



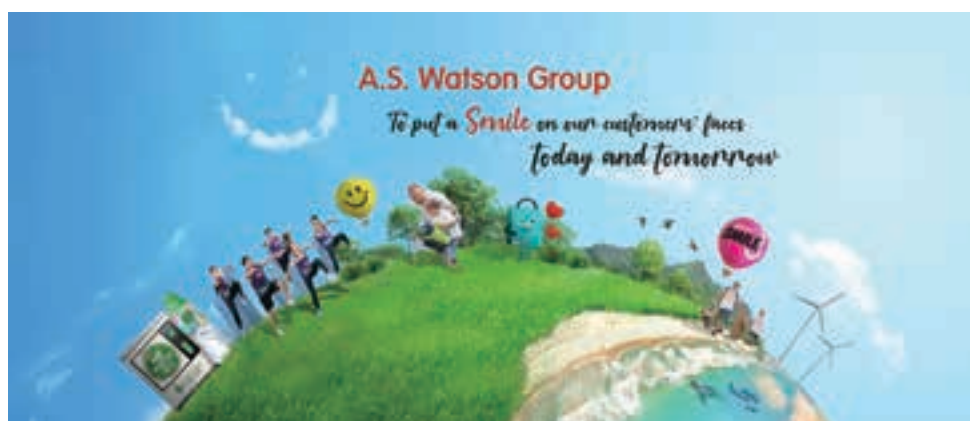
Watsons Malaysia

RETAIL

SERVING SOCIETY

A smile is the universal language of love that has no boundaries across cultures and races. It brings people together, making them feel confident and hopeful.

For 180 Years, the Retail division, A.S. Watson Group ("A.S. Watson"), has upheld a clear purpose of putting a smile on our customers' faces today and tomorrow. In 2021, this was updated to reflect the temporal importance of current and future generations:



This goes far beyond delighting customers with excellence in customer service and product delivery, to building a better environment and thriving communities in which they, as well as other stakeholders, live.













A.S. Watson recognises the importance of providing a better world for future generations, and as a leading global business, it is proud to take on this responsibility. At A.S. Watson, sustainability is not a choice, it is an imperative.

A.S. Watson's 2030 Sustainability Vision is therefore, front and centre of all A.S. Watson priorities as well as the business' strategic vision. A sustainable future is what customers and communities need most, and A.S. Watson is passionate about achieving this together with its people, customers, communities and suppliers.

Material topics, goals and progress

The following table highlights the material topics identified for A.S. Watson, as well as the relevant UN Sustainable Development Goals ("SDG"), division goals and progress made.

Material topics & SDGs	Goals	Highlights
Taking action on climate change  	<ul style="list-style-type: none"> Set science-based GHG emissions reduction targets to be validated by the Science Based Targets initiative. Calculate scope 3 emissions. 	<ul style="list-style-type: none"> New science-based targets set including: <ul style="list-style-type: none"> Reduce scope 1 and 2 emissions by 50% versus a 2018 baseline; Reduce scope 3 emissions from purchased goods and services and upstream transportation and distribution by 58% per dollar Economic Value Added by 2030 versus a 2018 baseline; and 33% of its suppliers by GHG emissions covering purchased goods and services and upstream transportation and distribution will have science-based targets (SBTs) by 2027. Detailed scope 3 footprint exercise completed with the help of third party carbon experts.
Creating a great place to work     	<ul style="list-style-type: none"> Be an employer of choice that ensures equal opportunity and that attracts and retains an engaged and diverse workforce. Provide ample opportunities to enhance employee skill-sets through on-the-job training and clearly defined progression pathways. Promote inclusivity of all cultures, truly reflecting the communities A.S. Watson serves. 	<ul style="list-style-type: none"> Celebrated "The Year of Love" and gratitude to its employees for its 180th anniversary. Improved response and engagement rates in global employee engagement survey. Additional inclusion and diversity questions added to Superdrug survey. Held Fit for the Future roundtable to discuss business critical skills needed to embrace new trends. Also launched the Digital Gym to drive engagement and skillsets needed for the digital transformation. Ongoing A.S. Watson Agile Leadership Series, Aspire Leadership Programmes, Ignite Leadership Programme, Retail Academy and Reverse Mentoring. Superdrug and Savers ranked as a Financial Times Leader in Diversity for the last three years.
Promoting a circular economy  	<ul style="list-style-type: none"> Achieve goals as part of signing up to the New Plastics Economy ("NPE") Global Commitment <ul style="list-style-type: none"> Target 1: 100% of plastic packaging to be reusable, recyclable, or compostable by 2025. Target 2: Include an average of 20% recycled plastic content across all Own Brand packaging by 2025. Help customers and the community recycle more and trial refill/reuse concepts. Donate surplus edible food to local food banks. Rolling out a new concept of greener stores. 	<ul style="list-style-type: none"> NPE progress against targets: <ul style="list-style-type: none"> Target 1: 46.6% achieved Target 2: 6.8% achieved Collaborated with brand partners (L'Oréal and P&G) to launch product take-back and recycling stations. New instore refill schemes launched in Malaysia and Hong Kong. By end of 2021, installed 84 reverse vending machines around Hong Kong and collected over 750,000 plastic bottles. Launched new partnership with Plastic Bank. Donated 3,500 tonnes of surplus edible food to Food Angel since 2012. Launched first store under the Sustainable Store Concept in the UK; to be further expanded during 2022.

Material topics & SDGs	Goals	Highlights
Offering sustainable products and services <div>    </div>	<ul style="list-style-type: none"> Stay in tune with, and respond to, changing consumer trends in favour of sustainability. Raise awareness on sustainable product choices offered in retail. Increasingly source more sustainable raw materials for Own Brand products. All Own Brand paper products and packaging to be made exclusively from more sustainable materials. Keep ensuring the safety, quality and traceability of Own Brand products. 	<ul style="list-style-type: none"> Superdrug, Kruidvat and Watsons leveraged customers' surveys on sustainability to understand consumer sentiment and guide direction. Watsons launched more than 1,600 products as part of its Sustainable Choices campaign in collaboration with global brand partners. 68% of Own Brand paper products made from more sustainable materials. PARKnSHOP sustainable sourcing: <ul style="list-style-type: none"> Over 100 plant-based meat alternatives offered at PARKnSHOP. Commitment to source only deforestation-free meat. Ranked number one by WWF among food retailers in Hong Kong for its sustainable seafood procurement policy. Rigorous internal testing and external assessment in place; Own Brand products tested against a restricted substances list; tracking software implemented for traceability monitoring.
Ensuring a responsible supply chain <div>        </div>	<ul style="list-style-type: none"> By 2030, ensure that 100% of Own Brand purchase value from high-risk countries (identified by amfori BSCI) will be assessed for: <ul style="list-style-type: none"> Social compliance through amfori's Business Social Compliance Initiative audits (or others endorsed by A.S. Watson); and Environmental compliance through amfori BSCI's Business Environmental Protection (or others endorsed by A.S. Watson.) 	<ul style="list-style-type: none"> Social compliance assessed for over 95% of Own Brand purchase value from high-risk countries (direct sourcing). Environmental compliance assessed for over 65% of Own Brand purchase value from high-risk countries (direct sourcing). 594 factories audited in 2021 under A.S. Watson sustainable supply chain programme.
Investing in developing thriving and resilient communities <div>   </div>	<ul style="list-style-type: none"> Develop programmes that are mutually beneficial to business and the community. Maintain long-term partnerships and support local communities and charities via donations, sponsorships and employee volunteering. 	<ul style="list-style-type: none"> In 2021, donated HK\$43.9 million to local community organisations. Over 8,600 A.S. Watson volunteers contributed 60,800 hours to serve over 223,800 community members. Active part in the community rollout of the COVID-19 vaccine.
SDG 17, "Partnerships for the goals", underpins action on all material topics and enables the best possible impacts through collaboration and working with relevant partners.		

Taking action on climate change

Climate change affects every one of A.S. Watson's stakeholders, from every customer to every worker in its global supply chain. While there is a lot more to achieve in this area, it is an issue A.S. Watson takes very seriously and is making significant progress towards its GHG emissions reductions targets.

GHG emissions reduction target

In 2019, A.S. Watson released a GHG emissions reduction target of reducing scope 1 and 2 emissions by 40% by 2030 versus a 2015 baseline. By end of 2021, A.S. Watson had already surpassed that target with a figure of 42.6%.

To replace this goal, A.S. Watson is developing new targets to be validated by the Science Based Targets initiative. An extensive engagement process was undertaken with departments materially responsible for GHG emissions generation and central to decision-making, as well as engaging with the division's top suppliers. As a result of this engagement, the following targets have been developed:

- Reduce scope 1 and 2 emissions by 50%, versus a 2018 baseline;
- Reduce scope 3 emissions from purchased goods and services and upstream transportation and distribution by 58% per dollar Economic Value Added by 2030, versus a 2018 baseline; and
- 33% of suppliers by GHG emissions covering purchased goods and services and upstream transportation and distribution will have science-based targets by 2027.

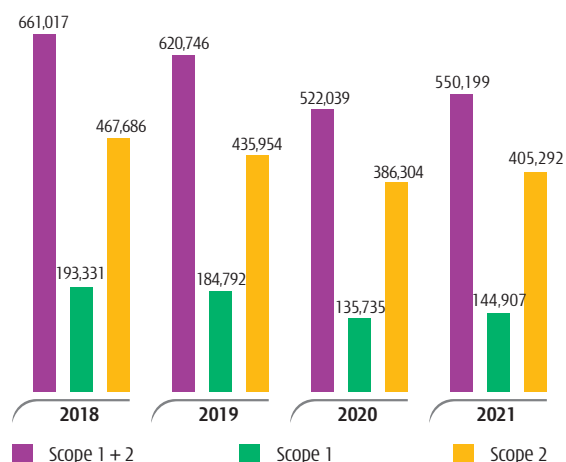
To show its commitment to leading practice in alignment with a 1.5°C pathway, A.S. Watson has publicly committed to having its target validated by the Science Based Targets initiative.

GHG emissions performance

In 2021, A.S. Watson's GHG emissions increased by 5.4% versus 2020, but decreased by 16.8% versus 2018. The increase in GHG

emissions in 2021 is due to stores re-opening and resumption of normal business following 2020 which was largely marked by lockdowns. Overall GHG emissions reductions since 2018 are a result of the procurement of renewable electricity and a focus on energy reduction measures including LED rollouts in new stores and major refits.

Figure 19: Scope 1 and 2 GHG emissions performance (tCO₂e)



Scope 3

In 2021, A.S. Watson commissioned a third party expert to compile its scope 3 footprint baseline. While A.S. Watson has been tracking several scope 3 categories in the past, a comprehensive view, particularly of supplier GHG emissions was previously less known. This baselining exercise revealed a scope 3 footprint of 7,065,007 tCO₂e, accounting for 91.9% of A.S. Watson's total carbon footprint that year. A.S. Watson has benchmarked this as being aligned to similar results by the retail industry. The main hotspot scope 3 categories identified are use of sold products, purchased goods and services and upstream transportation & distribution, which account for 44%, 26.5% and 16.3% of GHG emissions respectively, or 86.8% combined.

Figure 20: Breakdown of scope 1, 2 and 3 emissions

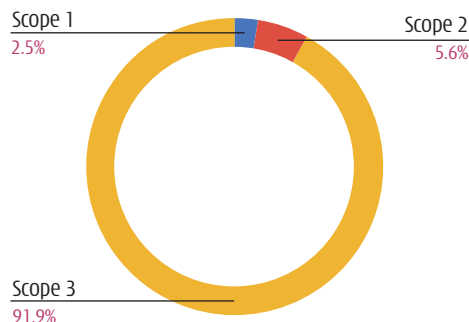
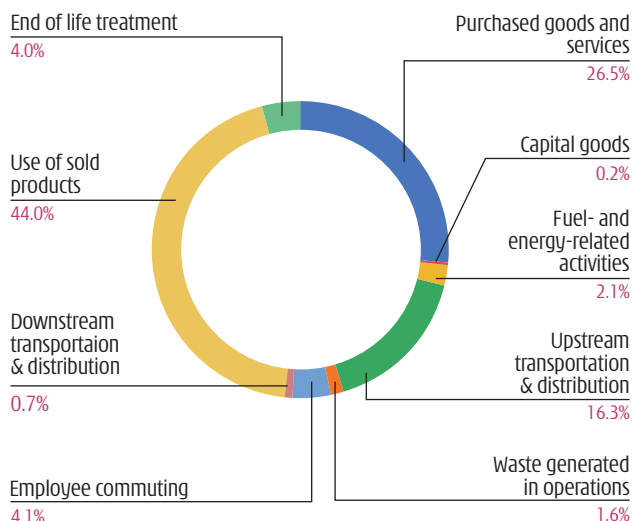


Figure 21: Scope 3 footprint by scope 3 category



Energy efficiency

With 74% of A.S. Watson's GHG emissions globally attributable to electricity consumption in 2021, creating efficiencies on the consumption of grid electricity is a top priority. Energy consumption in 2021 increased by 5.7% versus 2020, and decreased by 3.2% versus 2018 mainly due to initiatives linked to the use of more energy-efficient equipment, such as lighting replacement, HVAC optimisation, and behaviour change.

A.S. Watson's global energy management programme is led by Global Sustainability Committee's task-force on Energy and supported worldwide by 37 energy champions embedded within the business who are responsible for monitoring local energy savings initiatives.

LED lighting can save up to 80% in energy consumption versus inefficient incandescent alternatives. A.S. Watson is therefore undergoing a large-scale rollout of LED lighting for new stores and major stores refits. At the end of 2021, 63% of stores were fitted out with LED lighting and A.S. Watson targets a figure of 75% by 2025.

Since 2018, A.S. Watson has leveraged Schneider Electric's data management system, Resources Advisor, which allows A.S. Watson to actively monitor energy consumption globally (among many other sustainability KPIs). Metering is another tool that has helped A.S. Watson, particularly at the store level in Europe, to track energy consumption in a granular manner.

A.S. Watson UK has also partnered with ista, one of the Group's Infrastructure businesses which specialises in energy management and metering, to undertake energy audits and training to better identify energy efficiencies and behaviour changes in stores, distribution centres and offices. For example, leveraging ista's MinuteView platform which assists in forensically examining energy management, A.S. Watson's Southern Regional Distribution Centre was able to show that installing LEDs reduced average daily consumption by more than 2,000 kWh per day. During 2021, ista also helped to upgrade and centralise the metering and management of all electricity data across the UK and Ireland for better streamlining and decision-making with the end goal to enable energy reductions and cost savings.



A.S. Watson also has supply chain standards in place to favour the procurement of fixtures, fittings and equipment that meet best practice energy efficiency standards, as well as ensure store retrofits and construction are as energy efficient as possible.

Simple behaviour changes can also materially reduce energy consumption. A.S. Watson therefore has worked on implementing control measures for employees as part of standard operating procedures as well as engaging employees in campaigns and educational initiatives for them to understand their impact and role they can play.

Greener fleet

The use of diesel to power the A.S. Watson fleet accounts for nearly half of its scope 1 emissions and therefore is an area A.S. Watson prioritises. Driver training, route planning and load optimisation are fundamental parts of A.S. Watson's fleet management, with particular success at Superdrug, in order to get products to and from stores in the most efficient way and with the lowest possible fuel consumption.

As a result of the COVID-19 pandemic, the volume of sales via eCommerce channels has grown significantly, presenting new challenges in balancing these new customer needs for increased home delivery versus the environmental impacts created as a result.

Focused efforts to offer customers the additional option to move from the traditional “Click & Deliver” model towards a more customer centric “Click & Collect from Store” model has shown success in a number of markets. These customer orders fulfilled from warehouses means that transportation to the point of customer pick-up takes advantage of the existing store transportation network thus negating the need for an additional shipping channel.

For customers preferring home delivery, widespread implementation of the eCommerce “Home Delivery from Store” service gives A.S. Watson the capability to leverage its brick and mortar estate. Customer orders are picked up at stores located at the nearby required delivery points. This greatly reduces travel distances from the point of pick-up to the point of customer delivery when compared with a centralised eCommerce warehouse facility. It also provides customers with a shorter order to delivery time frame.

Both of these customer service options contribute to reducing fuel usage, and the associated GHG emissions, through fewer on-road hours for vehicles.

With the same intention, to maximise the loads and avoid empty vehicles travelling back to distribution centres, A.S. Watson backhauls store waste to recycling centres in Europe. This avoids the need for third party waste management companies going to every store and therefore avoids additional GHG emissions from those journeys.

A.S. Watson encourages all business units to favour fuel efficient delivery vehicles. Since 2016, Superdrug has replaced all delivery vehicles with Euro 6 engines, the highest emissions standard for

vehicles, and has installed particulate filters to further reduce impacts on air quality. Market assessments of electric vehicle alternatives are also ongoing with replacements being made where feasible, in addition to engagement with logistics vendors to use electric vehicles. In 2021, warehouse deliveries to stores in Guangzhou, Shenzhen and Foshan transitioned to 100% electric vehicles.

In 2021, the A.S. Watson Supply Chain sustainability tool kit was supplemented with new standards to encourage the use of lower impact fuel types and enable business units to measure their fleet performance versus Euro standards. Fuel-efficient driving techniques are also promoted. For example, across 13 cities in China, A.S. Watson has implemented a night-time delivery programme covering 256 stores which increased store deliveries per truck by 30% versus the original daytime delivery schedule.

In 2022, the future tendering of fleet and transportation services will include sustainability criteria under the pre-qualification questionnaire for vendors.

Renewable energy

A.S. Watson has achieved 100% renewable energy in three major European markets (the UK, Belgium and Netherlands) meaning that Superdrug, Savers, The Perfume Shop, Kruidvat, Trekpleister and ICI PARIS XL are all powered entirely by green electricity.

Renewable electricity therefore makes up 86% of A.S. Watson's European portfolio and 20% of A.S. Watson's total electricity consumption globally. Always striving for 100%, A.S. Watson will be adopting green electricity as options become available, but challenges remain in Asian markets where renewable energy infrastructure is less mature.

Superdrug's EURO 6 fleet



Creating a great place to work

As at 31 December 2021, A.S. Watson employs 126,644 full-time and part-time employees. Their talent and commitment to customers and pride in the work they do are fundamental to A.S. Watson's long-term growth and success. A.S. Watson is therefore committed to being a place where people can develop, thrive and receive equal opportunity.

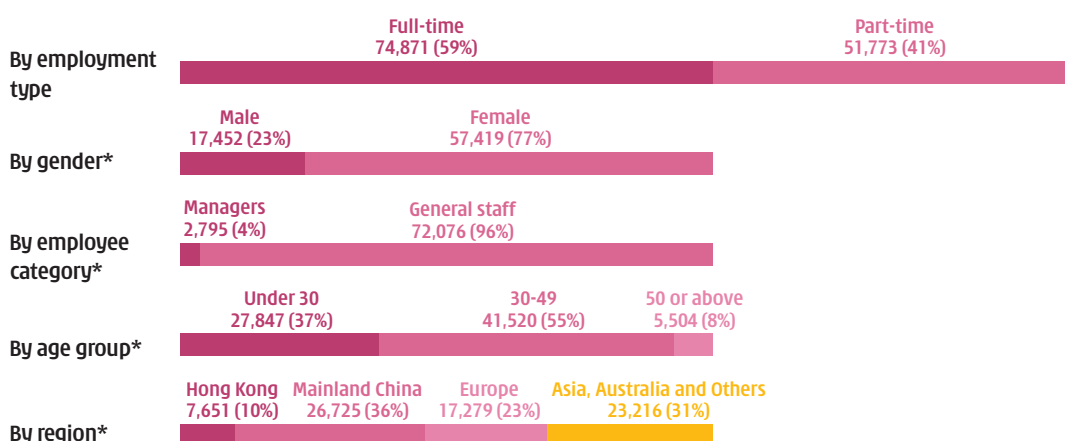
Talent attraction and retention

The A.S. Watson team is its most important asset and the division is therefore continuously working on ways to attract and retain talent.

To celebrate the 180th anniversary of A.S. Watson, A.S. Watson teams globally celebrated this milestone by theming it as "The Year of Love". This year spotlighted the gratitude shared for all colleagues, customers, community members and business partners that have been part of the business' successes over the years, together with the hard work, dedication and resilience required throughout the pandemic.

Through internal and external communications campaigns, the themes of love and gratitude were made the focal points of attraction and retention initiatives of current and future employees such as through employer branding activities and new employee orientation. The A.S. Watson Heroes campaign also sought to further celebrate employees for their hard work and dedication,

Figure 22: Employee profile as at 31 December 2021



* full-time employees only



particularly through these challenging times. Team members were encouraged to nominate and vote for colleagues, among which 40 were selected for recognition awards throughout the year.

A.S. Watson offers competitive benefits and pay in all stores, distribution centres and corporate offices. It offers all employees a broad range of non-statutory benefits such as staff discounts and long service awards.

Employee engagement

Listening to employees is important to A.S. Watson and it gathers feedback through employee engagement surveys, which are carried out at least bi-annually, and more frequently depending on the individual businesses. The bi-annual A.S. Watson global employee engagement survey held in 2021 revealed notable increases in both score and response rate versus pre-pandemic levels indicating positive results to how the Group has maintained high engagement levels during the pandemic. Survey results were shared with employees to ensure transparency and accountability for acting on results. Over the years, employee engagement surveys have influenced areas such as diverse as office design, leadership style and organisational culture to brands of free drinks provided and healthy snacks provided in break areas.



A.S. Watson wellbeing campaign

A.S. Watson expands and supplements these surveys with further ad hoc surveys to address discrete events and trends. For example, in 2021, Superdrug & Savers expanded their annual employee engagement survey to include new questions on inclusion and diversity with the aim to gain greater understanding of the employee base make-up, how employees identify, and how engaged the different communities are. Positively, the results showed that there were little differences in overall engagement levels between different identities.

The outputs also helped define key work streams within the Everyone Matters strategy, Superdrug and Savers' dedicated inclusion and diversity strategy. For example, the survey showed that trans and non-binary colleagues felt less able to be themselves at work which has resulted in more education and conversation on trans and non-binary experiences, the importance of using correct pronouns, the launch of the Gender Identity & Expression policy, and pronoun badges for store colleagues.

Employee wellbeing

A key focus of employee wellbeing in 2021 was around handling the transition to returning to pre-pandemic work practices. At the beginning of 2021, A.S. Watson conducted a Mental Wellbeing Survey to understand what support its people needed to ensure targeted efforts.

Following the results from the Survey, A.S. Watson launched a pilot to train Mental Health First Aiders in Asia and Europe through the three-day accredited course by Mental Health First Aid England. These representatives from the People teams globally could then offer the appropriate and necessary support to colleagues in need.



Mental Health First Aiders in Hong Kong receiving their certificates following a 3-day workshop

SUPPORTING EMPLOYEE WELLBEING DURING THE PANDEMIC

A.S. Watson recognises the pandemic has put exceptional stress on society, including its employees. To support teams, and let them know management is listening and cares for their wellbeing, A.S. Watson Benelux launched #StayConnected for office employees and #healthytogether for store and distribution centre employees, to encourage team cohesion, show appreciation for each other, and to ensure employees feel healthy in the workplace.

Highlight initiatives from these programmes which continued throughout 2020 and 2021, and many of which were inspired by employee ideas, include:

- **The eBarista café:** Every Monday the participants of the eBarista café were randomly matched up for a chance to have a virtual coffee with a new or old friend.
- **eCards:** eCards enabled colleagues to share with each other words of appreciation or simply to say to a colleague that they are missed.
- **Inspiration Thursday:** External speakers were arranged with webinars held for employees to learn about a variety of topics, including wellbeing and the psychological effects at play while working from home for long stretches. The team also arranged sessions for internal senior management to share advice on how to stay well, alongside sharing links to inspiring podcasts, TED talks and articles.
- **Support hotline:** A hotline was launched to allow employees to seek additional support.

- **Health and wellness:** To encourage keeping active, the app "Ommetje", or "walk around the block", was introduced to challenge employees to earn the most points by ensuring they take walks every day. To further inject some fun into the working day, the team also got employees involved in the popular Jerusalema Dance Challenge. During "Vitality Week" in 2021, stores were sent skipping ropes, flyers on staying healthy and stores were in the chance to win a boot camp session for the whole team. Fruit baskets and vitamins were also shared with retail employees to encourage healthy eating and boosting immunity.
- **Hybrid working support:** To support employees in the transition to hybrid working in the office, an employee survey was issued to understand what support was needed as well as proposed practices to be discussed between team members and line managers to support work-life balance.

A.S. Watson Benelux launched #StayConnected and #healthytogether to support team wellbeing and cohesion

Learning and development

Training programmes are continuously refreshed to respond to the changing needs of customer and employees. While training and development programmes are driven at the local level to respond to local needs, there are several programmes carried out globally to develop senior and emerging leadership talent.

The A.S. Watson Agile Leadership Series is designed to develop a pool of high-performing senior executives with the strategic leadership skills needed to move into a more senior leadership role within the business. All modules are designed around the A.S. Watson Leadership Capabilities and key strategic drivers are updated every year to reflect key business trends. The 2021 programme included modules on: Agile Leadership 2.0 & the Future of Work, Digitalisation & Analytics Driven Business Acumen and Driving Customer-Focused Results.

A.S. Watson also offers structured development programmes for managers with potential to move into a senior management role under the Aspire Leadership Programme which covers critical business skills over four workshops. The four workshops included: Leading Self, Leading Others, Leading Change and Leading Business.

A.S. Watson's learning and development programme is constantly evolving to encourage innovation and to keep in tune with changing trends such as the digital transformation. According to the World Economic Forum, half of the global workforce will require reskilling by 2025, and nine out of 10 jobs will require digital skills by 2030. Recognising the rapid rate at which the world is being changed by technology, A.S. Watson is committed to ensuring its people are not left behind.

THE A.S. WATSON RETAIL ACADEMY

A.S. Watson is proud to be the first retail group in Hong Kong to offer 17 Qualification Framework-recognised programmes for the acquisition of retail skills, knowledge and best practice.

The aim of the Retail Academy is to provide a platform of continuous learning for retail professionals and develop a pipeline of retail talent equipped with the necessary skills and knowledge while also enhancing engagement at work. The accreditation process ensures that training programmes meet the required standards and stringent quality assurance processes developed by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ).



In 2021, A.S. Watson became the first business in Hong Kong to offer these qualifications online through self-directed learning and assessment activities delivered through an in-house digital learning platform, setting a new local standard for professional training for the industry. The Qualification Framework extends across all retail business units in Hong Kong and consists of a range of topics from Certificate programmes through to Advanced Diploma levels.

To further understand the skills and capabilities that will be required in the future, A.S. Watson's senior leadership held an A.S. Watson Fit for the Future virtual roundtable to discuss how it can best prepare and equip itself to be successful in the future. Looking ahead five years, A.S. Watson identified the business-critical roles and skills, opportunities for reskilling, and the behaviours needed to foster a culture that embraces dynamic change. A series of skills toolkits and talent attraction initiatives will be launched from 2022 in five areas including: Team Effectiveness; Digital Fluency; Mental Flexibility; Coaching & Empowering; and Data Analytics.



In 2021, A.S. Watson also launched the "Digital Gym" with the aim of upskilling team members through learning modules that range from developing digital basics to more advanced digital skills. The dedicated supporting mobile phone app has been designed for leaders to highlight latest Digital Gym news, drive engagement and offer regular bite-size learning content. Customer and eCommerce teams across regions have also collaborated to create the "Digital Fitness Exchange" to share best practices with each other on driving customer engagement while leveraging digital content and technology.

Inclusion and diversity

A.S. Watson's aim is for all its teams to reflect the diversity of the communities in which it operates. This means having an organisational culture which promotes inclusion, diversity and respect.

A.S. Watson aims to be an employer of choice that attracts a diverse workforce, harnessing people's unique backgrounds and talents which contributes to not only a more inclusive environment, but ultimately a more successful business.



Superdrug celebrates International Women's Day and this year's theme, "Break the Bias"



EVERYONE MATTERS

At Superdrug and Savers, inclusion and diversity is a key part of its business strategy.

Everyone Matters is its inclusion and diversity strategy that focuses on six areas of inclusion: age, disability, gender equality, LGBTQ+, race & ethnicity, and social mobility.

The corresponding pillars and programme highlights include:

1. Access All Areas (relating to Social Mobility)

Aims: Talent is everywhere, but opportunity is not. Through quality work experience, apprenticeships, development programmes, and mentoring, the business is aiming to widen access to those from all socioeconomic backgrounds.

2021 highlights:

- Offered 328 apprenticeships, with 146 learners completing qualifications and 50% going on to secure a permanent role within the business.
- Offered over 2,000 places through the UK Government's Kickstart scheme, which is aimed at creating new job placements for 16-24-year olds on Universal Credit who are at risk of long-term unemployment.

2. BAEM (Black, Asian and Ethnic Minority)

Aims: To be the employer of choice that attracts a diverse workforce, harnessing peoples' unique backgrounds and talents for the benefit of individuals and customers.

2021 highlights:

- Signed up to the Race at Work Charter pledge to improve race representation in the workplace.
- Signed up to The Halo Code, promising members of the Black community that they have the "freedom and security to wear all afro-hairstyles without restriction or judgment".
- Focused on career coaching and mentoring sessions for BAEM employees.
- Ran a series of educational webinars focused on Active Allyship with external speakers.

3. Gender Equality (includes parenthood and carers)

Aims: To create a fair and supportive workplace for people of all genders, to champion and inspire women in the business, and to build a strong pipeline of diverse female talent to ensure a gender balance in future leadership teams.

2021 highlights:

- Launched a new Domestic Abuse policy and toolkit, provided training, shared resources, and encouraged dialogue about an often difficult, taboo subject.
- Launched a new Menopause policy, toolkit, and e-learning and webinar series with a view to encouraging conversations about a subject faced by the business' majority female workforce.
- Partnered with Working Families to enhance the job design process to make flexible working accessible in all roles.
- Focused on new parents coming back into the workplace through support, guidance and reviewing all family friendly policies to make further progress.



4. LGBTQ+

Aims: The LGBTQ+ network enables space for LGBTQ+ colleagues to share experiences and challenges as well as finding role models that show them that they don't need to hide any aspect of who they are.

2021 highlights:

- Launched a new Gender Identity and Expression policy and supporting toolkit.
- Focused on education around trans and non-binary identities including a senior leader workshop, a new LGBTQ+ e-learning module and a bespoke session for healthcare teams.
- In collaboration with Unilever, ran a successful Pride campaign with activities, webinars, and events, culminating in raising over GBP50,000 for LGBT Switchboard.

5. Disability

Aims: Building awareness of both visible disability and non-visible disability across the business; supporting colleagues that live with disabilities or long-term health conditions; breaking down stigmas and removing the labels attached to disability overall; and working to ensure that Superdrug and Savers are inclusive and accessible workplaces to all.

2021 highlights:

- Signed up to The Valuable 500, a global community working to revolutionise disability inclusion through business leadership and opportunity.
- Focused on accessibility in the workplace and ran a campaign encouraging all employees to learn the basics of sign language.

In 2022, a sixth pillar will be added to the Everyone Matters strategy to celebrate the importance of welcoming people of all ages and a multi-generational workforce. This will further enable the business to harness the greater diversity of experience, generations, and skill that an age diverse workforce brings to the workplace and support team members through all career and life stages.

Each pillar has an employee network and a steering group, an actively involved executive sponsor, a lead from the People team, and is represented at the overarching Everyone Matters Steering Group, including Superdrug's CEO, Peter Macnab and Savers' Managing Director, Doug Winchester.

Senior leaders and recruitment teams have attended inclusive leadership training, and inclusion and diversity is now part of every new employees' induction, and development and leadership programmes. All employees have access to resources, online learning, webinars, and bespoke workshops on a range of inclusion subjects.

Because of these efforts, Superdrug has been ranked as a Financial Times Leader in Diversity in 2021, 2020 and 2019 for the year following.

Promoting a circular economy

Building a circular economy means moving away from the traditional take-make-waste extractive industrial model, to keeping perfectly good resources within the manufacturing loop for as long as possible. In a circular economy, waste is no longer considered waste, but instead a resource.

The benefits of, and means to achieve, a circular economy are wide-ranging but notably it means less extraction of already scarce natural resources, less pollution to land, air and water and significant reductions in GHG emissions. In practice this means reducing waste to an absolute minimum, replacing higher impact materials with lower impact alternatives, reusing wherever possible and then finally recycling waste where the other options are exhausted. A.S. Watson adopts these “4R’s” as an operational mindset in its aims to contribute to a circular economy.

In 2021, A.S. Watson generated 77,595 tonnes of non-hazardous waste relating to operational waste generated in stores, distribution centres and manufacturing sites with the major hotspot area relating to packaging waste. Another topic of focus, however only relevant to food retail in Hong Kong is food waste.



Watson Hong Kong launches plastic reborn campaign with P&G

Packaging waste

When it comes to waste reduction and building a circular economy, it is fundamental to look at the whole system, beyond the operational waste created on-site to the products and packaging customers are sent home with, or delivered to them, and therefore what eventually ends up in their bins.

Packaging plays a fundamental role in protecting products and where relevant to A.S. Watson’s food retail operations, preventing food waste. There is however a cost to the environment if it is not properly collected and recycled, and will end up polluting land and waterways.

Packaging commitments

Over 80% of A.S. Watson’s packaging relates to plastics and paper; it has therefore focused packaging efforts and goals on these two materials.

In 2020, A.S. Watson took an important step by signing up to the New Plastics Economy Global Commitment (“Global Commitment”), led by the Ellen MacArthur Foundation, an organisation widely considered as the foremost thought leader in building a circular economy.

As a signatory, A.S. Watson has committed to several targets and to annual reporting against these goals (which are publicly tracked under the Global Commitment and available [here](#) .

Global Commitment targets:	Status
100% of plastic packaging to be reusable, recyclable, or compostable by 2025 (including Own Brand product packaging, eCommerce parcels and in-store carrier bags)	46.6% achieved
20% recycled plastic content in Own Brand packaging by 2025	6.8% achieved

Under the Global Commitment, A.S. Watson must also make tangible progress against the broad goals set out by the Global Commitment to:

- Take action to eliminate problematic or unnecessary plastic packaging by 2025 through actions such as reducing plastic packaging weight, replacing plastic packaging with more sustainable materials where possible, and banning polyvinyl chloride (“PVC”); and
- Take action to move from single-use towards reuse models by 2025 by providing customers with options of refill at home and refill in-store, where relevant and possible.

Regarding paper packaging, the division aims for its Own Brand paper packaging to be made exclusively from sustainable sources by 2030; it is currently tracking at 68%. A “sustainable source” for paper material is defined as being either certified by the Forest Stewardship Council (“FSC”) or the Programme for the Endorsement of Forest Certification (“PEFC”), or being made with 100% recycled paper content.

Circular packaging

A.S. Watson monitors waste generated by Own Brand products through continuous monitoring of waste quantities and types. The division has developed an Own Brand Sustainable Packaging Guideline and Policy to support internal Own Brand development teams and suppliers in reducing the amount of packaging used in Own Brand products, without compromising technical performance, product safety, quality and overall regulatory compliance.

Recent highlights of putting circular economy approaches into practice include:

Reduce/Replace

- As part of ongoing efforts to remove packaging from fruit and vegetables, PARKnSHOP removed 90,000 plastic trays deemed unnecessary packaging in 2021 versus the same offerings in 2020. Work is also on track to remove all foam trays and transition to recyclable trays for Own Brand meat and seafood products.
- Watsons Taiwan customers were offered additional loyalty points for bringing their own shopping bags. An estimated 295,000 plastic bags were saved in 2021 as a result of this initiative.
- A.S. Watson food retail outlets in Hong Kong became the first retailer in 2019 in the city to stop the sales of single-use plastic straws, and to offer alternatives made with metal or bamboo. The division is also already selling a growing range of sustainable alternatives to single-use plastic cutlery, plates and cups.
- Since January 2020, PARKnSHOP stopped selling any rinse-off personal care products containing microbeads.

Reuse/Refill

- To encourage the public uptake of reusable water bottles, Watsons Water has installed 40 smart water refill stations at schools and public spaces in 2021, with the plan to install 160 more during 2022 and 2023 for the Hong Kong Government's Environmental Protection Department. A.S. Watson also partnered with PATH @ in 2021 to introduce refillable aluminum bottled-water made from 70% recycled content and are 100% recyclable.
- Watsons Malaysia and Hong Kong introduced a refill station for its Own Brand "Natural by Watsons" personal care product range. Learnings from these pilots will accelerate the refill expansion to other markets in 2022.
- At PARKnSHOP customers are encouraged to bring their own containers to certain counters in exchange for monetary incentives at 20 stores around Hong Kong.

- GREAT became the first supermarket chain in Hong Kong to offer a refill station for laundry and personal care liquid by New Zealand's Ecostore in 2019.

Recycle

- In partnership with P&G, under its Plastics Reborn partnership, Watsons provides convenient collection points across Hong Kong for the public to deposit hard-to-recycle plastics personal care products. Recycling is then arranged by the Hong Kong-based circular economy service, The Loops. In 2021, over 200,000 plastic containers were recycled.
- In 2021, Watsons Taiwan collaborated with L'Oréal to launch a new makeup and skincare container recycling programme across 20 Watsons stores in Taipei. Customers returning their empty skincare and makeup containers from any brands for recycling were then offered redemption rewards from Maybelline. Based on positive feedback, this will be further expanded in 2022.
- In 2019, Watsons Water was the first beverage bottler in Hong Kong to launch a scaled plastic bottle container collection programme with the use of reverse vending machines ("RVMS") to encourage Hong Kong to recycle more. By the end of 2021, A.S. Watson had installed 84 RVMS operating around the city, offering customers incentives such as cash rebates, shopping coupons and loyalty points for bringing their plastic bottles to the RVMS. As part of this programme, A.S. Watson is working with the Hong Kong government's Environmental Protection Department's RVM Pilot Scheme to install another 60 units in 2022. It aims to install 400 RVMS in Hong Kong by 2025 to facilitate its goal of collecting an equivalent of 100% of water bottles sold in Hong Kong by Watsons Water by 2030. Through collection programmes with its network of RVMS, Watsons Water collected over 16 million empty water bottles from consumers in 2021.
- Watsons Water was also the first brand to incorporate 100% recycled polyethylene terephthalate ("rPET") in its water bottle packaging sold in Hong Kong (since 2016). To increase the ease of recycling, Watsons Water was also the first bottler in Hong Kong to make sleeveless bottled water available to customers.
- FORTRESS partnered with a local NGO, Caritas, to collect used laptops from customers and the public after which they are repaired and donated back to low-income families. A total of 300 laptops were collected in 2021 in the first phase of the programme.
- In 2021, A.S. Watson partnered with Plastic Bank to engage the community in developing countries to collect empty plastic bottles to prevent them from entering the ocean. A total of over 830,000 bottles were collected through this partnership with a target to collect over 2.5 million bottles by Q3 2022.

Greener stores

In 2021, A.S. Watson finalised and launched its Sustainable Store Concept. While this is an ethos that is not new to A.S. Watson, this concept has been formalised and translated into a toolkit for rollout across all stores. The concept focuses on multiple areas:

- **Sustainability engagement:** Inspiring a culture of making more sustainable choices. Involving more customers in recycling and community engagement efforts.
- **Energy efficiency:** Implementing energy efficiency controls across the building life cycle from construction, to operations, to procurement.
- **Responsible materials:** Sourcing responsible and sustainable materials when building and merchandising stores and reducing plastic bag use in-store.
- **Waste diversion:** Reducing waste from product and store materials. Increasing store equipment recycling at end-of-life.
- **More sustainable products choices:** Providing more sustainable products to customers to promote sustainable lifestyles.
- **Renewable energy:** Supporting the growth of green energy through the procurement of renewable electricity.
- **Wellbeing:** Promoting a safe and healthy environment for all team members and customers.

LAUNCH OF THE GREENER STORE CONCEPT IN PETERBOROUGH



A.S. Watson launched its first store under its new Greener Stores Global Framework through Superdrug in Peterborough, the UK. Building materials, signage and artwork favours recycled content material where possible that are fully recyclable at end-of-life. For example, ceiling tiles made from bio-soluble mineral wool, clay and starch which are also recyclable.

The stores thoughtful design also reduces the number of light fittings needed, and make use of LED lighting and a AAA-rated energy efficient air-conditioning system.

Customers can find a wide range of sustainable health and beauty products at the new store, including Superdrug's Own Brand sustainable ranges as well as other sustainable brands such as Palmer's, Weleda and Wild Earth.

Food waste

According to the Food and Agriculture Organization of the United Nations, one third of food produced for human consumption is lost or wasted globally, which equates to 1.3 billion tonnes per year. Total food waste amounted to 748 tonnes in 2021, including edible waste donated and non-edible waste sent for compost, animal feed or to landfill as a last resort. A.S. Watson aims to take every available step to ensure that no food fit for human consumption should go to waste.

A.S. Watson's priority is to reduce food waste at source. Ways in which A.S. Watson does this includes: better food forecasting by

analysing customer preferences, minimising unnecessary stock movement between stores, implementing detailed food handling guidelines for stores to avoid waste and marking down prices of food approaching "best before" or expiry dates.

Surplus edible food is donated to food banks with the help of appointed A.S. Watson Food Rescue Ambassadors at each of the 150 participating stores around Hong Kong. Food waste classified as non-edible food waste is then transferred to local farms or composting facilities, and as a last priority is sent to landfill.

DONATING FOOD WITH FOOD ANGEL

Since 2012, Food Angel has been an important food donation partner to PARKnSHOP Hong Kong, enabling PARKnSHOP to donate 3,500 tonnes of food and delivering 13 million hot meal boxes and food packs to those in need.

In 2013, PARKnSHOP also launched the City Food Drive Campaign to enable customers to purchase and donate grocery items to Food Angel. Through the generosity of customers, the campaign has collected more than 460,000 food items to help Food Angel.

A.S. Watson employees also volunteer at Food Angel's central kitchen and community centre, giving employees the chance to see first-hand how thoughtful handling of food surplus items can go a long way to creating meaningful impact in the community.



Offering sustainable product choices

Consumers are increasingly looking for products and brands that align with their personal values. A.S. Watson recognises this ever-evolving trend as a high priority in seeking to offer product that is more environmentally and socially sustainable, while also ensuring high levels of safety, transparency and quality.

Understanding customer sentiment

To ensure A.S. Watson is keeping a pulse on how consumer mind-sets are changing, throughout 2021 a series of consumer studies were launched:

- Superdrug issues a quarterly survey to measure brand values and customer connection. The latest survey in 2021 revealed that 47% of respondents consider how ethical a beauty or personal care brand is before buying its products which serves as an important reminder to how the average consumer is

prioritising sustainability and the significance of communicating the business' "Doing Good Feels Super Good" sustainability branding.

- In September 2021, Kruidvat issued a brand and reputation survey to 4,700 customers, non-customers, employees and NGOs. While scoring well on reputation, regarding sustainability, there was some scepticism about how the "price-fighter" image could fit with sustainable products, which are typically seen as more expensive. This survey provided important feedback on how the business needs to communicate more effectively on how more sustainable choices can come at affordable prices.
- Watsons leverages the Nielsen's Brand Equity Tracking Study to understand its perception in the public. In 2021, 60% of customers perceived Watsons as providing sustainable product choices to customers, with Hong Kong, Taiwan, Singapore, Malaysia, Thailand and Philippines being voted as leading in the market for this attribute.

Responding to pro-sustainability customers

To respond to these trends and communicate the positive sustainability impacts of its products, A.S. Watson has developed a number of product lines and platforms that enable customers to shop according to their sustainability values and preferences.

SUSTAINABLE CHOICES

In 2020, Watsons launched Sustainable Choices, a filter and labelling mechanism to allow customers to shop according to four sustainability categories.



CLEAN BEAUTY

Clean Beauty relates to products that are mindfully formulated without the use of certain restricted ingredients, and that also have a positive impact on the environment.

REFILL

Even better than recycling, refillable packaging allows customers to use their packaging again and again.



BETTER INGREDIENTS

This relates to products containing significant components with sustainable raw materials.

BETTER PACKAGING

Better packaging identifies packaging made with paper from responsibly-managed forests or with high levels of recycled content.



To actively track how these categories are performing, a detailed tracking platform has been developed to track sales by business unit, brand type, category and top suppliers so that proactive changes can be made to respond to customer preferences.

In 2021, Watsons announced that it would launch more than 1,600 Sustainable Choices products both in-store and online in close collaboration with brand partners such as Procter & Gamble, L'Oréal, Shiseido, Beiersdorf, GlaxoSmithKline, Johnson & Johnson, Kao, Reckitt and Unilever.

INCLUSIVE PRODUCTS – ADDRESSING UNMET CUSTOMER NEEDS

Superdrug's #ShadesOfBeauty campaign was launched in 2016 as a direct result of a survey commissioned by Superdrug in 2015 focusing on the views from women of colour on high street beauty shopping. The research revealed that two thirds (70%) of black and Asian women did not feel that the high street catered for their beauty needs, and over a third (36%) felt there wasn't enough guidance and advice available in high street beauty stores. To tackle this issue Superdrug launched the #ShadesOfBeauty campaign including a dedicated microsite with over 110 products and 55 new darker toned foundations. Superdrug also held meetings with the UK's largest makeup brands, resulting in Maybelline, L'Oréal and Revlon launching an additional 23 shades in response to this engagement.

In March 2021, Superdrug commissioned a further study surveying 1000 individuals across the country from black and mixed-heritage backgrounds honing in on representation in publicity and marketing. Among many other important insights, the survey found:

- 35% do not currently feel represented when they shop for health and beauty products in high street beauty retailers;
- 86% said that beauty retailers should make their advertising campaigns more inclusive;
- 31% feeling that they are not represented by current beauty brand images on campaigns and posters; and
- 84% agreed that a beauty campaign specifically created for people of colour would be a positive step for a beauty retailer to take.

To do its part in aiming to create systems change, Superdrug committed to 10 short-term pledges:

1. To increase representation across point of sale, website and social imagery, starting with new brand visuals;
2. To elevate the voices of black and mixed-heritage creators and brand founders, through marketing channels, offering up the business' platforms at least once a month;
3. To adopt the Halo Code, ensuring no employee faces barriers of judgements because of their afro-textured hair;
4. To bring new black-founded brands to the high street and expand the range stocked by 10% by end of 2021 (achieved) and another 10% by end of 2022;
5. To offer the largest range of Own Brand kinks, curls & coils products on the high street;
6. To increase the number of stores black-owned brands are available at by the end of 2021 (achieved);
7. To continually develop product that is right for the business' diverse customer base and in 2022 launch the business' most inclusive own brand cosmetics shade range to date;
8. All current pharmacists and nurses to undergo additional skincare training to recognise skincare conditions in people of different skin tones and how to support them by end of 2021 (achieved);
9. To always challenge the business' beauty and healthcare service providers to be more inclusive through the materials they provide; and
10. All current sales advisors to have access to additional training on black & darker-toned skincare, hair & beauty products during 2021 and 2022.



Superdrug's #ShadesOfBeauty campaign was launched to address direct feedback from women of colour on high street beauty shopping

PLANT-BASED AND VEGAN OFFERINGS

According to a 2021 Bloomberg Intelligence [report](#), plant-based foods market could make up to 7.7% of the global protein market by 2030, with a value of over US\$162 billion, up from US\$29.4 billion in 2020.

Responding to this trend, PARKnSHOP has committed to tripling its plant-based meat and dairy options responding to the significant uptick in demand from those following vegan, vegetarian and flexitarian diets. PARKnSHOP has also acted as springboard for plant-based innovations identified by the Group's association with the Li Ka Shing Foundation, such as Impossible Products and Perfect Day ice cream.

Vegan beauty is also a trend that is here to stay. The global market for vegan cosmetics is estimated at US\$15.1 billion in 2020 and expected to increase to US\$21.4 billion by 2027, according to a [report](#) released by ReportLinker. In 2017, Superdrug launched B. Cosmetics, a vegan range of beauty and skincare products. At the time of launch, when vegan products were relatively niche, Superdrug was market-leading in offering a vegan range, at high street prices. This approach has changed since then where it now makes as many products as possible (now at 1,600 products) suitable for vegans.



SUSTAINABILITY AT AFFORDABLE PRICES

To help customers in making conscious and sustainable choices, Kruidvat launched the concept “Natuurlijk & Voordelig” (“Natural and Affordable”) in 2020.

Often sustainable products come at a premium price, excluding many that cannot afford them. “Natuurlijk & Voordelig” promotes brands with positive sustainability impacts in the areas of sustainable sourced ingredients, sustainable packaging and sustainable manufacturing processes at accessible prices.

Sustainable raw materials

A.S. Watson is progressively taking steps to improve the environmental and social impacts of key raw materials.

Wood pulp can be found in a number of A.S. Watson Own Brand products such as tissues, toilet rolls, sanitary products, nappies and wet wipes, as well as across packaging. A.S. Watson targets that by 2030, all of Own Brand paper products are made with pulp and paper from sustainable sources. Watsons Health & Beauty Retail has already reached this goal, PARKnSHOP, Superdrug and Kruidvat aim to reach it by 2025. Across the A.S. Watson, progress stands at 68%.

In 2020, A.S. Watson also became a member of the Roundtable on Sustainable Palm Oil (“RSPO”), a leading organisation promoting social and environmental compliance in the palm oil industry. Sustainable palm oil has been introduced in various Own Brand products such as Kruidvat and Superdrug Brands. As part of its strategy, A.S. Watson is expanding the selection of Own Brand products to be produced with RSPO-certified palm oil, offering more sustainable choices to customers.

While food retail only makes up a relatively small fraction of total procurement spend versus health and beauty, PARKnSHOP also commits to only sourcing deforestation-free meat and in 2021, A.S. Watson's food retail division was also ranked number one in terms of its procurement of sustainable seafood by [WWF in a review of retailers in Hong Kong](#).

Watsons Malaysia refill station





PARKnSHOP vegetarian counter

Product and service safety, transparency and quality

With customers' best interests central to everything that A.S. Watson does, the division has been working with leading experts and researchers globally to deliver the highest levels of product and service safety, transparency and quality through its wide range of Own Brand products. A.S. Watson pays meticulous attention to every stage of the production-to-shelf process and proactively seeks customer feedback to ensure ongoing updates to service quality.

Before suppliers are permitted to manufacture A.S. Watson Own Brand products, they must first be assessed by external auditing agencies and/or by A.S. Watson itself. When developing a new product, there is a rigorous and intensive internal testing process and external assessment. All items, from raw materials to the final product, are assessed by a European toxicologist to ensure it complies with regulatory requirements in each market. A.S. Watson conducts regular assessments of Own Brand products led by external independent laboratories and internal ISO17025 accredited laboratories (food and non-food) to ensure the products sold to customers are up to standard.

A.S. Watson conducts around 250 tests per week in external accredited laboratories and in-house laboratory on new products, product deliveries, products associated with customer complaints and samples from the Mystery Shopper programme. For food retail, an additional 1,400 pesticide residue rapid (ELISA based) tests are conducted every week on incoming vegetables as part of the Farm Check programme where A.S. Watson has an established network of Quality Assurance ("QA") approved vegetable farms. A.S. Watson also has Farm Check systems in place within supplying farms in Mainland China for chilled pork, chilled chicken, chicken eggs and plans to expand the process to farmed fish will continue once COVID restrictions are lifted. The division's QA agricultural scientists include both arable/horticultural and veterinary specialists.

A.S. Watson has well-established and tested systems that enable it to remove any concerned product from sale in all stores within three hours including, where appropriate, a barcode blocking system that prevents any concerned item being scanned and sold.

Further, key members of each business unit's management teams take part in regular crisis management workshops to ensure they are thoroughly prepared for any emergency. Each business unit has a detailed crisis manual detailing action procedures and management responsibilities including internal and external actions and communications.



Chemicals management

The division has stringent requirements for chemicals used in A.S. Watson Own Brand products, as well as quality and safety guidelines going beyond existing regulations in each market. Since 2009, A.S. Watson has also implemented a restricted ingredients list for personal care and cosmetics, to further restrict or ban ingredients considered harmful by independent safety experts. This list is reassessed twice per year and is communicated to Own Brand suppliers for immediate implementation in the new product development phase.

In Europe, A.S. Watson also monitors the compliance of ingredients to the Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") regulation and since 2008 the division has co-registered 13 substances with support from appointed third party representative agency, Ecomundo.

Traceability

A.S. Watson has invested in traceability software, including Coptis Lab software, to keep records of all ingredients used in A.S. Watson Own Brand formulated products, and be able to fast track any ingredient back to products and suppliers.

For wood pulp commodities, A.S. Watson is using the amfori BEPI Timber Due Diligence Programme to ensure compliance with the European Union Timber Regulation and maintain an effective due diligence system.

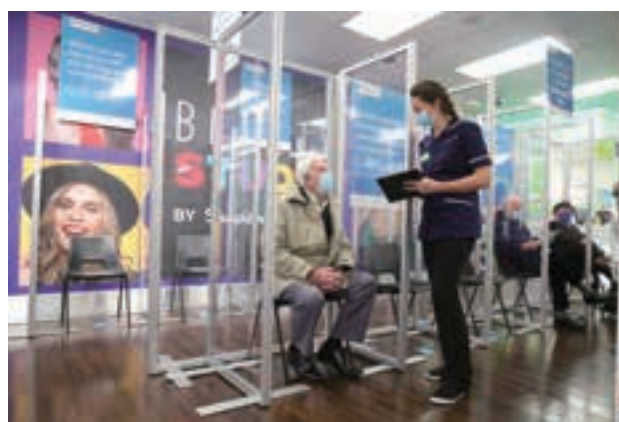
For Own Brand products, A.S. Watson is using two online technical file management tools to keep records of all technical files and traceability of products for up to 10 years in the tools, before being archived.

Accessible and affordable healthcare

At A.S. Watson, being a retailer is more than about providing top-quality products and world-class services. It is also about building a strong relationship with customers – connecting with and truly understanding them in order to be in tune with their changing needs.

From easymed pouching to aid medicine compliance, to a range of online doctor services, Superdrug is always evolving ways to support customer health and give them convenient alternatives to visiting their local doctors.

The launch of an un-branded Emergency Hormonal Contraceptive pill ("EHC") at half the price of other branded EHC also highlights Superdrug's commitment to accessible medicine for all and influenced how EHCs are now being priced elsewhere across the UK. It was also the first on the high street to offer HIV test kits and to offer a breast checking consultation service in-stores. Superdrug further played an important role during the pandemic with the launch of COVID-19 antibody tests, with the aid of its phlebotomy trained nurses, as well as with its participation in the rollout of the biggest vaccination programme in NHS history by opening seven COVID vaccination sites in its pharmacies.



Superdrug supports the UK's mass COVID-19 vaccination programme

Data privacy and cyber security

With millions of customers around the world, A.S. Watson has a serious role to play protecting their data. The Retail division's approach is first and foremost guided by the Group-level privacy and security policies as well as the Group's Cyber Security Working Group as discussed on pages 32 and 35 in this report.

A.S. Watson regularly updates its Privacy Policy to be transparent about why it collects information, how it uses that information, and the choices customers have about how it gets used. The Privacy Policy and Intra-Group Data Transfer Agreement set out clear terms involving the collection, use, sharing and retention of user data including data transferred to third parties. Parties are notified in case of any policy changes or data breaches as per the Privacy Policy and notification procedures outlined in the Personal Data Crisis Management Guidelines. Data privacy training is provided to all new joiners and existing staff annually and every second year through e-learning modules. Outsourced call centre and IT security team members are also provided with training.

Regarding cyber security, A.S. Watson uses the Information Security Forum ("ISF") Standard of Good Practices for Information Security as its information security management Framework, which is also aligned to ISO 27001. A.S. Watson conducts internal security audits, ISF self-assessments, vulnerability assessments and penetration testing in-place. The division has an annual cyber security training campaign for all A.S. Watson employees with metrics to measure the effectiveness of the campaign. In addition, A.S. Watson also runs phishing email simulations and provides formal channels for the reporting of malicious emails.

Ensuring a responsible supply chain

Customers of today have high expectations of the products they buy, expecting not only high quality at affordable prices, but also for products to be sustainably-sourced. To meet these expectations and A.S. Watson's own internal drive to be a responsible organisation, A.S. Watson's Supply Chain team sources with sustainability in mind through rigorous practices to ensure supply chain accountability.

Responsible sourcing approach

A.S. Watson is committed to working closely with suppliers to ensure they respect human rights, promote decent working conditions and implement environmentally sustainable practices.

In 2021, A.S. Watson enhanced its "Know Your Supplier" due diligence assessment process to widen the assessment on compliance processes, operational and ethical business practices, adverse publicity and prior regulatory offences or misconduct. A.S. Watson also assesses supplier practices in relation to environmental impact, waste reduction and packaging, and labour standards.

In 2021, a new Supplier Code of Conduct was rolled out for A.S. Watson suppliers including consistent expectations for minimum

standards of ethical, social and environmental practices. Lack of support or violations of the Code will result in consequences as severe as terminating the trading relationship or suspending such operations until compliance is achieved.

A cornerstone programme of A.S. Watson's supplier engagement assessment programme is its membership to amfori's Business Social Compliance Initiative ("BSCI"), an organisation dedicated to improving working conditions and environmental management in global supply chains. An important feature of this membership is that it allows members with common suppliers to share audit results thereby avoiding duplication in effort and cost.

A.S. Watson has adopted amfori BSCI's Code of Conduct which refers to international conventions such as the Universal Declaration of Human Rights, the Children's Rights and Business Principles, the UN Guiding Principles for Business and Human Rights, the Organisation for Economic Co-operation and Development Guidelines, the UN Global Compact and the International Labour Organization Conventions and Recommendations. All suppliers must endorse the amfori BSCI Code of Conduct as part of the supplier contracting process.

A.S. Watson requires all Own Brand suppliers located in identified high-risk countries identified by amfori BSCI to be audited against amfori BSCI's requirements. It also accepts audit results from a small number of other leading practice audit frameworks such as Sedex Members Ethical Trade Audits and the Initiative for Compliance and Sustainability.

Specifically relating to engaging suppliers in environmental protection, A.S. Watson takes part in amfori BSCI's Business Environmental Protection Initiative to drive environmental improvements in its supply chain. Suppliers identified as high-risk must complete a self-assessment covering 11 environmental performance areas. Following the assessment, suppliers are informed of their assessed risks and notified of the appropriate training to attend, delivered either by amfori BSCI or by other appointed training companies. Their progress is further monitored for progress tracking.

By 2030, A.S. Watson aims to ensure that 100% of Own Brand purchase value from high-risk countries (identified by amfori BSCI) will be assessed for:

- Social compliance through amfori's BSCI audits (or others endorsed by A.S. Watson); and
- Environmental compliance through amfori BSCI's Business Environmental Protection ("BEPI") (or others endorsed by A.S. Watson)

During 2021, 584 factories were audited under A.S. Watson's sustainable supply chain programme with the following scores:

Table 23: 2021 sustainable supply chain programme audit results

Types	Scores	No. of factories		
		2019	2020	2021
BSCI audits	A	5	3	15
	B	8	14	30
	C	298	319	490
	D	31	21	27
	E	6	3	0
	ZT	0	0	0
Other accepted social audits		69	81	22
Total		417	441	584

Key:

- A, B Very good practices exhibiting continuous improvement. Audit valid for two years' maximum.
- C Acceptable level of performance. A remediation plan must be provided within two months of the audit date and a follow-up audit within 12 months of the audit date.
- D, E Poor levels of performance. A remediation plan must be provided within two months of the audit date and a follow-up audit within six months of the audit date.
- ZT Human rights violations and business behaviour that may endanger the independence of the audit may qualify as possible zero tolerance (ZT) cases. Examples include child labour, bonded labour, and unethical behaviour. Upon discovery of ZT issues, the auditor would inform first amfori BSCI, which will coordinate an expedited remediation plan and require immediate improvements.

A.S. Watson's approach with factories identified with non-compliances is not to terminate the business relationship as soon as the findings are available but rather help solve the problems identified. Following the amfori BSCI System manual, A.S. Watson would request the factories to prepare and submit a remediation plan and be re-audited within 2-12 months of the last audit depending on their audit score. Based on the factory competency, additional training is offered face-to-face or online through external independent third parties.

Termination of business would occur only if a factory has not shown any improvements through independent re-audit or if its management refuses to cooperate.

Modern slavery

According to the International Labour Organisation, over 40 million people are in modern slavery today with an estimated 16 million people exploited within the private sector. With supply chains becoming more global and complex, modern slavery can be hidden from plain sight by unscrupulous employers and therefore may be unwittingly part of many products on shelves today.

A.S. Watson has therefore been proactively taking steps to develop and deepen its understanding of the risk of modern slavery to prevent exploitation from taking place within its global supply chains.

Since 2016, A.S. Watson has been a member of The Mekong Club ("TMC"), an organisation that helps its member companies to prevent modern slavery within business operations. A.S. Watson was the first business to sign up to TMC's Business Pledge against Modern Slavery and with TMC's help, A.S. Watson developed and rolled out a toolkit for all supply chain teams to understand the risks and how to identify flags for potential modern slavery. Key departments involved in supplier contract negotiations and quality assurance auditing have been trained with TMC online toolkit. Employee workshops have also been carried out in Mainland China, Hong Kong, Singapore, the UK and France. In the UK, The Perfume Shop, Savers and Superdrug have also published statements on modern slavery and human trafficking as required by the UK Modern Slavery Act.

Investing in developing thriving and resilient communities

Meaningful and impactful community engagement is important to A.S. Watson not only because it's the right thing to do, but also because thriving, vibrant communities are inherently interlinked with A.S. Watson's success.

Healthy body, thriving community

A central theme for A.S. Watson's community engagement programme has been to support the physical and mental wellbeing of the communities in which it operates, which have been particularly impacted during the pandemic.

Watsons VR Get Active Park

A new [global study carried out by Ipsos](#) across 30 countries, looking at the impact of COVID-19 on dietary related health choices, has found that while many are aware of the possible link between obesity and the severity of COVID symptoms, people around the world are gaining weight and exercising less as a result of the pandemic.

Motivated by these statistics, Watsons launched VR Get Active Park in markets including Hong Kong, Taiwan, Thailand and Malaysia to help customers stay active and healthy while at home. The 360° Watsons VR Get Active Park brings together customers in a virtual play land that is made up of different sections including a games zone, exercise arena, virtual Watsons store and rewards station, offering customers a virtual immersive experience to live an active lifestyle.



Watsons VR Get Active Park helps customers stay active and healthy while at home

Aside from the different sections available in the park, Watsons added a localised twist to each region's park. In Malaysia, customers were given the opportunity to learn about healthy cooking from Malaysia's Masterchef, Abang Brian. In Thailand, customers were invited to become its "sweat challengers" and take on Watsons trainers to complete training tasks while Watsons pharmacists were invited to share tips on staying healthy.

Inspiring sports athletes

The annual A.S. Watson Group [Hong Kong Student Sports Awards](#) encourages student athletes to pursue their sporting aspirations. Hong Kong's top cyclist Sarah Lee, two-time Olympic Bronze medalist, was invited to meet and interact with award winners in the first physical event after the COVID-19 outbreak in 2020.

In 2021, the Watsons Athletic Club organised the first large-scale athletics competition in Hong Kong since the pandemic began, giving over 2,800 young athletes across 33 events the chance to re-ignite their passion for training and competing. The event even resulted in three new Hong Kong athletic records in the under 20s discus throw, under 18s 400m hurdles and under 18s triple jump.



A.S. Watson Group Hong Kong Student Sports Awards invites Sarah Lee to interact with award winners and inspire future sports stars

The Smile Community

A.S. Watson believes a simple smile can have a big impact on mental wellness so it launched the Smile Community campaign to celebrate its 180th anniversary to bring positivity to its customers and communities. The campaign has achieved its target to reach 1.8 million index by 20 March 2021, to coincide with the United Nations' International Day of Happiness as evidenced by photos uploaded on social media and tracked through artificial intelligence.

Community investment and engagement

Globally, the A.S. Watson brands contribute in different ways to make their communities better places. In 2021, A.S. Watson brands raised donations amounted to HK\$43.9 million, including customer and supplier contributions, to support community projects. Employee volunteering is also an area A.S. Watson is passionate about. Through the Smile for Good 2021 programme, which called upon every business unit to support corporate volunteering, over 8,600 volunteers have contributed 60,800 hours to serve over 223,800 of those in need in the communities in which it operates. In celebrating the Group's 180th anniversary, "180 Challenge" was launched to celebrate the important milestone. Partnering with Hong Kong Young Women's Christian Association, A.S. Watson Group celebrated its 180th anniversary with a series of volunteer activities to explore the history of Hong Kong and understand A.S. Watson's culture of caring. The programme was recognised by

the Labour and Welfare Bureau of HKSAR Government with the Outstanding Social Capital Partnership Award (Corporate) winner of the Community Investment and Inclusion Fund award scheme.

The division also played an important part in supporting the community during the pandemic through essential services provided:

- Superdrug was one of the high-street retailers to take part in the COVID-19 vaccination programme, increasing accessibility to the local community during this global vaccination effort and administering over 210,000 COVID-19 vaccinations to date. 280 retail colleagues from Healthcare teams were cross-trained to support patients and 240 new team members joined Superdrug to enable this effort. All Superdrug stores in healthcare services stayed open during the lockdown period in the UK to support customers and the community.
- Watsons Philippines launched the "Resbakuna sa Botika" COVID-19 booster vaccination programme, offering customers conveniently-located vaccinations in designated Watsons stores.
- A.S. Watson donated over seven million surgical masks and HK\$9.4 million worth of hygienic products to the underprivileged globally.
- A.S. Watson Industries converted one of its bottling plants into a sterile mask manufacturing plant producing 94.5 million Own Brand face masks in 2021.



A.S. Watson Group organises volunteer activities to elderly and helps to preserve local culture