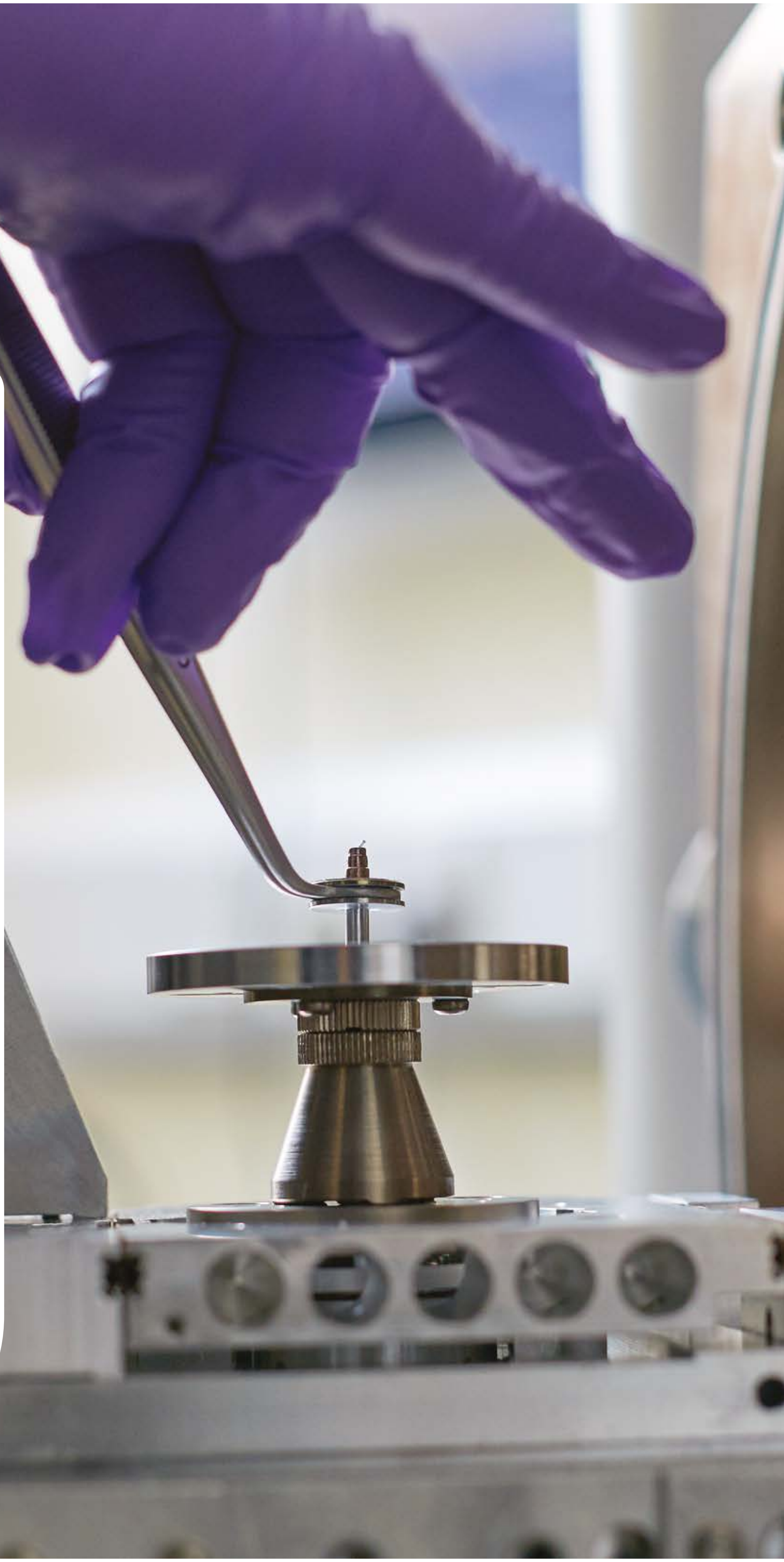
ConvaTec

Pioneering trusted medical solutions to improve the lives we touch

ConvaTec Group Plc
Annual Report and Accounts 2020



Contents

Introduction

Despite COVID-19 creating unprecedented challenges across the world, our employees have responded in an outstanding way and we have continued to serve and support the people who rely on our products and services.

We delivered a solid financial performance in 2020 and have continued to make good progress with our strategic transformation.

Karim Bitar
Chief Executive Officer

Financial highlights[1]

Revenue
$1,894m 3.7%
2020 **$1,894m**
2019 $1,827m

Operating profit
$211.0m 117.8%
2020 **$211.0m**
2019 $96.9m

Adjusted EBIT[2]
$350.2m -1.2%
2020 **$350.2m**
2019 $354.3m

Adjusted EBIT margin
18.5%
2020 **18.5%**
2019 19.4%

Earnings per share
5.7c
2020 **5.7c**
2019 0.5c

Adjusted earnings per share
12.1c
2020 **12.1c**
2019 11.8c

1. Certain financial measures in this Annual Report and Accounts, including adjusted performance measures above, are not prepared in accordance with IFRS. All adjusted performance measures are reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 189 to 194.
2. Adjusted EBIT is equivalent to adjusted operating profit as reconciled on pages 191 to 192.

Our business at a glance

We are a MedTech business focused on the structurally-growing chronic care market.

What we do

We develop and produce innovative medical solutions that give people living with chronic conditions confidence, freedom and mobility. We offer a range of services to support these people and the healthcare professionals who care for them.

We market and sell our solutions and services in four categories: Advanced Wound Care, Ostomy Care, Continence & Critical Care and Infusion Care. We have a direct presence in certain markets and an extensive network of wholesalers and distributors.

Our vision

Pioneering trusted medical solutions to improve the lives we touch.

Our values

Our vision and values shape our culture and behaviours, determine how we do business and underpin our strategy.

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.

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.

Continence & Critical Care ("CCC")

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

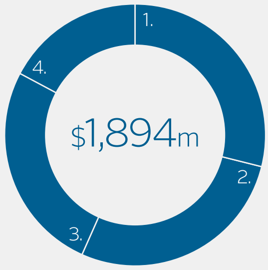
Infusion Care ("IC")

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

Scale of our business

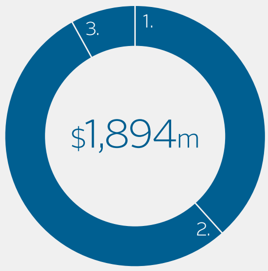
Group reported revenue by category

1. Advanced Wound Care: 28.9% $546.8m
2. Ostomy Care: 27.8% $525.9m
3. Continence & Critical Care: 26.3% $498.6m
4. Infusion Care: 17.0% $323.0m



Group reported revenue by geography

1. EMEA: 38.6% $731.4m
2. Americas: 53.6% $1,015.4m
3. APAC: 7.8% $147.5m



Number of countries we operate in 100+

Key markets 12

Number of employees 9,900+

Number of manufacturing operations 9

Chairman's letter

Dr John McAdam CBE
Chairman

"We have continued to make good progress and our strategy to pivot to sustainable and profitable growth is on track."

Dear Shareholder

The COVID-19 pandemic has created unprecedented challenges and tested many aspects of our daily lives. In these extraordinary times our employees around the world have responded in an outstanding way. Their resilience, pragmatism and adaptability have enabled us to continue to serve and support the people who use our products and services, deliver solid 2020 financial results and progress our strategic transformation. On behalf of the Board, I would like to extend our sincere thanks to all our people.

2020 performance

Notwithstanding the COVID-19 pandemic, we delivered a solid financial performance. Revenue of $1,894.3 million increased 3.7% on a reported basis and 4.0% on a constant currency basis. Operating profit was $211.0 million on a reported basis and $350.2 million on an adjusted basis. Adjusted EBIT margin declined c.90bps to 18.5% owing to the strategic transformation investment. Cash flow from operations remained robust with adjusted cash conversion at 90.3%.

Dividend

Despite the uncertainty COVID-19 continues to create, our business is continuing to make good progress. Taking account of this, the potential of the Group over the medium to long term, its strong financial position, the Group's strategic objectives and the interests of stakeholders, the Board is proposing a final dividend of 3.983 cents per share in respect of 2020, subject to shareholder approval at our Annual General Meeting on 7 May 2021. This is in addition to the Company's interim dividend of 1.717 cents per share, which was declared on 6 August 2020. We are therefore proposing a total 2020 dividend of 5.7 cents per share, in line with the prior year.

Board changes and governance

There have been a number of changes to the composition of the Board during the year. Ros Rivaz stepped down at the end of August 2020. She had been a member of the Board for over three years and, on behalf of the Board, I would like to thank her for her significant contribution. Further, we appointed three independent Non-Executive Directors to enhance our healthcare, financial and innovation expertise.

Brian May joined us with effect from 2 March 2020. Most recently he was Chief Financial Officer of Bunzl plc from 2006 to 2019 where he oversaw significant strategic growth initiatives. Brian has extensive financial and international business experience together with a detailed understanding of the challenges and opportunities that arise as a result of transformational change.

Heather Mason became a Board member with effect from 1 July 2020. Heather spent 27 years with Abbott Laboratories where she held a number of global executive general management roles, and has deep healthcare sector knowledge.

Professor Constantin Coussios joined the Board with effect from 1 September 2020. Constantin is the Director of the Institute of Biomedical Engineering at the University of Oxford. As we increase our focus on R&D and innovation, his expertise in biomedical engineering and his first-hand experience of successfully developing innovative products from concept through to commercialisation will be invaluable.

Further biographical information about Brian, Heather, Constantin and our other Board members, is set out on pages 90 and 91.

Culture, stakeholders and responsible business

Our clear vision, which encapsulates our purpose and ambition, together with our values, reflects the culture we aspire to foster. Work to embed our vision and values across the Group has continued and I am pleased to report that feedback from our annual employee Organisational Health Index survey (see page 47) indicates that an increasing number of our people have a better understanding of our vision, strategy and values.

During the year we also continued to ensure that our boardroom discussions take account of our stakeholders' issues. Information about how we factored these issues into our decision-making process is set out on pages 97 and 98.

In March 2020 we strengthened our governance arrangements in relation to our responsible business programme. At that time oversight of our strategy in this area and the programme to implement it transferred to the Board. Our activities in this area during the year are described on page 95. They include receiving regular updates from members of the ConvaTec Executive Leadership Team ("CELT"), and our advisers, on developing trends in environmental, social and governance ("ESG") disclosure and proposed 2021 initiatives to address some of these trends.

In 2020 we made progress against a number of our published sustainability targets (see page 43); however our planned 2020 review of our responsible business strategy was delayed. In 2021 we are introducing an ESG steering team. This team will be led by the Chief Executive Officer and its composition will include at least six members of the CELT. The ESG steering team's remit will include reviewing and developing our ESG strategy, reviewing and revising our sustainability targets, examining the latest trends in ESG and enhancing our disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). The team will update the Board regularly as it continues to oversee and monitor the development of this important area.

Looking forward

2020 has demonstrated the resilience and agility of our business. We have continued to make good progress and our strategy to pivot to sustainable and profitable growth is on track. This performance, together with increasing market opportunities, position us well for the future.

Finally, I would like to thank our shareholders for their ongoing support as we pivot our business to deliver sustainable and profitable growth.

Dr John McAdam CBE
Chairman
4 March 2021

Governance highlights

A summary of the activities of the Board and its committees during the period is detailed below.

The Board

- Approved strategic plan and reviewed its implementation.
- Approved disposal of US Skincare product line.
- Reviewed reports from COVID-19 Rapid Response Team.

Board leadership and company purpose.
See pages 92 to 98.

Nomination Committee

- Recommended Brian May, Heather Mason and Constantin Coussios appointments.
- Reviewed and adjusted the composition of the Board's committees.
- Monitored the ongoing development of diversity and inclusion initiatives across the Group.

Nomination Committee report.
See pages 103 and 104.

Audit and Risk Committee

- Regular and extensive reviews of the impact of COVID-19 on the Group's business, strategy, risk management and control framework and associated accounting judgements and estimates.
- Consideration of the Viability statement.
- Review of the tax implications of the changes to the Group's operating model.

Audit and Risk Committee report.
See pages 105 to 116.

Remuneration Committee

- Finalised and implemented 2020 Remuneration Policy.
- Ensured remuneration arrangements continue to support culture and strategic ambition.
- Considered remuneration arrangements in light of ongoing impact of COVID-19 pandemic to ensure alignment with stakeholders' interests.

Directors' Remuneration report.
See pages 117 to 138.

Chief Executive Officer's review

Karim Bitar
Chief Executive Officer

"We are excited about the opportunities available to the Group and committed to our transformation to pivot to sustainable and profitable growth."

The pandemic created both challenges and opportunities for ConvaTec in 2020. Parts of our business were negatively impacted, with a sharp reduction in surgeries and restricted access to hospitals, whilst other parts benefitted as COVID-19 stimulated incremental demand.

The overall impact of COVID-19 was broadly neutral on the topline. From a profit perspective we incurred some additional costs owing to the pandemic although costs such as travel and advertising and sales promotion were lower than normal and we chose to adopt prudent cost management during a year of uncertainty. We also made the decision to proactively re-phase certain investments into 2021.

ConvaTec has continued to make good progress with our strategic transformation programme. It is testament to the talent and commitment of ConvaTec colleagues that these significant changes and numerous initiatives were achieved whilst simultaneously responding to the difficulties of COVID-19. In spite of the decision to defer some investment the transformation remains on track.

Our growth prospects are attractive

ConvaTec operates principally in attractive, structurally-growing chronic care markets where there is long-term demand for our products and services. Market growth rates are expected to be approximately 4% p.a. in the medium term. See page 20.

Trends that are being seen in the wider healthcare market create both opportunities and challenges for our organisation. We are assessing these trends and looking to effectively differentiate our offering as we strive to seize the opportunities created and mitigate any risks. See pages 21 to 25.

We are a medical technology solutions company serving a diverse set of chronic care categories which provides resilience. Importantly there are fundamental synergies across categories in terms of: consumer orientation; material science and design; high quality and volume manufacturing; distribution channel knowledge and geographic presence.

To further strengthen our leadership position and achieve our full potential we will vigorously pursue our Focus, Innovate, Simplify, Build, Execute ("FISBE") strategy. See panel on the adjacent page.

Our response to COVID-19

Throughout this pandemic our priority has been to safeguard our employees' health and wellbeing and to support and protect the patients and care givers we serve.

In March we established a dedicated Rapid Response Team. This forum, that I chaired and which included experts from all parts of the Group, ensured speedy, collaborative and pragmatic decision-making and execution. It was instrumental in helping us adapt to the new environment we find ourselves in and to continue to progress our strategic transformation. See pages 10 and 11.

In the latter part of the year we transitioned from the Rapid Response Team to a New Normal Oversight Team that has been focusing on ensuring the Group remains well positioned for long-term, sustainable and profitable growth.

I am proud of how the business responded to the challenges of the pandemic. We introduced detailed processes and protocols to protect our employees and strengthen the resilience of our supply chain in order to respond to our customer needs and elevated levels of demands. I have also been pleased with the agility the business has shown as it embraced the digital interface both with our customers and internally.

2020 Financial performance

The benefits of our portfolio serving diverse categories coupled with strong operational performance was evident in this year's results. Notwithstanding the significant negative impact of COVID-19 on our largest business, Advanced Wound Care ("AWC"), strong growth in Infusion Care ("IC") and Continence & Critical Care ("CCC") together with limited growth in Ostomy Care ("OC") performance enabled us to exceed our revenue guidance.

Group reported revenue of $1,894.3 million (2019: $1,827.2 million) rose 3.7% year-on-year or 4.0% on a constant currency basis including the disposal of the US Skincare product line (which contributed $6.2 million in Q4 2019) and the acquisition of Southlake Medical (which contributed $2.7 million in 2020).

More information about performance in each of our categories can be found in the Operational review on pages 28 to 37.

Reported operating profit was $211.0 million (2019: $96.9 million). The adjusted operating profit for the year was $350.2 million which included adverse foreign exchange of $7.3 million. This was broadly in line with the prior year $354.3 million, with an adjusted operating margin of 18.5% (2019: 19.4%). The 3.7% growth in revenue, slight improvement in gross margin, prudent costs management and savings on travel and expenses during the pandemic, were offset by the strategic transformation investments of $92.5 million (2019: $52.7 million) and investment in Medical Device Regulation ("MDR") of $14.0 million (2019: $5.2 million).

Adjusted net profit rose 3.7% to $240.5 million (2019: $232.0 million) with the $25.2 million reduction in net finance expense partially offset by $12.6 million increase in adjusted tax expense. As anticipated the adjusted effective tax rate ("ETR") rose from 16.0% to 19.1% reflecting a change in the overall profit mix and movements in local tax rates.

Reported net profit increased to $112.5 million (2019: $9.8 million) generating basic reported EPS of 5.7 cents (2019: 0.5 cents).

Basic adjusted EPS was 12.1 cents (2019: 11.8 cents) and the diluted adjusted EPS was 12.0 cents (2019: 11.7 cents) based on basic weighted average ordinary shares of 1.992 billion (2019: 1.971 billion) and 2.007 billion diluted shares (2019: 1.976 billion) respectively.

Cash flow remained robust with adjusted cash conversion at 90.3% (2019: 97.9%). This change principally reflects higher levels of capex investment. Reported cash conversion was 99.0% (2019: 101.0%).

Net debt (excluding leases) reduced to $891.0 million (2019: $1,100.3 million) resulting in an improvement in the Group's net debt/adjusted EBITDA ratio to 2.0x (2019: 2.5x).

For more detail see the Financial review on pages 62 to 71.

Pivoting to sustainable and profitable growth

Throughout this Annual Report we provide updates on how we are implementing our FISBE strategy.

Focus
on 'must-win' markets and categories

Innovate
in our work and solutions

Simplify
our operations

Build
'mission-critical' capabilities

Execute
with excellence

2020 strategic highlights
- Strengthening the leadership team.
- Embedding our new operating model.
- Increasing investment in R&D.
- Establishing Centres of Excellence ("CoE").
- Setting up our Global Business Service centre.
- Divesting the US Skincare product line.

Our strategy
See pages 12 to 17.

Pivoting to sustainable and profitable growth

This time last year I published our new vision, which encompasses our purpose: *Pioneering trusted medical solutions to improve the lives we touch.* I also communicated how we would pivot to sustainable and profitable growth by executing our FISBE strategy. See page 12.

Notwithstanding the pandemic we have made good strategic progress this year. On pages 13 to 17 I detail the progress we have made under each of our strategic pillars.

During the course of the year we decided to proactively re-phase certain investments, given the pandemic and the implications for execution and returns. We pushed forward with increased impetus in certain areas, such as enhancing our digital capabilities, whilst delaying spend in others to reflect the uncertain environment. In total we invested $130.7 million in our strategic transformation in 2020 comprising of:

- $50.6 million of non-recurring operational investment (2019: $39.4 million).
- $41.9 million of recurring operational investment (2019: $13.3 million).
- An additional $12.2 million of costs to be excluded from adjusted EBIT (2019: $4.3 million).
- $26.0 million of capex (2019: $23.0 million).

We also invested $14.0 million in MDR during the year (2019: $5.2 million).

Notwithstanding the deferral of some recurring transformation investments into 2021 we continue to expect annual gross benefits in 2021 of c.$130-150 million. After 2021 we do not expect to disclose transformation investments separately as the non-recurring elements should be largely complete. Additional investments, as we further refine the shape of our income statement, will be part of the ongoing operational decisions of the business as we continue to pivot to sustainable and profitable growth.

Sustainability

We intend to become a more sustainable business and to contribute to the global sustainability agenda, in particular through the support this approach brings to several of the UN Sustainable Development Goals.

In 2020 we made progress against a number of our published sustainability targets. We are pleased with these achievements given the pandemic, the number of leadership changes and the scale of the transformation taking place in the business. However much remains to be done and we go into 2021 with renewed focus in this area.

In 2021 we are introducing a CELT-led ESG steering team which I will lead. We will review our progress against our ESG programme, review and revise targets and enhance our TCFD disclosures. We will also review how sustainability can be further embedded systematically into our R&D pipeline and associated processes. Furthermore, in the area of quality and operations we see opportunities to improve our environmental impact in areas such as packaging and carbon emissions. We will focus on these opportunities as we seek to continue to raise the bar higher.

Group 2021 outlook

The fundamentals of the business are attractive. The Group is principally a diversified chronic care business with strong brands and differentiated products, holding leading market positions in large and structurally-growing markets.

In 2021 we anticipate organic revenue growth of 3-4.5%. We expect a broadly similar growth performance in Ostomy Care to 2020 whilst Infusion Care is expected to deliver strong growth against the tough prior year comparatives. We expect AWC to return to growth whilst CCC will slow as the revenues for Critical Care decline as COVID-19 recedes against the tough comparatives. The timing and magnitude of the Critical Care and AWC movements will depend upon the persistence of COVID-19 and how quickly access to healthcare settings normalise.

Constant currency adjusted EBIT margin in 2021 is expected to be between 18% and 19.5%, including c.$35 million of non-recurring transformation investment, c.$75 million of recurring transformation investment and c.$15 million of costs related to the ongoing implementation of MDR. In addition, we expect c.$10-15 million in termination expenses associated with the strategic transformation, these will be excluded from our non-IFRS financial measures in line with our policy.

In 2021, based on prevailing rates, we expect interest expense of c.$40-45 million and an effective tax rate of between 18-20%. We also expect to increase capital expenditure to $100-120 million as we add further manufacturing capacity, gradually increase the level of automation, continue to invest in IT/digital and prepare for the launch of new products.

We are excited about the opportunities available to the Group and remain committed to our transformation to pivot to sustainable and profitable growth.

We have made good progress stabilising the business in 2020 and strengthening its foundations. We will focus on accelerating future revenue and operating profit growth. I look forward to updating you further later in the year.

Karim Bitar
Chief Executive Officer
4 March 2021

ConvaTec Executive Leadership Team ("CELT")

Role

The CELT is responsible for the management and performance of the Group across its business units and global functions matrix.

2020 focus areas

– Execution of FISBE strategy.
– Implementation of new operating model.
– COVID-19 rapid response and "new normal" planning.
– Delivery of business plan.

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

Frank Schulkes
Chief Financial Officer

David Shepherd
President and Chief Operating Officer, Global Advanced Wound Care

Dr Divakar Ramakrishnan[a]
Chief Technology Officer

Mani Gopal[d]
President and Chief Operating Officer, Global Ostomy Care

Natalia Kozmina[b]
Executive Vice President, Chief Human Resources Officer

Kjersti Grimsrud
President and Chief Operating Officer, Global Continence Care

Evelyn Douglas[c]
Executive Vice President, Chief of Corporate Strategy and Business Development

Seth Segel[e]
President, Home Services Group

Adam Deutsch
Executive Vice President, Chief Transformation Officer and General Counsel

John Lindskog
President and Chief Operating Officer, Global Infusion Care

Donal Balfe
Executive Vice President, Global Quality and Operations

Supratim Bose
President and Chief Operating Officer, Global Emerging Markets

a. Joined ConvaTec and the CELT on 21 January 2020.
b. Joined ConvaTec and the CELT on 1 June 2020.
c. Joined ConvaTec and the CELT on 2 November 2020.
d. Joined ConvaTec and the CELT on 13 January 2020.
e. Joined the CELT on 1 January 2020.

In March 2020 we established a dedicated Rapid Response Team.

Led by our CEO, and including experts from all parts of the Group, this forum has ensured speedy, collaborative and pragmatic decision making.

It has been instrumental in helping us adapt to the new environment we find ourselves in and to continue to progress our strategic transformation.

Our key work streams

People
Across our operations we have adjusted work practices including implementation of social distancing and hygiene protocols and associated training and certification to support these initiatives. Personal protective equipment is provided at our manufacturing sites and, as soon as practicable, we introduced antigen testing for site visitors and employees who need it as part of contact tracing. We responded rapidly with all office-based colleagues becoming remote workers and drove access and adoption of IT tools to support the change, ensuring that our controls remained effective. These enhanced IT tools have also facilitated communication with colleagues and increased access to online training. We have not furloughed any employees nor taken advantage of any other governmental COVID-19 support programmes available. Utilising our "MyConvaTec" app we have maintained real-time two-way communications with our people and enhanced our employee support network during this challenging time. We continue to respond quickly to evolving local government restrictions and requirements with the overriding focus being the wellbeing of our colleagues.

Supply chain
To ensure the continued supply of our products, our global quality and operations team has been working closely across our sites to maintain production capability. We are liaising regularly with our supply chain partners, including third-party manufacturers, to ensure the sustainability of supply. Overall delivery to wholesalers, distributors, hospitals and patients has not been interrupted and we believe that the initiatives we are deploying have strengthened the resilience of our supply chain.

Customers
Finding ways to interact with our customers in different and innovative ways was another key priority. We have accelerated investment in our digital capabilities, and are using digital channels and social media to communicate with customers, hospitals and clinicians. These channels are complementing face-to-face interactions as access to healthcare facilities returns. Furthermore, we are investing in the advancement of e-commerce platforms to facilitate customer purchasing and delivery of products.

Financial liquidity
We monitored our cash position on a daily basis. We are a cash generative business with adjusted cash conversion of 90.3%. This, together with an undrawn revolving credit facility of $200 million, provided the Group with $774.3 million of liquidity at the end of January 2021 and liquidity has remained strong during February.

Medical
Led by our Chief Medical Officer we have closely monitored the developing scientific understanding of COVID-19, government regulations and the impact of evolving regulations on our people and the care givers we serve. We have also tracked cases within our colleagues versus local population trends. All of this science- based analysis has guided our response to the challenges of COVID-19.

Our strategy

Notwithstanding COVID-19 we have made good progress with our strategic transformation. We have strengthened the Group's foundations and began our journey to sustainable and profitable growth.

Our strategic pillars

Focus
Focus on key categories and markets.

Innovate
Invest in our R&D capabilities to develop trusted medical solutions that customers need most. Our innovation will focus on providing differentiated, patient-centric solutions delivered across products, services and digital.

Simplify
Simplify and strengthen our operations by having a more customer-centric and agile operating model with improved accountability.

Build
Build critical core capabilities across the value chain via centres of excellence, including salesforce effectiveness and quality.

Execute
Execute with excellence across the Group by instilling a culture of execution via the Transformation Execution Office.

KPIs
Our KPIs measure delivery of our strategy. See pages 18 and 19.

Risks
We manage our risks to maximise opportunities to deliver our strategy. See pages 72 to 79.

Strategic developments to date and future priorities

Becoming more focused

We are focusing on four categories in 12 key markets that include the US and China.

Progress in 2020
We are concentrating our efforts on key markets and categories. During 2020 we successfully disposed of the US Skincare product line for $29.6 million and exited 26 markets where our presence had been subscale and not sufficiently profitable. This has reduced commercial and supply chain complexity. We are also rationalising elements of our product portfolio, for example, in Ostomy Care.

From a markets perspective, during 2020 we stepped up our investment in China, a key market going forward. We embedded a new leadership team and although we delayed expansion of the salesforce in the early part of the pandemic, by the end of the year we had doubled our presence in China to more than 300 employees.

Priorities for 2021
Our main priority in 2021 will be to accelerate growth in our key markets. We are investing to further grow our Chinese presence and to enhance our commercial execution in the US. We will continue to strengthen our competitive position by evaluating potential partnerships and acquisitions. Meanwhile our product rationalisation programme will continue through 2021.

Enhancing our R&D capabilities

We are investing to strengthen our R&D capabilities.

Progress in 2020
ConvaTec has historically underinvested in R&D. We are now significantly increasing our spend in this area. 2020 R&D spend increased by $27.4 million to 4.3% of revenue (2019: 2.9%), some of which relates to higher MDR spend of $14.0 million (2019: $5.2 million). Going forward we see further opportunities to increase our investment to strengthen our innovation capabilities and improve our cycle time. Despite this historical underinvestment we have continued to make progress during 2020 and our recent launches, such as the MiniMed™ Mio™ Advance/Neria™ Guard infusion set and ConvaMax™ superabsorber have been gaining traction.

During the year Dr Divakar Ramakrishnan, who joined ConvaTec in January 2020, created a new "Technology and Innovation" function, reorganising the function and conducting a strategic review. This has led to changes in the structure of the team, the augmentation of capabilities with new key hires coupled with the creation of an innovation centre in Boston.

Priorities for 2021
During 2021 we will focus on embedding our new leadership team and further strengthening our capabilities. We intend to roll out a single uniform new product development and launch process across all categories and will progress our pipeline. Extended wear infusion sets are expected to launch in 2021 and we will prepare for our ConvaFoam™ launch in 2022. We will also continue to progress the development of our male and female GentleCath™ compact catheter offerings whilst continuing to work on refreshing the ostomy portfolio.

Simplifying our business

We have introduced a more customer-centric and agile operating model to improve accountability and strengthen our organisation.

Progress in 2020
We are migrating from a complex country-led matrix organisation to a new operating model which offers both improved proximity to the patient and care givers supported by global functional expertise. This new model is now being embedded across the organisation. It is testament to the adaptability of our people that they have adopted these changes whilst also adapting to remote working during a pandemic.

During the year we also successfully created a new Global Business Services ("GBS") centre in Lisbon, Portugal. Established in May the team includes over 140 people, who have been onboarded remotely during the pandemic. Notwithstanding these unusual circumstances we have now successfully transitioned the majority of our historic shared services locations into this single hub in Lisbon together with transactional finance activity from certain European markets and some IT service support. This newly formed team has already identified and delivered further process improvements, sharing best practice and driving efficiencies, including the use of robotics.

Priorities for 2021
During 2021 we will continue to migrate activities into the GBS and embed our finance business partnering approach for optimised insight. We will also look to streamline processes in additional areas during the year.

Building core capabilities

We are building critical core capabilities across the Group.

Progress in 2020
We are building core capabilities across the value chain. During 2020 we made four key hires to the ConvaTec Executive Leadership team ("CELT"): in January, as well as Dr Divakar Ramakrishnan joining as our Chief Technology Officer we welcomed Mani Gopal as President and Chief Operating Officer of Ostomy Care. In June Natalia Kozmina joined as Chief Human Resources Officer and in November Evy Douglas joined as Chief of Corporate Strategy and Business Development. We have also strengthened the leadership team in key areas such as quality, regulatory, marketing, medical and product development.

In 2020 we created our Salesforce Excellence and Marketing Centres of Excellence ("CoE") and both are starting to roll out initiatives to improve these capabilities across the Group.

Our latest Organisational Health Index survey, conducted in November, showed significant improvement in our overall score. Within this the survey suggests that our people welcomed our investment in skills, core processes and systems. Overall participation in learning programmes increased 300% compared to 2019.

Priorities for 2021
During 2021 we will continue to strengthen our sales and marketing activities with a particular focus on digital interactions. We will further embed the marketing CoE, roll out our common Customer Relationship Management ("CRM") platform more widely and seek to strengthen our commercial performance.

Executing with excellence

We are instilling execution discipline via our Transformation Execution Office ("TEO").

Progress in 2020
Our TEO is now well established and is continuing to drive a culture of execution excellence across the organisation. The team helped develop and monitor over 100 initiatives during the year ensuring that deliverables are on track and that people are held accountable.

Many of these initiatives have been delivered by our Global Quality & Operations function. Examples include savings at the facilities with initiatives on material and scrap, bringing certain production in-house, and working with procurement to identify and deliver savings.

Priorities for 2021
In 2021 we will continue to embed the execution excellence methodology for maximum impact. We will also increase the number of employees who have completed our "Ability to Execute" training module.

Our key performance indicators

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

Group revenue growth[1]

%

2020	$1,894.3m	+4.0%
2019	$1,827.2m	+2.4%
2018	$1,832.1m	+2.7%

Metric

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

Relevance to strategy

Group revenue performance reflects the growth of our business and our progress towards achieving our ambition/target of delivering 4%+ revenue growth year-on-year.

Focus Innovate Build

2020 performance

– 4.0% increase on constant currency basis.
– AWC revenues declined 3.8% due to the COVID-19 impact.
– Ostomy Care revenues grew 1.2%, driven by strong performance in APAC and Latin America.
– CCC revenues grew 9.3% driven by continued growth in HSG and high demand for ICU products during the pandemic.
– Infusion Care revenues grew 16.7%, primarily due to strong demand in the "smart glycemic control" segment of the diabetes market.

Link to risks

1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11.

Adjusted EBIT margin[2]

%

2020	18.5%
2019	19.4%
2018	23.4%

Metric

Adjusted EBIT margin is equivalent to adjusted operating profit as reconciled on pages 191 and 192.

Relevance to strategy

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

Focus Innovate Build

2020 performance

– Adjusted EBIT margin declined by 0.9%.
– Revenue growth, improvement in gross margin and COVID-19 related savings on travel and advertising & promotional spend more than offset by incremental strategic transformation and MDR investments plus an adverse foreign exchange impact.

Link to risks

1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11.

1. Revenue growth is stated at constant currency.
2. Certain financial measures in this Annual Report and Accounts, including the adjusted performance measure above, are not prepared in accordance with IFRS. All adjusted performance measures are reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 189 to 194.

Key to risks

1. Global operations and supply chain
2. Change and transformation
3. Pricing and reimbursement
4. Information security
5. Product innovation and intellectual property
6. People
7. Quality and regulatory
8. Legal and compliance
9. Geopolitical
10. Tax and treasury
11. Forecasting and market conditions

Adjusted free cash flow[2] $m

	$m
2020	$347.4m
2019	$396.8m
2018	$352.8m

Metric

Adjusted free cash flow is adjusted net cash less tax paid.

Relevance to strategy

Adjusted free cash flow reflects how effectively we are able to convert the profit we generate into available cash (after accounting for working capital movements, making capital investments and paying tax). By simplifying our organisation, and executing with excellence, we can enable greater investment in innovation, to deliver the trusted medical solutions our customers need most.

Focus **Innovate** **Simplify** **Execute**

2020 performance

- Adjusted free cash flow has reduced by $49.9m (-12.4%) year-on-year.
- Principally due to ongoing investment in capital expenditure and cash tax paid.

Link to risks

1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11.

Quality (complaints per million (“CPM”) products sold)

2020	53
2019	63
2018	63

Metric

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

Relevance to strategy

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

Innovate **Build** **Execute**

2020 performance

- Overall year-on-year reduction of 15.9% across all categories.
- Driven by implementation of continuous improvement across our quality management systems.

Link to risks

1, 2, 5, 7, 8, 11.

Our market environment

We have established positions in attractive structurally-growing markets driven by global megatrends and evolving dynamics which are shaping the way we do business.

Our chronic care marketplace

Approximate market size[1]

c. $13bn

	Size 2018	Growth 2018-2023
Advanced Wound Care[2]	c.$7.4bn	c.4%
Ostomy Care[3]	c.$2.3bn	c.4%
Continence & Critical Care[4]	c.$2.0+bn	c.4%
Infusion Care[5]	c.$1.0+bn	c.7%[6]

1. Market size and growth information contained on this page are segmental estimates and are based on internal analysis and publicly available sources, including SmartTRAK and Global Industry Analysts Inc. reports.
2. Advanced Wound Care includes advanced dressings (Foams, Antimicrobials, Composite/Island Dressings, Alginate & Fibre Dressings, Contact layers, Hydrocolloids, Films, Super Absorbents, Hydrogels), Biologics and External devices (Negative Pressure Wound Therapy, Debridement, Energy & Oxygen) segments.
3. Ostomy Care includes 1-piece and 2-piece pouching systems and ostomy care accessories.
4. Continence & Critical Care comprises the global intermittent catheter segment plus the fecal management segment.
5. Infusion Care comprises estimate of diabetes infusion set segment.
6. Based on worldwide growth in type 1 and type 2 diabetes patients using pumps between 2020–2025.

The global trends driving growth in our markets

Three global trends are driving structural growth in our markets and increasing demand for our products and technologies.

Trends

An ageing population

Global population aged 60+

1.0bn — 2020

2.1bn — 2050

Source: United Nations, World Population Prospects, 2019 revision.

Chronic conditions are on the increase

~1 in 3

of all adults globally suffer from multiple chronic conditions.

Source: The global burden of multiple chronic conditions, Cother Hajat and Emma Stein (2019).

700m

adults globally with diabetes by 2045, up from 463m in 2019.

Source: IDF Diabetes Atlas, 9th Edition 2019.

50m

globally reported cases of patients suffering from hard-to-heal wounds.

Source: Frost & Sullivan.

People are living longer

Average life expectancy in the world

47yrs — 1950

73yrs — 2020

Source: United Nations Population Divisions estimates.

Impact on our business

Strong correlation between age and the incidence of chronic conditions.

Source: Gist, Tio-Matos, Falzgraf, Cameron, Beebe (2009).

Demand for our products is growing, driven by the increasing prevalence of the long-term chronic conditions detailed below.

Advanced Wound Care	– Diabetes and vascular disease – Chronic ulcers
Ostomy Care	– Colorectal cancer – Bladder cancer – Crohn's disease – Ulcerative colitis
Continence & Critical Care	– Multiple sclerosis – Benign prostatic hyperplasia – Spinal cord injury
Infusion Care	– Diabetes

Many of our customers partner with us throughout their lives and utilise our products. As populations age this generates long-term demand for our medical solutions.

The dynamics shaping our market

Many trends within the healthcare landscape have accelerated during the COVID-19 pandemic.

Dynamic	How we are responding
Healthcare cost pressures $15 trillion by 2050 Projected global health spending. Source: Global Burden of Disease Health Financing Collaborator Network. Initiatives to reduce overall spending are accelerating including: – Greater emphasis on value-based healthcare solutions which deliver better outcomes at lower costs. – Increasing price pressures. – More outpatient care.	We are investing in our innovation capabilities to ensure that we deliver trusted medical solutions that provide optimal outcomes and enable healthcare providers to deliver their services in the most cost-effective way. We are increasing the number of clinical trials we are conducting to evidence the benefits of our solutions and to evaluate new and improved products. **Innovate** **Build**
More emphasis on homecare 3.6 times more likely for high-risk patients with no homecare to be readmitted to hospital compared to those who receive transitional care. Source: Finlayson K, Chang AM, Courtney MD, et al. Transitional care interventions reduce unplanned hospital readmissions in high-risk older adults. BMC Health Serv Res. 2018;18(1):956. Published 2018 Dec 12. +c.7% growth in US home health 2019-2028. Source: National Health Expenditure projections, CMS.	We are continuing to invest in our Home Service Group plus other platforms, including our me+™ programme (see page 46), which directly support our customers in the home environment. **Build**
Increase in patient/consumer influence 73% of consumers prefer digital solutions making digital a core part of healthcare delivery. Source: 2020 Mckinsey Consumer Health Insights Survey. Patients compare healthcare companies to customer experience leaders. They are becoming more engaged in their healthcare and are actively seeking out products and technologies that address their needs in a convenient way that fits with their lifestyle.	One of our key priorities is to become more customer-centric and build closer relationships with the people who rely on our products and services. We engage with the people who use our products and address their feedback in our innovation process to ensure we understand and meet their personal preferences, emotional and lifestyle needs. See page 40. **Innovate**

Dynamic	How we are responding
Increase in new technologies, including digital, to manage disease Tech-enabled innovation is affecting all types of disease management. In particular, digitisation is enabling remote management of therapies and early detection and real-time monitoring.	We are focused on developing differentiated solutions that utilise smart technologies and data and meet the distinct needs of our customers. See pages 14 and 25. **Innovate**
New entrants and value players New players are entering the categories we operate in.	We are simplifying our business and becoming more agile and better able to respond to competition and harness market opportunities. See page 15. **Execute** **Simplify**
Rise of emerging markets As governments accelerate expansion of the availability of quality healthcare and as the growing middle class in emerging markets gain access to private medical insurance, demand for healthcare products and services is increasing.	We are focusing our resources on key markets which include China. See page 13. **Focus**
More interactions will be digital 76% of institutional decision-makers believe interactions with MedTech companies will be more digital post COVID-19. Source: Convatec New Normal Customer Survey.	We have been investing in digital tools and structuring our salesforce to respond to the "new normal" with a combination of face-to-face and virtual customer engagement. **Build**

AWC 2020 virtual engagement activities to promote wound hygiene

30
global webinars

11,000+
new website users

19,000+
webinar attendees

Our Chief Technology Officer Dr Divakar Ramakrishnan explains how we are putting innovation at the heart of our business to harness market growth opportunities and realise our vision.

Enhancing our R&D capabilities

What are your priorities?
ConvaTec has a long R&D legacy of innovation that started with hydrocolloid-based medical adhesive technology going back more than 50 years. With innovation being a key component of our vision, and a pillar of our strategy (see page 14), we are investing in R&D. We have identified several opportunities to strengthen and augment our existing capabilities. In the short term we are refreshing our "product" portfolio and, over the longer term, we will look to create a more differentiated "solutions" portfolio. To ensure commercial success, we must also be able to develop high-quality products that can be produced efficiently in large quantities.

What are you doing to address these priorities?
To ensure we improve the lives of the people who utilise our products we are putting user-centred design at the heart of everything we do. We are deepening our knowledge of how patients think, feel and interact with our solutions. Over time we expect to incorporate software, advanced biomaterials and mechatronics to help customers manage their conditions, reduce burden and assist with clinical decision making by healthcare providers.

We are enhancing our development and manufacturing processes to ensure that from the outset we build in quality, are thoughtful about the sustainability of our products and processes whilst addressing the needs of patient care. Our recently established Advanced Biomaterials and Process Development centre of excellence is working across our entire portfolio to ensure designs are optimised for manufacturing, sustainability and value.

Finally, we must be able to demonstrate the efficacy of our solutions. To that end we have established a Global Medical Affairs and Clinical Development function. This function will implement a strategy that generates substantive and reliable evidence of improved patient outcomes and increased health economic efficiency which will enhance patient access.

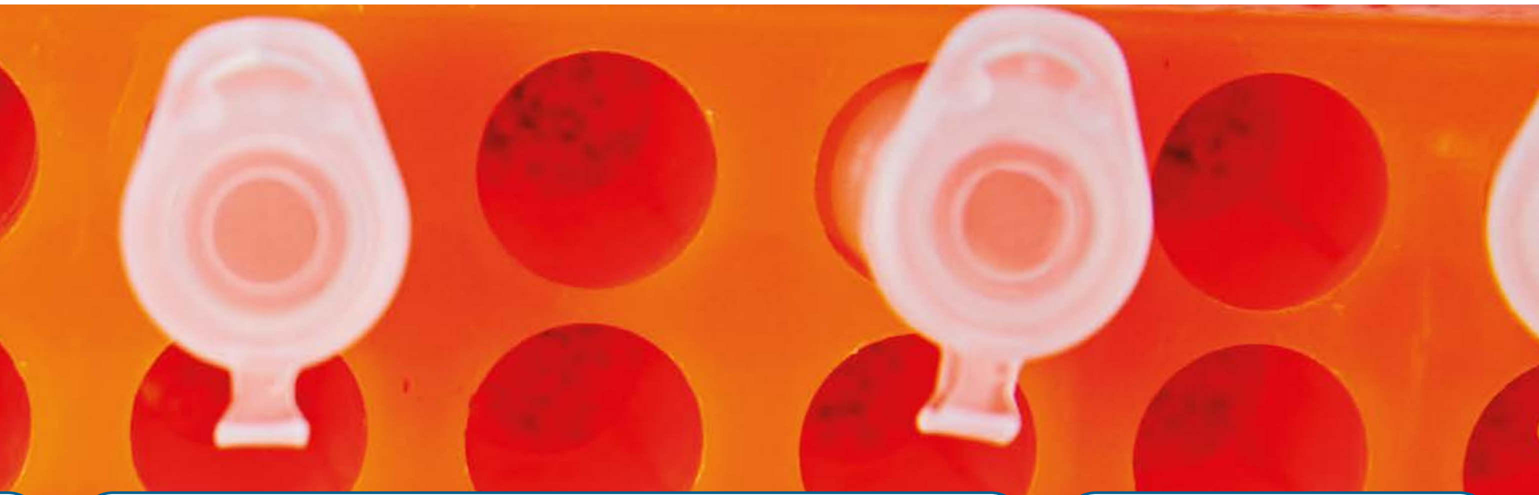
Our FISBE strategy is designed to enable us to realise our vision and enhance our business model.

See page 2 and 3 for further information about our business.

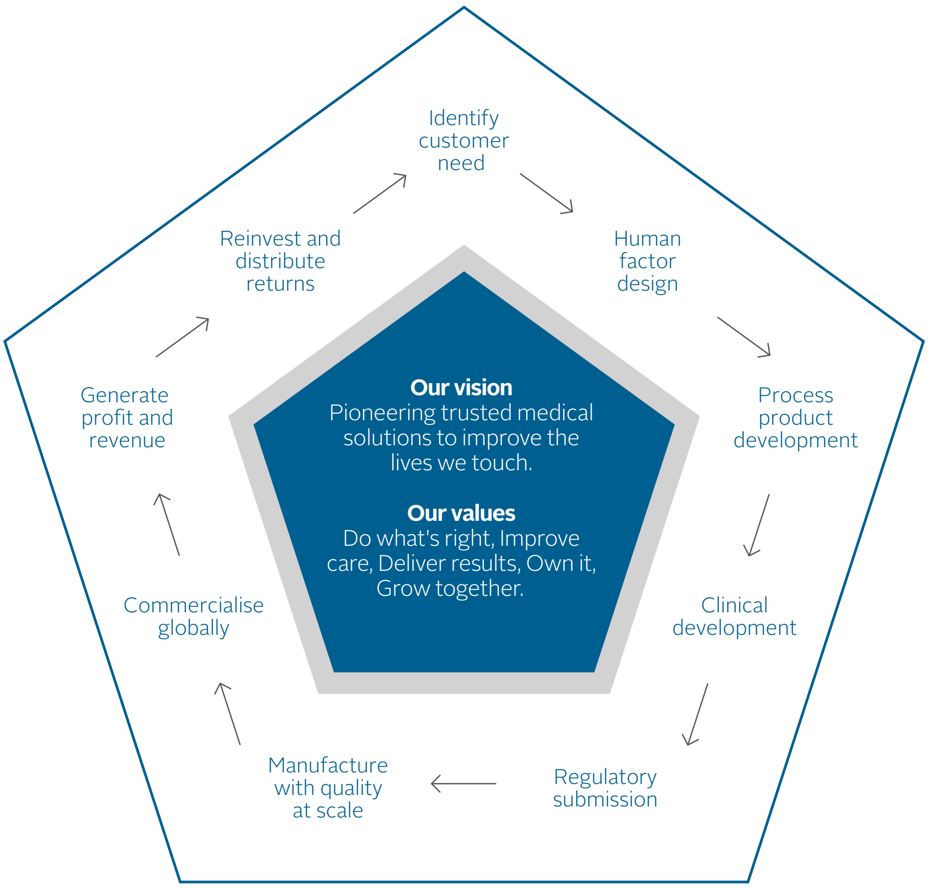
See pages 20 to 25 for information about our marketplace.

Our resources and relationships

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



How we create value



Our FISBE strategy

Focus · Innovate · Simplify · Build · Execute

The value we create

Patients
Solutions to improve the lives we touch

~1bn
Products shipped

Healthcare professionals
Providing value-added solutions, support and advice

>220k
Healthcare professionals participated in Convatec Medical Education

Health plan contracts
Enabling healthcare systems to reduce costs and increase efficiency

>1,600
Health plan contracts

Employees
Providing employment and development opportunities

9,900+
Employees

Shareholders
Generating returns for investors

+2.8%
Total Shareholder Return in 2020 (FTSE350 TSR: -10.3% in 2020)

Society
Making a positive contribution through community engagement and paying tax

$54.5m
Corporation tax paid

Operational review

Information about our categories including their respective market positions, product portfolios, sales and marketing activities, and performance during 2020, is included in this section.

We market and sell our products and services in over 100 countries using a number of channels.

How we market and sell our products

We market and sell our products and services in over 100 countries using a number of channels which are described below.

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.

Ostomy Care

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

Continence & Critical Care ("CCC")

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

Infusion Care

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

Distributors and wholesalers

We sell our products to pharmacies, bandagists, hospitals and other acute and post-acute healthcare service providers through distributors or wholesalers.

We have a network of external distributors who manage the entire distribution process on our behalf, including ordering, selling, warehousing, billing and delivery.

Hospitals Wound care clinics Intensive care

In our larger markets our dedicated sales teams provide support, advice and training to healthcare professionals. In other markets where we have a smaller presence our dedicated sales teams are supported by distributor sales representatives or distributor representatives act on our behalf.

Specialist medical stores Pharmacies Homecare agencies

In many markets our products are available through homecare agencies, specialist medical stores or pharmacies and retail distributors catering to the homecare market.

Direct-to-consumers

We sell directly to consumers in the UK via Amcare, our home delivery company, and in the US, via our Home Services Group, our homecare company.

In a number of markets, including Central and Eastern Europe, Latin America and parts of Asia, we have a small number of clinical and retail outlets.

We operate digital sales platforms including www.ostomysecrets.com.

Consumer-focused service and support

We provide consumer-focused service and support through a number of channels.

See page 46 for information about our me+™ programme, which aims to support people managing chronic conditions and help them enjoy their lives.

Leading insulin pump manufacturers

In our Infusion Care category we sell directly to manufacturers of pumps used in disposable diabetes infusion sets and continuous subcutaneous infusion treatments for conditions such as Parkinson's disease. We also supply our products to hospitals and the home healthcare sector, via our distributor network.

Advanced Wound Care

David Shepherd
President and Chief Operating Officer, Global Advanced Wound Care

2020 revenue

$547m

Market size[1]

c. $7.4bn

Market growth

c. 4%

Key competitors
- 3M
- Mölnlycke
- Smith & Nephew
- Others

Segment position

No. 2
Global advanced wound dressings

No. 1
Global silver dressings

No. 1
Global hydrocolloid dressings

Key brands
AQUACEL™
AQUACEL™ Ag+
AQUACEL™ Ag Foam
AQUACEL™ Ag Surgical
AQUACEL™ Ag Advantage
AQUACEL™ Ag Advantage Surgical
Avelle™ System
ConvaMax™
DuoDERM™

1. Size, growth and position information contained in this Operational review section are estimates and are based on internal analysis and publicly available sources, including SmartTRAK and Global Industry Analysts Inc. reports. AWC includes advanced dressings (Foams, Antimicrobials, Composite/Island Dressings, Alginate & Fibre Dressings, Contact layers, Hydrocolloids, Films, Super Absorbents, Hydrogels), Biologics and External devices (Negative Pressure Wound Therapy, Debridement, Energy & Oxygen) segments.

2020 Performance

Revenue of $547 million declined 4.0% compared with the prior year or 3.8% on a constant currency basis. This decline was driven by the significant negative COVID-19 impact of reduced elective surgeries as well as declines in non-surgical volumes given the reduced access to wound clinics and hospitals during the pandemic. This year was also impacted by the disposal of the US Skincare product line in September 2020.

The business saw growth in Latin America and certain European and Asia Pacific markets. Declines in Europe were principally in the UK, France and Germany. North America, where we are most exposed to surgical, was negatively impacted by the reduction in elective procedures, although this was partially offset by a slightly positive performance from the chronic business in the US.

Our AQUACEL™ Ag+ Extra™ brand delivered strong growth and the launch of ConvaMax™ superabsorber in Europe was very encouraging. Elsewhere our AQUACEL™ Foam Pro brand delivered good growth, albeit off a small base.

2021 Priorities

In 2021 we will focus on the following areas:
- Improving commercial execution in key markets including the US, and Europe supported by Salesforce Excellence and Marketing CoEs.
- Driving the use of digital tools and platforms in our customer interfaces.
- Investing in our innovation pipeline to strengthen our product portfolio, notably in foam.

Leveraging and growing our digital platforms in an innovative and pioneering way

In May 2020, we participated as the major sponsor in our first virtual global medical conference – WoundCon. 1,300 specialist wound care healthcare professionals from 20 different countries participated in the week-long programme. In previous years this would have been a face-to-face US-based event involving around 500 participants.

Through use of the digital format we more than doubled the number of participants, reached a more global audience (25% of participants were from outside of the US) and in terms of costs to run the event spent less than a third of what we would normally spend.

Ostomy Care

Mani Gopal
President and Chief Operating Officer, Global Ostomy Care

2020 revenue

$526m

Market size[1]

c. $2.3bn

Market growth

c. 4%

Key competitors
- Coloplast
- Hollister/Dansac
- Others

Segment position

No. 3
Global ostomy

No. 2
US

No. 3
EMEA

Key brands
Esteem™+
Natura™
Natura™+
Stomahesive™
Durahesive™
InvisiClose™
me+™

1. Ostomy Care includes 1-piece and 2-piece pouching systems and ostomy care accessories.

2020 Performance

Revenue of $526 million was broadly flat on a reported basis and grew 1.2% year-on-year on a constant currency basis. Good growth in both Latin America and key Asia Pacific markets such as China, were largely offset by continuing challenges in the US and in certain European markets. Planned contract and SKU rationalisation reduced growth by c.90bps. The COVID-19 impact was relatively limited. In the first wave of the pandemic we saw some stocking up by distributors and patients although this unwound as the year progressed.

In the US, whilst we have seen an increase in community sales, new patient starts in the acute setting remain challenging in some regions.

We have continued to see good growth in the Esteem™+ 1-piece around the globe and have seen good growth in our 2-piece segment in the Global Emerging Markets ("GEM"). Outside of GEM we have seen growth in Natura™+ although 2-piece revenues have declined overall.

2021 Priorities

In 2021 we will focus on the following areas:
- Strengthening our commercial execution in our key markets leveraging the Sales and Marketing CoEs coupled with further investments.
- Leveraging our me+™ direct-to-consumer programmes and collaborating with HSG to fully support those communities.
- Continuing to streamline our SKUs and to focus on renewing our product portfolio.

Rationalising our SKUs

Our Ostomy Care product portfolio, includes 16 brands and more than 100 different design specifications, some of which have more than 20 different product size, colour and packaging configurations. This extensive variety of options then have to be produced for the variety of different markets we operate in. As a consequence, we produce more than 3,500 SKUs.

As part of our strategic transformation we are beginning to reduce the portfolio's complexity. The choreography of exit across many countries is a complicated process. In 2020 we began the process of exiting approximately 300 SKUs. The revenue impact of this rationalisation, coupled with some rationalisation of unprofitable contracts, impacted the growth rate of Ostomy Care by approximately 90 basis points during 2020.

Continence & Critical Care

Kjersti Grimsrud
President and Chief Operating Officer, Global Continence Care

2020 revenue

$498m

Market size[1]

c. $2.0+bn

Market growth

c. +4%

Key competitors
– Coloplast
– Bard
– Wellspect

Segment position

No. 1

Retailer in intermittent catheters in the US

No. 1

US fecal management systems

Key brands
GentleCath™
Flexi-Seal™
UnoMeter™
me+™

1. Continence & Critical Care comprises the global intermittent catheter segment plus the fecal management segment.

2020 Performance

Revenue of $498 million was up 9.2% on a reported basis and 9.3% on a constant currency basis. There was a small contribution from the Southlake Medical Supplies acquisition that was completed in October 2019.

Within this the key driver was significant growth in our Critical Care business. Revenues rose 17.1% on a constant currency basis to $152 million owing to the significant demand for ICU products during the pandemic.

Our Continence business, continued to achieve good revenue growth of 6.2% on a constant currency basis. HSG, driven by its high-touch patient care model, continues to be the main driver of growth in the category. Despite the complexity of moving to remote working HSG continued to deliver an excellent service experience and grew faster than the overall market. In addition, our GentleCath™ Glide brand has been growing strongly, albeit off a relatively small base.

2021 Priorities

In 2021 we will focus on the following areas:
– Continuing to leverage the reach of HSG, the largest service provider of intermittent catheters in the US.
– Expanding our me+™ platform for intermittent catheter users.
– Continuing to invest to strengthen the product portfolio.

Providing our unrivalled home delivery service to more people

In October 2020 180 Medical, which is part of our HSG business, contracted with UnitedHealthcare, the largest health insurer in the US.

As a result of this partnership millions more insured Americans now have access to 180 Medical's renowned customer service and home-delivered medical supplies.

Infusion Care

John Lindskog
President and Chief Operating Officer, Global Infusion Care

2020 revenue

$323m

Market size[1]

c. $1.0+bn

Market growth[2]

c. 7%

Key competitors
- Smiths
- Ypsomed

Segment position

No. 1

Global infusion sets for insulin pumps

Key brands
inset™
comfort™
neria™

1. Infusion Care comprises diabetes durable and patch pump segment.
2. Based on worldwide growth in type 1 and type 2 diabetes patients using pumps between 2020–2025.

2020 Performance

Revenue grew 17.2% on a reported basis or 16.7% on a constant currency basis. This was driven by increased use of our innovative infusion sets by diabetes patients. Some of the demand increase was due to our customers and their patients building resilience in the supply chain although the primary driver has been our leadership position in serving the fast-growing "smart glycemic control" segment of the diabetes market.

2021 Priorities

In 2021 we will focus on the following areas:
- Sustaining our strong and long-term partnerships with insulin pump manufacturers.
- Continuing to invest in further developing our differentiated diabetes offering – including the launch of our new extended wear infusion set.
- Expanding the usage of infusion sets for the delivery of other sub-cutaneous therapeutics for diseases such as Parkinsons.

Responding to growing demand for our market-leading infusion sets

Our Infusion Care business is the world leader in the production of specialty infusion sets. We work with the majority of the diabetes durable pump manufacturers.

When our infusion sets are combined with a durable pump, a continuous glucose monitoring device and software, this system can effectively manage a patient's diabetes for them. During 2020 the popularity of these durable pumps within diabetes increased and as a consequence we saw a step-up in demand for our infusion sets. Additionally, we are expanding into other subcutaneous infusion options where our infusion set can offer relief for patients with other types of diseases.

In 2020, notwithstanding the COVID-19 pandemic, the business illustrated Execution Excellence by expanding production and delivering more than 100 million infusion sets to our customers and patients.

Responsible business review

To realise our vision and generate sustainable value and profitable growth we must engender trust and run our business in a responsible way.

Our approach

We operate our business with the intent of improving social and economic sustainability. Our vision is focused on developing innovative, reliable, safe and affordable medical solutions to help individuals living with chronic conditions actively contribute to society. We also support strained health systems that are facing increasing cost pressures as demand for the care and treatment of chronic conditions continues to grow. As described on page 11, ensuring the continued supply of our products and services during the pandemic has been a key priority. To help address the issue of access we are enhancing our presence in emerging economies. We are strongly aware of the environmental impact of our products and continue to explore how to reduce this impact without compromising the patient, societal and economic benefits.

We proactively engage with a broad range of stakeholders to understand their issues and to build positive relationships (see pages 40 and 41). We also operate a number of processes to ensure that our Board understands stakeholder issues and takes account of them in its discussions and decision-making process (see pages 96 to 98). This is key to generating sustainable value.

Governance

The Board oversees our responsible business programme. See page 95 for information about the Board's activities in this area during 2020.

Our responsible business framework

In 2019 we conducted a materiality assessment with our stakeholders to identify the key issues we need to focus on over the next five to ten years to make our business more sustainable. Information about this assessment process is included in the Responsible business review 2020, Supplemental information document available at www.convatecgroup.com/corporate-responsibility. The key issues, which are aligned with the UN Sustainable Development Goals, are outlined in our responsible business framework on the adjacent page.

Importance:
– **Higher materiality AND identified as an issue expected to grow in significance**
– **High materiality**
– Lower materiality

Responsible business framework

What we do

Delivering for customers

Product and patient/user safety
– Security of product supply
– Ongoing access to patient support and group assistance

Product innovation and efficacy
– Privacy and data security

Access to healthcare
– Education for professionals

Making a socio-economic contribution

– Local community engagement

– **Financial health and performance**
– Local economic contribution

– Supplier diversity

How we do it

Enabling our people

– **Employees health and safety**
– Employee inclusion and diversity
– Fair processes for attracting and retaining employees

Working responsibly with partners

– **Human rights/working conditions in the supply chain**
– Engagement and capacity building in the supply chain

Conserving the planet

– **Product life-cycle impacts**
– **Climate change and energy**
– **Environmental issues in the supply chain**
– Waste management
– Biodiversity impacts
– Water management

Behaving ethically and transparently

– **Openness and transparency**
– Anti-bribery and corruption

– **Responsible corporate leadership and management**

– **Ethical sales and marketing**
– Stakeholder engagement

How we support the UN Sustainable Development Goals ("SDGs")

Ensure healthy lives and promote wellbeing for all at all ages.
As explained throughout this Annual Report our core business is primarily aligned with this goal and most closely with the target to "by 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and wellbeing".
A number of other SDGs are relevant to our business and we specifically align with the three adjacent goals.

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
Our Human Rights and Labour Standards Policy, and Supplier Code of Conduct assessments, aim to reduce the risk of child and forced labour, and other poor practices across our own operations and supply chain. See pages 51 and 58.

Ensure sustainable consumption and production patterns.
Our product life-cycle analysis programme and Green Design Guidelines aim to support more sustainable products. See page 57.

Take urgent action to combat climate change and its impacts.
Our climate strategy and greenhouse gas emission reduction target are aligned with the goal of combatting climate change. See pages 52 to 58.

We proactively engage with our stakeholders to understand their issues and to build positive relationships.

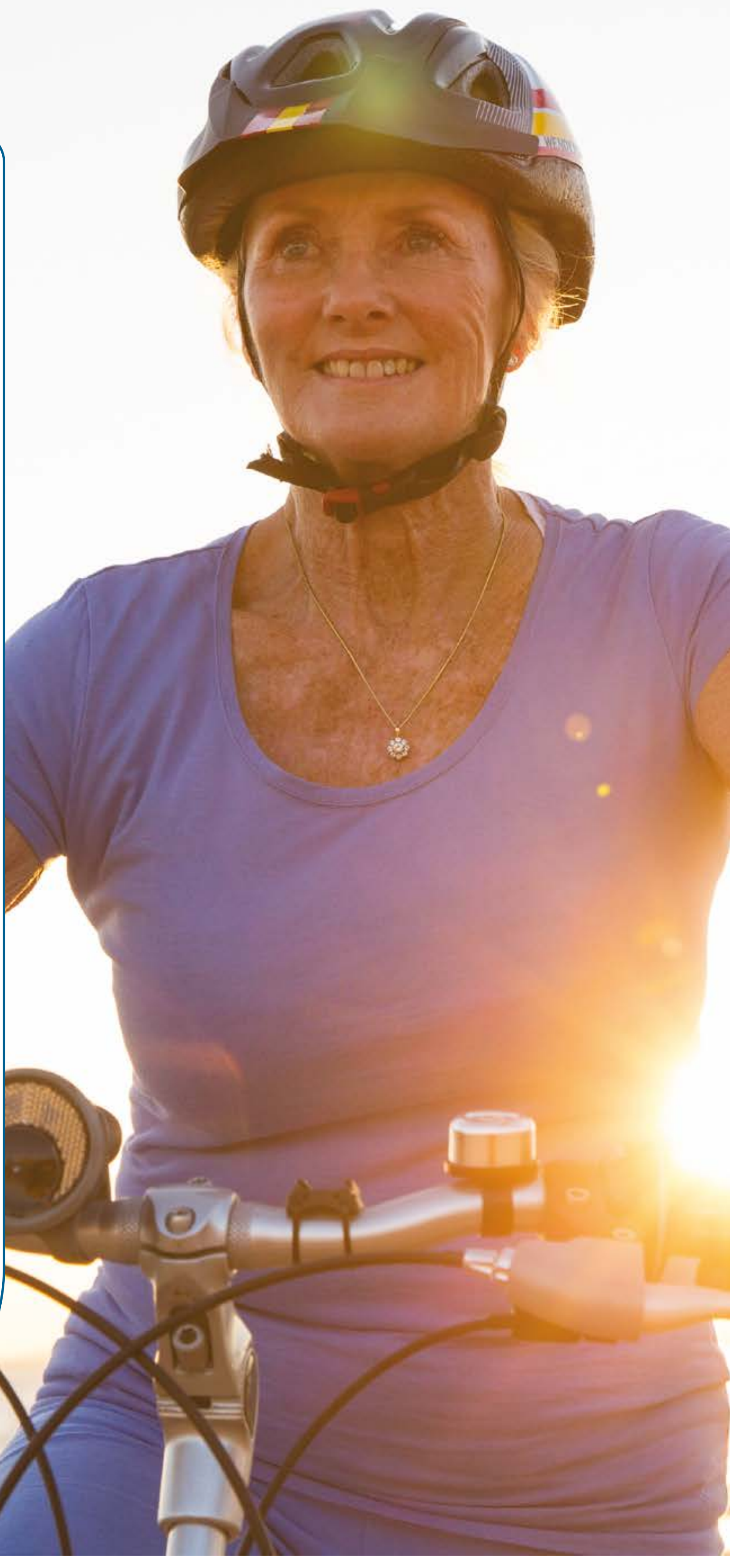
Our section 172 statement is set out on page 61.

Our stakeholders

Stakeholder	Their key issues	How we engage	Outcomes
The people who use our products and rely on our services			
Consumers/Patients	– Safe, accessible and innovative products. – Support and information.	– Direct-to-consumer channels (see page 29). – Home delivery companies (see page 29). – Specialist nurses and call centres. – Targeted consumer research. – Responding to specific consumer questions, feedback and complaints.	– Incorporation of relevant consumer feedback in our research and development processes. – Service provision reviews based on customer feedback, and implementation of enhancements as required. – Tracking and management of customer issues.
Direct enablers who help us deliver			
Healthcare professionals	– Products and support that meet patients' needs and benefit the healthcare delivery system.	– Ongoing clinical and commercial dialogue. – Targeted research. – Specialist training programmes. – Advisory Boards. – Key opinion leader meetings.	– Product and service insights inform our development processes and our day-to-day operations.
Our people	– Safe, healthy, ethical and fair working environment. – Making a difference to the people who rely on or prescribe our products and services. – Development opportunities. – Attractive rewards.	– Group-wide interaction via our intranet, our MyConvaTec app and regular town hall meetings. – Performance reviews. – Employee Resource Groups. – Group-wide employee surveys. – Union representation and works councils (where relevant). – Board-level engagement programme (see page 96). – Independent third party managed whistleblower hotline ("Compliance Helpline and web link") (see page 111).	– Incorporation of relevant feedback into our people strategy and procedures, our development and training programmes and our internal communication processes.
Suppliers and other supply chain partners	– Long-term relationships. – Fair pricing and commercial terms. – Predictable business.	– Commercial dialogue. – Supplier assessments.	– Development of valuable partnerships to address consumers' needs. – Supplier awards.
Channel partners*	– Effective competitively priced products. – Fair pricing and commercial terms. – Continuity of supply.	– Commercial dialogue. – Marketing activities. – Tender processes. – Distributor due diligence and compliance training. – Quarterly reviews with partners.	– Continued inclusion in tender processes. – Development of valuable relationships to address consumers' needs.

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

Stakeholder	Their key issues	How we engage	Outcomes
B2B customers	– Innovative products for combination with their own products. – Long-term relationships. – Fair pricing and commercial terms. – Continuity of supply.	– Commercial dialogue and partnership.	– Development of long-term partnerships focussed on addressing patient needs.
Investors and debt providers	– Strategy and delivery. – Sustainable returns. – Responsible business practices. – Cash flow to pay dividends and service debt obligations.	– Annual General Meeting. – Board members accessibility. – Quarterly results announcements. – Active investor relations programme: In 2020 we hosted more than 270 investor meetings including two multi-day virtual roadshows and participation in five virtual conferences. – Relationship-led engagement with debt providers. – Executed an investor perception study. – Feedback from corporate brokers.	– Quality materials to ensure the capital markets appreciate the health of the business and its future prospects.
Evaluators who hold us to account for our performance			
Regulators	– Adherence to legislation and regulation. – Proactive engagement when challenges arise.	– Regular and ad hoc dialogue in relation to product approvals and other matters.	– Implementation of responsible and diligent business practices. – Compliance with legislation and regulation. – Input into relevant industry consultations.
Governments	– Responsible business practices. – Employment. – Income generation via taxes.	– Ad hoc dialogue in relation to specific matters including Brexit, fiscal (e.g. taxation), employment (e.g. apprenticeships) and corporate governance.	– Making a socio-economic contribution (see pages 27 and 59).
Local communities	– Employment opportunities. – Minimal negative impact from operations.	– Ad hoc dialogue in relation to specific matters. – Our Improving Lives Fund (see page 59).	– Enhancing the local communities where we operate. – Building our reputation in our local communities and across broader society.
Industry bodies and non-governmental organisations (“NGOs”)	– High-quality input into industry policies and standards development. – Proactive engagement in relation to relevant issues.	– Membership of several industry bodies including ABHI, MedTech Europe and AdvaMed. – Participation in meetings and discussions in relation to industry issues including best practice.	– Contributing to improved understanding of key industry issues. – Helping to shape relevant agendas and standards.



2020 developments

During 2020 we made progress against a number of our published sustainability targets (see adjacent page). We are pleased with these achievements given the pandemic, the variety of leadership changes and the scale of the transformation taking place in the business.

We are proud of our health and safety performance and the improving diversity profile of our senior management team.

In R&D, despite significant change with the creation of the 'Technology & Innovation' function and a new leadership team, we made progress with product design on the Infusion Care portfolio that not only helps address unmet patient care needs, but also has the potential of improving the environmental footprint as they can be used for longer. We have also made targeted interventions in other ongoing R&D programmes where materials with improved environmental footprint were selected.

However much still remains to be done and we go into 2021 with renewed focus on ESG.

2021 priorities

As explained on page 4 we are introducing a CELT-led ESG steering team, which will be led by our CEO, to:

- Examine the latest trends in ESG.
- Review the progress of our ESG programme.
- Review and revise sustainability targets.
- Enhance our TCFD disclosures.

We will also review how sustainability can be further embedded systematically into our R&D pipeline and associated processes both by way of product design and materials selection. Outside of innovation there are also opportunities for further improvement: in the area of quality and operations we see opportunities to improve our environmental impact in areas such as packaging and carbon emissions and we also intend to be more involved in committees such as MedTech Europe Environmental Committee.

We will focus on these opportunities as we seek to continue to raise the bar higher.

Our sustainability targets

Target[1]	Performance in 2020	Status	Further information
Delivering for customers Innovation: Launched 35 new products by 31 December 2020.	Nine new products launched (15 in 2019 and 11 in 2018)	Achieved	Page 44
Enabling our people Health & Safety: Reduced our lost time injury rate ("LTIR"), for our manufacturing locations, to below 0.5 per 200,000 hours worked by 31 December 2020.	0.22 per 200,000 hours worked	Achieved	Page 49
Health & Safety: Maintain a Group-wide LTIR of below 0.27.	0.21 per 200,000 hours worked	Achieved	Page 49
Diversity: Reach a level of 30% females in senior management by 31 December 2020.	34%	Achieved	Page 50
Employee development: Complete the roll-out of a technical skills and competency assessment for relevant manufacturing employees by first half of 2020.	70% of sites completed training matrices (cumulative total as at 31 December 2020). Balance delayed to 2021.	Delayed	Page 50
Working responsibly with partners Supplier assessment: Complete analysis of the CR performance of 50 of our most significant suppliers by 31 December 2020.	54	Achieved	Page 51
Conserving the planet Product life-cycle assessment: Complete third-party reviewed life-cycle assessments within all major product groups by 31 December 2020.	Completed in AWC, Ostomy Care and Infusion Care	Partially completed	Page 57
Climate change: Reduce our combined Scope 1 and 2 greenhouse gas emissions by 10%, against a 2018 baseline, by 31 December 2023.	18.5% reduction in market-based emissions since 2018	On track	Page 54
Behaving ethically and transparently Human rights: Complete the review, update and publication of our human rights-related policies, including our Human Rights and Labour Standards Policy, and Supplier Code of Conduct, by 31 December 2020.	Review ongoing	Ongoing and to be completed during 2021.	Page 58
Transparency: Improve our ISS-oekom research rating to at least C+, and our Sustainalytics rating to at least 75/100, based on our reporting of the 2019 financial year.	ISS-oekom B- Sustainalytics 73/100	Partially achieved	Page 58

1. For further information about our sustainability targets see our 2019 CR Report available at www.convatecgroup.com/corporate-responsibility.

Delivering for our customers

Our entire business is oriented to helping our customers manage challenging chronic conditions so they are able to live their lives to the full. Our products can enable healing outcomes and, where relevant, help reduce healthcare-associated infections, the most frequent adverse event in healthcare worldwide. Our customers, and the healthcare professionals who care for them, rely on us and if we do not deliver for them we have no business.

Engagement with our customers is fundamental to our success. Through various channels, we listen to them to better understand their needs and use the feedback we gather to improve the products and services we provide. See page 29 for information about the people we serve and our channels.

Innovation, efficacy and ethics

Creating innovative products and solutions is essential for the advancement of healthcare across society. As people live longer, and the incidence of chronic conditions rises (see page 21), we need to continually improve our solutions to relieve individuals' suffering and reduce the burden on strained healthcare budgets.

Innovation is a key pillar of our strategy and in 2020 we increased investment in reported R&D by 53% to $82.4 million (2019: $53.8 million). We currently have over 300 active patent families, over 2,600 patents and patent applications and over 4,800 registered trademarks.

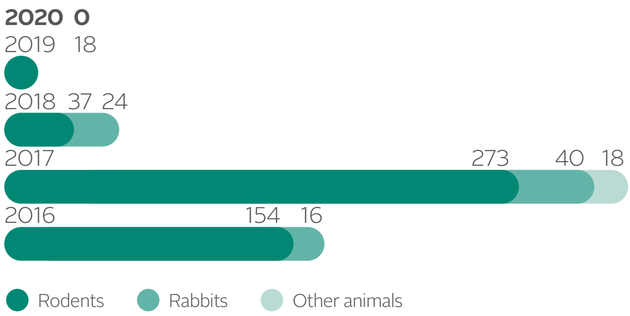
The basis of our process is to understand the problem and, importantly, the user experience so we can craft solutions which secure high user acceptance coupled with the best medical outcomes. This is established through stakeholder engagement activities by teams responsible for patient care and clinical research. It is also crucial to ensure these solutions can be manufactured and distributed to suit the various reimbursement models around the world thus seeking to improve access and the patient's experience.

While innovation is vital to realise our vision, advance our solution portfolio and better serve our customers, it can involve controversial strategies, processes and technologies. Our Ethical Issues and New Product Development Policy covers a number of topics including the use of substances of concern, emerging technologies, human clinical trials and animal testing. This policy is available at www.convatecgroup.com/corporate-responsibility.

In 2020 we have not carried out any Pre-Registration clinical trials (2019: 0 trials) or any Post-Registration studies (2019: five studies).

Our use of animals in research in recent years is indicated below. Our policy is never to use testing on animals unless this is mandated by regulatory authorities or when we cannot support a product or product development through the available laboratory and/or human clinical data.

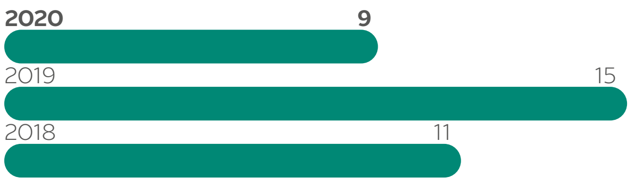
Use of animals in research and development



New products

In 2018 we set a target to launch 35 new products by 31 December 2020. As shown below we achieved this target. To fulfil our vision and harness growth opportunities, we need to strengthen and augment our R&D capabilities and make innovation an integral part of our organisation. We are increasing our investment in this critically important area and during 2020 made some significant changes to the R&D function (see page 14).

New product and line extension launches



Product safety

Product safety is a key issue for our customers and pivotal in earning a reputation as a trusted provider. Regulators consider most of the products and solutions we develop to be of low risk to users. Nevertheless, we have a rigorous and robust compliance and internal audit process which focuses on the various design control stages and operates in parallel with our comprehensive quality management approach. Notified Bodies (such as BSI) also review our quality processes and procedures (see below).

We conducted a total of 121 audits during 2020 (2019: 176). Our ability to conduct on-site supplier and contract manufacturing audits in 2020 was severely hampered by the travel restrictions resulting from the COVID-19 pandemic. As an alternative, for many of the suppliers and contract manufacturers, we performed desktop evaluations of their performance to ensure that the risk of not performing the on-site audits was reduced.

Total audits conducted during 2020

121

(2019: 176)

Facility	Number of audits 2020	Number of audits 2019
R&D	**2**	12
ConvaTec manufacturing	**105**	83
Contractor manufacturing	**4**	20
Key supplier	**10**	61

To ensure that our products are not only safe in themselves, but also that they interact well with users and are easy and comfortable to use we build safety into the design of all our products. We operate a risk assessment process which is compliant with ISO 14971 ("risk management for medical devices").

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

In 2020 relevant sites were also audited against the Medical Device Single Audit Program ("MDSAP") standard which incorporates the regulations of several countries above and beyond ISO 13485. All audited sites have been certified to MDSAP. We are also in compliance with the Code of Federal Regulation 21 CFR Part 820 which is an equivalent quality system regulation in the US. Our products bear the "CE" mark – effectively a "Declaration of Conformity" with all applicable regulations defined in the European Union Medical Devices Directive. Starting May 2021, sales into the European market will need to be compliant with MDR requirements. The relevant technical documentation preparation is ongoing to ensure adherence to the new regulations with the applicable timelines. In addition to focusing on ensuring our product development meets or exceeds all regulatory requirements, we also conduct analysis of the effectiveness of our products, as they are used.

Our primary KPI for quality is complaints per million products sold ("CPM"). This is a Group KPI. It reflects our customer-centric focus and is key to ensuring that we develop trusted medical solutions. CPM is a strong indication of our manufacturing quality and it also reflects our core capabilities and our ability to execute effectively. CPM in 2020 was 53, which represents an overall year-on-year reduction of 17.3% (2019: 63) (see page 19).

In rare circumstances it may be necessary to trigger a "market action", following a detailed "Health Hazard Evaluation". A market action may require, for example, the issue of additional instructions for use, or may necessitate a recall. Recalls are controlled by Standard Operating Procedures and customers are contacted by ourselves or a third party, in writing or by telephone. Recalled devices may be replaced by alternatives or the customer financially compensated.

In 2020, we implemented two voluntary field actions (2019: two voluntary field actions). Both related to the adhesives in wound care products. While there was no risk of harm to patients the products did not meet the requirements of our quality system or reach the quality level our customers deserve.

To our knowledge, other than specifically indicated in this Annual Report, in 2020 there have been no incidents of material non-compliance with regulations and/or voluntary codes concerning:
– The health and safety impacts of our products and services.
– Product and service information and labelling.
– Marketing communications, including advertising, promotion and sponsorship.

Reliability of supply

We are committed to ensuring continuity of supply to our customers through well-defined processes and experienced, knowledgeable professionals. Our approach to managing supply is multi-tiered, supported by a Sales and Operations Planning function. We conduct market and regional planning sessions to ensure alignment on demand and to identify any supply constraints. Throughout this process, we constantly manage our global inventory to support sales. During 2020 in response to the COVID-19 pandemic we significantly strengthened the resilience of our supply chain (see pages 10 and 11). We also monitored the Brexit negotiations to assess the potential impact on our business and developed contingency plans to minimise disruption (see page 70).

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:
– **Availability:** In 2020 we marketed and sold our products in over 100 countries around the world directly and through a reliable distribution network. We continue to evolve our sales channels to best meet our customers' needs and during the year we accelerated a number of digitalisation initiatives including enhancing our e-commerce platforms in China.
– **Adaptability:** Based on feedback from users and healthcare professionals our products address a broad range of patient needs reflecting the different challenges that individual users experience. Getting the range of products right relies on research and stakeholder engagement (see pages 40 and 41).

- **Usability:** A product may "do a job" medically, but given the social and emotional contextual needs 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 right device which best suits their needs, provide easy-to-follow literature, videos and online support and deliver millions of products a year (see page 27).
- **Economic:** 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.

Data privacy

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

This framework includes policies, procedures, controls and records which operate across our business on a global basis. The implementation of this framework is supported by employee training, which forms part of our induction process for new employees, and underpinned by our Group compliance programme. Its effectiveness is overseen by several internal governance groups, including our Cyber Steering Committee, and our various data policies, procedures and controls are regularly assessed by our internal audit function. In various markets, trained privacy champions, supported by third-party experts, provide first line local support on privacy matters.

From time to time we may experience theft or inadvertent disclosure of data. In 2020 there were no reportable issues to data protection authorities.

Following Brexit and the ruling by the European Court of Justice which annulled the EU/US Privacy Shield agreement, we undertook a review and implemented a number of measures to ensure we continue to comply with privacy regulations.

In 2020, six data subjects made requests for copies of their data and we also received a similar number of requests, withdrawing consent for use of personal data.

We are continuing to enhance our privacy governance framework. During 2021 we will expand our privacy team and introduce additional strategies to ensure effective processing of patient and other data subjects' personal information. For further information on how we mitigate data security and privacy risk see page 77.

Supporting our customers

Our me+™ programme operates throughout the US and Europe and aims to support people managing chronic conditions and help them enjoy their lives. The programme provides access to a dedicated team of me+™ nurses and product specialists together with a range of online resources covering lifestyle tips and advice, educational and guided recovery tools and peer-to-peer support.

As demand for trusted and easily accessible healthcare and support continues to grow, during 2020 we expanded the programme to include more virtual support services. These have provided valuable support to many patients and consumers, particularly during the pandemic.

In the US we launched the me+™ virtual telehealth service, a complimentary offering, which provides live visual support from wound, ostomy and continence nurses, and in Europe, we have increased our me+™ recovery webinars which focus on the importance of movement and physical activity after stoma surgery. Available worldwide, we also launched the me+™ podcast and a new me+™ blog which features individuals' unique perspectives of living with an ostomy. We were delighted to be nominated as a finalist in the UK Nursing Times 2020 Awards for our me+™ webinars on healthy hydration.

At the end of December 2020 programme participants, who enrol at no cost, exceeded over 360,000 members.

Enabling our people

The people we employ around the world are key to our success. They have an essential role to play in transforming our business, delivering our strategy and realising our vision.

At the end of 2020 we employed 9,914[1] people (2019: 9,197), an increase of 7.8% on the prior year. Information on our employee profile is illustrated in the graphs on the following page while our gender diversity is detailed on page 50. Employee turnover in 2020 was 14% (2019: 22%), largely driven by lower natural churn during the pandemic/economic slowdown coupled with the positive impact of our new leadership, vision and strategic direction.

While our employees are spread across our global footprint, approximately 61% of our workforce is employed at our manufacturing locations (2019: 59%). In addition to our facilities in the Dominican Republic, Mexico and Slovakia we have manufacturing operations in the UK (two locations), Denmark (two locations), Belarus and the Netherlands. Of countries with no manufacturing operations, the US has by far the largest concentration of employees. None of these countries feature on the UK Government Foreign & Commonwealth Office list of priority countries for human rights concerns, published in November 2020.

From time to time, to ensure delivery of our strategy we need to reorganise our business, including moving activities and roles from one place to another or closing facilities. When this results in job losses, we aim to handle this sensitively and in compliance with all applicable regulations. In 2020, as we implemented our strategic transformation programme, 142 people left the business (2019: approximately 95).

Our culture

We are working to foster a strong ConvaTec culture which is rooted in our core values (see page 2). These values determine our behaviours and how we run our business every day. They are embedded in our human resource policies and processes, including our performance reviews, which assess both the "what" and "how" of each employee's contribution.

In November 2020 we commissioned a second Organisational Health Index (the "OHI") survey to assess our culture (the first having been undertaken in March 2019). This survey also assesses our ability to strengthen our performance over time, based on how we work and how effective we are. All employees were invited to participate in the survey, which generated an impressive 86% response rate and we achieved a very significant improvement in our overall health score. The feedback provided valuable insights including:

- An increasing number of our people have a better understanding of our vision, strategy and values. This result was driven by widespread involvement of our people in shaping our vision and values, as well as the ongoing communication of our strategy. Work to embed the values and behaviours into our daily processes and practices continues and, to reinforce their importance, we launched the ConvaTec Champions Awards which recognises employees who consistently demonstrate our values.
- Our people welcomed the investment in building capability, a core pillar of our FISBE strategy, including developing skills and enhancing core processes and systems. Participation in learning programmes increased 300% compared to 2019.
- The most positive feedback was in relation to innovation and learning. This reflects our increased focus and investment in innovation, a key pillar of our FISBE strategy, and in particular, the establishment of our new Technology & Innovation function and successfully engaging our people in our business improvement initiatives as part of our strategic transformation programme.
- A number of opportunities for further improvement including a desire to further enhance our customer engagement, spend more time focusing on customer needs and access more information about how customers think, feel and interact with our solutions. Notwithstanding improved feedback, our employees identified a need for more engagement to harness our peoples' skills and dedication.

During 2021, to address the survey's findings and the areas that require improvement, we will be adopting the following actions:

- Customers: Further strengthen our connections with all our stakeholders (from patient groups to payors) and reinforce our passionate customer-centric approach. This is essential if we are to deepen our understanding of their needs and continually improve our products and services.
- Operational discipline and innovation: Continue to build our capabilities, including our operational processes. We will also enhance our culture of innovation by encouraging colleagues in all areas, from 'front-line to finance', to bring fresh thinking and ideas for improvement to their work, every day.
- Motivation and engagement: Enhance the way we engage, involve and motivate our people, including further improving the way we communicate. We will also develop the way we recognise and/or reward our people for their contribution.

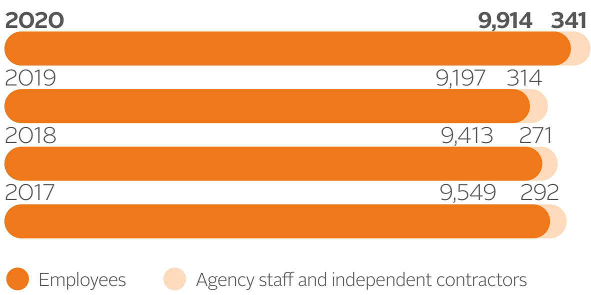
Health, safety and wellbeing

At all times the health, safety and wellbeing of our employees is paramount. During the COVID-19 pandemic they have been our priority and the actions we are taking to protect them are described on page 11. Our Chief Medical Officer continues to monitor the developing scientific understandings of COVID-19 and provides expert medical advice to the CELT and Board which guides the implementation of practices necessary to make our workplaces as safe as possible.

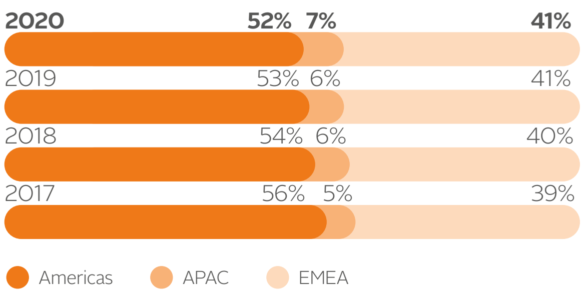
We run employee wellness programmes across the Group and via our "My ConvaTec" app including webinars and resources covering physical and mental health. In response to the pandemic we made home-based health checks available through our private health insurance provider, introduced various programmes to provide additional employee support and provided flu vaccines for employees. In December 2020, in recognition of the demands placed on everyone during the year, we introduced the "ConvaTec Day", a day when employees are encouraged to take the day off to disconnect from work and focus on other things in life in order to re-energise and recuperate.

1. Includes eight Non-Executive Directors.

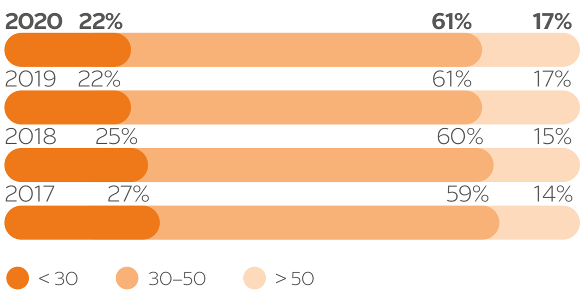
Employees and contractors



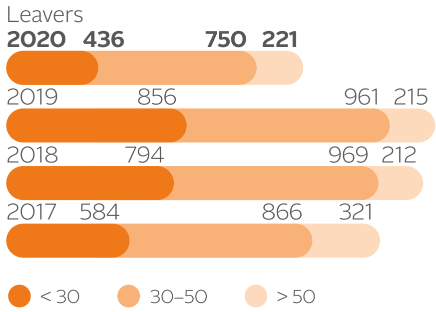
Employees by region

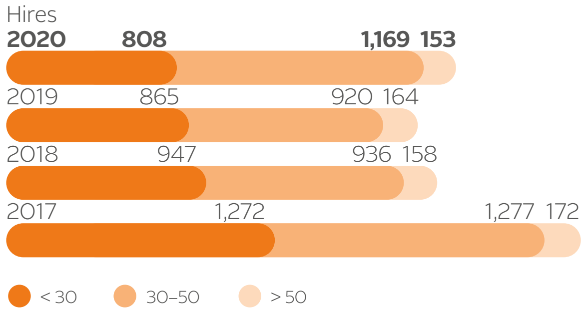


Employees by age bracket

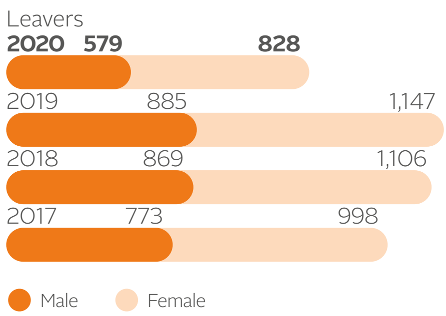


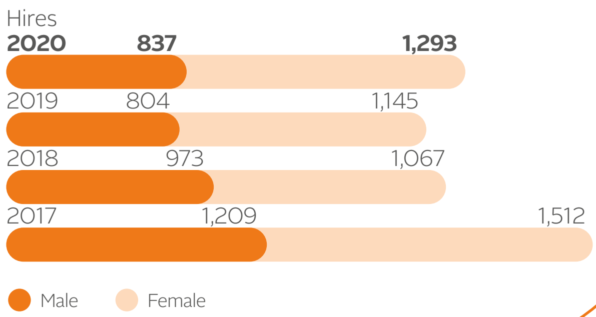
Leavers and hires by age band





Leavers and hires by gender





Across our manufacturing facilities, where over 60% of our colleagues work, we have a team of dedicated Environment, Health and Safety ("EHS") managers. Our global EHS team leads the development of improved working practices and our corporate policies, audits performance against these policies and standards and provides advice and support to our local teams to ensure both legislative and company requirements are met. This global EHS team reports to the Executive Vice President of Quality and Operations, who is a member of the CELT and H&S performance is reported to senior management on a monthly basis. During 2020 the Board received an update on H&S performance at year end.

The proactive approach to safety management is being further reinforced with the introduction of our Journey to Safety Excellence Programme. This programme promotes safety as a core value and focuses on embedding a culture of continuous proactive and collaborative improvement across all our operations. The roll-out of this programme across all operations locations began in January 2021.

We deploy a broad range of H&S policy standards, covering both our EHS management system and specific H&S topics. These policy standards address activities such as emergency preparedness, hazard identification and risk assessment. All policies are available on our intranet and training is undertaken by a broad range of personnel across our manufacturing operations. During 2020 a new policy covering Contractor Management was developed and introduced and we also updated and enhanced our existing Incident Reporting & Investigation, Business Continuity, Crisis Management and EHS Change Management policies.

We implement an extensive benchmarking and continuous improvement programme across all manufacturing locations. This programme includes regular internal audits and risk assessments to identify best practices and enhance H&S management systems. During 2020 all primary manufacturing operations continued to strengthen their EHS management systems by updating local procedures, improving working practices, applying performance metrics and developing targeted improvement programmes.

During 2020 there were no fatalities and we saw a continued reduction in our lost time injury rate ("LTIR"). Our target of maintaining a Group-wide LTIR below 0.27, which was set in 2019, together with our target to reduce our LTIR rate for our manufacturing locations to below 0.5 per 200,000 hours worked by 31 December 2020, have been achieved. In addition, over the past three years the total injury rate has reduced by more than 50% reflecting the improvements made in all our manufacturing locations.

Our H&S performance[1]

	2020	2019	2018	2017[2]
Fatalities	**0**	0	0	0
Recordable injuries	**24**	33	30	48
Recordable injury rate	**0.34**	0.55	0.50	0.82
Lost time injuries	**15**	16	20	33
Lost time injury rate	**0.21**	0.27	0.33	0.57

Our people strategy

During the year we undertook a review of our people strategy to ensure that it continues to be closely aligned with our vision and strategic priorities. In light of this review we are introducing a number of enhancements. The refreshed strategy will be considered by the Board in Spring 2021 and, subject to Board approval, will be implemented thereafter. Based on our review to date our people strategy will continue to focus on:

- Embedding our values-based culture across the Group.
- Building high performance teams.
- Aligning talent to value and building diverse talent succession for critical roles.
- Developing our reputation as a world-class employer by offering a compelling employer value proposition and further raising our profile in the communities we serve.

We are significantly enhancing critical core capabilities in a number of areas (see below and page 16).

Building our core capabilities

Our Chief Human Resources Officer, Natalia Kozmina, explains how we are building core capabilities.

Why is this important?
The external environment and the needs of our key stakeholders (patients, care givers, payors) continue to evolve at an accelerating pace. To stay at the forefront of innovation we must anticipate the capabilities we need to develop trusted medical solutions and serve our customers.

How are you doing this?
We have launched a number of initiatives to ensure we have the best talent, in the right role at the right time. In May 2020 we established a centre of excellence within our HR function – the Global Learning & Development Acceleration initiative. This is focused on developing leadership and enterprise business skills, including change management and functional development such as digital marketing. We have also embarked on building a global talent acquisition function and global recruitment campaign – "Work that moves you" – to provide an authentic insight into our culture.

1. The data includes contractor/agency staff working on our sites, as well as permanent staff, and is based on OSHA definitions. Rates are calculated based on 200,000 hours worked. Other than 2017 data, information relates to all manufacturing operations, headquarters and primary commercial locations.
2. 2017 data relates to manufacturing facilities (excluding EuroTec, including Greensboro prior to closure during the year), R&D centres and our UK Amcare business.

To ensure we have the relevant manufacturing skills and competencies to support our strategy, we created a globally consistent technical training and assessment process for each of our key manufacturing sites. As a result of this process, 70% of sites have now completed training matrices. Full completion was hindered given the pandemic and our decision to prioritise the health and wellbeing of our people and the continued supply of our products. In 2021, we will continue our efforts to complete the process for our remaining sites.

Notwithstanding the pandemic, each of our manufacturing sites have made progress against their local learning and development needs. On-boarding, compliance and functional trainings have been common areas of focus across all sites and have benefited from concerted interventions, knowledge sharing of best practices and lessons learned. This resulted in a 17-point improvement in the Capabilities aspect of OHI (from 69% favourable rating in 2019 to 86%) and enhanced consistency across operations. We have also continued with the global training programme that supports the continuous improvement mindset and behaviours. LEAN, Six Sigma and Project Management programs have continued to be provided and classroom-based sessions have been effectively adapted for virtual online delivery.

To ensure we attract the best talent we are also enhancing our recruitment processes. We are embedding globally consistent end-to-end recruitment processes to support hiring the right people to the right roles using recruitment advertising and social media.

Diversity and inclusion

Diversity and inclusion underpin all aspects of our people strategy. We want our people to feel included in our business and keen to play their part. Furthermore, we believe an inclusive, diverse environment enhances our ability to realise our vision and deliver commercial success.

Our diversity and inclusion strategy focuses on the following key areas:

- **Leading and Educating:** establishing policy statements, forming appropriate governance, setting up employee engagement forums and enhancing existing eLearning capabilities around diversity, inclusion and unconscious bias.
- **Building, Developing and Promoting Talent:** developing and promoting diverse talents and creating an inclusive culture.
- **Sourcing Talent:** actively sourcing a diverse range of candidates for all senior roles.

A key part of creating a more inclusive workplace is developing a dialogue with employees about key issues and creating communities and support groups across the business to raise awareness and drive change. During the year we continued to empower our existing Employee Resource Group focused on LGBTQ+ and we also established our Black Employee Network and our Women@ ConvaTec group to ensure we continue to foster a diverse, inclusive workplace aligned with our values.

We remain committed to increasing gender and other forms of diversity including age and ethnicity across all parts of our business through the continuous and effective implementation of our diversity and inclusion strategy. In particular, we track employee diversity through our human resource systems and the Board will continue to review our diversity profile on an annual basis.

Our priority in 2021 is to further expand diversity beyond gender and continue building a more racially and ethnically diverse workforce that reflects the diversity of the communities, customers and patients we serve, equally paying attention to our focus on disability and the creation of employment opportunities for disabled people.

As at 31 December 2020, women represented 30% of our Board membership. We also set ourselves an objective of having 30% of senior management roles (members of the CELT (including the CEO and CFO) and their direct reports, excluding administrative staff) held by female executives by the end of 2020. As at 31 December 2020, women made up 34% of our senior management team[a] and women now make up 27% of the CELT. Our gender diversity profile as at 31 December 2020 is set out below.

		Male		Female	
	Total	Number	%	Number	%
Board[1]	10	7	70	3	30
CELT[2]	11	8	73	3	27
Senior management	104	67	64	37	36
Other employees	9,789	3,608	37	6,181	63
Total[3]	**9,914**	**3,690**	**37**	**6,224**	**63**

1. Includes eight Non-Executive Directors.
2. For the purposes of this table the CEO and the CFO are included as members of the Board.
3. Excludes freelancers, independent contractors or other outsourced and non-permanent workers who are hired on a project or temporary basis.

Our gender pay gap

In 2020 the median hourly pay difference between our UK male and female employees was 13.66% (2019: 14.58%), which is below the UK median pay gap of 15.5% (Source: Office for National Statistics November 2020). Further information about our pay data is included in our Gender Pay Gap Report which is available at www.convatecgroup.com/investors/corporate-governance.

Paying a living wage

We are committed to providing fair pay for our employees. Following our accreditation in November 2017 by the UK Living Wage Foundation, we have been confirmed as a "real living wage" employer in the UK for a third consecutive year. We continue to monitor our pay practice every year to ensure every single employee is paid a "living wage" standard. We also require our contractors to pay their employees at the same rates.

We pay above the national minimum wage in 100% of our locations. In addition to our accreditation in the UK, in 2020 we commissioned the independent organisation Business for Social Responsibility to complete our second global living wage assessment. It confirmed that in 95% of our locations we were paying at, or above, living wage. However, in 5% of locations we may be paying under the living wage and we are undertaking research and working with our local HR teams in these locations to fully understand and address the position.

a. In our 2019 Annual Report and Accounts, based on a different formula, we reported that women made up 25% of our senior management team. Including the CELT, the CEO, CFO, their direct reports and excluding administrative staff, in 2019 women made up 33% of our senior management team.

Working responsibly with partners

We aim to build long-term, mutually beneficial relationships with third parties along the value chain, including suppliers of materials and services, transport and logistics companies, and distribution businesses. Our relationships with these third parties must be consistent with our vision and values, and the regulatory framework which underpins our ethical business practice.

As part of our additional resilience activities focused around ensuring continuity of supply during the COVID-19 pandemic our Global Procurement group utilised a third-party solution that assessed financial impacts for key suppliers. This model simulated the weekly impact of COVID-19 on our supply base evaluating multiple inputs including, but not limited to changes in the geographic COVID-19 index, infrastructure risk and supply/demand dynamics. It also modelled potential financial exposures driven by impacts on key markets being supported by our suppliers. This tool created valuable insights into a dynamic environment and provided opportunities to take appropriate interventions to protect supply.

We accept our responsibility for setting the correct standards of behaviour and ensuring our partners meet, exceed or are working positively towards these standards. We believe that developing a more sustainable supply chain will benefit our business over the long term through increased efficiency, product improvements, reduced risk and deeper, more collaborative relationships.

Our spend is concentrated towards a relatively small number of suppliers. For example:
- Nine suppliers represent approximately 80% of our contract manufacturing spend.
- Three suppliers represent approximately 70% of our logistics spend.
- Our raw materials supply chain is more diverse; 34 suppliers represent approximately 80% of our total raw material spend.

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

Supplier due diligence

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

For our distributors, our agreements contain appropriate assurances by the distributors, and ensure they deliver both online and "live" compliance training programmes to their staff, based on our Global Third Party Compliance Manual. Using a risk-based approach, we conduct due diligence on distributors when they are initially engaged, and every three years thereafter, using an external due diligence provider. Our third-party distributors complete the Global Third Party Compliance Manual and Distributor anti-bribery and corruption training via our external, electronic learning system.

We are currently enhancing our due diligence process to expand its scope to include other third parties (including wholesalers and GPOs) that provide us with services and may also interact with government entities and healthcare professionals. Our enhanced process is scheduled to go live globally during the first quarter of 2021.

We require new suppliers to adhere to our Supplier Code of Conduct ("SCoC") which draws on the International Labour Organization conventions and the Principles of the UN Global Compact, and extends our own Code of Conduct and our Human Rights and Labour Standards Policy to the supply chain. The SCoC is introduced to all existing supplier contracts as these are renewed. A copy of our SCoC is available at www.convatecgroup.com/corporate-responsibility.

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

In addition, we assess our suppliers using a process managed by a third-party provider, EcoVadis. The EcoVadis platform offers an evidence-based assessment of our supply base covering four themes: environment; labour and human rights; ethics; and sustainable procurement. The resulting EcoVadis score is now incorporated in the compliance section of our supplier relationship management scorecards.

We have exceeded our target of assessing 50 key suppliers during 2020 and the ratings generated from these reviews highlighted that the average rating of the assessed ConvaTec suppliers outperformed the average of all vendors monitored across the EcoVadis platform. We are now focused on developing appropriate language in our Procurement Policy to further drive the adoption of this solution through integration with our competitive bidding processes and supply agreement terms and conditions.

Conserving the planet

We recognise that a damaged environment has broad consequences for the health and wellbeing of society.

Scientific opinion is clear that there is an urgent need to conserve and restore natural resources and systems in order to secure a more sustainable future. To this end, several of the SDGs are focused on driving environmental improvements. Public awareness of environmental issues continues to spread, and protest groups are more active with wider support than ever before.

We recognise the environmental impacts of our own operations, our "upstream" supply chain, as well as the "downstream" distribution, use and final disposal of our products. We also recognise the commercial benefits of taking proactive action to address our impacts. These include avoiding fines and reputational damage from breaching environment regulations, cost savings through efficiency in our energy or raw material usage and inclusion on tender lists. While the risk of a material direct financial impact on our business as a consequence of climate change over the next five years is currently believed to be relatively low, we are seeing some signs of customer preference around the environmental credentials of products and packaging which could have a direct impact on commercial outcomes.

We believe our most significant direct environmental impacts to be:
- **Emissions to air:** in particular, GHG emissions associated with energy consumption.
- **Generation of waste:** hazardous and non-hazardous.
- **Management of water**.
- **Consumption of raw materials in our products**.

Our Environmental Policy statement (available at www.convatecgroup.com/corporate-responsibility/conserving-our-planet) sets out our approach, and reflects a detailed internal environmental policy document which also guides how our major facilities structure their environmental management programmes. We continue to embed this policy and have considered it in the preparation of our financial statements and longer-term projections.

Overall responsibility for environmental issues, including climate change, lies with our Board. The key roles relating to environmental management sit within our Global Quality & Operations division. As explained on page 49, dedicated EHS managers work across our manufacturing facilities, which operate environmental management systems in line with corporate requirements which are aligned with ISO 14001. Four of our manufacturing sites (Deeside, Rhymney, Michalovce and Minsk) which represent approximately 50% of manufacturing-related energy consumption have achieved certification to this standard.

Climate change

Our comprehensive climate change strategy focuses on the reduction of our GHG emissions through a series of initiatives. The development of this strategy was driven by an assessment of climate change risk (see below) plus an analysis of historical and projected energy data, likely future carbon conversion factors, options for procuring or generating renewable energy, product and supply chain profiles, regulatory and disclosure requirements, competitor actions, best practice and efficiency opportunities.

Climate change risk assessment

Conducted against the framework recommended by the TCFD it covers both (i) Transition risks (Policy and Legal, Technology, Market and Reputational risks) and (ii) Physical risks (Acute and Chronic risks).

Our assessment concluded that our overall exposure to climate-related risk is relatively low in the short to medium term (up to five years). From our analysis, the areas where risk is highest are:
- **Policy and Legal:** Impact on costs/revenue of potential regulation relating to products and raw materials, particularly in relation to the use of plastics within our products and packaging. The vast majority of our products are single-use due to the nature of their medical application.
- **Market:** Potential impact of increases in costs of raw material prices due to climate change-driven factors such as raw material shortages, water scarcity or increased energy costs. Rising customer concerns relating to carbon footprint, single-use plastics and circularity.
- **Reputation:** Whilst it is unlikely that we would suffer stigmatisation for a perceived lack of responsibility in relation to our products (due to the nature of the medical devices we supply), our reputation could be damaged relative to competitors should we fail to keep pace with climate-related sector innovations.
- **Physical:** Whilst we assess potential for disruption to our own operations to be limited in scope (mainly relevant to our Haina plant in the Dominican Republic) and well mitigated (through structural and operational measures), we assess that sales of certain products could potentially suffer disruption through the vulnerability of certain supply chains to climate risk. This could relate particularly to raw materials harvested from natural resources.

The key elements of our climate change strategy are:

- **Driving greener operations:** through efficiency auditing, efficiency energy measures, target-setting and supply chain engagement.
- **Enabling product and packaging improvements:** through the implementation of green design guidelines within R&D functions, a focus on packaging materials and robust risk and opportunity assessment of existing products (through completed life-cycle assessments).
- **Supporting decision making:** through better, more joined up and accessible performance data.
- **Enhanced governance:** assigning accountability to relevant CELT members via personal objectives.
- **Reducing waste generation and minimising waste sent to landfill:** through continuous improvement of production processes to minimise scrap, target-setting, improved waste segregation and engagement with waste handlers.

Energy consumption

In 2020 total energy consumption (by function) was 101,728 MWh (2019: 104,512 MWh).

We are increasing our focus on driving energy efficiency across our business. Between 2020 and 2022 we are targeting total energy efficiency savings of 15% on our 2018 energy consumption, when normalised against production. Information about the methodology we use for reporting on climate change is included in the Responsible business review 2020, Supplemental information document available at www.convatecgroup.com/corporate-responsibility.

Total energy consumption (by function) (MWh)

	2020	2019[1]	2018[1]	2017	2016
Manufacturing locations	**95,523**	97,233	104,690	99,419	92,142
Non-manufacturing locations	**6,205**	7,279	6,932	5,007	–
Total energy consumption	**101,728**	104,512	111,622	104,426	92,142

1. 2018 and 2019 energy consumption at our non-manufacturing locations includes 1,386 MWh (relating to use of electricity) previously unreported due to an error identified in the historical data at two of our non-manufacturing sites.

Total energy consumption (by fuel source) (MWh)

	2020	2019[1]	2018[1]	2017	2016
Electricity	**66,047**	66,833	78,781	76,491	70,749
Renewable electricity	**10,607**	11,528	3,014	–	–
Natural gas	**24,766**	16,699	24,444	26,639	19,459
Green gas	**–**	8,546	2,756	–	–
District heating	**254**	828	2,560	1,221	1,878
Diesel	**53**	78	66	75	56

1. 2018 and 2019 electricity consumption includes 1,386 MWh previously unreported due to an error identified in the historical data at two of our non-manufacturing sites.

Energy intensity

We have achieved an improved energy intensity ratio in 2020 through implementation of our energy, water and waste efficiency programme, which was launched in 2019. As at 31 December 2020, over 52 individual projects had been delivered across our sites. A further 51 projects were being evaluated, awaiting approval and funding, or being implemented.

We have also developed an energy management system to benchmark performance between sites, analyse data trends, share best practice and drive further efficiency improvements.

Energy intensity (GWh/$m revenue)

	2020	2019[1]	2018[1]	2017
Energy intensity	**0.054**	0.057	0.060	0.059

1. 2018 and 2019 data includes an additional 1.39 GWh previously unreported due to an error identified in the historical data of two of our non-manufacturing sites.

Energy consumption at our manufacturing sites has decreased by 9% from baseline levels in 2018, driven by efficiency improvements in both gas and electricity use. Information about some of the energy-saving initiatives implemented during 2020 is included below.

Facility	Initiative	Energy consumption reduction (MWh)
UK Deeside & Rhymney	Implemented heating, ventilation and air-conditioning ("HVAC") system efficiency improvements.	500
Dominican Republic Haina	Installed LED lighting in production areas.	220
Denmark Herlev	Installed boiler flue gas economiser and free-cooling condenser to production equipment refrigeration system.	340
Belarus Minsk	Completed second phase of HVAC automation and air change reduction project.	60
Denmark Osted	Installed LED lighting in production and non-production areas.	50
Mexico Reynosa	Completed installation of new energy efficient air compressor system and improved chilled water refrigeration system efficiency.	1,190

Our GHG emissions

Our GHG reporting follows the methodologies set out in "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)", developed by the World Business Council for Sustainable Development and the World Resources Institute. We participated in the Carbon Disclosure Project ("CDP") and our response is available on the CDP website. Our disclosure score, based on data reported at the end of 2019, is "B" (2018: "C").

Our GHG emissions relate mainly to the consumption of natural gas and electricity to power, heat and cool our facilities. In 2020, the scope of our GHG reporting covers our manufacturing locations, R&D centres, major offices and distribution centres. UK locations contribute 0% of total GHG emissions under the market-based method (14% under the location-based method).

Our GHG emissions under the market-based method totalled 27,537 (2019: 27,419). This 0.4% year-on-year increase is due to an annual increase (7%) in the carbon emission factor of the electricity grid in the Dominican Republic, which had a material impact of 3% on our total emissions. We have been able to mitigate the impact of this increase through reductions of energy usage made in a number of other countries. The carbon intensity of the electricity grid in the Dominican Republic highlights the importance of our solar PV project, which is taking place this year. Through the installation of our own renewable energy source, we aim to reduce the amount of grid supplied electricity required as well as reducing demand through other energy saving initiatives.

In addition, we have estimated the emissions of our vehicle fleet. Based on data from service providers, we estimate that our fleet of approximately 1,270 vehicles (2019: 1,070) generated emissions of between 3,850 and 4,050 tonnes CO_2. We have not included these figures in our overall disclosure of Scope 1 emissions, and vehicle emissions are not included in the scope of our GHG emission reduction target.

In 2020 we collected our Scope 1 refrigerant gas emissions data which amount to 925 tonnes CO_2e, emitted from our manufacturing facilities. As refrigerant gases have not previously been included in the scope of our reporting or GHG emission reduction target, for consistency, these emissions are not included in our overall Scope 1 emissions disclosure.

At the end of 2018 we set a target to reduce our GHG emissions by 10% against our 2018 reported emissions baseline (market-based) by 31 December 2023. We opted for an absolute reduction target to make our reports on progress more transparent for stakeholders. Energy efficiency savings, the procurement of renewable energy and improving carbon intensity of certain national power grids will contribute to the achievement of this target. In 2019, due to a better-than-expected energy efficiency performance, and more favourable movements in carbon intensities in certain national grids, we reduced our GHG emissions significantly and exceeded our projections. We are undertaking a strategic review of carbon emissions, baseline data and targets in 2021 and as part of the process will determine an improved approach to report all emissions. We will continue to review our position on science-based targets in 2021.

In 2020 we procured carbon emissions reduction certificates, in line with the clean development mechanism, to maintain carbon neutrality for our UK scope 1 natural gas emissions. This decision was taken due to the prohibitive cost of maintaining green gas certificates, which we previously held.

GHG (market-based method) (tonnes CO_2e)

	2020	2019	2018
Scope 1[1]	**2,887**	3,403	4,901
Scope 2[2,3]	**24,650**	24,016	28,885
Total GHG emissions	**27,537**	27,419	33,756

GHG (location-based method) (tonnes CO_2e)

	2020	2019	2018	2017
Scope 1[1]	**4,875**	5,046	5,435	5,473
Scope 2[2,3]	**27,158**	27,318	30,657	29,054
Total GHG emissions	**32,033**	32,364	36,092	34,527

GHG emission intensity (tonnes/$m revenue)

	2020	2019	2018	2017
GHG emission intensity (location basis)	**16.9**	17.7	19.6	19.6
GHG emission intensity (market basis)	**14.5**	15.0	18.3	–

1. Scope 1 emissions include emissions from all natural gas and diesel combusted on our sites for operational purposes.
2. Scope 2 emissions are indirect emissions from the generation of purchased energy.
3. 2018 and 2019 Scope 2 emissions include an additional 602 and 585 tonnes of CO_2e respectively (relating to use of electricity) previously unreported due to an error identified in the historical data at two of our non-manufacturing sites.

Renewable energy

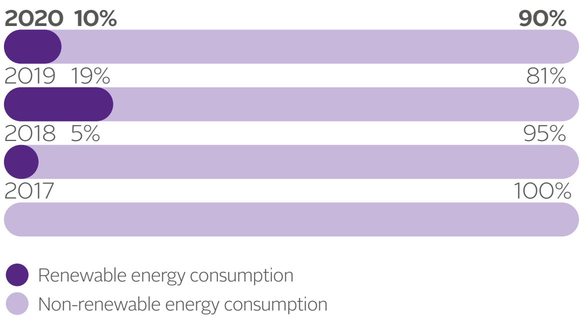
We have not developed a specific target for introducing renewable or low carbon energy as this is inherent in the assumptions that underpin our overall GHG reduction target and is embedded in our climate change strategy.

In 2020, we have actively pursued a number of renewable energy programmes some of which are highlighted below.

During 2018 we procured 100% origin certificate-backed renewable electricity across our key UK-located facilities. The energy was generated from a mix of 93.7% wind energy, 5.6% waste and 0.7% biomass and the contract is for a three-year period. This agreement covered the whole of 2020. Renewable energy accounted for approximately 10% of total energy consumption in 2020 compared to 19% in 2019. This decline is due to the decision not to procure green gas. Information about the methodology we use for disclosing renewable energy in relation to our Scope 1 and Scope 2 emissions is included in the Responsible business review 2020, Supplemental information document available at www.convatecgroup.com/corporate-responsibility.

In the coming year we plan to implement a number of renewable energy initiatives including the installation of roof-mounted solar cells at our Dominican Republic manufacturing site. In 2021 our Slovakian manufacturing site will be supplied with 100% origin certificate-backed renewable electricity.

Renewable energy (%)



Management of water and waste

As set out in our Environmental Policy statement, we are committed to understanding, quantifying and minimising our levels of waste (hazardous and non-hazardous), and our consumption of water. 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

In 2020, we consumed approximately 169 megalitres of water (2019: 166), all of which was provided by municipal water suppliers or other public or private water utilities. The majority of water (96%) is consumed 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. Very little water is treated on site (2020: 0.22%, 2019: 0.1%).

5,053 tonnes of water (2019: 5,500 tonnes) are tankered offsite as hazardous waste, the vast majority of this relating to our Rhymney site in the UK where water becomes contaminated with Industrial Denatured Alcohol ("IDA"). After processing, a significant proportion of the mass is recovered IDA, which is then reused on the site. The remaining treated water is returned to the environment via sewer. Other waste water is discharged to sewer.

Water use (megalitres purchased)[1]

1. In previous years volume of water used at our manufacturing site in Mexico has been misreported by 23 megalitres due to an error.

Examples of water efficiency projects

- **Deeside, UK:** Audited water efficiency and implemented low-flow taps and automatic flush toilets in appropriate areas.
- **All locations:** Embedded water efficiency actions within regular housekeeping checklists.

Waste

The table below indicates our waste recycling and disposal performance over the last four years for both hazardous and non-hazardous waste. Non-hazardous waste represents 72% of the total waste generated and the chart indicates that the proportion of this waste recycled has reduced to 15% and the proportion disposed of to landfill has increased to 75%. The limited progress in 2020 is due to increased production in Mexico and the Dominican Republic and changes in legislation in Slovakia in relation to waste incineration for energy recovery. Hazardous waste represents 28% of total waste generated and 99% of this is recycled. The vast majority of hazardous waste (94%) is generated at our Rhymney site and its treatment is described above. Of the remainder, 0.6% is disposed of to landfill. No waste is treated onsite.

Waste recycled (tonnes)

	2020	2019	2018	2017[1]
Non-hazardous waste				
Disposed of	**11,806**	10,060	9,224	12,574
Recycled	**2,120**	3,671	2,333	3,243
Generated	**13,926**	13,731	11,557	15,817
Hazardous waste				
Disposed of	**72**	78	57	209
Recycled	**5,337**	5,716	5,663	8,146
Generated	**5,409**	5,794	5,720	8,355
Total generated	**19,335**	19,525	17,277	24,172

1. The 2017 data does not include data from EuroTec (<1% of total waste in 2018).

Fate of non-hazardous waste generated (%)

	2020	2019	2018	2017
Recycled	**15**	27	20	21
Incineration (with energy recovery)	**10**	8	9	6
Incineration (without energy recovery)	**0**	6	2	7
Landfill	**75**	59	69	67

Environmental impacts along the value chain

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

Assessing our suppliers

As explained on page 51, we assess suppliers' environmental performance against our SCoC and we require new suppliers to sign our SCoC. No supply contracts were terminated on the basis of the environmental assessments conducted in 2020.

Scope 3 GHG emissions estimates

We are working to improve our understanding and reporting of Scope 3 GHG emissions. In 2020, our reporting included the following estimates:

- **Business flights:** Based on data provided by our travel agents, we estimate business flights contributed between 680 and 750 tonnes of CO_2e (2019: 3,050 and 3,250 tonnes). This significant reduction is due primarily to COVID-19. While this figure will increase as it becomes safe for our people to travel and as restrictions are lifted, our experience during most of the year has demonstrated our ability to operate effectively and remotely using digital tools. Once business travel resumes we will continue to encourage a combination of virtual and in-person meetings.
- **Raw materials:** We have estimated the carbon footprint of products placed on the market in 2020 to be between 40,000 and 60,000 tonnes of CO_2e. This estimate is based on a study undertaken in 2019 and information about the methodology we used for generating the estimate is included in the Responsible business review 2020, Supplemental information document available at www.convatecgroup.com/corporate-responsibility.
- **Packaging:** Using data gathered from actual and projected packaging procurement records, from engagement with key packaging suppliers and databases for the CO_2e impact of materials we estimate the carbon footprint of the packaging placed on the market during 2020 to be approximately 16,000 tonnes CO_2e.

There is a high margin of error in the raw material and packaging estimates provided above and we recognise the need to develop more effective and accurate methods of reporting on the impact.

Environmental impact of products and packaging

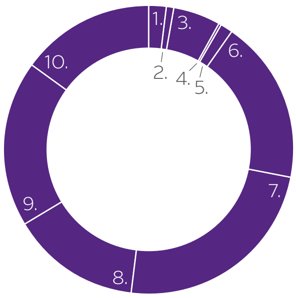
Our products are the most visible element of our environmental performance and encapsulate accumulated environmental impacts along the value chain, from extraction of raw materials, through manufacture and logistics, use by customers, and final disposal.

By better understanding where the most significant impacts are created, we are better able to focus on the priorities for attention. In previous years we have undertaken projects to build our knowledge in this key area however, as highlighted above, we need to do more work and this will be a key priority in 2021.

Packaging review

In 2019 we estimated that our 2019 packaging baseline footprint was approximately 16,000 tonnes of packaging comprised of the following materials:

1.	PET	2.2%
2.	PETG	0.7%
3.	PVC	5.3%
4.	LDPE	0.2%
5.	HDPE	1.5%
6.	Cardboard	18.3%
7.	Paper	23.9%
8.	Corrugated board	14.4%
9.	Multilayer: 2 layer	18.6%
10.	Multilayer: 3 layer	14.7%



Multilayer packaging was comprised of ten different material combinations and almost half of these were films or foils of polyamide ("PA") and low-density polyethylene ("LDPE").

Product review

While we have not undertaken a product environmental impact review in 2020 we can report that between 85% to 90% of materials used in our products are plastics or thermoplastics/elastomers. Within these categories, the following materials are amongst the most significant from an environmental impact perspective: polyvinyl chloride ("PVC"), polyester, polyurethane and acrylonitrile butadiene styrene. Where we are aware of existing products or packaging containing substances of concern, we work progressively to reduce and/or replace those substances as appropriate.

Product life-cycle assessments

We had targeted to complete third-party reviewed life-cycle assessments within all our product groups by 31 December 2020. The assessments, which aim to identify improvement opportunities and provide greater transparency to customers, cover the extraction and production of raw materials, manufacturing processes, transportation waste management and product use. Retail operations are excluded from the analysis.

By the end of the year, assessments conducted in accordance with the requirements of the international standards ISO 14040:2006 and ISO 14044:2006, were completed within our AWC, Ostomy Care and Infusion Care categories. The remaining assessment within our CCC category commenced in December 2020 and is scheduled to be completed by the second quarter of 2021.

New product development – Green Design Guidelines

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

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

As well as focusing on our key product development priorities (see page 25), we are endeavouring to develop future, more sustainable portfolios through the application of green design principles at the product development stage.

In 2019, we developed a set of Green Design Guidelines ("GDGs"), which cover a range of issues including consideration of carbon footprint, water footprint, circularity, substances of concern and non-quantitative "red flags" (e.g. potential use of substances which are fully legal, but controversial). These GDGs were scheduled to be implemented in 2020, however following the recruitment of our first Chief Technology Officer, it was decided to delay their implementation until he and his expanded team were in place and had an opportunity to undertake a thorough review of our NPD processes. This review has now been completed and a single uniform process will be rolled out across our categories during the course of 2021.

Behaving ethically and transparently

How we conduct ourselves – earning trust by behaving responsibly, with integrity and doing what we say we will do – is essential if we are to achieve our vision and create value for our stakeholders. It is also the right thing to do and protects our reputation.

We operate an extensive ethics and compliance programme and implement a number of policies and procedures including:

- Annually, all employees undertake training in relation to our Code of Ethics and Business Conduct ("our Code of Conduct") either online, with electronic acknowledgement of completion, or through participation in town hall meetings.
- We make available a Compliance Helpline and web link (for employees and third parties) to report suspected breaches.
- Any issues reported are reviewed by our ethics and compliance function and the resulting investigation and outcome of any significant issues are overseen by the Audit and Risk Committee. See page 111.

We have refreshed our Code of Conduct to reflect updated laws and industry codes and to enhance the provisions relating to corruption and bribery, including preventing the facilitation of tax evasion and product evaluation and sampling. During 2020 we believe that our conflict of interest prevention measures continued to operate effectively. In 2021 we plan to enhance these measures by introducing a survey mechanism which will invite employees to identify actual or potential conflicts of interest.

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. Our Human Rights and Labour Standards Policy, which incorporates principles and guidelines set out in the United Nations Universal Declaration of Human Rights, and the UN Guiding Principles on Business and Human Rights, addresses a range of issues including equal opportunities, anti-harassment and dignity at work. Many elements of our Human Rights and Labour Standards Policy are reflected in our Code of Conduct. We also operate a cross-functional Human Rights Steering Committee to guide our approach in this important area. Our Code of Conduct and Human Rights and Labour Standards Policy are available at www.convatecgroup.com/corporate-responsibility.

In 2020 we had planned to review and refresh both our Human Rights and Labour Standards Policy and our Supplier Code of Conduct and publish the revised versions by the end of 2020. This review process is led by our cross-functional Human Rights Steering Committee. During the year the membership of the Committee changed significantly. As a result, the review is ongoing and will be completed during 2021.

We deploy policies and procedures that are consistent with our Code of Conduct, which cover the third parties we rely upon to fulfil our vision and, as highlighted on page 51, we are expanding our third-party due diligence processes. Our Modern Slavery Act statement is available at www.convatecgroup.com/modern-slavery-act.

We also engage with stakeholders on ethical topics within our sector. In 2020 we continued to participate in many of the local and regional medical device trade associations of the countries in which we operate. Following on from the support we provided to AdvaMed in 2019 in relation to the update of their Code of Ethics on Interactions with Health Care Professionals, during 2020 we participated in a number of their meetings and discussions in relation to key legal, ethical and compliance issues. AdvaMed is the largest medical device industry organisation in the US and a global leader in harmonising MedTech industry codes on ethics and assuring transparent interactions with healthcare professionals.

Transparency and ratings

Being transparent with our stakeholders about how we run our business is a vital part of building strong, long-term relationships based on trust. Measuring transparency is not straightforward. 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.

In 2017 we set targets to improve our ISS-oekom research rating to at least C+, and our Sustainalytics rating to at least 75/100, based on our reporting of the 2019 financial year. In 2019 we exceeded our target rating with ISS-oekom and we have maintained this B- score in 2020. While our Sustainalytics rating has improved since 2017, in 2020 there was a marginal year-on-year decline and we have not achieved our targeted rating.

Rating organisation	2017	2018	2019	**2020**
ISS-oekom	C-	C	B-	**B-**
Sustainalytics	64/100	72/100	74/100	**73/100**

Making a socio-economic contribution

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 below and on page 27.

	2020 ($m)	2019[5] ($m)	2018 ($m)	2017 ($m)
Direct Economic Value Generated[1]	**1,910.8**	1,827.2	1,832.1	1,764.6
Economic Value Distributed				
Operating costs[2]	**891.7**	890.0	895.4	857.1
Employee wages and benefits	**579.7**	515.0	473.2	472.7
Payments to providers of capital[3]	**254.0**	351.2	335.2	131.6
Payments to governments[4]	**56.3**	38.2	45.9	49.1
Community investment	**0.7**	0.5	0.4	0.2
Economic Value Retained	**128.4**	32.3	82.0	253.9

1. Direct economic value generated in 2020 includes the gain recognised from the sale of our US Skincare product line.
2. 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 calculations.
3. 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, debt repayment, dividends and own share reserve purchase paid to ConvaTec shareholders.
4. 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.
5. 2019 operating costs and employee wages and benefits have been revised to reflect a reclassification of employee wages and operating costs.

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 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/corporate-responsibility.

Living our values

In July 2020 we launched our Improving Lives Fund which aims to help people in need in many of the countries where we have operations or large teams. Some of the important work the Fund has supported during the year includes:

- UK: Citizens Advice Flintshire is receiving increased calls for help from people who have lost incomes and livelihoods as a result of COVID-19.
- Demark: JulemærkeHjemmet (the Christmas Label Foundation) provides a safe, community for over 1,000 vulnerable children every year who struggle with low self-esteem, social isolation and bullying.
- US: Sisu Youth Services is an emergency shelter and social care charity on a mission to keep LGBTQ+ youth off the street in Oklahoma City. This non-profit organisation provides overnight shelter, clothing, hot meals and case management to at-risk youth aged 15 to 24.

In addition to our Improving Lives Fund, employees at a number of our locations also operate local projects to support their local communities.

In the US, through our supplier diversity programme, we strive to partner with small, minority, veteran, disadvantaged and women-owned businesses. In 2020 approximately 16%[1] (2018: 21%) of our US supplier spend was across these groups.

1. Reported for 12 months to September 2020.

Supporting healthcare professionals

During the year we donated over 180,000 DuoDERM™ Extra Thin dressings to approximately 1,000 hospitals globally to support frontline nurses and doctors caring for COVID-19 patients. Working for extended periods wearing personal protective equipment, including glasses, googles and masks, healthcare professionals may experience device-related pressure injuries such as skin tears, pressure ulcers and friction damage. When applied to the face, DuoDERM™ Extra Thin can help clinicians prevent these injuries.

Recognising nurses' dedication through the pandemic

Our Nurse Reward initiative was launched in July 2020 to celebrate nurses and recognise their continued dedication during the COVID-19 pandemic. Employees were encouraged to nominate a nurse who deserves special recognition and thanks for their contribution. The winners were invited to choose a charity to receive a special donation from our Improving Lives Fund. Nominations were received from Europe, US and Africa, highlighting the variety of personal stories of care professionals across the globe.

Independent assurance

In line with our commitment to transparency, we commissioned DNV GL Business Assurance Services UK Limited ("DNV") to undertake independent assurance of the contents of this Responsible business review. The assurance was completed using DNV's assurance methodology, VeriSustain™, which is based on their professional experience, international assurance best practice including the International Standard on Assurance Engagements 3000 and the Global Reporting Initiative ("GRI") Sustainability Reporting Guidelines.

The Responsible business review was evaluated for adherence to the principles of stakeholder inclusiveness, materiality, sustainability context, completeness and reliability. DNV's full Assurance Statement, including Opinion, Basis of Opinion and Observations, is included in the Responsible business review 2020, Supplemental information document available at www.convatecgroup.com/corporate-responsibility.

Section 172 and Non-financial information statements

Section 172 statement

Information about our stakeholders and how we engage with them is set out on pages 40 and 41.

Section 172 of the Companies Act 2006 requires each of our Directors to act in a way that he or she considers, in good faith, would most likely promote ConvaTec's long-term success for the benefit of its shareholders and other stakeholders. In doing this, section 172 requires our Directors to have regard, amongst other matters, to the:

a) Likely consequences of any decisions in the long term.
b) Interests of the company's employees.
c) Need to foster the company's business relationships with suppliers, customers and others.
d) Impact of the company's operations on the community and environment.
e) Desirability of the company maintaining a reputation for high standards of business conduct.
f) Need to act fairly as between members of the company.

On pages 96 to 98 (which should be read in conjunction with this statement) we explain how our Board gains an understanding of stakeholder issues and, during the year, discharged its section 172 duty by factoring the matters highlighted above into the Board discussions and decision-making process.

The Directors also have regard to other factors which they consider relevant to the decision being made, acknowledging that every decision made will not necessarily result in a positive outcome for all stakeholders. However by considering our vision and values, together with our strategic priorities, and having a process in place for decision making, the Board aims to make sure that all decisions are consistent and well-considered.

This approach ensures that we continue to serve and support the people who rely on our products and services. It also supports our ambition to become a "destination employer" and our strategy to pivot to sustainable and profitable growth.

Non-financial information statement

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

Key non-financial matter	Policies and processes we implement	Information
Environmental matters	Environmental Policy Climate change strategy GHG reduction targets ESG rating monitoring	Pages 52 to 58
Employees	Our vision and values Code of Conduct Diversity and Inclusion Policy Our people strategy Employee induction, training and development programmes Employee engagement Diversity targets and review of metrics	Page 2 Page 58 Pages 47 to 50
Human rights	Human Rights and Labour Standards Policy Modern Slavery Act statement	Page 58
Social and community matters	Improving Lives Fund	Page 59
Anti-corruption and anti-bribery	Supplier Code of Conduct Compliance Helpline and web link Third-party Compliance Manual Compliance training Third-party due diligence, monitoring and assessment	Page 51 Page 58
Principal risks and impact of business activity	–	Pages 72 to 79
Non-financial key performance indicators	–	Page 19
Our business model	–	Pages 26 to 27

Financial review

Frank Schulkes
Chief Financial Officer

"Notwithstanding the COVID-19 pandemic, we delivered a solid financial performance."

Our diversified product and service portfolio, strong market positions and robust balance sheet created a strong foundation during the pandemic from which we delivered our solid financial performance. We grew the business and our cash generation remained strong which has enabled us to invest in our transformation programme, service our debt and maintain our dividend. Despite the challenges we faced in 2020, we continued with our finance transformation, including successfully establishing our Global Business Services hub in Lisbon and we continued to monitor and strengthen our financial control environment and further build out our business intelligence capabilities. We are confident in the future profitable growth of our business which is reflected in our outlook and guidance.

	Reported 2020 $m	Reported 2019 $m	**Adjusted 2020 $m**	Adjusted 2019 $m
Revenue	**1,894.3**	1,827.2	**1,894.3**	1,827.2
Cost of sales	**(875.5)**	(871.6)	**(767.5)**	(749.0)
Gross profit	**1,018.8**	955.6	**1,126.8**	1,078.2
Gross margin %	**53.8%**	52.3%	**59.5%**	59.0%
Selling and distribution expenses[a]	**(463.3)**	(458.9)	**(462.6)**	(457.2)
General and administrative expenses[a]	**(262.1)**	(240.5)	**(232.8)**	(212.6)
Research and development expenses	**(82.4)**	(53.8)	**(81.2)**	(53.8)
Other operating expenses	**–**	(105.5)	**–**	(0.3)
Operating profit	**211.0**	96.9	**350.2**	354.3
Operating margin %	**11.1%**	5.3%	**18.5%**	19.4%
Finance income	**1.9**	7.8	**1.9**	7.8
Finance expense	**(50.3)**	(81.4)	**(50.3)**	(81.4)
Non-operating income/(expense), net	**12.1**	(4.4)	**(4.4)**	(4.4)
Profit before income taxes	**174.7**	18.9	**297.4**	276.3
Income tax expense	**(62.2)**	(9.1)	**(56.9)**	(44.3)
Net profit	**112.5**	9.8	**240.5**	232.0
Net profit %	**5.9%**	0.5%	**12.7%**	12.7%
Basic earnings per share (cents per share)	**5.7¢**	0.5¢	**12.1¢**	11.8¢
Diluted earnings per share (cents per share)	**5.6¢**	0.5¢	**12.0¢**	11.7¢
Dividend per share (cents)	**5.7**	5.7		

(a) Following a review of cost allocations, general and administrative expenses of $30.5 million (2019: $25.9 million), principally relating to employee costs and insurance, have been reclassified to selling and distribution expenses to better reflect the nature of the costs. The comparatives have been restated to reflect the revised classification.

Reported and Adjusted results

The Group's reported financial performance, measured in accordance with IFRS, is set out in the Financial Statements and Notes thereto on pages 143 to 188.

The commentary in this Financial review includes discussion of reported and alternative performance measures ("APMs"). Management uses APMs as a meaningful supplement to reported measures. These measures are disclosed in accordance with the ESMA guidelines and are explained and reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 189 to 194.

Constant Currency Growth (CER)

The Group reviews revenue on a constant currency basis which removes the effect of fluctuations in exchange rates to focus on the underlying revenue performance. Constant currency information is calculated by applying the applicable prior period average exchange rates to the Group's revenue performance in the respective period. Revenue growth on a constant currency basis is a non-IFRS financial measure and should not be viewed as a replacement of IFRS reported revenue.

Revenue

The attraction of having a diverse portfolio serving different chronic care categories is evident in the 2020 results. Notwithstanding the significant negative impact of COVID-19 on our largest business, AWC, strong growth in IC and CCC plus a broadly flat OC performance enabled us to exceed our revenue guidance.

Group reported revenue of $1,894.3 million (2019: $1,827.2 million) rose 3.7% year-on-year or 4.0% on a constant currency basis including the disposal of the US Skincare product line (which contributed $6.2 million in Q4 2019) and the acquisition of Southlake Medical (which contributed $2.7 million in 2020).

Revenue by product category

	2020 $m	2019 $m	Reported growth/ (decline) %	Foreign exchange impact %	Constant currency growth/ (decline) %
AWC	**546.8**	569.9	(4.0)%	0.2%	(3.8)%
Ostomy Care	**525.9**	525.0	0.2%	1.0%	1.2%
CCC	**498.6**	456.7	9.2%	0.1%	9.3%
Infusion Care	**323.0**	275.6	17.2%	(0.5)%	16.7%
Total	**1,894.3**	1,827.2	3.7%	0.3%	4.0%

AWC revenue declined 4.0% or 3.8% on a constant currency basis principally driven by the negative COVID-19 impact of reduced elective surgeries and restricted access to the healthcare setting. OC revenue was broadly flat on a reported basis and grew 1.2% year-on-year on a constant currency basis partially impacted by contract rationalisations. CCC revenue grew 9.2% or 9.3% on a constant currency basis, reflecting significant demand within Critical Care for ICU products during the pandemic and good growth in Continence Care driven by HSG. IC revenue grew 17.2% or 16.7% on a constant currency basis. This was driven by increased use of our innovative infusion sets by diabetes patients. See pages 30 to 37 for detail on the performance of each category.

Revenue by geography

	2020 $m	2019 $m	Reported growth %	Foreign exchange impact %	Constant currency growth%
Americas	**1,015.4**	959.8	5.8%	1.3%	7.1%
EMEA	**731.4**	724.1	1.0%	(0.8)%	0.2%
APAC	**147.5**	143.3	2.9%	(0.6)%	2.3%
Total	**1,894.3**	1,827.2	3.7%	0.3%	4.0%

Americas revenue grew by 5.8% on a reported basis and 7.1% on a constant currency basis. This reflected a strong revenue performance in IC and CCC combined with underlying growth in Latin America partially offset by the reduction in AWC revenues in the United States principally owing to the reduced demand for surgical products given the reduction in elective surgeries.

Europe, Middle East and Africa ("EMEA") revenue grew by 1.0% on a reported basis but only 0.2% on a constant currency basis. Strong revenue growth in IC and CCC was offset by the COVID-19 related AWC decline.

Asia Pacific ("APAC") reported revenue grew by 2.9% and 2.3% on a constant currency basis. This reflected a growth in OC and CCC offset by the decline in AWC.

Reported net profit

Notwithstanding the COVID-19 pandemic, the Group delivered a solid financial performance in 2020, as highlighted in the table above.

Reported operating profit was $211.0 million, an increase of $114.1 million reflecting the 3.7% growth in revenue, improvement in gross margin, reduction in impairment charges of $105.5 million, a decrease in amortisation of $15.1 million and the 2019 effect of CEO buy-out costs of $6.2 million partially offset by the increased investment in transformation of $47.7 million and increased Medical Device Regulation ("MDR") of $8.8 million and a rise in employee incentives.

Reported finance and non-operating expenses were $36.3 million (2019: $78.0 million). Finance costs reduced by $25.2 million to $48.4 million, reflecting lower interest costs since the October 2019 refinancing and, in 2019, the write-off of fees related to the previous credit agreement. There was a non-operating credit of $12.1 million, reflecting the $16.5 million profit on disposal of the US Skincare product line partially offset by non-operating expenses, principally foreign exchange, remaining flat at $4.4 million.

The reported tax charge in the year was $62.2 million (2019: $9.1 million), which reflects the increase in the Group's reported profit before tax and movement in the deferred tax asset relating to the Swiss tax reform.

Consequently, reported net profit increased to $112.5 million (2019: $9.8 million) generating basic reported earnings per share of 5.7 cents (2019: 0.5 cents).

Adjusted net profit

The Group delivered adjusted operating profit in line with the prior year at $350.2 million (2019: $354.3 million) with an adjusted operating margin of 18.5% (2019: 19.4%). The 3.7% growth in revenue, improvement in the gross margin, prudent cost management and savings on travel and expenses during the pandemic, were offset by the strategic transformation investments of $92.5 million (2019: $52.7 million) and investment in MDR of $14.0 million (2019: $5.2 million) plus the impact of $7.3 million of adverse foreign exchange movements.

Adjusted net profit rose 3.7% to $240.5 million (2019: $232.0 million) with the $25.2 million reduction in net finance expense partially offset by $12.6 million increase in adjusted tax expense. As anticipated, the adjusted effective tax rate ("ETR") rose from 16.0% to 19.1%.

Basic adjusted EPS was 12.1 cents (2019: 11.8 cents) and diluted adjusted EPS was 12.0 cents (2019: 11.7 cents) based on basic weighted average ordinary shares of 1.992 billion shares (2019: 1.971 billion shares) and 2.007 billion diluted shares (2019: 1.976 billion) respectively.

Taxation and tax strategy

	Reported 2020 $m	Reported 2019 $m	**Adjusted 2020 $m**	Adjusted 2019 $m
Profit before taxation	**174.7**	18.9	**297.4**	276.3
Income tax expense	**(62.2)**	(9.1)	**(56.9)**	(44.3)
Effective tax rate	**35.6%**	48.1%	**19.1%**	16.0%

	Adjusted 2020 $m	Adjusted 2019 $m
Reported income tax expense	**(62.2)**	(9.1)
Tax effect of adjustments	**(12.3)**	(12.2)
Other discrete tax items	**17.6**	(23.0)
Adjusted income tax expense	**(56.9)**	(44.3)

The Group's reported tax charge for the year was $62.2 million (2019: $9.1 million) and is based on tax rates applicable in various jurisdictions across the world in which the Group operates. The principal movement relates to the change in basis of estimate of the deferred tax asset arising from Swiss tax reform which created a current year charge (other discrete tax item) of $17.6 million (2019: credit of $23.0 million). For further information see Note 5 to the Financial Statements.

The adjusted income tax charge for 2020 was $56.9 million (2019: $44.3 million), reflecting a 3.1% increase in the adjusted effective tax rate to 19.1% (2019: 16.0%), broadly in line with our expectations. The adjusted income tax expense of $56.9 million excludes the deferred tax expense of $17.6 million (as noted above) and a tax benefit of $12.3 million (2019: $12.2 million) relating to the tax effect of amortisation on pre-2018 intangible assets and the cost of termination benefits relating to specific Group-wide initiatives.

ConvaTec is a responsible business and promotes the highest standards of compliance and ethical behaviour. We take a responsible attitude to tax, recognising that it affects all of our stakeholders. We had on average more than 9,600 employees worldwide during 2020 and, operated in over 100 countries through direct sales and local distributors, our business activities generate a substantial amount of taxes. These include both corporate income taxes and non-income taxes such as payroll taxes, property taxes, VAT/Sales & Use taxes, and other taxes. In order to provide transparency on our approach to tax, we have published our Global Tax Strategy, which is available on our corporate website at www.convatecgroup.com/corporate-responsibility/socio-economic-contribution/tax-statement/.

Strategic transformation

As previously highlighted, we are in the midst of a strategic transformation programme to realise our strategic intent of pivoting to sustainable and profitable growth.

During the course of 2020 we decided to proactively re-phase certain investments, given the pandemic and the implications for execution and returns. We pushed forward with increased impetus in certain areas, such as enhancing our digital capabilities, whilst delaying spend in others to reflect the uncertain environment.

In total we invested $130.7 million in our strategic transformation in 2020, comprising of:
– $50.6 million of non-recurring operational costs (2019: $39.4 million)
– $41.9 million of recurring transformation investment (2019: $13.3 million)
– An additional $12.2 million of costs to be excluded from adjusted EBIT (2019: $4.3 million)
– $26.0 million of capex (2019: $23.0 million)

Disposals

In line with our strategic transformation and consistent with the "Focus" pillar of FISBE (see page 12), we disposed of the trade and assets of the US Skincare product line on 25 September 2020, for a net consideration of $29.6 million, generating a profit on disposal of $16.5 million. Prior to disposal the business had contributed $19.2 million of revenue to the 2020 reported results. For further information see Note 8.3 to the Financial Statements.

Alternative performance measures ("APMs")

In line with our APM policy, included within our adjusted performance measures in 2020 are termination benefits related to our transformation activity of $12.2 million (2019: $5.8 million), amortisation of pre-acquisition intangibles of $125.3 million (2019: $140.2 million) and the profit on disposal of the US Skincare product line of $16.5 million. In 2019, the Group also treated CEO buy-out costs of $6.2 million and the impairment of certain finite-lived intangible assets related to our product portfolio of $105.2 million as adjusting items.

The Board, through the Audit and Risk Committee, continuously reviews the Group's APM policy to ensure that it remains appropriate and represents the way in which the performance of the Group is managed. Since 2018, the Group has made two small acquisitions, each for a consideration of less than $15 million, for which the amortisation charge on acquisition intangibles was immaterial. Given the Group's strategy to be more active and to pursue larger acquisitions which strengthen our position in key geographies and/or business categories or which provide access to new technology, we believe that a refinement and clarification of the policy is required under which the Group will adjust for amortisation of intangible assets in relation to future acquisitions together with associated acquisition-related expenses. This refinement better reflects the underlying performance of the business and aids year-on-year comparability.

For further information on Non-IFRS financial information see pages 189 to 194.

Dividends

The capacity of the Group to make dividend payments is derived from distributable reserves of the parent company ("the Company"), primarily arising from dividends received from subsidiary companies. The distributable reserves of the Company at 31 December 2020 are $1,653.1 million (2019: $1,528.5 million). Dividends are distributed based on the realised distributable reserves (within retained earnings) of ConvaTec Group Plc (the Company) and not based on the Group's retained earnings.

The Group's dividend policy is to target a pay-out ratio of between 35% and 45% of adjusted net profit. In selecting the dividend policy, the Board considers the strategic objectives, capital management, the Group's various stakeholders (for further information see the section 172 statement on page 61), review of our comparator peer group, available and forecast distributable reserves of the Company and the forecast cashflows and liquidity of the Group. For further information see the Directors' report on page 139.

In August 2020, the Board declared an interim dividend of 1.717 cents per share and has proposed a final dividend of 3.983 cents per share. The Board has maintained the recommended dividend at the level declared in 2018 and 2019. This represents a pay-out ratio (when compared to adjusted net profit) for 2020 of 47.5%. The Board is recommending a total dividend for the year in excess of our stated pay-out policy of 35% to 45% but is a reflection of the Board's confidence in the future performance of the Group, its underlying financial strength, realised distributable reserves position, cash generation and liquidity. Further information about our dividend policy and dividends paid can be found on page 139 and information on capital maintenance and our available distributable reserves position can be found on page 176.

Foreign exchange

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:

	Average rate/ Closing rate	**2020**	2019
EUR/USD	Average	**1.14**	1.12
	Closing	**1.22**	1.12
GBP/USD	Average	**1.28**	1.28
	Closing	**1.37**	1.33
DKK/USD	Average	**0.15**	0.15
	Closing	**0.16**	0.15

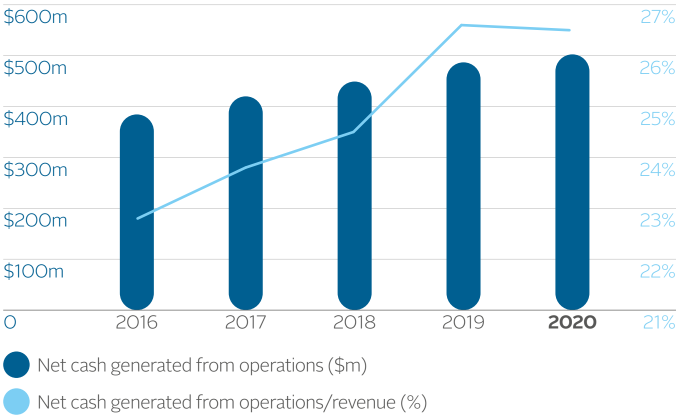
During 2020, our revenue was predominantly USD denominated (50%). Other significant currencies were EUR (23%), GBP (8%) and DKK (2%). The balance comprises a basket of other currencies which, on an individual basis, were each less than 2% of revenue.

Sources and uses of cash

Sources of cash

The Group's primary source of liquidity is net cash generated from operations. We operate in the chronic care market for which the nature of the Group's product offerings has resulted in consistent and robust recurring cash inflows.

Reported net cash generated from operations



Net cash generated from operations

	Reported 2020 $m	Reported 2019 $m
EBITDA[(a)]	**420.4**	421.0
Net cash generated from operations	**502.5**	486.8
Net interest paid	**(48.5)**	(48.0)
Tax paid	**(54.5)**	(37.0)
Net cash generated from operating activities	**399.5**	401.8

(a) EBITDA is explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS in the cash conversion table on page 194.

Net cash generated from operating activities was $399.5 million and $401.8 million in 2020 and 2019, respectively. The decrease of $2.3 million primarily reflects the $17.5 million increase in tax paid principally offset by a $15.7 million increase in cash from operations. Working capital decreased by $47.8 million (2019: $51.6 million), and was offset by a $21.9 million gain on foreign exchange derivatives.

Despite the impact of COVID-19, our cash collection remained strong resulting in a decrease in receivables of $6.5 million. Higher inventory to meet the predicted elevated short-term demand in Critical Care products together with appropriate planning for Brexit increased our year-end inventory position, generated a working capital outflow of $5.3 million. The increase in trade and other payables of $47.5 million reflects an increase in employee incentive accruals, an increase in the vacation accrual (owing to COVID-19) coupled with the phasing of spend on certain capital expenditure, transformation and innovation programmes.

The $21.9 million of cash gains from foreign exchange derivatives is a result of increased volatility in foreign exchange rates in 2020 and greater use of foreign exchange contracts to mitigate the associated risks.

In 2020, the net cash generated from operating activities was supplemented by income from the sale of our US Skincare product line ($29.8 million).

Uses of cash

The $502.5 million net cash generated from operations and $29.8 million proceeds from the sale of the US Skincare product line, were used to service our debt, including repayment of $73.0 million of our external borrowings, invest $86.2 million of capital expenditure in our manufacturing lines, digital technologies and the purchase of product-related licences, $54.5 million of tax payments, purchase $5.6 million of ConvaTec shares for the future vesting of our employee share incentive plans, and pay $62.9 million in dividends to shareholders. The year-on-year reduction of $17.0 million in the cash dividend payment reflects the uptake of the scrip alternative.

Significant cash outflows ($m)

	2020	2019
Debt servicing	**$142.1m**	$206.6m
Dividend paid	**$62.9m**	$79.9m
Acquisition of PP&E and intangible assets	**$86.2m**	$61.4m
Tax paid	**$54.5m**	$37.0m
Aquisition, net of cash acquired	**$nil**	$12.3m
Purchase of own shares	**$5.6m**	$14.0m

Cash flows from debt servicing includes net repayments on borrowings of $73.0 million (2019: $137.7 million), lease payments of $20.6 million (2019: $20.9 million), and net interest payments of $48.5 million (2019: $48.0 million).

Cash conversion
Cash conversion is a measure we use to ensure we derive value from our operations and supports our decision making for potential future investments.

Our reported cash conversion was 99.0% (2019: 101.0%) and adjusted cash conversion was 90.3% (2019: 97.9%).

	Reported 2020 $m	Reported 2019 $m	**Adjusted[(a)] 2020 $m**	Adjusted[(a)] 2019 $m
EBITDA	**420.4**	421.0	**445.0**	443.1
Add: non-cash items	**12.4**	14.2	**–**	–
Working capital	**47.8**	51.6	**42.9**	52.1
Gain on foreign exchange derivatives	**21.9**	–	**0.2**	–
Capital expenditure	**(86.2)**	(61.4)	**(86.2)**	(61.4)
Net cash generated from operations, net of capital expenditure	**416.3**	425.4	**401.9**	433.8
Cash conversion	**99.0%**	101.0%	**90.3%**	97.9%
Tax paid	**(54.5)**	(37.0)	**(54.5)**	(37.0)
Free cash flow	**361.8**	388.4	**347.4**	396.8

(a) Adjusted EBITDA, adjusted working capital and adjusted non-cash items are explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS in the cash conversion table on page 194.

Adjusted free cash flow is one of the four key performance indicators we use to monitor the delivery of our strategy. Adjusted free cash flow was $347.4 million (2019: $396.8 million), principally reflecting our increased investment in capital expenditure and cash tax paid.

Liquidity and net debt

Borrowings and net debt

	2020			2019		
	Borrowings $m	**Cash and cash equivalents $m**	**Net debt $m**	Borrowings $m	Cash and cash equivalents $m	Net debt $m
At 1 January	**(1,486.1)**	**385.8**	**(1,100.3)**	(1,620.8)	315.6	(1,305.2)
Net cash inflow	**–**	**181.1**	**181.1**	–	76.5	76.5
Net repayment of borrowings	**73.0**	**–**	**73.0**	137.7	–	137.7
Foreign exchange	**(39.0)**	**(1.5)**	**(40.5)**	11.5	(6.3)	5.2
Non-cash movement	**(4.3)**	**–**	**(4.3)**	(14.5)	–	(14.5)
At 31 December	**(1,456.4)**	**565.4**	**(891.0)**	(1,486.1)	385.8	(1,100.3)
Lease liabilities			**(92.1)**			(88.5)
At 31 December			**(983.1)**			(1,188.8)
Net debt/adjusted EBITDA			**2.0x**			2.5x

As at 31 December 2020, the Group's cash and cash equivalents were $565.4 million (2019: $385.8 million) and the debt outstanding on our borrowings was $1,456.4 million (2019: $1,486.1 million). Borrowings reflect two five-year multi-currency committed loan facilities – a $900 million non-amortising debt facility and a $600 million amortising debt facility. In addition, the Group has a $200 million undrawn revolving credit facility. All three facilities expire in October 2024. During the year, the Group made the first scheduled repayment on the amortising loan of $45.0 million together with an additional payment of $28.0 million on Euro denominated borrowings triggered by the movement in the Euro to USD exchange rate exceeding 5%.

The $200 million revolving credit facility remained unutilised throughout the year and was undrawn as at 31 December 2020, which, with cash of $565.4 million, provided the Group with total liquidity of $765.4 million at that date.

At 31 December 2020, 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 debt/adjusted EBITDA and interest cover, each of which is defined by the debt facilities. The table below summarises the Group's covenant position versus maximum net debt/adjusted EBITDA and minimum interest cover permitted by the debt facilities as at 31 December 2020 and 2019.

	Maximum covenant net debt/ adjusted EBITDA*	Covenant net debt/ adjusted EBITDA*	Minimum covenant interest cover*	Covenant interest cover*
31 December 2020	**3.75x**	**1.93x**	**3.5x**	**10.4x**
31 December 2019	4.0x	2.48x	3.5x	6.5x

* For the purposes of the debt facilities, interest cover is adjusted EBITDA/interest expense (net). Net debt, adjusted EBITDA and interest expense (net) are adjusted measures as defined by the facilities documentation and not in accordance with the definitions of these measures presented in the Adjusted Performance Measures section on pages 189 to 194 and applied in the commentary in this Financial review.

The Group ended the year with total interest-bearing liabilities, including IFRS 16 lease liabilities, of $1,548.5 million (2019: $1,574.6 million). Offsetting cash of $565.4 million (2019: $385.8 million) and excluding lease liabilities, net debt was $891.0 million (2019: $1,100.3 million), equivalent to 2.0x adjusted EBITDA (2019: 2.5x adjusted EBITDA).

For further information on our borrowings see Note 19 to the Financial Statements.

Financial position

At 31 December	2020 $m	2019 $m	Change $m	Change %
Intangible assets and goodwill	**2,089.6**	2,166.9	(77.3)	(3.6)%
Other non-current assets	**498.4**	474.6	23.8	5.0%
Cash and cash equivalents	**565.4**	385.8	179.6	46.6%
Current assets excluding cash and cash equivalents	**613.1**	582.5	30.6	5.3%
Total assets	**3,766.5**	3,609.8	156.7	4.3%
Current liabilities	**(513.2)**	(397.3)	(115.9)	29.2%
Non-current liabilities	**(1,582.6)**	(1,651.5)	68.9	(4.2)%
Total equity	**(1,670.7)**	(1,561.0)	(109.7)	7.0%
Net equity and liabilities	**(3,766.5)**	(3,609.8)	(156.7)	4.3%

Intangible assets and goodwill

Intangible assets and goodwill reduced by $77.3 million to $2,089.6 million (2019: $2,166.9 million). This reflects decreases arising primarily from the in-year amortisation of intangible assets of $136.8 million partially offset by the net effect of foreign exchange of $42.7 million and additions of $25.1 million. Additions primarily arose from the accelerated investment in our digital capabilities under our transformation programme.

Other non-current assets
Other non-current assets, including property, plant and equipment, right-of-use assets, deferred tax assets, restricted cash, pension and other assets increased by $23.8 million to $498.4 million (2019: $474.6 million). The increase primarily reflects continual investment in our manufacturing lines, with additions in PP&E of $64.5 million offset by depreciation of $38.5 million. Right-of-use assets remained in line with the prior year with $22.9 million new leases recognised offset by depreciation of $22.4 million. The net increase in other non-current assets also includes a $19.9 million favourable foreign exchange movement. Deferred tax assets decreased by $13.6 million to $41.4 million principally due to the change in the basis of estimating the deferred tax asset arising from the Swiss tax reform.

Current assets excluding cash and cash equivalents
Current assets excluding cash and cash equivalents increased by $30.6 million to $613.1 million (2019: $582.5 million), primarily driven by the net effect of foreign exchange of $27.7 million.

Current liabilities
Current liabilities increased by $115.9 million to $513.2 million (2019: $397.3 million), reflecting a $52.5 million increase in trade and other payables, primarily due to increases in accruals for strategic projects and employee incentives, as well as a $45.8 million increase in the current portion of borrowings resulting from the scheduled repayments under the Group's credit agreement.

Non-current liabilities
Non-current liabilities have reduced by $68.9 million to $1,582.6 million (2019: $1,651.5 million). This includes a reduction in non-current borrowings of $75.5 million, resulting from scheduled repayments of $73.0 million during the year, the increase in the classification of the current portion of borrowings as described above, partially offset by $39.0 million in relation to the foreign exchange impact on Euro denominated borrowings.

COVID-19 pandemic
As described on page 6, in March 2020 management established a Rapid Response Team to assess, respond to and monitor the effects of COVID-19 on its employees, customers and the performance of the business. Management and the Board performed regular and extensive reviews of the impact of the COVID-19 pandemic on the Group's financial affairs, including the potential effects on the Group's liquidity position, accounting judgements and estimates and the financial control environment. This included enhanced monitoring of the Group's liquidity position – see above for commentary on the strong liquidity retained throughout the year. Monitoring of the position was done through daily liquidity and weekly cash collection reporting supported by regular Treasury forecasting and reporting procedures.

Accounting considerations
In response to the pandemic, the Group considered the potential impact on our accounting judgements and key sources of estimation uncertainty. This review included but was not limited to the following areas.

Going concern and Viability statement
As discussed above, the overall financial performance of the business has remained robust with a strong liquidity position maintained throughout the year and access to committed funding through to October 2024, of which $200 million has remained undrawn throughout the year. In preparing the Group's Viability statement, the Board-approved strategic plan was used as a foundation and severe but plausible downside scenarios linked to the Group's principal and emerging risks, including supply chain disruption (incorporating the effect of climate change), COVID-19 impact, delivery of transformation initiatives, and pricing and reimbursement, applied against the strategic plan. Brexit was not considered a significant risk for the Group and, therefore, not included in the scenarios. After the application of these scenarios, and before mitigations to address them, the Group is forecast to maintain a strong liquidity position and to operate comfortably within the debt covenants. A reverse stress test, before mitigation, was also considered but the conditions of the reverse stress test were considered implausible given that a reduction of >$150 million EBITDA would be required in 2021 to create conditions which may lead to a potential covenant breach and substantially higher reductions in profitability in subsequent years.

In relation to going concern, given available cash resources, forecast performance for the next 18 months, including covenant compliance, the going concern assumption has been assumed in the preparation of the Financial Statements. In reaching this conclusion and given the economic uncertainty that has been created by the pandemic, the Board applied the same severe but plausible 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. For further information on the Viability statement see pages 80 and 81 and for Going concern see Note 1.2 to the Financial Statements.

Impairment of goodwill and other intangible assets
- We regularly reviewed our trading performance to establish whether there were any triggers that would require an impairment review of goodwill or other intangible assets. No such triggers were identified during 2020. The annual CGU impairment review was conducted and, taking into consideration our future forecasts and reasonably possible scenarios, significant headroom remained in the carrying value of all CGUs in comparison to the sensitised recoverable value. In addition, management considered the severe but plausible downside scenarios used in the Viability assessment and, again, headroom remained on the carrying value of all CGUs. Further information on goodwill and other intangible assets can be found in Note 8 to the Financial Statements.

Impairment of other assets

- The Group's manufacturing sites continued to operate within normal parameters and, as a result, no COVID-19 related impairment triggers were noted in respect of property, plant and equipment. For further information on property, plant and equipment see Note 7 to the Financial Statements.
- Overall demand for our product lines remained strong, however, as noted above, COVID-19 affected the AWC category, most notably because of the decline in elective surgeries as well as the impact on the chronic business. In line with our control framework and accounting policies, management reviewed inventory ageing and obsolescence and no incremental obsolescence provisions were required as a result of COVID-19. Despite the challenges of the pandemic, the Group completed physical inventory counts at our own manufacturing sites and third-party distributors in line with our internal policies. The results were confirmed as part of our global financial control processes. For further information on inventory see Note 9 to the Financial Statements.
- As noted above, we have monitored our cash collection position on a weekly basis since the inception of the pandemic and no material COVID-19 related deterioration was noted in collections or trade debtors ageing that required an increase in our allowance for expected credit losses. For further information on receivables see Note 10 to the Financial Statements.

Financial control environment

With a substantial number of office-based employees working from home during the year, including within the finance community, we regularly reviewed and monitored the financial and IT general control environment.

The Group uses a single system for the self-certification of global financial controls across all markets. The self-certification process continued throughout the year with no deterioration in response rates, which remained high. The Global Financial Controls team, acting as the second line of defence, investigates all notified control failures to ensure that there is no risk of material financial misstatement. To further assure the control environment during the year, additional guidance was provided to our global finance teams to ensure that any COVID-19 triggering events were considered. Further incremental evidence review activities were undertaken in key markets to ensure that controls were operating in line with global standards and as reported. In addition, internal audit reviews continued to be completed, focused on our financial internal controls. No control failures were identified during the year that posed a risk of a material financial misstatement.

In transitioning finance activity to our Global Business Services facility, detailed analysis of segregation of duty activities were completed, controls documentation prepared, and subsequent operation of those controls reviewed to ensure that the control environment in this newly created hub was robust.

A review of the operation of IT general controls was conducted on a regular basis during the year by the IT governance risk and compliance team and no weaknesses were identified that would give rise to a risk of material financial misstatement. Given the transition to home-working, internal audit performed a review of home-working practices to ensure there were no material exposures or weaknesses in the effectiveness of controls.

APMs

Although the Group has incurred certain costs in relation to the COVID-19 pandemic e.g. in delivering COVID-19 secure workplaces and manufacturing sites, none of these costs have been treated as adjusting.

Taxation matters

In response to COVID-19, various governments offered support programmes to companies to ensure their future in these unprecedented times. Given the robust performance of the Group, no employees were furloughed and no governmental COVID-19 support programmes were applied for or accepted.

Brexit

In 2020 the Group, through the continuation of the multi-disciplinary Brexit Steering Committee, prepared for the prospect of both a trade deal and a "no deal" scenarios following the end of the transitional agreement on 31 December 2020.

In advance of the year end, and in conjunction with external advisers, management reviewed and confirmed to the Board that there were appropriate arrangements in place to ensure that adequate inventory levels were maintained in key locations, registrations completed for dedicated shipping lanes available to medical device companies, internal financial systems requirements defined, and appropriate regulatory changes considered and implemented. Given the preparatory work, management considers that there will be no material financial effect on our business or significant operational issues during 2021, with which the Board concurred. Aside from some delays in shipping and elevated freight costs, no significant issues have been identified in the first two months of trading.

For further information on our Brexit planning and potential impact, see page 73.

Finance and IT services transformation

We have made significant progress on the finance transformation in 2020 as part of the creation of our Global Business Services function. Following the redesign of end-to-end processes for transactional finance activities in 2019, we have now successfully transitioned the majority of our previous shared services locations into a single hub in Lisbon together with transactional finance activity from certain European markets and IT service support. This newly formed team has already identified and delivered further process improvements, sharing best practice and driving efficiencies, including the use of robotics. We will continue to review opportunities to streamline and further automate our finance processes and to create a finance function which, through finance business partners, will provide business leaders with the financial insight required to deliver sustainable and profitable growth and support the new operating model.

Audit Reform

During 2020 we undertook a preliminary assessment of the recommendations of the three independent reports of aspects of audit and corporate governance related matters, particularly in relation to the Internal Controls recommendations, assurance and attestation. The Group has a solid foundation on which to develop given the self-certification platform for internal controls over financial reporting. During 2021, it is anticipated that BEIS will issue a consultation document setting out proposals for audit and corporate governance reform. Once published, the Group will review and develop a roadmap for compliance.

Frank Schulkes
Chief Financial Officer
4 March 2021

Risk management

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

Risk culture

The Board is responsible for risk management and promotes a transparent and accountable culture that does not inhibit sensible risk taking critical to growth but also sets the boundaries for such risk taking. The Board and its committees set the tone for the CELT and other senior management to promote and cascade this culture through the Group and with external stakeholders.

The Board, its committees and the CELT ensure that our risk management systems are robust, effective and take account of appropriate exposures. The Board supports good 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 Board committees' risk-related responsibilities

Audit and Risk Committee ("ARC")	– Monitors and reviews all risk management processes, including the effectiveness of risk mitigation and control measures.
Nomination Committee	– Oversight to ensure that the Group has a talented, diverse and effective leadership team, combining extensive corporate experience with knowledge of our markets and regulatory environment, as well as a pipeline of senior future talent that together are capable of managing risk to enable 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

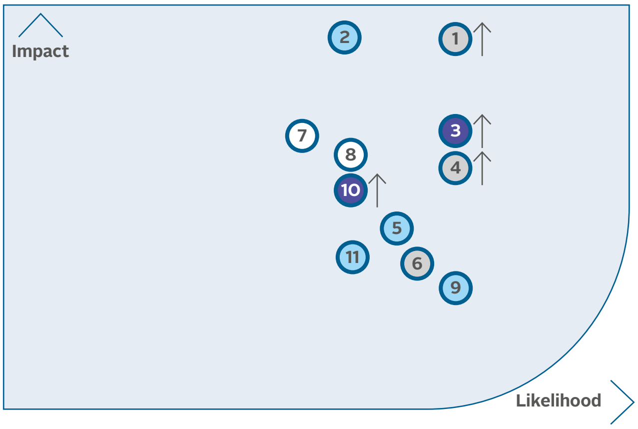
The Board sets the level of risk we are prepared to accept to deliver our strategy and realise our vision. Our risk appetite is defined against four risk categories which are detailed below. On an ongoing basis, the ARC monitors the level of risk to which the Group is exposed and how the business continues to mitigate the risk and operate within the stated risk appetite levels.

Risk category	Risk appetite level
Strategic	**Moderate to High** – we take well-informed and well-managed risks to achieve strategic objectives.
Operational	**Low to Moderate** – we work to achieve strategic objectives through accepting, managing and/or reducing risk to an appropriate level.
Financial	
Compliance	**Zero** – we seek to eliminate risk and have an extremely low tolerance of non-compliance.

Principal risks

The Board reviews and agrees our principal risks on a bi-annual 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 in order of priority (based on the rating of residual likelihood and impact, as described below) on pages 76 to 79. They are also reflected in the key adverse scenarios underlying the Viability statement (see pages 80 and 81).

The graphic below summarises our assessment of the residual likelihood of our principal risks occurring and the residual impact that could result 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 2019.



Key:
1. Global operational and supply chain
2. Change and transformation
3. Pricing and reimbursement
4. Information security
5. Product innovation and intellectual property
6. People (formerly Leadership Talent)
7. Quality and regulatory
8. Legal and compliance
9. Geopolitical (formerly Brexit)
10. Tax and treasury (formerly Macroeconomic and foreign exchange)
11. Forecasting and market conditions (formerly Forecasting process)

Risk category:
- Strategic
- Operational
- Financial
- Compliance

↑ 2020 movement

During 2020, our overall risk landscape became more challenging in light of the COVID-19 pandemic and the consequential emerging longer-term economic and social implications. Our principal risks, other than in respect of the impacts of COVID-19, remained largely unchanged as to their potential effect on our ability to successfully deliver our strategy. However, to support our strategy and mitigate specific external events, particularly the impact of COVID-19 on certain principal risks, we increased our focus in the following areas:

- **Strategic risks:** In 2020, throughout the COVID-19 pandemic we demonstrated operational strength, meeting robust demand in certain markets but suffering declining demand in others as market conditions evolved rapidly. At the same time, we continued to drive forward with the strategic transformation programme, which was adapted to address the expectation of continued uncertainty and volatility in the business environment. We continued our Brexit mitigation planning led by a cross-functional steering group with external support and advice that gave assurance to the Board on our readiness.
- **Operational risks:** COVID-19 created certain challenges for our people, manufacturing facilities and supply chain. We monitored and responded to threats and developed resilience plans through the creation of a cross-functional Rapid Response Team, which regularly gave assurance to the Board on the evolving situation. Despite the challenges brought by COVID-19, we continue to reduce exposures and invest in the robustness and performance of our operations, supply chain and IT infrastructure. We recognised the risk to our operations from COVID-19 and rapidly adjusted our working environments by incorporating an appropriate level of hygiene factors to keep our people safe.
- **Financial risks:** The nature of our business and geographic and product diversification provided a level of mitigation to fluctuations in demand. We continued to provide regular financial reporting and pricing analysis to senior management and operated a transparent relationship with external stakeholders to provide assurance over our long-term viability. We strengthened our tax governance by continuing to ensure that the transformational change and revised operating model are implemented in an effective manner and managed the impact of change in tax laws and regulations.
- **Compliance risks:** We continued to work towards operational preparedness for the European Union Medical Device Regulation ("MDR") requirements now coming into effect in 2021, including managing and reinforcing conformance with existing obligations and legislative requirements. We strengthened and adapted our compliance framework as market conditions tightened and we pivoted to ensuring ongoing compliance in a remote working environment, including enhancing our compliance resources globally and providing virtual ethics training to key teams.

2021 anticipated risks

We expect certain risks to impact in 2021 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.

- **COVID-19:** We continue to monitor challenges created as a result of COVID-19 on our business and adapt as appropriate to operate effectively on a short to medium term across all of our chosen markets. Additional longer-term emerging impacts of COVID-19 will be considered and responded to as appropriate within our strategic and business planning processes, particularly in respect of: the geopolitical environment placing pressure on trade conditions in our markets and supply chain; the future profile of COVID-19, including the financial cost to the global economy of containing and responding to the pandemic and subsequent governmental responses to national and localised waves and spikes; and, the consequences on our pricing and reimbursement from healthcare systems adapting to the new economic context as governments seek to reduce state debt.
- **Brexit:** Following the UK's exit from the EU on 31 December 2020, there remains uncertainty over trading conditions in the short term as the business environment adjusts to the revised political, regulatory and economic landscape and the details of the UK/EU exit agreement are fully developed. We have taken appropriate steps to prepare for foreseeable consequences, particularly in the import and export of goods, sourcing of commodities and services and meeting customer demand. We will monitor the situation as it evolves, taking into consideration the combined effects of a post-Brexit environment and the COVID-19 pandemic, and assess any further mitigating actions that are required. Brexit forms part of our Geopolitical principal risk and more information about our readiness post-transition can be found on page 78.
- **MDR:** The EU MDR, published in 2017, now comes into effect in May 2021. Our markets in the EU, and other regions that align their product registrations to EU requirements, are affected by the new requirements for all CE marked products. Within the UK markets there will also be a transition required towards the UK Conformity Assessed (UKCA) marking scheme. Non-compliance with regulatory requirements could result in increased scrutiny, financial penalties and an inability to trade within our chosen markets. Our Regulatory Affairs team is working with our businesses towards ensuring compliance across the Group.

Emerging risks

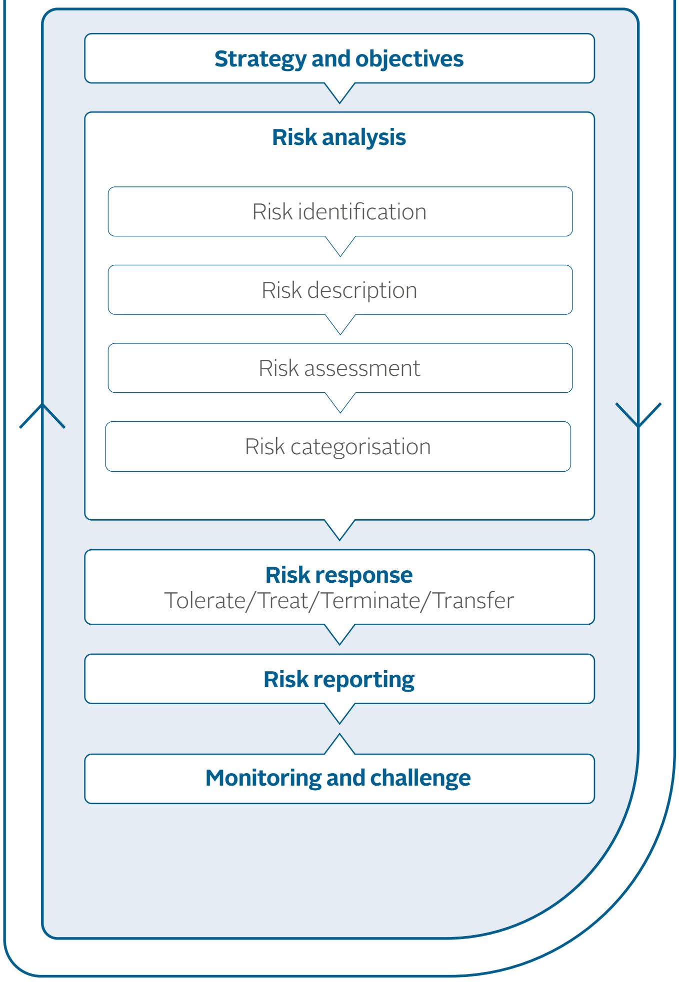
On a quarterly basis our Enterprise Risk Management ("ERM") team engages with senior management to identify any emerging risks that relate to new or changing conditions in our market environment, which may impact the Group beyond the horizon of our medium-term Viability statement. As at the date of this report, the following emerging risks have been identified:

- **Climate change and sustainability:** Strengthening management of our sustainability programme, including continuing to develop our reporting under the Task Force on Climate-Related Financial Disclosures ("TCFD"), improving our transparency, develop our employee and community engagement, and improve the sustainability of our products, will be key priorities. Information about our responsible business framework and related activities can be found on pages 38 to 60.
- **Political and regulatory environment:** Anticipating, responding effectively and demonstrating organisational resilience to geopolitical trends and movement. The effects from these trends and movements on our business could be amplified by COVID-19, the potential for international sanctions being applied to markets in which we operate, as well as interventions and/or changing laws, regulation and corporate governance requirements emerging at pace from governments and regulatory bodies across the multiple jurisdictions in which we operate. The consequences of these factors could influence our ability to comply with our obligations, source commodities and services, operate in certain markets and/or retain a presence in our current locations.
- **Patient and product liability:** Our ambition to drive growth and further develop our clinical business and care delivery system increases our exposure to patient liability and the need to ensure we continue to embed a robust framework to manage patients and customers and protect their data. Our future business is also dependent on our ability to anticipate and/or adapt to future health, safety and environmental concerns or studies on the materials and processes used in the manufacture of current and future products, as well as political and regulatory strengthening of protection over consumers and customers.
- **Disruptive (Next Generation) technology:** Technology and innovation are essential if we are to meet customer demands and/or regulatory requirements necessitating a move towards a lowest possible cost environment and low-carbon and low-plastic economy in a competitive way. If we do not develop the right products, have access to the right technology or deploy it effectively within our key markets, respond to the prospect of aggressive pricing strategies or adapt to an increase in the management of customer data and expanding data commercialisation capability we may lose market share in multiple key markets to existing and new-entrant competitors.

Risk management framework

Our process has been developed to undertake 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 bi-annual principal risk update process. 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. The ARC oversees our risk profile and the risk management process each quarter. For further information see page 110.

Our risk management framework



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.

Other factors

For further information relevant to our risk profile see:

- Our market environment – pages 20 to 25.
- Our business model – pages 26 and 27.
- Our strategy – pages 12 to 17.
- Our key performance indicators – pages 18 and 19.
- Responsible business review – pages 38 to 61.
- Viability statement – pages 80 and 81.
- Our governance arrangements – pages 82 to 138.

Roles and responsibilities

Board

- Sets the Group's risk appetite.
- Ensures appropriate risk management and internal control systems are in place to enable a robust assessment of the principal 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

- Considers the risk environment through reporting from management, Internal Audit and the external auditor.
- 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.

CELT

- Sponsors a coordinated approach to establishing 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.
- Delivers strategy by managing risks.

Principal risks: Risks with potential consequences that are material 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.

Risk information top down

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

Risk information bottom up

Business Leadership Teams

- Reviews management of their specific risks on a quarterly basis against the Group's risk appetite.
- Identifies additional mitigations to reduce risk exposure on an ongoing basis.
- Assigns 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.

Principal risks

Below in order of priority is an overview of the principal risks that could threaten the delivery of our strategy and the realisation of our vision. The Board has oversight of all principal risks that the Group faces.

Risk and link to strategy	Key drivers, risk profile change and COVID-19	Risk mitigation
1. Global operations and supply chain Effective and sustainable manufacturing operations rely on our resilience and ability to respond to events across our business and supply chain, including pandemics and any increase in extreme weather patterns from climate change, production and/or supply chain disruption, adverse product quality and health, safety and environmental incidents. Failure to do so could result in underperformance, reputational harm or a loss of stakeholder confidence in our ability to deliver our strategic ambitions.	**Key drivers** – Supply chain resilience. – Future and sustained waves of COVID-19. – Extreme weather events. – Health and safety of employees and contractors. – Single source or sole suppliers for raw materials and services. – Growing climate change agenda and other corporate responsibilities. **Risk profile change** 2020: Increased – COVID-19 **COVID-19** The risk profile has increased including internal (manufacturing plant hygiene) and external (supply chain and logistics partner resilience) factors. In response, COVID-19 secure manufacturing protocols have been implemented and we perform ongoing assessments and review of our supply chain partners' COVID-19 risk exposure.	– Business continuity plans for manufacturing facilities, inventory movement and our key supply chain to maintain capability to respond rapidly and appropriately to any incident. – Procurement and supply chain processes to monitor, manage and provide assurance to supply-based risk across our inventory, key suppliers, ports and countries of operation. – Dedicated engineering and health, safety and environment teams and processes to prioritise and address risk to manufacturing facilities and people.
2. Change and transformation The scale of our transformation programme is significant and successful delivery relies on robust change management processes, investment and people capabilities. A material delay or challenge in realising our financial forecasts may affect the transformation or growth of our business areas resulting in a failure to meet stakeholder and shareholder expectations. **For further information see page 17.**	**Key drivers** – Change management delivery. – Realisation of transformation benefits. – Our strategic drivers. – Speed and volume of change management. – People capability and capacity. – Stakeholder and shareholder expectations. **Risk profile change** 2020: No material change **COVID-19** Business disruption from COVID-19 could result in challenge to our strategic transformation programme. In response to the current business environment the programme has been rephased to minimise any impact to expected projected value.	– Dedicated Transformation Execution Office in place providing overarching oversight to delivery of strategic transformation programme. – Robust and transparent transformation process implemented with clear accountability, governance and reporting arrangements established. – Established forums for sharing of good practice to enhance performance.
3. Pricing and reimbursement Growth and value in our markets rely on our product and future innovation pipeline meeting customer demands and a competitive pricing strategy. Failure to respond to changing customer behaviours and reimbursement rates, pricing pressure from large and consolidating buying groups, competitor movements and any reduction in local and national Government healthcare budgets could erode our market performance, financial return and ability to maintain confidence with stakeholders.	**Key drivers** – Local or national government healthcare budget provisions. – Operational, contracting and price review process. – Product portfolio rationalisation. – Competitive markets and behaviours and consolidation of buying groups. – Changes in customer buying patterns. – Manufacturing costs in a low-margin driven pricing environment and as a result of changes in consumer and government behaviour/attitude to sustainability. **Risk profile change** 2020: Increased – COVID-19 **COVID-19** The risk profile has increased following the deterioration in the overall global economic outlook and the resultant potential emerging impact to healthcare systems and customers as they adapt to the new economic context, with the potential for competitor pricing behaviour to also adjust to market conditions.	– Executive operational reviews in place to drive manufacturing cost efficiencies and focus on R&D and technology innovation. – Regular pricing analysis and reviews undertaken with a dedicated team in place to adjust to changing market conditions. Market access Centre of Excellence to be implemented to focus on reimbursement, including COVID-19 effects, on our business and markets. – Evolving our sales force and commercial team engagement model to improve access during COVID-19 in the short term and pivot to an improved process longer term to support our products.

Focus Innovate Simplify Build Execute

Risk and link to strategy	Key drivers, risk profile change and COVID-19	Risk mitigation
4. Information security Failure to ensure that our systems, data management and related controls supporting our global business are effective, available, and integral and secure, 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.	**Key drivers** – Cyber security. – Data management and privacy. – IT and network resilience, business continuity and disaster recovery arrangements. – Replacement of legacy and end-of-life technology. **Risk profile change** 2020: Increased – COVID-19 **COVID-19** The risk profile has increased following a general rise in illegal cyber security activity across businesses globally during 2020 due to COVID-19 and the switch to a broader home-working environment for our colleagues.	– Information systems and cyber security received considerable Board focus during 2020 and are overseen and challenged by our CELT-led Cyber Steering Committee. – Regularly evaluate, improve and test the resilience of our infrastructure, exposure to legacy and end-of-life technology and IT general control framework for continued effectiveness and proportionality. – Data Privacy Leadership team in place with corporate accountability and governance framework to further embed data privacy into business operations, with employee awareness, and provide testing of major incident response measures.
5. Product innovation and intellectual property ("IP") Failure to invest in and develop safe, effective, profitable long-life products to meet market needs and fill unmet medical needs, respond to disruptive new technologies or maintain sufficient IP protection, could result in lost market share, underperformance and a lack of confidence to deliver in line with expectations. **For further information see pages 14 and 25.**	**Key drivers** – Transition from end-of-life technology and ageing products. – Competitor pricing strategies and market environment. – Short- and long-term management of customer demands. – Disruptive and new technologies. Changing customer and market needs. – Sustainable approach to responsible products, packaging and development. – Complexity and transparency of IP and patent environment, including in tax and operations. **Risk profile change** 2020: No material change **COVID-19** Global responses and lockdowns could result in delays to clinical trials in development programmes and future product launches in areas experiencing a COVID-19 wave.	– Central Technology & Innovation team provide strategic direction for continued R&D investment, product development and new product 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. Appropriate patent protection applied and maintained and ongoing market monitoring for potential IP violations. – Strengthening the resilience of product innovation development work through ongoing management of third-party supply partners and the laboratory working environment during COVID-19.
6. People* Failure to secure and retain the right level of capability and capacity, particularly in our senior management, develop a talent pipeline and successfully manage transformation and/or effects of high business disruption will adversely affect our ability to transform our business, achieve our strategic objectives and deliver growth. **For further information see pages 47 to 50.** * Risk previously titled Leadership talent.	**Key drivers** – Attraction and retention of key skills and capabilities. – Development of key individuals in key roles. – Effective succession planning strategy for senior leadership. – Knowledge retention within key markets and functions. – Competitive industry and regional recruitment markets. – Speed and volume of management change. **Risk profile** 2020: No material change **COVID-19** Reducing the risks to our people remains key to maintaining effective business operations with the potential for a prolonged or ongoing impact from COVID-19 on the health, safety and wellbeing of employees. For office locations, many of our employees are working from home and there has been a substantial reduction in travel between our global offices and sites. For manufacturing facilities, formal COVID-19 compliant hygiene protocols are in place.	– Maintaining a diverse and effective leadership team with a pipeline of senior future talent. Implementation of appropriate reward arrangements. – Succession back-up plans, cross-training and third-party resource availability in place to support critical activities and the CELT and senior management team as part of our COVID-19 response. – OHI survey in place to identify the impact of our practices and culture on performance, what we are doing well and where we need to improve.

Risk and link to strategy	Key drivers, risk profile change and COVID-19	Risk mitigation
7. Quality and regulatory 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 customer and environmental criteria, or operate inadequate manufacturing and quality systems could impact our ability to supply or a requirement to recall a product, with the potential for liability claims, due to non-compliance with regulatory bodies, a failure to meet stakeholder expectations or patient harm from faulty products. **For further information see pages 44 and 45.**	**Key drivers** – Compliance with MDR. – Quality standards within the manufacturing and packaging processes. – Resolution of existing and emerging quality issues within the supply chain. – Managing safe clinical services. – Availability of key raw materials and services within our supply chain. – Single source or sole suppliers for raw materials and/or services. **Risk profile change** 2020: No material change **COVID-19** Risks to adapting sufficiently in providing assurance to regulatory bodies in the current COVID-19 environment.	– Committed to open and transparent engagement with our Notified Body to ensure global compliance and training programmes to ensure compliance with regulatory requirements. – Regulatory intelligence process to ensure we meet the latest standards in all our jurisdictions. – Chief Medical Officer and clinical team provide assurance over clinical excellence in trials and the safety of devices through clinical studies.
8. Legal and compliance Our business is subject to a complex environment of laws and regulations across multiple jurisdictions. Real or perceived failure to comply, or to adjust to a change in conditions and increase in scrutiny, can lead to penalties, compliance measures, reputational harm and competitive disadvantage.	**Key drivers** – Sales and market conduct. – Engagements with payors and healthcare contacts. – Supply chain transparency. – Complex legal and regulatory environment. – Volatile political environment. – Operational and third-party performance. **Risk profile change** 2020: No material change **COVID-19** COVID-19 led business changes resulted in the need to adjust our control environment to ensure we continue to comply with policies and industry codes across our business, distributors and supply chain.	– Our Code of Conduct, group policies and standards govern how we conduct our affairs through our values and culture. – Executive level Compliance Steering Committee provides oversight to the Group on compliance initiatives and emerging exposures. – Dedicated Group compliance function, annual compliance assurance programme, ongoing employee compliance training and independent whistleblower process in place.
9. Geopolitical* Our global operations and markets are affected by changes in the rapidly evolving and constantly changing international political climate, particularly in relation to tariff structure changes, national healthcare reforms, regulatory reforms or other trade limiting actions. Failure to identify and adapt to these changes could impact sourcing commodities and services, operating in certain markets and/or retaining a presence in current locations. **For further information see page 70.**	**Key drivers** – National elections and referendums in key markets. – National healthcare reforms. – Supply chain resilience. – Import and export to and from the EU within our operations and supply chain. – Compliance with regulatory frameworks. – Adverse customs duties and tariffs. **Risk profile change** 2020: No material change **COVID-19** COVID-19 has exacerbated the international political climate. We continue to monitor the post-Brexit environment and other geopolitical agreement processes taking into consideration interdependencies with COVID-19.	– Cross-functional Brexit Steering Committee oversees the post Brexit environment and implement mitigating actions. – Business function teams liaise with stakeholders externally and review and respond to changing requirements. – Dialogue with governments in relation to specific matters including Brexit. Membership of appropriate industry bodies and participation on industry issues including development and implementation of best practice. Engagement with NGOs on issues of concern, where appropriate.

* Risk previously titled Brexit.

Risk and link to strategy	Key drivers, risk profile change and COVID-19	Risk mitigation
10. Tax and treasury* Our business operates across multiple jurisdictions with complex tax laws and regulations and manufactures and operates across markets with multiple currencies. Failure to comply with tax legislation or to appropriately manage fluctuations in interest and foreign exchange movements and counterparty exposure could drive reductions in stakeholder trust, financial performance and future investment. * Risk previously titled Macroeconomic and foreign exchange.	**Key drivers** – Multiple tax jurisdictions and emerging changes to tax law and regulations. – Complex global tax regulatory environment. – Unprovided tax liabilities. – Volatile geopolitical environment. – Global economic environment, including implications for interest and foreign exchange rates. – Counterparty exposure. **Risk profile change** 2020: Increased – Evolving global tax regulation **COVID-19** Our financial performance and price competitiveness are dependent on the management of exposure to the effects of COVID-19 on the existing economic environment. We are currently in a stable financial position, including cash flow and liquidity, despite the environment.	– Central global tax team monitors changes in tax laws and regulations to advise the business regularly on obligations and requirements. – Central corporate treasury team positions are managed in accordance with the Treasury policy. – Engagement of external expert tax advice, support and compliance services to enhance internal team capabilities.
11. Forecasting and market conditions* Our ability to identify, react and plan effectively to changes in market conditions, customer demand or any perceived lack of demand visibility on a timely basis drives optimal decision making, performance and results. We rely on effective business planning and accurate financial information and forecasting to link manufacturing, commercial and supply processes to make effective management decisions and prioritise our resources. * Risk previously titled Forecasting process.	**Key drivers** – Future market conditions and competition. – Visibility of future customer demand requirements. – Operational manufacturing, commercial and supply planning processes. – Commercial and operational performance. – Business planning, financial information and forecasting processes. **Risk profile change** 2020: No material change **COVID-19** The current COVID-19 environment has negatively affected our Advanced Wound Care business. It is expected that this is a short-term fluctuation and long-term assumptions will be broadly in line with expectations.	– Executive-led regular operating review process in place with senior management and the global supply chain team. – Regular forecast review process in place using enhanced analytics and sensitivity analysis to address trends in a timely manner. – Insider information training programme in place for CELT, senior management and key functions.

Viability statement

The Group's future prospects and viability

An understanding of the Group's strategy, to pivot to sustainable and profitable growth, and its business model (pages 12 to 17 and pages 26 and 27), are central in allowing the Board to assess the Group's prospects, liquidity, resilience and viability. The principal and emerging risks being addressed by the Company (see pages 76 to 79 and page 74) are reflected in the determination of the Group's strategy and its successful implementation.

Assessment of future prospects

The Group's annual planning process consists of monthly monitoring of progress against the financial budget and key objectives for the current year by the CELT and the Board, reforecasting throughout the year in respect of the expected outcome for the current year, preparing a detailed budget for the following year and updating a rolling five-year strategic plan, which forms the main basis on which to assess the longer-term prospects of the Group.

In 2020, the Board approved a detailed operational plan and execution model to deliver sustainable and profitable growth over the medium to long term. The Board subsequently approved the revised financial plan that underpins the Group's five-year strategic plan in July 2020. The financial plan forecasts the Group's profitability, cash flows and funding requirements for the relevant period.

The current strategic plan has been developed from strategic plans for each of our business units and three geographic regions, supplemented by items managed at a Group level and assumptions such as macro-economic activity, sector market growth forecasts, competitor activity and exchange rates. This has then been supplemented by the CEO's and the CELT's plans for improving the operational effectiveness and execution of all elements of the Group.

Karim Bitar took up the role of Chief Executive Officer in September 2019. Since then, in collaboration with the CELT, he has undertaken an assessment of the organisation, including the various work streams under the Transformation Initiative launched in 2019, to improve the execution capability across key parts of the business and ensure effective delivery of our strategy. The strategy implemented in 2020 is customer-centric, more agile, focuses on innovation and ensures clear accountability.

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, our 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.
- The continued strengthening of the Group's execution discipline via the Transformation Executive Office to capitalise on the Group's core strengths: established positions in large, structurally growing markets; strong brands and a range of differentiated products; a well-diversified business platform across a range of market segments and geographies; and cash generation capabilities.
- The five strategic pillars that will support the delivery of the strategy, which are set out on page 12.

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.
- Although the persistence of COVID-19 remains uncertain, impacts on operations remain limited, with sales impacts expected to normalise during 2021.
- Through the execution of our strategy, we simplify our business, remove excess costs and reinvest in future innovation.
- No change in capital structure. The Group's debt was refinanced in October 2019, providing a committed five-year bank facility of $1.5 billion and a five-year $200 million revolving credit facility, all maturing in October 2024.
- Maintaining the existing level of the dividend 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 76 to 79 and page 74. This analysis has then been applied to allow the Board to assess the ability of the Group to continue in operation and have an adequate level of liquidity to meet its obligations.

Whilst the severity and duration of the impact of COVID-19 on the global economy remains uncertain, the directors are of the view that the appropriate period of assessment remains a three-year period from January 2021 to December 2023 ("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:

- Significant investments are being made over the next two years to realise the Group's strategy over the medium to long term.
- The Group's business model does not necessitate regular investment in large capital projects that would require a longer time horizon assessment.
- Our R&D and production cycles tend to be of a duration of less than three years.
- The Group's business model means that it has the ability to respond in a timely manner to reasonably possible Group specific and market events.
- Implicitly it is harder to accurately forecast the latter years of a five-year plan.

The viability assessment has consisted of stress testing the forecasts underlying the strategic plan by modelling severe but plausible scenarios in which a number of the Group's principal risks and uncertainties materialise within the Viability Period. We have modelled scenarios which group together principal risks where we believe interdependencies exist between risks, in addition to scenarios where unconnected risks occur simultaneously. These scenarios focused on both external factors, such as the possible impact of global pandemic, economic recession in some markets leading to material pricing pressure and lower than expected market growth, and internal factors, such as the refreshed execution model delivering less than expected and the efficiency programme failing to release the savings anticipated.

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 included the following:

Scenarios	Linkage to risks on pages 76 to 79
Impacts from a severe hurricane, linked to climate change, on the Haina plant in the Dominican Republic – Impact on supplying customers before plant production restored. – Loss of sales due to reputation. – Impact of supply disruption.	– Global operations and supply chain

Global pandemic causes supply disruption and impacts customer demand
– Reduced production or extended period of shut down caused by e.g.
  – Significant absenteeism.
  – Issues sourcing raw materials.
  – Distribution/logistics issues.
– Prolonged pandemic impacting patient procedures and patient/customer access.
– Scenario assumed to reduce revenue more than $200m over the viability period.
	– Global operations and supply chain

Reduced revenue due to pricing headwinds across the globe – Impacts of COVID-19 as governments cut costs due to recessionary pressures. – Increased pressure from demographic trends of an ageing population with increased chronic illnesses. – Scenario assumed an incremental 1% per annum headwind.	– Pricing and reimbursement – Geopolitical
Key transformation initiatives do not deliver expected benefits – Commercial transformation investments fail to deliver anticipated revenue growth benefits. – Operational excellence programs fail to deliver anticipated savings e.g. objectives of efficiency and material pricing projects are not realised.	– Change and transformation – Product innovation and intellectual property – Global operations and supply chain

Consideration was also given to a number of other scenarios reflecting individual risks and events. In the Board's estimation these events would not plausibly occur to a level of materiality that, in themselves, would endanger the Group's viability.

The scenarios took no account of the likely mitigating actions available to the Directors through adjustments to the Group's strategy and other means in the normal course of business. They did assume maintenance of the dividend at the current level during the viability period.

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 materialise, together with their likelihood of occurrence. The Directors reviewed and discussed the process undertaken by management and also reviewed the results of reverse stress testing performed to provide an illustration of the level of deterioration in operating income which would trigger a breach of the Group's debt covenants. The conditions of the reverse stress test were considered implausible given that a reduction of >$150 million EBITDA would be required in 2021 to create conditions which may lead to a covenant breach and substantially higher reductions in profitability in subsequent years.

In addition, the Board undertook an independent review of market information, including investors' and analysts' views and the insights from market commentators on the future viability of the Group and the market prospects. This review was undertaken to ensure that where there was an external view or information that was contradictory to the views of management, the Board understood the rationale for the difference of opinion and agreed with management's view. This independent review and the scenario tests enabled the Board to conclude on the Group's viability and resilience.

Viability statement

Having assessed the Group's principal risks and uncertainties; and the consolidated financial impact of sensitivity analysis (including a severe but plausible set of scenarios but which did not take into consideration any mitigating actions available to the Group), plus the Group's level of cash generation and existing financing facilities, and the timing of the peak cash outflows, the Board has determined that it has a reasonable expectation that the Group will be able to continue to operate within its existing bank covenants and meet its liabilities over the Viability Period to December 2023.

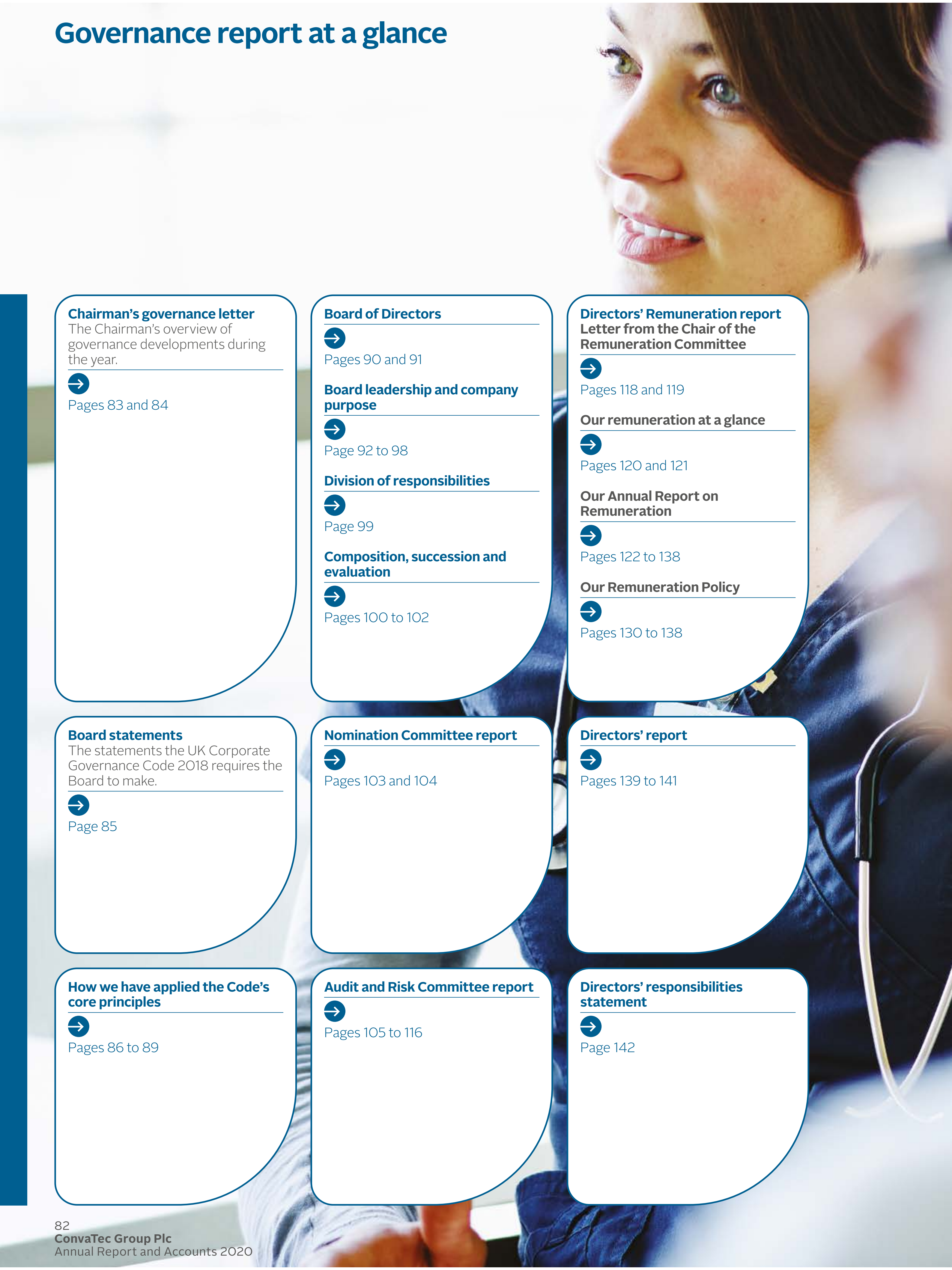
The Group's Going Concern statement is detailed on page 85.

The Strategic report was approved by the Board of Directors on 4 March 2021 and signed on its behalf by:

Karim Bitar
Chief Executive Officer

Frank Schulkes
Chief Financial Officer

Governance report at a glance



Chairman's governance letter

Dr John McAdam CBE
Chairman

"During the year we refreshed the composition of our Board to ensure we have the right diversity of skills and experience to support the delivery of our strategy."

Dear Shareholder

This governance report covers key 2020 developments, how our governance framework has operated to support the execution of the Group's strategy and our plans to further enhance our governance processes in the coming year.

Our key priorities

During what has been a very challenging year the Board has focused on the following priorities:

- Oversight of our response to the COVID-19 pandemic and, in particular, the arrangements to ensure our employees are safe and that we continue to serve and support the people who rely on our products and services through a strengthened supply chain and financial liquidity.
- Ensuring that, despite remote working, governance arrangements, including risk management and internal controls, continue to be strong and effective.
- Monitoring the progression of the Group's strategy underpinned by the five strategic pillars: Focus, Innovate, Simplify, Build and Execute.
- Oversight of the transition to our new operating model of six integrated global business units.
- Appointment of new independent Non-Executive Directors.

Governance practices

During the year, except for two meetings, the Board has met remotely using video and audio conference facilities. This remote working has functioned well and our governance arrangements have continued to be strong and effective. The Annual General Meeting was changed from a physical meeting to a hybrid physical and electronic meeting in response to the restrictions in place regarding COVID-19. This format enabled shareholders who joined the meeting to vote and ask questions of the Board and, due to its effectiveness, we intend to continue to hold hybrid Annual General Meetings in the future.

Board and leadership changes

We have refreshed the composition of our Board to ensure we have the right diversity of skills and experience to fulfil our vision and support the delivery of our strategy. During the year three new independent Non-Executive Directors joined the Board. Brian May joined us with effect from 2 March 2020. He has extensive financial and international business experience together with a detailed understanding of the challenges and opportunities that arise as a result of transformational change. In May 2020 we announced the appointment of Heather Mason and, in July 2020, the appointment of Professor Constantin Coussios who joined our Board with effect from 1 July 2020 and 1 September 2020 respectively. Heather has deep healthcare knowledge and brings very relevant international, commercial and operational experience. She also has a strong track record of overseeing the development of commercially viable new product pipelines and brand building. Constantin, an eminent academic in the field of biomedical engineering, also brings first-hand experience of developing innovative products from concept through development, regulatory approval to commercialisation. Further biographical information about Brian, Heather and Constantin is set out on pages 90 and 91.

Ros Rivaz stepped down from the Board at the end of August 2020. She had been a member of our Board for over three years and, on behalf of the Board, I would like to thank her for her significant contribution and for serving as Chair of the Remuneration Committee since March 2019.

Following these changes, the composition of each of our Board committees was reviewed and updated. Membership of each committee is detailed within the reports on pages 103, 105 and 117.

We undertook an internal evaluation of the effectiveness of the Board and each of its committees during 2020. The Board considered that, notwithstanding the move to remote meetings, it was effective and was working as a cohesive team. The outputs from the evaluation have determined the 2021 priorities of the Board and its committees.

Vision, values and culture

We have a clear vision statement which encapsulates our purpose and ambition and a set of values that reflect the culture we aspire to embed throughout the Group. Our vision and values are set on page 2.

While the COVID-19 pandemic has forced us to curtail the face-to-face employee engagement programme led by our employee engagement Non-Executive Directors (Regina Benjamin and, until the end of August 2020, Ros Rivaz) the Board has continued to assess and monitor the Group's culture using a number of methods which are described on page 93.

Stakeholder engagement
Our key stakeholder groups are well identified and detailed on pages 40 and 41. Recognising that the sustainable success of our business is dependent on these stakeholders and, mindful of our duty under section 172 of the Companies Act 2006, we have continued to improve and augment the mechanisms available to the Board to ensure that all Directors have timely and effective access to information about our stakeholders' (including employees) issues and concerns. Information about these mechanisms and how we have taken account of stakeholders in our Board discussions and decision-making processes is set out on pages 96 to 98. Our section 172 statement is on page 61.

People
The Board is committed to achieving diversity and inclusion across the Group. As at 31 December 2020, the proportion of women on our Board was 30% which aligns with our target of at least 30%. The process to appoint three new independent Non-Executive Directors was underpinned by an assessment of the skills, competencies, experience, personal attributes, age, gender and ethnicity already within the Board to identify the areas that we were looking for candidates to supplement and strengthen. As the Board continues to evolve we will continue to monitor this matrix to ensure that we have an appropriately diverse Board in all respects.

We also set ourselves an objective of having 30% of senior management roles (members of the CELT and their direct reports, excluding administrative staff) held by female executives by the end of 2020. As at 31 December 2020 34% of our senior management roles were held by women.

During the year the Board has considered diversity insights across a range of metrics with a focus on gender, and also received insights from our Employee Resource Groups focused on LGBTQ+ and ethnicity issues. Initiatives to increase diversity are being consistently implemented across the Group and the Board and the Nomination Committee will continue to review and monitor the Group's diversity profile and the implementation of its diversity and inclusion strategy.

Environmental, social and governance ("ESG")
The Board oversees our responsible business programme and details of its work in this area during the year are included on page 95.

In recent years we have laid strong foundations to ensure we operate in a responsible and sustainable way (see pages 38 to 60) and in 2020 we made progress against a number of our published sustainability targets. During the year the Audit and Risk Committee has continued to review the Group's progress in meeting the increasing stakeholder and regulatory reporting requirements and disclosures, including TCFD reporting (see page 113).

As explained in my letter on page 4, in 2021 we will establish a CELT-led ESG steering team which will be led by the CEO. This team will provide regular updates to the Board and its remit will include reviewing and revising our sustainability targets and enhancing our TCFD disclosures.

The Code
During the year we have complied with the provisions of the UK Corporate Governance Code 2018[1] (the "Code") other than:
- Provision 36: Formal policy for post-employment shareholding requirements. As stated in our Remuneration Policy, the Remuneration Committee believes that the current structure of the Deferred Bonus Plan and LTIP sufficiently support the requirement for Executive Directors to maintain a meaningful shareholding in the Company for a period of time after they leave the Group. However, the Committee has considered feedback from shareholders and evolving investor sentiment on post-employment shareholding requirements and is committed to developing a post-employment shareholding requirement which would form part of any future policy proposals (see page 134).
- Provision 38: Pension contribution rates for Executive Directors should be aligned to those available to the workforce. Our Remuneration Policy states that from 1 January 2020 the pension contribution (or cash allowance in lieu) for new Executive Director appointments will be aligned to that available to the wider workforce. Again, the Remuneration Committee has considered feedback from shareholders and evolving investor sentiment on pension alignment and is committed to aligning Executive Director pension benefits to the wider UK workforce by 1 January 2023 (see page 134).

We explain how we have applied the Code's core principles on pages 86 to 89. 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.

Brydon Review
We have reviewed our readiness to adopt the key recommendations of the 2019 Brydon Review (see page 113). During 2021 it is anticipated that BEIS will issue a consultation document setting out proposals for audit and corporate governance reform. Once published, the Group will review the proposals contained within the BEIS consultation document and develop a roadmap for compliance.

2021 priorities
The Board's key priorities for the year ahead are:
- Supporting the CELT to ensure continued focus on innovation, new product development and execution excellence.
- Reviewing and assessing our refreshed people strategy, including our Board employee engagement activities.
- Reviewing senior management succession planning.

Dr John McAdam CBE
Chairman
4 March 2021

1. A copy of the 2018 Code is available from the Financial Reporting Council's website.

Board statements

ConvaTec is subject to the requirements of the Code that requires the Board to make a number of statements. These are set out in the table below.

Code requirement	Board statement	Where further information is available
Compliance with the Code	Throughout the financial year ended 31 December 2020, except as explained on page 84, the Company has been in compliance with the Code.	**Chairman's governance letter** Page 84
Going concern basis	The Directors are satisfied that the Group has sufficient financial resources to continue operating in the foreseeable future and, therefore, have adopted the going concern basis in preparing the Group's 2020 Financial Statements.	**Audit and Risk Committee report** Pages 105 to 116
Viability statement	The Directors have assessed the viability of the Group over a three-year period ending 31 December 2023, taking into account the principal risks and uncertainties facing the Group, set out on pages 76 to 79 and the severe but plausible downside sensitivity analysis described on pages 80 and 81. This assessment leads the Board to a reasonable expectation that the Group will remain viable and continue in operation and meet its liabilities as they become due over the Viability Period through to December 2023.	**Principal risks** Pages 76 to 79 **Viability statement** Pages 80 and 81 **Audit and Risk Committee report** Pages 107 to 109
Fair, balanced and understandable	The Directors consider that the 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.	**Audit and Risk Committee report** Page 109
Assessment of the Group's principal and emerging risks	The Directors confirm that they have undertaken an assessment of the principal and emerging risks facing the Group.	**Principal risks** Pages 72 and 74 **Audit and Risk Committee report** Pages 110 and 112
Annual review of risk management and internal control systems	The Board undertook a review of the Group's risk management framework and internal controls over financial reporting and concluded that these provided assurance that there were no material control failures in the year. See page 98.	**Audit and Risk Committee report** Pages 110 to 113
Stakeholder engagement	The Board has taken steps to understand stakeholders' views and has considered them in its discussions and decision-making process.	**Section 172 statement** Page 61

How we have applied the Code's core principles

Board leadership and purpose

Principles	Application	Where further information is available
A. **An effective and entrepreneurial Board that promotes long-term sustainable success that generates value for shareholders and contributes to 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 implementation, discussion on arising key issues and monitoring of performance, to enable the Group to deliver sustainable and profitable growth.	**Key matters the Board considered during 2020** Pages 94 to 98
B. **Establishment of purpose, values and strategy and promotion of desired culture.**	The Board endorses the Group's vision statement (which encapsulates our purpose and ambition), and its values. During the year it has reviewed the Group's strategy and continued to assess and monitor culture to ensure their alignment.	**Purpose, vision, values and culture** Pages 92 to 98
C. **Ensuring resources are in place to meet objectives, measuring performance and establishing controls which assess and manage risk.**	The Board regularly reviews the Group's financial and non-financial resources to ensure that it has the resources available to deliver its strategy. The Board has approved and regularly reviews a series of KPIs. The Board has established an effective risk management framework.	**The Group's KPIs** Pages 18 and 19 **The Group's risk management framework** Pages 74 and 75 **Audit and Risk Committee report** Pages 110 to 113
D. **Effective stakeholder engagement and participation.**	To fulfil its duty to promote the Group's long-term success and generate value for shareholders and wider society, the Board has established a number of mechanisms to ensure that the Directors consider all relevant stakeholder issues and concerns.	**Stakeholder engagement and consideration of issues including section 172 statement** Pages 94 to 98 Page 61
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 to allow the workforce to raise concerns.	**Culture and policies** Page 47 **Compliance Helpline and web link** Page 58 **Audit and Risk Committee report** Page 111

Division of responsibilities

Principles	Application	Where further information is available
F. **The Chair's role.**	The Chairman's role is clearly defined.	**Chair's role** Page 99
G. **Clear division of responsibilities and appropriate combination of executive and non-executive roles.**	The Board includes eight Non-Executive Directors and two Executive Directors. Their responsibilities are clearly defined.	**Directors' responsibilities and roles** Pages 99 and 100
H. **Time commitment, constructive challenge and strategic guidance.**	All Directors have demonstrated that they have sufficient time to fulfil their duties and responsibilities. In their roles the Non-Executive Directors have provided constructive challenge, strategic guidance and held management to account.	**Time commitment confirmation** Page 100 **How the Non-Executive Directors have fulfilled their roles** Pages 99 and 100
I. **Effective and efficient Board.**	All Directors have access to an encrypted electronic portal system which enables them to receive accurate and timely information. They also have access to the advice of the Company Secretary and independent professional advice at the expense of the Group.	**Effective and efficient Board** Page 100

Composition, succession and evaluation

Principles	Application	Where further information is available
J. **Board appointments and succession.**	Board appointments are made in accordance with a formal, rigorous and transparent procedure. Searches for new independent Non-Executive Directors were undertaken during the year and, as explained on page 83 we have appointed three new independent Non-Executive Directors.	**Board appointment procedure** Page 100
K. **Combination of skills, experience and knowledge.**	Our Board is balanced and diverse and its members have proven leadership capabilities and relevant healthcare, operational and financial skills and experience.	**Directors' biographical information** Pages 90 and 91 **Skills and experience matrix** Page 100
L. **Annual evaluation.**	During 2020 the Board undertook an internal review of its performance and that of its committees. In compliance with the Code the Board intends to conduct the next externally facilitated evaluation in 2021.	**Key findings of 2020 Board review** Pages 101 and 102

Audit, risk and internal control

Principles	Application	Where further information is available
M. Independent and effective internal and external audit functions.	The Board has delegated a number of responsibilities to the Audit and Risk Committee including oversight of the Group's financial reporting processes and ensuring the effectiveness and independence of the external and internal auditors.	**Audit and Risk Committee report** Pages 110 to 116
N. Fair, balanced and understandable assessment.	The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable.	**Audit and Risk Committee report** Page 109
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 effectiveness of the Group's risk management and internal control systems and processes. The Audit and Risk Committee regularly reviews these systems and processes throughout the year.	**Risk management** Page 98 **Audit and Risk Committee report** Pages 110 to 113

Remuneration

Principles	Application	Where further information is available
P. Remuneration policy and practices. **Q. Development of remuneration policy and packages.**	The Group's Remuneration Policy, which was approved by shareholders at the 2020 AGM, is designed to support our strategy, be aligned to our vision and our employee and shareholder interests and promote long-term sustainable success.	**Remuneration Policy** Pages 130 to 138
R. Independent judgement and discretion.	Following a formal and transparent procedure, the Remuneration Committee sets the remuneration for the Executive Directors and oversees the remuneration of senior management. In doing so it applies judgement and, if required, discretion to ensure a considered outcome on remuneration issues.	**Remuneration Committee report** Pages 117 to 138

Board of Directors

Dr John McAdam CBE
Chairman

Date of appointment:
September 2019

Independent: Yes (on appointment)

Committee memberships: N*

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
None.

Karim Bitar
Chief Executive Officer

Date of appointment:
September 2019

Independent: No

Committee memberships: None

Relevant skills and experience:
- Significant board level and leadership experience including as 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 he was President of Europe, Australia and Canada.

Current external appointments
Non-Executive Director and member of the Remuneration Committee and Nomination Committee of Spectris plc. Member of the University of Michigan, Ross School of Business Advisory Board.

Frank Schulkes
Chief Financial Officer

Date of appointment:
November 2017

Independent: No

Committee memberships: None

Relevant skills and experience:
- Previously CFO of Wittur Group, a privately-held industrial company based in Germany, and former Executive Vice President and CFO of GE Healthcare ("GE").
- Significant global healthcare experience and strong financial background across a variety of increasingly senior financial roles which includes 27 years spent with GE.

Current external appointments
None.

Margaret Ewing
Senior Independent Director

Date of appointment:
August 2017

Independent: Yes

Committee memberships: AR*, N

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 and Trinity Mirror plc.

Current external appointments
Non-Executive Director and Chair of the Audit and Risk Committee of ITV Group 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.

Rick Anderson
Non-Executive Director

Date of appointment:
October 2016

Independent: Yes

Committee memberships: R, N

Relevant skills and experience:
- Significant board level and leadership experience in both executive and non-executive roles.
- Extensive global healthcare knowledge and experience including as former Group Chairman of Johnson & Johnson, Worldwide Franchise Chairman of Cordis Corporation, Vice President of Global Marketing at Racal HealthCare and senior roles with Boehringer Mannheim Pharmaceuticals and Allergan Pharmaceuticals. Former Managing Director at PTV Healthcare Capital.

Current external appointments
Chairman and Managing Director of Revival Healthcare Capital, Director of Apollo Endosurgery, Inc., Cardilogs Technologies, and of Silk Road Medical, Inc. a NASDAQ listed company, where Rick is also Chair of the Compensation Committee and a member of the Corporate Governance Committee.

Dr Regina Benjamin
Non-Executive Director

Date of appointment:
August 2017

Independent: Yes

Committee memberships: R, N

Relevant skills and experience:
- Extensive healthcare knowledge and experience both as a practising physician and in senior management roles including as former United States Surgeon General (2009 to 2013), member of the board of the Medical Association of Alabama and the first Young Physician to be elected to the American Medical Association Board of Trustees.
- Holds an endowed Chair in Public Health Sciences at Xavier University of Louisiana.

Current external appointments
CEO and a practising physician at the Bayou La Batre Rural Health Clinic. Independent Director of Oak Street Health, Inc., Computer Programs and Systems Inc., where Regina is a member of the Audit and Innovation Committees and Chair of the Corporate Governance Committee. Independent Director of Kaiser Foundation Health Plan and Hospitals, Ascension Health Alliance, Doximity Inc., 98point6 Inc., Professional Disposables International, Inc., Nurx, Inc. and EverlyWell, Inc.

Brian May
Non-Executive Director

Date of appointment: March 2020

Independent: Yes

Committee memberships: R*, AR, N

Relevant skills and experience:
- Significant financial and international business experience including as Chief Financial Officer of Bunzl plc from 2006 to 2019 and, prior to that, he held a number of senior management finance roles with Bunzl, including divisional Finance Director, Group Treasurer and Head of Internal Audit.
- 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, Chair of the Audit and Treasury Committees and member of the Remuneration and Nomination Committees of United Utilities Group PLC. Non-Executive Director of Ferguson plc where Brian is also a member of its Nominations and Audit Committees.

Heather Mason
Non-Executive Director

Date of appointment: July 2020

Independent: Yes

Committee memberships: AR, N

Relevant skills and experience:
- Significant international healthcare experience leading fully integrated global businesses including 27 years with Abbott Laboratories where she 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
Non-Executive Director and member of the Audit and Compensation Committees of Immatics, Inc., Non-Executive Director of Pendulum Therapeutics, Inc. and of Assertio Therapeutics, Inc., where Heather is Chair of the Governance Committee and member of the Audit and Compensation Committees. Chair of SCA Pharmaceuticals and Co-Chair of the University of Michigan's College of Engineering Innovation Committee and a member of its Leadership Advisory Board.

Professor Constantin Coussios FREng
Non-Executive Director

Date of appointment: September 2020

Independent: Yes

Committee memberships: None

Relevant skills and experience:
- Internationally recognised key opinion leader in the field of biomedical engineering.
- Proven track record of translating research into commercial technologies through academic entrepreneurship including as Founder, Chief Technology Officer and Chief Scientific Officer of three successful spin-outs.
- Significant experience of drug delivery devices and technologies including between 2014 and 2020 directing and leading the Oxford Centre for Drug Delivery Devices, a cross-disciplinary centre working across pharmaceutical and medical device companies and the NHS.

Current external appointments
Director, Institute of Biomedical Engineering, University of Oxford. Professorial Fellow, Magdalen College, Oxford, Founder and Director of OrganOx Limited, OxSonics Limited and OrthoSon Limited. Trustee of the Oxford Transplant Foundation and Governor of Magdalen College School Oxford.

Sten Scheibye
Non-Executive Director

Date of appointment: July 2018

Independent: No

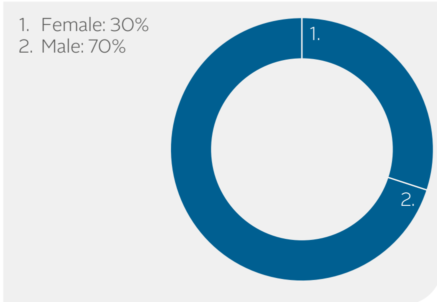
Committee memberships: None

Relevant skills and experience:
- Substantial healthcare knowledge and significant operational experience as former President and CEO of Coloplast A/S.
- Board experience including previous roles as Chair of the Novo Nordisk Foundation and of Novo Holdings A/S.
- Extensive governance experience including as a member of the Danish Corporate Governance Committee, also serving as the committee's Chair.

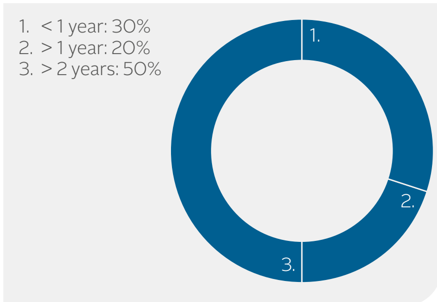
Current external appointments
Senior Advisor to Novo Holdings A/S. Chairman of, BioInnovation Institute Foundation, BII Holdings A/S, EA/S Knud Højgaards Hus, Højgaard Ejendomme A/S, The Danish Industry Foundation, and the Knud Højgaard Foundation.

A diverse Board with proven leadership capabilities and relevant healthcare, operational and financial skills and experience.

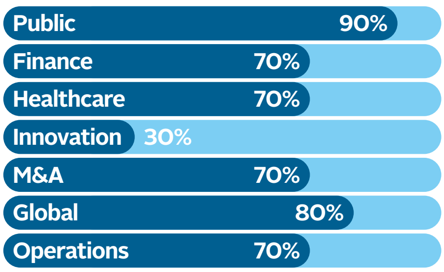
Gender



Tenure



Experience



Key to Committee

Audit and Risk Committee	AR
Nomination Committee	N
Remuneration Committee	R
Committee Chair	*

Board leadership and company purpose

An effective and diverse Board

Our Board comprises ten Directors: Chair, two Executive Directors, six independent Non-Executive Directors and one non-independent Non-Executive Director (Sten Scheibye). Sten is the representative of our significant shareholder Novo Holdings A/S ("Novo") (see page 141).

Our Directors have proven leadership capabilities and a range of healthcare, operational and financial skills and experience. Relevant biographical information, which includes up-to-date information about external appointments, where relevant, is set out on pages 90 and 91.

Our governance framework

Our governance framework, which includes the Board and its four committees, is set out below.

All Directors are collectively responsible for the success of the Group. The 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 responsibilities for ensuring the robustness and integrity of financial information, internal controls and risk management, and that remuneration arrangements appropriately support the Group's culture and strategic ambition.

The Board is responsible for setting the Group's strategy and policies to support its implementation, overseeing risk and corporate governance, assessing and monitoring the Group's culture, and monitoring progress towards delivery of objectives and annual plans. The Board is accountable to the Company's shareholders for the proper conduct of the Group's business and its long-term success and seeks to represent the interests of all stakeholders. The CEO, CFO and other members of the CELT take the lead in developing the Group's strategy which, on an annual basis, is reviewed, constructively challenged and approved by the Board.

Governance framework

The Board

Responsible for the long-term success of the Group and for ensuring that there is a framework of appropriate and effective controls which enables risk to be assessed and managed.

Focus | Innovate | Simplify | Build | Execute

Sets the Group's strategic aims, determines resource allocation to ensure that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance.

Monitors and assesses the Group's culture and ensures that its obligations to shareholders and other stakeholders are understood and met.

Nomination Committee

Proposes appointments to the Board, reviews the Board's composition, considers succession planning for the Board and senior management and sets diversity and inclusion objectives and targets for the Board and senior management.

See pages 103 and 104

Audit and Risk Committee

Oversees financial reporting, internal and external audit, internal controls and risk management.

See pages 105 to 116

Remuneration Committee

Ensures Remuneration Policy and practices are designed to support the Group's strategy and promote long-term sustainable success. Oversees Remuneration Policy implementation for Executive Directors and senior management and regularly reviews its provisions. Reviews workforce remuneration and related policies.

See pages 117 to 138

Market Disclosure Committee

Oversees disclosure of information to meet the Company's obligations under MAR, the FCA's Listing Rules and the Disclosure Guidance and Transparency Rules.

ConvaTec Executive Leadership Team

Oversees the implementation of the Group's strategy.

Responsible for day-to-day management and performance across the Group. See page 9.

Monitors risk and internal controls across the Group.

Matters reserved for the Board and Committees' terms of reference

The Board has a schedule of matters reserved for its approval and a formal structure of delegated authority. It has delegated certain responsibilities 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 the CELT.

The principal activities undertaken during the year by the Nomination, Audit and Risk and Remuneration Committees are set out in their respective reports in this Annual Report. The paragraphs under the heading "Directors' Remuneration report" on pages 117 to 138 are incorporated by reference into this Corporate governance report.

The decisions which can only be made by the Board are clearly defined in the schedule of matters reserved for the Board. This schedule is available at www.convatecgroup.com/investors/corporate-governance, and largely relates to matters of governance and business, where independence from executive management is important. No changes were made to this schedule during the year. The written terms of reference that each of the committees operates under can also be found within the web link referenced above and have been reviewed and updated during the year, as appropriate, to reflect the requirements of the Code.

Purpose, vision, values and culture

Last year the Board endorsed the Group's refreshed vision statement (which encapsulates our purpose and ambition), and its values. The Board has continued to assess and monitor the Group's culture to ensure alignment with our vision and strategy. To further embed the Group's culture a set of required behaviours has been established to supplement the values and, as part of our performance review process, employees are now assessed against both their objectives and the Group's values and behaviours.

While the COVID-19 pandemic has forced us to curtail the face-to-face employee engagement programme led by our employee engagement Non-Executive Directors (Regina Benjamin and, until the end of August 2020, Ros Rivaz), a number of other employee engagement methods have been deployed (see page 96). The key tool that management and the Board use to assess culture is the OHI survey which in 2020 captured the views of 86% of our people (see page 47). This survey included questions relating to our vision and values to obtain employees' perspective on these issues in practice. The feedback showed that an increasing number of our people have a better understanding of our vision, values and strategy. Key outputs and actions from this survey are agreed by the Board. In addition, any significant information arising from the survey, including concerns or areas requiring improvement, are discussed at Board meetings and action plans to address the issues are agreed with management.

Board meetings and attendance

During the year the Board convened on 11 scheduled occasions. Except for two meetings these meetings were conducted using video and audio conference facilities. The Non-Executive Directors met on one occasion during the year without the Chairman and Executive Directors present.

The table in the adjacent column shows the number of Board meetings attended by each Director out of the number they were entitled to attend during the year. Attendance at these meetings was high and those Directors unable to attend provided their input to the Chairman or SID prior to the meeting and were briefed afterwards on the discussions that took place.

Brian May was unable to attend one Board meeting due to a prior commitment made before he became a Non-Executive Director of the Group. However, following the meeting he had a separate update with the Chairman.

All Directors, other than Heather Mason and Constantin Coussios who did not join the Board until July 2020 and September 2020 respectively, attended the AGM held in May 2020.

The Company Secretary attended all Board meetings. External advisers also attended meetings where independent guidance and expertise was required to facilitate the Board in carrying out its duties. As highlighted above, where appropriate, senior executives below Board level, including members of the CELT, also attended relevant parts of meetings to make presentations and provide their input on a range of topics.

Director	Role	Meetings
John McAdam	Chairman	11/11
Karim Bitar	Chief Executive Officer	11/11
Frank Schulkes	Chief Financial Officer	11/11
Margaret Ewing	Non-Executive Director and SID	11/11
Rick Anderson	Non-Executive Director	11/11
Ros Rivaz (member until 31 August 2020)	Non-Executive Director	8/8
Regina Benjamin	Non-Executive Director	11/11
Sten Scheibye	Non-Executive Director	11/11
Brian May (member since 2 March 2020)	Non-Executive Director	8/9
Heather Mason (member since 1 July 2020)	Non-Executive Director	4/4
Constantin Coussios (member since 1 September 2020)	Non-Executive Director	3/3

Board focus and principal matters considered in 2020

The principal matters considered by the Board during 2020 and the link 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 progress report on the business' performance including areas of progress and areas which are not progressing to plan. Members of the CELT regularly attend Board meetings to ensure that the Board has good visibility of business developments, principal and emerging risks and their mitigation, and operating decisions within the categories. At each Board meeting the Board receives a report from the CFO providing updates on financial progress and presentations from internal and external speakers on topics relevant to the business and the environment it operates in.

Areas of focus	Activities	Strategic priorities
Strategy – Approving the Group's strategy and any changes and monitoring delivery. – Approving any major capital project, corporate action or investment by the Company. **Stakeholders considered:** All stakeholders.	– Reviewed implementation of FISBE strategy including participation in three-day strategy session, consideration of issues arising during the year and review of detailed plans from management setting out the respective business unit's plans for implementation. – Approved disposal of US Skincare product line. – Reviewed corporate development opportunities to ensure alignment with our FISBE strategy and category business plans. – Approved capital investment to expand Infusion Care's manufacturing capacity.	Focus Innovate Simplify Build Execute
Leadership – Changing the structure, size and composition of the Board, following recommendations from the Nomination Committee. – Making appointments to the Board, following recommendations from the Nomination Committee. – Determining the membership and chairmanship of the Board committees and approving any amendments thereto, 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. **Stakeholders considered:** All stakeholders.	– Approved the appointment of Heather Mason with effect from 1 July 2020. – Approved the appointment of Constantin Coussios with effect from 1 September 2020. – Approved the revised composition of the Board committees. – Reviewed progress against action plan arising from 2019 Board evaluation, considered findings of 2020 evaluation and agreed priority actions for 2021.	Build Execute
Business plan and performance – Approving annual budget and business plan and regularly reviewing actual performance and latest forecasts against the budget and business plan, including proposed actions by management to address performance issues. **Stakeholders considered:** Investors and debt providers, Consumers, Our people, Suppliers, distributors and other partners.	– Reviewed reports from the COVID-19 Rapid Response Team and new normal planning (following move from rapid response to new normal planning) and changes to phasing of investments. – Reviewed mitigation planning undertaken by the Brexit Steering Committee. – Approved 2021 budget and business plan. – Reviewed plans to address performance issues.	Focus Innovate Simplify Build Execute

Areas of focus	Activities	Strategic priorities
Financial reporting – Approving final and interim results, trading updates, the Annual Report and the release of price sensitive information. – Approving the dividend policy, determination of any interim dividend and the recommendation (subject to the approval of shareholders in general meeting) of any final dividend to be paid by the Company or of any other distributions by the Company. **Stakeholders considered:** Investors and debt providers, Our people, Consumers, Healthcare professionals, Suppliers, distributors and other partners, Institutional customers/buying organisations, Local communities.	– Approved Viability and Going Concern statements. – Approved final results announcement. – Reviewed dividend policy taking into account stakeholder perspectives and confirmed the policy. – Confirmed and approved final dividend in light of strength of liquidity despite impacts of COVID-19. – Approved Annual Report and Notice of AGM including amending the Notice of AGM to move to a hybrid live physical and electronic meeting format. – Approved Q1 update announcement. – Approved interim results announcement and interim dividend. – Approved Q3 update announcement including upgrade to adjusted EBIT guidance.	Focus Execute
Risk – Ensuring the Group has effective systems of internal control and risk management in place, including approving the Group's risk appetite. **Stakeholders considered:** All stakeholders.	– Reviewed effectiveness of the Group's risk management and internal control systems. – Reviewed and approved the Group's risk appetite and concluded that the Group had operated within the Group's risk appetite throughout the year. – Reviewed the Group's principal risks and uncertainties including the impact of COVID-19 on the principal risks. – Undertook a number of "deep dives" with management in relation to risk mitigation in a number of key areas including ESG, supply chain and H&S.	Focus Innovate Simplify Build Execute
Stakeholder engagement – Considering the balance of interests between the Group's stakeholders. – Receiving and considering the views of the Company's shareholders. **Stakeholders considered:** All stakeholders.	– Considered investor feedback on the 2019 full year results. – Considered investor feedback on the interim results provided by the Investor Relations team and also the Group's corporate brokers and this was taken into account in the Q3 results trading update including revision to guidance announcement with respect to the explanation provided as to the factors giving rise to improved performance. – Considered feedback from annual OHI survey and discussed and agreed management's action plan to address issues arising. – Reviewed employee gender pay gap data. – Reviewed progress report on diversity and inclusion initiatives including gender data and the creation and development of Employee Resource Groups. – Received reports from the Rapid Response Team on the Group's response to COVID-19 including updates on workstreams regarding affected stakeholders.	Focus Innovate Execute
Responsible business – Overseeing the Group's responsible business programme. – Reviewing the Group's responsible business strategy and its implementation. **Stakeholders considered:** All stakeholders.	– Reviewed progress against sustainability targets set in 2019 and agreed priorities for 2021. – It had been intended to review the overall approach to ESG during 2020 and to further embed sustainability into the business by allocating specific actions to members of the CELT. The allocation of these activities was postponed in order to focus all resources on our COVID-19 response.	Innovate Build Execute

Connecting with our stakeholders and discharge of section 172 duty

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 members as a whole, while also considering the broad range of stakeholders who interact with the business.

Our section 172 statement is set out on page 61.

How we engage as a Company

Our vision, pioneering trusted medical solutions to improve the lives we touch, is fulfilled through interaction with our stakeholders. We proactively engage with a broad range of stakeholders to understand their issues and to build positive relationships (see pages 40 and 41). Our values shape the Group's culture and our employees' behaviours, determine how we do business and underpin our strategy. Our vision and values also 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.

Stakeholders	Board-level engagement
Our people	As explained above, due to the COVID-19 pandemic our face-to-face employee engagement programme led by Ros Rivaz (until August 2020) and Regina Benjamin was curtailed during 2020. Prior to the onset of travel restrictions Ros visited our R&D facility in Osted, Denmark and met with employees across the functions at the site (see page 97). Regina Benjamin has undertaken engagement activities with the Group's Women@ConvaTec, Black Employee and Pride Networks and reported to the Board on their discussions. As highlighted above, during 2020 we commissioned our second OHI survey. Key issues arising from the survey and the actions to address areas requiring improvement are included on page 47. Members of the management team regularly attend relevant parts of Board and committee meetings to present on discussion items and provide input. The Board and the Audit and Risk Committee receive reports from the Group's compliance function detailing input from the Group's Compliance Helpline and web link. When relevant, the Group's compliance function provides the Audit and Risk Committee with details of investigations arising from information provided via the Compliance Helpline and web link and the resulting outcome (see page 111). The Remuneration Committee receive updates on workforce remuneration policies and practices, and how these align with the Company's strategy and culture.
Investors	All members of the Board are available to meet with shareholders. The Chairman is available to meet with shareholders and during the year met with three shareholders via video conference. Our Senior Independent Director, Margaret Ewing, is available to meet with shareholders. In the early part of 2020 Ros Rivaz as Chair of the Remuneration Committee undertook a consultation exercise with shareholders representing nearly 50% of the Company's share capital to obtain their feedback on the proposed Remuneration Policy that was subsequently put before shareholders at the 2020 AGM (see page 98). The Board receives analysts' notes published about the Group and the sector, and is regularly updated by the Group's brokers, Executive Directors and Director, Investor Relations on shareholder sentiment, feedback from meetings and the Group's IR programme. Our IR programme, which includes activities undertaken by the Executive Directors has been adapted over the course of the year to ensure that we continue to engage with shareholders and potential investors, albeit on a virtual basis (see page 40). All Directors who were serving on the Board at the time participated in our 2020 AGM which took the form of a hybrid meeting, which enabled shareholders to attend and participate electronically.
Consumers/ Patients/Healthcare professionals	As part of the strategy session in July 2020, the Board received a detailed briefing on the diverse and complex needs of the people who use our different product categories. Further, an assessment was provided of the unmet needs of patients and their carers, and healthcare professionals, before consideration of patient-centric solutions.
Supply chain partners and channel partners	During the year, the Board has received reports from the Global Quality and Operations team with respect to initiatives they have undertaken to improve the resilience of our supply chain as part of the strategic transformation programme and our COVID-19 response. Reports are received by the Audit and Risk Committee from Internal Audit with respect to audits undertaken on management of suppliers, distributors and other channel partners in certain markets. The Board confirms its compliance with the UK Payment Practices Reporting Duty and the Prompt Payment Code and similar legislation across the Group in relation to the year ended 31 December 2020.

Stakeholders	Board-level engagement
B2B customers	The Infusion Care leadership team have provided reports to the Board on their relationship with their customers, and product development activities.
Regulators	The Board has received reports on the implementation of MDR from the Group's regulatory function.
Governments	The Audit and Risk Committee received reports from the Global Tax function on taxation issues in key markets, and approved the Tax Statement including tax strategy.
All stakeholders	The Board receives information relating to our identified stakeholder groups through the report from the CEO at each Board meeting plus the detailed consideration of such groups in strategy sessions, and reports from each member of the CELT on their respective areas of responsibility. Papers requesting Board approval include an analysis covering the impact of the decision on relevant stakeholders which inform the Board's decision making.

How the Board considers stakeholders' interests in its decision making

The Directors recognise that section 172 of the Companies Act 2006 requires each of them to act in a way that he or she considers, in good faith, would most likely promote ConvaTec's long-term success for the benefit of its shareholders and other stakeholders. Clear communication and engagement to understand the issues and factors which are most important to stakeholders is key. The Board acknowledges that not every decision will result in a positive outcome for all stakeholders. The Board strives to make consistent decisions intended to support the delivery of our strategic intent of pivoting to sustainable and profitable growth.

Set out below are examples of how key stakeholders were considered in principal decisions made by the Board in 2020. A "principal decision" includes discussion and decision relating to a material or strategic Group matter or any matter that is significant to any of our stakeholders.

Principal decision	Stakeholder consideration
COVID-19	From March 2020 the Board received monthly updates from the Group's Rapid Response Team (see page 94). The Board: – Considered the arrangements put in place to support the wellbeing of our employees, including all office-based employees becoming remote workers and the implementation of adjusted working practices at our manufacturing sites. The Board endorsed the introduction of antigen testing at our manufacturing sites. – Decided, after considering the Group's financial liquidity and the interests of employees, not to furlough any employees nor take advantage of any other governmental COVID-19 support programmes available. – Considered actions taken by the Global Quality and Operations team to work with our third-party manufacturers and suppliers to ensure the sustainability of the supply of our products and to strengthen the resilience of our supply chain. – Considered scenario planning of potential impacts of COVID-19 on the Group, and supported identified financial and operational interventions developed in response. Interventions included the reduction of operational and capital expenditure planned for 2020 and the deferment of investment to later years, set against certain accelerated investments including investments in digital capabilities for interaction with customers, hospitals and clinicians. – Decided, after considering the Group's strategic objectives, capital management, financial liquidity, review of our comparator peer group, and the interests of shareholders, employees, patients, suppliers and external debt providers, to continue to pay the 2019 final dividend and to declare a 2020 interim dividend.
Disposal of US Skincare product line	The Board considered the disposal of the trade and assets of the Group's US Skincare product line and taking account of the following factors decided it was in the best long-term interests of the Company and approved the transaction: – The disposal was in line with the "Focus" and "Simplify" elements of the Group's FISBE strategy. – There was no impact on the Group's employees as no employees transferred with the sale nor were any changes needed to be made to the existing salesforce after the disposal. – There was minimal impact on the Group's commercial relationships as a result of a structured transition plan covering affected distributors. – The impact of the sale on third-party manufacturers and the fact that this was mitigated by assigning their contracts to the buyer.
Expansion of manufacturing capacity	As part of our Board-level employee engagement programme, Ros Rivaz visited our Infusion Care facility in Osted, Denmark and met with employees across the facility's various functions. The employees shared their perspectives on the development of manufacturing capabilities at Osted and its linked site in Reynosa, Mexico, including talent development opportunities across both facilities. These perspectives assisted the Board when considering a capital investment request to expand manufacturing capacity at Osted. As part of the expansion plan new employment and development opportunities would be created which strengthens the position of the facility as an important local employer and addressed some of the issues raised by employees. The Board also considered the impact on other stakeholders before approving the manufacturing capacity expansion project.

Principal decision	Stakeholder consideration
Remuneration policy	In the early part of 2020 Ros Rivaz, who was then Chair of our Remuneration Committee, undertook a consultation exercise with shareholders to obtain their feedback on the Remuneration Policy to be put to shareholders for approval at the 2020 AGM. Key areas of focus were pension contributions for future Executive Director appointments and rebalancing the performance measures for the annual bonus and LTIP awards. There was a divergence of views on the performance measures for both annual bonus and LTIPs. We explained our rationale of moving to adjusted Group EBIT and adjusted PBT growth, which is more closely aligned with our strategic aim of delivering sustainable and profitable growth. There was strong feedback on the expectation of Executive Director pensions being aligned with the workforce. The Remuneration Committee listened to such views and the Remuneration Policy put to and approved by shareholders at the 2020 AGM provided that the pension contribution for new Executive Director appointments from 1 January 2020 would be aligned with that available to the wider workforce. The Remuneration Committee continues to reflect on developments in the remuneration governance landscape and, taking into account the wish to maintain a reputation for high standards of business conduct, later in the year determined to commit to align Executive Director pension benefits to the wider UK workforce by 1 January 2023 (see page 118).

Board assessment of risk management and internal control effectiveness

The Board is ultimately responsible for overseeing how we manage both internal and external risks that could impact our business model and strategic goals. The Board also determines the Group's risk appetite, 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 Group's principal risks are set out on pages 76 to 79.

During 2020, 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. It also monitored and reviewed these processes and controls to ensure their effective operation during the pandemic despite remote working. The Audit and Risk Committee's activities in these areas are set out in the Audit and Risk Committee report on page 110. Following this review the Board is satisfied that the Group's risk management and internal control framework provided assurance that there were no material control failures in the year. Further, the Board considered the impact of COVID-19 on the principal risks and uncertainties, and this was set out in the interim results statement and this Annual Report.

Statement of review

The Board's statement of annual review of effectiveness of the Group's risk management and internal control systems is set out on page 85.

Operation of the Board and its committees

The Directors have access to an encrypted electronic portal system, which enables them to receive and review Board and committee papers quickly and securely electronically. The meetings of the Board and its committees have successfully been held via video conferencing on Teams since March 2020. Once travel restrictions are lifted, the Board intends that its meetings will move to a hybrid model of physical and virtual meetings.

Division of responsibilities

The Chairman and Chief Executive Officer
There is a clear division of responsibility between the Chairman and the CEO. Each has Board approved roles and responsibilities and the documentation detailing their specific roles and responsibilities is available at www.convatecgroup.com/investors/corporate-governance and summarised below.

The role of the Senior Independent Director
Margaret Ewing, Senior Independent Director, has specific roles and responsibilities which are detailed in documentation available at www.convatecgroup.com and summarised below.

A balanced Board including a majority of independent Non-Executive Directors
The Board comprises eight Non-Executive Directors and two Executive Directors. Their key roles and responsibilities are also set out below. Our Non-Executive Directors provide valuable constructive challenge, independent perspective and specific expertise. Excluding the Chairman, six of our Non-Executive Directors are independent. The independence of the Non-Executive Directors is kept under review and assessed annually. The Chair was independent upon his appointment in 2019 but, as Chair, is not classified as independent. With the exception of Sten Scheibye, the Board considers that all Non-Executive Directors who served during the year are independent in character and judgement, with no relationships or circumstances that are likely to affect, or could appear to affect their judgement. Sten Scheibye is not considered to be independent as he is the representative of our significant shareholder, Novo.

Time to properly fulfil their roles and responsibilities
Each of the Directors has confirmed and clearly demonstrated that they have sufficient time to properly fulfil their duties including preparing for Board and committee meetings, reading all papers associated with such meetings, attending meetings scheduled to take place in 2020 and spending separate time with management.

On occasions where a Director is unavoidably absent from a Board or Board committee meeting, they still receive and review the papers for the meeting and typically provide verbal or written input ahead of the meeting, usually through the Chairman or the Chair of the relevant committee. This ensures that views of absent Directors are made known and considered at the meeting. Given the nature of the business to be conducted, some Board meetings are convened at short notice, which can make it difficult for some Directors to attend due to prior commitments.

Board support and the role of the Company Secretary
The Company Secretary, Clare Bates, attends all Board and committee meetings. She is responsible for advising and supporting the Chairman, the Board and its committees on corporate governance matters as well as ensuring that there is a smooth flow of information to enable effective decision making.

Key Board roles and responsibilities

Chairman
- Leads the Board.
- Promotes high standards of governance.
- Ensures Board effectiveness.
- Sets Board agenda.
- Supports and guides the CEO.

Senior Independent Director
- Sounding board for the Chairman.
- Serves as an intermediary for other Directors.
- Available to shareholders if they have concerns which contact through the normal channels has either failed to resolve or would be inappropriate.

Non-Executive Directors
- Provide constructive challenge and independent perspective.
- Monitor strategic execution and performance in accordance with risk and control framework.
- Serve on the Board's committees.

Chief Executive Officer
- Leads the executive management team in delivering the Group strategy and objectives as determined by the Board.
- Day-to-day responsibility for executive management matters.
- Responsible for maintaining dialogue with the Chairman, the Group's shareholders and other stakeholders.

Company Secretary
- Responsible for advising the Board on all corporate governance matters and best practice.
- Works with the Chairman to ensure Directors receive accurate and timely information to enable them to discharge their duties.
- Works with Chairman to design induction programme for new Board members and coordinates ongoing Board training.

Further details about roles and responsibilities available at www.convatecgroup.com/investors/corporate-governance.

Composition, succession and evaluation

Board composition
Appointments to our Board are made solely on merit with the overriding objective of ensuring that the Board maintains the correct balance of skills, length of service and knowledge of the Group to successfully determine the Group's strategy. Appointments are made based on the recommendation of the Nomination Committee with due consideration given to the benefits of diversity in its widest sense, including gender, social and ethnic backgrounds. The Nomination Committee also reviews the ongoing commitments of candidates prior to making recommendations for the appointment of new Directors. Directors are required to seek Board approval prior to taking on additional commitments to ensure that existing roles and responsibilities continue to be met and conflicts are avoided or managed.

Re-appointment of Directors
All Directors are subject to annual re-election and will be proposed for election or re-election (as appropriate) by shareholders at the AGM to be held on 7 May 2021. In relation to the re-elections, the Chairman has confirmed that following evaluation, all Directors continue to be effective and have the time available to commit to their role.

Non-Executive Directors are initially appointed for a one-year term and retiring Directors, if willing to act, will be deemed to be re-appointed unless the resolution for their re-appointment is not approved.

Board induction and development
On joining the Board all Directors participate in a formal induction programme. The programme is monitored by the Chairman (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 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. The inductions of Brian May, Heather Mason and Constantin Coussios have all been undertaken virtually as a result of COVID-19. It is intended that physical visits to key sites will be arranged in 2021 when circumstances permit.

During the year, the Directors received directors' duties training and an update on governance and regulatory matters from our external lawyers Freshfields Bruckhaus Deringer. The Board also received updates and training from the Group's senior management and external advisers covering corporate responsibility, particularly ESG, and strategic market and product issues.

We continued to evolve our training programme and, in particular, its scope was expanded to include training from external advisers to both the Remuneration and Audit and Risk Committees. Training focused on matters specific to their respective committee activities, including corporate governance updates, executive remuneration, corporate reporting and audit updates.

All Directors have access to the advice and services of the Company Secretary and, through her, have access to independent professional advice in respect of their duties, at the Group's expense.

Relevant skills and expertise
The Board benefits from a wide variety of skills, experience and knowledge (see below). Brian May, Heather Mason and Constantin Coussios joined the Board during the year. Brian's skills and experience strengthen the Board's financial expertise while Heather and Constantin's extensive innovation and technological knowledge and experience provide valuable insights as we focus more on developing trusted patient-centric medical solutions.

Chairman evaluation
The evaluation of the performance of the Chairman by the other Directors was led by the SID and absent the Chairman. The overall conclusion was that he was performing well in all aspects of the role. The Chairman values the individual opinions of all Directors and seeks and listens to their views. He chairs effective meetings, allows debate and encourages contribution and challenge, with a focus on clarity and pragmatism in decision making. He has a strong relationship with the Executive Directors, particularly the CEO, and provides appropriate challenge and support. He has been in role since September 2019 and during that time the composition of the Board has changed significantly. He has proactively led the recruitment of new Non-Executive Directors.

The SID provided feedback to the Chairman after the review of his performance. This included continuing to guide new Non-Executive Directors on how most effectively to contribute and engage with management.

Relevant skills and expertise

Director	Public company	Finance	Healthcare	Innovation	M&A	Global	Operations
John McAdam	*	*			*	*	*
Karim Bitar	*	*	*	*	*	*	*
Frank Schulkes	*	*	*		*	*	*
Rick Anderson	*	*	*		*	*	*
Regina Benjamin	*		*				
Margaret Ewing	*	*			*	*	
Sten Scheibye	*	*	*		*	*	*
Brian May	*	*			*	*	*
Heather Mason	*		*	*		*	*
Constantin Coussios			*	*			

2019 Board evaluation progress report and 2020 Board evaluation review

During 2019 the Board undertook an internal evaluation of its effectiveness that focused primarily on identifying priority issues to be addressed during 2020 by the then recently appointed Chairman and CEO. Information about the key priorities arising from this evaluation and progress to date is set out below.

In November 2020 the Board undertook a further internal evaluation of effectiveness. The evaluation took the form of a detailed questionnaire. The key findings from the 2020 Board evaluation process, including the actions agreed to address recommendations resulting from Board discussions, are set out on the adjacent page.

Progress in relation to actions arising from 2019 Board evaluation

Actions	Progress
Oversee the implementation of the Group's new strategy and operating model which is focused on pivoting to sustainable and profitable growth.	Ongoing. A detailed strategic plan was presented to the Board in July 2020 building on the FISBE strategic pillars and new operating model. As explained on page 6, the delivery of the Group's strategy and related strategic transformation programme is on track and the Board continues to monitor its implementation.
Monitor the implementation and execution of the Transformation Initiative.	Ongoing. Despite the rephasing of some activities as a result of the pandemic, significant progress is being made in the implementation of the strategic transformation programme (see page 65).
Improve focus on customers, innovation and markets.	The FISBE strategic pillars are specifically designed to achieve this improvement and they are embedded in each category's strategic plan. In particular the strategic plan presented by each business unit at the strategy meeting held in July 2020 set out how they will deliver enhanced customer, innovation and market focus. The Board continues to monitor delivery against these strategic plans.
Utilise the 2019 stakeholder survey results to provide valuable insight into our stakeholders and facilitate Board decision-making.	The valuable insight into the issues and concerns that matter to our stakeholders continues through the provision of a stakeholder impact assessment for each key decision.
Improve engagement with employees at all levels which will also facilitate and enhance the Board's ability to monitor culture and behaviours across the Group.	As explained on page 83, due to the pandemic our Board-led, face-to-face employee engagement programme was curtailed. Virtual meetings have been held with various Employee Resource Groups and the outputs of the OHI survey considered.
Enhance and develop the relationships among Board members.	Under the guidance and leadership of the Chairman, who was appointed in September 2019, the cohesiveness of the Board has significantly improved. The constitution of the Board has also continued to evolve through the year with all Board members connecting virtually. However the Board's effectiveness will be further improved once physical meetings resume.
Evolve the Board's composition, succession planning for key roles at Board and executive management level and identify the key attributes sought in the appointment processes.	Three new Non-Executive Directors, Brian May, Heather Mason and Constantin Coussios, were appointed during 2020, and the composition of the committees has evolved. The CEO has successfully appointed a number of new members of senior management to strengthen the CELT.
Further develop the Board's oversight and understanding of the Group's risk management processes and key risks.	Dedicated risk management sessions were held during 2020, and the embedding of risk management into the business processes and improvements to the risk management framework continues.
Improve the quality of the information flow to the Board, the timeliness with which papers are circulated, the analysis of data, and the communication around key opportunities and challenges.	During the year the format of Board and committee papers was standardised and improved. This together with the continued development of management reporting information and analysis has improved the quality of information going to the Board.

Key findings arising from 2020 Board evaluation together with priority actions for 2021

Key findings	Priority actions for 2021
Further develop growth strategy.	Continue to challenge the Group's strategy, overall and at a category level, to drive delivery of value to investors and stakeholders.
Increase focus on innovation and products.	Improve the Board's understanding of the Group's competitive landscape, product development and product profitability.
Improve stakeholder insights.	Ensure the Board receives direct input from and engagement with customers (being end-users and caregivers), including their evidence-based insights. Also maintain focus on meeting shareholder aspirations.
Further develop succession planning and talent development.	Continue to enhance the Group's succession planning and talent development processes. The Board, through the Nomination Committee, will oversee the outputs of these processes and monitor progress of diversity and inclusion initiatives.
Board meetings were effective, despite the move to virtual meetings; and focus to be maintained on discussion of topics.	Continue to embed new members of the Board. When possible, resume physical meetings to assist the development of a fully cohesive and effective body. Continue to improve Board papers to allow as much time as possible for discussion of each topic.

The constitution of the Board has further evolved during 2020. The evaluation questionnaire explored the functioning of the Board as a unit and the relationships among Board members. It was established that the Board considered its composition and diversity of skills and experience to be well balanced. There was consensus that the move to virtual meetings had been successful, but by their nature they were less free flowing and a return to physical meetings would further improve the effectiveness of meetings.

In compliance with the Code, the Board intends to conduct the next externally facilitated evaluation in 2021.

Nomination Committee report

Dr John McAdam CBE
Chairman of the Nomination Committee

"To realise our vision and support our strategy the Committee must ensure we recruit the best talent and continue to build a skilled, diverse and effective leadership team."

Activity highlights

- Recommended to the Board the appointment of Brian May as an independent Non-Executive Director, which was reported in the 2019 Annual Report.
- Oversaw and recommended the appointment of Heather Mason and Constantin Coussios as independent Non-Executive Directors.
- Reviewed and adjusted the composition of the Board's committees.
- Reviewed the development of a diversity and inclusion strategy.
- Undertook a succession plan review of the CELT.

2021 priorities

The Committee conducted an evaluation of its performance and identified the following areas of focus for 2021:

- Continue to focus on succession planning for the Board and senior management, including succession plans for each member of the CELT.
- Monitor the process and outputs for the identification of high potential talent and plans for their development.
- Monitor the ongoing development of diversity and inclusion initiatives across the Group.

Committee membership, meetings and attendance

The table below shows the number of meetings attended out of the number of meetings members were eligible to attend.

Director	Member since	Attended
John McAdam	September 2019	4/4
Margaret Ewing	May 2019	4/4
Rick Anderson	May 2019	4/4
Ros Rivaz (until 31 August 2020)	August 2017	3/3
Regina Benjamin	September 2020	1/1
Heather Mason	September 2020	1/1
Brian May	September 2020	1/1

The Company Secretary and the EVP, Chief Human Resources 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.

4
Meetings held

100%
Attendance

Dear Shareholder

This report provides a summary of the Nomination Committee's activities during the course of the year.

Our role

If we are to pioneer trusted medical solutions that improve the lives we touch, and create sustainable value for all our stakeholders, we must ensure that we have a skilled, diverse and effective leadership team and a good pipeline of future talent. The effectiveness of our leadership team is particularly important at this stage of the Group's development. They have a crucial role to play in inspiring and motivating our people to help transform our business.

As a Committee we must ensure that we recruit the best senior management talent to lead our business. And having attracted the best we must also ensure that we develop our people and retain them.

Changes to membership

During the year there were a number of changes to the composition of the Committee. At the end of August 2020 Ros Rivaz stepped down from the Board and the Committee and on 1 September 2020 Regina Benjamin, Heather Mason and Brian May joined the Committee.

Committee focus and activities in 2020

Focus areas	Activities
Board composition – Leads Board appointments process. – Reviews regularly the Board's size and composition. – Oversees and recommends orderly Board and senior management succession.	– Recommended the appointment of Brian May with effect from 2 March 2020. – Recommended the appointment of Heather Mason with effect from 1 July 2020. – Recommended the appointment of Constantin Coussios with effect from 1 September 2020. – Reviewed and adjusted the composition of each of the Board's committees.
Corporate governance – 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.	– Reviewed deployment of the Group's diversity and inclusion strategy and assessed key metrics to ensure continued focus on building a sustainable, diverse and inclusive organisation. – Reviewed succession planning for the CELT.

Board composition

In September 2019, to support our strategy we commissioned Russell Reynolds to undertake searches for additional independent Non-Executive Directors to enhance the Board's financial expertise and international, commercial and operational experience. The Board had identified that this experience was needed following recommendations from the Committee.

As a result of this search process three new independent Non-Executive Directors joined our Board during 2020: Brian May in March 2020, Heather Mason in July 2020 and Constantin Coussios in September 2020. Biographical information about these new Board members is included on page 91.

When recruiting new Non-Executive Directors members of the Committee interview selected candidates, who also meet with the Executive Directors. The Committee then recommends 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.

Board committees' composition

Following the changes to the composition of the Board, the Committee reviewed the make-up of each of the Board's committees. As a result of this review the composition of each committee has changed and these changes are explained in the relevant committee reports on pages 103, 106 and 117.

Board and committee evaluation

In November 2020 the Board and each committee undertook an internal evaluation of effectiveness. The evaluations took the form of detailed questionnaires. The outputs and actions for each committee are set out in their respective reports and the actions from the Board evaluation are set out on page 102.

Diversity

The Board endorses the aims of the Davies' report entitled "Women on Boards", the Hampton-Alexander ("H-A") report entitled "FTSE Women Leaders – Improving Gender Balance in FTSE Leadership", and the Parker report entitled "A Report into the Ethnic Diversity of UK Boards".

At Board level we have members of various nationalities, gender and ethnicity who have a good range of skills and expertise. As at 31 December 2020, the proportion of women on our Board was 30% which is in line with our target of at least 30%. The Committee will continue to monitor this proportion and the diversity of the Board 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 ensuring that at all times the Board has the relevant skills and expertise to perform effectively. The Committee acknowledges the challenge set by the Parker report for there to be one non-white director by 2024 for FTSE 250 companies, and we are pleased that we already meet this target.

To achieve diversity in other parts of the Group, in 2017 we launched our diversity and inclusion strategy which set an objective to have 30% of senior management roles held by female executives by the end of 2020. As a result of a range of initiatives to accelerate change, as at 31 December 2020, women made up 34% of our senior management team.

During the year the Board has considered diversity insights across a range of metrics with a focus on gender and the initiatives to advance women in leadership. We also received insights from our Employee Resource Groups. In 2021 the Committee will continue to monitor the ongoing development of diversity and inclusion initiatives across the Group.

Talent and succession planning

As explained above there were a number of changes to the composition of the Board and a reorganisation of the membership of its committees. In light of this our succession planning work has focused on the CELT. To support the Group's new strategy and operating model, numerous appointments and changes to the CELT and their direct reports were made during 2020. The Committee has considered succession planning for each member of the CELT.

In 2021 we will monitor the talent and succession planning processes to align talent to the Group's values and initiatives to build diverse talent succession for critical roles with a focus on future capabilities.

External search firms

As highlighted above, from time to time we engage international search and selection firms to support with appointments to the Board including Heidrick & Struggles, Spencer Stuart and Russell Reynolds. The searches that resulted in the appointment of Brian May, Heather Mason and Constantin Coussios were conducted by Russell Reynolds. On occasion Korn Ferry also conduct executive search assignments for the Group. Heidrick & Struggles, Spencer Stuart, Korn Ferry and Russell Reynolds have no connection with the Group, or any Director, other than they may be engaged to assist with Board and senior management appointments from time to time.

Copies of all appointment letters are available for inspection at the Company's registered office.

On behalf of the Nomination Committee

Dr John McAdam CBE
Chairman of the Nomination Committee
4 March 2021

Audit and Risk Committee report

Margaret Ewing
Chair of the Audit and Risk Committee

"While COVID-19 has impacted the Group's activities, the Committee has continued to ensure that the Group's key challenges are reflected in high-quality external and internal audits, effective controls remain in place, key and emerging risks are identified and effectively managed, and sound financial judgements and estimates are made."

Activity highlights

In addition to those activities the Committee's terms of reference require it to always consider (such as the integrity of the publicly available financial information and the quality and effectiveness of the external and internal auditors), during 2020 our key activities reflected the implications of the pandemic and included:

- Regular and extensive reviews of the impact of COVID-19 on the Group's business, strategy, risk management and control framework and associated accounting judgements and estimates, including transformation programme implications.
- Consideration of the Viability statement, including management's proposed sensitivity scenarios.
- Review of the tax implications of the changes to the Group's operating model, including on tax strategy, key tax risks and significant accounting judgements.
- Regular updates on key programmes including establishment of the Global Business Services ("GBS") in Lisbon, enhancements to management information and data integrity, sustainable responsibility programmes (including compliance with TCFD requirements) and progress on cyber security and data privacy.

2021 priorities

- Continue to closely monitor the ongoing impact of COVID-19 on the Group's financial performance, resilience and risk and controls.
- Oversee the continuous improvements to the internal audit programme, risk management framework and processes, fraud prevention, detection, monitoring and reporting processes and all process and data integrity matters related to ESG, particularly in relation to compliance, measurement and reporting.
- Understand the implications for the Group and the Committee of emerging regulatory changes and ensure the Group is in a position to comply in the required timeframe.

Committee membership, meetings and attendance

The table below shows the number of meetings attended out of the number of meetings members were eligible to attend.

Director	Member since	Attended
Margaret Ewing (Chair from 28 June 2019)	August 2017	9/9
Brian May	March 2020	6/7*
Heather Mason	September 2020	3/3
Ros Rivaz (member until 31 August 2020)	March 2019	6/6
Regina Benjamin (member until 31 August 2020)	June 2019	6/6

* Brian joined the Board and Committee in March 2020 but was unable to attend the Committee meeting in September due to a prior commitment. He did, however, provide comments on the meeting papers to the Chair of the Committee in advance of the meeting.

The Company Secretary is Secretary to the Committee and attends all meetings. The entire Board is invited to attend Committee meetings. Regular attendees include:

- Chairman
- Chief Executive Officer
- Chief Financial Officer
- Chief Transformation Officer and General Counsel
- Corporate Controller, and when appropriate, other members of the Controlling function
- Vice President, Internal Audit and Enterprise Risk, and when appropriate, the Head of Enterprise Risk
- Key audit partners and director of the external auditor, Deloitte

The Vice President, Internal Audit and Enterprise Risk and the external auditor have direct access to the Committee's members should they wish to raise any concerns outside formal meetings and at least annually, and as required, they are given the opportunity to discuss matters with the Committee without executive management being present. The Committee is authorised to seek outside legal or other independent professional advice as it sees fit but has not done so during the year.

9
Meetings held

97%
Attendance

Dear Shareholder

As Chair of ConvaTec's Audit and Risk Committee, I am pleased to present this report on behalf of the Board, providing our stakeholders with information on the Committee's response to the Company's key challenges and priorities, its continuing effectiveness, and its relentless focus on continuous improvement in the Company's processes and controls.

We seek to respond to shareholders' and other stakeholders' expectations in our reporting and we welcome their feedback. Furthermore, we are keen to receive feedback, including engaging in direct meetings, from shareholders and other stakeholders on this Committee report or other related issues.

Committee membership

The composition of the Committee changed during the year to reflect the changes to the Board's membership. We welcomed Brian May and Heather Mason as members with effect from 2 March 2020 and 1 September 2020 respectively. Both Brian and Heather bring significant Board experience, including as audit committee members, and have already made excellent contributions to our discussions and I look forward to working closely with them during 2021. Ros Rivaz and Regina Benjamin stepped down as members with effect from 31 August 2020 and I thank them both for their invaluable support and counsel.

The Committee members collectively have a wide range of financial, audit, risk management and relevant sector and business experience that enables the Committee to provide constructive challenge and support to management. In accordance with the Code, the Board has determined that Brian and I have recent and relevant financial experience and is satisfied that the Committee had competence relevant to the sector and its overall responsibilities throughout the year. With the Nomination Committee, we will continue to review our membership to ensure the skills and experience of the Committee's members align with the business as it develops.

Reflecting on 2020

During the year management focused on ensuring that the Group's response to the COVID-19 pandemic was agile and effective and as a result we continued to serve and support the people who rely on our products and services. At the same time extensive work and investment to deliver the Group's strategic transformation has continued.

To ensure that the Committee reflected the Group's strategic priorities in its own agenda, we held nine meetings during 2020, including meetings timed to align with the financial reporting and audit cycles of the Group and reflecting the additional review requirements relating to the pandemic, regulatory developments, and the implications of the Group's transformation on its finances, internal controls and risks. In planning the Committee's agenda and reviewing the audit plans of the internal and external auditors, we took account of significant issues and operational, compliance and financial risks likely to have an impact on the Group's financial statements and/or the Group's execution and delivery of its strategy, adapting the agenda and plans as appropriate as the year progressed. Following each Committee meeting, I communicated the Committee's main discussion points and findings (including recommendations) to the Board.

Given the rapidly changing external environment and the potential impact on the Group's strategic and operational priorities, I met regularly (outside of Committee meetings) with relevant members of management and external audit partners. I would personally like to thank all teams involved with the Committee's activities for their amazing contribution during 2020 and their relentless focus on quality, sound judgements, controls and risk during a very difficult year, particularly given most of these teams were working remotely and with other personal implications of the pandemic for the past 12 months.

The integrity of the financial statements, including the Annual Report and Accounts and quarterly results announcements (including ancillary matters), is a key focus for the Committee. During 2020 we have endeavoured to improve the clarity and transparency of the Company's financial reporting and sought to ensure that our reporting is aligned with the latest guidance and requirements from regulators, that it is fair, balanced and understandable and that all matters disclosed and reported upon meet the rapidly evolving needs of our stakeholders, including the disclosures related to the Company's response to the pandemic and Brexit and their implications for the future strategy of the Group. In the following pages of this report, we aim to share insights into the activities undertaken or overseen by the Committee, during 2020 and until the date of this report, and how the Committee, management and/or external auditor have responded to the issues that have arisen.

The COVID-19 pandemic required the Committee to provide significant focus on two specific financial reporting matters, neither of which are significant accounting judgements but do influence these judgements. They relate to the financial accounting and disclosure implications of the pandemic and the consideration of the Viability and Going Concern statements.

COVID-19

An assessment was performed by management of the potential impact of COVID-19 on each balance sheet caption and associated accounting estimates and judgements at each reporting date during the year. The Committee reviewed, discussed, and challenged management on the underlying assumptions, particularly in relation to goodwill and finite-lived intangible assets impairment, which are considered below. The Committee also reviewed and challenged COVID-19 related disclosures in the interim report, Annual Report and the Q1 and Q3 trading updates ensuring that the disclosures were transparent, meaningful and in line with FRC guidance.

The external auditor explained how they had challenged management's assumptions in each of the key judgements and estimates potentially impacted by COVID-19 and had reviewed management's proposed disclosures. The external auditor also noted that, in respect of key audit matters, the relevant internal controls were designed and implemented effectively and had been appropriately adapted where required to reflect the operating conditions arising from the pandemic.

After review and challenge, leading to certain enhancements, the Committee confirmed that the approach adopted by management in their assessment of the effect on the financial statements of COVID-19 was appropriate and the disclosure thereof enabled an understanding of the impact of COVID-19 on the business.

Viability and Going Concern statements

The Board's Viability statement and the Going Concern statement are included on page 80 and page 149 respectively and the methodology adopted in assessing the robustness and appropriateness of the supporting evidence to the Viability statement is set out on pages 80 and 81. The forecasts and stress test scenarios, including the reverse stress test, applied in assessing the viability of the Group were also adopted in the Committee's review of the applicability of adopting the going concern basis of preparing the Group's Financial Statements.

In assessing management's process and methodology supporting the preparation of the Viability and Going Concern statements and their appropriateness, the Committee specifically considered and challenged:

- the planning horizon and the appropriate viability period, including:
  a. significant investments being made in the transformation of the Group and implementation of our strategy.
  b. R&D and production cycles and the evolution of the R&D and Technology roadmap under the leadership of our new Chief Technology Officer.
  c. ability to respond in a timely manner to reasonably possible Group specific and market events, particularly considering COVID-19 and the inherent uncertainty associated with forecasting the future of the pandemic and its global economic impacts.
  d. the Group's debt maturity profile, with existing debt maturing in October 2024.
- the continuing relevance and sensitivity of the key assumptions underlying the Strategic Plan and its alignment with the 2021 Annual Operating Plan ("budget") reviewed and approved by the Board in December 2020.
- the assumptions underlying the cash flow projections after debt service costs, current and projected cash balances and capacity available in existing sources of funding.
- severe but plausible stress test scenarios proposed by management covering the Group's key financial performance and liquidity risks, including assessing the Group's ability to meet financial covenants and have adequate liquidity headroom available under each scenario. The Committee requested further scenarios be considered and certain scenarios initially included by management be excluded as the Committee did not believe them to be plausible and challenged certain assumptions applied (see pages 80 and 81).
- the potential mitigations available to management that were not reflected in the stress test scenarios.
- a reverse stress test, before mitigations, to determine the impact required on the performance of the Group to cause it to no longer be considered resilient or viable over the three-year period. The Committee concluded that this scenario is not plausible.

The Committee obtained a summary of external views (from investors, analysts, other stakeholders, and industry commentators) on the future direction of the sector in which the Group operates and the expectations for ConvaTec over the next three years. It compared this summary to the Strategic Plan forecasts and the assumptions underlying the Viability scenarios and challenged management to justify why certain variances should not be adopted by the Group.

The auditor confirmed that the Directors' statements on Viability and Going Concern had been read and evaluated in conjunction with the balance of their audit work and understanding of the impact of COVID-19 on the Group and concluded that they were consistent with the knowledge obtained during the course of the audit.

On the basis of the analysis and scenarios provided by management, reflecting the various changes resulting from the Committee's review and challenge, and the report of the auditor, the Committee approved and recommended the Going Concern and Viability statements to the Board. The Committee also concluded that the Company was aligned with the FRC guidance in relation to its Going Concern and Viability statements and related disclosures.

Significant accounting judgements

The significant accounting judgements considered by the Committee, at least quarterly during the year and when recommending approval of the 2020 Annual Report and Financial Statements to the Board, are summarised below, together with a summary of the financial outcomes where appropriate. In addition, the Committee and the external auditor have discussed the areas of particular audit focus, as described in the Independent Auditor's Report on pages 204 to 212.

Impairment review of finite-lived intangible assets and goodwill: Management undertakes an annual review, or at other times if circumstances indicate a possible issue, to determine if the carrying value of goodwill (in both the Group and parent company balance sheets) and other intangible assets is impaired. This impairment review requires the exercise of considerable judgement and application of assumptions by management, including estimates used in deriving future cash flows and discount rates applied to these cash flows, reflecting current market assessments of the specific risks and the time value of money. The estimation process is complex due to the inherent risks and uncertainties associated with long-term forecasting.

Finite-lived intangible assets: In 2019, management identified a trigger for impairment of certain finite-lived intangible assets acquired at the point of the Bristol Myers Squibb spin-out in 2008, which resulted in the recognition of an impairment charge of $103.6 million, which was treated as an adjusting item. During 2020, management reviewed all finite-lived intangible assets for impairment triggers, which was subsequently challenged by the auditor, who confirmed management's rationale and proposal.

After a number of discussions with management and the external auditor, the Committee was satisfied that, while judgemental and uncertain, the assumptions applied and the methodology used to identify any potential impairment triggers were appropriate, particularly considering the COVID-19 pandemic. The Committee consequently agreed with management's conclusion that there were no impairment triggers, that the useful economic lives remained appropriate and that the disclosure of the valuation of the assets as a key source of estimation uncertainty was no longer required.

Goodwill: The Committee considered management's review of potential indicators of impairment of goodwill and gained an understanding of the level of headroom between the value in use and carrying value of goodwill for each cash generating unit and the sensitivity of that headroom to reasonably possible changes in key assumptions, including the assumptions applied in the scenarios adopted in reviewing the Viability statement. Further information on the discount rate, growth rate assumptions and sensitivities can be found in Note 8 to the Financial Statements. The outcome of these various goodwill related reviews was discussed with management and the Committee received the auditor's views on the matters concerned, which were consistent with management's conclusions.

Having considered the sensitivity analysis, the reasonably possible changes, the assumptions and judgements applied, the conclusions of the external advisers to management (in respect of the discount rates applied) and the auditor's independent assessment and challenge, and in particular the level of headroom between the carrying value and value in use (before and after the application of assumption sensitivities), the Committee agreed with management's valuation and concurred that there was no impairment to the carrying value of goodwill.

Taxation

The Committee considered the Group's tax risk profile in light of tax authorities around the world undertaking an increasing number of tax audits in respect of all companies, requirement for greater transparency and new tax legislation in jurisdictions where the Group has presence.

Recognition of deferred tax asset ("DTA") arising from the Swiss tax reform: In FY19, management adopted a specific methodology, the 'Swiss Practitioners' Method', to determine the best estimate of the related DTA expected to arise on the transition to the new tax rules in Switzerland. This gave rise to the recognition of an estimated DTA of $23.0 million. In agreeing to this estimated DTA balance, the Committee appreciated that the transformation changes expected during 2020 were likely to impact the future assessment of the relevant DTA value and agreed to the associated disclosures in the FY19 ARA, including the classification of the measurement of the DTA as a critical accounting judgement and key source of estimation uncertainty.

During FY20 management continued to develop and implement the transformation, which has required a redesign of the Group's operating model, leading to a change in the Swiss-based entity's transfer pricing profile, impacting its expected future profitability. As a result, management has reassessed the most appropriate methodology to be applied to the basis of estimating the DTA, given the change in profile of the Swiss-based entity, and consider the Discounted Cash Flow methodology to be more appropriate, resulting in the DTA as at 31 December 2020 being valued at $7.3 million (a reduction of $17.6 million). The main driver for the reduction in the DTA is predominantly the change in the future anticipated profitability of the Swiss-based entity and the consequential change in valuation methodology.

The Committee sought additional information and explanation from management and the auditor in relation to the change in the basis of estimate of the DTA, including the methodology applied, and appropriateness of the forecasts and applied assumptions underlying the estimate. The Committee also requested additional information and explanation to support management's view that the calculation of the DTA estimate was no longer a key source of estimation uncertainty and also considered the external auditor's assessment and challenge of management's conclusions.

Following detailed discussion with management and the external auditor, the Committee agreed with the reassessment of the DTA. It also agreed that the reasonably possible change in the key assumptions (such as revenue growth, weighted average cost of capital, terminal growth rate and predicted operating income of the Swiss-based entity), which impact the DTA, was not expected to have a material impact on the DTA in the next 12 months, and therefore, it was appropriate to remove the valuation of the DTA as a key source of estimation uncertainty. The Committee also agreed that the change in the value of the DTA should be treated as an adjusting item and the associated disclosures within the Financial Statements were appropriate.

Uncertain Tax Positions on Transfer Pricing ("TP"): Due to the Group's transformation programme and ongoing changes to the Group's operating model, TP adjustments between several Group companies were made in order to reflect the functional changes. Although management has determined that these TP adjustments are robust and supportable in relation to TP regulations, provision has been made for uncertain tax positions on TP where the risk of a successful challenge by tax authorities is considered probable, in line with the requirements of IFRIC 23.

Following detailed discussion with management regarding the changes in the operating model, the supporting documentation for the TP position and the likelihood of challenge by tax authorities and after considering the external auditor's assessment and challenge of management's position, the Committee agreed with management's conclusion on the provision for uncertain tax positions on TP including management's conclusion as to positions where no provision is required.

Recognition of US deferred tax assets: The Committee considered management's proposal to recognise DTAs of $88.7 million, before the offset against $104.5 million of deferred tax liabilities, in the US, based on management's assessment of the DTAs' recoverability and the timing of the reversal of deferred tax liabilities against which DTAs can be utilised. Management provided papers setting out the background to the US DTAs and their proposed treatment.

Following discussion and further analysis by management related to the recognised deferred tax assets and liabilities (including the forecasts for the US business units reflected in the Strategic Plan), and considering Deloitte's assessment and challenge, the Committee agreed to the recognition of the US DTAs.

Other important matters affecting the Group's financial reporting

In addition to the Committee's consideration of the significant accounting judgements and the key reporting matters related to the COVID-19 pandemic (which are reported on above), the Committee also discussed three other important aspects of the Group's financial reporting:

Alternative performance measures:
The Committee reviewed the Group's policy, approach and disclosures in respect of APMs with reference to the various FRC and ESMA guidelines and concluded that the Group's approach remains aligned with regulatory guidance, all items treated as adjusting items in the FY20 Financial Statements and other parts of the ARA were consistent with the policy and fully disclosed and there was appropriate prominence of reported/statutory financial information compared to the APMs.

In addition, the Committee discussed management's proposal to refine the APM policy to provide clarity in respect of the treatment of acquisition-related costs and amortisation, to better reflect the underlying performance of the business and aid year-on-year comparability. After the provision of further analysis on acquisitions since 2018, both of which were classified as small, being for a consideration of less than $15 million each, the Committee agreed with management's proposal to refine the policy, effective from 1 January 2021.

Operating segment reporting:
The Committee considered management's assessment to support the position that, for the purposes of financial reporting, no triggers had been identified that contradicted the view that the Group's business should be regarded as a single segment entity. The assessment concluded that the CEO continues to be the CODM and, whilst the business transformation has changed certain elements of the operational leadership structure, the business continues to operate in a matrix structure, with management information on the performance of the business being reported on both a category and regional basis. Primary profitability measures (gross margin and operating profit) continued to be presented on a Group basis only in the monthly management reports for 2020, which is consistent with the prior year. The primary focus of financial reporting in 2020 continued to be based on the Group results as a whole.

In forming its own view, the Committee had regard to IFRS 8, which requires external reporting to reflect the way that the business is managed internally. The Committee also noted that resource allocation continues to be driven with the support of global functions and in 2020 includes changes that enhance that support, such as the introduction of the Technology and Innovation team and Centres of Excellence for Pricing and Marketing, and consequently concurred with management's view that the Group should continue to report as a single segment for the purposes of disclosures in the 2020 ARA. As the Group continues to pivot to its new operating model, the Committee will continue to review the appropriateness of the single segment approach.

Fair, balanced and understandable ("FBU"):
The Committee advised the Board that the 2020 ARA, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for shareholders and other stakeholders to assess the Group's performance, business model, strategy and key risks that challenge the Group, including the disclosures made in relation to COVID-19, Brexit, TCFD and ESG. The Committee's review, conclusion and advice to the Board was informed by:

- Assessing the impact of COVID-19 on the current and future trading of the business and the clarity with which the impact was conveyed in the 2020 ARA, including ensuring compliance with FRC guidance.
- A qualitative review of the disclosures, links and internal consistency of messaging throughout the 2020 ARA, particularly with regards to the Strategic report, Corporate governance report, Financial review and the Financial Statements, and ensuring alignment with the Group's actual position, financial performance and successes and challenges in delivering its strategy throughout the year.
- Considering the balance of statutory reported results and non-IFRS measures, including a clear and comprehensive reconciliation between them and consideration of why non-IFRS measures were being provided.
- Consideration of the adequacy of disclosures and reflection in all aspects of the 2020 ARA, including the Financial Statements, in relation to TCFD and ESG.
- Reviewing, challenging and agreeing the completeness of the FBU checklist presented by management and reviewing various versions of the draft ARA to ensure the process outlined above was effective.
- The 2020 ARA preparation process being led by a senior management working group and specific reviews by the Board, CELT, and legal advisers in relation to key sections of the ARA and relevant sections of the ARA as audited by Deloitte.

Other key matters

The Committee also considered other key matters during the year, each contributing to its ability to provide assurance to the Board that it could conclude on the effectiveness of the Company's internal controls and risk management processes throughout the year. Such matters included:

Internal audit	The internal audit function's role is to systematically, independently and objectively assess the adequacy and effectiveness of the risk management systems and key internal controls over the Group's operations, financial reporting, IT systems, risk and compliance processes and evaluate the quality and effectiveness of and compliance with the Group's policies, standards and procedures, including their use and appropriateness. The function is a critical component of the Group's corporate governance framework, affording essential support and assurance to the Board, Committee and management in the execution and delivery of the Group's strategy and transformation. It provides recommendations to address key issues identified and improve processes and controls and delivers important insight on issues of culture and employee values and behaviours across the diverse geographies in which the Group operates. The function utilises co-sourcing partners where there is a requirement for specialist skills that are not available in the in-house team or when additional resources are required due to the scale of internal audits. During 2020, internal audits were undertaken in accordance with the Committee's agreed plan for the year, as adjusted to reflect our response to the increased risks associated with COVID-19 and in light of in-country social distancing and global travel restrictions, for example the internal audit plan was amended to include areas identified as key risks by the CELT-led Rapid Response Team. These included supply chain vulnerabilities and home-working practices for privacy and security. In addition, certain planned 2020 audits have been deferred to 2021, due to effective remote auditing of the subject matter not being feasible. Regular updates were provided to the Committee on the status of ongoing audits and action closure. The Committee monitored progress against the plan, discussed the results of all audits undertaken, invited relevant senior management to meet with the Committee to discuss their plans to address the more significant weaknesses identified by an internal audit review and monitored relevant actions to address recommendations. The Committee recommended that, when agreeing actions to address audit findings, management should have regard to the implications and dependencies of delivering against the agreed recommendation and provide realistic and achievable timescales in which to complete the action. In addition, the Committee highlighted the need for the CELT (as a collective but also its individual members) to be regularly updated on the conclusions of the internal audits, the key recommendations and the deliverables (in terms of actions required) to address the issues identified. The Committee remains focused on ensuring the continuing evolution, strengthening and embedding of the Group's internal audit function, processes and frameworks and enhancement of the structure and resourcing of the internal audit team. During 2020, the Committee reviewed the function's effectiveness and emphasised the need for the internal audit function to evolve to better respond to the Group's changing operating model and increased demands and expectations of the CELT and Board. The Committee has approved the 2021 internal audit plan, which adopts a risk-based approach using the Group's principal and emerging risks as the base. However, the plan will be kept under continuous review during the year and adapted to support the Group's strategic direction, the impact of COVID-19 and any new areas of material risk identified during the year.
Enterprise risk management ("ERM")	The framework and processes the Group operates to manage risk are set out on pages 72 to 75. During the year, the Committee monitored and reviewed the Group's risk management activities and processes through reports at each Committee meeting. The Committee reviewed the bottom-up and top-down process utilised to identify risks, the movement of the principal risks, emerging risks and the development and implementation of mitigation controls set against the risk appetite approved by the Board and considering the implications of COVID-19 (which had an effect on all principal risks). The Committee also undertook a number of 'deep dives' with management into management's approach to risk mitigations and proposed enhancements in respect of aspects of certain principal risks. The Committee was pleased to note that management continues to enhance, develop and embed the risk framework, policies, risk identification and mitigation controls across the Group's operations. However, the Committee concluded that the further development, implementation and embedding of the framework and supporting processes across all aspects and levels of the Group needs to be accelerated to ensure that ERM is an integral element of driving the Group's strategy, supporting the changing operating model and being adopted as a valuable tool used by management in their day-to-day activities.

Compliance, including whistleblowing	Throughout 2020, the Committee has continued to review the Group's compliance policies and procedures and compliance global monitoring plan and results, including the operation of the independent third-party (Navex Ethicspoint) managed whistleblower hotline (referred to as the 'Compliance helpline' within ConvaTec) and web link to enable employees and third parties to report suspected breaches of our Code of Conduct or any other matter of concern. In addition to receiving the annual ethics and compliance educational briefing, the Committee received regular reports from the Chief Transformation Officer and General Counsel and the Global Chief Compliance Officer in relation to the Group's compliance programme including: – Programme implementation updates related to adjustments to the programme to reflect changes to the environment resulting from COVID-19 and incorporation of new guidance materials from relevant enforcement and regulatory authorities. – Enhancements to the risk-based third-party due diligence evaluation programme. – Issues identified and conclusions of specific compliance audits undertaken. – Initial results of the global business risk assessment programme, focusing on distributor and other third-party relationships. – Ethics and compliance education programmes delivered across the Group during 2020 (and ongoing into 2021), reflecting the challenge of the current virtual work environment for many functions, particularly the sales force. – Refresh of the Group's Code of Ethics and Business Conduct, aligned with the Group's revised Ethical Policies and current industry standards. – A detailed report on the issues raised via the Compliance helpline, the trend in complaints, nature of them, how substantiated complaints have been addressed, the process applied to triage and correctly investigate complaints and the promotion to and education of the Group's entire workforce on the availability of the Compliance helpline. The Committee oversees the investigation and outcome of all significant issues reported via the Compliance Helpline and web link referred to above. During 2020 the Committee received reports on ongoing and concluded investigations. The Committee also considered the actions taken by management as a result of the investigations and recommended additional actions where appropriate. Further information about our compliance programme and our Code of Conduct is included on page 58.
Taxation	During 2020, the Committee continued to review key aspects of taxation including compliance, accounting judgements, reporting, strategy and the level of tax resource required to meet the needs of an international group, the evolving business model and external reporting requirements of regulators and tax bodies. The Committee received regular updates from the Vice President, Global Tax including: – Management's proposal to restructure and simplify the Group's holding companies, being the unwinding of the complex and legacy pre-IPO structure. – The tax implications of the Group's strategic transformation programme and associated operating model changes. – The status of tax audits across the Group. – Developments in the regulatory environment, including management's roadmap to ensure compliance with new legislation e.g. EU Mandatory Disclosure Regime ("DAC 6"). – The Group's internal tax policy and the proposed Public Tax Statement, which were both approved by the Committee. The Committee acknowledged the considerable progress made during the year. To address the ongoing tax related challenges, the Committee requested: – Regular updates on the tax implications of the Group's evolving operating model, including the potential impact on the jurisdictions to which the Group's residual profits (or losses where relevant) will be attributed and the possible effect on long-term ETR forecasting. – Progress updates on the planned simplification of the legal entity structure of the Group. – Regular updates on emerging legislation, increasing transparency requirements from tax and regulatory authorities and management's assessment of the potential impact of these changes on the Group including, for example, future developments on Base Erosion and Profit Shifting ("BEPS").

Internal controls over financial reporting	During the year the Committee received regular updates on the global financial control framework including: – Review of the continued operation of the framework during COVID-19 including, where applicable, appropriate adjustments. – Analysis of compliance with the control framework across the Group, including details of control failures and their remediation. The Committee noted that there were no material control failures during the year. – Ahead of the transition of transactional finance activity to Lisbon, reports from internal audit on the proposed control environment to confirm completeness and appropriateness of design and subsequently, post-implementation reviews to confirm that the control environment is operating as designed. In addition, the Committee received reports from the IT governance risk and compliance team in relation to the operation of IT general controls across the Group. This included the team's response to the review of home-working practices performed by Internal Audit, which noted a number of required improvements including the removal of certain system administration rights. No material control failures were noted during the year. The Committee also received and reviewed management's report on the 'Annual Review of the control environment', which included a summary of the global financial controls programme, IT general controls operation and entity level controls. The Committee acknowledged the continued good progress on embedding internal controls over financial reporting across the business and for providing assurance over the production of the financial statements and noted the need to continue improving the controls, particularly in respect of documentation, to ensure the Group would be able to comply with future potential regulation regarding internal controls over financial reporting.
Cyber security	Cyber security is a dynamic risk area due to converging threats and technology advancement and the risk has increased during the COVID-19 pandemic. In addition, data privacy and GDPR compliance are high-profile areas of business risk for all companies and very closely aligned with cyber security. The Committee reviewed progress against agreed plans set out in the Group's cyber security and data privacy strategy, including: – Review of IT controls and arrangements in relation to COVID-19, in particular in relation to home-working. – In-sourcing of security controls from a third-party provider and improving security controls to detect cyber issues to enable an earlier and faster response. – Continued programmes to educate employees and increase awareness of cyber threats and issues. – Review of the incident support plan, including strengthening of the plan following incorporation of improvements identified in the cyber incident response workshop. – Actions taken to further embed IT controls and deployment of improved detection tools. – The status of the embedding and monitoring of data privacy and GDPR compliance across the Group. This included the appointment of a Group Data Privacy Officer supported by a privacy specialist. – Progress in the implementation of the data privacy roadmap and privacy transformation initiative; and continued programmes to educate employees. The Committee recognised the significant progress that had been achieved in implementation of the cyber security strategy, thereby reducing the Group's cyber security risk, and ensuring the Group remains compliant with data privacy requirements. However, the Committee requested: – A review of cyber readiness of certain of the Group's suppliers be undertaken. – The Group's cyber maturity against external benchmarks should be established. – Regular updates on the further implementation of the cyber security strategy during 2021. – Continued focus on further mitigations for both cyber security and GDPR compliance, both of which should continue to feature on the Internal Audit programme and the Committee's annual agenda.
Global Business Services ("GBS")	The Committee recognised the important progress made by management in delivering the establishment of the GBS during the pandemic, particularly given the challenges of home-working and remote knowledge transfer. However, the Committee challenged a number of areas of management's plan including: – The speed of implementation, order of business transition and capacity of the Group to deliver the change. – Further opportunities to automate, including increasing the use of robotics. – Continued monitoring of the control environment as the scope of the GBS increases. The Committee acknowledged management's responses and requested further and regular updates to be presented to the Committee during 2021.

ESG and TCFD

The Committee has continued to review the Group's progress in meeting the increasing stakeholder and regulatory reporting requirements and disclosures relating to the Group's focus on sustainability, particularly in relation to its employee and community activities and climate change initiatives, including TCFD reporting. During the year the Committee received an update from the nominated CELT member responsible for these important aspects of the Group's governance and strategy (see page 52 to 57).

The Committee reviewed and challenged TCFD disclosures in the four primary pillars of governance, strategy, risk management and metrics and targets and concluded that the disclosures in the 2020 ARA were compliant with the existing regulatory requirements. The Committee encouraged management to make further improvements in the Group's implementation of its plans to realise its environmental targets in 2021, particularly in relation to the roadmap required to deliver against the climate change targets and further climate scenario modelling.

The Committee also reviewed progress in ESG against both section 172 requirements and, more broadly, against the recommendations of the report "Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation". The Committee noted that, during 2020, the Group's response to COVID-19, under both the People and Principles of Governance pillars demonstrated considerable progress. However, the Committee also noted, and agreed with management, that further improvements could be made in 2021 including:
- Continued monitoring and readiness analysis against the recommendations of the World Economic Forum.
- Further embedding ESG into the business including clearer integration into the Group's longer-term objectives and strategy.
- Further development of green energy policies.

The Committee recommended to the Board that ESG, including environmental, priorities, be included in the CELT's and Board's agenda and actions and developments regularly monitored by the Committee and Board.

Fraud prevention, detection and investigation

In addition to the fraud assessment conducted as part of the annual review of the control environment and the compliance procedures and policies outlined above, given the heightened fraud risk created by the pandemic, the Committee requested that a cross-functional working party undertake a review of the fraud risk environment. This working group, which included senior representatives from compliance, finance, IT, HR, legal and enterprise risk management, prepared a report covering the Group's approach to fraud, which covered:
- A review of the fraud governance framework, including "tone at the top" and associated policies.
- An overview of communication and training provided to employees, including areas of the business subject to increased fraud risk.
- Processes in place to ensure robust third-party due diligence.
- Financial statement reporting, including processes to assure balance sheet integrity and assess and monitor effectiveness of financial controls.
- Effectiveness of cyber security in preventing and detecting controls including payment diversion frauds and frauds where our brand is misused to target others.
- Confidential reporting (including whistleblowing) and processes for subsequent investigations.
- Identification of areas for improvement and a roadmap to deliver the improvements.

Whilst no material fraud risks were identified, the Committee requested that further work be performed in 2021, including an independent detailed review of fraud risk, the fraud risk register and fraud policy to further assure the control environment.

Regulatory developments

During the year the Committee closely monitored regulatory developments relating to ESG, TCFD, climate change and FRC and FCA reporting requirements in relation to COVID-19, as described above. The Committee also reviewed the reports issued by Brydon, Kingman and the CMA in relation to Audit Reform and received regular updates from the external auditor.

In response to the recommendations of the Brydon report, particularly in relation to internal controls over financial reporting, fraud and the proposed resilience statement, the Committee requested that management undertake a preliminary assessment of the readiness of the Group to implement the Brydon recommendations in these key areas. Whilst certain gaps were identified, the Committee agreed that management will undertake further analysis when BEIS publish their anticipated document on audit and corporate governance reform and develop a roadmap for compliance.

Treasury and capital maintenance

The Committee continued to review Treasury reports relating to liquidity forecasting, covenant compliance and associated headroom, hedged positions, and other treasury processes. In addition, the Committee received updates on IBOR reform, the global insurance renewal programme and the conclusion of the insurance broker tender. The Committee reviewed, challenged, and approved the Group Treasury Policy.

Based on analysis provided by management, the Committee considered the availability of realised distributable reserves and liquidity, including the effect of sensitivities aligned to the Viability statement, The Committee concluded that it was able to advise the Board that there were sufficient distributable reserves and cash resources to enable to Board to approve the interim and final dividend for 2020.

The Committee acknowledged the progress that the Treasury team have made in 2020 and requested further regular Treasury updates were received in 2021 including on IBOR reform and the insurance renewal programme for 2021. The anticipated BEIS report on audit and corporate governance reform is expected to define capital maintenance requirements. The Committee requested an update on the Group's ability to meet such requirements following publication of the document.

External audit

Audit process

The Committee is responsible for overseeing the relationship with the external auditor, the audit process and, most importantly, the effectiveness, quality and robustness of the audit. The following table summarises the steps taken by the Committee in overseeing the 2020 audit and its quality.

Significant matters for review	Decisions and actions taken by the Committee
The annual audit plan and strategy including the scope of the audit, changes in approach and methodology, emerging industry and Group specific risks and change in the audit leadership team.	Reviewed and challenged, leading to an agreed plan (see below).
Materiality level for audit including Group materiality and component materiality.	Reviewed methodology and agreed a slightly reduced level of materiality for 2020. In reaching this conclusion the Committee challenged the auditor on potential alternative approaches to determining an appropriate level of materiality, but given the Group's anticipated performance, and the distribution of negative and positive COVID-19 related financial impacts, the Committee agreed with the auditor that the same methodology as that applied in 2019 should be adopted.
Audit fee and terms of engagement.	Reviewed and approved the audit fee and terms of engagement, ensuring there was no impact on scope of audit or quality of resource engaged as a result of the agreed fee level. The Committee noted the level of the fee in comparison to the Group's revenues from, acknowledging that the fee reflected the level of audit materiality, the complex legal and operating structure of the Group and the significant geographic diversity, together with the additional audit requirements arising from evolving regulatory requirements and COVID-19.
Audit scope and risk assessment.	The Committee reviewed the significant audit risks and audit scope for 2020 in September, a delay from the normal earlier date of approval to allow full reflection of any issues arising during the interim review resulting from the impact of COVID-19 and the implications for the full year audit. The Committee requested the auditor provide a benchmark of the coverage provided by the proposed scope versus industry and peer comparators in the FTSE 100 and FTSE 250, details of the analytical reviews performed, and subsidiary audits undertaken on the out-of-audit scope elements of the Group. The Committee challenged the auditor on the exclusion from a full or specified procedures scope of the audit of the businesses in the perceived higher-risk geographies of China and Brazil. The auditor confirmed that desktop procedures would be conducted in relation to these markets and that the results would be communicated to the Audit Committee. Based on the scope provided and discussed, together with the benchmarking analysis, the planned scope of the 2020 external audit was agreed. Deloitte reported against the agreed audit scope at subsequent Committee meetings, highlighting where any potential changes were required due to emerging issues or conclusions from ongoing audit work.
Audit findings, significant issues and other accounting judgements.	Discussed with Deloitte and management (see above).
Deloitte's independence, objectivity and quality control procedures.	Independence and objectivity confirmed, quality control procedures reviewed (see below).

Audit independence, quality and effectiveness

Audit quality and effectiveness was reviewed throughout the year and the Committee continued to use the FRC's Audit Quality Practice Aid to structure its review of audit quality.

The Committee sought to ensure the independence, objectivity and quality of the external auditor throughout the year by:
- Focusing on the assignment and rotation of key personnel.
- Communicating and meeting regularly throughout the year with the audit partners and personnel involved in the audit (with and without management present).
- Reviewing and monitoring the adequacy, experience and quality of the audit resource, particularly senior audit personnel.
- Monitoring relationships and interactions with management.
- Considering the quality and clarity of the auditor's communication with management, the Committee and the Board, both orally and written.
- Implementing policies in relation to non-audit work.
- Monitoring relationships with and assignments awarded to other audit firms to ensure the Company has sufficient choice for any future appointments.

The auditor considered the impact of COVID-19 on their audit approach for the Group in FY20. This included:
- Accounting implications of the forecasts and downside scenarios utilised for the Going Concern and Viability assessments and applied in reviewing the carrying value of goodwill and intangible assets, finite-lived intangible assets and PP&E plus the appropriateness of applying the going concern basis of preparation to the Financial Statements.
- Risk assessment and internal controls where relating to key audit matters.
- External reporting with respect to the FRC guidance and areas of significant judgements applied in the preparation of the Financial Statements, including sources of estimation uncertainty and other assumptions underlying the forecasts.

In addition, the Committee conducted a robust review of the effectiveness and quality of the external audit process, the findings of which were considered at its meeting in December 2020.
- The review concluded that the Company benefited from a capable and knowledgeable senior audit team, that provided the Committee with strong opinions, views and insights, with clear evidence of robust challenge of management and exercise of appropriate scepticism in relation to key audit judgements and estimates. Overall, the results of the external audit quality and effectiveness review and the evidence gathered by the Committee during the year confirm that Deloitte's audit process and procedures were appropriate and effective, focused on the areas of greatest risk and that the audit team provided an effective, robust and objective challenge to Group management. The Committee also observed that the auditor reliably interpreted evidence provided by management and provided external sources to support their conclusions when appropriate.

During the review, the Committee noted that the lead group audit partner and the second group engagement partner would both have completed their maximum term as audit partners to the Company following the conclusion of the 2022 audit. The Committee agreed that an orderly transition to new Deloitte audit partners was important to maintain continuity and ensure a quality, informed audit continued to be provided, particularly given the significant transformation the Group is undertaking and the many changes in the Group's leadership personnel. Deloitte proposed the solution of achieving this by the FY20 audit being the final year that Mark Mullins will act as lead group audit partner. During the FY20 audit, the successor lead group audit partner shadowed Mark to deliver a smooth transition of knowledge and responsibilities for the FY21 audit. 2020 was Mark Mullins' last audit as lead audit partner and Statutory Audit Partner and the Committee would like to take this opportunity to thank him for his considerable insight, technical expertise, robust challenge and focus on audit quality.

Based on the Committee's conclusions regarding the quality of the audit and its effectiveness, we recommended to the Board that Deloitte be proposed for reappointment by shareholders at the AGM to be held on 7 May 2021.

Audit independence

All non-audit engagements performed by the external auditor are approved by the Committee in strict accordance with the Group's policy, which is compliant with the Revised Ethical Standard issued by the FRC in December 2019 ('2019 ES') and which became effective for the 2020 financial year. The Group's policy states that permissible services, as defined by 2019 ES, 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 has been compliant with the policy throughout 2020. Non-audit fees incurred during 2020 totalled $180,000, which is approximately 5% of the average audit fee for the last three years and 4% of the 2020 audit fee. The non-audit fees covered work in relation to:
- Review of the Group's half-year results announcement and the underlying unaudited financial statements for the six months to 30 June 2020 (incurring a fee of $185,000).
- Certain compliance procedures in relation to environmental matters ($6,000).

In addition to monitoring non-audit services provided by and fees to the auditor, the Committee's review of the independence of the external auditor included:
- Examining written 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 audit partners and staff.
- Observing the relationship and tone of communication between management and the auditor.
- Reviewing, if relevant, the employment of former audit staff in senior finance leadership roles. No such appointments were made during 2020.

Deloitte re-considered and re-confirmed their audit independence under 2019 ES, in light of my situation as both a former partner of Deloitte LLP and chair of this Committee. As a former partner, having left Deloitte in 2012, I receive a pension under a predetermined arrangement that cannot be influenced by any remaining connections between me and Deloitte. These arrangements, including charges for personal tax compliance services, are on ordinary commercial terms and are common to all retired partners. Nonetheless, Deloitte also considered whether these arrangements would pass a 'third party' test to consider whether they might impact their independence. This assessment was particularly relevant, given that I have a governance role, as chair of the Committee.

Deloitte concluded that this relationship does not affect the auditor's independence, for the following reasons:
- These arrangements are on ordinary commercial terms and are standard to all former Deloitte partners.
- Tax services are provided by a team that has no connection to the audit team. These services are unconnected to the conduct of the audit and Deloitte takes no advocacy role.
- Deloitte has discussed the nature of this relationship with its independence team and confirm that their previous conclusions stand and that Deloitte remain independent for the purposes of their audit appointment.
- Deloitte has considered the view of an Objective and Reasonable, Informed Third Party and concluded that this relationship does not impair independence.

The Committee, excluding me, and with the support of the Chairman, agreed with Deloitte's conclusion.

As a result of the review and further considerations, the Committee concluded that Deloitte remained appropriately independent in the role of external auditor. A summary of fees paid to the external auditor is set out in Note 3 to the Financial Statements.

External auditor appointment and engagement tender

At the AGM on 7 May 2020 shareholders approved the reappointment of Deloitte LLP as the Group's external auditor. Deloitte has acted as 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. The Company is in compliance 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'), which relates to the frequency and governance of external audit tenders and the setting of a policy on the provision of non-audit services. For the purposes of complying with the 2014 Order, Deloitte's 'qualifying' tenure as the Group's external auditor commenced in October 2016.

In recommending to the Board the reappointment of the external auditor, the Committee considered the auditor effectiveness and robustness, audit quality, quality of the key audit partners and directors, independence, partner rotation and any other factors that may impact the Committee's judgement regarding the external auditor. Further information about how the Committee seeks to ensure the independence, objectivity and quality of the external auditor is set out on page 115.

In compliance with the 2014 Order, the Company will need to undertake an audit tender (not mandatory rotation) effective for the year 2026, or sooner if the Committee deems it necessary. As a result of the agreed lead audit and lead engagement partners' transition and succession plan, the Committee is not anticipating undertaking an audit tender until 2024, the outcome of which would be effective for the 2026 audit. However, the Committee will review this matter annually, taking into consideration the ongoing provision of a high quality and effective audit, changing regulations and market practice.

Committee development and effectiveness

During the year the Committee received an update from Deloitte on corporate governance issues specifically relating to the Committee's activities, including the relevant requirements of the Code and developments arising from the recommendations and outputs of the various reviews of the audit market and future of audit including potential implications for the financial reporting and internal control framework of the Group.

As part of the Board's annual effectiveness review, which is explained on page 101, the Committee's effectiveness was evaluated. Overall, the review concluded that the Committee is performing effectively, is responding appropriately to its terms of reference and will continue to develop its role. The priorities identified from the 2019 Committee effectiveness evaluation have been appropriately addressed or actioned during 2020. The key outputs of the review are reflected in the Committee's 2021 priorities which are summarised on page 105.

The Committee will continue to focus on maintaining high standards of financial governance and compliance and enhancing our own performance and effectiveness as the agenda and responsibilities of the Audit and Risk Committee continually evolve.

Committee conclusions and confirmations

Taking into consideration all of the areas of focus of the Committee during the year and in reviewing the 2020 Annual Report and Financial Statements, including reviewing the detailed topic papers, presentations and reports from management, the Committee is satisfied that:

- The Financial Statements for the year ended 31 December 2020 appropriately 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, although further improvements are required and planned.
- The conclusions in relation to critical accounting judgements, significant assumptions and estimates and key valuation assumptions are in line with those drawn by the auditor, having discussed them with the auditor during the audit planning process and at the finalisation of the year-end audit and following robust challenge of both the auditor and management.

Consequently, the Committee has confirmed to the Board, in its advisory capacity, that:

- The key accounting estimates, judgements and disclosures within the Financial Statements are appropriate and serve to provide a true and fair view.
- The 2020 ARA, overall, are fair, balanced and understandable. The Board's statement in relation to this confirmation is included on page 85.
- It is reasonable for the Directors to make the Viability statement and the Going Concern statement on page 80 and page 149.
- The Board could make a statement regarding the effective operation throughout the year of the Group's internal controls and risk management processes in the 2020 ARA.

On behalf of the Audit and Risk Committee

Margaret Ewing
Chair of the Audit and Risk Committee
4 March 2021

Directors' Remuneration report

Brian May
Chair of the Remuneration Committee

"The Committee has kept under review our remuneration policy and practices. We believe our approach to executive remuneration appropriately reinforces our culture and delivery of our FISBE strategy, supporting ConvaTec's continued pivot to sustainable and profitable growth."

Activity highlights

- Finalised and implemented the 2020 Remuneration Policy.
- Ensured remuneration arrangements in 2020 continue to support ConvaTec's culture and strategic ambition.
- Considered remuneration arrangements in light of the ongoing impact of the COVID-19 pandemic (and associated evolution in investor sentiment around executive remuneration), to ensure continued alignment of executive interests with those of other stakeholder groups.

2021 priorities

- Implement appropriately our 2020 Remuneration Policy in 2021 to deliver competitive and motivational remuneration that reinforces successful delivery of our stated strategic ambition.
- Keep under review the structure of our policy to ensure that it remains fit for purpose, aligned with our strategy and reinforces our remuneration principles.
- Continue to actively engage key stakeholders on remuneration matters, as appropriate.

6
Meetings held

100%
Attendance

Committee membership, meetings and attendance

The table below shows the number of meetings attended out of the number of meetings members were eligible to attend.

Director	Member since	Attended
Brian May (Chair from 1 September 2020)	March 2020	4/4
Rick Anderson	September 2020	2/2
Regina Benjamin	June 2019	6/6
Margaret Ewing (member until 31 August 2020)	May 2019	4/4
Dr Ros Rivaz (Chair and member until 31 August 2020)	August 2017	4/4

The Company Secretary attends meetings as the Secretary to the Committee. The Chairman, CEO, CFO, EVP Chief Human Resources Officer and VP Compensation & Benefits attend meetings of the Committee by invitation, as does the Committee's appointed adviser; executives are absent when their own remuneration is under consideration. Ros Rivaz stepped down from the Committee due to resignation from the Board. Margaret Ewing stepped down from the Committee following changes to the composition of each of the Board's committees.

In this section you will find

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 2020, my first as Chair of ConvaTec's Remuneration Committee having taken over from Ros Rivaz on 1 September 2020. On behalf of the Committee, I would like to thank Ros, who served as a member of the Committee since 2017 (and as its Chair from April 2019 until she stepped down from the Board on 31 August 2020), for her hard work and commitment to the Committee.

During the year, the composition of the Committee was reviewed in light of changes to the Board in 2020. Margaret Ewing stepped down from the Committee on 31 August 2020, and I would like to thank Margaret for her contribution and counsel. Rick Anderson joined the Committee on 1 September, and I look forward to continuing to work closely with Rick and Regina Benjamin, whose counsel has been invaluable so far.

Further details on the Committee's composition during the year are set out on page 117.

Key areas of responsibility

- Sets the Company's Remuneration Policy.
- Determines the Remuneration Policy and packages for the Executive Directors and the CELT and sets the fee for the Non-Executive Chairman.
- Ensures appropriate alignment of executive remuneration with the remuneration approach across the wider organisation.

Reflecting on 2020

The past 12 months have been truly extraordinary, with the COVID-19 pandemic creating unprecedented challenges across the globe. The response of our colleagues across the Group has been outstanding. I wanted to start this letter by recognising the commitment demonstrated to continuing to serve and support our customers and patients during this unprecedented year. This commitment has underpinned the Group's progress towards its strategic transformation that, as reported elsewhere, remains very much on track.

ConvaTec did not furlough any employees, or take advantage of any other governmental COVID-19 support programmes available to it. The ongoing resilience and performance of the business was due to the prompt actions taken by the management team. Early in the year the Board responded to a set of scenarios developed by the CELT, that enabled the business to react quickly to the challenges by managing risks and reprioritising investment. Whilst reductions in elective surgeries negatively impacted demand in some units, the business was able to respond to and fulfil increased demand in other units. This enabled performance achievement at the top end of guidance which was set before the onset of the pandemic and updated in October 2020. Management's proactivity and agility in responding to the pandemic combined with the outstanding contribution of our wider employee base has therefore resulted in achievement of the key metrics set in February 2020. In addition, the Company has continued to deliver against its strategy and pay dividends at the same level as the prior year without interruption.

The Committee has been keeping under review executive remuneration in this context, to ensure that arrangements remain fit for purpose, continue to reinforce the delivery of our strategic ambition, and demonstrate alignment with the experience of other stakeholders. Taking full account of the wider context, we concluded that there was no need to exercise discretion in relation to pay for the Executive Directors. Consistent principles were applied for the wider employee population.

Committee focus and activities in 2020

Focus areas	Activities
Policy	– Considered investor feedback on proposed revisions to Policy. – Finalised and implemented 2020 Remuneration Policy. – Achieved 87.54% approval for Remuneration Policy from shareholders at AGM.
Remuneration packages	– Approved Executive Director and CELT salaries for 2020. – Approved 2019 bonus outcomes for Executive Directors and CELT. – Approved 2020 LTIP award levels for Executive Directors and CELT.
Setting performance targets	– Reviewed and set financial targets for the 2020 annual bonus and 2020 LTIP, in the context of multiple internal and external reference points for performance over the relevant period.
Equity incentives	– Confirmed the outcome of the 2017 LTIP award cycle. – Received updates on performance under in-flight incentive cycles. – Reviewed and agreed guiding principles for adjustments in incentive plans.
Workforce remuneration	– Received updates on workforce remuneration policies and practices, and how these align with the Company's strategy and culture. – Reviewed salesforce remuneration policies and practices. – Reviewed the gender pay gap and associated reporting.
Effectiveness	– Considered external trends in light of the onset of the COVID-19 pandemic and possible implications for senior executive remuneration at ConvaTec. – Reviewed paper on the UK executive remuneration landscape. – Reviewed the Committee's terms of reference and updated the same to reflect evolving best practice. – Reviewed the Committee's adviser. – Conducted self-review of Committee effectiveness.

In addition, the Committee considered the feedback from the 2020 AGM and evolving investor sentiment on pension alignment and post-employment shareholding requirements. The Committee is mindful of the evolution of thinking in this regard and is committed to aligning Executive Director pension benefit to the wider UK workforce by 1 January 2023. The Committee is also committed to developing a post-employment shareholding requirement which would form part of any future policy proposals.

Performance in the year ended 31 December 2020 and implications for remuneration

The Board is pleased with the strategic progress and business performance in 2020. The Group delivered 4% constant currency revenue growth. This was an improved growth rate from recent years. The adjusted operating profit for the year was $350.2 million which included adverse foreign exchange of $7.3 million. This was broadly in line with the prior year $354.3 million, with an adjusted operating margin of 18.5% (2019: 19.4%). If you exclude the non-recurring strategic investment spend and MDR from both years the adjusted operating profit would have risen by 4.0%. In addition, recurring investment spend increased by $28.6 million in the year. Further details are set out in the Financial review on pages 62 to 71.

Based on performance, the Committee approved payouts under the 2020 annual bonus of 98.5% and 96% of maximum for the CEO and CFO respectively, as financial performance was above the maximum set at the start of the year, and performance against personal strategic objectives was very strong. The Committee considered whether the formulaic incentive outcome was appropriate in the context of the underlying performance of the Group more generally, as well as the experience of our stakeholders. This included assessing whether the pandemic created performance tailwinds.

Performance against the 2018 LTIP measures of EPS, ROIC and Relative TSR over the three-year period to 31 December 2020 was below the threshold performance level set at the start of the period. As a result, 2018 LTIP awards (including those held by Frank Schulkes) lapsed in full following the end of the year. Karim Bitar did not hold awards under this LTIP cycle.

The Committee concluded that the incentive outcomes appropriately reflected the experience of our employees and shareholders, as well as business performance, over the relevant period, particularly the resilience and progress towards our strategic ambition demonstrated over the last 12 months compared with the variable performance in earlier years.

Remuneration in 2021

Shareholders approved the 2020 Remuneration Policy by a binding vote at the 2020 AGM. The Committee was pleased by the strong level of shareholder support for this resolution, as it believes that the Policy is fit-for-purpose and provides sufficient flexibility to continue to incentivise and reinforce success for ConvaTec going forward, and maintain alignment with the interests of our shareholders.

No changes to the implementation of our Policy are proposed for 2021, a summary of our approach is set out in "Our remuneration at a glance" section that follows this letter. The annual bonus will continue to operate along the same lines as for 2020, based 60% on adjusted EBIT, 20% on adjusted free cash flow and 20% on personal strategic objectives. LTIP awards are expected to be made in March 2021, vesting subject to adjusted PBT growth (weighted 75%) and TSR versus the FTSE 350 excluding Investment Trusts (25%) over the three financial years to 31 December 2023. Further details are set out in the Annual Report on Remuneration, on pages 122 to 129 of this Report.

The Committee also decided to increase the salaries of the CEO and CFO by 2.54% in line with the increases for the general employee population in the UK effective 1 April 2021.

Concluding remarks

On behalf of the Committee, I thank you for your support and trust you will find the Directors' Remuneration report useful and informative. I hope that we can count on your support for the advisory vote on the Annual Report on Remuneration being put to shareholders at the 2021 AGM, where I will be available to respond to your questions. I also remain available to meet with shareholders and discuss our remuneration arrangements outside of the AGM.

On behalf of the Remuneration Committee

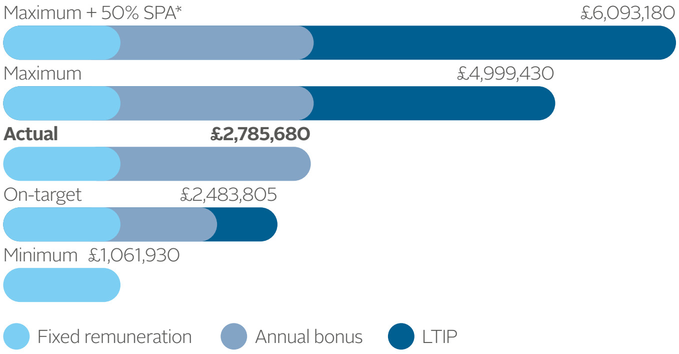
Brian May
Chair of the Remuneration Committee
4 March 2021

Overview – IFC
Strategic report – 04
Governance – 82
Financial statements – 143
Additional information – 213

Our remuneration at a glance

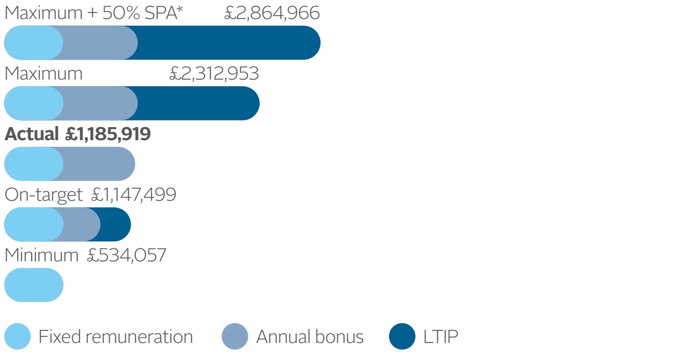
This section provides a summary of outcomes relating to 2020 and our proposed approach to remuneration in 2021.

2020 remuneration: outcomes vs performance scenarios (CEO)



* Share price appreciation.

2020 remuneration: outcomes vs performance scenarios (CFO)



* Share price appreciation.

2020 annual bonus outcomes at a glance

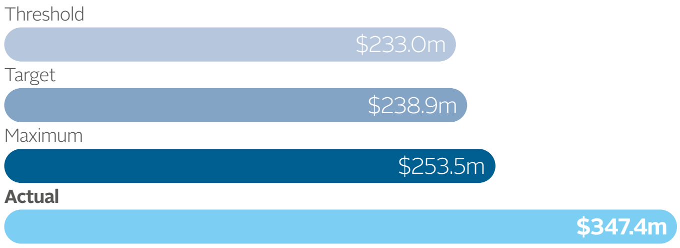
The charts below show how actual performance contributed to the bonus payouts for the Executive Directors for 2020:

Adjusted EBIT[1] (60% weighting)

Outcome warranted for performance: 100% of maximum for this element.

1. Adjusted EBIT is benchmarked on a constant currency basis and presented using a budget rate. Consistent with the methodology for setting the target range, adjusted EBIT for bonus purposes is also measured assuming on-target Group bonus payout and excludes non-recurring transformation costs and costs related to MDR.

Adjusted free cash flow (20% weighting)



Outcome warranted for performance: 100% of maximum for this element.

Personal strategic objectives (20% weighting)

Personal strategic objectives were set for each Executive Director in relation to the following areas of strategic focus for 2020:

The outcome warranted for performance by Karim Bitar (CEO) was 92.5% of maximum for this element.

The outcome warranted for performance by Frank Schulkes (CFO) was 80% of maximum for this element.

Details of the objectives set for the CEO and CFO, and performance against these, are on page 123.

2020 Annual bonus outcome

CEO – Karim Bitar

197% of 2020 salary (£1,723,750)
98.5% of maximum bonus opportunity.

CFO – Frank Schulkes

144% of 2020 salary (£651,862)
96% of maximum bonus opportunity.

Our approach to implementing our Remuneration Policy in 2021		Link to strategy
Base salary Reviewed annually	**Policy:** Benchmarked periodically against comparable roles at international MedTech peers, as well as UK-listed companies of similar size and complexity. In deciding base salary levels, the Committee considers personal performance including the individual's contribution to the achievement of the Group's strategic objectives. The Committee will also consider employment conditions and salary levels across the Group, and prevailing market conditions in the geographies in which the Group competes for talent. Base salaries are reviewed annually with any increases normally aligned with those of the wider workforce, and effective from 1 April. **Implementation in 2021:** CEO: £897,200 (2.54% increase); CFO: £464,200 (2.54% increase). Increases are in line with the wider workforce.	Innovate, Build
Pension and benefits	**Policy:** Executives may receive a contribution to a personal pension plan, a cash allowance in lieu or a combination thereof. Other benefits normally include car allowance, medical insurance and life insurance, and are set at a level considered appropriate taking into account market practice and consistent with the wider workforce. **Implementation in 2021:** Unchanged from 2020 for the CEO and CFO. They receive a pension benefit of 15% of salary, and benefits including car allowance, private medical insurance, life insurance and permanent health insurance. The pension benefit will be aligned to the wider UK workforce by 1 January 2023.	
Annual bonus	**Policy:** Maximum opportunity: 200% of salary (target: 50% of maximum). Performance measures, targets and weightings are set at the start of each year. Financial performance will normally be weighted 80% of the overall opportunity, with the remainder (up to 20%) linked to the achievement of personal strategic objectives. One-third of any bonus earned is deferred into shares for three years. Malus and clawback provisions apply. **Implementation in 2021:** Maximum opportunity of 200% of salary for the CEO and 150% of salary for the CFO, based on: adjusted EBIT[1] (weighted 60%), adjusted free cash flow (20%), personal strategic objectives (20%).	Focus, Build, Innovate, Execute, Simplify
Long-Term Incentive Plan	**Policy:** Maximum opportunity: 250% of salary. The performance conditions and targets are agreed and set to ensure they remain appropriately stretching and aligned to the Group's strategy. 25% of an award will vest at threshold, with 100% vesting at maximum. The minimum performance and vesting period is three years. A two-year post-vesting holding period will apply. Malus and clawback provisions apply under certain circumstances. **Implementation in 2021:** Award opportunity of 250% of salary for the CEO and 250% of salary for the CFO. Awards will vest subject to adjusted PBT growth (weighted 75%) and TSR versus the FTSE 350 excluding Investment Trusts (25%) over the three financial years to 31 December 2023.	Focus, Execute, Simplify
Shareholding requirement	**Policy:** Executives are required to build up shareholdings of 400% of salary for the CEO and 300% of salary for the CFO. These must be retained until retirement from the Board. 50% of any net vested share awards (after sales to meet tax liabilities) must be retained until the minimum shareholding requirements are met. At the end of 2020 Karim Bitar held 365% of his 2020 salary and Frank Schulkes held 98% of his 2020 salary.	Focus

1. Adjusted EBIT is benchmarked on a constant currency basis, presented using a budget rate.

Alignment to Provision 40 of the Code

1. **Clarity:** The Committee believes remuneration disclosure at ConvaTec is transparent, with clear rationale provided on the maintenance of, and any changes to, policy. We remain committed to consulting with shareholders on remuneration, as appropriate.
2. **Simplicity:** Remuneration at ConvaTec is simple and well understood. Incentive measures are selected to align closely with the Group's strategy.
3. **Risk:** The Committee has ensured that remuneration arrangements do not encourage or reward excessive risk taking. Targets are set to be stretching and achievable, while the Committee retains appropriate discretion to adjust formulaic incentive outcomes.
4. **Predictability and proportionality:** The link of the performance measures to strategy and the setting of targets balances predictability and proportionality by ensuring outcomes do not reward poor performance.
5. **Culture:** The policy is consistent with the Group's culture as well as its strategy, therefore driving behaviours that promote ConvaTec's long-term success for the benefit of all stakeholders.

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 2020, and how it will be implemented during the year ending 31 December 2021. 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 UKLA'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 122 and 125), scheme interests awarded during the financial year (page 124), exit payments made in the year (page 126), payments to past Directors (page 126) and the statement of Directors' shareholdings (page 129). The remaining sections of the report are not subject to audit.

Committee membership in 2020

Details of the membership of the Committee, the number of times it met during 2020 and attendance at its meetings are set out on page 117.

Committee responsibilities

The Committee's key areas of responsibility are also set out on page 118.

Committee performance evaluation

The Remuneration Committee conducted an evaluation of its performance in 2020 and identified the following priorities for 2021: to keep abreast of developments in UK remuneration governance and good practices; as well as maintaining an open and transparent approach with management to ensure that remuneration continues to act as an effective incentive and retention tool and reinforces ConvaTec's strategy.

Advisers

Since 2016 Mercer Kepler have been the Committee's appointed independent adviser, having been appointed by the Committee at its first meeting following Listing. In 2020 Mercer Kepler provided support to the Committee and the Group on remuneration-related matters, and reports to the Chair of the Committee. Neither Mercer Kepler (nor its parent, Mercer) has any other remuneration-unrelated connection with the Group and is considered to be independent by the Committee. Fees paid to Mercer Kepler are determined on a time and materials basis, and totalled £85,452 (excluding expenses and VAT) for the 2020 financial year (2019: £85,083) in its capacity as adviser to the Committee. Following our principal adviser moving from Mercer Kepler to Ellason LLP from 1 January 2021, the Committee considered how best to obtain appropriate support and at the same time retain continuity and it was therefore decided to appoint Ellason as its independent adviser from that date. Mercer Kepler and Ellason are members of the Remuneration Consultants Group and, as such, voluntarily operate 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 2020 AGM of the advisory vote on the 2019 Annual Report on Remuneration and the binding vote on the 2020 Remuneration Policy.

Resolution	Vote 'for'	Vote 'against'	Votes withheld[1]
Approve the Directors' Remuneration Policy (2020 AGM)	87.54%	12.46%	906,684
To approve the Directors' Remuneration report (2020 AGM)	86.35%	13.65%	908,684

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 2020 financial year, and compares this with the equivalent figure for the 2019 financial year.

Director		Base salary '000	Taxable benefits[1] '000	Annual bonus[2] '000	LTIP '000	Pension benefit[3] '000	Other '000	Total Fixed[4] '000	Total Variable[5] '000	Total '000
Karim Bitar[6]	**2020**	**£875**	**£56**	**£1,724**	**n/a**	**£131**	**n/a**	**£1,062**	**£1,724**	**£2,786**
	2019	£222	£37	£312	n/a	£33	£6,274	£292	£6,586	£6,878
Frank Schulkes	**2020**	**£450**	**£17**	**£652**	**£0**	**£67**	**n/a**	**£534**	**£652**	**£1,186**
	2019	£439	£16	£458	n/a	£66	n/a	£521	£458	£979

1. For Karim Bitar and Frank Schulkes, benefits consist primarily of car allowance, private medical insurance, life assurance and permanent health insurance. For Karim, taxable benefits include a healthcare allowance of £30,000 payable per annum.
2. Reflects the total bonus awarded for performance in the relevant financial year. One-third of the bonus earned by Karim Bitar and Frank Schulkes is deferred into shares for three years. See page 128 for further details.
3. Pension benefits in the year, equivalent to 15% of base salary.
4. Total of base salary, taxable benefits and pension benefit.
5. Total of annual bonus, LTIP and other payments.
6. 2019 figures relate to the period 30 September to 31 December 2019 only.

Incentive outcomes for the year ended 31 December 2020 (audited)

Annual bonus in respect of performance in the 2020 financial year

For 2020, Karim Bitar had a maximum bonus opportunity of 200% of his 2020 base salary and Frank Schulkes had a maximum opportunity of 150% of his 2020 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 2020 was based on a combination of adjusted EBIT[1] for bonus purposes (weighted 60%), adjusted free cash flow[1] (20%) and personal strategic objectives (20%).

The table below summarises the structure of the 2020 annual bonus, the targets set, our performance over the financial year and the resulting annual bonus payout.

Financial measure	Link to corporate strategy	Performance targets: Threshold 0% payout	Target 50% payout	Maximum 100% payout	Actual performance
Adjusted EBIT[1] for bonus purposes	Focus, Innovate, Simplify	$391.3m	$401.3m	$426.3m	$446.0m
Adjusted free cash flow	Simplify, Execute	$233.0m	$238.9m	$253.5m	$347.4m

	Objectives and actual performance
Karim Bitar Personal strategic objectives	– Rolled out and started implementing a FISBE (Focus, Innovate, Simplify, Build, Execute) strategic plan to deliver sustainable and profitable growth. In addition, transitioned to a new agile, customer oriented and accountable operating model, whilst embedding the vision and values, improving employee engagement and growing sales. – Strengthened leadership capability for the future in key strategic areas of R&D, Quality, Regulatory, Marketing and HR. Established the Salesforce Centre of Excellence, and invested in digital interface with customers. – Embedded an execution excellence mindset and methodology which has so far resulted in over 100 transformation initiatives being successfully implemented. – Responded to the COVID-19 challenge by safeguarding employees' health and wellbeing, ensuring supply chain resilience and focusing on meeting caregiver and patient needs.
Frank Schulkes Personal strategic objectives	– Simplified and strengthened our Finance organisation by implementing Global Business Services shared service organisation, transforming workstreams in Finance to deliver efficiency, accountability and customer-centricity. Project was achieved on time and is delivering improved efficiency and added value. – Redesigned our strategic planning and financial review processes to support our new vision and operating model including Strategic Planning, Budget and Operating Review processes. – Successfully divested our underperforming US Skincare product line at a robust sale price to concentrate our focus on must-win markets and categories. – Provided strong stewardship through COVID-19, with early financial scenario building resulting in proactive action planning and successful execution which contributed to ConvaTec beating the budget with very strong liquidity.

Director	Measure	Weighting	Maximum opportunity (% of salary)	Earned bonus (% of salary)	Earned bonus ('000)
Karim Bitar	Adjusted EBIT for bonus purposes[1]	60%	120%	120%	£1,050
	Adjusted free cash flow	20%	40%	40%	£350
	Personal strategic objectives	20%	40%	37%	£324
	Total	100%	200%	197%	£1,724
Frank Schulkes	Adjusted EBIT for bonus purposes[1]	60%	90%	90%	£407
	Adjusted free cash flow	20%	30%	30%	£136
	Personal strategic objectives	20%	30%	24%	£109
	Total	100%	150%	144%	£652

1. Adjusted EBIT for bonus purposes is benchmarked on a constant currency basis and presented using a budget rate. Consistent with the methodology for setting the target range, adjusted EBIT is also measured assuming on-target Group bonus payout and excludes non-recurring transformation costs and costs related to MDR.

One-third of the bonus earned by Karim Bitar and Frank Schulkes will be deferred into shares for three years. Details of this element of the bonus award will be disclosed in next year's Annual Report.

Scheme interests vesting in 2020

In 2018, Frank Schulkes was granted conditional share awards under the LTIP. These LTIP awards were subject to performance over the three-year period ended 31 December 2020. The performance conditions of this award were disclosed in the 2018 Annual Report, with targets set at the time of grant for three equally-weighted measures: Relative TSR, adjusted EPS and ROIC. The table below sets out details of the targets, and performance against these:

Measure	Weighting	Performance range	Actual performance	Vesting outcome
3-year Relative TSR vs selected comparators	1/3	Median to 90th percentile	Below median	0%
3-year adjusted EPS growth	1/3	5%–12% p.a.	(9)% p.a.	0%
3-year average ROIC	1/3	9.1%–11.0%	7.5%	0%
			Total % vesting	0%

Accordingly, Frank Schulkes' 2018 LTIP awards lapsed in full as set out below:

Director	Date of grant	Number awarded	% vesting	Number vesting
Frank Schulkes	7 March 2018	365,291	0%	0
	14 December 2018	221,619	0%	0

The Committee decided that no adjustments were needed in relation to the outcome of the 2018 LTIP cycle.

As Karim Bitar was not appointed as CEO until September 2019, he did not have an interest in the 2018 LTIP cycle. However, the Restricted Share award of 1,094,972 shares granted to Karim Bitar in September 2019 in relation to his appointment as CEO vested in full on 30 September 2020. The award was not subject to performance conditions. The face value of this award at the date of grant was included in the "Other" column for 2019 in the Single total figure of remuneration for Executive Directors table on page 125 of the 2019 Annual Report and Accounts (and again in this year's table on page 122).

Scheme interests awarded in 2020 (audited)

2020 LTIP awards

During the year ended 31 December 2020, the Executive Directors were awarded conditional share awards under the LTIP, details of which are summarised in the table below.

				Face value		
Director	Date of grant	Number awarded	Award price[1]	Value	% of annualised salary	Vesting date
Karim Bitar	1 May 2020	1,061,532	206.07p	£2,187,499	250%	1 May 2023
Frank Schulkes	1 May 2020	535,752	206.07p	£1,104,024	250%	1 May 2023

1. The LTIP face values are determined as a percentage of each Executive Director's salary and converted into numbers of conditional shares using the average of the three-day closing price preceding the date of grant.

The performance conditions attached to these 2020 LTIP awards are set out in the table below.

			Vesting schedule	
Measure	Weighting	Performance period	£	% of annualised Salary
Three-year Relative TSR against the constituents of the FTSE 350 excluding investment trusts	25%	1 January 2020 to 31 December 2022	< Median	0%
			Median	25%
			75th percentile	90%
			≥ 90th percentile	100%
			Straight-line sliding scale vesting between these points	
Three-year compound annualised growth in adjusted PBT	75%	1 January 2020 to 31 December 2022	< 4.5% p.a.	0%
			4.5% p.a.	25%
			≥ 10.0% p.a.	100%
			Straight-line sliding scale vesting between these points	

To the extent the 2020 LTIP awards vest, vested shares will be required to be held for a further two-year post-vesting holding period.

2019 Deferred Bonus

One-third of the 2019 bonus earned by Karim Bitar and Frank Schulkes was deferred into shares for three years under the LTIP, details of which are summarised in the table below.

				Value		
Director	Date of grant	Number awarded	Award price[1]	£	% of 2019 bonus	Vesting date
Karim Bitar	6 March 2020	55,348	187.90p	£104,000	One-third	6 March 2023
Frank Schulkes	6 March 2020	81,318	187.90p	£152,797	One-third	6 March 2023

1. The award values are determined as one third of each Executive Director's 2019 bonus and converted into numbers of conditional shares using the average of the three-day share price preceding the date of grant.

Fees retained for external non-executive directorships

Executive Directors may hold one external appointment and retain the fees paid for such role. During the year, Karim Bitar served as a Non-Executive Director of Spectris plc and received fees of £48,125 which he retained. The usual annual fee of £55,000 was reduced by 25% for the period 1 April to 30 September 2020 in recognition of company-wide salary cost reductions imposed during this period.

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 2020 and 2019 financial years.

	Fee		Total[1]	
Non-Executive Director	**2020 '000**	2019 '000	**2020 '000**	2019 '000
John McAdam[2]	**£320**	£81	**£320**	£83
Rick Anderson[3]	**£67**	£18	**£68**	£18
Regina Benjamin	**£93**	£94	**£93**	£99
Margaret Ewing	**£124**	£123	**£124**	£124
Sten Scheibye	**£65**	£60	**£65**	£62
Brian May[4]	**£74**	–	**£74**	–
Heather Mason[5]	**£35**	–	**£35**	–
Constantin Coussios[6]	**£25**	–	**£25**	–
Ros Rivaz[7]	**£76**	£109	**£76**	£111

1. In addition to the fees payable to each of the Directors, the Group reimburses reasonable expenses.
2. Joined the Board on 30 September 2019.
3. Rick Anderson's disclosed 2019 remuneration relates to the period when he returned to his Non-Executive Director role from 30 September 2019 and excludes £1,118k paid in his capacity as Interim CEO and Executive Chair. For further details see 2019 Executive Director Single figure remuneration table contained in the 2019 Annual Report.
4. Joined the Board on 2 March 2020.
5. Joined the Board on 1 July 2020.
6. Joined the Board on 1 September 2020.
7. Stepped down from the Board with effect from 31 August 2020.

Percentage change in Director remuneration

The table on the following page shows the percentage change in Director remuneration (from 2019 to 2020) 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 has been expanded to include each Executive Director and Non-Executive Director and over the next four years we will provide the information to build up a five-year history.

ConvaTec Group Plc does not have any other employees. 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 to ensure consistency.

	Percentage change from 2019 to 2020		
	Salary or fees[1]	Benefits[2]	Bonus[3]
Executive Directors			
Karim Bitar	0%	0%	40%
Frank Schulkes	2.5%	0.5%	42%
Non-Executive Directors			
John McAdam	0%	(100)%	n/a
Rick Anderson[4]	(6.9)%	100%	n/a
Regina Benjamin[5]	(1.2)%	(92.1)%	n/a
Margaret Ewing[6]	0.9%	(100)%	n/a
Sten Scheibye[7]	8.3%	(100)%	n/a
Brian May	n/a	n/a	n/a
Heather Mason	n/a	n/a	n/a
Constantin Coussios	n/a	n/a	n/a
Ros Rivaz	1.8%	(88)%	n/a
Average per employee	2.7%	2.7%	16%

1. Salary figures were annualised for the comparison. Effective 1 September 2020, the Non-Executive Director fee structure was changed: the base fee was increased and committee membership fees were discontinued.
2. The year-on-year increase in benefits reflects the Group's best estimate for the change in the average value of benefits for other employees. Although there was no change to the benefits provision in 2020 compared to 2019, some benefits increased in value through being linked to employees' salaries. Non-Executive Directors' benefits relate to taxable expenses (largely travel to attend meetings, and due to COVID-19 restrictions very limited travel took place in 2020).
3. The increase in the value of annual bonus paid to Karim Bitar in 2019 was annualised for the purpose of the comparison.
4. In March 2020, Rick Anderson's fees reduced following the disbandment of the Corporate Responsibility Committee.
5. In March 2020, Regina Benjamin's fees reduced following the disbandment of the Corporate Responsibility Committee. Fees for Remuneration and Audit and Risk Committees memberships ceased on 31 August 2020. Regina Benjamin continues to receive fees for Board Level Employee Representation.
6. In March 2020, Margaret Ewing's fees reduced following the disbandment of the Corporate Responsibility Committee. Fees for Remuneration Committee membership ceased on 31 August 2020. Margaret also ceased membership of the Remuneration Committee on that date.
7. Sten Scheibye is not a member of any Committee. His base fee increased when the Non-Executive Directors fee structure changed.

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 2019 and 31 December 2020, and the percentage change year-on-year.

	2020 $m	2019 $m	Year-on-year change
Total employee pay expenditure[1]	**580**	515	13%
Shareholder distributions[2]	**110**	113	(3)%

1. Increase in total employee pay expenditure predominantly relates to increased number of employees and contractors.
2. The decrease in dividend is due to the difference in the exchange rate year-on-year. Overall dividend per share paid in 2020 (in cents) remained consistent with 2019.

Exit payments made in the year (audited)

There were no exit payments made in the year.

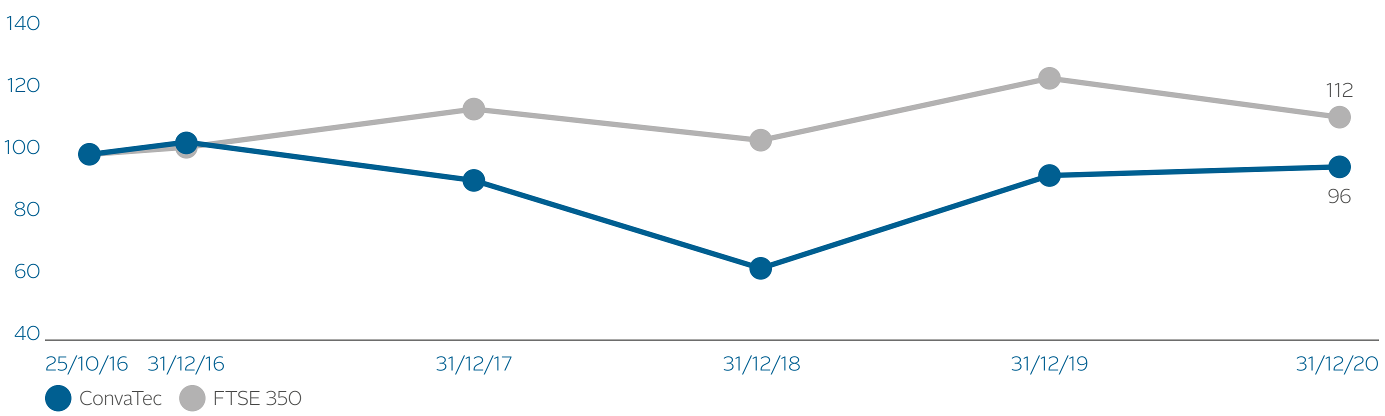
Payments to past Directors (audited)

There were no payments made to past Directors in the year.

Review of past performance

This graph shows the Group's TSR compared to the FTSE 350 Index. Performance, as required by legislation, is measured by TSR over the period from commencement of conditional dealing (26 October 2016) to 31 December 2020.

TSR chart for 2020 DRR – ConvaTec vs the FTSE 350 Index
Value of £100 invested on 25 October 2016 in ConvaTec and the FTSE 350 Index (£)



The table below details the CEO's single total figure of remuneration and incentive outcomes over the same period:

	2016	2017	2018	2019	2020
Karim Bitar (from 30 September 2019)[1]					
CEO single figure ('000)				£6,878	**£2,786**
Annual bonus (% max.)				70.2%	**98.5%**
LTIP vesting (% max.)				n/a	**n/a**
Rick Anderson (15 October 2018–29 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.

CEO pay ratio

The table below discloses the ratio of CEO pay for 2020, 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.

We chose Methodology Option A to calculate the ratio, as we believe it provides the best 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 2020. 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 2020. 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
2020	**Option A**	**83:1**	**65:1**	**40.1**
2019	Option A	163:1	123:1	76:1

During 2019 there was a change in CEO, which resulted in inclusion in the single figure of the CEO's "buyout" awards for that year. For 2020, the Committee recognises that the CEO pay ratio does not yet include the impact on total remuneration of the annual LTIP award, as he was only appointed in September 2019. As such the Committee believes that the CEO pay ratio published above for 2020 is likely to be lower than the future CEO pay ratio, which we expect to normalise further in 2022 and 2023 and from which the Committee expects to be able to draw more meaningful conclusions about the longer-term trend in the ratio.

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
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

Implementation of Executive Director Remuneration Policy for 2021

Base salary

Following a review of Karim Bitar's salary, the Committee decided to award an increase of 2.54% in line with the increases for the general employee population in the UK (increase effective 1 April 2021).

Following a review of Frank Schulkes' salary, the Committee decided to award an increase of 2.54% in line with the increases for the general employee population in the UK (increase effective 1 April 2021).

Director	Role	2021	2020
Karim Bitar	CEO	**£897,200**	£875,000
Frank Schulkes	CFO	**£464,200**	£452,682

Pension

Both Executive Directors will continue to receive a pension benefit of 15% of base salary. Karim Bitar receives his pension benefit as a combination of a contribution to pension and the balance as a cash allowance. Frank Schulkes receives his as a cash allowance. As set out earlier in this Report, the pension benefits for the Executive Directors will be aligned with those available to the wider UK workforce by 1 January 2023.

Annual bonus

For 2021, the CEO will continue to have a maximum bonus opportunity of 200% of salary and the CFO will continue to have a maximum bonus opportunity of 150% 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 2021 will continue to be based on the following measures and weightings:

Measure	Link to corporate strategy	Weighting
Adjusted EBIT[1] for bonus purposes	Focus, Innovate, Simplify	60%
Adjusted free cash flow	Simplify, Execute	20%
Personal strategic objectives	Focus, Build	20%

1. Adjusted EBIT is benchmarked on a constant currency basis and presented using a budget rate.

The Committee believes the balance of financial measures for 2021 (as set out above) remains appropriate in the context of the emphasis in our strategy of sustainable and profitable growth. The weighting on adjusted EBIT ensures that the primary levers of the strategy (revenue (being volume, price and mix) and costs) are all captured in the assessment of short-term performance. Top-line performance is additionally emphasised in a number of the personal strategic objectives that have been set for 2021 (and which will be disclosed retrospectively next year).

The Board currently considers these targets to be commercially sensitive however they will be disclosed 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 2021 financial year will be subject to the Group's malus and clawback provisions (see page 132 for further details).

Long-Term Incentive Plan ("LTIP")

The Executive Directors will be eligible to receive conditional awards of shares under the ConvaTec LTIP in respect of 2021, with face values of 250% of salary for the CEO and CFO.

The 2021 LTIP will vest after three years, subject to the following performance targets assessed over the three years ending 31 December 2023:

Measure	Weighting	Threshold (25% vesting)	Stretch (90% vesting)	Maximum (100% vesting)
Three-year Relative TSR rank vs constituents of FTSE 350 excluding investment trusts (calculated in GBP and using three-month average opening and closing values)	25%	Median	75th percentile	90th percentile
Three-year compound annualised growth in adjusted PBT	75%	8-15% p.a.		15% p.a.

Implementation of Non-Executive Director Remuneration Policy for 2021

Non-Executive Director fees were set on Listing taking into account competitive practice for similar roles in other international MedTech companies and the FTSE 100. The Chairman's fee was reviewed and adjusted at the time of John McAdam's appointment in 2019. During 2020, the structure of Non-Executive Director fees was reviewed and simplified with effect from 1 September 2020, as set out in the table below:

Role	Fee structure 1 Jan–31 Aug 2020	**Fee structure from 1 Sept 2020**
Chairman	£320,000	**£320,000**
Non-Executive Director basic fee	£60,000	**£75,000**
Additional fees:		
Senior Independent Director	£20,000	**£20,000**
Chair of the Audit Committee	£22,000	**£22,000**
Chair of the Remuneration Committee	£20,000	**£20,000**
Membership of Board committees	£12,000	**n/a**
Fee for acting as a Board Level Employee Representative	£10,000	**£10,000**

The fees for the Non-Executive Directors, other than the Chairman, are reviewed and set by the Non-Executive Director Fee Committee comprised of the Chairman, CEO and CFO.

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 2020 or the date of leaving. For Executive Directors, the current shareholding is compared to their shareholding guideline.

	Shares				Options			
	Owned outright or vested		Unvested and not subject to performance conditions	Unvested and subject to performance conditions		Unvested and not subject to performance conditions		
Director	31 December 2019	31 December 2020			Vested but not exercised		Current shareholding[1] (% salary)	Shareholding guideline (% salary)
Current directors								
Karim Bitar	989,830	1,606,064	55,348	2,444,767			365%	400%
Frank Schulkes	165,000	165,000	116,653	1,728,936		10,230	98%	300%
John McAdam	0	23,181						–
Rick Anderson	207,268	209,137						–
Regina Benjamin	0	10,000						–
Margaret Ewing	0	10,000						–
Sten Scheibye	25,000	25,000						–
Brian May	n/a	25,000						
Heather Mason	n/a	10,000						–
Constantin Coussios	n/a	0						–
Former directors[2]								
Ros Rivaz	9,729	9,729						–

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 195.14p, being the average share price during the last three months of the 2020 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 2020 and 4 March 2021, 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. As at 31 December 2020, the headroom available under these limits was 10% and 5%, respectively.

The Directors' Remuneration Report has been approved by the Board and signed on its behalf by:

Brian May
Chair of the Remuneration Committee
4 March 2021

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 2020 Policy that was approved by shareholders at the 2020 AGM and is effective for a period of up to three years from that date. Minor amendments have been made to the drafting of this Policy Report from the version approved by shareholders in 2020 (which can be found in the 2019 Annual Report) including: (i) the data used in the pay-for-performance scenarios; (ii) references to "pension cash allowance or pension contribution" have been replaced with "pension benefit" to aid clarity, (iii) page references; and (iv) the section on Non-Executive Director letters of appointment, to reflect changes in Board composition during 2020.

Details of how the Company implemented the 2020 Policy for the year ended 31 December 2020, and will implement for the year ending 31 December 2021, are provided in the Annual Report on Remuneration starting on page 122.

Remuneration principles

Incentivise sustained strong financial performance.	Align rewards with the delivery of the Group's strategy.	Ensure employee alignment with the interests of shareholders and encourage widespread share ownership across the workforce.	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.

2020 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 aligned with those of the wider workforce, but may be made above 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

Purpose and link to strategy	Operation	Opportunity	Performance measures
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 Frank Schulkes receive a pension benefit from the Group of 15% of salary. Executive Director appointments from 1 January 2020 will receive a pension benefit in line with that available for the wider workforce in the relevant market. Details of the pension contributions made to Executive Directors during the year are disclosed in the Annual Report on Remuneration.	n/a
Other benefits			
To provide non-cash benefits which are competitive in the market in which the Executive Director is employed.	The Group may provide benefits in kind including, but not limited to, a company car or car allowance, private medical insurance (or allowance in lieu), permanent health insurance, and life insurance. Executive Directors may also be provided certain other benefits to take account of individual circumstances such as, but not limited to, payment of financial, and/or legal adviser fees, expatriate allowance, relocation expenses, housing allowance and tax equalisation (including associated interest, penalties or fees plus, in certain circumstances or where the Committee consider it appropriate, any tax incurred on such benefits). Executive Directors may also be offered any other future benefits made available either to all senior employees globally or in the region in which the Executive Director is employed.	Benefits for Executive Directors are set at a level which the Committee considers appropriate compared to wider employee benefits, as well as competitive practices in relevant markets. The value of annual benefits will normally not exceed 10% of salary, and it is not anticipated that the costs of benefits provided will increase significantly in the financial years over which this Policy will apply, although the Committee retains discretion to approve non-material increases in cost. In addition, the Committee retains discretion to approve a higher cost in exceptional circumstances (e.g. to facilitate recruitment, relocation, expatriation, etc.) or in circumstances where factors outside the Group's control have changed (e.g. market increases in insurance costs). Benefits in respect of the year under review are disclosed in the Annual Report on Remuneration.	n/a

Purpose and link to strategy	Operation	Opportunity	Performance measures
Annual bonus			
To incentivise Executive Directors to deliver strong financial performance on an annual basis and reward the delivery of the Group's strategic aims that will underpin the longer-term health and growth of the business. Deferral into shares enhances alignment with shareholders.	Performance measures, targets and weightings are set by the Committee at the start of the year. After the end of the financial year, the Committee determines the level of bonus to be paid, taking into account the extent to which these targets have been achieved. To the extent that the performance criteria have been met, one-third of the annual bonus earned will normally be compulsorily deferred into shares for a period of three years under the Deferred Bonus Plan. The remainder of the bonus will be paid in cash. Dividends may accrue on deferred bonus shares over the deferral period and, if so, will be paid on deferred shares at the time deferred shares are released to the Executive Director. Malus and clawback provisions apply to the annual bonus in certain circumstances (as set out in the Notes to the Policy Table).	The maximum annual bonus opportunity is 200% of base salary. The payout for on-target performance is 50% of maximum; threshold performance results in a payout of no more than 25% of maximum. The current maximum bonus opportunities for each of the Executive Directors are disclosed in the Annual Report on Remuneration.	Bonuses are based on a combination of stretching annual financial and non-financial/strategic performance measures, selected to reflect the Group's short-term KPIs, financial goals and strategic drivers. The financial element of the annual bonus will normally be weighted 80% of the overall bonus opportunity, with the remainder of the bonus linked to the achievement of personal strategic objectives (and which shall not have a weighting of more than 20% of the overall bonus opportunity). The Committee may adjust the formulaic annual bonus outcomes (including to zero) to avoid unintended outcomes, align pay outcomes with underlying Group performance and ensure fairness to shareholders and participants. Further details will be disclosed in the relevant Annual Report on Remuneration. Performance targets set for each year will be disclosed retrospectively, usually in the Annual Report on Remuneration in respect of the year to which such performance targets relate.

Purpose and link to strategy	Operation	Opportunity	Performance measures
Long-Term Incentive Plan ("LTIP")			
To align the interests of Executive Directors and shareholders in growing the value of the Group over the long term.	Executive Directors are eligible to receive annual awards over ConvaTec Group Plc shares under the LTIP either in the form of conditional share awards or nil cost options. Prior to awards being granted each year, the performance conditions and targets are agreed and set to ensure they remain appropriately stretching and aligned to the Group's strategy. Awards granted under the LTIP to Executive Directors will have a performance period of three years and a minimum vesting period of three years. If no entitlement has been earned at the end of the relevant performance period, awards will not vest. Shares received as a result of an award vesting will normally be subject to an additional two-year holding period. Dividends may accrue on LTIP awards over the vesting period and, if so, will be delivered in shares that vest at the end of the vesting period. LTIP awards granted to Executive Directors will be subject to malus and clawback provisions, as set out in the Notes to the Policy Table.	The maximum annual LTIP opportunity is 250% of base salary. 25% of an award will vest if performance against each performance condition is at threshold and 100% if it is at maximum, with straight-line vesting in between. Further details of the LTIP awards granted to each of the Executive Directors will be disclosed in the relevant Annual Report on Remuneration.	Vesting of the LTIP is subject to continued employment during the performance period and the achievement of performance conditions aligned with the Group's strategic plan and shareholder value creation. Measures and their weightings will be determined by the Committee prior to making an award. The Committee may adjust the formulaic LTIP outcome to ensure it takes account of any major changes to the Group (e.g. as a result of M&A activity) and is a fair reflection of the underlying financial performance of the Group over the performance period. Further details, including the performance targets attached to the LTIP in respect of each year, will be disclosed in the relevant Annual Report on Remuneration.
Save-As-You-Earn ("SAYE") or equivalent scheme			
To align the interests of employees and shareholders by encouraging all employees to buy and own ConvaTec Group Plc shares.	Executive Directors are entitled to participate in the Group's all-employee share plan applicable to 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 maximum monthly savings limit imposed by the Committee (which will not exceed any limits imposed by legislation) at the time they are invited to participate.	n/a

Notes to the Policy Table

Malus and clawback policy

Malus and clawback may be applied to the annual bonus and LTIP awards in certain circumstances including:

- cases of fraud, negligence or gross misconduct by the Executive Director;
- material financial misstatement in the audited financial results of the Group;
- error in calculation; or
- other exceptional circumstances at the Committee's discretion.

Cash bonuses will be subject to clawback, with deferred shares being subject to malus, over the deferral period. LTIP awards will be subject to malus over the vesting period and clawback from the vesting date to the second anniversary of the relevant vesting date.

Share ownership guidelines

The Committee recognises the importance of aligning Executive Directors' and shareholders' interests through significant shareholdings in the Group. The Group's policy is to require Executive Directors to build up shareholdings worth 400% of base salary for the CEO, and 300% of base salary for other Executive Directors, and to retain these shares until retirement from 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.

Pension arrangements

The Committee considered the feedback from the 2020 AGM and evolving investor sentiment on pension benefit alignment with the wider workforce, and is committed to aligning Executive Director pension benefit to the wider UK workforce by 1 January 2023.

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. The Committee believes that the current structure of the Deferred Bonus Plan and LTIP sufficiently supports this principle already; the release of unvested Deferred Bonus shares and vested-but-held LTIP awards is normally not accelerated for leavers ahead of the normal release/vesting date. For a good leaver, the pre-tax value of outstanding awards at cessation of employment could be up to 12x base salary. Where an Executive Director resigns (i.e. is a bad leaver), the pre-tax value of outstanding awards at that point could be up to 5x base salary. The Committee believes that the structure of our incentives adheres to the provisions of the Code that remuneration provides significant alignment with shareholder interests for a period after an Executive Director ceases to be employed by the Company. The Committee considered the feedback from the 2020 AGM and evolving investor sentiment on post-employment shareholding requirements committee, and is committed to developing a post-employment shareholding requirement and this would form a part of any proposals for a new policy in the future.

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 for ConvaTec remuneration.

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 all employees the opportunity to participate 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 Financial KPIs (see pages 18 and 19). Adjusted EBIT and Free Cash Flow in 2020 are benchmarked on a constant currency basis and presented using a budget rate. 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 2021 will be based on a blend of adjusted PBT performance 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 2021 LTIP awards, as for 2020 awards, TSR performance will be measured relative to the FTSE 350 (excluding investment trusts).

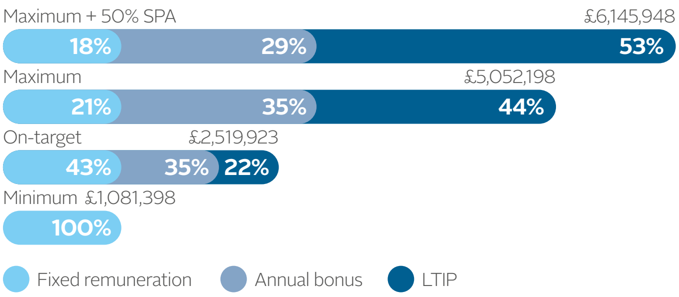
Targets are set to be stretching but achievable over the three-year performance period, taking account of multiple relevant reference points, for example, internal forecasts, external expectations for future performance at both the Group and its closest sector peers, and typical performance ranges at 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.

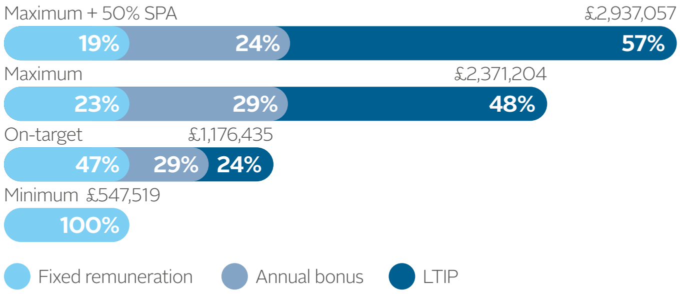
Pay-for-performance: scenario analysis[1]
The charts below provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under four different performance scenarios: "Maximum + 50% share price growth", "Maximum", "On target" and "Minimum".

Potential reward opportunities are based on the forward-looking policy, applied to 2021 base salaries and incentive opportunities. Note that the 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.

1. Percentages may not sum due to roundings.

Pay scenarios

CEO – Karim Bitar


CFO – Frank Schulkes


The above charts are based on the following assumptions:
"Maximum + 50% share price growth": fixed remuneration (salary, pension, other benefits), plus maximum bonus (CEO 200% of salary; CFO 150%) and full vesting of the 2021 LTIP awards (250% of salary, and reflecting 50% share price growth over the vesting period).
"Maximum": fixed remuneration (as above), plus maximum bonus (CEO: 200% of salary; CFO 150%) and full vesting of the 2021 LTIP awards (250% of salary).
"On-target": fixed remuneration as above, plus target bonus (50% of maximum) and threshold LTIP vesting (25% of maximum).
"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 Frank Schulkes 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
Frank Schulkes	CFO	1 November 2017	2 August 2017

Exit payments policy
The Group's policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms in the executive's service contract and the circumstances of termination. Executive Directors' contracts provide for the payment of a pre-determined sum in the event of termination of employment in certain circumstances (but excluding circumstances where the Group is entitled to dismiss without compensation), comprising base salary, pension benefit and benefits in respect of the unexpired portion of the notice period. Termination payments may take the form of payments in lieu of notice. Payments would normally be made on a phased basis and subject to mitigation. If the employment is terminated by the Group, the Committee retains the discretion to settle any other amount the Committee considers reasonable to the Executive Director including in settlement of claims, in respect of legal fees incurred in connection with the termination and fees for outplacement services and relocation costs.

In addition to contractual provisions, the following table summarises how awards under each discretionary incentive plan are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion as provided under the rules of the plan. In the event of termination, any outstanding options granted under the SAYE, or equivalent, scheme will be treated in accordance with the rules of the scheme, which do not include discretion. Disclosure in relation to any departing Executive Director, including details of any remuneration payment made to him after he ceases 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. However, the Committee does not consult with employees on its executive remuneration policy.

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, as well as any future changes to Policy. It is the Committee's intention to consult with major shareholders in advance of making any material changes to remuneration arrangements for Executive Directors.

Remuneration Policy for the Non-Executive Directors

Details of the Policy on fees paid to our Non-Executive Directors are set out in the table below:

Purpose and link to strategy	Operation	Opportunity	Performance measures
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 Chairman are determined by the Committee. The fees paid to Non-Executive Directors are determined by the Chairman and Executive Directors. Additional fees are payable for acting as Senior Independent Director and for chairing or being a member of 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.	Fee increases will be applied taking into account the outcome of the annual review.	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. Chairman and Non-Executive Director fees are paid in cash. The Committee reimburses the Chairman 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 Chairman and Non-Executive Directors are disclosed in the Annual Report on Remuneration.	The maximum aggregate annual fee for all Non-Executive Directors (including the Chairman) as provided in the Group's Articles of Association is £1,500,000.	

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 Chairman 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 Chairman	30 September 2019	18 August 2019	7 May 2020
Margaret Ewing	Senior Independent Director	11 August 2017	17 August 2017	7 May 2020
Regina Benjamin	Independent Non-Executive Director	11 August 2017	15 August 2017	7 May 2020
Rick Anderson	Independent Non-Executive Director	31 October 2016	12 October 2016	7 May 2020
Sten Scheibye	Non-Executive Director	3 July 2018	3 July 2018	7 May 2020
Brian May	Independent Non-Executive Director	2 March 2020	26 February 2020	7 May 2020
Heather Mason	Independent Non-Executive Director	1 July 2020	8 May 2020	N/A
Constantin Coussios	Independent Non-Executive Director	1 September 2020	29 June 2020	N/A
Former Director				
Ros Rivaz[1]	Independent Non-Executive Director	21 June 2017	20 June 2017	7 May 2020

1. Stepped down from the Board on 31 August 2020.

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 2020.

Taken together, the Strategic report on pages 4 to 81 and this Directors' report fulfil the requirements of the Disclosure and Transparency Rules to provide a management report.

Information incorporated by reference

The following information is provided in other sections of this Annual Report and is incorporated by reference.

Information	Section where provided	Page
Corporate governance	Corporate governance statements	85
	Nomination, Audit and Risk Committee reports	103 to 116
Post-balance sheet events	Financial Statements – Note 26	188
Likely future developments and research and development activities	Strategic report	4 to 81
Preparation and disclosure of Financial Statements and Annual Report	Directors' responsibilities statement	142
Use of financial instruments	Financial Statements – Note 21	183 and 184
Shares held by the Company's Employee Benefit Trust	Financial Statements – Note 15	175 and 176
Board membership and biographical details	Corporate governance report	90 and 91
Related party transactions	Financial Statements – Note 25	188
Employee engagement	Strategic report	61
Greenhouse gas emissions	Strategic report	52 to 56
Relationships with capital providers and other stakeholders	Governance section	96 to 98

Disclosure of information to the auditor

Each of the Directors, as at the date of this Annual Report, confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- 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.

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 2021 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 201 to 203.

Dividends

We continue to target a payout ratio of between 35% and 45% of adjusted net profit. Our intention is to pay an interim and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the annual total dividend. We may periodically reassess this policy to reflect, among other things, our growth prospects, capital efficiency 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 61), review of our comparator peer group, available and forecast distributable reserves of the Company and the forecast cashflows and liquidity of the Group and other factors the Directors deem significant.

During the year, the Directors resolved to pay an interim dividend of 1.717 cents per share on 15 October 2020. A scrip dividend alternative was offered in respect of the interim dividend allowing shareholders to elect by 22 September 2020 to receive their dividend in the form of new ordinary shares. On 15 October 2020, 3,841,666 ordinary shares of 10p each were allotted and issued by the Company to those shareholders who elected to receive the scrip dividend alternative.

The Directors recommend a final dividend for the year of 3.983 cents per share (2019: 3.983 cents) which, together with the interim dividend, makes a total for the year of 5.700 cents per share (2019: 5.700 cents). The final dividend, if approved by the shareholders, will be paid on 13 May 2021 to shareholders on the register at the close of business on 6 April 2021. The total dividend for the year is outside our stated policy. The Directors are recommending a final dividend maintained at the same level as that paid in 2019 for the reasons outlined on page 4. The Directors note that in the near term the dividend payout ratio may be slightly above the target ratio as investment is made in the ongoing transformation of the Group.

Capital structure

Share capital

As at 31 December 2020, the Company's issued share capital consisted of 2,004,347,138 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 15 to the Financial Statements. As at 31 December 2020, the Company had only one class of share consisting of ordinary shares of 10p each.

Acquisition of Company's own shares

At the Company's AGM on 7 May 2020 the Directors' authority was renewed under shareholders' resolution to purchase through the market up to 10% of the Company's ordinary shares at a maximum price per share at the higher of: (i) an amount equal to 105% of middle market quotations of the price of shares for the five business days prior to the date of purchase; and (ii) an amount equal to the higher of the last independent trade and the highest current independent bid at the time of purchase. This authority expires at the Company's 2021 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 ("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 and subject to shareholder approval. Details of the powers of the Board and its Committees are described in the Corporate governance report on page 93. 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/corporate-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 below, none of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Group and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a change of control resulting from a takeover bid.

In the event of a change of control of the Company, the Group's main funding agreements allow the lenders to give notice of repayment for all outstanding amounts under the relevant facilities.

Directors' indemnities

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

Company Secretary

The Company Secretary provides ongoing support to the Board in relation to corporate governance issues and compliance with the Listing Rules. She is responsible for establishing, implementing and monitoring the corporate governance framework, attending 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.

The current Company Secretary, Clare Bates will leave the Company on 30 April 2021 to take up another role. Adam Deutsch, Chief Transformation Officer and General Counsel, has been appointed as Company Secretary in her place.

Political donations

No political donations, including to non-EU political parties, were made during the period. Information about the Group's lobbying activities is included on page 41.

Substantial shareholdings

At 31 December 2020, the Company had been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

Shareholder	No. of ordinary shares	Percentage of voting rights	Nature of holding
Novo Holdings A/S	395,318,793	20.25%	Direct holding
The Capital Group Companies, Inc.	97,418,767	4.9911%	Indirect holding
Artisan Partners Limited Partnership	97,980,658	4.98%	Indirect holding
Pelham Capital LTD.	93,526,729	4.71%	Direct holding/ Financial instruments
BlackRock, Inc.		Below 5%	Indirect holding/ Financial instruments
Standard Life Aberdeen plc		Below 5%	Indirect holding
Black Creek Investment Management Inc.	80,048,681	4%	Direct holding/ Indirect holding
GIC Private Limited		Below 3%	Direct holding

During the period between 31 December 2020 and 4 March 2021, being the latest practicable date prior to publication of this Annual Report, the Company did not receive any notifications under Chapter 5 of the Disclosure and Transparency Rules.

Relationship agreement with controlling shareholders

Novo Holdings A/S ("Novo") became a significant shareholder on 31 March 2017 and the Company entered a relationship agreement with Novo on such date as required by Listing Rule 9.2.2A R(2)(a). Given its significant investment in the Company, Novo is entitled to appoint one Non-Executive Director to the Board for so long as they and their associates are entitled to exercise, or control the exercise of, 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. In the financial period to 31 December 2020 (and also from 31 December 2020 to 4 March 2021, being the latest practicable date prior to publication of this Annual Report), the Company has complied with the independence provisions of the relationship agreement, and so far as the Company is aware, Novo and their associates also complied with the independence provisions.

Diversity and inclusion

We are committed to creating a values-led, performance-driven culture which starts with our employees, and we aim to bring together a rich diversity of backgrounds, experiences, preferences and capabilities which unite together to improve people's lives through their work at ConvaTec. The Board considers a diverse workforce as critical to its success. Information about the Group's initiatives to achieve diversity across the business, including specific objectives, are contained on page 50.

Employment of disabled people

Applications for employment by disabled people are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of anyone with a disability should, as far as possible, be identical to that of other employees.

Employee share schemes

In addition to the discretionary share schemes operated as part of the Group's long-term incentives, detailed in the Remuneration Policy on page 133, the Group operates a global all-employee share scheme. The Directors believe that this scheme aligns the interests of employees and shareholders by encouraging all employees to buy and own shares in the Company, thus enabling them to benefit directly from the anticipated growth and success of the Group in the future.

Executive Directors may also participate in the UK all-employee share scheme, which is an HMRC approved savings-related share option plan, on the same basis as other eligible employees. All participants may invest up to the limits set in line with HMRC guidance and as operated by the Group.

Shares acquired through the Group's share plans rank pari passu with existing ordinary shares in issue and have no special rights with regards to voting, rights to dividend, control of the Company or otherwise.

All of the Group's employee share plans contain provisions relating to a change of control. On a change of control, options and awards granted to employees under the Group's share plans may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at that time.

Listing Rules – compliance with LR 9.8.4R

The information required to be disclosed by LR 9.8.4R can be found in the following locations. There are no other disclosures required under this LR.

Section	Applicable sub-paragraph within LR 9.8.4R	Location
1	Interest capitalised	Group Financial Statements, Note 23, page 187
4	Details of long-term incentive schemes	Directors' Remuneration report, page 133
14	Confirmation of relationship agreement	Directors' report, page 141

Annual General Meeting

The Annual General Meeting will be held on 7 May 2021 at 11.00 am and will take place at 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, in the form of a hybrid meeting. Notice of the meeting, containing details of the resolutions to be put to the meeting, will be available at www.convatecgroup.com/investors/reports/.

By order of the Board:

Clare Bates
Company Secretary
4 March 2021

ConvaTec Group Plc is registered in England No. 10361298

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation 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 financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:
- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's performance and position, business model and strategy.

This responsibility statement was approved by the Board of Directors on 4 March 2021 and is signed on its behalf by:

Karim Bitar
Chief Executive Officer

Frank Schulkes
Chief Financial Officer

Financial Statements at a glance

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	2020 $m	2019 restated[(a)] $m
Revenue	2	**1,894.3**	1,827.2
Cost of sales		**(875.5)**	(871.6)
Gross profit		**1,018.8**	955.6
Selling and distribution expenses		**(463.3)**	(458.9)
General and administrative expenses		**(262.1)**	(240.5)
Research and development expenses		**(82.4)**	(53.8)
Other operating expenses	3	**–**	(105.5)
Operating profit	3	**211.0**	96.9
Finance income	23	**1.9**	7.8
Finance expense	23	**(50.3)**	(81.4)
Non-operating income/(expense), net	4	**12.1**	(4.4)
Profit before income taxes		**174.7**	18.9
Income tax expense	5	**(62.2)**	(9.1)
Net profit		**112.5**	9.8
Earnings per share			
Basic earnings per share (cents per share)	6	**5.7¢**	0.5¢
Diluted earnings per share (cents per share)	6	**5.6¢**	0.5¢

(a) Following a review of cost allocations, general and administrative expenses of $30.5 million (2019: $25.9 million), principally relating to employee costs and insurance, have been reclassified to selling and distribution expenses to better reflect the nature of the costs. The comparatives have been restated to reflect the revised classification.

The accounting policies and notes on pages 149 to 188 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 2020

	Notes	2020 $m	2019 $m
Net profit		**112.5**	9.8
Other comprehensive income			
Items that will not be reclassified subsequently to the Consolidated Income Statement			
Remeasurement of defined benefit pension plans	13	**(0.4)**	(5.0)
Change in pension asset restriction	13	**5.0**	(0.6)
Income tax relating to items that will not be reclassified	13	**0.2**	1.5
Items that may be reclassified subsequently to the Consolidated Income Statement			
Exchange differences on translation of foreign operations		**53.0**	25.1
Effective portion of changes in fair value of cash flow hedges	21	**(6.7)**	(9.5)
Costs of hedging	21	**(0.1)**	–
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement	21	**(0.2)**	(0.8)
Income tax relating to items that may be reclassified		**1.7**	2.8
Other comprehensive income		**52.5**	13.5
Total comprehensive income		**165.0**	23.3

All amounts are attributable to shareholders of the Group and wholly derived from continuing operations.

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 $m	2019 $m
Assets			
Non-current assets			
Property, plant and equipment	7	**352.2**	321.6
Right-of-use assets	22	**85.8**	84.5
Intangible assets and goodwill	8	**2,089.6**	2,166.9
Deferred tax assets	5	**41.4**	55.0
Derivative financial assets	21	**–**	1.0
Restricted cash	10	**5.7**	3.6
Other non-current receivables	10	**13.3**	8.9
		2,588.0	2,641.5
Current assets			
Inventories	9	**297.1**	281.8
Trade and other receivables	10	**316.0**	300.7
Cash and cash equivalents	20	**565.4**	385.8
		1,178.5	968.3
Total assets		**3,766.5**	3,609.8
Equity and liabilities			
Current liabilities			
Trade and other payables	11	**341.8**	289.3
Borrowings	19	**86.6**	40.8
Lease liabilities	22	**19.8**	18.4
Current tax payable		**55.6**	44.6
Provisions	12	**9.4**	4.2
		513.2	397.3
Non-current liabilities			
Borrowings	19	**1,369.8**	1,445.3
Lease liabilities	22	**72.3**	70.1
Deferred tax liabilities	5	**101.4**	107.8
Provisions	12	**1.5**	1.7
Derivative financial liabilities	21	**7.7**	–
Other non-current payables	11	**29.9**	26.6
		1,582.6	1,651.5
Total liabilities		**2,095.8**	2,048.8
Net assets		**1,670.7**	1,561.0
Equity			
Share capital	15	**245.5**	242.9
Share premium	15	**115.3**	70.7
Own shares	15	**(6.7)**	(10.8)
Retained deficit		**(845.3)**	(847.7)
Merger reserve		**2,098.9**	2,098.9
Cumulative translation reserve		**(46.1)**	(99.1)
Other reserves	15	**109.1**	106.1
Total equity		**1,670.7**	1,561.0
Total equity and liabilities		**3,766.5**	3,609.8

The Consolidated Financial Statements of ConvaTec Group Plc, company number 10361298, were approved by the Board of Directors and authorised for issue on 4 March 2021 and signed on its behalf by:

Frank Schulkes
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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 2019		240.7	39.8	(6.8)	(744.5)	2,098.9	(124.2)	113.3	1,617.2
Net profit		–	–	–	9.8	–	–	–	9.8
Other comprehensive income:									
Foreign currency translation adjustment, net of tax		–	–	–	–	–	25.1	–	25.1
Remeasurement of defined benefit pension plans, net of tax	13	–	–	–	–	–	–	(3.5)	(3.5)
Change in pension asset restriction	13	–	–	–	–	–	–	(0.6)	(0.6)
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	–	(7.5)	(7.5)
Other comprehensive income		–	–	–	–	–	25.1	(11.6)	13.5
Total comprehensive income		–	–	–	9.8	–	25.1	(11.6)	23.3
Dividends paid	16	–	–	–	(79.9)	–	–	–	(79.9)
Scrip dividend	15, 16	2.2	30.9	–	(33.1)	–	–	–	–
Share-based payments	17	–	–	–	–	–	–	14.2	14.2
Share awards vested		–	–	10.0	–	–	–	(10.0)	–
Excess deferred tax benefit from share-based payments		–	–	–	–	–	–	0.2	0.2
Purchase of own shares	15	–	–	(14.0)	–	–	–	–	(14.0)
At 31 December 2019		242.9	70.7	(10.8)	(847.7)	2,098.9	(99.1)	106.1	1,561.0
Net profit		**–**	**–**	**–**	**112.5**	**–**	**–**	**–**	**112.5**
Other comprehensive income:									
Foreign currency translation adjustment, net of tax		**–**	**–**	**–**	**–**	**–**	**53.0**	**–**	**53.0**
Remeasurement of defined benefit pension plans, net of tax	13	**–**	**–**	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Change in pension asset restriction	13	**–**	**–**	**–**	**–**	**–**	**–**	**5.0**	**5.0**
Effective portion of changes in fair value of cash flow hedges, net of tax		**–**	**–**	**–**	**–**	**–**	**–**	**(5.3)**	**(5.3)**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**53.0**	**(0.5)**	**52.5**
Total comprehensive income		**–**	**–**	**–**	**112.5**	**–**	**53.0**	**(0.5)**	**165.0**
Dividends paid	16	**–**	**–**	**–**	**(62.9)**	**–**	**–**	**–**	**(62.9)**
Scrip dividend	15, 16	**2.6**	**44.6**	**–**	**(47.2)**	**–**	**–**	**–**	**–**
Share-based payments	17	**–**	**–**	**–**	**–**	**–**	**–**	**12.4**	**12.4**
Share awards vested		**–**	**–**	**9.7**	**–**	**–**	**–**	**(9.7)**	**–**
Excess deferred tax benefit from share-based payments		**–**	**–**	**–**	**–**	**–**	**–**	**0.8**	**0.8**
Purchase of own shares	15	**–**	**–**	**(5.6)**	**–**	**–**	**–**	**–**	**(5.6)**
At 31 December 2020		**245.5**	**115.3**	**(6.7)**	**(845.3)**	**2,098.9**	**(46.1)**	**109.1**	**1,670.7**

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	**2020 $m**	2019 $m
Cash flows from operating activities			
Net profit		**112.5**	9.8
Adjustments for			
Depreciation of property, plant and equipment	7	**38.5**	35.5
Depreciation of right-of-use assets	22	**22.4**	22.4
Amortisation	8	**136.8**	151.9
Income tax expense	5	**62.2**	9.1
Non-operating expense, net	20	**9.8**	4.4
Finance costs, net	23	**48.4**	73.6
Share-based payments	17	**12.4**	14.2
Impairment/write-off of intangible assets	3	**1.8**	105.5
Impairment/write-off of property, plant and equipment	3	**9.9**	8.8
Change in assets and liabilities:			
Inventories		**(5.3)**	20.4
Trade and other receivables		**6.5**	(13.9)
Other non-current receivables		**(4.1)**	1.8
Restricted cash		**(2.1)**	–
Trade and other payables		**47.5**	43.8
Other non-current payables		**5.3**	(0.5)
Net cash generated from operations		**502.5**	486.8
Interest received		**1.9**	1.8
Interest paid		**(50.4)**	(49.8)
Income taxes paid		**(54.5)**	(37.0)
Net cash generated from operating activities		**399.5**	401.8
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		**(86.2)**	(61.4)
Proceeds from sale of property, plant and equipment and other assets		**0.1**	0.1
Acquisitions, net of cash acquired		**–**	(12.3)
Proceeds from divestiture	8	**29.8**	–
Change in restricted cash		**–**	0.8
Net cash used in investing activities		**(56.3)**	(72.8)
Cash flows from financing activities			
Repayment of borrowings	19	**(73.0)**	(1,618.7)
Proceeds from borrowings	19	**–**	1,481.0
Payment of lease liabilities	22	**(20.6)**	(20.9)
Purchase of own shares	15	**(5.6)**	(14.0)
Dividend paid	16	**(62.9)**	(79.9)
Net cash used in financing activities		**(162.1)**	(252.5)
Net change in cash and cash equivalents		**181.1**	76.5
Cash and cash equivalents at beginning of the year	20	**385.8**	315.6
Effect of exchange rate changes on cash and cash equivalents		**(1.5)**	(6.3)
Cash and cash equivalents at end of the year	20	**565.4**	385.8

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 company incorporated in the United Kingdom under the Companies Act of 2006 with its registered office situated in England and Wales. The Company's registered office is 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, United Kingdom.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and therefore comply with Article 4 of the EU International Accounting Standards ("IAS") Regulations.

The Consolidated Financial Statements are presented in US dollars ("USD"), reflecting the profile of the Company and its subsidiaries' (collectively, the "Group") revenue and operating profit, which are primarily generated in US dollars and US dollar-linked currencies. All values are rounded to $0.1 million except where otherwise indicated.

Pages 2 and 3 in the Strategic report provide further detail of the Group's principal activities and nature of its operations.

1.2 Significant accounting policies

The following significant accounting policies apply to the Consolidated Financial Statements as a whole:

Basis of accounting

The consolidated financial information has been prepared on a historical cost basis, except for certain financial instruments where fair value has been applied. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of consolidation

The Consolidated Financial Statements include the results of the Company and all its subsidiary undertakings. Subsidiaries are entities controlled by the Group. Control exists when the Group: (i) has power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement in the investee; and (iii) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The consolidated financial information of the Company's subsidiaries is included within the Group's Consolidated Financial Statements from the date that control commences until the date that control ceases and is prepared for the same year end date using consistent accounting policies.

Acquisitions

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.

Going concern

As discussed in the Financial review on pages 62 to 71, the overall financial performance of the business remains robust with a strong liquidity position maintained throughout the year. As at 31 December 2020, the Group held cash and cash equivalents of $565.4 million and two multicurrency term loans totalling $1.5 billion, of which $908.2 million is available until October 2024 and the remainder is amortising and requires a capital repayment of $90.0 million within the next 12 months. The Group also has access to a $200 million multicurrency revolving credit facility, which remains undrawn.

In preparing their assessment of going concern, the Directors have considered available cash resources, financial performance and forecast performance, together with the Group's financial covenant compliance requirements (as embedded in the term loans) and principal risks and uncertainties.

In assessing going concern, and in accordance with FRC guidance, management used the Board approved 2021 budget and longer-term strategic plan as foundations with the application of severe but plausible downside scenarios linked to the Group's principal and emerging risks, including supply chain disruption (incorporating the effect of climate change), COVID-19, delivery of transformation initiatives, pricing and reimbursement and foreign exchange sensitivity. Further details of the specific scenarios are provided in the Viability statement on pages 80 and 81. Under each scenario the Group retained significant liquidity and covenant headroom throughout the going concern period. A reverse stress test, before mitigation, was also considered as part of the Viability statement but the conditions of the reverse stress test were considered implausible. There are no key sources of estimation uncertainty in arriving at the going concern conclusion and no significant judgements have been required.

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 4 March 2021.

1. Basis of preparation (continued)

Foreign currency translation and transactions

Assets and liabilities of subsidiaries whose functional currency is not US dollars are translated into US dollars at the rate of exchange at the period end. Income and expenses are translated into US dollars at the average rates of exchange prevailing during the year. Foreign currency gains and losses resulting from the translation of subsidiaries into US dollars are recognised in the Consolidated Statement of Other 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.

Hyperinflation accounting

Argentina has been considered as a hyperinflationary economy since 2018, with hyperinflation accounting being required for foreign operations with a functional currency of the Argentine peso to meet the conditions of IAS 29, *Financial Reporting in Hyperinflationary Economies* ("IAS 29"). ConvaTec Argentina SRL is a subsidiary that has a functional currency of Argentine peso. The impact of adopting hyperinflation accounting is deemed immaterial to the Group and adjustments related to IAS 29 have not been recognised in either the current or prior financial year.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements, in conformity with adopted IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, income and expense. Actual results may differ from these estimates or judgements of likely outcome. Management regularly reviews, and revises as necessary, the accounting judgements that significantly impact the amounts recognised in the Consolidated Financial Statements and the sources of estimation uncertainty that are considered to be "key estimates" due to their potential to give rise to material adjustments in the Group's Consolidated Financial Statements within the next financial year.

In preparing the Consolidated Financial Statements, no critical accounting judgements or key estimates have been identified.

Considerations for the identification of critical accounting judgements and key estimates

Management regularly reviews the considerations in relation to critical accounting judgements and key estimates. Management considered, throughout the year, the financial reporting impact of risks associated with our identified principal risks which include the effects of COVID-19, climate change and Brexit.

As detailed further in the Group's Audit and Risk Committee report on pages 105 to 116 and discussed below, the Committee has reviewed, discussed, and challenged management on the determination of its critical accounting judgements and key estimates.

In response to COVID-19 a detailed assessment was performed by management of the potential impact on each balance sheet caption and associated accounting estimates and judgements at each reporting date during the year. No critical accounting judgements or key sources of estimation uncertainty have been identified from this assessment. This review included but was not limited to the following areas:

Goodwill and indefinite-lived intangible assets

The annual cash generating unit ("CGU") impairment review was conducted in accordance with the Group's accounting policy set out in Note 8 – Intangible assets and goodwill. The review demonstrated that no impairment was required in the year ended 31 December 2020. Reasonable possible change sensitivity analysis was performed considering changes in key assumptions including short term revenue growth rates, discount rates and terminal value growth rate and taking into consideration the Board approved 2021 budget and longer-term strategic plan as foundations and consideration of severe but plausible downside scenarios, consistent with those set out in the Viability statement on pages 80 and 81. Under all reasonable possible change scenarios headroom remained on all CGUs, demonstrating that the impairment of goodwill and indefinite-lived intangible assets is not a key source of estimation uncertainty.

Finite-lived intangible assets

The carrying values of finite-lived intangible assets are reviewed for indicators of impairment annually or when events or changes in circumstances indicate the carrying value may be impaired. The Group's finite-lived intangible assets are predominantly product-related, trade names and customer-related.

Management identified a key source of estimation uncertainty in relation to certain finite-lived intangible assets in the year ended 31 December 2019. For further information see Note 8 – Intangible assets and goodwill. As a result, the recoverable amounts of finite-lived assets with a carrying value of $539.2 million (2019: $635.2 million) were re-assessed in 2020 based on fair value less costs to sell, using an income approach reflecting the current market expectation over their remaining useful expected life. The approach uses estimated future cash flows deemed attributable to the asset, discounted to their present value using a post-tax discount rate that was based on the Group's weighted average cost of capital adjusted to reflect the territory of the assets. The post-tax discount rate used in the fair value calculation was 9.0% (2019: 11.0%).

For the year ended 31 December 2020 the recoverable amounts of all finite-lived intangible assets was determined to be in excess of net carrying value and no impairment was required. In assessing whether the impairment of assets represents a source of estimation uncertainty, IAS 1, *Presentation of Financial Statements* states that reasonably possible outcomes within the next financial year should be considered. Management has defined severe but plausible scenarios in the Viability statement testing which are linked to the Group's principal and emerging risks, including supply chain disruption (incorporating the effect of climate change), COVID-19, delivery of transformation initiatives, pricing and reimbursement and foreign exchange sensitivity.

1. Basis of preparation (continued)

Whilst these sensitivity scenarios are based on severe downside events and circumstances, management also considered the impact that these scenarios would have on the impairment of assets. Management has not identified any reasonably possible scenarios that would lead to an impairment as at 31 December 2020. As a result, the impairment of finite-lived intangible assets is no longer considered a key source of estimation uncertainty.

Property, plant and equipment and right-of-use assets

The carrying values of property, plant and equipment and right-of-use assets are reviewed for indicators of impairment annually or when events or changes in circumstances indicate the carrying value may be impaired.

During the year ended 31 December 2020, manufacturing optimisation and efficiency programmes have been implemented as part of the Transformation Initiative, resulting in the identification of impairment triggers in relation to machinery with a carrying value of $7.2 million. The recoverable amount was determined to be negligible based on the net present value of future cash flows and the assets were fully impaired.

The majority (c.90%) of the carrying value of the Group's property, plant and equipment relates to manufacturing sites. These sites have continued to operate within normal parameters, with appropriate safety precautions and requirements implemented during 2020 and therefore no other impairment indicators were identified in relation to property, plant and equipment. For further information on property, plant and equipment, refer to Note 7 – Property, plant and equipment.

Right-of-use assets primarily comprise leased buildings, the majority of which relate to manufacturing sites which, as stated above, have continued to operate within normal parameters, and therefore no indications of impairment have been noted. Refer to Note 22 – Leases for further information.

Inventories and trade receivables

Overall demand for our product lines remained strong, however, as noted in the Financial review, COVID-19 affected the AWC category, most notably because of the decline in elective surgeries. In line with our control framework and accounting policies, management reviewed inventory ageing and obsolescence and no incremental obsolescence provisions were required as a result of COVID-19. Despite the challenges of the pandemic, the Group continued to undertake physical cycle counts and, as appropriate, wall to wall counts at manufacturing sites and third-party distributors in line with internal policies. Refer to Note 9 – Inventories for further information.

The Group has monitored the cash collection position on a weekly basis since the onset of the pandemic and noted no material deterioration in collections or trade receivables ageing profile that required an increase in the allowance for expected credit losses. Refer to Note 10 – Trade and other receivables for further information.

Recognition of deferred tax assets

At 31 December 2019, the Group recognised a deferred tax asset of $23.0 million following the introduction of the Swiss tax reform, which was substantively enacted on 4 October 2019. The 'Swiss Practitioners' method was adopted to determine the best estimate of the related deferred tax asset expected to arise on the transition to the new tax rules in Switzerland. This gave rise to a deferred tax asset of $23.0 million. The estimate of the deferred tax asset was identified as a key source of estimation uncertainty at 31 December 2019 given the anticipated future transformative changes in the business. As at 31 December 2020, the deferred tax asset recognised in relation to the Swiss tax reform is $7.3 million. The valuation methodology used has been reassessed to reflect the Group's transformation changes and the resulting future role of the Swiss-based operations in the Group. For further details on the deferred tax asset refer to Note 5.4 – Movement in deferred tax assets and liabilities. While some level of uncertainty remains in the exact value of the deferred tax asset, management has concluded that the calculation of the deferred tax asset relating to the Swiss tax reform is unlikely to be subject to a material adjustment in the next 12 months.

1.4 Accounting standards

New standards and interpretations applied for the first time

On 1 January 2020, the Group adopted the following new or amended IFRSs and interpretations issued by the IASB:
- *Amendments to References to Conceptual Framework in IFRS Standards*
- *Definition of a Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*

Their adoption 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.

Interest Rate Benchmark Reform

On 1 January 2020, the Group adopted the IASB issued *Interest Rate Benchmark Reform – Phase 1 Amendments to IFRS 9, IAS 39 and IFRS 7*. As a result of the ongoing interest rate benchmark reforms, these amendments modify specific hedge accounting requirements to allow hedge accounting to continue during the period of uncertainty that arises before the current interest rate benchmarks are amended.

The amendment is only applicable to the interest rate swaps held as cash flow hedges by the Group and its impact is assessed as being limited. Refer to Note 21 – Financial instruments for further details. In preparation of the reform transition date the Group anticipates being required to make amendments to the contractual terms of the swaps and to update its hedge designation as appropriate.

In August 2020, the IASB also issued *Phase 2 Amendments* which are effective from 1 January 2021. The Group has not early adopted as no amendments have been made to the hedged item and/or hedging instruments in the financial year.

New standards and interpretations not yet applied

At the date of authorisation of these Consolidated Financial Statements, other than noted above, there were no new or revised IFRSs, amendments or interpretations in issue but not yet effective that are potentially relevant for the Group and which have not yet been applied.

Results of operations

This section includes disclosures explaining the Group's performance for the year, including segmental information, operating costs, other expenses, taxation and earnings per share.

2. Revenue and segmental information

2.1 Revenue recognition

The Group sells a broad range of products to a wide range of customers, including healthcare providers, patients and manufacturers. This note provides further information about how the Group generates revenue and when it is recognised in the Consolidated Income Statement.

Accounting policy

Revenue recognition

The Group measures revenue for goods sold based on the consideration specified in a contract with a customer, net of discounts, chargeback allowances and sales-related taxes. Revenue is recognised when control over a product or service is transferred to a customer, distributor or wholesaler, which is generally when goods have been delivered, as most products are insured to delivery. Due to the short-term nature of the receivables from sale of goods, the Group measures them at the original transaction price invoiced without discounting. The transaction price is the amount the Group expects to receive at that date.

Nature of goods and services

Advanced Wound Care, Ostomy Care, Continence Care and Critical Care products are sold to pharmacies, hospitals and other acute and post-acute healthcare service providers directly or through distributors and wholesalers. Products are also sold directly to end customers 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 of the leading insulin pump manufacturers. A small proportion of its revenue is derived from business-to-business urology product sales.

In 2020 and 2019, 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 the goods have transferred control. 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.

When distributors buy products from ConvaTec at a contract price and sell these products to end customers at a price agreed with ConvaTec that is lower than the distributors' list price, a chargeback is derived and a claim is submitted to ConvaTec by the distributor to keep the distributor whole. The provision for chargebacks is based on expected sell-through levels by the Group's distributors' customers to contracted customers, as well as estimated distributor inventory levels. Retrospective claims are reviewed against estimations to ensure provision levels 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.

2. Revenue and segmental information (continued)

Contract costs
Incremental costs related to obtaining a contract with a customer principally relate to commissions paid by the Group to its sales representatives. Costs to fulfil contracts with customers 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 $4.7 million at 31 December 2020 (2019: $4.5 million). In the year ended 31 December 2020, the amount of amortisation expense was $3.7 million (2019: $2.8 million). There was no impairment loss in relation to the costs capitalised.

Contract balances
The Group recognises contract liabilities that primarily relate to any advance consideration received from customers prior to transfer of the related products and material rights offered to customers for options to purchase additional goods. The contract liability balance at 31 December 2020 was $nil (2019: $1.1 million).

2.2 Segment information

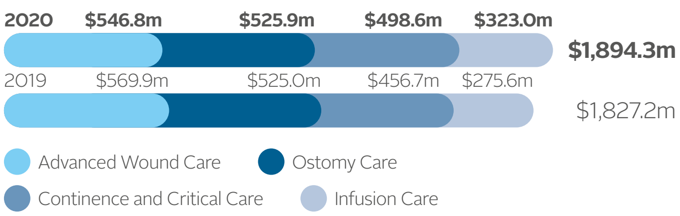
The Board considers the Group's business to be a single segment entity engaged in the development, manufacture and sale of medical products and technologies. R&D, manufacturing and central support functions are managed globally for the Group. Revenues are managed both on a category and regional basis. This note presents the performance and activities of the Group as a single segment.

Pages 28 to 37 of the Strategic report provide further detail of category revenue.

The Group's CEO, who is the Group's Chief Operating Decision Maker, evaluates the Group's global product portfolios on a revenue basis and evaluates profitability and associated investment on an enterprise-wide basis due to shared geographic infrastructures and support functions between the categories. Financial information relating to revenues provided to the CEO for decision-making purposes is made on both a category and regional basis; however profitability measures are presented and resources allocated on a Group-wide basis.

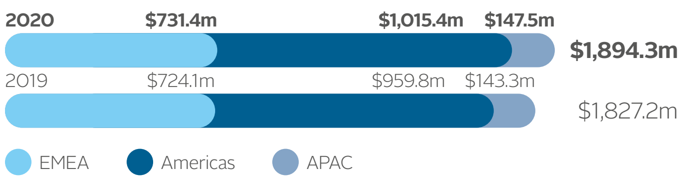
Revenue by category
The Group generates revenue across four major product categories.

The following chart sets out the Group's revenue for the year ended 31 December by category:



Geographic information
Geographic markets

The following chart sets out the Group's revenue in each regional geographic market in which customers are located:



Geographic information (continued)
Geographic regions

The following table sets out the Group's revenue on the basis of geographic regions where the legal entity generating the revenue resides, including countries representing over 10% of Group revenue and the UK, where the Group is domiciled:

	2020 $m	2019 $m
Geographic regions		
US	**666.1**	643.9
UK	**149.4**	158.2
Denmark	**316.1**	271.9
Other[(a)]	**762.7**	753.2
	1,894.3	1,827.2

(a) Other consists primarily of countries in Europe, Asia-Pacific ("APAC"), Latin America and Canada.

2. Revenue and segmental information (continued)

The following table sets out the Group's non-current assets by country:

	2020 $m	2019 $m
Long-lived assets[a]		
US	**1,093.0**	1,176.7
UK	**818.7**	829.9
Denmark	**293.0**	249.7
Other[b]	**322.9**	316.7
Total long-lived assets	**2,527.6**	2,573.0

(a) Long-lived assets consist of property, plant and equipment, right-of-use assets, intangible assets and goodwill.
(b) Other consists primarily of countries in Europe and Latin America.

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 arrive at operating profit.

3.1 Operating profit

Operating profit is stated after deducting from revenue:

	Notes	2020 $m	2019 $m
Depreciation:			
Property, plant and equipment	7	**38.5**	35.5
Right-of-use assets	22	**22.4**	22.4
Amortisation	8	**136.8**	151.9
Impairment/write-off of property, plant and equipment	7	**9.9**	8.8
Impairment/write-off of intangible assets[a]	8	**1.8**	105.5
Gain on disposal of property, plant and equipment		**(0.1)**	–
Loss on terminated leases	22	**0.1**	–
Amounts related to inventory included in cost of sales		**732.6**	714.9
Adjustments to write-down inventory[b]		**19.5**	17.1
Lease expenses[c]	22	**3.9**	3.3
Staff costs:			
Wages and salaries		**478.1**	420.9
Share-based payment expense	17	**12.4**	14.2
Social security costs		**59.1**	55.3
Defined contribution plan costs		**18.0**	16.6
Defined benefit plan costs	13	**2.9**	1.8
Recruitment and other employment-related fees		**9.2**	6.1
Total staff costs		**579.7**	514.9

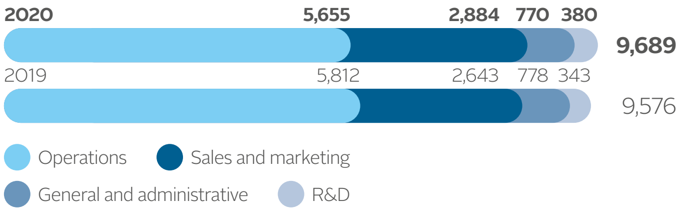
(a) In the year ended 31 December 2019 an impairment of $105.5 million was included in other operating expenses in the Consolidated Income Statement (Note 8 – Intangible assets and goodwill).
(b) Relates to adjustments to write down inventory to its net realisable value and is included in cost of sales.
(c) Lease expenses represent low-value leases and short-term leases. Refer to accounting policy in Note 22 – Leases.

The remuneration of the Executive Directors which is set out on pages 122 to 129, has been audited, is included within staff costs and forms part of these Consolidated Financial Statements.

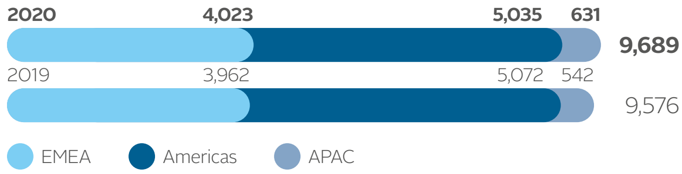
3. Operating costs (continued)

3.2 Employee numbers

The average number of the Group's employees by function:



The average number of the Group's employees by location:



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 as below:

	2020 $m	2019 $m
Fees for audit services		
Group	**1.1**	0.9
Subsidiaries	**3.1**	3.0
Total fees for audit services	**4.2**	3.9
Fees for non-audit services		
Audit-related assurance services	**0.2**	0.2
Total auditor remuneration	**4.4**	4.1

A description of the work performed by the Audit and Risk Committee in order to safeguard auditor independence when non-audit services are provided is set out in the Audit and Risk Committee report on pages 105 to 116.

4. Non-operating income/(expense), net

Non-operating income/(expense), net was as follows:

	Notes	2020 $m	2019 $m
Foreign exchange losses[(a)]		**(26.3)**	(5.2)
Gain on foreign exchange forward contracts[(a)]	21	**21.7**	0.9
Gain on foreign exchange cash flow hedges	21	**0.2**	–
Gain on divestiture[(b)]		**16.5**	–
Other expense		**–**	(0.1)
Non-operating income/(expense), net		**12.1**	(4.4)

(a) The foreign exchange losses in 2020 primarily relate to the foreign exchange impact on intercompany transactions, including loans transacted in non-functional currencies and are offset by foreign exchange forward contracts in accordance with the Group's foreign exchange risk management policy.
(b) Refer to Note 8.3 – Divestiture for details of the gain on divestiture of the US Skincare product line.

5. 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 previous years. Taxable profit differs from reported profit because taxable profit excludes items that are either never taxable or tax deductible or items that are taxable or tax deductible in a different period.

Deferred tax

Deferred tax is recognised using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences:

- on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- arising on the initial recognition of goodwill;
- on investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to temporary differences when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Current tax and deferred tax for the year

Current tax and deferred tax are recognised in the Consolidated Income Statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax provisions

The Group is subject to income taxes in numerous tax jurisdictions. Judgement is sometimes required in determining the worldwide provision for income taxes. There may be transactions for which the ultimate tax determination is uncertain and may be challenged by the tax authorities. The Group recognises liabilities for anticipated or actual tax audit issues based on estimates of whether additional taxes will be due. Where an outflow of funds to a tax authority is considered probable and the Group can make a reliable estimate of the outcome of the issue, management calculates the provision for the best estimate of the liability. In assessing its uncertain tax provisions, management takes into account the specific facts of each issue, the likelihood of settlement and the input of professional advice where required. The Group assumes that where a tax authority has a right to examine amounts reported to it, they will do so and will have full knowledge of all relevant information. Where the ultimate liability as a result of an issue varies from the amounts provided, such differences could impact the current and deferred tax assets and liabilities in the period in which the dispute is concluded.

5. Income taxes (continued)

5.1 Taxation

The Group's income tax expense is the sum of the total current and deferred tax expense.

	2020 $m	2019 $m
Current tax		
UK corporation tax	**0.4**	–
Overseas taxation	**54.9**	38.4
Adjustment to prior years	**(0.6)**	(1.5)
Total current tax expense	**54.7**	36.9
Deferred tax		
Origination and reversal of temporary differences	**(13.8)**	(26.4)
Change in tax rates	**2.5**	(4.0)
Adjustment to prior years	**1.2**	2.6
Change in basis of estimate for Swiss deferred tax asset	**17.6**	–
Total deferred tax expense/(benefit)	**7.5**	(27.8)
Income tax expense	**62.2**	9.1

In 2020, the change in basis of estimate for Swiss deferred tax asset of $17.6 million relates to the Swiss tax reform (discussed in Note 5.4 below). The change in tax rates mainly relates to the revaluation of the net deferred tax liability in the UK from 17.0% to 19.0%, which was substantively enacted in March 2020, following the reversal of the change in corporation tax rate originally due to come into effect from 1 April 2020.

In 2019, the origination and reversal of temporary differences includes the deferred tax benefit of $23.0 million in relation to the enactment of the Swiss tax reform on 4 October 2019, which was effective from 31 December 2019. The change in tax rate mainly relates to changes in the UK and Swiss tax rates that were substantively enacted as at 31 December 2019.

5.2 Reconciliation of effective tax rate

The effective tax rate for the year ended 31 December 2020 was an expense of 35.6%, as compared with an expense of 48.1% for the year ended 31 December 2019.

Tax reconciliation to UK statutory rate

The table below reconciles the UK statutory tax expense to the Group's total income tax expense:

	2020 $m		2019 $m	
Profit before income taxes	**174.7**		18.9	
Profit before income taxes multiplied by rate of corporation tax in the UK of 19.0% (2019: 19.0%)	**33.2**		3.6	
Difference between UK and overseas tax rates[(a)]	**4.8**		(13.6)	
Non-deductible/non-taxable items	**3.4**		2.6	
Tax impact of impairment of certain intangible assets	**–**		24.6	
Movement in unrecognised losses and other assets	**1.8**		17.7	
Movement on provision for uncertain tax positions	**(0.5)**		(5.3)	
Deferred tax impact of the Swiss tax reform	**17.6**		(23.0)	
Other[(b)]	**1.9**		2.5	
Income tax expense reported in the Consolidated Income Statement at the effective tax rate	**62.2**	**35.6%**	9.1	48.1%

(a) This includes changes in tax rates based on substantively enacted legislation across various tax jurisdictions as of 31 December.
(b) Includes tax on amortisation of indefinite-lived intangibles and taxes on unremitted earnings.

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 therefore involves a degree of estimation in respect of certain items for which the tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. In 2020, the Group provisions for uncertain tax positions relate mainly to transfer pricing positions and withholding tax liabilities.

The Group's effective tax rate in 2020 has mainly been influenced by the deferred tax expense of $17.6 million arising from the change in basis of estimate of the deferred tax asset arising upon the Swiss tax reform (refer to Note 5.1). In 2019, the Group's effective tax rate was mainly driven by a deferred tax benefit of $23.0 million arising from the Swiss tax reform, offset by $17.7 million relating to tax losses where no deferred tax asset has been recognised and $24.6 million relating to the impairment of certain intangible assets in the Group where no tax relief for the costs has been taken.

On 3 March 2021 the UK government announced an intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. If enacted this will impact the value of our UK deferred tax balances, and the tax charged on UK profits generated in 2023 and subsequently. We have yet to determine the full impact of these proposed changes.

5. Income taxes (continued)

5.3 Deferred tax

The components of deferred tax assets and liabilities at 31 December are as follows:

	2020 $m	2019 $m
Deferred tax assets	**41.4**	55.0
Deferred tax liabilities	**(101.4)**	(107.8)
Net position at the end of the year	**(60.0)**	(52.8)

The movement in deferred tax assets is principally due to a change in the basis of estimate of the deferred tax asset recognised on Swiss tax reform reducing the asset by $17.6 million (2019: a tax benefit of $23.0 million for initial recognition of the deferred tax asset) and an increase of $4.0 million relating to intra-group profits eliminated on intercompany inventory and other temporary differences (2019: $9.1 million).

5.4 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 UK deferred tax rate has increased (from 17.0% to 19.0%) as the planned rate reduction enacted in previous year was reversed. This is in accordance with legislation that was substantively enacted on 17 March 2020. The movements in the deferred tax assets and liabilities were as follows:

	Inventory $m	Losses $m	PP&E $m	Intangibles $m	Unremitted earnings $m	Interest $m	Other $m	Total $m
At 1 January 2019	13.1	53.2	(4.5)	(173.9)	(0.6)	14.5	14.0	(84.2)
Movement in Income Statement	1.3	(5.7)	0.2	34.2	(0.6)	5.6	(7.2)	27.8
Movement in other comprehensive income	–	–	–	–	–	–	4.3	4.3
Other	(0.6)	–	–	(2.6)	–	–	3.4	0.2
Foreign exchange	0.1	–	0.3	(0.7)	–	–	(0.6)	(0.9)
At 31 December 2019	**13.9**	**47.5**	**(4.0)**	**(143.0)**	**(1.2)**	**20.1**	**13.9**	**(52.8)**
Movement in Income Statement	**0.8**	**7.8**	**5.5**	**(30.4)**	**(0.2)**	**(0.5)**	**9.5**	**(7.5)**
Movement in other comprehensive income	**–**	**–**	**–**	**–**	**–**	**1.7**	**0.2**	**1.9**
Other	**–**	**–**	**–**	**–**	**–**	**–**	**1.0**	**1.0**
Foreign exchange	**(0.5)**	**–**	**(0.3)**	**(1.9)**	**–**	**0.1**	**–**	**(2.6)**
At 31 December 2020	**14.2**	**55.3**	**1.2**	**(175.3)**	**(1.4)**	**21.4**	**24.6**	**(60.0)**

Deferred tax liabilities provided in relation to intangible assets predominantly relate to temporary differences arising on assets and liabilities acquired as part of historic business combinations. The net movement in deferred tax liability in relation to intangible assets in 2020 mainly relates to the amortisation in the year, and the reassessment in light of a change in the basis of estimate of the deferred tax asset arising on the Swiss tax reform to $7.3 million (including foreign exchange translation differences on the opening balance of $1.9 million) (2019: $23.0 million). The Group's transformation changes, including the change in the future anticipated profitability of the Group's Swiss-based operations, have led to a development in the method of valuation used. The revised method of valuation is based on what, given the known circumstances at 31 December 2020, is considered to be the most appropriate valuation method, namely the Discounted Cash Flow method. The method is permitted under Swiss tax law and, therefore, is expected to be accepted by the Swiss Tax Authorities. While some level of uncertainty remains until the relevant corporate income tax return is filed and agreed, possible changes in the key assumptions that impact the asset valuation have been considered and they are not expected to have a material impact on the deferred tax asset in the next 12 months and, therefore, this is no longer a key source of estimation uncertainty as at 31 December 2020.

The deferred tax asset arose due to grandfathering provisions that the Swiss tax reform had introduced with effect from 31 December 2019 to alleviate the higher Swiss tax rates that apply from 1 January 2020. These provisions give rise to future deductible amortisation in relation to an intangible asset for tax purposes. In 2019, the net movement in deferred tax liability in relation to intangible assets included the initial recognition of a deferred tax asset of $23.0 million following the enactment of the Swiss tax reform. The valuation was calculated using a specific methodology that is permitted under Swiss law and the method of valuation was a key source of estimation uncertainty subject to review. As mentioned above, given the greater clarity on the future role of the Group's Swiss-based operations, the valuation has been reassessed using an alternative methodology that is also permitted under Swiss tax law and the estimated value of the deferred tax asset has been correspondingly reassessed.

Deferred tax on inventory predominantly relates to a deferred tax asset recognised on intra-group profits arising on intercompany inventory which are eliminated within the Consolidated Financial Statements. As intra-group profits are not eliminated from the individual entities' tax returns, a temporary difference arises that will reverse when 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, 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 $379.1 million (2019: $313.1 million) arising on unremitted earnings as management has the ability to control any future reversal and does not consider such a reversal to be probable.

5. Income taxes (continued)

5.5 Tax losses carried forward

The following table shows the total recognised and unrecognised tax losses carried forward, including anticipated period of expiration:

	2020			2019		
Country	Indefinite $m	1 to 20 years $m	Total $m	Indefinite $m	1 to 20 years $m	Total $m
UK	**48.0**	**–**	**48.0**	39.6	–	39.6
Luxembourg	**687.4**	**–**	**687.4**	1,530.8	–	1,530.8
US State Taxes	**29.4**	**209.4**	**238.8**	23.2	213.4	236.6
US Federal Tax	**127.1**	**263.7**	**390.8**	35.5	337.0	372.5
Other overseas	**2.5**	**53.2**	**55.7**	6.0	52.0	58.0
Total	**894.4**	**526.3**	**1,420.7**	1,635.1	602.4	2,237.5

In 2020, the movement in Luxembourg tax losses is mainly attributable to the utilisation of the tax losses against the taxable profit on intra-group transfer of entities. In 2019, the movement in Luxembourg tax losses was driven by foreign exchange gains as the tax losses are Euro denominated.

Deferred tax assets are only recognised where it is probable that future taxable profit will be available to utilise the tax losses. Of the Group's total tax losses of $1,420.7 million, deferred tax assets have not been recognised on $1,038.8 million (2019: $1,917.2 million) of these losses.

6. 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.

	2020	2019
Net profit attributable to the shareholders of the Group ($m)	**112.5**	9.8
Basic weighted average ordinary shares in issue (number)	**1,991,596,105**	1,971,014,011
Dilutive impact of share awards (number)	**14,994,358**	5,142,363
Diluted weighted average ordinary shares in issue (number)	**2,006,590,463**	1,976,156,374
Basic earnings per share (cents per share)	**5.7¢ per share**	0.5¢ per share
Diluted earnings per share (cents per share)	**5.6¢ per share**	0.5¢ per share

The calculation of diluted earnings per share excludes 936,534 (2019: 10,066,660) share options that were non-dilutive for the year because the exercise price exceeded the average market price of the Group's ordinary shares during the year.

Operating assets and liabilities

This section set outs the assets and liabilities that the Group holds in order to operate the business on a day-to-day basis, including long-term assets which generate future revenues and profits for the Group.

Liabilities relating to the Group's financing activities are addressed in "Capital structure and financial costs".

7. Property, plant and equipment

The Group invests in buildings, equipment and manufacturing machinery to operate the business and to generate revenue and profits. Assets are depreciated over their estimated useful economic life reflecting the reduction in value of the asset due, in particular, to wear and tear.

Accounting policy

Property, plant and equipment ("PP&E") are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset including subsequent additions and improvements when it is probable that future economic benefit associated with the item will flow to the Group and the cost can be reliably measured.

Depreciation is provided on a straight-line basis from the point an asset becomes available for use. Depreciation is calculated to reduce the asset's cost to its residual value over the asset's estimated useful economic life. Assets are depreciated as follows:

Asset category	Useful life
Land	not depreciated
Land improvements	15 to 40 years
Leasehold improvements	shorter of useful life or lease tenure
Buildings	15 to 50 years
Machinery, equipment and fixtures	3 to 20 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset. This difference is recognised in the Consolidated Income Statement.

Assets under construction reflects the cost of construction or improvement of items of PP&E that are not yet available for use. Finance costs incurred in the construction of assets that take more than one year to complete are capitalised using the Group's weighted average borrowing cost during the period in which the asset is under construction. Capitalisation of finance costs ceases when the asset becomes available for use.

Consideration of useful economic lives

The assets' residual values, depreciation methods and useful economic lives are reviewed annually and adjusted if appropriate.

Impairment of assets

The carrying values of PP&E are reviewed for indicators of impairment annually or when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, being the higher of an asset's fair value less costs to sell and the net present value of its expected pre-tax future cash flows ("value in use").

When an asset's recoverable amount falls below its carrying value, an impairment is charged to the Consolidated Income Statement.

7. Property, plant and equipment (continued)

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
PP&E at cost					
1 January 2019	14.9	132.7	402.7	63.8	614.1
Reclassification of right-of-use assets[(a)]	–	(24.9)	(0.6)	–	(25.5)
Additions	–	0.4	1.5	52.7	54.6
Disposals[(b)]	–	(2.1)	(7.4)	(8.4)	(17.9)
Transfers	–	13.1	40.5	(53.6)	–
Foreign exchange	0.1	2.2	0.1	0.3	2.7
31 December 2019	**15.0**	**121.4**	**436.8**	**54.8**	**628.0**
Additions	**–**	**2.9**	**4.1**	**57.5**	**64.5**
Disposals[(b)]	**–**	**(3.6)**	**(11.6)**	**(1.3)**	**(16.5)**
Transfers	**–**	**5.5**	**32.0**	**(37.5)**	**–**
Foreign exchange	**0.8**	**3.2**	**22.1**	**3.7**	**29.8**
31 December 2020	**15.8**	**129.4**	**483.4**	**77.2**	**705.8**
Accumulated depreciation					
1 January 2019	0.6	45.7	237.1	–	283.4
Reclassification of right-of-use assets[(a)]	–	(4.0)	(0.4)	–	(4.4)
Depreciation	0.1	5.5	29.9	–	35.5
Disposals[(b)]	–	(2.0)	(7.1)	–	(9.1)
Foreign exchange	0.1	0.8	0.1	–	1.0
31 December 2019	**0.8**	**46.0**	**259.6**	**–**	**306.4**
Depreciation	**0.1**	**6.0**	**32.4**	**–**	**38.5**
Disposals	**–**	**(3.1)**	**(10.7)**	**–**	**(13.8)**
Impairment	**–**	**–**	**7.2**	**–**	**7.2**
Foreign exchange	**–**	**1.6**	**13.7**	**–**	**15.3**
31 December 2020	**0.9**	**50.5**	**302.2**	**–**	**353.6**
Net carrying amount					
31 December 2019	14.2	75.4	177.2	54.8	321.6
31 December 2020	**14.9**	**78.9**	**181.2**	**77.2**	**352.2**

(a) Amounts previously recognised as finance lease assets have been reclassified to right-of-use assets upon transition to IFRS 16, *Leases* on 1 January 2019. Refer to Note 22 – Leases for further details.
(b) Included within disposals were asset write-offs of $2.7 million (2019: $8.8 million) following a reassessment by management of the ongoing value of certain projects.

During the year ended 31 December 2020, manufacturing optimisation and efficiency programmes have been implemented as part of the Transformation Initiative, resulting in identification of impairment triggers in relation to machinery with a carrying value of $7.2 million. The recoverable amount was determined to be negligible based on the net present value of future cash flows and the assets were fully impaired.

8. Intangible assets and goodwill

The split of intangible assets and goodwill is as follows:

	Notes	2020 $m	2019 $m
Intangible assets	8.1	**992.4**	1,101.3
Goodwill	8.2	**1,097.2**	1,065.6
Intangible assets and goodwill		**2,089.6**	2,166.9

8.1 Intangible assets

The Group's intangible assets are those that have been recognised at fair value as part of business combinations, investment in product development and software purchased to support business operations. These are assets that are not physical in nature but can be sold separately or arise from legal rights.

Accounting policy

Recognition

Measurement on initial recognition of intangible assets is determined at cost for assets acquired by the Group and at fair value at the date of acquisition if acquired in business combinations. Following initial recognition of the intangible asset, the asset is carried at cost less any subsequent accumulated amortisation and accumulated impairment losses.

Purchased computer software and certain costs of information technology are capitalised as intangible assets. Software that is integral to purchased computer hardware is capitalised as PP&E.

R&D

R&D expenses are comprised of all activities involving investigative, technical and regulatory processes related to obtaining appropriate approvals to market our products. 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 finite-lived intangible assets 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	10 years
Trade names – indefinite	indefinite
Development costs	5 years

Assets under construction reflects the cost of construction or improvement of intangible assets that are not yet available for use.

Impairment of assets

Finite-lived intangible assets 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 8.4 – CGU impairment review for consideration of impairment of indefinite-lived intangible assets.

8. Intangible assets and goodwill (continued)

The movement in the carrying value of each major category of intangible assets is as follows:

	Product-related $m	Capitalised software[a] $m	Customer relationships and non-compete agreements $m	Trade names $m	Development cost[b] $m	Assets under construction $m	Total $m
Intangibles at cost							
1 January 2019	2,093.6	98.0	297.7	259.2	10.2	10.9	2,769.6
Additions	–	5.0	0.1	–	–	8.2	13.3
Acquisitions	–	–	2.7	–	–	–	2.7
Disposals	–	(2.3)	(2.1)	–	(0.5)	–	(4.9)
Transfers	–	6.7	–	–	2.0	(8.7)	–
Foreign exchange[c]	24.3	0.2	(1.7)	(0.4)	(0.3)	–	22.1
31 December 2019	**2,117.9**	**107.6**	**296.7**	**258.8**	**11.4**	**10.4**	**2,802.8**
Additions	**5.3**	**4.7**	**–**	**–**	**–**	**15.1**	**25.1**
Acquisitions	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Divestiture[d]	**(50.0)**	**–**	**–**	**–**	**–**	**–**	**(50.0)**
Disposals	**–**	**(1.9)**	**–**	**–**	**–**	**–**	**(1.9)**
Transfers	**–**	**17.8**	**–**	**–**	**–**	**(17.8)**	**–**
Foreign exchange[c]	**28.0**	**0.4**	**8.8**	**1.4**	**1.1**	**0.5**	**40.2**
31 December 2020	**2,101.2**	**128.6**	**305.5**	**260.2**	**12.5**	**8.2**	**2,816.2**
Accumulated amortisation							
1 January 2019	1,213.2	76.7	135.5	3.0	6.7	–	1,435.1
Amortisation	118.4	9.4	22.0	1.1	1.0	–	151.9
Disposals	–	(2.3)	(2.1)	–	(0.5)	–	(4.9)
Impairment	103.6	–	–	1.9	–	–	105.5
Foreign exchange[c]	15.3	–	(1.2)	–	(0.2)	–	13.9
31 December 2019	**1,450.5**	**83.8**	**154.2**	**6.0**	**7.0**	**–**	**1,701.5**
Amortisation	**102.9**	**8.2**	**22.7**	**1.7**	**1.3**	**–**	**136.8**
Divestiture[d]	**(43.5)**	**–**	**–**	**–**	**–**	**–**	**(43.5)**
Disposals	**–**	**(1.8)**	**–**	**–**	**–**	**–**	**(1.8)**
Impairment	**–**	**–**	**1.7**	**–**	**–**	**–**	**1.7**
Foreign exchange[c]	**21.0**	**0.2**	**7.2**	**–**	**0.7**	**–**	**29.1**
31 December 2020	**1,530.9**	**90.4**	**185.8**	**7.7**	**9.0**	**–**	**1,823.8**
Net carrying amount							
31 December 2019	667.4	23.8	142.5	252.8	4.4	10.4	1,101.3
31 December 2020	**570.3**	**38.2**	**119.7**	**252.5**	**3.5**	**8.2**	**992.4**

(a) Capitalised software relates to purchased software and internally generated software.
(b) Relates to internally generated development costs which have met the requirements of being in the development phase as defined in the Group accounting policy.
(c) Primarily relates to intangible assets denominated in Sterling.
(d) Intangible assets sold as part of the US Skincare product line divestiture. See Note 8.3 – Divestiture for details.

During the year ended 31 December 2020, a strategic review of customer contracts was performed as part of the Transformation Initiative, leading to impairment indicators being identified in relation to customer relationships with a carrying value of $3.9 million. The recoverable amount was calculated based on value in use and in accordance with the Group's accounting policy. As a result, an impairment of $1.7 million was recognised.

As part of the Transformation Initiative, a product portfolio review was undertaken in 2019 which resulted in the identification of impairment triggers in relation to a number of the Group's finite-lived intangible assets. As a result, the Group recognised an impairment of $103.6 million during the year ended 31 December 2019. The impairment review was reperformed in the year ended 31 December 2020 as described in Note 1.3. No impairment was required for the year ended 31 December 2020.

During the year ended 31 December 2019, the Group refreshed the strategy of the HSG business by starting the transition to marketing through 180 Medical as a single trade name. As a result, trade names with a net carrying amount of $1.9 million were fully impaired during the year ended 31 December 2019.

8. Intangible assets and goodwill (continued)

Amortisation expenses related to finite-lived intangible assets for the year ended 31 December were as follows:

	2020 $m	2019 $m
Cost of sales	**106.8**	122.6
Selling and distribution expenses	**0.5**	–
General and administrative expenses	**28.0**	28.3
Research and development expenses	**1.5**	1.0
Total amortisation expense	**136.8**	151.9

The carrying amount of indefinite-lived trade names at 31 December 2020 was $251.0 million (2019: $249.6 million). Each of these remaining trade names is 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:

	2020 $m	2019 $m	Remaining life
Trade names			
ConvaTec trade name	**234.6**	234.6	Indefinite
Product-related			
AQUACEL® including Hydrofibre®	**211.9**	241.5	5.6 years
Stoma care	**176.9**	208.6	5.6 years

8.2 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 8.4 – 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.

8. Intangible assets and goodwill (continued)

The changes in the carrying value of goodwill as at 31 December were as follows:

	Total $m
1 January 2019	1,043.0
Additions	9.6
Foreign exchange	13.0
31 December 2019	**1,065.6**
Foreign exchange	**31.6**
31 December 2020	**1,097.2**

8.3 Divestiture

During the year, the Group completed the divestiture of the trade and assets of the US Skincare product line, a limited product range within Advanced Wound Care ("US Skincare"). This note provides details of the transaction and the accounting for the divestiture that has been recorded.

Accounting policy

A divestiture or disposal occurs when the Group ceases to control a subsidiary, business or trade and assets of a product line. Consideration received in respect of a divestiture is measured at fair value, and all associated assets and liabilities are derecognised at the date control is transferred. The difference between the carrying value of the net assets divested and the fair value of consideration received is recorded as a gain or loss on divestiture in the Consolidated Income Statement.

Foreign exchange translation gains or losses relating to subsidiaries that the Group has divested, and that have previously been recorded in other comprehensive income or expense, are also recognised as part of the gain or loss on divestiture.

The operating results of the divested subsidiary, business or product line cease to be included in the Group's Consolidated Financial Statements from the date of divestiture.

On 25 September 2020, the Group completed the divestiture of the trade and assets of US Skincare, including the Aloe Vesta and SensiCare brands, for net consideration of $29.6 million. Transaction fees paid as part of the divestiture were $1.5 million. The divestiture is part of the execution of the Group's strategic transformation and consistent with our five pillars (FISBE, refer to pages 12 to 17) to focus on key markets and categories and provide appropriate product portfolios to serve those markets.

Details of the divestiture

	$m
Consideration received:	
Net cash received	**29.8**
Adjustment to consideration included in other payables	**(0.2)**
Total net consideration	**29.6**
Net assets sold:	
Intangible assets (net book value)	**(6.5)**
Inventories	**(5.1)**
Gain on divestiture before transactions costs and income tax	**18.0**
Transaction costs	**(1.5)**
Gain on divestiture before income tax	**16.5**
Income tax expense on gain	**–**
Gain on divestiture after income tax	**16.5**

The gain on divestiture is presented within Non-operating income/(expense), net in the Consolidated Income Statement.

8. Intangible assets and goodwill (continued)

8.4 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 impairment reversals in 2020 or 2019.

The Group has identified six CGUs in applying the provisions of IAS 36, *Impairment of Assets:* (i) Americas, (ii) HSG, (iii) EMEA, (iv) APAC, (v) Infusion Care, and (vi) Industrial Sales.

Goodwill and indefinite-lived intangible assets are allocated to the Group's CGUs as follows:

	Goodwill		Indefinite-lived intangible assets	
	2020 $m	2019 $m	**2020 $m**	2019 $m
CGUs				
Americas	**15.3**	15.3	**234.6**	234.6
HSG	**330.6**	330.6	**–**	–
EMEA	**652.6**	632.3	**–**	–
Infusion Care	**58.6**	48.6	**14.5**	13.3
Industrial Sales	**40.1**	38.8	**1.9**	1.7
Total	**1,097.2**	1,065.6	**251.0**	249.6

Impairment reviews were performed for each individual CGU during the year ended 31 December 2020.

8. Intangible assets and goodwill (continued)

Determining the estimated recoverable amount of a CGU is judgemental in nature. The key assumptions used in the estimation of value in use as at 31 December were revenue growth rates as included in the Group's five-year Board approved strategic plan, terminal value growth rate and discount rates. Revenue growth rates reflect macroeconomic activity, sector market growth forecasts and competitor activity supplemented by the Group's Transformation Initiative. Revenue growth rates applied in the first three years of the strategic plan and in the preparation of the CGU impairment review assume that revenue continues to grow at existing levels with no change to reimbursement levels and with a normalisation of the impact of COVID-19 during 2021.

The terminal value growth rate and discount rates used were as follows:

Discount rate (pre-tax)	2020 %	2019 %
CGUs		
Americas	**11.5**	12.0
HSG	**9.5**	10.0
EMEA	**11.5**	12.0
Infusion Care	**10.5**	11.0
Industrial Sales	**12.0**	12.0
Terminal value growth rate[(a)]	**2.0**	2.0

(a) The estimated terminal value growth rate for the CGUs is based on expectations concerning the growth trends of the CGUs taking into account global gross domestic product growth, general long-term inflation and population expectations.

In 2020 and 2019, the Group performed its annual goodwill and indefinite-lived intangible impairment test and determined that there was no impairment of goodwill or indefinite-lived intangible assets. In the current year reasonable possible change sensitivity analysis was performed considering changes in key assumptions including short term revenue growth rates, discount rates and terminal value growth rate and taking into consideration the Board approved 2021 budget and longer-term strategic plan as foundations and consideration of severe but plausible downside scenarios consistent with those identified as part of the Viability statement (refer to page 81 for full details of scenarios). Under all reasonable possible change scenarios headroom remained on all CGUs, demonstrating that the impairment of goodwill and indefinite-lived intangible assets is not a key source of estimation uncertainty.

9. Inventories

Inventories are the 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 materials and supplies 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 overhead 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:

	2020 $m	2019 $m
Raw and packaging materials	**68.6**	74.4
Work in progress	**36.4**	39.3
Finished goods	**192.1**	168.1
Inventories	**297.1**	281.8

Inventories are stated net of a provision of $27.8 million (2019: $23.4 million). Adjustments to write-down inventory to its net realisable value are provided in Note 3 – Operating costs.

10. 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, restricted cash 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 for expected credit losses 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, are required to be updated at each reporting date.

Certain trade and other receivables may be fully reserved when specific collection issues are known to exist, such as pending bankruptcy. The Group writes off uncollectable receivables at the time it is determined the receivable is no longer collectable.

Trade and other receivables are not collateralised or factored and the Group does not charge interest on past due amounts. Refer to Note 2.1 – Revenue recognition for details on the accounting policy related to chargeback allowances.

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 does not form part of cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows. Amounts with a maturity of less than one year are presented within other receivables within current assets. Amounts with a maturity of more than one year are presented as restricted cash in non-current assets.

Trade and other receivables at 31 December were as follows:

	2020 $m	2019 restated[(a)] $m
Included within current assets:		
Trade receivables	**287.0**	290.2
Less: allowances for expected credit losses	**(12.6)**	(11.6)
Less: sales discounts and chargebacks	**(29.2)**	(31.5)
Other receivables	**44.3**	36.7
Prepayments	**18.4**	15.9
Derivative financial assets[(b)]	**8.1**	1.0
Trade and other receivables	**316.0**	300.7

(a) The aggregation of balances classified as other receivables and prepayments has been revised in order to better reflect the nature of the transactions. The prior year numbers have been restated to reflect the revised presentation.
(b) Derivative financial assets comprise $1.7 million (2019: $nil) cash flow hedges and $6.4 million (2019: $1.0 million) foreign exchange forward contracts. Refer to Note 21 – Financial instruments for further details.

The aged analysis of trade receivables at 31 December was as follows:

	2020 $m	2019 $m
Current	**221.0**	211.6
Past due 1 to 30 days	**19.9**	28.0
Past due 31 to 90 days	**16.3**	15.6
Past due 91 to 180 days	**2.6**	6.4
Past due by more than 180 days	**27.2**	28.6
	287.0	290.2

10. Trade and other receivables (continued)

At 31 December, the unimpaired amounts that are past due are aged as follows:

	2020 $m	2019 $m
Past due 1 to 30 days	**19.0**	27.6
Past due 31 to 90 days	**16.0**	14.5
Past due 91 to 180 days	**2.1**	6.0
Past due by more than 180 days	**16.3**	18.9
	53.4	67.0

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. Cash collections are monitored by management on a weekly basis and have remained strong throughout 2020. There have been no indicators of a deterioration in collectability as a result of COVID-19, with no decline in Days Sales Outstanding ("DSO") or trade receivables ageing during the year ended 31 December 2020.

Movements in the allowance for expected credit losses for the years ended 31 December were as follows:

	2020 $m	2019 $m
At 1 January	**(11.6)**	(12.3)
Charges	**(6.5)**	(7.8)
Utilisation of provision	**5.7**	8.4
Foreign exchange	**(0.2)**	0.1
At 31 December	**(12.6)**	(11.6)

Other non-current receivables

Other non-current receivables of $13.3 million (2019: $8.9 million) includes the defined benefit asset of $2.3 million (2019: $nil) (Note 13 – Post-employment benefits). Other amounts relate to deposits held with lessors, prepaid expenses and other receivables.

Restricted cash

At 31 December 2020, the Group had restricted cash of $5.7 million (2019: $3.6 million) with a maturity of more than one year, as presented within non-current assets. No restricted cash was recognised within current assets as at 31 December 2020 (2019: $nil).

11. 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:

	2020 $m	2019 $m
Included within current liabilities:		
Trade payables	**98.2**	90.5
Taxes and social security	**32.1**	28.4
Other employee-related liabilities	**99.1**	72.5
Accruals and other payables	**104.7**	95.7
Derivative financial liabilities (Note 21)	**7.7**	2.2
Trade and other payables	**341.8**	289.3

	2020 $m	2019 $m
Included within non-current liabilities:		
Defined benefit obligations (Note 13)	**23.1**	21.4
Other employee-related liabilities	**6.2**	4.4
Accruals and other payables	**0.6**	0.8
Other non-current liabilities	**29.9**	26.6

12. Provisions

A provision is an obligation recognised when there is uncertainty over the timing or amount that will be paid. Provisions held by the Group primarily relate to restructuring, decommissioning and dilapidation.

Accounting policy

A provision is recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation and that obligation can be measured reliably. Restructuring provisions are only recognised when a constructive obligation exists, which requires both a detailed formal plan and a valid expectation being raised in those affected by starting to implement that plan or announcing the main features. Provisions are measured at the best estimate of the expenditure required to settle the obligation and are discounted to present value if the effect is material. Provisions are reviewed on a regular basis and adjusted to reflect management's best current estimates. Due to the judgemental nature of these items, future settlements may differ from amounts recognised.

When the timing of a settlement is uncertain or expected to be more than 12 months from the reporting date, amounts are classified as non-current.

The movements in provisions are as follows:

	Restructuring provisions $m	Decommissioning and dilapidation provisions $m	Total $m
1 January 2019	4.5	1.5	6.0
Charges	4.9	0.4	5.3
Utilisation	(4.6)	(0.2)	(4.8)
Changes in estimate	(0.6)	–	(0.6)
Foreign exchange	–	–	–
31 December 2019	**4.2**	**1.7**	**5.9**
Charges	**12.9**	**0.4**	**13.3**
Utilisation	**(7.3)**	**(0.6)**	**(7.9)**
Changes in estimate	**(0.7)**	**–**	**(0.7)**
Foreign exchange	**0.3**	**–**	**0.3**
31 December 2020	**9.4**	**1.5**	**10.9**

Provisions have been analysed between current and non-current as follows:

	2020		2019	
	Current	**Non-current**	Current	Non-current
Restructuring provisions	**9.4**	**–**	4.2	–
Decommissioning and dilapidation provisions	**–**	**1.5**	–	1.7
Total	**9.4**	**1.5**	4.2	1.7

Restructuring provisions
Restructuring provisions relate to employee termination benefits for involuntary workforce reduction relating to major change programmes and the Group's Transformation Initiative. The Transformation Initiative is a global multi-year transformation programme that commenced in 2019. No restructuring recognised by the Group is related to COVID-19. All restructuring provisions relate to detailed plans and a valid expectation has been raised in those affected as required by the Group's accounting policy.

Decommissioning and dilapidation provisions
Decommissioning provisions are recognised when an item is purchased to represent the estimated costs of dismantling and removing PP&E and restoring the site on which it was located. Dilapidation provisions relate to legal obligations to return leased properties to the conditions which are specified in the individual leases.

13. Post-employment benefits

The Group has over 9,600 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 then the fair value of plan assets is deducted to measure the defined benefit pension position recorded by the Group.

The Group has defined benefit plans in six European countries. The most significant plans are: the UK, which is closed to new entrants and future benefit accruals; 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 new plan in Germany is not material 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 the UK, 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. A buy-in transaction of the UK plan was completed during the year; details are provided below. The value of plan assets in Germany at 31 December 2020 is negligible.

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 Other Comprehensive Income. Remeasurements recorded in the Consolidated Statement of Other 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").

13. Post-employment benefits (continued)

Risks

The defined benefit plans typically expose the Group to risks. The most significant risks impacting the Group as a result of these plans are as follows:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high-quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the Group's plans invest primarily in debt instruments.
Interest risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
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.

Buy-in of UK plan

On 24 March 2020, the Trustee of the UK plan completed a buy-in transaction whereby the assets of the plan were invested in a bulk purchase annuity policy with the insurer Aviva Life & Pensions UK Limited ("Aviva"), under which the benefits payable to defined benefit members are now fully insured. The Scheme paid $12.6 million to Aviva on 30 March 2020 to fund the buy-in premium. The Group intends to move to a full buy-out as soon as practical, following which the insurance company will become directly responsible for pension payments. An actuarial valuation for the UK plan has been prepared by an independent actuary. Details of the valuation and movements in the UK plan's assets and liabilities are provided within the tables below. Certainty over the recoverability of the surplus in the UK has resulted in a gain of $5.0 million recognised in the Consolidated Statement of Comprehensive Income for the 12 months ended 31 December 2020.

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:

	2020 $m	2019 $m
Defined benefit plans:		
Current service cost	**2.4**	2.3
Past service cost	**–**	(0.6)
Interest income on plan assets	**(0.3)**	(0.5)
Interest expense on defined benefit obligations	**0.4**	0.6
Expenses related to UK buy-in	**0.4**	–
Total expense (Note 3)	**2.9**	1.8

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:

	2020 $m	2019 $m
Remeasurement effect recognised in other comprehensive income:		
Actuarial gain/(loss) on liabilities due to experience	**1.8**	(1.9)
Actuarial loss arising from changes in financial assumptions	**(1.5)**	(6.2)
Actuarial gain arising from changes in demographic assumptions	**0.6**	0.1
Actuarial (loss)/gain on plan assets	**(1.3)**	3.0
Remeasurement loss recognised in other comprehensive income	**(0.4)**	(5.0)
Deferred tax on remeasurement loss recognised in other comprehensive income	**0.2**	1.5
Change in pension asset restriction	**5.0**	(0.6)
Total amount recognised in other comprehensive income	**4.8**	(4.1)

13. Post-employment benefits (continued)

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:

	UK		Germany		Switzerland		Other		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Fair value of schemes' assets	15.7	17.1	–	–	13.8	12.5	0.8	0.8	30.3	30.4
Present value of funded schemes' liabilities	(12.1)	(10.8)	–	–	(20.4)	(19.6)	(1.4)	(1.5)	(33.9)	(31.9)
Surplus/(deficit) in the funded schemes	3.6	6.3	–	–	(6.6)	(7.1)	(0.6)	(0.7)	(3.6)	(1.5)
Present value of unfunded schemes' liabilities	–	–	(12.8)	(10.9)	–	–	(3.1)	(2.7)	(15.9)	(13.6)
Restrict recognition of asset	(1.3)	(6.3)	–	–	–	–	–	–	(1.3)	(6.3)
Net pension asset/(liability)	2.3	–	(12.8)	(10.9)	(6.6)	(7.1)	(3.7)	(3.4)	(20.8)	(21.4)
Recognised within Consolidated Statement of Financial Position:										
Defined benefit asset (Note 10)									2.3	–
Defined benefit obligations (Note 11)									(23.1)	(21.4)

The weighted average duration of the Group's defined benefit obligations at the end of the year is 20 years (2019: 20 years).

Fair value of assets and present value of the liabilities of the plan

The amount included in the Consolidated Statement of Financial Position arising from its obligations in respect of its defined benefit plans was as follows:

	Assets $m	Liabilities $m	Total $m
At 1 January 2019	23.6	(33.0)	(9.4)
Current service cost	–	(2.3)	(2.3)
Past service cost	–	0.6	0.6
Interest income/(expense)	0.5	(0.6)	(0.1)
Remeasurement gain/(loss)	3.0	(6.1)	(3.1)
Contributions by employer	0.8	–	0.8
Contributions by members	0.7	(0.7)	–
Net benefits	1.0	(1.0)	–
Experience loss	–	(1.9)	(1.9)
Foreign exchange	0.8	(0.5)	0.3
At 31 December 2019	30.4	(45.5)	(15.1)
Current service cost	–	(2.4)	(2.4)
Interest income/(expense)	0.3	(0.4)	(0.1)
Remeasurement loss	(1.3)	(0.9)	(2.2)
Contributions by employer	0.8	–	0.8
Contributions by members	0.7	(0.7)	–
Net benefits	(1.8)	2.1	0.3
Experience gain	–	1.8	1.8
Expenses paid related to UK buy-in	(0.4)	–	(0.4)
Foreign exchange	1.6	(3.8)	(2.2)
At 31 December 2020	30.3	(49.8)	(19.5)

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.

	UK		Germany		Switzerland		Other		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Equity instruments	–	–	–	–	3.7	3.4	–	–	3.7	3.4
Debt instruments	3.9	16.9	–	–	5.2	4.7	–	–	9.1	21.6
Property	–	–	–	–	1.8	1.7	–	–	1.8	1.7
Qualifying insurance policies	11.8	–	–	–	–	–	0.8	0.8	12.6	0.8
Other	–	0.2	–	–	3.1	2.7	–	–	3.1	2.9
Plan assets	15.7	17.1	–	–	13.8	12.5	0.8	0.8	30.3	30.4

13. Post-employment benefits (continued)

Actuarial assumptions

The Group makes certain key assumptions in order to value the plan obligations, and the approach to how these are set was as follows:

	Approach taken
Discount rate	Calculated by reference to the yields on high-quality corporate bonds which match expected cash flows in each territory in which a defined benefit plan is present.
Inflation	Calculated using the difference on yields between fixed and index-linked government bonds.
Future salary increases	Based on historical expectations and known future increases, including expected inflation rates.
Mortality	Based on mortality tables derived from assessments performed by national governments and based upon recommendations by plan actuaries.

The principal actuarial assumptions for each defined benefit arrangement used at 31 December were as follows:

	UK		Germany		Switzerland		Other	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Discount rate[(a)]	**1.32%**	2.00%	**1.26%**	1.39%	**0.20%**	0.10%	**-0.05% to 1.15%**	0.31% to 1.10%
Rate of price inflation	**2.50%**	2.25%	**N/A**	N/A	**0.50%**	0.50%	**1.00% to 2.00%**	1.00% to 2.00%
Future salary increases	**N/A**	N/A	**2.00%**	2.39%	**1.75%**	1.75%	**0.00% to 3.00%**	3.00%

(a) The discount rate in Italy of -0.05% is based on Eurozone AA bonds with a duration of 7 to 10 years consistent with the expected duration of the obligation.

The current mortality assumptions underlying the values of the obligations in the defined benefit plans were as follows:

	UK		Germany		Switzerland		Other	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Life expectancy at age 65								
Male	**22.8 years**	22.7 years	**16.7 years**	17.0 years	**21.8 years**	21.7 years	**20.4 years**	20.1 years
Female	**23.9 years**	23.8 years	**20.7 years**	20.6 years	**24.9 years**	24.6 years	**24.0 years**	23.6 years
Life expectancy at age 65 in 20 years' time								
Male	**24.2 years**	24.0 years	**19.3 years**	19.8 years	**23.5 years**	23.3 years	**21.6 years**	21.3 years
Female	**25.5 years**	25.3 years	**23.2 years**	22.8 years	**26.4 years**	26.3 years	**25.1 years**	24.7 years

Sensitivity analysis

The effect of movements in the key actuarial assumptions related to the UK, Germany and Switzerland plans at 31 December 2020 would be an (increase)/decrease to the defined benefit asset/liabilities as follows:

	UK		Germany		Switzerland	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
Discount rate	**0.8**	**(0.8)**	**1.4**	**(1.7)**	**2.0**	**(2.2)**
Inflation	**(0.6)**	**0.6**	**N/A**	**N/A**	**(0.7)**	**0.7**
Future salary increases	**N/A**	**N/A**	**N/A**	**N/A**	**(0.4)**	**0.5**

	1 year increase	1 year decrease	1 year increase	1 year decrease	1 year increase	1 year decrease
Life expectancy	**(0.6)**	**0.6**	**(0.5)**	**0.5**	**(0.4)**	**0.4**

Future funding

Payments expected to be made by the Group to its defined benefit pension plans in the year ended 31 December 2021 are as follows:

	UK $m	Germany $m	Switzerland $m	Other $m	Total $m
Expected payments	**–**	**0.1**	**0.9**	**–**	**1.0**

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 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.

14. Capital structure and net debt

The capital structure of the Group was as follows:

	2020 $m	2019 $m
Borrowings (Note 19)	1,456.4	1,486.1
Less: Cash and cash equivalents (Note 20)	565.4	385.8
Net debt	891.0	1,100.3
Equity	1,670.7	1,561.0
Total capital	2,561.7	2,661.3

The Group's capital structure is managed to provide ongoing returns to shareholders and service debt obligations whilst maintaining maximum operational flexibility. Refer to pages 66 to 67 in the Financial review for discussion of the Group's sources and uses of cash.

15. 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 presented 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 acquired. 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

Includes changes in the effective portion of cash flow hedges, remeasurement of defined benefit plans and the share-based payment reserve.

15. Share capital and reserves (continued)

Share capital

Shares were allotted during the year in relation to the Group's scrip dividend offering. The movements in ordinary shares in issue of 10p each were as follows:

Issued and fully paid or credited as fully paid	Ordinary shares number	Share capital $m	Share premium $m
1 January 2019	1,966,155,724	240.7	39.8
Issue of new shares for Scrip Scheme – 2018 final dividend	11,198,285	1.5	18.5
Issue of new shares for Scrip Scheme – 2019 interim dividend	6,159,842	0.7	12.4
	17,358,127	2.2	30.9
31 December 2019	**1,983,513,851**	**242.9**	**70.7**
Issue of new shares for Scrip Scheme – 2019 final dividend	**16,991,621**	**2.1**	**35.7**
Issue of new shares for Scrip Scheme – 2020 interim dividend	**3,841,666**	**0.5**	**8.9**
	20,833,287	**2.6**	**44.6**
31 December 2020	**2,004,347,138**	**245.5**	**115.3**

At 31 December 2020, 2,401,898 shares (2019: 4,848,579 shares) were held in the Employee Benefit Trust. The market value of own shares at 31 December 2020 was $6.5 million (2019: $12.8 million). During the year the Employee Benefit Trust purchased 2,000,000 shares for $5.6 million (2019: 6,386,097 shares for $14.0 million) to satisfy requirements of anticipated future obligations under the Group's employee share ownership programmes.

Other reserves includes the share-based payment reserve of $121.8 million (2019: $118.3 million), partially offset by the measurement of defined benefit obligations of $8.2 million (2019: $13.0 million) and the effective portion of cash flow hedges of $4.5 million (2019: $0.8 million debit). A reconciliation of movements in all reserves is provided in the Consolidated Statement of Changes in Equity.

Distributable reserves

Retained and realised distributable reserves equates to the retained surplus of ConvaTec Group Plc as set out in the Company Financial Statements on page 195. At 31 December 2020, the retained surplus of the Company was $1,653.1 million (2019: $1,528.5 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.

16. 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 paid by subsidiary companies.

In determining the level of dividend in 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 76 to 79).

The Board paid the 2019 final dividend in May 2020 and the interim dividend in October 2020. The Board has taken into consideration balancing the return to shareholders, the potential effects of COVID-19 and the additional investment in transformation in the period. The decision to maintain the dividend reflects the Board's confidence in the future performance of the Group, our resilience during the COVID-19 pandemic 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 139.

Accounting policy

Dividends paid are included in the Group Consolidated Financial Statements at the earlier of payment of the dividends or in respect of the Company's final dividend for the year, on approval by shareholders.

The Company operates a scrip dividend scheme allowing shareholders to elect to receive their dividend in the form of new fully paid ordinary shares. For any particular dividend, the Directors may decide whether or not to make the scrip offer available.

16. 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 2018	3.097	3.983	79.1	59.1	20.0	11,198,285
Interim dividend 2019	1.404	1.717	33.9	20.8	13.1	6,159,842
Paid in 2019	4.501	5.700	113.0	79.9	33.1	17,358,127
Final dividend 2019	**3.095**	**3.983**	**75.8**	**38.0**	**37.8**	**16,991,621**
Interim dividend 2020	**1.306**	**1.717**	**34.3**	**24.9**	**9.4**	**3,841,666**
Paid in 2020	**4.401**	**5.700**	**110.1**	**62.9**	**47.2**	**20,833,287**
Final dividend 2020 proposed	**2.845**	**3.983**	**79.9**			

The final dividend proposed for 2020, to be distributed on 13 May 2021 to shareholders registered at the close of business on 6 April 2021, is based upon the issued and fully paid share capital as at 31 December 2020 and is subject to shareholder approval at our Annual General Meeting on 7 May 2021. The dividend will be declared in US dollars and will be paid in Sterling at the chosen exchange rate of $1.400/£1.00 determined on 4 March 2021. A scrip dividend alternative will be offered allowing shareholders to elect by 22 April 2021 to receive their dividend in the form of new ordinary shares.

The interim and final dividends for 2020 give a total dividend for the year of 5.700 cents per share (2019: 5.700 cents per share).

17. 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 pages 124 and 125.

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. The awards granted in 2020 are subject to the completion of the Group's Transformation Initiative. Awards granted in 2019 were subject only to remaining employed up to the vesting date.

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.

All share-based payment expenses were equity-settled and recognised in the Consolidated Income Statement as follows:

	2020 $m	2019 $m
LTIP	**9.2**	11.6
SP/MSP	**1.4**	0.5
DBP	**0.6**	–
Employee Plans	**1.2**	2.1
	12.4	14.2

17. Share-based payments (continued)

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:

	2020		2019	
	Number of shares/ options 000's	Weighted average exercise price of options £ per share	Number of shares/ options 000's	Weighted average exercise price £ per share
Outstanding at 1 January	29,503	0.57	25,301	1.04
Granted	11,513	0.26	19,383	0.42
Forfeited	(6,250)	0.67	(10,830)	1.46
Exercised	(4,294)	0.03	(4,351)	–
Outstanding at 31 December	30,472	0.51	29,503	0.57
Exercisable at 31 December	937	2.49	1,600	2.28
Weighted average fair value of awards granted (£ per share)	–	1.19	–	0.79

The average share price during 2020 was £1.96 (2019: £1.59). The share price of the Company at 31 December 2020 was £1.99.

The range of exercise prices and the weighted average remaining contractual life of options outstanding at 31 December were as follows:

Range of prices	2020 Number of shares/ options 000's	2019 Number of shares/ options 000's
Nil	20,637	19,119
1.21	5,993	6,532
1.76	1,635	–
1.84	1,270	1,532
2.49	937	1,540
2.78	–	780
	30,472	29,503
Weighted average remaining contractual life of options outstanding	2.0 years	2.4 years

Valuation assumptions

All share awards granted are valued directly by reference to the share price at date of grant except:

- PSP shares awarded under the LTIP and MSP shares are subject to a relative Total Shareholder Return ("TSR") performance condition and are valued using a Monte Carlo simulation.
- Options granted under the Employee Plans which are valued using the Black-Scholes model.

The principal assumptions used in these valuations were:

	2020				2019		
	LTIP March 2020	LTIP May 2020	SAYE & International Share Save Plan	ESPP	LTIP	SAYE & International Share Save Plan	ESPP
Share price at date of grant	£1.85	£2.07	£1.89	£2.07	£1.37	£1.74	£1.42
Exercise price	nil	nil	£1.76	£1.76	nil	£1.21	£1.21
Expected life	3.0 years	3.0 years	3.6 years	2.0 years	3.0 years	3.6 years	2.0 years
Expected volatility[(a)]	43.9%	46.1%	46.1%	46.1%	45.0%	45.0%	45.0%
Risk free rate	0.1%	0.1%	0.1%	0.1%	0.8%	0.8%	0.8%
Dividend yield	2.4%	2.2%	2.2%	2.2%	3.2%	3.2%	3.2%
Fair value	£1.13	£1.51	£0.28	£0.30	£0.65	£0.33	£0.20

(a) 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.

18. 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 10 – 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 2020, the Group held cash and cash equivalents of $565.4 million (2019: $385.8 million), of which 85% was held centrally, and had access to a $200.0 million multicurrency revolving credit facility, available until October 2024, which was undrawn and has remained undrawn.

Medium and long-term borrowing requirements are met through committed bank facilities as detailed in Note 19 – Borrowings. Short-term borrowing requirements, if necessary, may be met from drawings under the multicurrency revolving credit facility.

In response to COVID-19, the Group has undertaken regular detailed reviews of both the potential short-term effects of the pandemic on working capital and the longer-term forecast liquidity position. Cash collections have remained strong and the Group has not taken advantage of any governmental COVID-19 support programmes available or needed to utilise its revolving credit facility to manage short-term liquidity requirements. 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 80 and 81.

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 both translation and transactional foreign exchange risk. Certain currency pairings are designated as cash flow hedges; refer to Note 21 – Financial instruments for details. As a result, the impact of the fluctuations in the market values of assets and liabilities and the settlement of foreign currency transactions are reduced.

The following exchange rates have been applied for the principal currencies:

Currency	Average rate/ Closing rate	2020	2019
EUR/USD	Average	**1.14**	1.12
	Closing	**1.22**	1.12
GBP/USD	Average	**1.28**	1.28
	Closing	**1.37**	1.33
DKK/USD	Average	**0.15**	0.15
	Closing	**0.16**	0.15

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 foreign exchange risk as at 31 December, with all other variables held constant.

Currency	Sensitivity	2020 $m	2019 $m
Increase/(decrease) in profit before income taxes			
GBP/USD	+10%	**1.7**	(2.8)
EUR/USD	+10%	**(31.6)**	(24.5)
DKK/USD	+10%	**(10.0)**	(9.1)
Decrease/(increase) in total equity			
GBP/USD	+10%	**(92.6)**	(84.8)
EUR/USD	+10%	**(3.8)**	(17.9)
DKK/USD	+10%	**(34.6)**	(26.0)

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 agreement which attract interest at floating rates plus a fixed margin. Floating rate borrowings 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.

18. Financial risk management (continued)

Sensitivity analysis on interest rate risk

Based on the composition and the terms of the Group's borrowings as at 31 December 2020, including application of the interest rate floor and before the effect of interest rate swaps, if interest rates were to increase or decrease by 100 basis points, the interest expense on borrowings would increase by $12.4 million (2019: $13.2 million) or decrease by $2.1 million (2019: $10.5 million) assuming that all other variables remain constant and excluding any effect of tax.

IBOR Reform

The transition away from LIBOR, and other IBORs (together "IBOR Reform") will remove certain IBOR as an interest rate benchmark for financial instruments. The Group's credit agreement is multicurrency, allowing drawings to be made in different currencies. As at 31 December 2020, the Group's borrowings are denominated in USD and EUR, exposing the Group to floating USD LIBOR and EURIBOR. Refer to Note 19 – Borrowings for further details of the Group's credit agreement. The Group maintains USD interest rate swaps of $275.0 million, with exposure to USD LIBOR as a reference rate; refer to Note 21 – Financial instruments for details.

The Group is closely monitoring the market and the output from the various industry working groups and authorities managing the transition to new benchmark interest rates, including ICE Benchmark Association (ICE), Financial Conduct Authority (FCA) and International Swap Dealers Association (ISDA). In addition, the Group has opened discussions with certain syndicate banks who lend under the credit agreement to consider and evaluate the relevant commercial points and switch mechanics.

The Group will continue to closely monitor the ongoing consultation on a clear end-date for transition and continue discussions with syndicate banks in 2021 with an intention to updating all relevant contracts and agreements when appropriate, and in advance of the transition deadline. The Group does not believe that these changes will impact its ability to continue managing its interest rate risk.

19. Borrowings

The Group's sources of borrowing for funding and liquidity purposes derive from bank term loans together with a committed revolving credit facility. In October 2019, the Group voluntarily prepaid and discharged all outstanding contractual obligations under its previous credit agreement and refinanced under a new credit agreement that matures in October 2024.

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.

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.

The Group's consolidated borrowings as at 31 December were as follows:

	Currency	Year of maturity	**2020 Face value $m**	2019 Face value $m
Revolving Credit Facilities	Multicurrency	2024	**–**	–
Term Loan Facility A[(a)]	USD/Euro	2024	**560.1**	600.9
Term Loan Facility B[(b)]	USD/Euro	2024	**908.2**	901.4
Total interest-bearing borrowings			**1,468.3**	1,502.3
Financing fees			**(11.9)**	(16.2)
Total carrying value of borrowings from credit facilities			**1,456.4**	1,486.1
Less: current portion of borrowings			**86.6**	40.8
Total non-current borrowings			**1,369.8**	1,445.3

(a) Included within Term Loan Facility A is €140.4 million ($171.6 million), and €161.3 million ($180.9 million) at 31 December 2020 and 2019 respectively, denominated in Euros. This represents 31% (2019: 30%) denominated in Euros and 69% (2019: 70%) denominated in US dollars.
(b) Included within Term Loan Facility B is €227.8 million ($278.2 million), and €242.0 million ($271.4 million) at 31 December 2020 and 2019 respectively, denominated in Euros. This represents 31% (2019: 30%) denominated in Euros and 69% (2019: 70%) denominated in US dollars.

19. Borrowings (continued)

Credit agreement

The credit agreement held by the Group is committed and available for the refinancing of certain existing financial indebtedness and general corporate purposes. Provided by a group of financial institutions and maturing in October 2024, it consists of two 5-year multicurrency term loans totalling $1.5 billion and a $200.0 million multicurrency revolving credit facility. Of the $1.5 billion term loan debt, $600.0 million is amortising, requiring scheduled annual repayments of the principal. The remaining $900.0 million is repayable in full at the maturity of the term loan. The multicurrency revolving credit facility has an option to increase its amount by up to 50% ($100.0 million) subject to certain conditions. The multicurrency revolving credit facility was undrawn as at 31 December 2020.

The credit agreement is secured by way of a share pledge and contains various provisions, covenants and representations that are customary for such a facility. The principal financial covenants are based on a permitted net debt to adjusted EBITDA ratio and interest cover test as defined in the credit agreement. Testing is required on a semi-annual basis, at June and December, based on the last 12 months' financial performance. At 31 December 2020, the permitted net debt to adjusted EBITDA ratio was a maximum of 3.75 times (reducing to 3.50 times for testing periods from 31 December 2021 inclusive) and the interest cover a minimum of 3.50 times (no change in 2021), terms as defined by the credit agreement. In accordance with the agreement, net debt to adjusted EBITDA 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 in the credit agreement at 31 December 2020 and 2019, with significant available headroom on the financial covenants (c.$840 million debt headroom on net debt to adjusted EBITDA).

Excluding the impact of interest rate swaps, the weighted average interest rate on borrowings for the year ended 31 December 2020 was 2.6% (2019: 3.8%).

Borrowings not measured at fair value

At 31 December 2020, the estimated fair value of the Group's borrowings, excluding leases obligations, approximated $1,473.7 million (2019: $1,513.2 million). The fair value of the Group's borrowings is based on discounted cash flows using a current borrowing rate and are categorised as a Level 2 measurement in the fair value hierarchy under IFRS 13, *Fair Value Measurements.*

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							
	Within 1 year or on demand $m	1 to 2 years $m	2 to 3 years $m	3 to 4 years $m	4 to 5 years $m	More than 5 years $m	Total $m	Carrying amount $m
At 31 December 2020								
Borrowings	**122.8**	**181.6**	**178.8**	**1,099.3**	**–**	**–**	**1,582.5**	**1,456.4**
Lease obligations	**23.3**	**18.6**	**15.3**	**11.3**	**8.1**	**32.4**	**109.0**	**92.1**
Trade and other payables	**341.8**	**–**	**–**	**–**	**–**	**–**	**341.8**	**341.8**
Derivative financial instruments								
Derivative financial instruments payable	**971.1**	**3.7**	**0.9**	**–**	**–**	**–**	**975.7**	**15.4**
Derivative financial instruments receivable	**(967.6)**	**–**	**–**	**–**	**–**	**–**	**(967.6)**	**(8.1)**
At 31 December 2019								
Borrowings	100.2	143.6	200.6	195.5	1,106.9	–	1,746.8	1,486.1
Lease obligations	21.7	17.6	13.1	10.5	7.8	35.7	106.4	88.5
Trade and other payables	289.3	–	–	–	–	–	289.3	289.3
Derivative financial instruments								
Derivative financial instruments payable	266.7	–	–	–	–	–	266.7	2.2
Derivative financial instruments receivable	(265.5)	(0.6)	(0.3)	(0.1)	–	–	(266.5)	(2.0)

Reconciliation of movement in borrowings

	2020 $m	2019 $m
Borrowings at 1 January	**1,486.1**	1,620.8
Repayment of borrowings[a]	**(73.0)**	(1,618.7)
Proceeds of new borrowings, net of financing fees	**–**	1,481.0
Foreign exchange	**39.0**	(11.5)
Non-cash movements[b]	**4.3**	14.5
Borrowings at 31 December	**1,456.4**	1,486.1

(a) In the year ended 31 December 2020, repayment of borrowings include the scheduled repayment instalment on Term Loan Facility A of $45.0 million and an additional payment of $28.0 million on Euro denominated borrowings triggered by the movement in the Euro to USD exchange rate exceeding 5%.
(b) Non-cash movements relate to the amortisation of deferred financing fees associated with the credit agreement. For the year ended 31 December 2019, non-cash movements also included deferred financing fees recognised upon early termination of the Group's previous credit agreement.

20. Cash and cash equivalents

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 2020 included $42.2 million (2019: $44.5 million) of cash held in territories where there are restrictions related to 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.

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 2020 or 31 December 2019.

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 presented within 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 8 – 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 4 – Non operating income/expense, net.

	2020 $m	2019 $m
Cash at bank and in hand	**105.0**	183.7
Money market funds and bank deposits	**460.4**	202.1
Cash and cash equivalents	**565.4**	385.8

21. 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 swaps 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 borrowing facilities.

In the final quarter of 2020 the Group designated certain foreign currency pairings of forecast third-party transactions as cash flow hedges in accordance with its risk management policy. Details of the financial instruments held at year end and their respective fair values are provided within the note below.

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 Group maintains USD interest rate swaps of $275.0 million, with exposure to USD LIBOR as a reference rate (as detailed below). As at 31 December 2020 there remains uncertainty as to the timing and the methods of transition for replacing existing USD LIBOR benchmark rates with alternative rates that the Group continues to closely monitor, refer to Note 18 – Financial risk management for further details. In assessing hedge effectiveness on a prospective basis for this relationship, the Group has assumed that the USD LIBOR-related interest cash flows on the swap are not altered by IBOR reform and the hedge continues to be highly effective. Furthermore, hedge accounting did not need to be discontinued during the period of IBOR-related uncertainty as the Group has taken the relief available in Phase 1 to separately identify the risk component at the initial hedge designation and not on an ongoing basis. The impact of IBOR reform on the Group is assessed as being limited but the Group will continue to monitor developments of IBOR Reform throughout 2021.

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 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. 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).

The Group holds interest rate swap agreements to fix a proportion of variable interest on US dollar denominated debt, in accordance with the Group's risk management policy. The interest rate swaps are designated as hedging instruments in a cash flow hedging relationship.

In accordance with Group policy, the Group uses forward foreign exchange contracts, designated as cash flow hedges, to hedge certain forecast third-party foreign currency transactions for up to one year. 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 principal currencies hedged by forward foreign exchange contracts are US dollars, Euro and Danish Krone.

The Group further utilises foreign exchange contracts and swaps classified as FVTPL to manage short-term foreign exchange exposure.

21. 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 cash flow hedges at 31 December:

			2020		2019	
	Effective date	Maturity date	Notional amount $m	Fair value[(a)] assets/ (liabilities) $m	Notional amount $m	Fair value[(a)] assets $m
3 Month LIBOR Float to Fixed Interest Rate Swap	24 Jan 2020	24 Jan 2023	**275.0**	**(7.7)**	275.0	1.0
Foreign currency forward exchange contracts		15 Nov 2021	**98.3**	**1.7**	–	–
			373.3	**(6.0)**	275.0	1.0
Recognised in other comprehensive income:						
Effective portion of changes in fair value of cash flow hedges				**(6.7)**		(9.5)
Costs of hedging				**(0.1)**		–
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement				**(0.2)**		(0.8)
Total				**(7.0)**		(10.3)

(a) The fair values of the interest rate swaps are shown in derivative financial liabilities in the Consolidated Statement of Financial Position (2019: derivative financial assets). The fair values of the foreign exchange forward contracts are included within trade and other receivables. Finance expenses in the Consolidated Income Statement includes the negligible ineffective impact of the interest rate swaps.

The reduction in fair value of the interest rate swaps follows a reduction in US interest rates in response to COVID-19.

During the year ended 31 December 2020, the Group reclassified a $0.2 million gain (2019: $nil) on foreign exchange cash flow hedges that has been recognised in non-operating income/expenses, net, in the Consolidated Income Statement.

Foreign exchange forward contracts

The following table presents the Group's outstanding foreign exchange forward contracts at 31 December:

			2020		2019	
	Term	Financial Statement line item	Notional amount $m	Fair value $m	Notional amount $m	Fair value $m
Foreign exchange contracts	28 days	Trade and other receivables (Note 10)	**512.5**	**6.4**	130.7	1.0
Foreign exchange contracts	28 days	Trade and other payables (Note 11)	**355.3**	**(7.7)**	136.0	(2.2)
			867.8	**(1.3)**	266.7	(1.2)

During the year ended 31 December 2020, the Group realised a net gain of $21.7 million (2019: $0.9 million gain) on foreign exchange forward contracts designated as FVTPL in non-operating income/expenses, net, in the Consolidated Income Statement.

22. 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 2020 were $3.9 million (2019: $3.3 million).

The movements in right-of-use assets were as follows:

	Real estate and other $m	Vehicles $m	Total $m
As at 1 January 2019	51.1	14.7	65.8
Reclassification from PP&E[(a)]	20.9	0.2	21.1
Lease additions	12.0	9.9	21.9
Leases terminated	(0.9)	(0.7)	(1.6)
Depreciation of right-of-use assets	(14.2)	(8.2)	(22.4)
Foreign exchange	(0.3)	–	(0.3)
As at 31 December 2019	68.6	15.9	84.5
Lease additions	**14.5**	**8.4**	**22.9**
Leases terminated	**(1.1)**	**(0.9)**	**(2.0)**
Depreciation of right-of-use assets	**(14.1)**	**(8.3)**	**(22.4)**
Foreign exchange	**2.4**	**0.4**	**2.8**
As at 31 December 2020	**70.3**	**15.5**	**85.8**

(a) Amounts previously recognised as finance lease assets within PP&E have been reclassified to right-of-use assets upon transition to IFRS 16, *Leases* on 1 January 2019.

22. Leases (continued)

Movements in the lease liabilities were as follows:

	2020 $m	2019 $m
Lease liabilities as at 1 January	**88.5**	89.5
Lease additions	**22.9**	21.9
Payment of lease liabilities	**(20.6)**	(20.9)
Leases terminated	**(1.9)**	(1.6)
Interest expense on lease liabilities (Note 23)	**3.8**	3.6
Interest paid on lease liabilities	**(3.8)**	(3.6)
Foreign exchange	**3.2**	(0.4)
Lease liabilities as at 31 December	**92.1**	88.5

Total cash outflow of lease liabilities including interest for the year ended 31 December 2020 was $24.4 million (2019: $24.5 million).

Lease liabilities by category at 31 December were as follows:

	2020			2019		
	Real estate and other $m	**Vehicles $m**	**Total $m**	Real estate and other $m	Vehicles $m	Total $m
Current	**12.4**	**7.4**	**19.8**	11.4	7.0	18.4
Non-current	**64.1**	**8.2**	**72.3**	61.0	9.1	70.1
Total	**76.5**	**15.6**	**92.1**	72.4	16.1	88.5

The maturity of lease liabilities at 31 December were as follows:

	2020			2019		
	Real estate and other $m	**Vehicles $m**	**Total $m**	Real estate and other $m	Vehicles $m	Total $m
Within 1 year	**12.5**	**7.3**	**19.8**	11.4	7.0	18.4
1 to 2 years	**10.8**	**4.9**	**15.7**	9.7	5.1	14.8
2 to 3 years	**10.4**	**2.5**	**12.9**	7.9	2.8	10.7
3 to 4 years	**8.7**	**0.7**	**9.4**	7.5	1.0	8.5
4 to 5 years	**6.3**	**0.2**	**6.5**	6.0	0.2	6.2
5 to 10 years	**22.9**	**–**	**22.9**	20.6	–	20.6
More than 10 years	**4.9**	**–**	**4.9**	9.3	–	9.3
Total	**76.5**	**15.6**	**92.1**	72.4	16.1	88.5
Of which:						
Principal	**60.1**	**14.9**	**75.0**	55.3	15.1	70.4
Interest	**16.4**	**0.7**	**17.1**	17.1	1.0	18.1

23. Finance income and expense

Finance expenses arise from interest on the Group's borrowings from credit facilities 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 7 – Property, plant and equipment).

Refer to Note 22 – 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. When a hedging instrument expires, is sold or terminated or no longer meets the requirements for hedge accounting, the cumulative gain or loss of hedging that was reported in equity is immediately reclassified to the Consolidated Income Statement.

Finance costs, net for the year ended 31 December were as follows:

	2020 $m	2019 $m
Finance income		
Interest income on interest rate derivatives	**–**	6.0
Interest income on cash and cash equivalents	**1.9**	1.8
Total finance income	**1.9**	7.8
Finance expense		
Interest expense on borrowings[(a)]	**(39.2)**	(60.7)
Other financing-related fees[(b)]	**(5.9)**	(17.2)
Interest expense on interest rate derivatives	**(1.8)**	–
Interest expense on lease liabilities	**(3.8)**	(3.6)
Capitalised interest[(c)]	**0.7**	0.6
Other finance costs	**(0.3)**	(0.5)
Total finance expense	**(50.3)**	(81.4)
Finance costs, net	**(48.4)**	(73.6)

(a) Interest expense relates to amounts payable on the Group's borrowings which incorporates Term Loan Facility A and Term Loan Facility B. Refer to Note 19 – Borrowings for further details.
(b) Other financing-related fees include amortisation of deferred financing fees and revolving credit facility fees associated with the credit agreement. For the year ended 31 December 2019, $11.2 million of deferred financing fees were recognised upon the early termination of the Group's previous credit agreement.
(c) Capitalised interest was calculated using the Group's weighted average interest rate over the year of 2.6% (2019: 3.8%).

24. 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 2020, the Group had non-cancellable commitments for the purchase of property, plant and equipment, capitalised software and development of $29.6 million (2019: $12.4 million).

Contingent liabilities

Liability claims

On 31 May 2019, ConvaTec Inc. filed a lawsuit against Scapa Group plc (trading as Scapa Tapes North America LLC) and Webtec Converting LLC seeking a declaration that the company was within its rights to terminate a contract between the parties. On 10 July 2019, the defendants filed a motion seeking dismissal of the declaratory judgement action, and Scapa Tapes North America LLC filed a separate complaint seeking damages of $83.8 million against ConvaTec Inc. in relation to the contract cancellation. ConvaTec Inc., in turn, has asserted a claim for damages against Scapa Tapes North America LLC and Scapa Group plc. All claims are being litigated before the Connecticut state court in the United States, discovery in the case is progressing, and the trial is presently scheduled for July 2022. The Group's Board, in conjunction with its legal advisers, do not believe the claim has merit and no provision is recognised as at 31 December 2020.

25. 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 the CELT as set out on page 9 and the Non-Executive Directors as set out on pages 90 and 91.

Key management personnel compensation

Key management personnel compensation for the year ended 31 December was as follows:

	2020 $m	2019 $m
Short-term employee benefits	**15.9**	12.9
Share-based payment expense	**6.8**	10.2
Post-employment benefits	**0.5**	0.4
Termination benefits	**1.8**	–
Total	**25.0**	23.5

Further details of short-term employee benefits, share-based payment expense and post-employment benefits for the Executive Directors are shown on page 122. Details of the Non-Executive Directors' fees, included in the table above, are provided on page 125.

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.

26. Subsequent events

The Group has evaluated subsequent events through 4 March 2021, the date the Consolidated Financial Statements were approved by the Board of Directors.

On 3 March 2021 the UK government announced an intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. If enacted this will impact the value of our UK deferred tax balances, and the tax charged on UK profits generated in 2023 and subsequently. We have yet to determine the full impact of these proposed changes.

Details of the proposed final dividend are disclosed in Note 16 – Dividends.

Non-IFRS financial information

Non-IFRS financial information or alternative performance measures ("APMs") are used as supplemental measures in monitoring the performance of our business. These measures include adjusted cost of sales, adjusted gross margin, adjusted selling and distribution costs, adjusted general and administrative expenses, adjusted research and development costs, adjusted other operating expenses, adjusted operating profit ("adjusted EBIT"), adjusted EBITDA, adjusted profit before tax, adjusted finance costs, adjusted non-operating expense, net, adjusted net profit, adjusted earnings per share, adjusted working capital, adjusted cash conversion, free cash flow and net debt. The adjustments applied to IFRS measures reflect the effect of certain cash and non-cash items that the Board believes are not related to the underlying performance of the Group. Reconciliations for these adjusted measures determined under IFRS are shown on pages 191 to 194. The definitions of adjusted measures are as calculated within the reconciliation tables.

In management's and the Board's view, the APMs reflect the underlying performance of the business and provide a meaningful supplement to the reported numbers to explain how the business is managed and measured on a day-to-day basis. Adjusted results exclude certain items because, if included, these items could distort the understanding of our performance for the year and the comparability between periods. Adjusted measures also form the basis for performance measures for remuneration, e.g. adjusted EBIT. For further information see pages 123 and 124. The Group has made no adjustments to the Group's reported results related to COVID-19.

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 which are non-recurring. For an item to be considered as an allowable adjustment to IFRS measures, it must initially meet at least one of the following criteria:
- It is a significant item, which may cross more than one accounting period.
- It has been directly incurred as a result of either an acquisition, divestiture, or arises from termination benefits without condition of continuing employment related to a major business change or restructuring programme.
- It is unusual in nature, e.g. outside the normal course of business.

If an item meets at least one of the 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.

Key adjustments for adjusted EBIT (also referred to as adjusted operating profit) are termination benefits arising exclusively from major change programmes, together with CEO-related compensation not subject to continuing employment. Further adjustments, which include amortisation of pre-2018 acquisition intangibles and impairments to intangible and fixed assets are also made in arriving at adjusted EBIT. The tax effect of the adjustments is reflected in the adjusted tax expense to remove their effect from adjusted net profit and adjusted earnings per share.

Adjusted EBITDA, which is used to calculate our metric of adjusted cash conversion and the effective use of our working capital, is calculated by adding back CEO-related compensation not subject to continuing employment, share-based payment expenses, together with termination benefits and related costs to our reported EBITDA.

Adjusted items, excluding the impact of tax, for the years ended 31 December 2020 and 2019 include the following credits or costs that are reflected in the reported measures:
- Amortisation of intangible assets relating to acquisitions pre 1 January 2018 (ongoing) ($125.3 million and $140.2 million respectively).
- Impairment of assets as a result of transformation or an unusual circumstance (loss of $1.7 million and $105.2 million respectively).
- Divestiture activities (gain of $16.5 million for the year ended 31 December 2020).
- Termination benefits in relation to major change programmes ($12.2 million and $5.8 million respectively).
- CEO buy-out costs reflecting non-performance-related compensation for the loss of incentive awards from previous employment, not subject to continuing employment ($6.2 million for the year ended 31 December 2019).

These items are excluded from the adjusted measures to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis. They are typically gains or losses/costs arising from events that are not considered part of the core operations of the business or are considered to be significant in nature. They may cross several accounting periods. We also adjust for the tax effect of these items.

Acquisition-related amortisation of intangible assets

The Board, through the Audit and Risk Committee, continuously reviews the Group's APM policy to ensure that it remains appropriate and represents the way in which the performance of the Group is managed. Since 2018, the Group has made two small acquisitions, each for a consideration of less than $15 million, for which the amortisation charge on acquisition intangibles was immaterial. Given the Group's strategy to be more active and pursue larger acquisitions which strengthen our position in key geographies and/or business categories or which provide access to new technology, we believe that a refinement and clarification of the policy is required under which the Group will adjust for amortisation of intangible assets in relation to future acquisitions together with associated acquisition-related expenses. This refinement better reflects the underlying performance of the business and aids year-on-year comparability.

Impairment of assets

Impairments, write-offs and gains and losses from the disposal of fixed assets are adjusted when management consider the circumstances surrounding the event are not reflective of our core business or when the transactions relate to acquisition-related intangible assets.

Divestiture activities

These include significant assets which are disposed of or divested as a result of a sale, major business change or restructuring programme, including gains and losses resulting from classification of assets as held for sale.

Termination benefits and related costs

Termination benefits and related costs arise from Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business. 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 our adjusted measures. Restructuring-related costs not related to termination benefits are reported in the normal course of business. No termination benefits or related costs have arisen related to COVID-19.

CEO buy-out costs

The Group incurred costs following the commencement of employment of Karim Bitar as CEO of ConvaTec Group Plc on 30 September 2019 to compensate for the loss of incentive awards from his previous employment. These costs relate to past performance in a previous employment, were not contingent on continuing employment with ConvaTec Group Plc, have no future performance requirements and did not represent the underlying cost base or performance of the Group in 2019. Awards granted include both cash and equity-based payment components which vested immediately.

Other discrete tax items

Other discrete tax items relate to the recognition in 2019 of the best estimate of the deferred tax asset related to the Swiss tax reform which was substantively enacted on 4 October 2019 and was effective on 31 December 2019, and the subsequent reassessment of the deferred tax asset as a result of a change in the basis of estimate in 2020. The deferred tax asset arose due to grandfathering provisions that the Swiss tax reform had introduced with effect from 31 December 2019 to alleviate the higher Swiss tax rates that apply from 1 January 2020. The deferred tax associated with the Swiss tax reform is adjusted as it is a significant tax item which does not reflect the underlying performance of the business.

Reconciliation of reported earnings to adjusted earnings for the year ended 31 December 2020

Year ended 31 December 2020	Revenue $m	Gross margin $m	Operating costs $m	Operating profit $m	Finance expense, net $m	Non-operating expense, net $m	PBT $m	Taxation $m	Net profit $m
Reported	1,894.3	1,018.8	(807.8)	211.0	(48.4)	12.1	174.7	(62.2)	112.5
Amortisation of pre-2018 acquisition intangibles	–	106.7	18.6	125.3	–	–	125.3	(10.2)	115.1
Divestiture activities	–	–	–	–	–	(16.5)	(16.5)	–	(16.5)
Impairment of assets	–	–	1.7	1.7	–	–	1.7	–	1.7
Termination benefits and other related costs	–	1.3	10.9	12.2	–	–	12.2	(2.1)	10.1
Total adjustments and their tax effect	–	108.0	31.2	139.2	–	(16.5)	122.7	(12.3)	110.4
Other discrete tax items	–	–	–	–	–	–	–	17.6	17.6
Adjusted	1,894.3	1,126.8	(776.6)	350.2	(48.4)	(4.4)	297.4	(56.9)	240.5
Software and R&D amortisation				9.4					
Post-2017 acquisition amortisation				2.1					
Depreciation				60.9					
Impairment/write-off of assets				10.0					
Share-based payments				12.4					
Adjusted EBITDA				445.0					

Termination benefits and other related costs relate to the Transformation Initiative and amounted to $12.2 million, pre-tax, in the year ended 31 December 2020. The Transformation Initiative is a global multi-year transformation programme which commenced in 2019 and will simplify the way in which the business operates. We expect to incur c.$10-15 million of severance and associated retention costs during 2021. No termination benefits or related costs recognised by the Group are related to COVID-19.

Divestiture activities relate to the gain on the divestiture of the trade and assets of the US Skincare product line, a limited product range within Advanced Wound Care. Further details of the transaction and the calculation for the gain on divestiture are provided in Note 8.3 – Divestiture.

Other discrete tax items arose following a reassessment of the estimate of the deferred tax asset recognised in the prior year related to the Swiss tax reform. The revised estimate is based on the Discounted Cash Flow method, which reflects the Group's transformation changes and the anticipated role of the Swiss-based operations in the Group. For further details on deferred taxation see Note 5 – Income Taxes to the Consolidated Financial Statements.

Reconciliation of reported earnings to adjusted earnings for the year ended 31 December 2019

Year ended 31 December 2019	Revenue $m	Gross profit $m	Operating costs $m	Operating profit $m	Finance expense, net $m	Non-operating expense, net $m	PBT $m	Taxation $m	Net profit $m
Reported	1,827.2	955.6	(858.7)	96.9	(73.6)	(4.4)	18.9	(9.1)	9.8
Amortisation of pre-2018 acquisition intangibles	–	122.6	17.6	140.2	–	–	140.2	(10.1)	130.1
Impairment of assets	–	–	105.2	105.2	–	–	105.2	–	105.2
Termination benefits and other related costs	–	–	5.8	5.8	–	–	5.8	(0.9)	4.9
CEO buy-out costs	–	–	6.2	6.2	–	–	6.2	(1.2)	5.0
Total adjustments and their tax effect	–	122.6	134.8	257.4	–	–	257.4	(12.2)	245.2
Other discrete tax items	–	–	–	–	–	–	–	(23.0)	(23.0)
Adjusted	1,827.2	1,078.2	(723.9)	354.3	(73.6)	(4.4)	276.3	(44.3)	232.0
Software and R&D amortisation				10.4					
Post-2017 acquisition amortisation				1.3					
Depreciation				57.9					
Impairment/write-off of assets				9.1					
Share-based payments				10.1					
Adjusted EBITDA				443.1					

Impairment of assets of $105.2 million is predominantly related to a review of the product portfolio which had been undertaken as part of the Transformation Initiative which resulted in the identification of impairment triggers in 2019 in relation to certain of the Group's intangible assets.

Termination benefits and other related costs were $5.8 million, pre-tax, in the year ended 31 December 2019, comprising $1.5 million for programmes commenced in 2018 and completed in 2019, and $4.3 million in relation to the Transformation Initiative.

CEO buy-out costs were $6.2 million, pre-tax, in the year ended 31 December 2019 and related to cash paid of $2.1 million and equity-based incentive awards of $4.1 million granted to the CEO upon commencement of employment with ConvaTec Group Plc on 30 September 2019. These awards were not subject to continuing employment or performance conditions.

Other discrete tax items were a result of the Swiss tax reform which was substantively enacted on 4 October 2019 and was effective on 31 December 2019. As a result, ConvaTec International Services GmbH, was subject to a significant change in effective tax rate. The Swiss effective rate, which will increase over a ten-year period to 1 January 2030, is alleviated by grandfathering provisions which resulted in the estimation and recognition of a deferred tax asset. The value of the 2019 deferred tax asset of $23.0 million was estimated using the Swiss Practitioners method as permitted under Swiss law.

Reconciliation of reported and adjusted operating costs for the years ended 31 December 2020 and 31 December 2019

	2020				2019				
	S&D[(a)] $m	G&A[(b)] $m	R&D[(c)] $m	Operating costs $m	S&D[(a)] $m	G&A[(b)] $m	R&D[(c)] $m	Other[(d)] $m	Operating costs $m
Reported[(e)]	**(463.3)**	**(262.1)**	**(82.4)**	**(807.8)**	(458.9)	(240.5)	(53.8)	(105.5)	(858.7)
Amortisation of pre-2018 acquisition intangibles	**–**	**18.6**	**–**	**18.6**	–	17.6	–	–	17.6
Impairment of assets	**–**	**1.7**	**–**	**1.7**	–	–	–	105.2	105.2
Termination benefits and other related costs	**0.7**	**9.0**	**1.2**	**10.9**	1.7	4.1	–	–	5.8
CEO buy-out costs	**–**	**–**	**–**	**–**	–	6.2	–	–	6.2
Adjusted	**(462.6)**	**(232.8)**	**(81.2)**	**(776.6)**	(457.2)	(212.6)	(53.8)	(0.3)	(723.9)

(a) "S&D" represents selling and distribution expenses.
(b) "G&A" represents general and administrative expenses.
(c) "R&D" represents research and development expenses.
(d) "Other" represents other operating expenses.
(e) Following a review of cost allocations, general and administrative expenses of $30.5 million (2019: $25.9 million), principally relating to employee costs and insurance, have been reclassified to selling and distribution expenses to better reflect the nature of the costs. The comparatives have been restated to reflect the revised classification.

Reconciliation of basic and diluted reported earnings per share to adjusted earnings per share for the years ended 31 December 2020 and 31 December 2019

	Reported 2020 $m	Adjusted 2020 $m	Reported 2019 $m	Adjusted 2019 $m
Net profit attributable to the shareholders of the Group	**112.5**	**240.5**	9.8	232.0
		Number		Number
Basic weighted average ordinary shares in issue[(a)]		**1,991,596,105**		1,971,014,011
Diluted weighted average ordinary shares in issue[(a)]		**2,006,590,463**		1,976,156,374
	cents per share	**cents per share**	cents per share	cents per share
Basic earnings per share	**5.7**	**12.1**	0.5	11.8
Diluted earnings per share	**5.6**	**12.0**	0.5	11.7

(a) See Note 6 – Earnings per share to the Consolidated Financial Statements.

Net debt

Net debt is calculated as the carrying value of current and non-current borrowings on the face of the Consolidated Statement of Financial Position (Note 19 – Borrowings), net of cash and cash equivalents (Note 20 – Cash and cash equivalents) and excluding lease liabilities.

	Reported 2020 $m	Reported 2019 $m
Borrowings	**1,456.4**	1,486.1
Lease liabilities	**92.1**	88.5
Total interest-bearing borrowings	**1,548.5**	1,574.6
Cash and cash equivalents	**(565.4)**	(385.8)
Net debt (including lease liabilities)	**983.1**	1,188.8
Net debt	**891.0**	1,100.3
Net debt/adjusted EBITDA	**2.0**	2.5

Cash conversion for the years ended 31 December 2020 and 31 December 2019

	2020 $m	2019 $m
Reported Operating profit/EBIT	**211.0**	96.9
Depreciation of property, plant and equipment	**38.5**	35.5
Depreciation of right-of-use assets	**22.4**	22.4
Amortisation	**136.8**	151.9
Impairment/write-off of intangible assets and property, plant and equipment	**11.7**	114.3
Reported EBITDA	**420.4**	421.0
Non-cash items in EBITDA		
Share-based payment expense	**12.4**	14.2
	12.4	14.2
Working capital movement	**47.8**	51.6
Gain on foreign exchange derivatives	**21.9**	–
Capital expenditure	**(86.2)**	(61.4)
Reported net cash for cash conversion	**416.3**	425.4
Less: tax paid	**(54.5)**	(37.0)
Reported free cash flow	**361.8**	388.4

Reconciliation of Adjusted EBITDA, Adjusted Non-Cash Items, Adjusted Working Capital and Adjusted Net Cash (for Adjusted Cash Conversion measurement)

	2020 $m	2019 $m
Reported EBITDA	**420.4**	421.0
Share-based payment expense	**12.4**	14.2
CEO buy-out costs	**–**	2.1
Termination benefits and other related costs	**12.2**	5.8
Total adjustments (a)	**24.6**	22.1
Adjusted EBITDA	**445.0**	443.1
Reported non-cash items	**12.4**	14.2
Share-based payment expense	**(12.4)**	(14.2)
Total adjustments (b)	**(12.4)**	(14.2)
Adjusted non-cash items	**–**	–
Reported working capital movement	**47.8**	51.6
(Increase)/decrease in severance provision	**(4.9)**	0.3
Decrease in accruals for share-based payment associated costs	**–**	0.1
Decrease in liability for pre-IPO MIP	**–**	0.1
Total adjustments (c)	**(4.9)**	0.5
Adjusted working capital movement	**42.9**	52.1
Reported net cash for cash conversion	**416.3**	425.4
Non-operating gain on foreign exchange forward contracts	**(21.7)**	–
Total adjustments above (a), (b), (c)	**7.3**	8.4
Adjusted net cash for cash conversion	**401.9**	433.8
Less: tax paid	**(54.5)**	(37.0)
Adjusted free cash flow	**347.4**	396.8
Reported cash conversion	**99.0%**	101.0%
Adjusted cash conversion	**90.3%**	97.9%

Company Statement of Financial Position

As at 31 December 2020

	Notes	2020 $m	2019 $m
Assets			
Non-current assets			
Investment in subsidiaries	3	**4,305.9**	4,046.9
Deferred tax assets	4	**2.7**	2.0
		4,308.6	4,048.9
Current assets			
Other receivables	5	**27.3**	20.7
Cash and bank balances		**–**	0.1
		27.3	20.8
Total assets		**4,335.9**	4,069.7
Equity and liabilities			
Current liabilities			
Trade and other payables	6	**4.7**	41.1
		4.7	41.1
Total liabilities		**4.7**	41.1
Equity			
Share capital	7	**245.5**	242.9
Share premium	7	**115.3**	70.7
Own shares	7	**(6.7)**	(10.8)
Retained surplus		**1,653.1**	1,528.5
Merger reserve		**1,765.6**	1,765.6
Cumulative translation reserve		**499.8**	376.3
Other reserves		**58.6**	55.4
Total equity		**4,331.2**	4,028.6
Total equity and liabilities		**4,335.9**	4,069.7

The Company reported a net profit for the year ended 31 December 2020 of $234.7 million (2019: $66.8 million).

The Financial Statements of ConvaTec Group Plc (registered number 10361298) were approved by the Board of Directors and authorised for issue on 4 March 2021. They were signed on its behalf by:

Frank Schulkes
Chief Financial Officer

Company Statement of Changes in Equity

As at 31 December 2020

	Share capital $m	Share premium $m	Own shares $m	Retained surplus $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total $m
At 1 January 2019	240.7	39.8	(6.8)	1,574.7	1,765.6	221.2	51.0	3,886.2
Net profit	–	–	–	66.8	–	–	–	66.8
Foreign currency translation adjustment	–	–	–	–	–	155.1	–	155.1
Total comprehensive income	–	–	–	66.8	–	155.1	–	221.9
Dividends paid	–	–	–	(79.9)	–	–	–	(79.9)
Scrip dividend	2.2	30.9	–	(33.1)	–	–	–	–
Share-based payments	–	–	–	–	–	–	14.2	14.2
Share awards vested	–	–	10.0	–	–	–	(10.0)	–
Excess tax benefits for share-based payments	–	–	–	–	–	–	0.2	0.2
Purchase of own shares	–	–	(14.0)	–	–	–	–	(14.0)
At 31 December 2019	**242.9**	**70.7**	**(10.8)**	**1,528.5**	**1,765.6**	**376.3**	**55.4**	**4,028.6**
Net profit	**–**	**–**	**–**	**234.7**	**–**	**–**	**–**	**234.7**
Foreign currency translation adjustment	**–**	**–**	**–**	**–**	**–**	**123.5**	**–**	**123.5**
Total comprehensive income	**–**	**–**	**–**	**234.7**	**–**	**123.5**	**–**	**358.2**
Dividends paid	**–**	**–**	**–**	**(62.9)**	**–**	**–**	**–**	**(62.9)**
Scrip dividend	**2.6**	**44.6**	**–**	**(47.2)**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**12.4**	**12.4**
Share awards vested	**–**	**–**	**9.7**	**–**	**–**	**–**	**(9.7)**	**–**
Excess tax benefits for share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**0.5**	**0.5**
Purchase of own shares	**–**	**–**	**(5.6)**	**–**	**–**	**–**	**–**	**(5.6)**
At 31 December 2020	**245.5**	**115.3**	**(6.7)**	**1,653.1**	**1,765.6**	**499.8**	**58.6**	**4,331.2**

For further information on share-based payments, refer to Note 17 – Share-based payments, and for dividends refer to Note 16 – Dividends to the Consolidated Financial Statements.

Notes to the Company Financial Statements

1. Basis of preparation

This section describes the Company's significant accounting policies that relate to the Company Financial Statements and explains the basis of preparation of the Company Financial Statements and any critical accounting judgements and estimates identified by management. 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 relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the current or prior year. The profit attributable to the Company is disclosed in the footnote to the Company's Statement of Financial Position.

Where required, equivalent disclosures are given in the Consolidated Financial Statements.

The auditor's remuneration for audit and other services is disclosed in Note 3.3 – Auditor's remuneration to the Consolidated Financial Statements.

1.2 Significant accounting policies

Basis of accounting

The Financial Statements have been prepared on the historical cost basis, except for certain financial instruments where fair value has been applied. The principal accounting policies adopted are the same as those set out in the Consolidated Financial Statements except as noted below.

Foreign currencies

The functional currency of the Company is Sterling, being the currency of the primary economic environment in which it operates.

The Company has adopted US dollars as the presentation currency for its Financial Statements, in line with the presentation currency for the Consolidated Financial Statements. For the purpose of presenting individual company financial statements, assets and liabilities of the Company are translated into US dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity, the cumulative translation reserve, in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Share-based payments

The Company has implemented the generally accepted accounting principle for accounting for share-based payments with subsidiary undertakings under FRS 101, whereby the Company has granted rights to issue its shares to employees of its subsidiary undertakings under an equity-settled arrangement and the subsidiaries have not reimbursed the Company for these rights. Under this arrangement, the Company treats the share-based payment recognised in the subsidiary's financial statements as a 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. Further, no areas of critical accounting judgement or key sources of estimation uncertainty have been identified in relation to Brexit or COVID-19.

2. Staff costs

The Executive Directors of the ConvaTec Plc Group are the only employees of the Company. The remuneration of the Executive Directors is set out on pages 122 to 129 within the Remuneration Committee report.

Their aggregate remuneration comprised:

	2020 $m	2019 $m
Wages and salaries[(a)(b)]	6.1	9.5
Social security costs	0.8	1.3
Pension-related costs	0.3	0.2
Total	7.2	11.0

(a) Included within wages and salaries are share-based payment charges of $2.8 million (2019: $4.9 million).
(b) In 2019, CEO buy-out costs of $6.2 million are included within wages and salaries.

Average monthly number of employees (including Executive Directors) was 2 (2019: 2), classified as general and administrative employees.

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 201 to 203 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 loss is offset against the merger reserve in the first instance. If the merger reserve is not sufficient to cover an impairment loss the excess impairment is recognised immediately in the Income Statement.

	Cost $m	Impairment $m	Net book value $m
At 1 January 2019	5,503.7	(1,616.3)	3,887.4
Capital contributions arising from share-based payments to employees of subsidiaries	11.5	–	11.5
Reduction due to reimbursement upon exercised awards	(5.3)	–	(5.3)
Foreign exchange	217.0	(63.7)	153.3
At 31 December 2019	**5,726.9**	**(1,680.0)**	**4,046.9**
Additions	**127.5**	**–**	**127.5**
Capital contributions arising from share-based payments to employees of subsidiaries	**8.7**	**–**	**8.7**
Reduction due to reimbursement upon exercised awards	**(5.9)**	**–**	**(5.9)**
Foreign exchange	**181.0**	**(52.3)**	**128.7**
At 31 December 2020	**6,038.2**	**(1,732.3)**	**4,305.9**

A cash contribution of $127.5 million was made to ConvaTec Finance Holdings Limited in the form of a capital contribution in the financial year.

An impairment assessment was performed on the investments in subsidiaries at 31 December 2020 with no impairment identified. The share price at 31 December 2020 was £1.99 (2019: £1.99).

The following UK subsidiaries are exempt from the requirement to file audited accounts by virtue of Section 479A of the Companies Act 2006:

Name	Company registration number
ConvaTec Group Holdings Limited	12698069
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.

	$m
At 1 January 2019	2.6
Movement in Income Statement	(0.9)
Movement in Statement of Other Comprehensive Income	0.2
Transfer to Group companies	0.1
At 31 December 2019	**2.0**
Movement in Income Statement	**0.1**
Movement in Statement of Other Comprehensive Income	**0.5**
Foreign exchange	**0.1**
At 31 December 2020	**2.7**

The deferred tax asset consists of deferred tax on the following items:

	2020 $m	2019 $m
Share-based payments	**1.0**	0.5
Tax losses	**1.7**	1.5
At 31 December	**2.7**	2.0

The deferred tax asset is recognised on the basis of an expectation of sufficient future profits in the short term against which the future reversal of the timing difference may be deducted.

5. Other receivables

Other receivables consist of amounts due from Group undertakings, other receivables and prepaid insurance.

	2020 $m	2019 $m
Amounts falling due within one year:		
Amounts owed by Group undertakings	**26.4**	12.3
Other receivables	**0.2**	7.5
Prepayments	**0.7**	0.9
	27.3	20.7

Included in the amounts owed from Group undertakings at 31 December 2020 are intercompany loans of $17.4 million (2019: $6.8 million) with a variable interest rate of one-year LIBOR plus 1.64%. 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 being listed on the London Stock Exchange.

Other payables represent amounts owed to Group undertakings, accruals and other taxation and social security.

	2020 $m	2019 $m
Amounts falling due within one year:		
Trade payables	**0.6**	0.2
Amounts owed to Group undertakings	**–**	36.3
Other taxation and social security	**2.6**	1.7
Accruals	**1.5**	2.9
	4.7	41.1

7. Reserves

All reserve balances explained within 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 15 – 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.

Currency translation reserve
The currency translation reserve is 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 relates to 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.

Retained and realised distributable reserves equates to the retained surplus of the Company. The distributable reserves of the Company at 31 December 2020 are $1,653.1 million (2019: $1,528.5 million).

Details of the considerations and rationale for the distribution of dividends are given in the Directors' report on page 139.

9. Subsequent events

On 4 March 2021, the Board proposed the final dividend in respect of 2020 subject to shareholder approval at the Annual General Meeting on 7 May 2021, to be distributed on 13 May 2021. See Note 16 – 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 2020 are as follows:

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
Akers & Dickinson Limited[1]	United Kingdom	100%	100%
Allied Medical (UK) Services Limited[1]	United Kingdom	100%	100%
Alpha-Med (Medical & Surgical) Limited[1]	United Kingdom	100%	100%
Amcare Limited[1]	United Kingdom	100%	100%
Arthur Wood Limited[1]	United Kingdom	100%	100%
B.C.A. Direct Limited[1]	United Kingdom	100%	100%
Bradgate-Unitech Limited[1]	United Kingdom	100%	100%
ConvaTec Accessories Limited[1]	United Kingdom	100%	100%
ConvaTec Holdings U.K. Limited[1]	United Kingdom	100%	100%
ConvaTec Speciality Fibres Limited[1]	United Kingdom	100%	100%
ConvaTec International U.K. Limited[1]	United Kingdom	100%	100%
ConvaTec Limited[1]	United Kingdom	100%	100%
Farnhurst Medical Limited[1]	United Kingdom	100%	100%
Lance Blades Limited[1]	United Kingdom	100%	100%
M.S.B. Limited[1]	United Kingdom	100%	100%
Needle Industries (Sheffield) Limited[1]	United Kingdom	100%	100%
Nottingham Medical Equipment Limited[1]	United Kingdom	100%	100%
Novacare UK Limited[1]	United Kingdom	100%	100%
Pharma-Plast Limited[1]	United Kingdom	100%	100%
Resus Positive Limited[1]	United Kingdom	100%	100%
Rotax Razor Company Limited[1]	United Kingdom	100%	100%
Shrimpton & Fletcher Limited[1]	United Kingdom	100%	100%
Steriseal Limited[1]	United Kingdom	100%	100%
SureCalm Healthcare Holdings Limited[1]	United Kingdom	100%	100%
SureCalm Healthcare Ltd[1]	United Kingdom	100%	100%
SureCalm Pharmacy Limited[1]	United Kingdom	100%	100%
Unomedical Developments Limited[1]	United Kingdom	100%	100%
Unomedical Holdings Limited[1]	United Kingdom	100%	100%
Unomedical Limited[1]	United Kingdom	100%	100%
Unoplast (U.K.) Limited[1]	United Kingdom	100%	100%
ConvaTec Finance Holdings Limited*[2]	United Kingdom	100%	100%
ConvaTec Management Holdings Limited*[2]	United Kingdom	100%	100%
ConvaTec Group Holdings Limited*[2]	United Kingdom	100%	100%
ConvaTec Services Limited[2]	United Kingdom	100%	100%
Cidron Healthcare Limited*[3]	Jersey	100%	100%
ConvaTec Healthcare Ireland Limited[4]	Ireland	100%	100%
ConvaTec France Holdings SAS[5]	France	100%	100%
Laboratoires ConvaTec SAS[5]	France	100%	100%
ConvaTec Healthcare D S.à.r.l.[6]	Luxembourg	100%	100%
ConvaTec Spain Holdings, S.L.[7]	Spain	100%	100%
ConvaTec Spain S.L.[7]	Spain	100%	100%
CVT Business Services, Unipessoal Lda.[8]	Portugal	100%	100%
KVTech Portugal – Produtos Medicos Unipessoal Ltda[9]	Portugal	100%	100%
ConvaTec OY[10]	Finland	100%	100%
ConvaTec (Switzerland) GmbH[11]	Switzerland	100%	100%
ConvaTec International Services GmbH[12]	Switzerland	100%	100%
ConvaTec (Austria) GmbH[13]	Austria	100%	100%
ConvaTec Italia S.r.l.[14]	Italy	100%	100%
ConvaTec Hellas Medical Products S.A.[15]	Greece	100%	100%
ConvaTec Polska Sp. Z.o.o[16]	Poland	100%	100%
ConvaTec Ceska Republika s.r.o.[17]	Czech Republic	100%	100%
ConvaTec (Australia) PTY Limited[18]	Australia	100%	100%
ConvaTec (New Zealand) Limited[19]	New Zealand	100%	100%
FE Unomedical Limited[20]	Belarus	99%	99%

Subsidiary and related undertakings (continued)

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
ConvaTec Sağlik Ürünleri Limited Şirketi[21]	Turkey	100%	100%
ConvaTec (Sweden) AB[22]	Sweden	100%	100%
ConvaTec Norway AS[23]	Norway	100%	100%
ConvaTec (Germany) GmbH[24]	Germany	100%	100%
EuroTec GmbH[25]	Germany	100%	100%
Unomedical s.r.o.[26]	Slovakia	100%	100%
EuroTec B.V.[27]	Netherlands	100%	100%
EuroTec Beheer B.V.[27]	Netherlands	100%	100%
ConvaTec Nederland B.V.[28]	Netherlands	100%	100%
ConvaTec Belgium BVBA[29]	Belgium	100%	100%
EuroTec BV (Belgium Branch)[30]	Belgium	100%	N/A
Papyro-Tex A/S[31]	Denmark	100%	100%
ConvaTec Denmark A/S[32]	Denmark	100%	100%
Unomedical A/S[33]	Denmark	100%	100%
ConvaTec South Africa (PTY) Limited[34]	South Africa	100%	100%
ConvaCare Medical South Africa (PTY) Ltd[34]	South Africa	100%	100%
ConvaTec Middle East & Africa LLC[35]	Egypt	100%	100%
ConvaTec Middle East FZ-LLC[36]	United Arab Emirates	100%	100%
ConvaTec (Singapore) PTE Limited[37]	Singapore	100%	100%
ConvaCare Medical Singapore Pte Ltd[37]	Singapore	100%	100%
ConvaTec Malaysia Sdn Bhd[38]	Malaysia	100%	100%
ConvaTec China Limited (Beijing Branch)[39]	China	100%	N/A
ConvaTec China Limited (Guang Zhou Branch)[40]	China	100%	N/A
ConvaTec China Limited[41]	China	100%	100%
ConvaTec Dominican Republic Inc.[42]	Dominican Republic	100%	100%
Boston Medical Device Dominicana S.R.L.[43]	Dominican Republic	100%	100%
ConvaTec Hong Kong Limited[44]	Hong Kong	100%	100%
ConvaTec Japan KK[45]	Japan	100%	100%
ConvaTec (Singapore) PTE Limited (Taiwan Branch)[46]	Taiwan	100%	N/A
ZAO ConvaTec[47]	Russia	100%	100%
ConvaTec (Thailand) Co. Limited[48]	Thailand	100%	100%
ConvaTec Korea, Ltd[49]	Korea	100%	100%
ConvaTec Argentina SRL[50]	Argentina	100%	100%
ConvaTec Canada Limited[51]	Canada	100%	100%
Unomedical S.A de C.V.[52]	Mexico	100%	100%
Boston Medical Care, S. de R.L. de C.V.[53]	Mexico	100%	100%
Boston Medical Device de México, S. de R.L. de C.V.[53]	Mexico	100%	100%
Unomedical Devices S.A. de C.V.[54]	Mexico	100%	100%
ConvaTec Peru S.A.C.[55]	Peru	100%	100%
BMD Comércio de Produtos Médicos Ltda.[56]	Brazil	100%	100%
ConvaTec Medical Care Assistência a Paciente Ltda[56]	Brazil	100%	100%
Boston Medical Devices Colombia Ltda.[57]	Colombia	100%	100%
Boston Medical Care S.A.S IPS[58]	Colombia	100%	100%
Boston Medical Care de Chile S.P.A[59]	Chile	100%	100%
Boston Medical Device de Chile S.A.[59]	Chile	100%	100%
Boston Medical Device Ecuador S.A.[60]	Ecuador	100%	100%
Boston Medical Device de Venezuela, C.A.[61]	Venezuela	100%	100%
ConvaTec India Private Limited[62]	India	100%	100%
180 Medical Acquisition Inc.[63]	US	100%	100%
180 Medical Holdings Inc.[63]	US	100%	100%
180 Medical Inc.[63]	US	100%	100%
AbViser Medical, LLC[64]	US	100%	100%
Boston Medical Device, Inc.[64]	US	100%	100%
Boston Medical Devices LLC[64]	US	100%	100%
ConvaTec Inc.[64]	US	100%	100%
Boston Medical Device International, LLC[65]	US	100%	100%

Subsidiary and related undertakings (continued)

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
Cidron Healthcare GP, Inc.[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%
In-Home Products, Inc.[74]	US	100%	100%

1 GDC First Avenue, Deeside Industrial Park, Deeside, Flintshire, CH5 2NU, UK
2 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, UK
3 44 Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands
4 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland
5 90, Boulevard National, La Garenne Colombes, F-92250, Paris, France
6 12C, rue Guillaume Kroll, L-1882, Luxembourg
7 Constitucion 1, 3ªPlanta, 08960 Sant Just Desvern, Barcelona, Spain
8 Avenida da Liberdade, 249-1, 1250-143 Lisbon, Portugal
9 Avenida da Liberdade, 144, 7º 1250-146, Lisbon, Portugal
10 Life Science Center, Keilaranta 16 B, 02150 Espoo, Finland
11 Mühlentalstrasse 38, 8200 Schaffhausen, Switzerland
12 Mühlentalstrasse 36/38, 8200 Schaffhausen, Switzerland
13 Schubertring 6, 1010 Wien, Austria
14 Via della Sierra Nevada, 60-00144 Rome, Italy
15 392A Mesogeion Avenue, Ag. Paraskevi, 15341, Athens, Greece
16 Al. Armii Ludowej 26, 00-609 Warszawa, Poland
17 Olivova 2096/4, Prague 1, 110 00, Praha 1, Czech Republic
18 Level 2 Building 5, Brandon Office Park, 530-540 Springvale Road, Glen Waverley VIC 3150, Australia
19 Crowe Horwath, Level 29, 188 Quay Street, Auckland 1010, New Zealand
20 Zavodskaya Street, 50, 222750, Fanipol, Dzerzhinsk region, Minsk district, Republic of Belarus
21 Şehit İlknur Keles Sokak, Hüseyin Bağdatlioğlu Plaza 7/3, Kozyatagi, Istanbul, Turkey 34742
22 Gårdsfogdevägen 18B, 168 67 Bromma, Sweden
23 Nils Hansen vei 2, 0667 Oslo, Norway
24 Gisela-Stein-Strasse 6, 81671 Munich, Germany
25 Solinger Strasse 93 40764 Langenfeld, Germany
26 Priemyselný Park 3, 071 01 Michalovce, Slovakia
27 Schotsbossenstraat 8, 4705AG Roosendaal, Netherlands
28 Houttuinlaan 5F, 3447 GM Woerden, Netherlands
29 Parc d'Alliance, Boulevard de France 9, B-1420 Braine l'Alleud, Belgium
30 Stationsstraat 35, 2950 Kapellen, Belgium
31 c/o ConvaTec Harlev Skinderskovvej 32-36, 2730, Herlev, Denmark
32 Lautruphøj 1 DK-2750 Ballerup, Denmark
33 Åholmvej 1-3, 4320 Lejre, Denmark
34 Workshop 17 Office 1-4, 16 Baker Street, Rosebank, Johannesburg, Gauteng 2196, South Africa
35 22 Kamal El Din Hussein St, 3rd Floor, Heliopolis Sheraton, Post Code 11977, Cairo, Egypt
36 Customer Services Counter, Building N. 02, First Floor, Dubai Studio City, UAE
37 456 Alexandra Road, Fragrance Empire Building #18-01/02, Singapore 119962
38 10th floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia
39 Unit 805, 8F Jinbao Tower, No.89 Jinbao Street Dongcheng District, Beijing 100005, P.R.C.
40 Unit 808, Level 8, Fortune Plaza, No.116 Ti Yu Dong Road, Tianhe District, Guangzhou City, Guangdong Province, 510620, P.R.C.
41 Unit 1105-1106, Crystal Plaza Office Tower 1, No.1359 Yaolong Road, Pudong District, Shanghai 200124, P.R.C
42 Carretera Sanchez km 18 ½, Parque Industrial Itabo, Haina, San Cristóbal, Dominican Republic
43 Avenida Winston Churchill ES1. 27 de Febrero, Apto Plaza Central, Tercer Nivel, del Sector PIANTINI de la Ciudad de Santo Domingo de Guzman, Suite A-368, Dominican Republic
44 Unit 1901 Yue Xiu Bldg 160–174, Lockhart Road, Wan Chai, Hong Kong
45 1-1-7 Choraku, Bunkyo-ku, Tokyo 112-0004, Japan
46 5F.-4, No. 57, Fuxing N. Rd, Songshan Dist., Taipei City, Taiwan (Post code: 10595)
47 Kosmodamianskaya nab. 52, building 1, 9th floor, 115054, Moscow, Russia
48 No. 87, 9th Floor M Thai Tower All Seasons Place, Wireless Road, Lumpini, Phatumwan, Bangkok, Thailand
49 4F, American Standard B/D, Yeongdongdaero 112gil 66, Gangnam-Gu, Seoul, Republic of Korea 06083
50 CERRITO 1070 Piso:3 Dpto:71, 1010-CIUDAD AUTONOMA BUENOS AIRES, Argentina
51 900-1959 Upper Water Street, Halifax, Nova Scotia B3J 2N2, Canada
52 Avenida Industrial Falcón, L7, Parque Industrial del Norte, Reynosa Tamps, Mexico C.P. 88736
53 Avenida Insurgentes sur 619, 3° Piso, CIUDAD DE MEXICO, Nápoles, 03810, Mexico
54 Av. Fomento Industrial L9 M3, Parque Industrial del Norte, Reynosa Tamps, Mexico C.P. 88736
55 Av. La Encalada 1010 of. 806, Santiago de Surco, Lima 15023, Perú
56 Rua Alexandre Dumas, 2100,15º. Andar, Ed Corporate Plaza, Conj 151 e 152, – Chácará Stº Antonio – São Paulo, Brazil Cep: 04717-913
57 Torre los Nogales, Calle 76 # 11-17, Fifth and Second Floor, Bogotá, Colombia
58 Calle 82 # 18-31, Bogotá, Colombia
59 Av Suecia 0181, Providencia, Santiago, Chile
60 Robles E4-136 y Av. Amazonas, Edificio Proinco Calisto, piso 12, Quito, Ecuador EC170526
61 Av. Sorocaima, Libertador con Venezuela, Edif Atrium. Piso 3, Oficina 3G, Urb El Rosal, Municipio Chacao, Edo, Miranda, Venezuela
62 Next Logistics, No. 217, Soukya Road (Next to Scania warehouse), Korallur Village, Hoskote Taluk, Bangalore KA 560067, India
63 8516 Northwest Expressway, Oklahoma City, OK 73162, US
64 1160 Route 22 East, Suite 304, Bridgewater, NJ 08807, US
65 2315 NW 107th Avenue Suite A30, Doral, Florida 33172, US
66 The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware 19801, US
67 3993 Howard Hughes Parkway Suite 250, Las Vegas, Nevada 89169-6754, US
68 725 Primera Blvd, Suite 230, Lake Mary, FL 32746-2127, US
69 1206 N. 23rd Street, Wilmington, NC 28405-1810, US
70 20333 N. 19th Avenue, Suite 101, Phoenix, AZ 85027-3627, US
71 58 Norfolk Avenue, Unit 2, South Easton, MA 02375-1907, US
72 5701-1 S Ware RD, McAllen, TX 78504, US
73 4635 Southwest Freeway, Suite 800, Houston, TX 77027-7105, US
74 14330 Midway Road, Building 1, Suite 100, Farmers Branch, TX 75244-3513, US

* Directly held investment by ConvaTec Group Plc

Independent auditor's report

to the members of ConvaTec Group Plc

Report on the audit of the Financial Statements

1. Opinion

In our opinion:
- the Financial Statements of ConvaTec Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent 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 Parent Company Statements of Financial Position;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 26 of the Consolidated Financial Statements and Notes 1 to 9 of the Parent Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent 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 Parent 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. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent 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	The key audit matters that we identified in the current year were: – Revenue recognition – focusing on whether sales are valid in certain US and UK components, with increased risk in the recording of revenue for sales and, or shipments that either did not occur, or did not occur at the level recorded by management, or for which the risks and rewards have not passed to the customer. – Taxation – focusing on the recognition of deferred tax assets in the US. – Taxation – focusing on the uncertain tax positions in connection with transfer pricing. Within this report, key audit matters are identified as follows: 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 $6.7m which was determined on the basis of 4.2% of pre-tax profit, adjusted for certain non-recurring items.
Scoping	We performed full scope audit procedures on fourteen components, as well as the Parent Company, covering a total of nine countries. In addition, we have performed specified audit procedures in nine components across eight countries. Together, these accounted for 82% of revenue, 91% of profit before tax and 85% of net assets.
Significant changes in our approach	In the prior year, we identified the impairment of certain finite-lived intangible assets, focusing on the judgements over the remaining useful life of the assets and the extent of inclusion of benefits from the Transformation Initiatives in management's forecasts, to be a key audit matter. There have been no triggering events in the current year to indicate the risk of further indicators of impairment to the carrying value of these assets and as such, we no longer consider it to be a key audit matter. There have been no other significant changes to our audit approach for the period.

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 Parent Company's ability to continue to adopt the going concern basis of accounting included:
- Evaluating the Group's existing access to sources of financing, including undrawn committed bank facilities;
- Evaluating the linkage to the business model and medium-term risks;
- Comparing forecasted sales to recent historical financial information to assess forecasting accuracy;
- Testing the underlying data generated to prepare the forecast scenarios and determining whether there was adequate support for the assumptions underlying the forecast; and
- Evaluating the Group's disclosures on going concern against the requirements of IAS 1.

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 Parent Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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

Key audit matter description	We have identified the risk of revenue recognition as a key audit matter. The risk is specifically focused on whether sales are valid in certain US and UK components with increased risk in the area of recording revenue for sales/shipments that either did not occur, or did not occur at the level recorded by management, or for which performance obligations have not been satisfied. The risk is higher in these US and UK components based on the amount of revenue generated and the level of complexity in recognising the revenue relative to other Group components. The revenue earned in the US and UK in 2020 was $815.5 million (2019: $802.1 million). The associated disclosure by category and geographical region is included within Note 2. For specific detail on the Group's accounting policy, please see Note 2.
How the scope of our audit responded to the key audit matter	In response to this key audit matter, we performed a risk assessment across the Group to identify specific areas of risk, focusing our testing accordingly. Our audit response consisted of several procedures including those summarised below. The specific combination of procedures performed varied by location. We performed walkthroughs of the revenue cycle at full scope components to gain an understanding of when the revenue should be recognised, to map out the relevant controls and the end-to-end processes in place. Our component teams that performed full scope audits obtained an understanding of, and our significant component teams for the US and UK, tested the operating effectiveness, of relevant controls addressing the risk relating to the occurrence of revenue. We performed detailed transaction testing on a sample basis, agreeing sales through to invoice, final sales contracts or purchase orders. We compared invoice prices to Group's price lists on a sample basis to validate levels of discounting, agreeing the net revenue amount recorded by management to underlying accounting records and remittance. We performed analytical reviews in certain components to identify any unusual sales trends and obtained an explanation for any such movements. We also reviewed a sample of distributor contracts to assess the terms of sale and to support recalculation of rebates and chargebacks associated with the revenue. We held interviews with a selection of sales personnel to determine the existence of any side agreements or unusual arrangements which may impact when revenue can be recognised. We held bi-annual review calls with category and geographic market leaders to identify changes in customer demand and new product introductions that might impact sales patterns. The procedures performed allowed us to obtain an understanding of the revenue cycle with a variety of procedures performed to address the risk associated to potential fraud.
Key observations	Based on the procedures we have performed, we were satisfied that revenue is appropriately recognised, specifically with regard to the occurrence of sales in certain US and UK entities.

5.2. Taxation – recognition of US deferred tax assets (US DTAs)

Key audit matter description	There is management judgement in the recognition of deferred tax assets (DTAs) in the US, as the recognition of these assets is based on management's assessment of their recoverability. Total recognised US DTAs at 31 December 2020 were $88.7 million (2019: $75.9 million). At 31 December 2020, management assessed that unrecognised temporary differences for US federal tax purposes of $152.0 million (2019: $171.0 million) relating to the US were irrecoverable as management did not anticipate probable future taxable income in the entities giving rise to this balance, therefore no DTA was recognised for these tax attributes. The associated disclosure is included within Note 5. The Audit and Risk Committee has included their assessment of this risk on page 108. For specific detail on the Group's accounting policy, please see Note 5.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of the relevant controls that are involved in assessing whether the US DTAs can be recognised. With the involvement of our internal tax audit specialists, we have reviewed and challenged management's judgements regarding the recoverability of temporary differences. We have obtained and challenged management's forecasts showing the expected utilisation of key unrecognised temporary differences in order to further assess their recoverability. We have challenged management's assessment of the appropriateness of offsetting DTAs and deferred tax liabilities (DTLs). We assessed the appropriateness of the related Financial Statement disclosures.
Key observations	Based on the work we have performed, we concurred with the treatment adopted by management for both recognised and unrecognised DTAs in the US.

5.3. Taxation – uncertain tax positions (UTPs) in connection with transfer pricing arrangements

Key audit matter description	At 31 December 2020, within the current tax payable balance of $55.6 million (2019: $44.6 million), there were provisions for uncertain tax positions (UTPs) held related to transfer pricing arrangements. There are a number of tax judgements inherent in the calculation of the tax charge which result in the existence of UTPs. Transfer pricing is the primary area of taxation uncertainty, driven largely by the global nature of the Group and the historical business model. The operating model is pivoting to focus more on business performance at the category level, rather than on geographical markets. Changes to the business model increase management judgement, and hence risk, in relation to the impact on transfer pricing and related UTPs. The associated disclosure is included within Note 5. The Audit and Risk Committee has included their assessment of this risk on page 108. For specific detail on the Group's accounting policy, please see Note 5.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls that are involved in assessing whether management is appropriately identifying and quantifying UTPs. With involvement of our internal tax audit specialists, including internal transfer pricing specialists, we have challenged management's judgements regarding the identification and quantification of uncertain tax treatments in relation to transfer pricing, including the judgements as to whether they will lead to a probable economic outflow. We obtained management's technical support for the source of the estimation uncertainty in order to challenge their assessment of the probability that the tax positions will ultimately be accepted by the tax authorities. The support included management's analysis, supported by external professional advice, of the evolution in locations of the creation of value across the Group including the location of key strategic management roles and where taxable profits arise, which is a key judgement in assessing transfer pricing risk. We challenged management's approach to determine whether the methodology for assessing provisions is consistent with IFRIC 23, *Uncertainty over Income Tax Treatments* including identification, where applicable, of any significant changes in facts and circumstances as required by IFRIC 23. We assessed the appropriateness of the related Financial Statement disclosures.
Key observations	Based on the work we have performed, we are satisfied that management have appropriately considered the risk of a transfer pricing challenge and have appropriately determined the extent to which UTPs relating to transfer pricing are required.

6. Our application of materiality

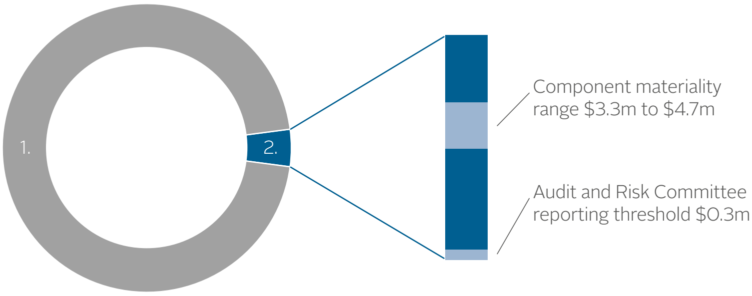
6.1. Materiality

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	Parent Company Financial Statements
Materiality	$6.7m (2019: $6.9m)	$4.7m (2019: $5.2m)
Basis for determining materiality	4.2% (2019: 5.3%) of pre-tax profit, adjusted for the gain on the divestiture of the US Skincare product line.	Parent Company materiality equates to 0.3% (2019: 0.3%) of net assets, which is capped at 70% of Group materiality.
Rationale for the benchmark applied	In determining our materiality benchmark, we considered the focus of the users of the Financial Statements. Pre-tax profit is the base from which key performance measures are calculated as well as key metrics used in providing trading updates. We have adjusted pre-tax profit for certain non-recurring items as summarised above.	In determining our materiality, based on professional judgement, we have considered net assets as the appropriate benchmark given the Parent Company is primarily a holding company for the Group. We then capped materiality at the highest component materiality for the Group.

1. PBT adjusted for certain items: $158.0m
2. Group materiality: $6.7m



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	Parent Company Financial Statements
Performance materiality	70% (2019: 70%) of Group materiality	70% (2019: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: – our risk assessment, including our understanding of the entity and its environment; – an assessment of the impact of COVID-19 on the Group's overall control environment; and – our cumulative experience from prior year audits, which has indicated a low number of corrected and uncorrected misstatements identified.	

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of $0.3m (2019: $0.3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and risk 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.

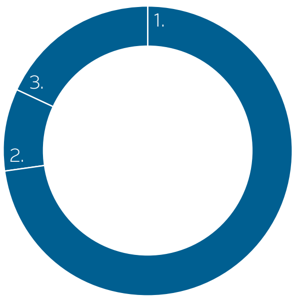
Based on this assessment, we focused our work on fourteen (2019: fourteen) components covering nine (2019: eight) countries, 73% (2019: 73%) of revenue, 87% (2019: 89%) of profit before tax and 81% (2019: 81%) of net assets. All fourteen (2019: fourteen) components were subject to a full scope audit. The fourteen (2019: fourteen) components are located in: the United States of America, the United Kingdom, Switzerland, Denmark, Germany, Italy, France, Japan and Australia, which include the principal operating units of the Group.

In addition, we have performed specified audit procedures in nine (2019: nine) components covering eight (2019: nine) countries, 9% (2019: 9%) of revenue, 4% (2019: 2%) of profit before tax, and 4% (2019: 6%) of net assets. The nine (2019: nine) components are located in: the United States of America, the United Kingdom, Denmark, Spain, Canada, Brazil, the Dominican Republic and Slovakia.

We also performed testing at a Group level. This included testing the consolidation process and carrying out analytical review procedures on those entities other than those noted above. Any movements in account balances, which did not corroborate our initial risk assessment, were investigated further. This testing confirmed our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit or specified procedures.

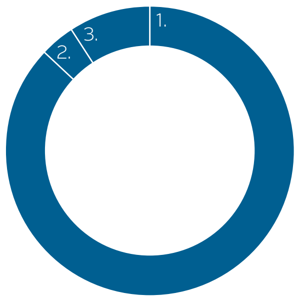
Revenue %

1. Full audit scope: 73%
2. Specified audit procedures: 9%
3. Review at Group level 18%



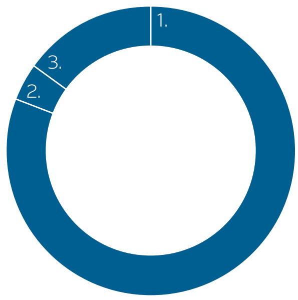
Profit before tax %

1. Full audit scope: 87%
2. Specified audit procedures: 4%
3. Review at Group level 9%



Net assets %

1. Full audit scope: 81%
2. Specified audit procedures: 4%
3. Review at Group level 15%



7.2. Our consideration of the control environment

We tested the relevant manual and automated controls in the revenue process (focusing on the key audit matter relating to revenue) within the entities designated as full scope audits. Our component audit teams within these entities tested the related relevant manual controls and we involved IT specialists to test the general IT controls over key financial reporting systems.

7.3. Working with other auditors

As part of our oversight of the component teams, planning meetings were held with key component audit teams. The purpose of these planning meetings was to determine whether the component teams had sufficient understanding of the Group's businesses, its core strategy and significant risks.

We sent 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 through online and telephone conversations. All the findings noted were discussed with the component auditors in detail and instructions to perform further procedures were issued where relevant.

In response to the COVID-19 pandemic, which limited our ability to make component visits, more frequent calls were held between the Group and component teams and remote access to relevant documents was provided. Given the pandemic, the majority of our year-end audit was performed in a remote working environment. Throughout this time, we increased the frequency of interactions with management. Other than two locations where we needed to perform virtual stock counts, we were able to perform our procedures without needing to make substantial changes to our planned approach.

8. Other information

The other information comprises the information included in the Annual Report including the Overview, Strategic report and Governance sections, 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 Parent 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 Parent 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;
- results of our enquiries of management, Internal Audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including component audit teams and relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: revenue recognition regarding the validity of the sales and/or shipments in certain US and UK components. 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 Group's operating licence.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition regarding the occurrence of the sales and/or shipments in certain US and UK components as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the Audit and Risk Committee and in-house 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 HMRC; 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 all 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 Parent 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 142;
- 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 80;
- the Directors' statement on fair, balanced and understandable set out on page 142;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 85;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 72; and
- the section describing the work of the Audit and Risk Committee set out on page 105.

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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent 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 and Risk Committee, we were appointed 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 5 years, covering the years ending 31 December 2016 to 31 December 2020.

15.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk 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.

Mark Mullins FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
4 March 2021

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 by clicking www.convatecgroup.com/investors.

The date for the release of our interim results for the six months ended 30 June 2021 will be posted in due course on our website.

Shareholders may also receive information by email by signing up to the news alert service available at www.convatecgroup.com/investors/sign-up-for-more-information.

Share price information
Our closing share price as at 31 December 2020 was 199.20p.

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 (the "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, at present, 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 1.0%, subject to a minimum charge of £30. In addition, stamp duty, currently 0.5%, is payable on purchases. Real-time dealing is available during market hours. In addition, there is a convenient facility to place your order outside of market hours.

Up to 90-day limit orders are available for sales. Before you can trade you will need to register for the service. To access the service log on to www.computershare.com/dealing/uk.

Shareholders should have their SRN available. The SRN appears on share certificates as it will be required as part of the registration process. A bank debit card will be required for purchases.

Telephone share dealing
Please note this service is, at present, only available to shareholders resident in the UK. The commission is 1% plus a charge of £50. 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.trade. 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
Clare Bates
3 Forbury Place
23 Forbury Road
Reading RG1 3JH

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
Telephone +44 (0) 370 703 6219
Email www.investorcentre.co.uk/contactus

Auditor
Deloitte LLP

Brokers
Goldman Sachs International
UBS Limited

Solicitors
Freshfields Bruckhaus Deringer LLP

Glossary

Adjusted free cash flow	Adjusted cash generated from operations, net of PP&E and tax paid.
Adjusted or alternative performance measures ("APMs")	Certain financial measures in this Annual Report and Accounts not prepared in accordance with IFRS and used as a meaningful supplement to reported measures.
Advanced Wound Care ("AWC")	Advanced wound dressings and skin care products for the management of acute and chronic wounds resulting from ongoing conditions such as diabetes and acute conditions resulting from traumatic injury and burns.
AGM	Annual General Meeting of the Company.
APAC	Countries located in Asia-Pacific.
ARC	Audit and Risk Committee.
Articles	The Articles of Association of the Company for the time being in force.
Base erosion and profit shifting ("BEPS") initiative	OECD initiative which seeks to close gaps in international taxation for companies that allegedly avoid tax or reduce tax burden in their home country by engaging in tax inversions.
Basic earnings per share	Net profit available for ConvaTec shareholders divided by the weighted average number of ordinary shares in issue during the year.
Basis points ("bps")	One hundredth of a percentage point. Used, for example, in quoting movements in margin percentages.
BEIS	Business, Energy & Industrial Strategy.
Board	The Board of Directors of ConvaTec Group Plc.
Brexit	The UK's withdrawal from the European Union.
Compound annual growth rate ("CAGR")	CAGR shows the rate of return of an investment or growth in revenue and profit over a certain period of time, expressed in annual percentage terms.
Capital expenditure ("capex")	Purchases of property, plant and equipment and intangible assets.
Cash conversion	Cash generated from operations, net of PP&E divided by EBITDA.
Cash-generating units ("CGUs")	The smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
CE mark	Certification mark that indicates conformity with health, safety and environmental protection standards for products sold within the European Economic Area.
Cidron Healthcare Limited ("CHL")	ConvaTec Group Plc owns the entire share capital of CHL. CHL owns the rest of the ConvaTec Group, with the exception of ConvaTec Management Holdings Limited.
Code	UK Corporate Governance Code 2018 in effect from 1 January 2019, issued by the FRC.
Code of Conduct	Our code of conduct which covers business conduct and compliance issues, including bribery and corruption.
Companies Act	Companies Act 2006, as amended, of England and Wales.
Company or parent company	ConvaTec Group Plc.
Constant exchange rates ("CER") growth	CER growth is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period.
Continence & Critical Care ("CCC")	Products and services for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes, and devices and products used in intensive care units and hospital settings.
COVID-19	Coronavirus disease 2019.
CELT	ConvaTec Executive Leadership Team (see page 9).
CR	Corporate responsibility.
Derivatives	Financial instruments used to reduce risk, the price of which is derived from an underlying asset, index or rate.
Diluted earnings per share	The calculation of diluted earnings per share includes the dilutive impact of share awards where the average market price of the Group's ordinary shares exceeds the exercise price.
Director	A member of the Board of Directors of ConvaTec Group Plc.
Disclosure guidance and transparency rules ("DTRs")	FCA disclosure guidance and transparency rules with which the Group must comply.
Dividend cover	Adjusted cash generated from operations, net of PP&E (see page 67) divided by dividend paid (dividend payable), excluding the effect of a scrip option.
EBIT or operating profit	Earnings before interest and tax, also defined as operating profit.
EBIT margin	EBIT divided by revenue.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Effective tax rate	The tax charge in the income statement as a percentage of profit before tax.
EMEA	Countries located in Europe, Middle East and Africa.
ESG	Environmental, Social and Corporate Governance.
ESMA	European Securities and Markets Authority.
EU	The European Union.
FCA	Financial Conduct Authority.
FDA	US Food and Drug Administration.

FRC	Financial Reporting Council.
FX	Foreign exchange.
GDPR	General Data Protection Regulation.
GHG emissions	Greenhouse gas emissions.
Group	The Company and its subsidiaries.
GPO	Group purchasing organisations.
H&S	Health and safety.
Home Services Group ("HSG")	The Group's US home services business unit for catheter and incontinence products. Formerly Home Distribution Group.
IASB	International Accounting Standards Board – the independent standard setting body of the IFRS Foundation.
IFRS	International Financial Reporting Standards as adopted by the EU and as issued by the IASB.
IFRIC	International Financial Reporting Interpretations as adopted by the EU and as issued by the IASB.
Infusion Care ("IC")	Disposable infusion sets for diabetes insulin pumps, similar pumps used in continuous infusion treatments for conditions such as Parkinson's disease and a range of products for hospital and home healthcare markets.
IP	Intellectual property.
IPO	Initial public offering.
IR	Investor relations.
KPI – Key Performance Indicator	Financial and non-financial measures that the Group uses to assess performance and strategic progress.
LIBOR	London Inter-bank Offered Rate.
LEAN manufacturing	Methodology employed by the Group in the manufacturing process to improve operational efficiency by maximising productivity and minimising waste.
Leverage ratio	Net debt divided by adjusted EBITDA.
LTIP	Long-term incentive plan.
M&A	Mergers and acquisitions.
MAR	Market abuse regulation.
MDR	Medical Device Regulations introduced in the EU with required transition by May 2021. MDR imposes rigorous requirements in relation to a number of areas including clinical data and post-market surveillance.
Medium term	The period covering two to three years.
Medium to long term	The period covering three to five years.
MedTech	Medical technology.
MIP	Margin Improvement Programme.
Net debt	Borrowings less cash and cash equivalents and excluding lease liabilities.
NHS	The UK National Health Service.
OECD	Organisation for Economic Co-operation and Development.
Opex	Operating expenses, being the total of selling and distribution expenses, general administrative expenses and research and development, and other operating expenses.
Organisational Health Index ("OHI")	An index tracking the organisational elements that drive performance.
Ostomy Care ("OC")	Devices, accessories and services for people with a stoma (surgically-created opening where bodily waste is discharged), commonly resulting from causes such as colorectal cancer, inflammatory bowel disease and bladder cancer.
PBT	Profit before income taxes.
PP&E	Property, plant and equipment.
Product Categories	The Group has four product groups, being Advanced Wound Care, Ostomy Care, Continence & Critical Care and Infusion Care.
R&D	The research and development of safe and reliable products and technologies.
ROIC	Return on invested capital.
SID	Senior Independent Director.
SKU	Stock keeping unit.
SNC	Special nomination committee.
Sterling, £, pence or p	The pound sterling, the currency of the UK.
Subsidiary	A company over which the Group exercises control.
TCFD	Task Force on Climate-related Financial Disclosures.
Transformation Initiative	Initiatives and associated investment focused on transforming the business to deliver sustainable and profitable growth.
TSR	Total shareholder return.
UKLA	The UK's Listing Authority.
US dollar, $, cent or ¢	The currency of the United States of America.
Viability Period	The three-year period from January 2021 to December 2023.

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 statements that are, or may be deemed to be, "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 statements relating to the future which are based on information available at the time such statements are made, including information relating to risks and uncertainties. Although we believe that the forward-looking statements in this Annual Report are based on reasonable assumptions, the matters discussed in the forward-looking statements may be influenced by factors that could cause actual outcomes and results to be materially different from those expressed or implied by these statements, many of which are beyond the Group's control. The forward-looking statements reflect knowledge and information available at the date of the preparation of this Annual Report and the Group undertakes no obligation to update these forward-looking statements. We identify the forward-looking statements by using the words "anticipates", "believes", "expects", "intends" and similar expressions in such statements. Important factors that could cause actual results to differ materially from those contained in forward-looking statements, certain of which are beyond our control include, among other things, those factors identified in the Principal Risks section which begins on page 76. Forward-looking statements are not guarantees of future performance and the actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates, may differ materially from those made or suggested by 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.

Third-party data

To the extent available, the industry and market data contained in this Annual Report has come from third-party sources. Third-party industry publications, studies and surveys generally state that the data contained therein has been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. In addition, certain industry and market data in this Annual Report came 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 research and estimates are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness 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.

FSC
www.fsc.org
RECYCLED
Paper made from recycled material
FSC® C016486

Designed and produced by Gather
+44 (0)20 7610 6140
www.gather.london

Printed by CPI Colour
This report is printed on 100 % recycled paper. All material is manufactured in accordance with ISO certified standards for environmental, quality and energy management and is carbon balanced. Both the manufacturing paper mill and printer are registered to the Environmental Management System ISO 14001 and are Forest Stewardship Council (FSC)® chain-of-custody certified. It is both recyclable and bio-degradable.

Some of the photographs in this Annual Report and Accounts show our employees and facilities.

ConvaTec Group Plc
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

T: + 44 (0) 118 952 8100
www.convatecgroup.com

Company No: 10361298