the Committee and the Board will continue to monitor the ongoing development of DE&I 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 96 and 97.

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 significant 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 16 May 2024. 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-election is not approved.

Talent and succession planning

Succession planning work during 2023 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.

During the year Freshfields Bruckhaus Deringer also provided the Board with refresher training on directors' duties, disclosure and conflicts of interests 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 and updates 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. In line with the results of the Board and Committee evaluation, we will focus on appropriate training in 2024.

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 2024 are set out under 2024 Priorities on page 106.

Copies of all Non-Executive Directors' 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
5 March 2024

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	5	56%	3	5	50%
Women	4	44%	1	5	50%

Note: Executive Management includes CELT members and the Company Secretary, but excludes the CEO and CFO.

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)	7	78%	3	8	80%
Mixed/multiple ethnic groups	-	-	-	-	-
Asian/Asian British	-	-	-	1	10%
Black/African/Caribbean/ black British	-	-	-	-	-
Other ethnic group, including Arab	2	22%	1	1	10%

Note: Executive Management includes CELT members and the Company Secretary, but excludes the CEO and CFO.

Audit and Risk Committee report

A word from the Chair

“The Committee is delighted with the improvements in the robustness of the Group’s internal controls and related processes.”



Margaret Ewing
Chair of the Audit and Risk Committee

Committee membership, meetings and attendance

Director	Member since	Attended
Margaret Ewing ¹	August 2017	5/5
Heather Mason	September 2020	5/5
Brian May	March 2020	5/5

1. Ms Ewing was appointed Chair of the Committee on 28 June 2019.

COMMITTEE INTRODUCTION AND OVERVIEW

Highlights

- Review of key judgements and estimates, adjusted measures and disclosures in respect of the 2023 financial statements
- Monitoring the development of ESG reporting and targets including compliance with TCFD and other relevant regulatory reporting requirements and extension of independent limited assurance of relevant ESG metrics.
- Considering the conclusions and actions arising from the independent assessment of the maturity and effectiveness of cyber security and data privacy activities.

2024 priorities

- Continue to monitor the implementation of management’s cyber and data privacy improvement plans
- Improve the Committee’s understanding of the rapidly evolving regulatory requirements related to ESG and NFI and the implications for the Group
- Complete external audit tender process and receive Board approval to appoint preferred auditor for 2026 financial year audit

Composition

The current members of the Committee are listed above.

The biographies of the Committee members on pages 96 and 97 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 possess an appropriate breadth of recent and relevant financial experience and is satisfied that the Committee has competence relevant to the sector and its overall responsibilities.

Key numbers

Meetings held

5

(2022: 7)

Attendance

100%

(2022: 100%)

Key areas of responsibility

The roles and responsibilities of the Committee are set out in the terms of reference (available on the Company’s website) which were last updated in October 2022. The Committee agreed in July 2023 that the Committee’s terms of reference would be reviewed after the release of the revised Code by the FRC, which was published in January 2024. The update to the terms of reference

will be reviewed and approved at the next Committee meeting in May 2024.

The Committee’s principal responsibilities are to oversee and provide assurance to the Board on:

- the integrity and quality of financial reporting and to ensure it is fair, balanced and understandable
- the effectiveness of audit arrangements
- the robustness and effectiveness of the financial, reporting, operational and compliance controls and risk management processes throughout the year
- TCFD and ESG metrics and related data reporting.

The Senior Assistant Company Secretary attends meetings as the Secretary to the Committee. The Chairman, Chief Executive Officer, Chief Financial Officer, Company Secretary, Deputy Company Secretary, VP Group Financial Controller and the VP Internal Audit, Enterprise Risk & Insurance and representatives of the external auditor attend the meetings on a regular basis. Other Board members have an open invitation to attend the Committee meetings. The Committee also has private sessions with the external audit partners and the VP Internal Audit, Enterprise Risk & Insurance.

A summary of the Committee’s activities during 2023 and until the date of this report is detailed on the following pages.

Dear Shareholder and other stakeholders

As Chair of the Audit and Risk Committee, I am pleased to present the Committee’s 2023 Report.

The core responsibilities of the Committee include ensuring the integrity of the financial and non-financial information published by the Group; the external and internal audit processes are effective and that the Company has an effective control environment to manage risks. The purpose of this report is to describe how the Committee conducted its responsibilities during the year.

Throughout the year, in addition to the Committee’s scheduled meetings, I met regularly with senior management, particularly the CFO, VP Group Financial Controller, VP Internal Audit, Enterprise Risk & Insurance, Group General Counsel and the lead partners of our external auditor, Deloitte. These meetings allowed me to understand how existing and emerging issues were being addressed and to adapt the Committee’s agendas accordingly. The meetings with the VP Enterprise Risk Management & Internal Audit and Deloitte lead partners also provided me with insight to inform the Committee’s ongoing review of the effectiveness of audit (internal and external respectively) and to ensure the internal audit plan prioritised controls and processes related to the Group’s principal and emerging key risks and the external audit plan was focused on the emerging and changing key audit risks.

Committee effectiveness

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 and provided participants in the evaluation with a questionnaire, and collated and summarised the responses. The findings 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 2023, with priority areas of focus for 2024 also identified.

Fair, balanced and understandable

The Board is required to provide its opinion on whether it considers that the Company’s 2023 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 detailed verification process dealing with the factual content
- Comprehensive reviews undertaken independently by senior management and members of the Committee 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 audited by Deloitte (including limited assurance provided in respect of relevant ESG metrics)
- Confirmation from management that the assurance framework had been adhered to for the preparation of the 2023 ARA.

Committee conclusions and confirmations

Taking into consideration all areas of focus of the Committee during the year and in reviewing the 2023 ARA, including reviewing the supporting detailed topic papers, presentations and reports from management and Deloitte, the Committee is satisfied that:

- The Financial Statements for the year ended 31 December 2023 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 operating effectively throughout the year, with no material control failures.
- 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.
- The external and internal auditors have continued to provide effective and independent audits that have been challenging, robust and of a high quality.

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 2023 ARA, overall, are fair, balanced and understandable. The Board’s statement in relation to this confirmation is included on page 146.
- It is reasonable for the Directors to make the Viability and the Going Concern statements on pages 86 and 87 and page 146 respectively.
- The Group’s speaking up and fraud risk processes have operated effectively during the year, with further improvements to be implemented during 2024.
- 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 on pages 76 to 84 of the 2023 ARA.

I would like to thank my fellow Committee members and all teams involved with the Committee’s activities for their contribution during 2023 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 can take assurance from the work undertaken by the Committee during the year and planned for 2024.

Margaret Ewing
Chair of the Audit and Risk Committee
5 March 2024

Audit and Risk Committee report continued

2023 KEY MATTERS

1. EXTERNAL REPORTING

The Committee reviewed the interim and full year results statement and 2023 ARA, with supporting materials, focusing on the:

- Integrity of the Group's financial reporting process
- Clarity of disclosure
- Compliance with relevant legal and financial reporting standards and regulatory guidance
- Application of accounting policies and judgements
- The consistency of the disclosures with climate risks and opportunities and related evolving regulatory reporting requirements
- Whether, in considering the above factors, the Convatec Annual Report and Accounts was fair, balanced and understandable.

Throughout the year, the Committee received regular updates from the CFO, VP Group Financial Controller, VP Internal

Audit, Enterprise Risk and Insurance and the VP Investor Relations and Treasury, and both formal and informal reports and feedback from the external auditor covering the following scope:

- Acquisition papers and related accounting treatments and judgements, including assessment of contingent earn-outs and impact on the recognition of deferred tax.
- Alternative performance measures, including the policy and the rationale and non-recurring nature and quantum of the proposed adjusting items.
- The results of the monitoring of the effectiveness of internal controls, particularly financial and IT general controls related to financial reporting, and the fraud risk assessment and related enhancement programme to support the Committee conclusions on the integrity of the Consolidated Financial Statements.

- Appropriateness of going concern and viability assessment, including basis of preparation and management reports on all key judgements, risk scenarios and underlying assumptions, supporting analysis and evidence.
- Treasury matters including policy, activity, funding and ongoing compliance with debt covenants.
- Tax matters including the Tax Strategy Statement, tax transparency, key tax risks, ongoing and new local tax audits and investigations, estimated tax rates applied in the Financial Statements and provisions for uncertain tax positions.

As a result of the reviews performed and related discussions and challenges, the Committee was able to recommend the interim and full year's results statements and 2023 ARA to the Board for approval.

Significant reporting matters and accounting judgements considered by the Committee

A summary of the significant areas of audit focus, as described in the Independent Auditor's Report on pages 206 to 213, plus additional areas of key focus by the Committee is provided below. Following discussion and review (and where appropriate, challenge) 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.

Issue	Committee's conclusion and response
Acquisitions	<p>The Committee reviewed the judgements in relation to the acquisition and investment activity in current and prior years.</p> <p>The Group has made three acquisitions in 2023 – Starlight Science Ltd in April, A Better Choice Medical Supply LLC in July and All American Medical Supply Corp. in October. The details of the acquisitions are provided on pages 193 to 195.</p> <p>Throughout 2023, the Committee reviewed the status of the acquisitions to ensure that the valuation of related balances at key reporting dates was appropriate. The Committee challenged the key drivers of the valuation of intangible assets identified from acquisitions and considered the integration strategy of the investments into the core business. The Committee discussed these key judgements with the external auditor 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.</p>
Valuation of contingent consideration provisions	<p>The acquisitions made in previous years continue to trigger earn-out payments requiring judgements in the valuation of consideration. Throughout 2023, the Committee reviewed the projected contingent consideration to ensure that the valuation of related balances at key reporting dates was appropriate. The Committee reviewed forecasts and considered the work undertaken by external valuation experts. The Committee also ensured that the implications of the potential maximum consideration were reflected in management's going concern and viability assessments. The Committee concurs with management's review that the provision for contingent consideration on acquisitions is a key source of estimation uncertainty. The Committee discussed these key judgements with the external auditor and considered the results of their audit review, including the conclusions of Deloitte's valuation experts, and ultimately considered that the accounting for contingent consideration was appropriate.</p>

Issue	Committee's conclusion and response
Revenue recognition in key markets	<p>The calculation of revenue includes a number of areas of estimation, at the point of recognition, including rebates, discounts, allowances, product returns and consideration expected to be received. The arrangements in different countries and with individual customers vary, but broadly they are all dependent upon interactions with the customer, including the submission of claims that can extend to up to 24 months after the initial point of revenue recognition.</p> <p>The nature of the estimations means that there is considerable variability in the ultimate outcomes when considered on an individual customer basis. As a result, the Group applies a limit on variable revenue consideration, in order to ensure that revenue is recognised at a prudent level (see page 155). The Committee scrutinised these judgements and estimates related to revenue, and discussed the judgements and estimates with the external auditor, ultimately concluding that the accounting for revenue was appropriate.</p>

The Committee considered the key risks, facts and judgements for the following areas:

Matter	Committee's conclusion and response
Going concern and Viability statements	<p>The Committee reviewed and challenged management's detailed assessment of the Group's viability during the next three years and its ability to continue as a going concern in accordance with the requirements of the Code. The Committee considered the Group's 2024 budget, 2024 to 2028 strategic plan, and updated forecasts and projections, taking into account reasonably possible changes in trading performance and the potential impact of principal and emerging risks. The 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's perception of the Group's future financial performance and viability. The Committee attempted to understand the possible implications of the rapidly evolving geopolitical and economic environment in which the Group operates. It also considered the potential 'corporate' mitigations that would be available to management should the environment and Group's performance deteriorate beyond that reflected in the stress test scenarios, and discussed the external auditor's findings and conclusions.</p> <p>Following this assessment, the Committee considered the scenarios applied were severe but plausible and the extent of the analysis made by management to be appropriate and ultimately recommended the Viability and going concern statements and their respective related disclosures to the Board for approval and inclusion in the 2023 ARA.</p>
Taxation	<p>The Committee reviewed the recognition and valuation of the deferred tax assets (DTAs) in respect of excess US tax losses, first recognised following the ATT acquisition in 2022. The Committee challenged the robustness of the taxable profit forecasts of the US operations, the corresponding utilisation of the tax losses and considered the assessment and conclusion of the external auditor. The Committee concluded that the recognition of DTAs in relation to the forecast profits in the US continued to be appropriate.</p> <p>The Committee also reviewed the provision for uncertain tax positions and related disclosures. A provision release following the successful resolution of an uncertain tax position resulted in a one-off material net tax benefit which has been treated as an adjusting item. The Committee considered this to be appropriate.</p>
Inventory Policy	<p>The accounting policy for inventories was updated in the year to better align the deferral of price variances to the stock holding period. The Committee reviewed the impact of inflation on the standard costs set annually and considered the challenge from the external audit in 2022 to be valid, ultimately concluding that this change in policy was appropriate.</p>
Operating segment reporting	<p>The Committee considered management's assessment that, for the purposes of financial reporting, it remains appropriate for the Group's business to be treated as a single segment entity. Management's assessment concluded that the Chief Operating Decision Maker (CODM) has transitioned from the CEO to the Convatec Executive Leadership Team (CELT) as the business continues to operate in a matrix structure with which the Committee concurred. Financial information in respect of revenues is provided to CELT for decision making purposes, both on a category and key market basis, with the primary focus of financial reporting and decision-making based on the consolidated Group results and anticipated cashflows and available liquidity. Resource allocation continues to be driven on a functional basis, to the global centres of excellence. The Committee also considered the external auditor's assessment, which took other supporting evidence into account and concluded that management's position was supportable. The Committee ultimately agreed with management and the external auditor that the Group should continue to report as a single segment for the purposes of the disclosures in the 2023 ARA, in accordance with IFRS 8.</p>

Audit and Risk Committee report continued

Matter	Committee's conclusion and response
Alternative Performance Measures	<p>The Committee reviewed the APM policy in February 2023, to ensure that the adjustments from the IFRS statements remained appropriate and provided investors and other stakeholders with meaningful insight to the Group's performance. The policy was reviewed to ensure that the rationale and criteria for their use was specific and the minimum thresholds for adjustment were appropriate. It was noted that the largest adjustments related to the amortisation of acquired intangible assets, of which a significant proportion related to the Bristol Myers Squibb spin-out and will be fully amortised by 2026. In addition, the costs of the large-scale transformation of the business in line with the FISBE strategy have also been recognised as adjusting items over recent years. The Committee considered that these items were relevant in order to understand the ongoing performance of the Group.</p> <p>The Committee requested that the CFO sought feedback from brokers as to the nature and quantum of the adjustments, however, no specific concerns had been raised by investors and analysts. The Committee concluded that the APM policy remained appropriate and that all proposed adjusting items would continue to be scrutinised by the Committee prior to approval.</p>
Dividends	<p>The Committee reviewed the dividends recommended by management with regard to the distributable reserves, cash resources, availability of liquidity, including the effect of sensitivities aligned to the viability statement and 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 and recommend respectively the 2023 interim and final dividends.</p>

2. RISK MANAGEMENT AND COMPLIANCE

Throughout the year, the Committee reviewed risk management and compliance matters to be able to provide assurance to the Board that it could conclude on the effectiveness of the Company's compliance, fraud prevention and risk management frameworks, and internal controls throughout the year.

Our Role	Action taken by the Committee and Outcome/future actions
<p>Enterprise Risk Management and Insurance</p> <ul style="list-style-type: none"> Assist the Board to establish and articulate overall risk appetite, oversee specific risk exposures and mitigations and ensure the Group is operating within the Board's risk appetite Ensure a robust assessment of emerging and principal risks has been undertaken, including movements in the risk exposure, with effective mitigations and controls established Monitor the policy 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 adequacy and appropriateness of coverage of insurable risks across the Group 	<p>The Committee regularly reviewed and challenged the principal and emerging risks identified by management and considered the effectiveness of the respective risk mitigations and controls. The ongoing improvements to the risk framework were noted, including the way in which risks are identified, managed and reported to CELT, Committee and Board and the introduction of key risk indicators.</p> <p>The Committee reviewed and recommend respectively the principal and emerging risk management statements and disclosures, including the priority order of risk as disclosed, reflecting the discussions held with the CELT (collectively and with individual members). In December the Committee challenged management on the list and prioritisation of the principal risks. After careful deliberation and consideration of evolving circumstances, the Committee concluded that the risks and the prioritisation were appropriate.</p> <p>Following consideration of the lessons learned from the risk simulation exercise undertaken by CELT and relevant teams in October, the Committee requested a further simulation exercise be expanded beyond IT and cyber failures to better inform and prepare crisis management plans.</p> <p>The Committee reviewed the maturity assessments of the management of privacy and cyber risks performed by external advisers. Whilst improvements have continued to be implemented throughout the year, there remains opportunities to improve privacy controls and cyber defence capabilities. The Committee will closely monitor management's progress in implementing its improvement plans during 2024.</p> <p>The Committee reviewed and approved the proposed insurance renewals programme, which had been tailored to manage specific type and location risks to provide cost-effective incident cover, with improved risk mitigations to improve overall business resilience.</p>

Our Role	Action taken by the Committee and Outcome/future actions
<p>Internal controls</p> <ul style="list-style-type: none"> Promote and review sound risk management and internal control systems over financial, reporting, operational and compliance processes Review the effectiveness of internal controls 	<p>The Committee received quarterly updates of the self-attestation of compliance with the Group's financial and IT general control frameworks, including details of control failures (all immaterial during 2023), their remediation and independent reviews of control evidence.</p> <p>The Committee noted the extension of the formal control framework to include key non-financial information disclosed. The controls reliance approach on GBS controls adopted by the external auditors provided additional assurance on the centralised GBS controls to the Committee in this regard.</p> <p>Based on these quarterly updates, and the reports from the internal and external auditors, the Committee is satisfied that the Group's internal controls operated effectively throughout the year, with no occurrence of material weaknesses. Controls relating to Compliance are covered in the paragraph below.</p>
<p>Compliance, including speaking up and fraud</p> <ul style="list-style-type: none"> Review the Group's codes, policies, systems and controls in respect of fraud, bribery, corporate conduct and regulatory and legal compliance Review speaking up reports 	<p>The Committee reviewed update reports on the results of the global compliance programme and the speaking up process. The results of the global business risk assessments performed (jointly by the Group's compliance team and internal audit) across a number of key global markets were considered and concluded that an ethical business culture exists. The key themes arising from these risk assessments related to third party risk management (i.e. due diligence and contracting) and interactions with healthcare professionals (i.e. medical samples). These are being addressed through training and implementing new and refreshed policies and procedures. Following the completion of the assessment of the initial selected markets, the assessment process will be cascaded to cover all markets during 2024.</p> <p>The Committee reviewed the progress of the fraud risk assessment, the associated control framework and the improved reporting on measures taken to prevent and detect fraud in accordance with the enhanced requirements of the Code.</p> <p>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.</p> <p>Whistleblowing/speaking up is reported by employees and certain third parties through a confidential Compliance helpline or directly to the Office of Ethics and Compliance. Reports of a speaking up nature or of breaches of the Code of Conduct that are made directly to senior management or HR personnel are also reported to the Office of Ethics and Compliance. All reports, irrespective of the channel, are collated, managed, are reviewed and investigated by the Office of Ethics and Compliance. A summary of the key themes (harassment and discrimination), locations and disposition of whistleblower/speaking up matters together with subsequent actions are reviewed by the Committee and reported to the Board.</p> <p>During 2024, the Committee will monitor management's development, as appropriate, of procedures and controls to ensure compliance with the new UK 'Failure to prevent fraud' offence, which is expected to take effect in mid-2024.</p>

Audit and Risk Committee report continued

Our role	Action taken by the Committee and Outcome/future actions
<p>Regulatory compliance - ESG and TCFD</p> <ul style="list-style-type: none"> Review and approve the TCFD disclosures and oversee the Responsible Business Review ensuring compliance with all applicable regulations (pages 38 to 75) Approve the ESG related metrics to be subject to limited assurance Approve the appointment of the ESG assurance partner and review their report 	<p>The Committee continued to focus on ESG and TCFD reporting during 2023, monitoring progress to meet the increasing reporting requirements and stakeholder expectations, develop quantitative science-based targets and deliver against them.</p> <p>In 2022, the Company disclosed three partial compliance exceptions within its TCFD reporting. The Committee can confirm that the compliance gaps have been closed during 2023. The Committee has reviewed the initial draft transition plan and will continue to monitor progress in delivering the actions required to iterate the transition plan, ensuring robust roadmaps are in place to meet the commitments and targets.</p> <p>Consistent with the prior year, the Committee approved Deloitte to provide limited assurance over seven key ESG metrics and targets disclosed in the Group's ARA and other sustainability reporting, with the scope of the metrics to be subject to limited assurance increased to include Complaints per million (CPM), a key measure in determining senior executives' remuneration. This involved Deloitte undertaking walkthrough procedures to understand the processes, internal controls and evidence available to support the provision of assurance in respect of CPM. The intention is to include the Vitality Index as an assured (limited) key metric in 2024. During 2024, the Committee will also review management's roadmap for moving to independent reasonable assurance in due course, including the improvements in the relevant control and reporting frameworks required to enable unqualified reasonable assurance opinions to be provided.</p>
<p>Regulatory developments</p> <ul style="list-style-type: none"> Monitor the development of regulations relating to ESG, TCFD, climate change, fraud, audit and corporate governance and FRC and FCA reporting requirements and management's preparedness to adopt the changing requirements 	<p>The Committee continued to keep abreast of guidance regarding the status of the Department for Business and Trade proposals following the government response to the 'Restoring trust in audit and corporate governance' consultation.</p> <p>Although intended related legislative changes are no longer to be introduced, the updated UK Corporate Governance Code, issued in January 2024, requires greater transparency of risk management and internal control processes. The Committee is pleased with progress on no-regret actions taken by management whilst waiting for the finalisation of the updated Code, and will monitor further enhancements of the risk management and internal control processes to ensure compliance in line with the timelines.</p> <p>The Committee also received regular briefings from the external auditors and Convatec's ESG Steering Committee on regulatory and other developments relating to sustainability, fraud and other disclosure and reporting requirements, building the revised Code's proposed timelines for implementation of related changes into the Committee's forward agenda.</p>
<p>Treasury, debt and insurance</p> <ul style="list-style-type: none"> Provide oversight of the treasury function Annually review and approve the Group's treasury policy 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 and the treasury policy 	<p>The Committee received regular updates from the CFO and subsequently the VP Investor Relations and Treasury as regard to compliance with treasury policy, covenants and other conditions of financing arrangements.</p> <p>Based on the satisfactory outcome of this review, the Committee recommended to the Board the approval of two new Group guarantees to facilitate ISDA agreements and hedging.</p>
<p>Tax</p> <ul style="list-style-type: none"> 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 Annually review and recommend to the Board for approval the Group's updated Global Tax Strategy statement for publication 	<p>The Committee reviewed the proposed update to the global tax strategy statement and the alignment with the Group's tax risk profile and was satisfied that the Group manages its tax affairs carefully, ensuring that we operate within our tax risk appetite. Accordingly the Committee recommended the updated Tax Strategy statement to the Board for approval.</p> <p>The Committee reviewed the structuring of the Starlight integration to leverage tax opportunities and was satisfied that the structuring was appropriate and within policy.</p> <p>The judgements underpinning the provision for uncertain tax positions were scrutinised by the Committee and considered to be prudent, appropriate and in line with the requirements of IFRIC 23. The treatment of material adjustments to the uncertain tax positions upon resolution as an adjustment item was considered and approved by the Committee.</p> <p>The Committee reviewed the tax rates to be applied during the year compared to the guidance previously disclosed and requested a detailed explanation for movements in the estimated effective tax rate.</p>

3. INTERNAL AUDIT

The Committee continued to exercise disciplined oversight of the effectiveness of the Internal Audit function. Throughout the year the Committee reviewed the results of the audits conducted (including management's response to the audit findings and recommendations), considered emerging themes of concern and approved changes to the audit plan to reflect changing circumstances or risks. For those audits rated with more significant weaknesses, the Committee met with responsible management to understand their response to the audit findings and related action plan, implementation of which has been closely monitored by the Committee.

The proposed 2024 internal audit plan was approved. The audit plan is aligned to the Group's principal and emerging risks but also provides assurance over the design and operating effectiveness of the Group's financial, reporting, compliance and operational controls, processes and information technology and a number of Group priority projects and initiatives.

In addition to its continuous consideration of the internal audit effectiveness, in December, the Committee undertook a formal assessment, including obtaining direct feedback from CELT members and other relevant management. The Committee noted the use of external specialists

to assist in technical areas (e.g. data privacy and cyber security), to provide specialist knowledge and expertise. Both management and the Committee concluded that the internal audit function was effective and provided robust, challenging and quality audits.

CASE STUDY: CONTROLS RELIANCE AUDIT

Building on the GBS-led audit in 2022 and the knowledge session on the global internal control programme in October 2022, the Committee challenged Deloitte to transition to a controls reliant audit approach for the 2023 external audit processes at the GBS centre. Whilst this approach would not give direct assurance for the purposes of the Director's statement on internal control, it would provide additional assurance on the operating effectiveness of controls tested and lead to greater audit efficiencies, particularly with regard to the internal resources absorbed in the audit process, and leverage the automated controls in the SAP platform.

Deloitte duly planned their audit to move to a controls reliant approach focusing primarily on GBS scope, and reported the outcome to the Committee. The Committee was pleased with the conclusions from the work performed by the external audit team. Subject to a small number of exceptions, Deloitte concluded that the controls are designed appropriately and are operating effectively to mitigate the reporting risks. In addition, the Committee noted Deloitte's assessment of the high quality from the GBS component of the Group audit, and how the GBS model enables seamless service delivery mitigating the impact of unexpected staff absences. The Committee will review the management responses to the recommendations made by the external auditor and look forward to the further development of the internal control framework in 2024, as it continues to broaden its scope to non financial reporting metrics and operating controls.

4. EXTERNAL AUDIT

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 2023 audit and its quality.

Significant matters for review	Decisions and actions taken by the Committee
<p>The annual audit plan and strategy including the scope of the audit, changes in approach and methodology, emerging industry and Group specific risks.</p>	<p>Reviewed and challenged, particularly in respect of the significant revenue audit risk, leading to an agreed plan (see below).</p> <p>Having previously challenged the external auditor to centralise certain audit activities in Lisbon to leverage the Group's GBS operating model and simplifying the management of the audit, the external auditor was further challenged to evolve towards a control reliant approach for the GBS audit which was implemented but limited to certain areas in 2023, as highlighted in the case study, above. This approach has enabled audit procedures to be performed earlier, allowing more time during January and February for more detailed consideration of risk areas.</p>
<p>Audit materiality level including Group materiality and component materiality.</p>	<p>Reviewed methodology for calculating the materiality, which was consistent with 2022.</p>
<p>Audit fee and terms of engagement.</p>	<p>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.</p> <p>The Committee also approved the engagement of Deloitte to provide continued limited assurance with increased scope on ESG data in 2023.</p>

Audit and Risk Committee report continued

Significant matters for review	Decisions and actions taken by the Committee
Audit scope and risk assessment.	<p>Audit scope is aligned to Group strategy with all 12 of the Group's focus markets in audit scope – five were subject to full scope audit procedures, three had the material components subject to specified audit procedures, with desk top reviews undertaken by the central audit team for others (of which two are also subject to statutory audit).</p> <p>Deloitte undertook a thorough risk assessment process to identify the three areas of significant audit risk (two of which are related to acquisitions) 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 2022 and agreed with Deloitte's decision. The Committee did not identify additional risks that could materially impact the consolidated financial statements.</p> <p>Having considered the proposed audit scope, risk assessment and materiality level, all of which took into consideration key developments in the Group's business and changes in the environment in which the Group operates, the Committee approved the 2023 audit plan and subsequent changes to certain aspects of the plan to reflect the Group's performance and the changing external environment.</p>
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 reviewed the quality of the external audit throughout the year, assessing the depth of review and clarity of communication (written and verbal, formal and informal), to ensure that the rigour and challenge of the external audit process are maintained. The effectiveness of the external auditor is continuously evaluated by the Committee and senior finance personnel that have regular interactions with the external auditor, with a formal consideration undertaken in November and immediately post the completion of the year-end audit. The Committee also reviewed the FRC's most recent Audit Quality Review conclusions relating to Deloitte as a firm and any specific findings that may relate to Convatec. The findings from the evaluation and agreed actions were reviewed and approved by the Committee in December 2023.

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 and objective challenge of management and exercise of appropriate scepticism in relation to key audit judgements and estimates, reliable interpretation of evidence provided by management, involvement of relevant specialists where relevant and use of external sources to support their conclusions when appropriate. Deloitte's audit process and procedures were considered to be highly appropriate and effective, and focused on the areas of greatest risk. 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 16 May 2024.

Audit independence

To safeguard the external auditor's independence and objectivity and in accordance with the FRC's Ethical Standard, our policy on the provision of non-audit services 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 2023, when non-audit fees principally related to the interim review of the Group's half-year unaudited financial statements and to the limited assurance on the ESG metrics and were not considered significant. A summary of fees paid to the external auditor is set out in Note 3 to the Consolidated 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 anticipates her continuing in this position for the next two years. Dawn Harris stepped down as engagement partner after seven years, with David Holtam assuming this role of engagement partner in 2023, and also leading on the GBS audit and the limited assurance of ESG.
- 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 Committee (excluding Margaret) 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 18 May 2023, 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, whilst the Company was in private equity ownership. For the purposes of complying with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014 (2014 Order), Deloitte's 'qualifying' tenure as the Group's external auditor commenced in October 2016. The Committee recommended to the Board the proposal to reappoint Deloitte as external auditor at the 2024 AGM.

As disclosed in the 2022 ARA, the Company will undertake an audit tender (not mandatory rotation) during 2024, and the resulting appointment will be effective for the 2026 audit. Six firms were approached during 2023, including all members of the 'Big Four' and two mid-tier firms, to gauge their willingness to participate in the audit tender in 2024. Three firms declined to participate, citing resourcing issues and limited engagement and knowledge of the Group.

The process will formally commence in April 2024, when participating firms will be provided with access to documentation and have meetings with all Audit Committee members and members of senior management across the business before having to submit a written proposal to the Committee. Selected firms will then be invited to give presentations to the Audit Committee and two key members of finance management (Selection Panel). The proposals and presentations will be judged against a number of key selection criteria identified in advance of the process, following which the proposals of two of the participating firms (including the Committee's preferred choice) will be submitted to the Board for final selection and appointment.

EXTERNAL AUDIT TENDER TIMELINE



Directors' Remuneration report

A word from the Chair

“As the Company continues to navigate a dynamic external environment, the Committee continues to monitor our remuneration policy and practices, in order to ensure these support and enhance our winning culture and strategy, as well as ensure alignment of executive interests with those of key stakeholders including employees and shareholders. During 2023, shareholders approved our new remuneration policy which we have implemented.”



Brian May
Chair of the
Remuneration Committee

The table above shows the number of scheduled meetings attended out of the number of meetings members were eligible to attend during 2023.

Committee membership, meetings and attendance

Director	Member since	Attended
Brian May ¹	March 2020	4/4
Constantin Coussios	January 2022	3/4
Kim Lody	February 2022	4/4
Sharon O'Keefe	March 2022	4/4

¹ Mr May was appointed Chair of the Committee on 1 September 2020.

The Deputy Company Secretary attends meetings as the Secretary to the Committee. The Chair, CEO, CFO, Company Secretary, Chief People Officer and VP Head of Global 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.

COMMITTEE INTRODUCTION AND OVERVIEW

Activity highlights

- Ensured remuneration arrangements for the Executive Directors and CELT members in 2023 continue to support Convatec's strategic intent to pivot to sustainable and profitable growth.
- 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.
- Following approval at the AGM of the new Remuneration Policy, we have been implementing the policy throughout the year.

2024 priorities

- Continue to implement our 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.

- Continue to actively engage key stakeholders on remuneration matters, as appropriate.

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 121 and 122.

Our remuneration at a glance

Page 123.

Our Annual Report on Remuneration

How we implemented our Remuneration Policy during 2023 and how we intend to apply it in 2024, pages 124 to 133.

Our Remuneration Policy

Pages 134 to 142 set out the Remuneration Policy as approved by the shareholders at the 2023 AGM.

Key numbers

Meetings held

4

(2022: 5)

Attendance

94%

(2022: 95%)

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 2023.

Context and approach to remuneration

I would like to start this letter by thanking all our employees for their dedication and strong contributions in the past year. It is through our employees' impressive performance that we have been able to increase our market capitalisation and remain constituents of the FTSE 100 throughout 2023. Our FISBE strategy continues to be embedded into the organisation and we are set to build on this growth trajectory in 2024. Our remuneration policy, which was approved by shareholders at the 2023 AGM, enables us to make remuneration decisions that continue to support the future success of Convatec and underpin our culture and values.

Shareholder engagement in relation to 2023 AGM voting

In 2023, we are pleased to report strong shareholder support, with a 98% FOR vote for the remuneration report and a 96% FOR vote for the Remuneration Policy at our AGM. The significant endorsement by our shareholders reflects our commitment to be transparent and responsible with our executive remuneration practices. We appreciate the trust and confidence our shareholders have shown.

Going forward, the Remuneration Committee is committed to continued positive and proactive engagement with shareholders.

Performance in the year ended 31 December 2023 and implications for remuneration

The Board is pleased with the continued strategic progress of the Group and its strong performance in 2023. The Group delivered 7.2% organic revenue growth and 10.2% adjusted operating profit growth on a constant currency basis. Further details are set out in the Financial review on pages 26 to 33.

Based on performance, the Committee approved payouts under the 2023 annual bonus of 99.3% of maximum for the CEO and 99.3% 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 46.7% and 66.1% of maximum vesting under each metric. This means the 2021 LTIP awards will vest at 51.6% 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 2023

Focus areas	Activities
Policy	– Implementation of the Remuneration Policy approved by shareholders at the 2023 AGM
Remuneration packages	– Approved Executive Director and CELT salaries for 2023 – Approved the 2022 bonus outcomes for Executive Directors and CELT – Approved 2023 LTIP award levels for Executive Directors and CELT
Setting performance targets	– Reviewed and set financial targets for 2023 annual bonus and 2023 LTIP, in the context of multiple internal and external reference points for performance over the relevant period
Equity incentives	– Confirmed outcome of the 2021 award cycle – Reviewed developments in the executive remuneration landscape
Workforce remuneration	– Received updates on workforce remuneration policies and practices – Reviewed increases to the salary budget in light of the inflationary environment and global living wage levels in all our locations
Effectiveness	– Undertook an annual performance review of the Committee – Worked with Willis Towers Watson to analyse AGM trends and conduct comprehensive market benchmarking to make sure we are aligned

Directors' Remuneration report continued

Remuneration in 2024 and beyond

The remuneration in 2024 and beyond reflects the remuneration policy that was approved at the 2023 AGM with some minor adjustments to the bonus metric weightings and cash flow metric definition as outlined below.

For 2024 the annual bonus will be weighted 40% on adjusted operating profit, 25% on organic revenue growth, 15% on free cash flow to equity and 20% on strategic objectives (where this includes 5% linked to ESG priorities). The adjusted weighting of bonus metrics involves moving 5% of the weighting from operating profit to the cash flow metric. This change was made to reflect increased business and investor focus on the cash flow. Additionally, we will transition from measuring adjusted free cash flow (after tax) to free cash flow to equity for 2024's bonus determinations, which we believe aligns better with shareholder expectations.

2024 LTIP awards will continue to 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 page 132 of this report.

Against the backdrop of 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 in line with these ambitions, to set the organic revenue growth range at 4% to 7% and the adjusted PBT growth range at 6% to 14% for the 2024 LTIP awards. These stretching targets remain consistent with the medium-term goals shared at the Capital Markets Day in November 2022, ongoing market guidance and the PBT growth range remains in excess of typical earnings metric ranges in the FTSE 100.

The Committee will continue to review the performance ranges on an annual basis to ensure that maximum pay outs are only delivered if exceptional performance and long-term shareholder value are delivered.

Finally, the Committee decided to increase the salary of the CEO, CFO and the fee of the Chairman by 4% from 1 April 2024, in line with the increases provided to the general employee population in the UK. The Committee considered these increases to be appropriate in the context of the continued strong performance of the Group. The pension allowance for the CEO and CFO remains at 8.5% of salary which is aligned with the wider UK workforce.

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.

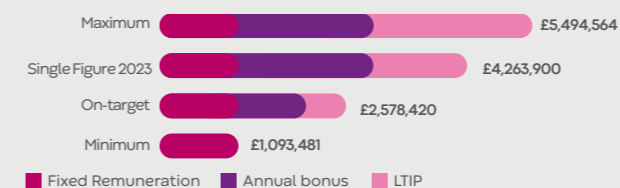
Brian May
Chair of the Remuneration Committee
5 March 2024

OUR REMUNERATION AT A GLANCE

This section provides a summary of outcomes relating to 2023.

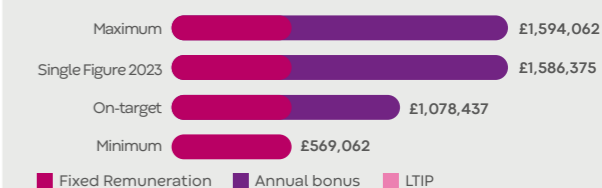
2023 remuneration: outcomes vs performance scenarios

Karim Bitar (CEO)



Annual bonus: 198.5% of salary (£1,873,483); 99.3% of maximum bonus opportunity. LTIP: 51.6% maximum LTIP opportunity (£1,296,937).

Jonny Mason (CFO)



Annual bonus: 198.5% of salary (£1,017,313); 99.3% of maximum bonus opportunity.

2023 annual bonus outcomes

The charts below show how actual performance contributed to the bonus payouts for the Executive Directors for 2023:

Adjusted operating profit¹ (45% weighting)



Outcome warranted by performance: 100% of maximum for this element.

1. Adjusted operating profit is calculated on a constant currency basis using a budget rate.

Adjusted free cash flow¹ (10% weighting)



Outcome warranted by performance: 100% of maximum for this element.

1. Adjusted free cash flow is calculated as free cash flow to capital plus cash outflows from adjusting items. Further details can be found in the Non-IFRS section on pages 34 to 37.

Organic revenue growth¹ (25% weighting)



Outcome warranted by performance: 100% of maximum for this element.

1. Organic revenue growth is calculated on a constant currency basis using a budget rate.

Personal strategic objectives including ESG (20% weighting)

Personal strategic objectives were set for each Executive Director in relation to the following areas of strategic focus for 2023: Customer People, Product/service improvement, Business performance

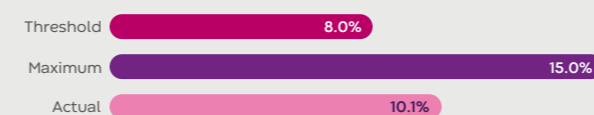


Details of the objectives set for the Executive Directors, and performance against these, are on page 126.

2021-2023 LTIP outcomes

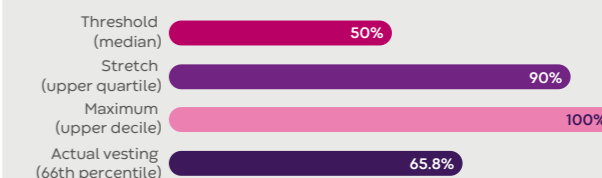
The charts below show how actual performance contributed to the LTIP awards vesting for the Executive Director for the three-year period ended 31 December 2023. Overall the LTIP vesting outcome was at 51.6% of maximum.

Adjusted PBT (75% weighting)



Outcome warranted by performance: 46.7% of maximum for this element.

Relative TSR (25% weighting)



Outcome warranted by performance: 66.1% of maximum for this element.

Directors' Remuneration report continued

Our approach to implementing our Remuneration Policy in 2024	Rationale	Link to strategy
<p>Base salary Reviewed annually</p> <p>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.</p> <p>Implementation in 2024: Karim Bitar: £981,580; Jonny Mason: £533,000 (4% increase).</p>	<p>Base salaries are aligned with the broader market trends and UK workforce increase of 4%.</p>	<p>Innovate</p> <p>Build</p>
<p>Pension and benefits</p> <p>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.</p> <p>Implementation in 2024: Karim Bitar and Jonny Mason receive a pension benefit of 8.5%, aligned to that of the wider UK workforce.</p>	<p>Pension levels for all Executive Directors are aligned to the wider workforce rate, in line with prior commitment to investors.</p>	
<p>Annual bonus</p> <p>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.</p> <p>Implementation in 2024: Maximum opportunity of 200% of salary for Karim Bitar and Jonny Mason. The annual bonus will be based on: adjusted operating profit¹ (weighted 40%), organic revenue growth¹ (25%), free cash flow to equity (15%) and personal strategic objectives (20%), of which 5% relate to quantifiable ESG metrics.</p>	<p>The adjusted weighting of bonus metrics with a 5% shift from operating profit to cash flow was made to reflect increased business and investor focus on cash flow. We will transition from adjusted free cash flow (after tax) to free cash flow to equity for 2024's bonus determinations, aligning with shareholder expectations.</p>	<p>Focus</p> <p>Innovate</p> <p>Simplify</p> <p>Build</p> <p>Execute</p>
<p>Long-Term Incentive Plan</p> <p>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.</p> <p>Implementation in 2024: 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 Equipment & Services Index (12.5%) over the three financial years to 31 December 2026.</p>	<p>The LTI plan continues to underscore sustainable growth and long-term value creation. The performance conditions and reward structure are designed to attract, incentivise and retain high-calibre talent from the global healthcare sector.</p>	<p>Focus</p> <p>Innovate</p> <p>Simplify</p> <p>Execute</p>
<p>Shareholding requirement</p> <p>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.</p> <p>At the end of 2023, Karim Bitar held shares worth 644% of his 2023 salary and Jonny Mason held shares worth 44% of his 2023 salary.</p> <p>Executive Directors are 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.</p>	<p>Our shareholding requirement under the existing policy continues to demonstrate alignment with shareholder interest and fosters a culture of ownership and long-term investment in the company's success.</p>	<p>Focus</p>

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 2023, and how it will be implemented during the year ending 31 December 2024. 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 125 and 128), scheme interests awarded during the financial year (page 127), payments to past Directors (page 129) and the statement of Directors' shareholdings (page 133). The remaining sections of the report are not subject to audit.

Committee membership in 2023

Details of the membership of the Committee, the number of times it met during 2023 and attendance at its meetings are set out on page 120.

Committee responsibilities

The Committee's key areas of responsibility are also set out on page 120.

Committee performance evaluation

A performance evaluation of the Remuneration Committee was carried out in 2023, facilitated by an external consultant, Lintstock, by way of a detailed questionnaire. The key priority identified for 2024 was to ensure that over the course of the year, Committee members are provided with continuing education (both within and outside Committee meetings) 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 is considered to be independent by the Committee. Fees paid to Willis Towers Watson are determined on a time and materials basis, and totalled £67,000 (excluding expenses and VAT) for the 2023 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).

Summary of shareholder voting

The following table shows the results at the 2023 AGM of the advisory vote on the 2022 Annual Report on Remuneration and the binding vote on the 2023 Remuneration Policy.

Resolution	Votes 'for'	Votes 'against'	Votes withheld ¹
To approve the Directors' Remuneration Policy (2023 AGM)	95.95%	4.05%	8,682,610
To approve the Directors' Remuneration report (2023 AGM)	98.03%	1.97%	91,373

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.

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 2023 financial year and compares this with the equivalent figure for the 2022 financial year.

Director		Base salary '000	Taxable benefits ¹ '000	Annual bonus ² '000	LTIP ³ '000	Pension benefit ⁴ '000	Total Fixed ⁵ '000	Total Variable ⁶ '000	Total '000
Karim Bitar	2023	£938	£76	£1,873	£1,297	£80	£1,094	£3,170	£4,264
	2022	£915	£56	£1,339	£1,972	£137	£1,108	£3,311	£4,419
Jonny Mason	2023	£509	£17	£1,017	n/a	£43	£569	£1,017	£1,586
	2022 ⁷	£400	£13	£579	n/a	£34	£447	£579	£1,026

1. For Karim Bitar and Jonny Mason, benefits consist primarily of car allowance, private medical insurance, life assurance and permanent health insurance. For Karim Bitar, private medical is provided in the form of a healthcare allowance of £50,000 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 and Jonny Mason is deferred into shares for three years (the vesting of which is not subject to any further performance conditions). See page 126 for further details.

3. 2023 figures represent the estimated value of LTIP awards made to Karim Bitar in March 2021. These awards shall vest on the third anniversary of grant as to 51.6% of maximum based on performance over the three-year performance period ending 31 December 2023 (further details of which are set out on page 127). The estimated values shown in the table above use the three-month average share price for the period ended 31 December 2023 (219p) 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 £168,187 for Karim Bitar since the respective award dates as a result of share price appreciation. The 2022 figure represents the actual vesting value of the 2020 LTIP award with a share price of 216p at vest.

4. Karim Bitar's and Jonny Mason's pension benefits in the year, equivalent to 8.5% of base salary.

5. Total of base salary, taxable benefits and pension benefit.

6. Total of annual bonus, LTIP and other payments.

7. Appointed CFO on 12 March 2022. Income relates to the period 12 March–31 December 2022.


Directors' Remuneration report continued

Incentive outcomes for the year ended 31 December 2023 (audited)

Annual bonus in respect of performance in the 2023 financial year

For 2023, Karim Bitar and Jonny Mason had a maximum bonus opportunity of 200% of their 2023 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 2023 was based on a combination of adjusted operating profit¹ (weighted 45%), organic revenue growth¹ (25%), adjusted free cash flow (10%) and personal strategic objectives (20%), of which 5% relate to quantifiable ESG metrics.

The tables below summarise the structure of the 2023 annual bonus, the targets set, our performance over the financial year and the resulting annual bonus payout.

Financial measure	Performance targets			Actual performance	
	Link to corporate strategy	Threshold 0% payout	Target 50% payout		Maximum 100% payout
Adjusted operating profit ¹	 Focus  Innovate  Simplify	\$394m	\$405m	\$432m	\$435m
Organic revenue growth ¹	 Focus  Innovate  Simplify	\$2,009m	\$2,048m	\$2,087m	\$2,091m
Adjusted free cash flow	 Simplify  Execute	\$270m	\$291m	\$313m	\$348m

Objectives and actual performance

Karim Bitar	<ul style="list-style-type: none"> Continued the successful execution of FISBE strategy, delivering sustainable and profitable growth, a strong cash flow position and strengthening Convatec's competitive position. Drove inorganic growth strategy with successful acquisition of a nitric oxide technology platform, as well as two bolt-on acquisitions in our Home Services Group (US). Successfully developed and started launching key new products including ConvaFoam™, GentleCath Air™ for Women and InnoMatrix®. We also provided new infusion sets to support key insulin pump partners such as Medtronic, Tandem Diabetes Care and Beta Bionics. Continued delivery of improvements in overall quality of products (12.2% CPM reduction), greenhouse gas emissions (55% reduction in Scope 1 and Scope 2 over 2021), increased diversity through women in senior leadership positions (44%). Drove manufacturing productivity and supply chain resilience progress while improving customer service levels.
Jonny Mason	<ul style="list-style-type: none"> Guided the business to deliver on all financial targets for the year, including: sales growth, margin expansion, earnings increase and cash generation. Expanded focus on simplification and productivity across Operations, Commercial and G&A teams, increased the scope of Global Business Services (GBS), further improving the cost ratio. Sharpened execution of strategic initiatives and mechanisms for allocation of capital. Improved the management of working capital and delivered a significant increase in free cash to equity conversion. Further strengthened and diversified the Finance, IT and GBS teams with key hires. Increased employee engagement and reduced voluntary turnover.

ESG targets in scope: Complaints per million (CPM), Scope 1 and 2 greenhouse gas emissions; and Vitality Index. We successfully achieved a reduction in CPM by at least 8%, attained a Vitality Index of at least 27%, and reduced scope 1 and 2 emissions by 55% relative to our 2021 baseline. For a comprehensive account of our performance against these targets see pages 46 and 47 of the Annual Report.

Annual bonus in respect of performance breakdown

Director	Measure	Weighting	Maximum opportunity (% of salary)	Earned bonus (% of salary)	(£'000)
Karim Bitar	Adjusted operating profit ¹	45%	90%	90.0%	£849
	Organic revenue growth ¹	25%	50%	50.0%	£472
	Adjusted free cash flow	10%	20%	20.0%	£189
	Personal strategic objectives (inc. 5% in relation to ESG metrics)	20%	40%	38.5%	£363
	Total	100%	200%	198.5%	£1,873
Jonny Mason	Adjusted operating profit ¹	45%	90%	90.0%	£461
	Organic revenue growth ¹	25%	50%	50.0%	£256
	Adjusted free cash flow	10%	20%	20.0%	£103
	Personal strategic objectives (inc. 5% in relation to ESG metrics)	20%	40%	38.5%	£197
	Total	100%	200%	198.5%	£1,017

1. Adjusted operating profit and organic revenue growth are both calculated on a constant currency basis using a budget rate.

One-third of the bonus earned by the Executive Directors 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 2023

In 2021, Karim Bitar was granted conditional share awards under the LTIP. These LTIP awards were subject to performance over the three-year period ended 31 December 2023, 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	66th percentile	16.6%
Three-year compound annualised growth in adjusted PBT ¹	75%	8.0% to 15.0% p.a.	10.1%	35.0%
			Total % vesting	51.6%

1. Final vesting outturns on the PBT measure have been adjusted to reflect the impact of M&A over the period in line with the Remuneration Policy.

Accordingly, Executive Directors' 2021 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	10 March 2021	1,147,691	51.6%	592,209

Scheme interests awarded in 2023 (audited)

2023 LTIP awards

During the year ended 31 December 2023, the Executive Directors were awarded conditional share awards under the LTIP, details of which are summarised in the table below.

Director	Date of grant	Number awarded	Award price ¹	Face value		Vesting date
				Value	% of annualised salary	
Karim Bitar	15 March 2023	1,041,628	221.0p	£2,302,000	250%	15 March 2026
Karim Bitar	5 June 2023	222,630 ²	206.8p	£460,400	50%	5 June 2026
Jonny Mason	15 March 2023	565,610	221.0p	£1,250,000	250%	15 March 2026

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.
2. The award is granted consistent with the Remuneration Policy approved at the AGM in 2023 and is conditional upon the Company's shareholders approving the Company's LTIP grant limits within the plan rules at the Company's 2024 Annual General Meeting.

The performance conditions attached to these 2023 LTIP awards are set out in the table below.

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 the 2023 LTIP awards vest, vested shares will be required to be held for a further two-year post-vesting holding period.

2022 Deferred bonus

One-third of the 2022 bonus earned by Karim Bitar and Jonny Mason was deferred into shares to be held for three years under the DBP, details of which are summarised in the table below.

Director	Date of grant	Number awarded	Award price ¹	Value		Vesting date
				£	% of 2022 bonus	
Karim Bitar	15 March 2023	201,937	221p	£446,281	One-third	15 March 2026
Jonny Mason	15 March 2023	99,826	221p	£220,615	One-third	15 March 2026

1. The award values are determined as one-third of each Executive Director's 2022 bonus and converted into numbers of conditional shares using the average of the three-day share price preceding the date of grant.

Directors' Remuneration report continued

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 2023 and 2022 financial years.

Non-Executive Director	Fee ¹		Benefits ²		Total	
	2023 '000	2022 '000	2023 '000	2022 '000	2023 '000	2022 '000
John McAdam	£334	£326	£1	£0	£335	£326
Margaret Ewing	£120	£117	£1	£1	£121	£118
Brian May	£97	£95	£1	£1	£98	£96
Heather Mason	£79	£75	£2	£2	£81	£77
Constantin Coussios	£77	£75	£1	£1	£78	£76
Kim Lody ³	£80	£69	£2	£2	£82	£71
Sharon O'Keefe ⁴	£90	£69	£2	£2	£92	£71
Sten Scheibye ⁵	£53	£75	£0	£1	£53	£76

- Effective 1 April 2023, US dollar and Euro fee levels were introduced alongside the Sterling fee rates. Where a Non-Executive Director receives fees in US dollar or Euro, the fees have been converted to Sterling using the average exchange rate at the time of payment.
- In addition to the fees payable to each of the Directors, the Group reimburses reasonable expenses.
- Joined the Board on 1 February 2022.
- Joined the Board on 1 March 2022.
- Stepped down from the Board on 8 September 2023.

Percentage change in Director remuneration

The table below shows the percentage change in Director remuneration (from 2019 to 2023) 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 2022 to 2023			Annualised percentage change from 2021 to 2022			Annualised percentage change from 2020 to 2021			Annualised 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	Salary or fees ¹	Benefits ²	Bonus
Executive Directors												
Karim Bitar	2.5%	35.9%	39.9%	2.6%	0.0%	(6.5)%	1.9%	0.0%	(16.9)%	0.0%	0.0%	40.0%
Jonny Mason ³	2.5%	1.3%	41.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors												
John McAdam	1.9%	197.1%	n/a	2.5%	213.0%	n/a	0.0%	n/a	n/a	0.0%	(100)%	n/a
Margaret Ewing	2.6%	6.3%	n/a	0.0%	310.1%	n/a	(5.4)%	n/a	n/a	0.9%	(100)%	n/a
Brian May	2.4%	2.3%	n/a	0.0%	443.5%	n/a	8.4%	n/a	n/a	n/a	n/a	n/a
Heather Mason	5.7%	(14)%	n/a	0.0%	134.2%	n/a	15.4%	n/a	n/a	n/a	n/a	n/a
Constantin Coussios	2.0%	(1.7)%	n/a	0.0%	247.4%	n/a	15.4%	n/a	n/a	n/a	n/a	n/a
Kim Lody ⁴	5.7%	(19.5)%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sharon O'Keefe ⁵	6.1%	(9.7)%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sten Scheibye ⁶	2.0%	(100.0)%	n/a	0.0%	72.9%	n/a	15.4%	n/a	n/a	8.3%	(100)%	n/a
Average per employee	7.2%	3.1%	21.2%	5.3%	10.0%	13.5%	2.7%	(16.5)%	39.2%	2.7%	2.7%	16.0%

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.

- 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.
- 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. Karim receives a healthcare allowance instead of private medical insurance which was set at £30,000 per annum in 2019. Due to the rising cost of healthcare and inflation, Karim's medical benefit was reviewed during the year and the Committee approved an increase to £50,000 per annum.
- Joined the Board on 12 March 2022 as CFO.
- Joined the Board on 1 February 2022.
- Joined the Board on 1 March 2022.
- Stepped down from the Board on 8 September 2023.

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 2023 and 31 December 2022, and the percentage change year-on-year.

	2023 \$m	2022 \$m	Year-on-year change
Total employee pay expenditure	701	649	8.1%
Shareholder distributions	127	113	12.4%

Payments to past Directors (audited)

Frank Schulkes stepped down as Executive Director on 11 March 2022. He will receive 170,211 shares on vesting of the 2021 LTIP award in March 2024. This award reflects the 51.6% vesting outcome, pro-rated to the date of leaving. It remains subject to the two-year post-vesting holding period, per the terms of the Remuneration Policy. Further detail can be found in the Long Term Incentive Plan table on page 137. There were no other payments to past Directors during the year.

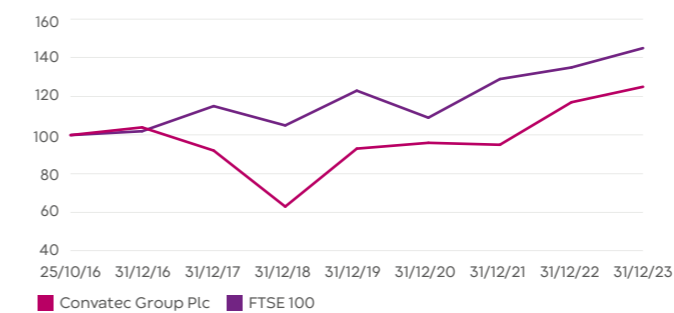
Review of past performance

The first graph shows the Group's TSR compared to the FTSE 100 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 2023.

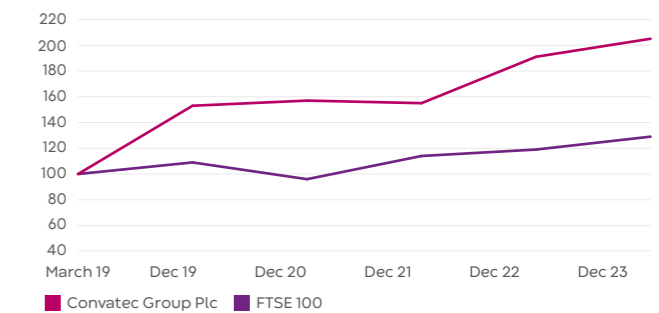
The second graph shows TSR performance of the Group compared with the FTSE 100 index since the announcement of Karim Bitar as CEO (25 March 2019) to 31 December 2023.

TSR Chart - Convatec vs the FTSE 100

Value of £100 invested on 25 October 2016 – IPO



Value of £100 invested on 25 March 2019 – announcement of Karim Bitar as CEO



Directors' Remuneration report continued

The table below details the CEO's single total figure of remuneration and incentive outcomes over the same period:

	2016	2017	2018	2019	2020	2021	2022	2023
Karim Bitar (from 30 September 2019)								
CEO single figure ('000)				£6,878 ¹	£2,786	£3,699 ²	£4,419 ³	£4,264
Annual bonus (% max.)				70.2%	98.5%	79.8%	72.7%	99.3%
LTIP vesting (% max.)				n/a	n/a	44.2%	80.5%	51.6% ⁴
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)	£1,413	£917	£631					
Annual bonus (% max.)	40%	9%	n/a					
LTIP vesting (% max.)	n/a	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. Updated single figure to reflect actual vesting of 2020 LTIP award in May 2023.

4. Represents the performance outcome of the 2021 LTIP (as a % of maximum) with a final vesting date in March 2024.

CEO pay ratio

The table below discloses the ratio of CEO pay for 2023, 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 2023. 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 2023. 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
2023	Option A	106:1	80:1	51:1
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
2019	Option A	163:1	123:1	76:1

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
2023	Salary	£31,639	£41,076	£60,000
	Total pay and benefits	£40,145	£53,121	£82,799
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
2019	Salary	£23,500	£32,798	£39,542
	Total pay and benefits	£30,652	£40,601	£65,922

In the case of the CEO, his total remuneration comprises a significant proportion of variable pay. The single total figure therefore varies considerably depending on the level of performance against the measures driving the annual bonus and PSP. In 2023, the 2021 LTIP will vest at 51.6% of maximum compared with 80.5% of maximum in 2022, which has resulted in a fall in the CEO's pay ratio numbers this year. Since 2019, the median pay ratio has fluctuated, increasing and decreasing in line with variable pay outcomes.

Implementation of Executive Director Remuneration Policy for 2024

Base salary

Following a review of the Executive Directors' salaries, the Committee decided to award a base salary increase of 4% in line with the increases for the general employee population in the UK. The increase will be effective from 1 April 2024.

Director	Role	From 1 April 2024	From 1 April 2023
Karim Bitar	CEO	£981,580	£943,820
Jonny Mason	CFO	£533,000	£512,500











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 2024, 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 2024 will be based on the following measures and weightings:

Measure	Link to corporate strategy			Weighting
Adjusted operating profit ¹	 Focus	 Innovate	 Simplify	40%
Organic revenue growth ¹	 Focus	 Innovate	 Simplify	25%
Free cash flow to equity	 Simplify	 Execute		15%
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 reaffirms its confidence in the established balance of financial measures for 2024, which continues to support our focus on sustainable and profitable growth. The adjusted weighting of bonus metrics with a 5% shift from operating profit to cash flow was made to reflect increased business and investor focus. We will transition from adjusted free cash flow (after tax) to free cash flow to equity for 2024's bonus determinations, aligning with shareholder expectations. The use of organic revenue growth as a key metric reinforces our commitment to long-term value creation, and complements operating profit in driving our strategic objectives forward. ESG is within the personal strategic objective metric of the bonus to place importance on this and responsible business practices within our operations.

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 2024 financial year will be subject to the Group's policy on deferral, and its malus and clawback provisions (see page 136 for further details).

Directors' Remuneration report continued

Long-Term Incentive Plan (LTIP)

The 2024 LTIP will vest after three years, subject to the following performance targets assessed over the three years ending 31 December 2026:

Measure	Weighting	Threshold (25% vesting)	Stretch (90% vesting)	Maximum (100% vesting)
Organic revenue growth	25%	4% p.a.		7% p.a.
Three-year compound annualised growth in adjusted PBT	50%	6% 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 2024

The Remuneration Committee sets the fee for the Chair and approved an increase aligned with that of the Executive Directors at 4%.

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. The Non-Executive Fee Committee reviewed and approved an increase to the basic fees aligned with the that of the wider UK employee workforce.

The fee increases will take effect on 1 April 2024.

The fees payable to the Non-Executive Directors are set out below.

Role	Fee structure in 2024 ¹	Fee structure in 2023
Chair	£349,700	£336,200
Non-Executive Director basic fee	£80,000 or \$104,750	£77,000 or \$101,000
Additional fees:		
Senior Independent Director	£21,000 or \$28,000	£21,000 or \$28,000
Chair of the Audit and Risk Committee	£23,000 or \$30,000	£23,000 or \$30,000
Chair of the Remuneration Committee	£21,000 or \$28,000	£21,000 or \$28,000
Fee for acting as a Board Level Employee Representative	£10,500 or \$14,000	£10,500 or \$14,000

1. Effective 1 April 2024.

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 2023. For Executive Directors, the current shareholding is compared to their shareholding guideline.

Director	Shares				Options			
	Owned outright or vested		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)
	31 December 2022	31 December 2023						
Current directors								
Karim Bitar	1,943,562	2,456,534	767,047	3,650,286	–	10,253	664%	400%
Jonny Mason	50,000	50,000	99,826	1,255,722	–	10,346	44%	300%
John McAdam	23,181	23,181						
Margaret Ewing	10,000	10,000						
Brian May	25,000	25,000						
Heather Mason	10,000	10,000						
Constantin Coussios	18,301	23,278						
Kim Lody	10,000	10,000						
Sharon O'Keefe	3,200	3,200						
Former directors²								
Sten Scheibye	45,000	45,000						

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 219p, being the average share price during the last three months of the 2023 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 2023 and 5 March 2024, 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
5 March 2024

Directors' Remuneration report continued

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 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 139.
- **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 2024, are provided in the Annual Report on Remuneration starting on page 131.

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.

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

Directors' Remuneration report continued

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.	<p>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.</p> <p>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).</p> <p>Benefits in respect of the year under review are disclosed in the Annual Report on Remuneration.</p>	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.	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.	<p>The maximum annual bonus opportunity is 200% of base salary for both Executive Directors.</p> <p>The payout for on-target performance is 50% of maximum; threshold performance results in a payout of no more than 25% of maximum.</p>	<p>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.</p> <p>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 qualified ESG metrics.</p> <p>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.</p> <p>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.</p>
Deferral into shares enhances alignment with shareholders.	<p>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.</p> <p>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.</p> <p>Malus and clawback provisions apply to the annual bonus in certain circumstances (as set out in the Notes to the Policy Table).</p>		

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.	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>LTIP awards granted to Executive Directors will be subject to malus and clawback provisions, as set out in the Notes to the Policy Table.</p>	<p>The maximum annual LTIP opportunity is 300% of base salary for the CEO and 250% of base salary for the CFO.</p> <p>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.</p> <p>Further details of the LTIP awards granted to each of the Executive Directors will be disclosed in the relevant Annual Report on Remuneration.</p>	<p>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.</p> <p>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.</p> <p>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.</p>
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

Directors' Remuneration report continued

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 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 16 and 17). 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.

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 2024 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 2024 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.

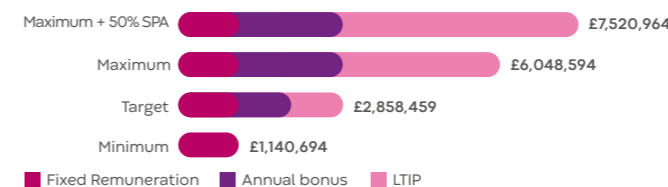
Pay-for-performance: scenario analysis

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".

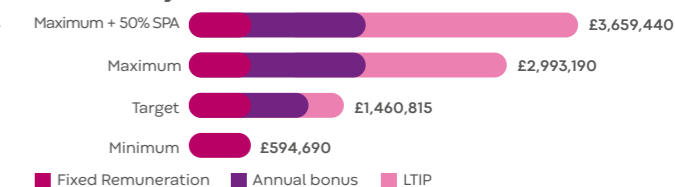
Potential reward opportunities are based on the forward-looking policy, applied to 2024 base salaries and incentive opportunities. LTIP awards granted in a year will not normally vest until the third anniversary of the date of grant, and the projected value of the "Maximum", "On target" and "Minimum" 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 2024 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 2024 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	12 March 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.

Directors' Remuneration report continued

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.

Directors' Remuneration report continued

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.	Fee increases will be applied taking into account the outcome of the annual review.	
	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.		

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	18 May 2023
Margaret Ewing	Senior Independent Director	11 August 2017	17 August 2017	18 May 2023
Brian May	Independent Non-Executive Director	2 March 2020	26 February 2020	18 May 2023
Heather Mason	Independent Non-Executive Director	1 July 2020	8 May 2020	18 May 2023
Constantin Coussios	Independent Non-Executive Director	1 September 2020	29 June 2020	18 May 2023
Kim Lody	Independent Non-Executive Director	1 February 2022	13 December 2021	18 May 2023
Sharon O'Keefe	Independent Non-Executive Director	1 March 2022	24 February 2022	18 May 2023
Sten Scheiby	Non-Executive Director	3 July 2018	3 July 2018	18 May 2023

Sten Scheiby stepped down from the Board on 8 September 2023.

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 2023.

Taken together, the Strategic report on pages 4 to 87 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 statement	Board statements	90
	Governance section	96 to 101, 106
	Nomination, Audit and Risk and Remuneration Committee reports	107 to 120
	Directors' Report	144
Post-balance sheet events	Financial Statements – Note 29	196
Likely future developments and research and development activities	Strategic report	48 to 51
Preparation and disclosure of Financial Statements and Annual Report	Directors' responsibilities statement	146
Use of financial instruments	Financial Statements – Note 23	189 and 190
Shares held by the Company's Employee Benefit Trust	Financial Statements – Note 17	180
Board membership and biographical details	Corporate governance report	96 and 97
Related party transactions	Financial Statements – Note 28	196
Employee engagement	Strategic report	42 and 43
	Governance section	104 and 105
Greenhouse gas emissions	Strategic report	60 and 61
Engagement with suppliers, customers and others in a business relationship with the Company	Strategic report	42 and 43
	Governance section	104 and 105

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 2024 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 203 to 205.

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% 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 43), 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 1.769 cents per share on 28 September 2023. A scrip dividend alternative was offered in respect of the interim dividend allowing shareholders to elect by 7 September 2023 to receive their dividend in the form

of new ordinary shares. On 28 September 2023, 4,199,962 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 4.460 cents per share (2022: 4.330 cents) which, together with the interim dividend, makes a total for the year of 6.229 cents per share (2022: 6.047 cents), a 3% increase over the prior year. The final dividend, if approved by the shareholders, will be paid on 23 May 2024 to shareholders on the register at the close of business on 26 April 2024. Following feedback from certain shareholders, the Board re-examined the scrip dividend programme. Taking into consideration the recent trends in take up the Board has taken the decision to cease the scrip dividend option.

Capital structure

Share capital

As at 31 December 2023, the Company's issued share capital consisted of 2,049,789,559 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 2023, the Company had only one class of share consisting of ordinary shares of 10p each.

Directors' report continued

Acquisition of Company's own shares

At the Company's AGM on 18 May 2023 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 of 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 2024 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 pages 100 and 101. 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 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.

Relationship agreement with controlling shareholders

Novo Holdings A/S (Novo) became a significant shareholder on 31 March 2017. Although Novo was not a controlling shareholder for the purposes of the Listing Rules, the Company and Novo nevertheless entered into a Relationship Agreement when Novo acquired its stake in the Company. In September 2023, Convatec agreed with Novo to end the relationship agreement. As a result, Sten Scheibye stepped down from the Board.

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 the Company's success. Information about the Group's initiatives to achieve diversity across the business, including specific objectives, are contained on page 54.

Listing Rules - compliance with LR 9.8.4R

The information in the table below is required to be disclosed by LR 9.8.4R and 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 192
4	Details of long-term incentive schemes	Directors' Remuneration report, page 127
14	Confirmation of relationship agreement	Directors' report, page 145

Annual General Meeting

The Annual General Meeting will be held on 16 May 2024 at 2pm and will take place at 7th Floor, 20 Eastbourne Terrace, Paddington, London W2 6LG, United Kingdom, 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:

Robyn Butler-Mason
Company Secretary
5 March 2024

Convatec Group Plc is registered in England No. 10361298

Substantial shareholdings

At 31 December 2023 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 5 March 2024, 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
Black Creek Investment Management, Inc.	103,241,911	5.05%	Direct holding/ Indirect holding
BlackRock, Inc.	Below 5%	Below 5%	Indirect holding/ Financial instruments
Pelham Capital Ltd.	93,526,729	4.71%	Direct holding/ Financial instruments
Artisan Partners Limited Partnership	97,980,658	4.98%	Indirect holding
The Capital Group Companies Inc	97,418,767	4.99%	Indirect holding

It should be noted that the percentages are shown as notified and that these holdings may have changed since the Company was notified, however notification of any change is not required until the next notifiable threshold is crossed.

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
- 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 conditions on the Group's financial position and financial performance
- 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
- 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 5 March 2024 and is signed on its behalf by:

Karim Bitar
Chief Executive Officer

Jonny Mason
Chief Financial Officer



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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	2023 \$m	2022 \$m
Revenue	2	2,142.4	2,072.5
Cost of sales		(941.8)	(968.6)
Gross profit		1,200.6	1,103.9
Selling and distribution expenses		(612.5)	(575.9)
General and administrative expenses		(212.9)	(214.9)
Research and development expenses		(110.0)	(92.0)
Other operating expenses	4	(2.5)	(13.8)
Operating profit	3	262.7	207.3
Finance income	25	5.2	5.5
Finance expense ¹	25	(80.7)	(57.6)
Fair value movement of contingent consideration ¹	14	(24.6)	(45.1)
Non-operating income/(expense), net ¹	5	4.8	(28.2)
Profit before income taxes		167.4	81.9
Income tax expense	6	(37.1)	(19.0)
Net profit		130.3	62.9
Earnings per share			
Basic earnings per share (cents per share)	7	6.4¢	3.1¢
Diluted earnings per share (cents per share)	7	6.3¢	3.1¢

1. The comparatives have been re-presented as outlined in Note 1.6 to the Consolidated Financial Statements.

The accounting policies and notes on pages 152 to 196 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 2023

	Notes	2023 \$m	2022 \$m
Net profit		130.3	62.9
Items that will not be reclassified subsequently to the Consolidated Income Statement			
Remeasurement of defined benefit pension plans, net of tax	15	(0.2)	8.4
Fair value movement on equity investments	10	(7.8)	-
Items that may be reclassified subsequently to the Consolidated Income Statement			
Foreign currency translation		54.9	(113.6)
Realisation of cumulative translation adjustments		-	12.2
Effective portion of changes in fair value of cash flow hedges	23	0.7	(7.7)
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement	23	(0.8)	16.5
Costs of hedging	23	(0.5)	(1.1)
Income tax in respect of items that may be reclassified		0.1	2.4
Other comprehensive income/(expense)		46.4	(82.9)
Total comprehensive income/(expense)		176.7	(20.0)

All amounts are attributable to shareholders of the Group and wholly derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 \$m	2022 \$m
Assets			
Non-current assets			
Property, plant and equipment	8	473.8	400.4
Right-of-use assets	24	74.7	79.4
Intangible assets ¹	9	935.3	924.9
Goodwill ¹	9	1,298.8	1,224.6
Investment in financial assets	10	22.9	30.7
Deferred tax assets	6	21.2	26.6
Derivative financial assets	23	-	0.2
Restricted cash	22	5.3	7.3
Other non-current receivables	12	11.7	8.6
		2,843.7	2,702.7
Current assets			
Inventories	11	396.1	336.9
Trade and other receivables ¹	12	333.7	339.3
Current tax receivable ¹		16.5	24.7
Derivative financial assets	23	13.6	26.4
Restricted cash	22	12.5	18.2
Cash and cash equivalents	22	97.6	143.8
		870.0	889.3
Total assets		3,713.7	3,592.0
Equity and liabilities			
Current liabilities			
Trade and other payables	13	388.7	346.6
Lease liabilities	24	20.7	20.3
Current tax payable		26.6	33.5
Derivative financial liabilities	23	16.7	32.5
Provisions	14	83.7	100.2
		536.4	533.1
Non-current liabilities			
Borrowings	21	1,226.9	1,211.9
Lease liabilities	24	64.8	68.0
Deferred tax liabilities	6	88.2	83.2
Provisions	14	71.3	53.1
Derivative financial liabilities	23	0.9	0.3
Other non-current liabilities	13	32.5	32.7
		1,484.6	1,449.2
Total liabilities		2,021.0	1,982.3
Net assets		1,692.7	1,609.7
Equity			
Share capital	17	251.5	250.7
Share premium	17	181.0	165.7
Own shares	17	(0.6)	(1.5)
Retained deficit		(888.7)	(892.2)
Merger reserve		2,098.9	2,098.9
Cumulative translation reserve		(122.2)	(177.1)
Other reserves	17	172.8	165.2
Total equity		1,692.7	1,609.7
Total equity and liabilities		3,713.7	3,592.0

1. The comparatives have been re-presented as outlined in Note 1.6 to the Consolidated Financial Statements.

The Consolidated Financial Statements of Convatec Group Plc, company number 10361298, were approved by the Board of Directors and authorised for issue on 5 March 2024 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 2023

	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 2022		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	-	-	-	-	-	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 (expense)/income		-	-	-	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
Net profit		-	-	-	130.3	-	-	-	130.3
Other comprehensive (expense)/income:									
Foreign currency translation adjustment, net of tax		-	-	-	-	-	54.9	-	54.9
Remeasurement of defined benefit pension plans, net of tax	15	-	-	-	-	-	-	(0.2)	(0.2)
Changes in fair value of cash flow hedges, net of tax		-	-	-	-	-	-	(0.5)	(0.5)
Changes in fair value of equity investments	10	-	-	-	-	-	-	(7.8)	(7.8)
Other comprehensive income/(expense)		-	-	-	-	-	54.9	(8.5)	46.4
Total comprehensive income/(expense)		-	-	-	130.3	-	54.9	(8.5)	176.7
Dividends paid	18	-	-	-	(110.7)	-	-	-	(110.7)
Scrip dividend	17, 18	0.8	15.3	-	(16.1)	-	-	-	-
Share-based payments	19	-	-	-	-	-	-	14.5	14.5
Share awards vested		-	-	0.9	-	-	-	1.5	2.4
Excess deferred tax benefit from share-based payments		-	-	-	-	-	-	0.1	0.1
At 31 December 2023		251.5	181.0	(0.6)	(888.7)	2,098.9	(122.2)	172.8	1,692.7

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 \$m	2022 \$m
Cash flows from operating activities			
Net profit		130.3	62.9
Adjustments for:			
Depreciation of property, plant and equipment	8	37.5	39.7
Depreciation of right-of-use assets	24	22.7	22.1
Amortisation of intangible assets	9	154.6	147.4
Income tax	6	37.1	19.0
Non-operating (income)/expense, net ¹	5	(9.6)	26.5
Fair value movement of contingent consideration	14	24.6	45.1
Finance costs, net ¹	25	75.5	52.1
Share-based payments	19	14.6	16.7
Impairment/write-off of intangible assets	9	-	6.3
Impairment/write-off of property, plant and equipment	8	2.7	9.2
Impairment/write-off of right-of-use assets	24	1.9	-
Change in assets and liabilities:			
Inventories		(49.4)	(36.3)
Trade and other receivables		18.7	(54.3)
Derivative financial assets		11.5	(9.3)
Other non-current receivables		(1.1)	3.0
Restricted cash		7.8	(11.8)
Trade and other payables ¹		21.1	14.7
Derivative financial liabilities		(13.4)	20.7
Provisions ¹		4.8	9.8
Other non-current payables ¹		(1.3)	1.0
Net cash generated from operations		490.6	384.5
Interest received		5.2	5.5
Interest paid		(70.8)	(55.4)
Payment of contingent consideration arising from acquisitions	26	(21.7)	-
Income taxes paid		(35.9)	(52.9)
Net cash generated from operating activities		367.4	281.7
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	8,9	(129.2)	(144.2)
Proceeds from sale of property, plant and equipment	8	0.6	-
Acquisitions, net of cash acquired	26	(84.4)	(123.3)
Payment of contingent consideration arising from acquisitions	26	(73.0)	(50.0)
Net cash inflow/(outflow) arising from divestitures		0.3	(0.1)
Investment in financial assets	10	-	(30.7)
Net cash used in investing activities		(285.7)	(348.3)
Cash flows from financing activities			
Repayment of borrowings	21	-	(842.5)
Proceeds from borrowings	21	9.4	714.2
Payment of lease liabilities	24	(22.7)	(20.7)
Dividends paid	18	(110.7)	(88.1)
Net cash used in financing activities		(124.0)	(237.1)
Net change in cash and cash equivalents		(42.3)	(303.7)
Cash and cash equivalents at beginning of the year	22	143.8	463.4
Effect of exchange rate changes on cash and cash equivalents		(3.9)	(15.9)
Cash and cash equivalents at end of the year	22	97.6	143.8

1. The comparatives have been re-presented as outlined in Note 1.6 to the Consolidated Financial Statements.

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 7th Floor, 20 Eastbourne Terrace, London, W2 6LG, 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), which is also the functional currency as the revenue and operating profits of the Company and its subsidiaries (collectively, the Group) are primarily generated in US dollars and US dollar-linked currencies. All values are rounded to \$0.1 million except where otherwise indicated.

Pages 5 to 7 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 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 of its subsidiary undertakings. Subsidiaries are entities controlled ultimately by the Company. Control exists when the Company ultimately: (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 Company reassesses whether or not it ultimately 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 26 to 33, the overall financial performance of the business remains strong with a robust liquidity position.

As at 31 December 2023, the Group held cash and cash equivalents of \$97.6 million (31 December 2022: \$143.8 million), and borrowings of \$1,226.9 million (31 December 2022: \$1,211.9 million). The borrowings as at 31 December 2023 comprised of senior notes of \$500.0 million, term loan of \$250.0 million, and drawn multicurrency revolving credit facilities of \$490.6 million, net of unamortised financing fees of \$13.7 million. During the year, the term of the \$950.0 million multicurrency revolving credit facility was extended by an additional year and is now committed to November 2028. The term loan and senior notes remain repayable in 2027 and 2029 respectively. \$459.4 million of the multicurrency revolving credit facilities remained undrawn as at 31 December 2023, which together with cash and cash equivalents of \$97.6 million, provided the Group with total liquidity of \$557.0 million as at that date (2022: \$616.6 million). The principal financial covenants remain unchanged and as at 31 December 2023, 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 and actual performance in 2023, the Board approved 2024 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 Group's acquisitions. The Directors have considered a going concern period to 31 December 2025, which is at least 12 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. Scenarios combining certain risks were also considered. Further details of the specific scenarios are provided in the Viability statement on pages 86 and 87. 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 potential 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 a 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 Board and management mitigation, the Group would need to experience a sustained revenue reduction of at least 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 reducing expansionary capital investment.

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 5 March 2024.

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. Equity is translated into US dollars at historic rate. 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 have been identified as a principal risk and 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 2023, 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' and 'The Task Force on Climate-related Financial Disclosure' sections of the Annual Report and Accounts on pages 38 to 75.

1.4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements, in conformity with United Kingdom adopted international accounting standards and International Financial Reporting Standards (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.

In preparing the Consolidated Financial Statements no critical accounting judgements have been identified. Management have identified one key source of estimation uncertainty in respect of the provision for contingent consideration on acquisitions. The nature of the uncertainty arises from both the estimation of the undiscounted amounts expected to be paid and the estimation of the timing of discrete payments.

The underlying drivers of the contingent consideration are determined in accordance with the contractual terms of the purchase agreements for each relevant acquisition and may vary depending on the amounts or timing of product revenues (including future revenues, which are inherently uncertain), particularly when it relates to products which are relatively new to market or not yet launched, the future achievement of regulatory clearance for new products, or other uncertainties deriving from the purchase agreement, which may be subject to negotiation. The Group estimates provisions for contingent consideration based on information available at the balance sheet date that includes forecasts that run up to 20 years into the future and expectations of when future events that trigger payments will happen. Future payment forecasts are discounted to present value in accordance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Actual results may differ from estimates or there may be delays to estimated timetables for regulatory clearances which would lead to a change in estimate of provisions for contingent consideration and may vary materially within the next financial year. At 31 December 2023 the discounted estimate of provisions for contingent consideration was \$138.0 million (see Note 26 – Acquisitions). Management has determined that a reasonable possible range of discounted outcomes within the next financial year is \$50.0 million to \$156.0 million.

As detailed further in the Group's Audit and Risk Committee report on pages 110 to 119, the Committee has reviewed, discussed, and challenged management on its determination that there were no identified critical accounting judgements, and the key source of estimation uncertainty regarding the calculation of the contingent consideration provision and the Committee has subsequently agreed with management.

Notes to the consolidated financial statements continued

1. BASIS OF PREPARATION (CONTINUED)

1.5 Accounting standards

New standards, interpretations and amendments applied for the first time

On 1 January 2023, the Group adopted the following amendments which are mandatorily 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);*
- *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);*
- *IFRS 17 – Insurance contracts;* and
- *International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12).*

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 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.

1.6 Prior year re-presentation

Certain line items in the primary statements have been disaggregated to provide greater clarity, and accordingly, the corresponding 2022 comparative amounts have been re-presented for consistency and comparability between periods.

Within the Consolidated Income Statement, the fair value movement of contingent consideration has been presented separately. The 2022 comparative amount includes \$15.6 million that was previously included within finance expense, and \$29.5 million previously included within non-operating income/(expense), net.

Within the Consolidated Statement of Financial Position, intangible assets of \$924.9 million and goodwill of \$1,224.6 million are now disclosed separately; and current tax receivable of \$24.7 million is disclosed separately from trade and other receivables.

Within the Consolidated Statement of Cash Flows, trade and other payables and other non-current payables have been re-presented to separately disclose the cash impact of movements in provisions of \$9.8 million.

There is no impact on net profit, net assets, cash flows or any subtotals presented previously.

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 professionals, 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.

Nature of goods and services

Advanced Wound Care, Ostomy Care, and Continence Care products are sold to pharmacies, hospitals and other acute and post-acute healthcare service professionals 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.

In 2023 and 2022, 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.

Variable consideration

The transaction price for revenue recognised is the amount the Group expects to receive at that date. In certain Group businesses, the transaction price is estimated based on the levels of rebates, discounts, allowances, product returns and consideration expected to be received. In estimating the amounts to be recognised, the Group assesses historical performance and collection patterns. The arrangements in different countries and with individual customers vary, but broadly they are all dependent upon interactions with the customer, including the submission of claims that can extend to up to 24 months after the initial point of revenue recognition. This can include factors outside the direct trading relationship with the customer such as re-imburement, retrospective rebate or other claims by an insurer, healthcare professionals or governmental agency which are not the Group's direct customers and may also be impacted by the timing of when a product is used by a customer. Where there is variability in relation to the consideration that will ultimately be received from a customer, the Group estimates the amount of consideration to be recognised as revenue during the period using the expected value method, taking into account the nature of the customer, the contractual arrangements, and other circumstances where known and relevant.

Notes to the consolidated financial statements continued

2. REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Accruals and allocations against gross accounts receivables balances are recorded at the time of sales for the estimated rebates, chargebacks, retrospective discounts, other allowances and returns based on contractual obligations, historic experience and other information available at that point in time. Given the large number of variables involved in calculating these accruals it is not practicable to provide meaningful sensitivity analysis for the resultant accruals.

The nature of the estimations means that there is considerable variability in the ultimate outcomes when considered on an individual customer basis. As a result, the Group applies a limit on variable revenue consideration, in order to ensure that revenue is recognised at a prudent level. The objective of the limit is to ensure that there is a low probability of a significant reversal of revenue when the uncertainties behind the estimations are resolved for the transactions of individual customers.

The limit is applied by making prudent estimates of the inputs and assumptions used in estimating the variable consideration. These estimates are driven by historic information, but also take into account the nature of customer and the specific contractual arrangements we have with them. The limit means that the risk of a material downward adjustment to revenue in future years as a result of the estimates made in the current year is very low.

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 \$5.5 million (2022: \$5.4 million) at 31 December 2023 and the amount of related amortisation expense for the year ended 31 December 2023 was \$4.4 million (2022: \$4.3 million). There was no impairment loss in respect of the costs capitalised.

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 18 to 25 of the Strategic report provide further detail of category revenue.

During the year ended 31 December 2023, management reassessed its Chief Operating Decision Maker (CODM) and determined that Convatec's Executive Leadership Team (CELT) is now the CODM and no longer the Chief Executive Officer. The CODM is the function that allocates resources and 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. The financial information provided to CELT for decision-making purposes is produced on both a category and geographic basis. Resources are allocated on a Group-wide basis, with a focus on both category and the key markets but primarily based on the merits of individual proposals. The change in CODM does not impact the Group's single segment assessment.

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:

	2023 \$m	2022 \$m
Advanced Wound Care	695.3	620.7
Ostomy Care	608.3	583.0
Continence Care	457.2	425.4
Infusion Care	370.9	341.1
Revenue excluding hospital care exit	2,131.7	1,970.2
Revenue from hospital care exit¹	10.7	102.3
Total	2,142.4	2,072.5

1. Following the exit of hospital care in 2022, effective from 1 January 2023, Flexi-Seal™, our faecal management system, moved from the Continence & Critical Care category to the Ostomy Care category. The remaining industrial sales, predominantly continence-related supplies for B2B customers, moved from Infusion Care to Continence Care. Continence & Critical Care has been renamed to Continence Care. The 2022 comparatives have been re-presented to reflect these changes and to separately disclose revenue associated with the hospital care exit.

Geographic information**Geographic markets**

The following chart sets out the Group's revenue by geographic market in which third party customers are located:

	2023 \$m	2022 \$m
Europe	647.8	688.6
North America	1,186.0	1,090.3
Rest of World (RoW) ¹	308.6	293.6
Total	2,142.4	2,072.5

1. Rest of World (RoW) comprises all countries in Asia Pacific, Latin America (including Mexico and the Caribbean), the Middle East (including Turkey) and Africa.

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:

	2023 \$m	2022 \$m
Geographic regions		
US	821.5	749.8
Denmark	375.5	371.7
UK	116.7	131.5
Other ¹	828.7	819.5
Total	2,142.4	2,072.5

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:

	2023 \$m	2022 \$m
Long-lived assets¹		
US	1,285.9	1,349.6
UK	866.6	695.7
Denmark	274.4	266.0
Other	355.7	318.0
Total long-lived assets	2,782.6	2,629.3

1. Long-lived assets consist of property, plant and equipment, right-of-use assets, intangible assets and goodwill.

Notes to the consolidated financial statements continued

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	2023 \$m	2022 \$m
Depreciation:			
Property, plant and equipment	8	37.5	39.7
Right-of-use assets	24	22.7	22.1
Amortisation of intangible assets	9	154.6	147.4
Impairment/write-off of intangible assets	9	-	6.3
Impairment/write-off of property, plant and equipment	8	2.7	9.2
Impairment of right-of-use assets	24	1.9	-
Loss on terminated leases	24	-	0.1
Amounts in respect of inventories included in cost of sales		794.4	818.3
Write-down of inventories ¹		21.8	22.6
Lease expenses ²	24	2.4	3.9
Staff costs:			
Wages and salaries		578.4	532.7
Share-based payment expense	19	14.6	16.7
Social security costs		77.3	67.5
Defined contribution plans post-employment costs		23.7	21.2
Defined benefit plans pension costs	15	1.4	1.7
Recruitment and other employment-related fees		5.9	8.7
Total staff costs		701.3	648.5

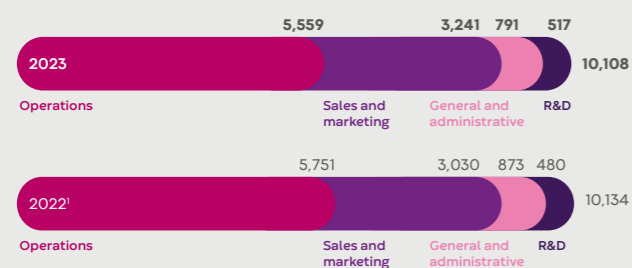
1. The write-down of inventories to their realisable value is included in cost of sales.

2. Lease expenses comprises the costs in respect of low-value leases and short-term leases. Refer to accounting policy in Note 24 – Leases.

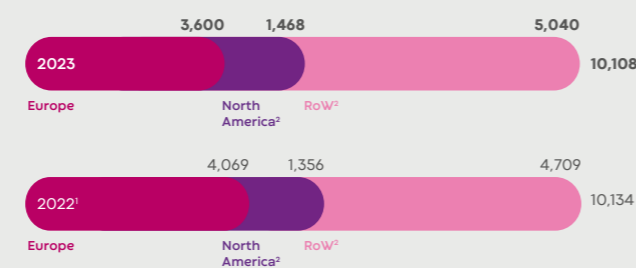
The remuneration of the Executive Directors, which is set out on pages 120 to 142, has been audited and is included within staff costs and forms part of these Consolidated Financial Statements.

3.2 Employee numbers

The average number of the Group's employees by function¹:



The average number of the Group's employees by location¹:



1. 2022 comparatives have been re-presented to more accurately reflect the Group's employees by function and location.

2. North America comprises United States and Canada, and Rest of World (RoW) comprises all countries in Asia Pacific, Latin America (including Mexico and the Caribbean), the Middle East (including Turkey) and Africa.

The total number of employees as at 31 December 2023 was 10,129 (2022: 10,028).

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:

	2023 \$m	2022 \$m
Fees for audit services		
Group	1.6	1.5
Subsidiaries	3.3	3.0
Total fees for audit services	4.9	4.5
Fees for non-audit services		
Audit-related assurance services	0.2	0.2
Other assurance services	0.1	0.1
Total auditor remuneration	5.2	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 110 to 119.

4. OTHER OPERATING EXPENSES

Other operating expenses were as follows:

	2023 \$m	2022 \$m
Impairment of intangible assets	-	1.4
Impairment of property, plant and equipment and right-of-use assets	2.5	12.4
	2.5	13.8

Other operating expenses in the year consisted of \$2.9 million of impairments in respect of property, plant and equipment and right-of-use assets as a result of the Group's transformation projects, offset by \$0.4 million reversal of property, plant and equipment that was impaired in 2022 from the hospital care exit. The \$13.8 million in the year ended 31 December 2022 related to the impairments of property, plant and equipment and intangible assets arising from the exit from hospital care and industrial sales-related activities.

5. NON-OPERATING INCOME/(EXPENSE), NET

Non-operating income/(expense), net was as follows:

	Notes	2023 \$m	2022 \$m
Net foreign exchange gain/(loss) ¹		3.7	(13.5)
Realisation of cumulative translation adjustments		-	(12.2)
(Loss)/gain on foreign exchange forward contracts	23	(4.3)	15.8
Gain/(loss) on foreign exchange cash flow hedges	23	0.8	(16.5)
Gain/(loss) on divestiture ²		3.9	(2.0)
Other non-operating income		0.7	0.2
Non-operating income/(expense), net³		4.8	(28.2)

1. The foreign exchange gain in 2023 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. As part of the hospital care exit, the UnoMeter™ trademarks were sold during the year, resulting in a gain of \$3.9 million (2022: loss of \$2.0 million arose from the sale of a subsidiary as part of the hospital care exit).

3. Of the total net non-operating expense, \$4.8 million (2022: \$1.7 million) relates to mark-to-market derivatives, the cash flow impact of which has been shown within the changes in working capital section of the Consolidated Statement of Cash Flows.

Notes to the consolidated financial statements continued

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; and
- 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 matter is concluded.

6.1 Taxation

The Group's income tax expense is the sum of the total current and deferred tax expense.

	2023 \$m	2022 \$m
Current tax		
Overseas taxation	46.1	46.8
Adjustment to prior years	(5.5)	(2.0)
Total current tax expense	40.6	44.8
Deferred tax		
Origination and reversal of temporary differences	2.0	(3.7)
Change in tax rates	1.6	(3.2)
Adjustment to prior years	(4.5)	1.2
Benefit from previously unrecognised tax losses	(2.6)	(20.1)
Total deferred tax benefit	(3.5)	(25.8)
Income tax expense	37.1	19.0

The adjustment to prior years included a net tax benefit of \$15.1 million following the successful resolution of an uncertain tax position.

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 Inc.

6.2 Reconciliation of effective tax rate

The effective tax rate for the year ended 31 December 2023 was 22.2%, as compared with 23.2% for the year ended 31 December 2022.

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:

	2023 \$m	2022 \$m	
Profit before income taxes	167.4	81.9	
Profit before income taxes multiplied by rate of corporation tax in the UK of 23.52% (2022: 19.0%)	39.4	15.6	
Difference between UK and overseas tax rates ¹	1.6	3.0	
Non-deductible/non-taxable items	7.2	14.4	
Change in recognition of deferred tax assets	2.6	1.0	
Recognition of previously unrecognised US deferred tax assets	(2.6)	(20.1)	
Movement in provision for uncertain tax positions	(17.5)	2.5	
Other ²	6.4	2.6	
Income tax expense and effective tax rate	37.1	19.0	23.2%

1. This includes changes in tax rates based on substantively enacted legislation across various tax jurisdictions as of 31 December.

2. Includes tax on unremitted earnings and prior year adjustments.

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.

The Group continues to believe it has made adequate provision for uncertain tax positions on open issues in accordance with IFRIC 23 Uncertainty over Income Tax Treatments. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of discussions with relevant tax authorities or, where applicable, appeal proceedings. The movement includes resolutions of uncertain tax positions in the year.

The Group is monitoring tax reforms driven by the OECD's BEPS Pillar One and Pillar Two to reform international taxation rules. The Group has assessed the potential tax impact based on OECD model rules and draft, and substantively enacted legislation in jurisdictions in which the Group operates and expects the tax impact to not be material in the foreseeable future. The United Kingdom enacted Pillar Two rules in the UK Finance (No.2) Act 2023 in 2023. This has no impact on the Group's results for the year ended 31 December 2023. The Group has applied the temporary exception as detailed in the IASB announcement "International Tax Reform – Pillar Two Model Rules", which amended IAS 12 Income Taxes, and therefore has not recognised nor disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes.

Notes to the consolidated financial statements continued

6. INCOME TAXES (CONTINUED)**6.3 Deferred tax**

The components of deferred tax assets and liabilities at 31 December are as follows:

	2023 \$m	2022 \$m
Deferred tax assets	21.2	26.6
Deferred tax liabilities	(88.2)	(83.2)
	(67.0)	(56.6)

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 2022	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	(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)
Recognised in income statement	6.4	(13.0)	(1.7)	11.0	7.6	(6.8)	3.5
Recognised in other comprehensive income	-	-	-	-	-	0.7	0.7
Acquisitions	-	-	-	(13.1)	-	-	(13.1)
Other	-	-	-	-	-	-	-
Foreign exchange	(0.1)	0.4	(0.2)	(3.1)	0.5	1.0	(1.5)
At 31 December 2023	9.6	77.5	(5.4)	(222.8)	36.5	37.6	(67.0)

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. An amount relating to deductible tax amortisation of intangible assets of \$145.9 million that are not expected to reverse due to anticipated restructuring of the Group's activities (2022: \$342.7 million, deferred tax assets of \$15.4 million) is not recognised.

Net deferred tax assets recognised in relation to tax losses are predominantly in respect of the US. Deferred tax assets on foreign tax credits of \$2.4 million remain unrecognised in the US based on forecasts of suitable future taxable profit and they are due to expire within 5 years (2022: \$3.9 million).

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 and 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 \$381.2 million in the year to 31 December 2023 (2022: \$351.8 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:

	2023 Losses \$m	2022 Losses \$m
Trading and capital losses expiring:		
Within 5 years	2.2	10.0
Between 5 to 10 years	0.5	12.7
More than 10 years	-	30.7
Unlimited	961.6	958.0
Total	964.3	1,011.4

The Group has Luxembourg tax losses of \$944.5 million (2022: \$941.9 million) which are not recognised and will not expire. The movement in Luxembourg tax losses not recognised is mainly attributable to foreign exchange differences. Other movements in the year are mainly due to the recognition of previously unrecognised US State tax losses.

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.

	2023	2022
Net profit attributable to the shareholders of the Group (\$m)	130.3	62.9
Basic weighted average ordinary shares in issue (number)	2,038,653,228	2,023,839,657
Dilutive impact of share awards (number)	13,936,032	16,407,811
Diluted weighted average ordinary shares in issue (number)	2,052,589,260	2,040,247,468
Basic earnings per share (cents per share)	6.4¢ per share	3.1¢ per share
Diluted earnings per share (cents per share)	6.3¢ per share	3.1¢ per share

The calculation of diluted earnings per share does not contain any share options that were non-dilutive for the year (2022: 404,241), because the average market price of the Group's ordinary shares exceeded the exercise price (2022: the exercise price exceeded the average market price of the Group's ordinary shares).

Notes to the consolidated financial statements continued

OPERATING ASSETS AND LIABILITIES

This section sets out 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. Assets under construction are not depreciated whilst under construction and depreciation commences once the asset is completed and ready 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 2022	15.3	129.9	490.7	98.5	734.4
Additions	-	1.8	8.2	90.0	100.0
Arising from acquisitions	-	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
Additions	-	2.1	34.5	60.7	97.3
Arising from acquisitions (Note 26)	-	-	1.1	-	1.1
Disposals ¹	-	(3.3)	(24.4)	-	(27.7)
Transfers	1.7	31.9	31.4	(65.0)	-
Foreign exchange	0.5	7.9	13.7	5.6	27.7
31 December 2023	16.4	173.8	537.5	145.0	872.7
Accumulated depreciation					
1 January 2022	1.0	53.1	313.6	-	367.7
Depreciation	-	6.8	32.9	-	39.7
Arising from acquisitions	-	0.2	0.1	-	0.3
Disposals ¹	-	(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
Depreciation	0.1	7.6	29.8	-	37.5
Arising from acquisitions (Note 26)	-	-	0.7	-	0.7
Disposals ¹	-	(3.1)	(24.0)	-	(27.1)
Impairment	-	1.2	1.5	-	2.7
Foreign exchange	-	2.5	8.7	-	11.2
31 December 2023	1.1	63.5	334.3	-	398.9
Net carrying amount					
31 December 2022	13.2	79.9	163.6	143.7	400.4
31 December 2023	15.3	110.3	203.2	145.0	473.8

1. Assets with a net book value of \$0.6 million were sold during the year, with sale proceeds of \$0.6 million. In 2022, assets with a net book value of \$1.8 million were written off.

Notes to the consolidated financial statements continued

9. INTANGIBLE ASSETS AND GOODWILL

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.

The Group accounts for its software-as-a-service (SaaS) arrangements by applying the guidance in the 2021 IFRIC agenda decision to determine whether the configuration and customisation expenditure gives rise to an asset, including whether the Group has control of the software that is being configured or customised or whether the configuration or customisation activities create a resource controlled by the Group that is separate from the software and can be transferred to another provider.

Where the recognition criteria of IAS 38 Intangible Assets are satisfied, including configuration and customisation costs which are distinct and within the control of the Group, these are capitalised and carried at cost less any accumulated amortisation and impairment, and amortised on a straight-line basis over the period which the developed software is expected to be used. Where these recognition criteria are not met, the Group recognises configuration and customisation costs, along with the ongoing fees to obtain access to the SaaS provider's application software, as operating expenses as the services are received.

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 48). 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 – Cash Generating Unit (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 2022	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	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
Additions	–	2.0	–	–	–	35.6	37.6
Arising from acquisitions ²	112.5	–	4.3	–	–	–	116.8
Write-offs	–	(1.1)	–	–	–	–	(1.1)
Transfers	1.5	39.8	–	–	–	(41.3)	–
Foreign exchange	35.6	2.5	3.0	0.4	0.3	1.0	42.8
31 December 2023	2,270.1	173.6	331.7	263.2	11.3	30.8	3,080.7
Accumulated amortisation							
1 January 2022	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
Amortisation	114.5	16.3	22.3	1.1	0.4	–	154.6
Write-offs	–	(1.1)	–	–	–	–	(1.1)
Impairment	–	–	–	–	–	–	–
Foreign exchange	28.2	0.7	3.0	–	0.3	–	32.2
31 December 2023	1,764.7	108.7	248.8	12.2	11.0	–	2,145.4
Net carrying amount							
31 December 2022	498.5	37.6	100.9	251.7	0.7	35.5	924.9
31 December 2023	505.4	64.9	82.9	251.0	0.3	30.8	935.3

1. Capitalised software is in respect of purchased and internally generated software.

2. Acquisitions comprise assets in relation to the Starlight and A Better Choice Medical acquisitions. See Note 26 – Acquisitions.

Notes to the consolidated financial statements continued

9. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Amortisation expenses in respect of finite-lived intangible assets for the year ended 31 December were as follows:

	2023 \$m	2022 \$m
Cost of sales	112.4	113.1
Selling and distribution expenses	3.6	3.2
General and administrative expenses	31.0	29.1
Research and development expenses	7.6	2.0
Total amortisation expense	154.6	147.4

The carrying amount of trade names with indefinite life at 31 December 2023 was \$249.4 million (2022: \$248.9 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:

	2023 \$m	2022 \$m	Remaining life
Trade names			
Convatec trade name	234.6	234.6	Indefinite
Product-related			
InnovaMatrix™	134.5	145.6	12.3 years
NextGen Antimicrobial platform	107.0	-	14.3 years
Aquacel® including Hydrofibre® ¹	-	120.2	2.6 years
Stoma care ¹	-	113.6	2.6 years

1. The carrying value of Aquacel® including Hydrofibre® and Stoma care was \$91.3 million and \$81.9 million respectively at 31 December 2023. These are no longer in excess of 10% of the total intangible asset carrying amount.

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 – Cash Generating Unit (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 2022	1,156.3
Arising from acquisitions	129.9
Foreign exchange	(61.6)
31 December 2022	1,224.6
Arising from acquisitions (Note 26)	45.9
Foreign exchange	28.3
31 December 2023	1,298.8

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 2023 or 2022.

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. Profitability continues to be assessed on a consolidated basis, and management's focus is predominantly category revenue and key market focus. The Group's CGU groups continue to be (i) Advanced Wound Care, (ii) Ostomy Care, (iii) Continence Care and (iv) Infusion Care. Goodwill is allocated to these CGUs, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Goodwill and intangible assets with an indefinite life (trade names) are allocated to the Group's CGU groups as at 31 December as follows:

	Goodwill		Indefinite-lived intangible assets	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
CGU groups				
Advanced Wound Care	523.7	490.0	104.8	104.8
Ostomy Care ¹	154.3	116.5	91.2	91.2
Continence Care ¹	535.0	535.6	41.2	41.2
Infusion Care	85.8	82.5	12.2	11.7
Total	1,298.8	1,224.6	249.4	248.9

1. Following the exit of hospital care in 2022, effective from 1 January 2023, Flexi-Seal™, our faecal management system, moved from the Continence Care category to the Ostomy Care category, resulting in an increase in goodwill allocated to Ostomy Care and corresponding reduction in Continence Care of \$34.6 million.

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 2023 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.

Notes to the consolidated financial statements continued

9. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The terminal value growth rate and discount rates used were as follows:

	2023	2022
	%	%
Discount rate (pre-tax) ¹		
CGU groups		
Advanced Wound Care	14.5	13.5
Ostomy Care	13.5	12.5
Continence Care	12.0	11.5
Infusion Care	13.5	12.5
Terminal value growth rate²	2.0	2.0

- 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.
- 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 and taking into account global gross domestic product growth, general long-term inflation and population expectations.

No impairments have been recognised in respect of the Group's current CGU groups for the years ended 31 December 2023 and 2022.

Taking into consideration the Board-approved 2024 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 87 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**

Investment in financial assets comprise of non-current equity investments which are initially recorded at fair value plus any directly attributable transaction costs and subsequently recognised at fair value at each balance sheet date.

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.

The investment is in relation to the Group's investment in BlueWind Medical Limited in 2022 and the Group considers this investment to be strategic in nature and it is not held for trading.

The Group made an irrevocable election on initial recognition to designate the investment at fair value through other comprehensive income (FVOCI). It was initially recorded at fair value plus transaction costs and will be remeasured at subsequent reporting dates to fair value. The fair value of the investment at 31 December 2023 was \$22.9 million (31 December 2022: \$30.7 million), with the movement of \$7.8 million taken to the Statement of Other Comprehensive Income, within the 'Fair value movement on equity investments' line. No dividends were recognised during the period.

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 by reference to available information, including the current market value of similar instruments, recent financing rounds and discounted cash flows of the underlying net assets.

The fair value of the investment has been determined by using an average of three valuation methodologies, those being the precedent transaction method, the income approach method and the probability-weighted expected return model. The table below summarises the various methodologies used by the Group to fair value the investment, the inputs and the sensitivities applied.

Methodology	Inputs	Sensitivity applied to input	
		Low range	High range
Precedent transaction method/Price of recent investment	Market multiples (decrease of 25% to 35%)	-5% on the market multiples	+5% on the market multiples
The initial transaction involving BlueWind Medical itself was the most relevant starting point and then this was calibrated by considering exogenous and idiosyncratic factors to apply a discount or uplift as applicable.			
Income approach method (Discounted cash flow analysis)	Internal cash flow projections	+2% on the discount rate	-2% on the discount rate
Provides an estimation of the value of an asset based on expectations about the cash flows that an asset would generate over time, discounted at the appropriate rate of return.	Discount rate 25.4%	-1% to the LTGR	+1% to the LTGR
Probability-weighted expected return model	Discounted at 27.8%	+2% to discount rate	-2% to discount rate
Assesses multiple scenarios for the future proceeds to be received by the holders of the shares and weighting them according to their relative probability of occurring. The PWERM is a market approach based on comparable companies' market multiples.			
Fair value measurement		\$19.9m	\$25.9m

The impact of applying these sensitivities across the three methodologies would result in a fair value measurement range of \$19.9 million to \$25.9 million, with a mid-point range of \$22.9 million, which is in line with the fair value recognised at year end.

Notes to the consolidated financial statements continued

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:

	2023 \$m	2022 \$m
Raw and packaging materials	102.3	79.6
Work in progress	42.5	41.6
Finished goods	251.3	215.7
Inventories	396.1	336.9

Inventories are stated net of provision for obsolescence of \$17.0 million (2022: \$25.5 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. Where the Group has entered into a receivables factoring arrangement, these receivables are derecognised at the point of sale in accordance with IFRS 9 if we have substantially transferred all risks and rewards of ownership and there is no option to return the receivables to the Group.

Refer to Note 2.1 – Revenue recognition for details on the accounting policy in respect of chargeback allowances.

Trade and other receivables at 31 December were as follows:

	2023 \$m	2022 \$m
Included within current assets:		
Trade receivables	337.8	344.7
Less: allowances for expected credit losses	(27.1)	(22.0)
Less: sales discounts and chargebacks	(40.9)	(37.6)
Other receivables ¹	39.0	29.5
Prepayments	24.9	24.7
Trade and other receivables²	333.7	339.3

- The most significant component of other receivables comprises receivables for taxes other than corporate income tax of \$13.5 million (2022: \$9.2 million).
- The comparative has been re-presented to disclose the current tax receivable of \$24.7 million separately on the face of the Consolidated Statement of Financial Position, as outlined in Note 1 to the Consolidated Financial Statements.

The aged analysis of trade receivables at 31 December was as follows:

	2023 \$m	2022 \$m
Current	244.2	255.0
Past due 1 to 30 days	27.7	33.6
Past due 31 to 90 days	19.2	22.5
Past due 91 to 180 days	15.1	7.9
Past due by more than 180 days	31.6	25.7
	337.8	344.7

The unimpaired amounts at 31 December that are past due were aged as follows:

	2023 \$m	2022 \$m
Past due 1 to 30 days	27.2	32.1
Past due 31 to 90 days	18.5	20.6
Past due 91 to 180 days	12.7	4.7
Past due by more than 180 days	8.1	10.3
	66.5	67.7

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:

	2023 \$m	2022 \$m
At 1 January	(22.0)	(14.6)
Charges	(14.3)	(6.6)
Utilisation of provision	9.4	1.1
Foreign exchange	(0.2)	(1.9)
At 31 December	(27.1)	(22.0)

Other non-current receivables

Other non-current receivables of \$11.7 million (2022: \$8.6 million) are principally in respect of deposits held with lessors, prepaid expenses and other receivables.

Receivables financing

During the year, the Group entered into a Limited Recourse Financing Arrangement with a financial institution for certain customers who have longer than normal terms. It has been assessed that the Group has substantially transferred all the risks and rewards of ownership to the financial institution and accordingly, these receivables have been derecognised at the point of sale in accordance with IFRS 9.

As at 31 December 2023, the Group had sold \$44.8 million of receivables to the financial institution, of which \$27.4 million remained unpaid by the customer.

Notes to the consolidated financial statements continued

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:

	2023 \$m	2022 \$m
Included within current liabilities:		
Trade payables	136.9	112.2
Taxes and social security	32.2	26.0
Other employee-related liabilities	108.2	92.3
Accruals and other payables ¹	111.4	116.1
Trade and other payables	388.7	346.6

1. Included within accruals and other payables are customer rebates of \$19.8 million (2022: \$16.9 million) and amounts held in escrow of \$12.3 million (2022: \$18.3 million).

	2023 \$m	2022 \$m
Included within non-current liabilities:		
Defined benefit obligations (Note 15)	12.1	11.0
Other employee-related liabilities	5.1	7.7
Accruals and other payables	15.3	14.0
Other non-current liabilities	32.5	32.7

14. PROVISIONS

A provision is an obligation recognised when there is uncertainty over the timing or amount that will be paid. Provisions recognised by the Group are primarily in respect of restructuring, decommissioning, dilapidations, legal liabilities and contingent consideration. The contingent consideration provisions recognised by the Group is in respect of acquisitions and includes amounts contingent on future events such as development milestones and sales performance.

Accounting policy

In line with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, 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.

Contingent consideration arising from a business combination is recognised at fair value on acquisition. Contingent consideration classified as a liability is a financial instrument and within the scope of IFRS 9 – Financial Instruments and is subsequently measured at fair value, with the changes in fair value recognised in the Consolidated Income Statement, in accordance with IFRS 9. This is classified within Level 3 of the fair value hierarchy (Note 23 – Financial Instruments).

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.

The movements in provisions are as follows:

	Dilapidations \$m	Restructuring \$m	Legal \$m	Contingent consideration \$m	Total \$m
1 January 2023	2.8	10.3	0.2	140.0	153.3
Contingent consideration from acquisitions	–	–	–	66.7	66.7
Charged to income statement	1.0	13.9	0.4	–	15.3
Fair value movement of contingent consideration	–	–	–	24.6	24.6
Released to income statement	–	(2.2)	–	–	(2.2)
Utilised	(1.3)	(8.3)	–	(94.7)	(104.3)
Foreign exchange	(0.1)	0.3	–	1.4	1.6
31 December 2023	2.4	14.0	0.6	138.0	155.0

Current	83.7
Non-current	71.3

The expected payment profile of the discounted provisions at 31 December was as follows:

	2023 \$m	2022 \$m
Within 1 year	83.7	100.2
2 to 5 years	58.8	53.1
More than 5 years	12.5	–
Total	155.0	153.3

Dilapidation provisions

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 in respect of the Group's strategic transformation activities. 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

The legal provision of \$0.6 million is in respect of ongoing cases. Legal issues are often subject to uncertainties over the timing and the final amounts of any settlement.

Contingent consideration

As at 31 December 2023, the discounted fair value of the contingent consideration payable in respect of the Group's acquisitions was \$138.0 million. During the year, contingent consideration of \$66.7 million was recognised in respect of the Starlight acquisition and payments of \$94.7 million were made in respect of the Triad Life Sciences acquisition (\$73.0 million recognised within cash flows from investing activities and \$21.7 million recognised within cash flows from operating activities in the Consolidated Statement of Cash Flows). The net charge to the income statement in respect of changes in the fair value of the contingent consideration (based on the best estimates of the amounts payable as at 31 December 2023) was \$24.6 million. In addition, there was a foreign exchange movement of \$1.4 million from the re-translation of non-USD denominated balances.

Refer to Note 26 – Acquisitions for further details.

Notes to the consolidated financial statements continued

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 in which 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, a state mandated plan that remains open to all Swiss employees; and Germany, with one unfunded plan, that remains open to German employees but closed to new entrants, and a funded plan 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).

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).

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:

	2023 \$m	2022 \$m
Defined benefit plans:		
Current service cost	1.1	1.7
Past service (income)	(0.1)	(0.2)
Interest income on plan assets	(0.2)	(0.2)
Interest expense on defined benefit obligations	0.6	0.4
Total expense (Note 3)	1.4	1.7

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:

	2023 \$m	2022 \$m
<i>Remeasurement effect recognised in other comprehensive income:</i>		
Actuarial gain on liabilities due to experience	0.1	1.3
Actuarial gain arising from changes in financial assumptions	0.1	8.9
Actuarial loss on plan assets	(0.2)	(1.7)
Remeasurement gain recognised in other comprehensive income	-	8.5
Deferred tax on remeasurement loss recognised in other comprehensive income	(0.2)	(0.1)
Total amount recognised in other comprehensive income	(0.2)	8.4

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	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Fair value of schemes' assets	-	-	11.8	10.4	0.8	0.7	12.6	11.1
Present value of funded schemes' liabilities	-	-	(13.8)	(12.3)	(0.7)	(0.7)	(14.5)	(13.0)
Deficit in the funded schemes	-	-	(2.0)	(1.9)	0.1	-	(1.9)	(1.9)
Present value of unfunded schemes' liabilities	(8.4)	(7.4)	-	-	(1.8)	(1.7)	(10.2)	(9.1)
Net pension liability	(8.4)	(7.4)	(2.0)	(1.9)	(1.7)	(1.7)	(12.1)	(11.0)
Recognised within Consolidated Statement of Financial Position:								
Defined benefit obligations (Note 13)							(12.1)	(11.0)

The weighted average duration of the Group's defined benefit obligations at the end of the year is 16.5 years (2022: 17.0 years).

Notes to the consolidated financial statements continued

15. POST-EMPLOYMENT BENEFITS (CONTINUED)

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 2022	14.1	(33.8)	(19.7)
Current service cost	-	(1.7)	(1.7)
Past service income	-	0.2	0.2
Interest income/(expense)	0.2	(0.4)	(0.2)
Remeasurement (loss)/gain	(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)
Current service cost	-	(1.2)	(1.2)
Past service income	-	0.1	0.1
Interest income/(expense)	0.2	(0.6)	(0.4)
Remeasurement gain/(loss)	(0.2)	0.1	(0.1)
Contributions by employer	0.7	-	0.7
Contributions by members	0.6	(0.6)	-
Benefits paid	(0.9)	1.0	0.1
Experience gain	-	0.1	0.1
Foreign exchange	1.1	(1.5)	(0.4)
At 31 December 2023	12.6	(24.7)	(12.1)

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	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Equity instruments	-	-	3.9	3.4	-	-	3.9	3.4
Debt instruments	-	-	4.6	4.1	-	-	4.6	4.1
Property	-	-	1.8	1.6	-	-	1.8	1.6
Qualifying insurance policies	-	-	-	-	0.8	0.7	0.8	0.7
Other	-	-	1.5	1.3	-	-	1.5	1.3
Plan assets	-	-	11.8	10.4	0.8	0.7	12.6	11.1

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	
	2023	2022	2023	2022	2023	2022
Discount rate	3.57%	3.56%	2.00%	1.90%	3.15% to 4.61%	3.47% to 4.05%
Rate of price inflation	N/A	N/A	1.00%	1.00%	2.00% to 2.20%	2.20% to 3.00%
Future salary increases	3.00%	3.00%	1.75%	1.75%	0.00% to 3.00%	0.00% to 3.00%

Discount rates have remained consistent year-on-year.

The current mortality assumptions underlying the values of the obligations in the defined benefit plans were as follows:

	Germany		Switzerland		Other	
	2023	2022	2023	2022	2023	2022
Life expectancy at age 65						
Male	18.8 years	18.6 years	23.0 years	22.8 years	24.0 years	23.9 years
Female	22.2 years	22.0 years	23.7 years	24.6 years	28.0 years	27.9 years
Life expectancy at age 65 in 20 years' time						
Male	21.5 years	21.4 years	25.2 years	25.1 years	24.9 years	24.9 years
Female	24.4 years	24.3 years	25.7 years	26.6 years	28.9 years	28.9 years

Sensitivity analysis

The effect of movements in the key actuarial assumptions in respect of the Germany and Switzerland plans at 31 December 2023 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	(0.8)	1.0	(1.1)
Inflation	N/A	N/A	(0.4)	0.4
Future salary increases	N/A	N/A	(0.3)	0.2
	1 year increase	1 year decrease	1 year increase	1 year decrease
Life expectancy	(0.2)	0.2	(0.2)	0.2

Future funding

Payments expected to be made by the Group to its defined benefit pension plans in the year ended 31 December 2024 are as follows:

	Germany \$m	Switzerland \$m	Other \$m	Total \$m
Expected payments	0.1	0.5	-	0.6

Notes to the consolidated financial statements continued

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:

	2023 \$m	2022 \$m
Borrowings (Note 21)	1,226.9	1,211.9
Less: Cash and cash equivalents (Note 22)	(97.6)	(143.8)
Net debt (excluding lease liabilities)	1,129.3	1,068.1
Equity	1,692.7	1,609.7
Total capital	2,822.0	2,677.8

The Group's capital structure is managed to provide ongoing returns to shareholders and service debt obligations whilst maintaining maximum operational flexibility.

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 of the cumulative changes in the effective portion of cash flow hedges, remeasurement of defined benefit plans and the share-based payment reserve.

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:

	Ordinary shares number	Share capital \$m	Share premium \$m
Issued and fully paid or credited as fully paid			
1 January 2022	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
Issue of new shares for Scrip Scheme – 2022 final dividend	1,717,549	0.2	4.5
Issue of new shares for Scrip Scheme – 2023 interim dividend	4,199,962	0.6	10.8
	5,917,511	0.8	15.3
31 December 2023	2,049,789,559	251.5	181.0

At 31 December 2023, 3,986,597 shares (2022: 10,975,451 shares) were held in the Employee Benefit Trust. The market value of own shares at 31 December 2023 was \$12.3 million (2022: \$30.8 million).

Other reserves include the share-based payment reserve of \$171.1 million (2022: \$155.0 million) and remeasurement of defined benefit obligations of \$4.6 million (2022: \$4.8 million), the effective portion of cash flow hedges of \$4.4 million (2022: \$4.9 million), and remeasurement of equity investments of \$7.8 million (2022: nil). A reconciliation of movements in all reserves is provided in the Consolidated Statement of Changes in Equity.

Distributable reserves

Retained and realised distributable reserves equate to the retained surplus of Convatec Group Plc as set out in the Company Financial Statements on page 197. At 31 December 2023, the retained surplus of the Company was \$1,539.4 million (2022: \$1,562.9 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.

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:

- 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 80 to 84).

The Board paid the 2022 final dividend in May 2023 and the 2023 interim dividend in September 2023. The Board has taken into consideration balancing the return to shareholders and the additional investment in transformation in the period. The decision to increase the dividend for 2023 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 when assessing cash flow forecasts for the next two years from the date of the dividend payment. Further details of the Group's considerations and rationale for its policy in respect of the dividend distribution are given in the Directors' report on page 143.

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.

Notes to the consolidated financial statements continued

18. DIVIDENDS (CONTINUED)

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 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	3.657	4.330	92.4	87.7	4.7	1,717,549
Interim dividend 2023	1.380	1.769	34.4	23.0	11.4	4,199,962
Paid in 2023	5.037	6.099	126.8	110.7	16.1	5,917,511
Final dividend 2023 proposed	3.517	4.460	91.4			

The Company previously operated a scrip dividend scheme, allowing shareholders to elect to receive their dividend in the form of new fully paid ordinary shares. During 2023, the Board took the decision to terminate the scrip dividend option.

The final dividend proposed for 2023, to be distributed on 23 May 2024 to shareholders on the register at the close of business on 26 April 2024, is based upon the issued and fully paid share capital as at 31 December 2023 and is subject to shareholder approval at the Annual General Meeting on 16 May 2024. The dividend will be declared in US dollars and will be paid in Sterling at the chosen exchange rate of \$1.268/£1.00 determined on 5 March 2024.

The interim and final dividends for 2023 give a total dividend for the year of 6.229 cents per share (2022: 6.047 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 127.

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/Matching Share Plan (SP/MSP)

Provides for the grant of discretionary share awards. Awards granted in 2023 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 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 general and administrative expenses in 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.

Share-based payment expenses recognised in the Consolidated Income Statement as follows:

	2023 \$m	2022 \$m
LTIP	7.3	10.8
SP/MSP	5.5	3.0
DBP	1.0	1.6
Employee Plans	0.8	1.3
	14.6	16.7

During the year to 31 December 2023, \$14.5 million (2022: \$16.6 million) of share-based payment was equity-settled and \$0.1 million (2022: \$0.1 million) 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:

	2023		2022	
	Number of shares/ options 000's	Weighted average exercise price of options £ per share	Number of shares/ options 000's	Weighted average exercise price of options £ per share
Outstanding at 1 January	30,800	0.33	33,707	0.43
Granted	10,987	0.22	14,225	0.32
Forfeited	(4,081)	0.47	(7,728)	0.48
Exercised	(6,267)	0.25	(9,404)	0.54
Outstanding at 31 December	31,439	0.29	30,800	0.33
Exercisable at 31 December	840	1.51	993	1.33
Weighted average fair value of awards granted (£ per share)	-	1.53	-	1.18

The average share price during 2023 was £2.21 (2022: £2.11). The share price of the Company at 31 December 2023 was £2.44.

The range of exercise prices and the weighted average remaining contractual life of options outstanding at 31 December were as follows:

	2023 Number of shares/options 000's	2022 Number of shares/options 000's
Range of prices		
Nil	26,414	24,990
1.21	73	788
1.74	2,002	2,511
1.76	1,821	1,108
1.84	18	18
2.08	1,111	1,385
	31,439	30,800
Weighted average remaining contractual life of options outstanding	1.9 years	2.2 years

Notes to the consolidated financial statements continued

19. SHARE-BASED PAYMENTS (CONTINUED)

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 and MSP 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:

	2023			2022		
	LTIP	SAYE & International Share Save Plan	ESPP	LTIP	SAYE & International Share Save Plan	ESPP
Share price at date of grant	£2.21	£2.07	£2.07	£1.79	£2.13	£1.99
Exercise price	nil	£1.76	£1.76	nil	£1.74	£1.74
Expected life	3 years	3.6 years	2.0 years	3.0 years	3.6 years	2.0 years
Expected volatility ¹	25.1%	25.1%	25.1%	28.7%	28.7%	28.7%
Risk free rate	3.3%	3.3%	3.3%	1.3%	1.3%	1.3%
Dividend yield	2.3%	2.3%	2.3%	2.5%	2.5%	2.5%
Fair value	£1.09 & £1.41	£0.38	£0.34	£1.03	£0.36	£0.33

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 2023, the Group held cash and cash equivalents of \$97.6 million (2022: \$143.8 million), of which 57.5% (2022: 74.5%) was held centrally.

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 86 to 87.

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.

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	2023	2022
	USD/EUR	Average	1.08
	Closing	1.10	1.07
USD/GBP	Average	1.24	1.24
	Closing	1.27	1.20
USD/DKK	Average	0.15	0.14
	Closing	0.15	0.14

During 2023, revenue was mostly USD denominated (55%). Other significant currencies were EUR (19%) and GBP (5%). 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	2023	2022
		\$m	\$m
<i>Increase/(decrease) in profit before income taxes</i>			
USD/GBP	+10%	4.4	4.0
USD/EUR	+10%	(10.3)	(12.8)
USD/DKK	+10%	(11.2)	(10.4)
<i>Decrease/(increase) in total equity</i>			
USD/GBP	+10%	(88.0)	(81.6)
USD/EUR	+10%	(2.5)	(8.1)
USD/DKK	+10%	(27.0)	(24.3)

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 2023, the Group's borrowings are denominated in USD and Euros. The Group's credit facilities expose the Group to SOFR and IBOR. The Group's interest rate swaps of \$425.0 million, are referenced to the SOFR and IBOR benchmark (see Note 23 – Financial Instruments).

IBOR Reform

Non-derivative financial liabilities

The Group's facilities are based on a 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.

Derivatives

As of 31 December 2023, 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 SOFR and EURIBOR. 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 at 31 December 2023 have a floating rate linked to SOFR and EURIBOR, aligned with the Group's facilities. See Note 23 – Financial Instruments.

Hedge accounting

Swaps with floating legs linked to SOFR and EURIBOR have also been designated as cash flow hedges and will provide interest rate risk management beyond January 2024.

Sensitivity analysis on interest rate risk

Based on the composition and the terms of the Group's borrowings as at 31 December 2023, 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 \$3.1 million (2022: \$4.0 million) or decrease by \$3.1 million (2022: \$4.0 million) assuming that all other variables remain constant and excluding any effect of tax.

Notes to the consolidated financial statements continued

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.

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:

			2023	2022
	Currency	Year of maturity	Face value \$m	Face value \$m
Revolving Credit Facility ¹	USD/Euro	2028	490.6	477.2
Term Loan	USD	2027	250.0	250.0
Senior Notes	USD	2029	500.0	500.0
Interest-bearing borrowings			1,240.6	1,227.2
Financing fees ²			(13.7)	(15.3)
Total carrying value of borrowings			1,226.9	1,211.9
Current portion of borrowings			-	-
Non-current portion of borrowings			1,226.9	1,211.9

1. Included within the Revolving Credit Facility was €100.0 million (\$110.4 million) and £8.0 million (\$8.2 million) at 31 December 2023 (2022: €145.0 million (\$155.2 million)), representing 22.5% of RCF debt denominated in Euros, 2.1% of RCF debt denominated in GBP and 75.4% denominated in US dollars.

2. Financing fees of \$13.7 million (2022: \$15.3 million) related to the remaining unamortised fees incurred on the credit facilities of \$7.8 million (2022: \$8.4 million) and on the senior notes of \$5.9 million (2022: \$6.9 million).

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. The Group's bank credit facility of \$1.2 billion, which was refinanced in November 2022, comprises of a \$250.0 million term loan and a \$950.0 million multicurrency revolving credit facility. As at 31 December 2023, the term loan was fully drawn and \$490.6 million of the revolving credit facility was drawn, with \$459.4 million undrawn. During the year, the Group extended the term of its multicurrency revolving credit facility by an additional year and this is now committed to November 2028 (originally committed for a five-year term to November 2027). Transaction costs directly attributable to the extension have been capitalised and are amortised over the term of the facility using the effective interest rate method. The term loan remains committed for a five-year term to November 2027.

Senior notes

Unsecured senior notes of \$500.0 million are subject to an interest cover financial covenant as defined in the indentures which is a minimum of 2.0 times, with testing required annually at 31 December on the last 12 calendar months' financial performance.

Financial covenants

The principal financial covenants are based on a permitted net debt to covenant-adjusted EBITDA¹ 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 2023, the permitted net debt to covenant-adjusted EBITDA¹ 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 EBITDA¹ ratio can increase to a maximum 4.00 times for permitted acquisitions or investments.

The Group was in compliance with all financial and non-financial covenants at 31 December 2023, with significant available headroom on the financial covenants (in excess of \$603.3 million debt headroom on net debt to covenant-adjusted EBITDA¹).

Excluding the impact of interest rate swaps, the weighted average interest rate on borrowings for the year ended 31 December 2023 was 5.7% (2022: 3.4%). The increase in the weighted average interest rate was due to rising underlying reference base rates on debt with floating rates.

Borrowings measured at fair value

The senior notes are listed and their fair value at 31 December 2023 of \$450.1 million (2022: \$430.8 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 2023, the estimated fair value of the Group's other borrowings was \$774.9 million (2022: \$762.4 million).

Maturity of financial liabilities

The contractual undiscounted future cash flows, including contractual interest payments, related to the Group's financial liabilities were as follows:

	Contractual cash flows						Total	Carrying amount
	Within 1 year or on demand	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 31 December 2023								
Borrowings	58.6	49.8	47.7	298.0	532.8	519.4	1,506.3	1,226.9
Lease liabilities (Note 24)	25.6	19.5	14.6	10.1	8.2	18.5	96.5	85.5
Trade and other payables (Note 13)	388.7	-	-	-	-	-	388.7	388.7
<i>Derivative financial instruments (Note 23)</i>								
Derivative financial instruments payable	1,486.9	6.8	-	-	-	-	1,493.7	17.6
Derivative financial instruments receivable	1,483.1	5.4	-	-	-	-	1,488.5	13.6
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
<i>Derivative financial instruments (Note 23)</i>								
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

Refer to Note 14 – Provisions for the expected payment profile in respect of the Group's provisions and contingent consideration.

Reconciliation of movement in borrowings

	2023	2022
	\$m	\$m
Borrowings at 1 January	1,211.9	1,344.6
Repayment of borrowings	-	(842.5)
Proceeds of new borrowings, net of financing fees	9.4	714.2
Foreign exchange	2.8	(11.0)
Non-cash movements ²	2.8	6.6
Borrowings at 31 December	1,226.9	1,211.9

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 34 to 37.

2. Non-cash movements were in respect of the amortisation of deferred financing fees associated with the borrowings. 2022 included a \$2.7 million write-off of the unamortised remaining deferred financing fees following early termination of the Group's previous credit facilities.

Notes to the consolidated financial statements continued

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 2023 included \$21.1 million (2022: \$19.2 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 2023 or 31 December 2022.

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.

	2023	2022
	\$m	\$m
Cash at bank and in hand	57.7	42.6
Money market funds and bank deposits	39.9	101.2
Cash and cash equivalents	97.6	143.8

	2023	2022
	\$m	\$m
Restricted cash – current	12.5	18.2
Restricted cash – non-current	5.3	7.3
Total restricted cash	17.8	25.5

Current restricted cash of \$12.5 million (2022: \$18.2 million) relates to cash held in escrow in respect of the Group's acquisitions.

Included in non-current restricted cash of \$5.3 million (2022: \$7.3 million) is \$1.6 million (2022: \$4.0 million) relating to cash held in escrow in respect of the Group's acquisitions. The remaining balance of \$3.7 million (2022: \$3.3 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.

The Group held interest rate swaps of \$425.2 million at 31 December 2023, with exposure to SOFR and EURIBOR 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.

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. The Group's equity investment in preference shares (Note 10 – Investment in financial assets) and contingent consideration arising on business combinations are classified within Level 3 of the fair value hierarchy.

The Group holds interest rate swap agreements to fix a proportion of variable interest on US dollar and EURO 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.

Notes to the consolidated financial statements continued

23. FINANCIAL INSTRUMENTS (CONTINUED)

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:

	Currency	Effective date	Maturity date	2023		2022	
				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	USD	24 Jan 2020	24 Jan 2023	-	-	275.0	2.0
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	23 Jan 2023	23 Jan 2024	90.0	0.4	90.0	0.2
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	23 Jan 2023	23 Jul 2024	40.0	0.1	40.0	-
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	23 Jan 2023	23 Jan 2025	50.0	0.2	50.0	(0.3)
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	3 Aug 2023	3 Aug 2024	50.0	-	-	-
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	3 Aug 2023	3 Feb 2025	50.0	-	-	-
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	3 Aug 2023	4 Aug 2025	50.0	-	-	-
6 Month term EURIBOR Float to Fixed Interest Rate Swap	EUR	29 Sep 2023	29 Sep 2024	55.2	(0.2)	-	-
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	29 Sep 2023	29 Sep 2025	40.0	(0.5)	-	-

1. The fair values of the interest rate swaps were disclosed in non-current derivative financial liabilities, current derivative financial liabilities and current derivative assets 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:

	Term	2023		2022	
		Notional amount \$m	Fair value assets/ (liabilities) \$m	Notional amount \$m	Fair value assets/ (liabilities) \$m
Foreign exchange contracts	≤ 3 months	453.0	8.0	996.6	21.3
Foreign currency forward exchange contracts designated as cash flow hedges	≤ 12 months	195.9	4.4	72.7	3.1
Derivative financial assets		648.9	12.4	1,069.3	24.4
Foreign exchange contracts	≤ 3 months	760.7	(15.2)	703.7	(30.2)
Foreign currency forward exchange contracts designated as cash flow hedges	≤ 12 months	53.3	(1.3)	132.8	(2.3)
Derivative financial liabilities		814.0	(16.5)	836.5	(32.5)

During the year ended 31 December 2023, the Group realised a net loss of \$4.3 million (2022: \$15.8 million gain) on foreign exchange forward contracts designated as FVTPL in Note 5 – Non-operating income/(expense), net in the Consolidated Income Statement.

Impact of hedging on other comprehensive income

The following table presents the impact of hedging on other comprehensive income:

	2023 \$m	2022 \$m
Recognised in other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges:		
Interest rate swaps	(1.3)	3.3
Foreign currency forward exchange contracts designated as cash flow hedges	2.0	(11.0)
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement	(0.8)	16.5
Cost of hedging	(0.5)	(1.1)
Total	(0.6)	7.7

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 2023 were \$2.4 million (2022: \$3.9 million).

The movements in right-of-use assets were as follows:

	Real estate and other \$m	Vehicles \$m	Total \$m
As at 1 January 2022	70.3	13.3	83.6
Lease additions	12.3	8.4	20.7
Arising from acquisitions	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
Lease additions	14.2	10.9	25.1
Arising from acquisitions (Note 26)	1.6	-	1.6
Leases terminated	(7.4)	(0.9)	(8.3)
Depreciation of right-of-use assets	(14.7)	(8.0)	(22.7)
Impairment of right-of-use assets	(1.9)	-	(1.9)
Foreign exchange	0.9	0.6	1.5
As at 31 December 2023	58.3	16.4	74.7

Movements in lease liabilities were as follows:

	2023 \$m	2022 \$m
Lease liabilities as at 1 January	88.3	90.5
Lease additions	25.1	21.0
Arising from acquisitions (Note 26)	1.6	2.9
Payment of lease liabilities	(22.7)	(20.7)
Leases terminated	(8.3)	(1.2)
Interest expense on lease liabilities (Note 25)	3.5	3.3
Interest paid on lease liabilities	(3.5)	(3.3)
Foreign exchange	1.5	(4.2)
Lease liabilities as at 31 December	85.5	88.3

Total cash outflow of lease liabilities including interest for the year ended 31 December 2023 was \$26.2 million (2022: \$ 24.0 million). Interest paid during the year was \$3.5 million (2022: \$3.3 million).

Lease liabilities by category at 31 December were as follows:

	2023			2022		
	Real estate and other \$m	Vehicles \$m	Total \$m	Real estate and other \$m	Vehicles \$m	Total \$m
Current	13.9	6.8	20.7	13.8	6.5	20.3
Non-current	55.3	9.5	64.8	60.6	7.4	68.0
Total	69.2	16.3	85.5	74.4	13.9	88.3

Notes to the consolidated financial statements continued

24. LEASES (CONTINUED)

The maturity of lease liabilities at 31 December was as follows:

	2023			2022		
	Real estate and other \$m	Vehicles \$m	Total \$m	Real estate and other \$m	Vehicles \$m	Total \$m
Within 1 year	13.9	6.8	20.7	13.8	6.5	20.3
1 to 2 years	14.0	5.0	19.0	12.3	4.2	16.5
2 to 3 years	9.7	3.2	12.9	9.5	2.3	11.8
3 to 4 years	7.6	1.1	8.7	8.1	0.7	8.8
4 to 5 years	7.0	0.1	7.1	7.2	0.1	7.3
More than 5 years	17.0	0.1	17.1	23.5	0.1	23.6
Total	69.2	16.3	85.5	74.4	13.9	88.3

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:

	2023 \$m	2022 \$m
Finance income		
Interest income on cash and cash equivalents	5.2	5.5
Total finance income	5.2	5.5
Finance expense		
Interest expense on borrowings	(75.2)	(46.4)
Other financing-related fees ¹	(7.2)	(8.2)
Interest expense on interest rate derivatives	-	(1.4)
Interest expense on lease liabilities	(3.5)	(3.3)
Capitalised interest ²	5.4	2.0
Other finance costs	(0.2)	(0.3)
Total finance expense	(80.7)	(57.6)
Finance costs, net	(75.5)	(52.1)

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.
2. Capitalised interest was calculated using the Group's weighted average interest rate over the year of 5.7% (2022: 3.4%), and will be treated as tax deductible.

26. ACQUISITIONS

During the year to 31 December 2023, the Group completed the acquisitions of:

- Starlight Science Limited (Starlight), a pre-commercial UK-based company.
- A Better Choice Medical Supply LLC (ABCMS), a US-based intermittent catheter provider.
- All American Medical Supply Corp (AAMS), a New York home supplier of urinary catheters and compression stockings.

This note provides details of the transactions 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.

The classification of cash payments associated with contingent consideration within the Consolidated Statement of Cash Flows is dependent on the nature of the arrangement.

Either the settlement of the amount initially recognised upon acquisition is reflected in cash flows from investing activities, with the element of the payment relating to any subsequent remeasurement included within cash flows from operating activities; alternatively, cash flows may be considered financing in nature and included within cash flows from financing activities.

Starlight Science Limited (Starlight)

On 18 April 2023, the Group completed its acquisition of 100% of the share capital of Starlight Science Limited (Starlight), a UK-based company owned by 30 Technology Limited. The acquisition of Starlight included the anti-infective nitric oxide technology platform and new product pipeline, which complements the Group's Advanced Wound Care portfolio and strengthens the Group's ability to provide best-in-class solutions for patients.

In addition to the initial consideration of \$56.7 million (£45.3 million), the sellers may earn contingent consideration up to a maximum of \$163.9 million (£131.0 million), in the form of (i) milestone payment of \$58.8 million (£47.0 million) due upon regulatory clearances in the US and Europe; and (ii) earnout payments based on sales of products over the lifetime of the acquired patents, with the maximum earnout capped at \$105.1 million (£84.0 million).

The provisional discounted fair value of the contingent consideration at the date of acquisition was \$66.7 million, discounted at 19.1%. Following completion of acquisition accounting, any changes in the fair value of the contingent consideration will be recorded in the Consolidated Income Statement in accordance with the Group's accounting policies.

A Better Choice Medical Supply LLC (ABCMS)

On 5 July 2023, the Group completed its acquisition of 100% of the share capital of A Better Choice Medical Supply LLC (ABCMS), a US-based intermittent catheter provider, to further strengthen the Group's Home Service Group. The company was founded in 2008 and is based out of White Lake, Michigan. The consideration for the acquisition was \$26.6 million which included \$3.0 million of deferred consideration paid into escrow. There is no earn out associated with this acquisition.

All American Medical Supply Corp (AAMS)

On 4 October 2023, the Group completed its acquisition of 100% of the share capital of All American Medical Supply Corp (AAMS), New York-focused home supplier of urinary catheters and compression stockings, to further strengthen the Group's Home Service Group. The company was founded in 2009 and is based out of Long Island, New York. The consideration for the acquisition was \$1.5 million which included \$0.3 million of deferred consideration paid into escrow. There is no earn out associated with this acquisition.

Notes to the consolidated financial statements continued

26. ACQUISITIONS (CONTINUED)**Assets acquired and liabilities assumed**

Each of the transactions meet the definition of a business combination and have 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 at the acquisition dates:

	Starlight Provisional \$m	ABCMS Provisional \$m	All American Provisional \$m	Total Provisional \$m
Non-current assets				
Property, plant & equipment	0.4	-	-	0.4
Right-of-use assets	1.3	0.3	-	1.6
Intangible assets	112.5	4.3	-	116.8
Current assets				
Trade and other receivables	0.1	0.6	0.1	0.8
Cash and cash equivalents	-	0.2	-	0.2
Total assets acquired	114.3	5.4	0.1	119.8
Current liabilities				
Trade and other payables	(0.1)	(0.2)	-	(0.3)
Lease liabilities	(0.2)	-	-	(0.2)
Non-current liabilities				
Lease liabilities	(1.1)	(0.3)	-	(1.4)
Deferred tax liabilities	(12.5)	-	-	(12.5)
Total liabilities assumed	(13.9)	(0.5)	-	(14.4)
Net assets acquired	100.4	4.9	0.1	105.4
Goodwill	23.0	21.5	1.4	45.9
Total	123.4	26.4	1.5	151.3
Initial cash consideration	56.7	23.5	1.2	81.4
Deferred purchase consideration paid into escrow ¹	-	3.0	0.3	3.3
Working capital adjustment ²	-	(0.1)	-	(0.1)
Contingent consideration	66.7	-	-	66.7
Total consideration	123.4	26.4	1.5	151.3

Analysis of cash outflow in the Consolidated Statement of Cash Flows

	Starlight Provisional \$m	ABCMS Provisional \$m	All American Provisional \$m	Total Provisional \$m
Initial cash consideration	56.7	23.5	1.2	81.4
Deferred purchase consideration paid into escrow ¹	-	3.0	0.3	3.3
Working capital adjustment ²	-	(0.1)	-	(0.1)
Cash and cash equivalents acquired	-	(0.2)	-	(0.2)
Net cash outflow from acquisitions, net of cash acquired	56.7	26.2	1.5	84.4

- \$3.0 million for the acquisition of ABCMS and \$0.3 million for the acquisition of All American was paid on closing into escrow as security and indemnity by the sellers for their obligations under the Merger Agreements. The escrow amounts are expected to be released within 2 years of the respective acquisition dates, subject to terms specified in the Merger Agreements.
- 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 was finalised and paid by the reporting date.

The fair values of the assets acquired and liabilities assumed are provisional at 31 December 2023. 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 dates 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 dates.

The provisional fair value of trade and other receivables amounted to \$0.8 million, with a gross contractual amount of \$0.9 million. At the acquisition date, the Group's best estimate of the contractual cash flows expected not be collected amounted to \$0.1 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 the acquisitions with those of the Group.

The Starlight acquisition is included in the Advanced Wound Care CGU group, whilst ABCMS and AAMS are included in the Contenance Care CGU group.

Acquisition-related costs

The Group incurred \$6.2 million of acquisition-related costs directly related to the acquisitions completed or aborted in the year ended 31 December 2023, 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

As Starlight is in a pre-commercial state, there is no revenue to date. The loss for the period from the acquisition date to 31 December 2023 was \$2.5 million, before recognising acquisition-related intangible asset amortisation charges of \$6.0 million. If the acquisition had been completed at 1 January 2023, reported Group revenue would have remained unchanged and the Group profit for the period would have been \$0.6 million lower for the year ended 31 December 2023, before recognising acquisition-related intangible asset amortisation additional charges of \$6.0 million.

The revenue of ABCMS for the period from the acquisition date to 31 December 2023 was \$3.5 million and net profit for the period was \$1.6 million, before recognising acquisition-related intangible asset amortisation charges of \$0.7 million. If the acquisition had been completed on 1 January 2023, reported Group revenue would have been \$4.3 million higher and Group profit for the year would have been \$0.8 million higher, before recognising acquisition-related intangible asset amortisation charges of \$0.7 million.

The revenue of AAMS for the period from the acquisition date to 31 December 2023 was \$0.9 million and net profit for the period was \$0.4 million. No intangible assets were identified during the purchase price allocation therefore there is no acquisition-related intangible asset amortisation charge. If the acquisition had been completed at 1 January 2023, reported Group revenue would have been \$0.7 million higher and net profit would have remained unchanged.

Fair value of contingent consideration at reporting date

Contingent consideration arising on business combinations is classified as a recurring fair value measurement within Level 3 of the fair value hierarchy, in line with IFRS 13, *Fair Value Measurements*. Key unobservable inputs in respect of the Group's acquisitions include actual results, management forecasts and an appropriate discount rate.

As at 31 December 2023, the discounted fair value of the contingent consideration payable in respect of the Group's acquisitions was \$138.0 million (2022: \$140.0 million).

Management has determined that the potential range of undiscounted outcomes at 31 December 2023 is between \$52.4 million and \$265.4 million, from a maximum undiscounted amount of \$354.2 million.

The table below shows an indicative basis of the sensitivity to the income statement and balance sheet at 31 December 2023.

	Sales forecast				Discount rate			
	5%	10%	-5%	-10%	1%	2%	-1%	-2%
Increase/(decrease) in financial liability and loss/(gain) in income statement	8.3	16.9	(8.3)	(16.5)	(2.3)	(4.4)	2.4	5.0

27. 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 2023, the Group had non-cancellable commitments for the purchase of property, plant and equipment, capitalised software and development of \$22.3 million (2022: \$39.3 million).

Contingent liabilities

Other than as disclosed elsewhere in these financial statements, there were no contingent liabilities recognised as at 31 December 2023 and 31 December 2022.

Notes to the consolidated financial statements continued

28. 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 98 to 99 and the Non-Executive Directors as set out on pages 96 to 97.

Key management personnel compensation

Key management personnel compensation for the year ended 31 December was as follows:

	2023 \$m	2022 \$m
Short-term employee benefits	15.5	16.4
Share-based payment expense	7.1	9.2
Post-employment benefits	0.5	0.8
Termination benefits	-	0.4
Total	23.1	26.8

Further details of short-term employee benefits, share-based payment expense and post-employment benefits for the Executive Directors are shown on page 125. Details of the Non-Executive Directors' fees, included in the table above, are provided on page 128.

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.

29. SUBSEQUENT EVENTS

The Group has evaluated subsequent events through to 5 March 2024, the date the Consolidated Financial Statements were approved by the Board of Directors.

On 5 March 2024, the Board proposed the final dividend in respect of 2023 subject to shareholder approval at the Annual General Meeting on 16 May 2024, to be distributed on 23 May 2024. See Note 18 – Dividends to the Consolidated Financial Statements for further details.

Company financial statements

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 \$m	2022 \$m
Assets			
Non-current assets			
Investment in subsidiaries	3	4,019.4	3,818.9
Deferred tax assets	4	3.0	2.6
		4,022.4	3,821.5
Current assets			
Other receivables	5	33.4	22.4
Total assets		4,055.8	3,843.9
Equity and liabilities			
Current liabilities			
Trade and other payables	6	4.6	5.5
		4.6	5.5
Non-current liabilities			
Other payables		0.1	-
Total liabilities		4.7	5.5
Net assets		4,051.1	3,838.4
Equity			
Share capital	7	251.5	250.7
Share premium	7	181.0	165.7
Own shares	7	(0.6)	(1.5)
Retained surplus		1,539.4	1,562.9
Merger reserve		1,765.6	1,765.6
Cumulative translation reserve		206.6	3.7
Other reserves		107.6	91.3
Total equity		4,051.1	3,838.4
Total equity and liabilities		4,055.8	3,843.9

The Company reported a net profit for the year ended 31 December 2023 of \$103.3 million (2022: \$85.2 million).

The Financial Statements of Convatec Group Plc (registered number 10361298) were approved by the Board of Directors and authorised for issue on 5 March 2024. They were signed on its behalf by:

Jonny Mason
Chief Financial Officer

Karim Bitar
Chief Executive Officer

Company financial statements continued

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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 2022	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
Net profit	-	-	-	103.3	-	-	-	103.3
Foreign currency translation adjustment	-	-	-	-	-	202.9	-	202.9
Total comprehensive income	-	-	-	103.3	-	202.9	-	306.2
Dividends paid	-	-	-	(110.7)	-	-	-	(110.7)
Scrip dividend	0.8	15.3	-	(16.1)	-	-	-	-
Share-based payments	-	-	-	-	-	-	14.5	14.5
Share awards vested	-	-	0.9	-	-	-	1.5	2.4
Excess deferred tax benefit from share-based payments	-	-	-	-	-	-	0.3	0.3
At 31 December 2023	251.5	181.0	(0.6)	1,539.4	1,765.6	206.6	107.6	4,051.1

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.

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. Equity is translated into US dollars at historic rate. 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.

Company financial statements continued

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 120 to 142 within the Remuneration Committee report.

Their aggregate remuneration comprised:

	2023	2022
	\$m	\$m
Wages and salaries	3.8	4.1
Share-based payment expense	3.7	3.6
Social security costs	1.1	1.0
Pension-related costs	0.2	0.3
Total	8.8	9.0

Average monthly number of employees (including Executive Directors) was 2 (2022: 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 203 to 205 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 2022	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
Capital contributions in respect of share-based payments to employees of subsidiaries	12.1	-	12.1
Reduction due to reimbursement upon exercised awards	(16.4)	-	(16.4)
Foreign exchange	286.9	(82.1)	204.8
At 31 December 2023	5,632.7	(1,613.3)	4,019.4

An impairment assessment was performed on the investments in subsidiaries at 31 December 2023 and 31 December 2022 with no impairment identified. The share price of Convatec Group plc at 31 December 2023 was £2.44 (2022: £2.33), resulting in a market valuation of £5,006 million (\$6,373 million) (2022: £4,754 million (\$5,744 million)).

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
Starlight Science Limited	14419310
Convatec International U.K. Limited	06622355

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.

	2023	2022
	\$m	\$m
At 1 January 2022	2.1	2.1
Movement in income statement	0.6	0.1
Movement in other comprehensive income	0.1	0.1
Foreign exchange	(0.2)	(0.2)
At 31 December 2022	2.6	2.6
Movement in income statement	0.1	0.1
Movement in other comprehensive income	0.3	0.3
Foreign exchange	-	-
At 31 December 2023	3.0	3.0

The deferred tax asset consists of deferred tax on the following items:

	2023	2022
	\$m	\$m
Share-based payments	3.0	2.6
At 31 December	3.0	2.6

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.

	2023	2022
	\$m	\$m
Amounts falling due within one year:		
Amounts owed by Group undertakings	23.0	14.9
Other receivables	10.3	7.4
Prepayments	0.1	0.1
	33.4	22.4

Included in the amounts owed by Group undertakings at 31 December 2023 are intercompany loans of \$6.3 million (2022: \$5.7 million) with a variable interest rate set at a margin 35bps (2022: 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.

	2023	2022
	\$m	\$m
Amounts falling due within one year:		
Trade payables	1.1	0.9
Other taxation and social security	0.8	1.2
Accruals	2.7	3.4
	4.6	5.5

Company financial statements continued

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 comprise 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 of \$1,539.4 million (2022: \$1,562.9 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 143.

9. FINANCIAL GUARANTEES

The Company has guaranteed certain external borrowings of subsidiaries which at 31 December 2023 amounted to \$1,240.6 million (2022: \$1,227.2 million).

10. SUBSEQUENT EVENTS

On 5 March 2024, the Board proposed the final dividend in respect of 2023 subject to shareholder approval at the Annual General Meeting on 16 May 2024, to be distributed on 23 May 2024. See Note 18 – Dividends to the Consolidated Financial Statements for further details.

Subsidiary and related undertakings

Details of the Company's subsidiaries and associated undertakings at 31 December 2023 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 NAP 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%
Starlight Science 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* ¹	United Kingdom	100%	100%
Convatec Management Holdings Limited* ¹	United Kingdom	100%	100%
Convatec Group Holdings Limited* ¹	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%

Subsidiary and related undertakings continued

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
Convatec (New Zealand) Limited ¹⁹	New Zealand	100%	100%
Convatec Sağlık Ürünleri Limited Şirketi ²⁰	Turkey	100%	100%
Convatec (Sweden) AB ²¹	Sweden	100%	100%
Convatec Norway AS ²²	Norway	100%	100%
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 (Belguim Branch) ²⁹	Belgium	100%	100%
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%
Convatec Malaysia Sdn Bhd ³⁷	Malaysia	100%	100%
Convatec China Limited (Beijing Branch) ³⁸	China	100%	100%
Convatec China Limited (Guang Zhou Branch) ³⁹	China	100%	100%
Convatec China Limited ⁴⁰	China	100%	100%
Convatec Dominican Republic Inc. ⁴¹	US	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%	100%
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%
Convatec Medical Care S.P.A. ⁵⁸	Chile	100%	100%
Convatec 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%
180 Medical Distribution Inc. ⁶⁴	US	100%	100%

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
AbViser Medical, LLC ⁶⁵	US	100%	100%
Boston Medical Device, Inc. ⁶⁶	US	100%	100%
Convatec Inc. ⁶⁶	US	100%	100%
Boston Medical Device International, LLC ⁶⁶	US	100%	100%
Convatec Technologies Inc. ⁶⁷	US	100%	100%
Personally Delivered, Inc. ⁶⁸	US	100%	100%
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%
Convatec NAP Holdings, Inc. ⁷⁵	US	100%	100%
A Better Choice Medical Supply, L.L.C. ⁷⁶	US	100%	100%
All American Medical Supply Corp. ⁷⁷	US	100%	100%

1. GDC First Avenue, Deeside Industrial Park, Deeside, Flintshire CH5 2NU, UK	31. Lautruphøj 1 DK-2750 Ballerup, Denmark	54. Av. La Encalada 1010 of. 806, Santiago de Surco, Lima 15023, Perú
2. 20 Eastbourne Terrace, Paddington, London W2 6LG, United Kingdom	32. Åholmvej 1-3, 4320 Lejre, Denmark	55. Rua Alexandre Dumas, 2100,15º. Andar, Ed Corporate Plaza, Conj 151 e 152, - Chácará Stº Antonio - São Paulo, Brazil Cep: 04717-913
3. 44 Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands	33. Workshop 17 Office 1-4, 16 Baker Street, Rosebank, Johannesburg, Gauteng 2196, South Africa	56. Torre los Nogales, Calle 76 # 11-17, Fifth and Second Floor, Bogotá, Colombia
4. 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland	34. Plot 140, Financial Center, New Cairo, Banking Sector, 5th Settlement, Cairo, Egypt	57. Calle 82 # 18-31, Bogotá, Colombia
5. 90, Boulevard National, La Garenne Colombes, F-92250, Paris, France	35. № 604N, Floor 6, HQ Complex, Dubai, United Arab Emirates	58. Av. Andres Bello #2325, Oficina 8, Santiago, Chile
6. 12C, rue Guillaume Kroll, L-1882, Luxembourg	36. 456 Alexandra Road, Fragrance Empire Building #18-01/02, Singapore 119962	59. Robles E4-136 y Av. Amazonas, Edificio Proinco Calisto, piso 12, Quito, Ecuador EC170526
7. Constitucion 1, 3ªPlanta, 08960 Sant Just Desvern, Barcelona, Spain	37. 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P Ramlee, 50250, Kuala Lumpur, Malaysia	60. Av. Sorocaima, Libertador con Venezuela, Edif Atrium. Piso 3, Oficina 3G, Urb El Rosal, Municipio Chacao, Edo, Miranda, Venezuela
8. Avenida da Liberdade, 249 -1, 1250-143 Lisbon, Portugal	38. Unit 805, 8F Jinbao Tower, No.89 jinbao Street Dongcheng District, Beijing 100005, P.R.C.	61. Unit No 206, Tower B, Digital Greens, Sector-61, Golf Course Extension Road, Gurgaon-122102, Haryana, India
9. Avenida das Forças Armadas, 125, 12, 1600-079, Lisbon, Portugal	39. Unit 808, Level 8, Fortune plaza, No.116 Ti Yu Dong Road, Tianhe District, Guangzhou City, Guanghzhou Province, 510620, P.R.C.	62. 10th Floor 1002 B, Mangnum Tower-1, Gold Course Extension Road, Sector 58, Gurugram, Gurgaon, Haryana, India, 122011
10. Life Science Center, Keilaranta 16 B, 02150 Espoo, Finland	40. Unit 1105-1106, Crystal Plaza Office Tower 1, No.1359 Yaolong Road, Pudong District, Shanghai 200124, P.R.C	63. 8516 Northwest Expressway, Oklahoma City, OK 73162, US
11. Mühentalstrasse 38, 8200 Schaffhausen, Switzerland	41. 1013 Centre Road, Wilmington, County of New Castle, Delaware, USA	64. The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware 19801, US
12. Mühentalstrasse 36/38, 8200 Schaffhausen, Switzerland	42. Avenida Winston Churchill ES.1. 27 de Febrero, Apto Plaza Central, Tercer Nivel, del Sector PIANINI de la Ciudad de Santo Domingo de Guzman, Suite A-368, Dominican Republic	65. 5314 Silvermoon Lane, Raleigh, 27606, NC, United States
13. Schubertring 6, 1010 Wien, Austria	43. Unit 1901 Yue Xiu Bldg 160-174, Lockhart Road, Wan Chai, Hong Kong	66. 200 Crossing Boulevard, Suite 101, Bridgewater, NJ 08807 US
14. Via della Sierra Nevada, 60-00144 Rome, Italy	44. 1-1-7 Choraku, Bunkyo-ku, Tokyo 112-0004, Japan	67. 3993 Howard Hughes Parkway Suite 250, Las Vagas, Nevada 89169-6754, US
15. 392A Mesogeion Avenue, Ag. Paraskevi, 15341, Athens, Greece	45. 5F-4, No. 57, Fuxing N. Rd, Songshan Dist., Taipei City, Taiwan (Post code: 10595)	68. 725 Primera Blvd, Suite 230, Lake Mary, FL 32746-2127, US
16. Al. Armii Ludowej 26, 00-609 Warszawa, Poland	46. No. 87, 9th Floor M Thai Tower All Seasons Place, Wireless Road, Lumpini, Phatumwan, Bangkok, Thailand	69. 2626 Glenwood Ave Ste 550, Raleigh, NC 27608
17. Olivova 2096/4, Prague 1, 110 00, Praha 1, Czech Republic	47. Kosmodamianskaya nab. 52, building 1, 9th floor, 115054, Moscow, Russia	70. 20333 N. 19th Avenue, Suite 101, Phoenix, AZ 85027-3627, US
18. Level 2 Building 5, Brandon Office Park, 530-540 Springvale Road, Glen Waverley VIC 3150, Australia	48. 4F, American Standard B/D, Yeongdongdaero 112gil 66, Gangnam-Gu, Seoul, Republic of Korea 06083	71. 58 Norfolk Avenue, Unit 2, South Easton, MA 02375-1907, US
19. Crowe Horwath, Level 29, 188 Quay Street, Auckland 1010, New Zealand	49. CERRITO 1070 Piso:3 Dpto:71, 1010-CIUDAD AUTONOMA BUENOS AIRES, Argentina	72. 5701-1 S Ware RD, McAllen, TX 78504, US
20. Şehit İknur Keles Sokak, Hüseyin Bağdatlioğlu Plaza 7/3, Kozyatagi, Istanbul, Turkey 34742	50. 900-1959 Upper Water Street, Halifax, Nova Scotia B3J 2N2, Canada	73. 4625 Southwest Freeway, Suite 800, Houston, TX 77027-7105, US
21. Box 15138, 167 51 Bromma, Stockholms lan, Stockholm kommun, Sweden	51. Avenida Industrial Falcón, L7, Parque Industrial del Norte, Reynosa Tamps, Mexico C.P. 88736	74. 3471 Via Lido, Ste 211, Newport Beach, California 92663, United States
22. Postboks 6464 Etterstad, 0605 Oslo, Norway	52. Avenida Insurgentes sur 619, 3º Piso, CIUDAD DE MEXICO, Nápoles, 03810, Mexico	75. 251 Little Falls Drive, Wilmington, Delaware, 19808, US
23. Gisela-Stein-Strasse 6, 81671 Munich, Germany	53. Av. Fomento Industrial L9 M3, Parque Industrial del Norte, Reynosa Tamps, Mexico C.P. 88736	76. 3100 Dixie Hwy, Waterford Twp, MI 48328, United States
24. Solinger Strasse 93 40764 Langenfeld, Germany		77. 5493 Merrick Road, Massapequa, New York 11758
25. Priemyselny Park 3, 071 01 Michalovce, Slovakia		*Directly held investment by Convatec Group Plc
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. ConvaTec Harley Skinderskovvej 32-36, 2730, Herlev, Denmark		

Independent auditor's report

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 2023 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;
- the related Notes 1 to 29 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 Company for the year are disclosed in Note 3.3 to the Group 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	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> – Revenue recognition in key markets; – Valuation of contingent consideration provisions; and – Acquisition of Starlight Science Limited. <p>The following were identified as key audit matters in 2022, that we no longer consider key audit matters in the current year: (i) acquisition of Triad Life Sciences Inc and (ii) accounting for the exit of hospital care and related industrial sales activities.</p> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none">  Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk
Materiality	The materiality that we used for the Group Financial Statements was \$10.8m which was determined based on profit before tax adjusted for certain items.
Scoping	Combined, we performed audit procedures across 23 components in 13 countries accounting for 80% of revenue, 91% of profit before tax and 83% of net assets.
Significant changes in our approach	In addition to changes in key audit matters discussed above, our audit approach for 2023 changed to test and place reliance on relevant controls in certain centralised business processes.

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 Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the Directors' process for determining the appropriateness of the use of the going concern basis;
- Assessing the availability of financing facilities including nature of facilities, repayment terms and covenants;
- Testing the accuracy of management's models, including agreement to the most recent Board-approved budgets and forecasts;
- Challenging the key assumptions used in these forecasts by determining whether there was adequate support for the assumptions, including consideration of ongoing global macroeconomic uncertainty;
- Assessing the historical accuracy of forecasts prepared by management;
- Evaluating sensitivity analysis and its impact on available financial headroom; and
- Assessing the appropriateness of the disclosures within the Financial Statements.

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 Company's ability to continue as a going concern for a period of at least 12 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. Revenue recognition in key markets

Key audit matter description	<p>The Group recorded revenue of \$2,142.4m for the year ended 31 December 2023 (31 December 2022: \$2,072.5m) under IFRS 15: <i>Revenue from contracts with customers</i>.</p> <p>As disclosed in Note 2.1 to the Group 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. Further information is included in the geographic segment information in Note 2.2.</p> <p>For certain sales of new and recently launched products to individual doctors, medical centres and hospitals, there is judgement in estimating the transaction price due to:</p> <ul style="list-style-type: none"> - Uncertainties over the payment and timing of the customers' insurance reimbursements; and - The limited established market practice and customer payment history. <p>As the audit of revenue is one of the key determinants of our overall audit strategy requiring significant allocation of audit resources, revenue recognition has been included as a key audit matter. The Audit and Risk Committee includes its assessment of this matter on page 113.</p>
How the scope of our audit responded to the key audit matter	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> - We completed walkthroughs of the revenue cycle to gain an understanding of the end-to-end revenue processes and to evaluate relevant controls across the Group; - We tested the general IT controls and relevant automated business controls in the main financial reporting system used by the Group; - We evaluated the accounting policy for revenue with new customers against the requirements of IFRS 15; - We assessed the relevance and reliability of the underlying data used in determining the transaction price for certain contracts with customers for new and recently launched products; - We performed analytical procedures to assess the relationship between revenue, receivables and cash collections for new and recently launched products; - We performed analytical reviews to identify potentially 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 reviewed a sample of distributor contracts to assess the terms of sale and to support recalculation of rebates and chargebacks associated with the revenue; and - We assessed whether the disclosures within the annual report and accounts are in compliance with the requirements of IFRS 15.
Key observations	<p>We are satisfied that revenue recognised across key markets and the disclosures made are appropriate.</p>

5.2. Valuation of contingent consideration provisions

Key audit matter description	<p>The Group has completed a number of significant acquisitions in the current and prior years, which resulted in the recognition of material contingent consideration provisions, which are a key source of estimation uncertainty.</p> <p>Contingent consideration provisions of \$138.0m (31 December 2022: \$140.0m) comprise of various elements including milestone-based payments due upon regulatory clearances of early-stage products; future revenue performance and revenue-based royalty payments. There is a level of judgement associated with evaluating the ability and likelihood of achieving underlying conditions of milestone payments given the complexity of the regulatory approval process, the estimation of future revenues for early-stage products and the determination of the best estimate of the timing of settlement of these obligations.</p> <p>The valuation of contingent consideration has been disclosed as a key source of estimation uncertainty within Note 1.4 to the Group Financial Statements. The Audit and Risk Committee includes its assessment of this matter on page 112.</p>
How the scope of our audit responded to the key audit matter	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> - We obtained an understanding of the relevant controls over the determination of contingent consideration provisions; - We reviewed the terms of purchase agreements relevant to the determination of contingent consideration provisions and made direct enquiries of the Group's legal counsel to understand any significant terms; - We challenged the assumptions underpinning the contingent consideration provisions, including revenue projections, with reference to available market data, historical performance where available and consistency with other accounting judgements; - We made direct inquiries of the Group's Research and Development function to understand the latest status in relation to the expected timing of regulatory approvals which determine milestone payment obligations; - With involvement of our valuation experts, we evaluated applied discount rates; - We performed sensitivity analysis over the potential outcomes; and - We evaluated the appropriateness of the disclosures in the Financial Statements including the disclosure as a key source of estimation uncertainty.
Key observations	<p>We are satisfied the assumptions used in the valuation of contingent consideration provisions at the year-end are reasonable and within an acceptable range and reasonable. We consider the disclosures in relation to the range of possible outcomes to be appropriate.</p>

5.3. Acquisition of Starlight Science Limited

Key audit matter description	<p>In April 2023, the Group completed the acquisition of Starlight Science Limited ("Starlight") for a consideration of \$123.4m, including deferred and contingent consideration of \$66.7m. The acquisition resulted in the recognition of identifiable product related intangible assets of \$112.5m and goodwill of \$23.0m.</p> <p>The key audit matter relates to key judgements in the acquisition accounting, including:</p> <ul style="list-style-type: none"> - The valuation of intangible assets identified and resulting goodwill. Management used a third-party expert to assist with the valuation of the acquired intangibles balance; and - The valuation of contingent consideration payable. Starlight was acquired in its pre-commercial stage and as such is early in its business lifecycle. The valuation of contingent consideration payable at 31 December 2023 has been evaluated within the Key Audit Matter above (5.2). <p>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 112.</p>
How the scope of our audit responded to the key audit matter	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> - 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 assessed the significant terms of the acquisition within the purchase agreement; - We evaluated management's accounting for the transaction in accordance with IFRS 3 <i>Business Combinations</i>; - We assessed the competence, capability, and objectivity of management's expert; - With involvement of our valuation experts, we evaluated management's assumptions and the appropriateness and application of the valuation methodology included in management's expert's report; and - We evaluated the appropriateness of disclosures in the Financial Statements.
Key observations	<p>We conclude the acquisition to be appropriately recognised. We consider the disclosures in relation to the acquisition to be appropriate.</p>

Independent auditor’s report continued

6. Our application of materiality

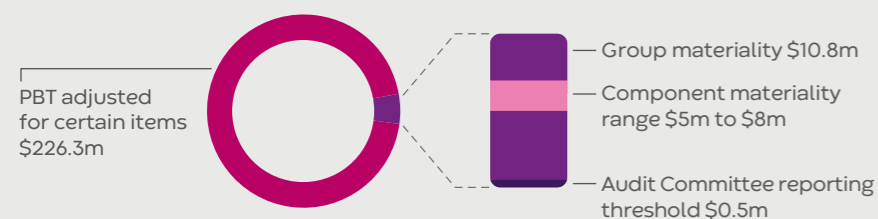
6.1. Materiality

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	\$10.8m (2022: \$9.8m)	\$5.5m (2022: \$5.9m)
Basis for determining materiality	4.8% (2022: 4.8%) of profit before tax adjusted for certain items totalling \$60.5m which include acquisition and divestiture costs, termination benefits and restructuring costs.	The Company materiality equates to 0.1% (2022: 0.2%) of net assets.
Rationale for the benchmark applied	In determining our materiality benchmark, we considered the focus of the users of the Financial Statements. Profit before tax is the base from which key performance measures are calculated as well as key metrics used in providing trading updates. We have adjusted profit before tax for certain items as summarised above.	In determining our materiality, we considered net assets as the appropriate benchmark given the Company is primarily a holding company for the Group.

PBT adjusted for certain items



- PBT adjusted for certain items
- Group materiality

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% (2022: 70%) of Group materiality	70% (2022: 70%) of Company materiality
Basis and rationale for determining performance materiality	We set performance materiality at a level that we consider normal for the audit of public companies. In determining performance materiality, we considered the following factors: <ol style="list-style-type: none"> our risk assessment, including our understanding of the entity and its overall control environment; the quality of the control environment and control reliance adopted over certain business processes and IT systems; the disaggregated nature of the Group and the likelihood of an individually material error; and 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 (2022: \$0.5m), 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

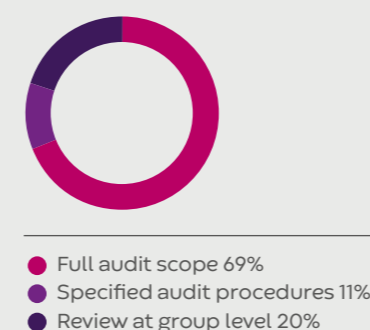
Our Group audit was scoped on an entity level basis, assessing components against the risk of material misstatement at the Group level. We have also considered the quantum of Financial Statement balances and individual financial transactions of a significant nature. In performing our assessment, we have considered the geographical spread of the Group and any risks presented within each region.

Based on this assessment, we focused our work on 13 (2022: 13) components covering six (2022: seven) countries, 69% (2022: 70%) of revenue, 79% (2022: 83%) of profit before tax and 68% (2022: 74%) of net assets. All 13 (2022: 13) components were subject to a full scope audit. The 13 (2022: 13) components are in the US, UK, Denmark, Germany, Italy and France, which include the principal operating units of the Group.

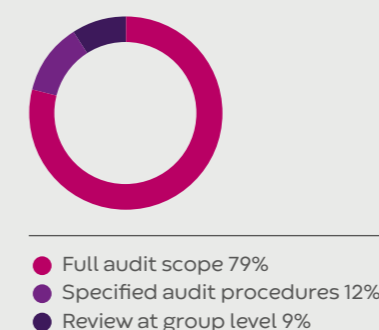
In addition, we have performed specified audit procedures in 10 (2022: 10) components covering nine (2022: nine) countries, 11% (2022: 12%) of revenue, 12% (2022: 5%) of profit before tax, and 15% (2022: 7%) of net assets. The 10 (2022: 10) components are located in: the US, UK, Switzerland, Spain, Canada, Brazil, the Dominican Republic, Slovakia and Australia.

In carrying out our work, we responded to management’s continued progress in centralising finance processes in the GBS centre in Portugal. We centrally determined the scope of the audit procedures executed by component audit teams and at the GBS centre.

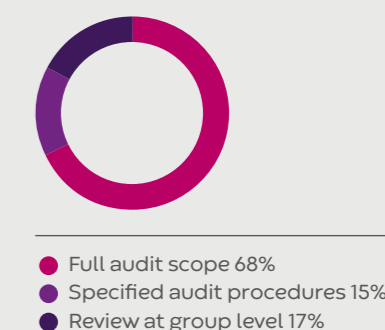
Revenue



Profit before tax



Net assets



7.2. Our consideration of the control environment

We obtained an understanding of the relevant internal controls over the financial reporting process for our audit risk assessment. As the Group’s transformation and standardisation of processes and controls has continued, we have placed greater reliance on financial controls. For relevant centralised business processes within the GBS centre in Portugal, we tested and placed reliance on relevant controls, including automated controls which directly address audit risks of misstatement. Within other components, we have obtained an understanding of relevant controls.

We identified IT systems relevant to the audit of the Group and obtained an understanding of relevant IT controls. For some operating companies, including the main financial reporting IT environment in the GBS centre in Portugal, we tested the general IT controls with the involvement of our IT specialists.

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 the Group’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 Group Financial Statements as at 31 December 2023 as explained in Note 1.3 on page 153.

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 auditors. 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.

We visited local operations in Denmark, the US, Slovakia, GBS Portugal and the UK. Considering the importance of GBS Portugal to the Group Financial Statements, and the evolution of the audit strategy to greater testing of and reliance on financial controls in certain global processes, we maintained frequent interactions with management and component teams during the planning and audit execution stages.

Independent auditor's report continued

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 significant 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 certain elements of revenue recognition and the valuation of contingent consideration provisions. 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") regulations and the Medical Devices Regulations ("MDR").

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition in key markets and the valuation of contingent consideration provisions as key audit matters 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 those key audit matters.

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 and reviewing correspondence with tax authorities in jurisdictions in which the Group operates; and
- 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 significant 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 152;
- 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 86;
- the Directors' statement on fair, balanced and understandable set out on page 111;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 76;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 105; and
- the section describing the work of the Audit Committee set out on page 100.

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 on 12 December 2016 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 8 years, covering the years ending 31 December 2016 to 31 December 2023.

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) 4.1.15R – DTR 4.1.18R, these Financial Statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Claire Faulkner, FCA
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
5 March 2024

Transition Plan Taskforce supplementary information

This year, we reviewed our carbon reduction plans and climate strategy against the Transition Plan Taskforce (TPT) requirements to support our strategic climate ambition. The complex challenge of achieving net zero means further work is needed to advance our plans in the coming years. However, our actions in 2023 are consistent with meeting TPT requirements. Further information is outlined on page 58.

ALIGNING WITH THE TRANSITION PLAN TASKFORCE DISCLOSURE FRAMEWORK

Transition Plan governance

Roles, responsibility and accountability

The development, implementation and monitoring of our Transition Plan is led by our ESG Steering Committee, with accountability shared across the organisation. Responsibilities specific to the Transition Plan are captured as part of ESG and climate-related responsibilities. See pages 40 and 41 for details on our ESG and Transition Plan governance.

Our Executive Remuneration Policy is linked to progress against energy and carbon reduction. This policy is communicated to key stakeholders and used to drive accountability for our climate strategic ambition, consistent with our strategy to embed ESG practices.

We have shared educational materials with key stakeholders to ensure that these topics are appropriately understood. We have also expanded the use of our digital product sustainability tool.

Engagement strategy

Value chain

We acknowledge that a 'whole economy' approach is necessary to achieve a net zero transition, and our value chain partners are critical to Convatec's ability to achieve our net zero target by 2045. When engaging with our partners, we aim to nurture long-term relationships based on the principles of fairness and transparency through both our commercial dialogue and supplier assessments.

We have set specific targets to engage our supply chain, ensuring 80% are participating through the EcoVadis platform. We also require our highest-spend suppliers to set science-based targets by 2026 and are working closely to support and improve their sustainability efforts. In our materiality assessment (see page 44), we reviewed stakeholder perception and interests.

See pages 42 and 43 for further details on our engagement relating to our Transition Plan.

Implementation strategy

Business operations

We have identified and evaluated near-term carbon abatement opportunities at all our manufacturing sites, and these have now been incorporated into our strategic plan.

Financial planning

Business units/functions assess the impact of climate issues as part of our strategic planning cycle which informs our budgeting process.

In addition, our TCFD climate scenario analysis (see page 68), which quantifies potential financial climate impacts, can be used to better understand the level of resource and investment that should be directed to climate action to minimise potential future impacts on cashflow.

Policies and condition

The following policies support the integrity of our Transition Plan: Environmental policy, Health and safety policy, Code of Ethics and Business Conduct policy and Human rights and Labour standards policy.

Business model Implications

Overcoming industry challenges

Convatec has specific industry-related challenges to overcome when seeking to decarbonise the value chain. One of the major challenges Convatec faces as a medical technology company is to identify feasible sustainable product solutions, whilst prioritising product quality, safety and efficacy which can inhibit alternative material and waste circularity options. Another consideration is the R&D lead times and product line manufacturing lifetimes, which can delay any product design-related decarbonisation impacts.

To better understand the sustainable product opportunities, we have implemented our Green Design Guidelines (see page 50), which offer a framework to assess product sustainability and guide our design processes to minimise environmental impacts, which includes the lowering of product life cycle emissions.

Iterating our plan over time

We intend to iterate our Transition Plan over time as our maturity evolves. We have identified the following areas of focus against the UK Transition Plan Taskforce Guidance, https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT_Disclosure-framework-2023.pdf which we plan to address in the coming years.

- Synergies and trade-offs to advance social impacts in communities where we operate (1.1d)
- Climate adaptation and mitigation plans – key assumptions (1.3x) and financial implications (2.4c)
- Action planning to support product sustainability measures (2.2)
- Integration of our strategic ambition into financial planning (2.4) and performance metrics (4.3d)
- Engagement with our value chain, industry and the public sector to support our strategic ambition and climate goals (3.1, 3.2 and 3.3)
- Integrating nature-based impacts into our transition plan (4.1) and our approach to carbon credits (4.4)
- Embedding our strategic ambition across the business (5.3)

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.

We will release our interim results for the six months ended 30 June 2024 on 30 July 2024.

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 2023 was 244.2p.

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 go 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

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Telephone: +44 (0) 370 703 6219
Contact: 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	Net cash generated from operations, net of PP&E and tax paid, before cash outflows from adjusting items.	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.	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.	Home Services Group (HSG)	The Group's US home services business unit for distribution catheter and ostomy products.	Opex	Operating expenses, being the total of selling and distribution expenses, general administrative expenses and research and development, and other operating expenses.	Transformation Initiative	Initiatives and associated investment focused on transforming the business to deliver sustainable and profitable growth.
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.	CE mark	Certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area.	Director	A member of the Board of Directors of Convatec Group Plc.	IASB	International Accounting Standards Board – the independent standard setting body of the IFRS Foundation.	Organic growth	Period-over-period growth at constant currency, adjusted for: Starlight Science Limited (April 2023), A Better Choice Medical Supply (July 2023) and Triad Life Sciences (March 2022) acquisitions; and the discontinuation of hospital care, related industrial sales and associated Russia operations.	TSL	Total Safety Leadership.
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.	CELT	Convatec Executive Leadership Team.	Disclosure guidance and transparency rules (DTRs)	FCA disclosure guidance and transparency rules with which the Group must comply.	IBOR	Interbank Offered Rate.			TSR	Total shareholder return.
AGM	Annual General Meeting of the Company.	Code	UK Corporate Governance Code 2018 in effect from 1 January 2019, issued by the FRC.	EBITDA	Earnings before interest, tax, depreciation and amortisation.	IFRS	International Financial Reporting Standards as issued by the IASB.			UKLA	The UK's Listing Authority.
ARA	Annual Report and Accounts.	Code of conduct	Our code of conduct which covers business conduct and compliance issues, including bribery and corruption.	Effective tax rate (ETR)	The tax charge in the income statement as a percentage of profit before tax.	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.	US dollar, \$, cent or €	The currency of the United States of America.
ARC	Audit and Risk Committee.	CoE	Centre of Excellence.	EMEA	Countries located in Europe, Middle East and Africa.	IP	Intellectual property.	IR	Investor Relations.	UTI	Urinary tract infection.
Articles	The Articles of Association of the Company for the time being in force.	COGS	Cost of Goods Sold.	Equity cash conversion	Free cash flow to equity divided by adjusted net profit.	IR	Investor Relations.	KPI – Key Performance Indicator	Financial and non-financial measures that the Group uses to assess performance and strategic progress.	Viability period	The three-year period from January 2024 to December 2026 (based on the Annual Report).
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.	Companies Act	Companies Act 2006, as amended, of England and Wales.	ESG	Environmental, Social and Governance.	KPI – Key Performance Indicator	Financial and non-financial measures that the Group uses to assess performance and strategic progress.	Leverage	Net debt divided by covenant adjusted EBITDA.		
Basic earnings per share	Net profit available for Convatec shareholders divided by the weighted average number of ordinary shares in issue during the year.	Company or parent company	Convatec Group Plc.	ESMA	European Securities and Markets Authority.	LTI	Long-term incentive plan.	LTIP	Long-term incentive plan.	Organisational Health Index (OHI)	McKinsey index tracking organisational health that drives performance.
Basis points (bps)	Net profit available for Convatec shareholders divided by the weighted average number of ordinary shares in issue during the year.	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.	EU	European Union.	LTIR	Lost time injury rate.	M&A	Mergers and acquisitions.	Ostomy Care (OC)	Devices, accessories and services for people with a stoma (surgically created opening where bodily waste is discharged), commonly resulting from causes such as colorectal cancer, inflammatory bowel disease and bladder cancer.
Board	The Board of Directors of Convatec Group Plc.	Continenace Care (CC)	Products and services for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes.	EURIBOR	Euro Interbank Offered Rate.	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.	PBT	Profit before income taxes.
Book tax rate	The tax charge in the income statement as a percentage of profit before tax.	Critical Care (CC)	Devices and products used in intensive care units and hospital settings.	FCA	Financial Conduct Authority.	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.	Peakon	Workday employee voice platform.	PP&E	Property, plant and equipment.
Compound annual growth rate (CAGR)	CAGR shows the rate of growth over a certain period of time, expressed in annual percentage terms.	COSO	The Committee of Sponsoring Organizations, a global organisation providing a framework for risk management, internal control, governance and fraud deterrence.	FDA	US Food and Drug Administration.	LTIP	Long-term incentive plan.	Product categories	The Group has four product groups, being Advanced Wound Care, Ostomy Care, Continence Care and Infusion Care.	R&D	Research and Development.
Capital expenditure (capex)	Purchases of property, plant and equipment and intangible assets.	CR	Corporate responsibility.	FRC	Financial Reporting Council.	M&A	Mergers and acquisitions.	R&D	Research and Development.	ROIC	Return on invested capital.
		Data on file	Convatec internal testing data as of October 2022	FX	Foreign exchange.	MAR	Market abuse regulation.	SBTi	Science Based Target initiative.	SBTs	Science Based Targets.
		DE&I	Diversity, equity and inclusion.	GBS	Global Business Services (located in Lisbon, Bogota and Kuala Lumpur).	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.	SID	Senior Independent Director.	SKU	Stock keeping unit.
		Derivatives	Financial instruments used to reduce risk, the price of which is derived from an underlying asset, index or rate.	GDGs	Green Design Guidelines.	MedTech	Medical technology.	SOFR	Secured Overnight Financing Rate.	SONIA	Sterling Overnight Index Rate.
				GDPR	General Data Protection Regulation.	Net debt	Borrowings less cash and cash equivalents and excluding lease liabilities.	SBTIs	Science Based Target initiative.	Subsidiary	A company over which the Group exercises control.
				GHG emissions	Greenhouse gas emissions.	NHS	UK National Health Service.	TCFD	Task Force on Climate-related Financial Disclosures.		
				Group	The Company and its subsidiaries.	OECD	Organisation for Economic Co-operation and Development.				
				GPO	Group purchasing organisations.	Operating cash conversion	Operating cash flow divided by adjusted operating profit.				
				H&S	Health and safety.						

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 of 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 80, 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.

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