

A.S. WATSON BENELUX
ANNUAL CSR REPORT 2020

TOGETHER WE MAKE AN IMPACT



A.S.
Watson
Benelux



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2020 AT A GLANCE

ONLINE STORES



1,467

COMPARED TO 1,454 IN 2019

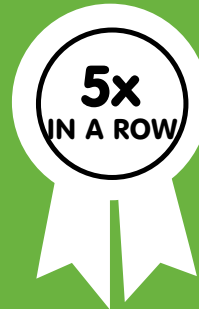
EMPLOYEES



27,300

COMPARED TO 24,900 IN 2019

TOP EMPLOYER



VITALITY



INTRODUCTION TO INTEGRAL
VITALITY APPROACH

PEOPLE DISTANCED FROM THE LABOUR MARKET



276

JOBS CREATED FOR THIS TARGET GROUP
COMPARED TO 279 IN 2019

DRUGSTORE DIPLOMA



4,379

EMPLOYEES
COMPARED TO 4,333 IN 2019

PACKAGING



77

MADE MORE SUSTAINABLE
COMPARED TO 60 IN 2019

PALM OIL



63%

RSPO CERTIFIED MINIMUM MASS
BALANCE 96% IN 2019 (SCOPE
ADJUSTMENT)

PAPER PRODUCTS



96%

HEALTH AND BEAUTY PRODUCTS
CERTIFIED AS SUSTAINABLE
COMPARED TO 95% IN 2019

KRUIDVAT NATUURLIJK & VOORDELIG (NATURAL & AFFORDABLE)



>200

PRODUCTS

STORES WITH LED



599

COMPARED TO 512 IN 2019

CARBON EMISSIONS



> COMPARED TO 8% INCREASE
IN 2019

CO₂ OBJECTIVES 2025



>50% COMPARED TO 2015

SUSTAINABLE ELECTRICITY



100%

COMPARED TO 2019
74% IN THE NETHERLANDS
100% THROUGHOUT BELGIUM

PLASTIC LITTER AGREEMENT



FOREWORD

2020 was an eventful year, marked mainly by COVID-19. In this CSR report, we share our sustainability and social initiatives of the past year, with a focus on our customers, the planet, our employees and society. Here, we share the steps we have taken in the area of corporate social responsibility and you can read more about our social purpose. We try to make a positive impact in many areas, but at the same time we are aware that in other fields we actually place a burden on the environment.

The importance of issues such as health and a strong immune system became even more apparent in 2020. Through our products, we contribute to a healthy lifestyle. We make healthy products accessible to the masses. Our essential role in society became even more apparent during COVID-19. In the Netherlands we were immediately recognised as an essential retailer and in Belgium this was also the case during the second lockdown.

With our product range, we adequately responded to our customers' needs. COVID-19 has led to an increase in demand for products such as hand gel and face masks. We also see a change in customer behaviour in relation to online shopping and sustainability. Customer awareness is increasing regarding issues such as deforestation, climate change and the plastic problem. The demand for sustainable products is rising. With our "Natuurlijk & Voordeling" (Natural & Affordable) concept, the number of sustainable products is increased and we make it easier for our customers to make sustainable choices.

Even in this eventful year, our customers and employees have taken centre stage. More than ever, we are proud of our colleagues for their commitment and flexibility in these challenging times. As an essential retail chain, we also wanted to remain at our customers' service during these times. Thanks to our


employees' commitment, we were able to achieve this. COVID-19 brought uncertainty and fear; customers had to get used to all the safety measures and employees sometimes felt vulnerable. Through our integral vitality approach, we have paid extra attention to the safety and resilience of our employees with the internal campaigns #SamenGezond (Healthy Together) and #Stay-Connected. 2020 was also marked by open communication. It was precisely during this time that we used our internal social platform to connect with our employees through digital events and online initiatives.

We also gave our employees a central role in communication with our customers. In the Kruidvat campaign, Kruidvat continues to tell our employees how they are at our customers' service, even during these times.

CSR has broad support in our organisation and is part of the business strategy. Making sustainability accessible to a large group of customers - that is what we stand for. Even a small step has a major impact because of our position as market leader and the size of the organisation. We are proud of what we have achieved, but we also realise that we can always do better.

In 2021 our customers can count on us again and new steps will be taken. Where can we further reduce our carbon emissions? How can we keep colleagues who work from home engaged? How can we further reduce our plastic use and cut down on microplastics? These are questions that are central to increasing our positive impact together with our customers, employees, suppliers and partners.

I hope you enjoy reading the report.



"Our essential role in society became even more apparent during COVID-19."

Ed van de Weerd, CEO
A.S. Watson Health & Beauty Benelux



CHAPTER 1

WHO WE ARE

1.1. ABOUT US

Key principles:

We are A.S. Watson Health & Beauty Benelux. We are the parent company of Kruidvat, Trekpleister and Prijsmepper. In the Netherlands, we are market leader in the Health & Beauty sector. We have stores in the Netherlands and Belgium and in 2020 we also had a few stores in France. We are part of A.S. Watson Group, the world's largest international retailer.

In 2020, our organisation also expanded. At the end of 2020, 27,300 employees (2019: 24,900) worked for us in one of our 1467 stores (Kruidvat, Trekpleister and Prijsmepper), distribution and e-fulfilment centres and in our offices.

Our product range mainly consists of Health & Beauty products. We help consumers feel beautiful, healthy and good about themselves. Our focus lies on four product categories: health, baby, beauty and body. We supplement this with an alternating product range, with which we hope to surprise our customers. We want to be able to respond to developments in a successful and flexible way, but also exceed customer expectations. We do not exclude anyone in this regard.

It is one of our goals to make a healthy lifestyle accessible to everyone. Due to COVID-19, this has become more important than ever in the past year. Our efforts are aimed at increasing the accessibility of products and services by making them affordable. Accessibility is also increased by offering products both locally and online. We are an online and offline retailer.

OUR FORMULAS



Kruidvat

Kruidvat is a self-service value drugstore. At Kruidvat we offer an extensive, affordable and varied range of Health & Beauty products and a supplementary product range, including toys, decoration and household items. We welcome around 5 million customers to Kruidvat every week. With our locations, we want to be close and accessible for everyone.

We offer around 2,500 Health & Beauty items under our own brand. These are good quality products at a low price. In this way, we want to set ourselves apart from others in the market. Our social focus is strongly felt. You can read more about this in section 1.3.



Trekpleister

Affordable and personal: that is what Trekpleister stands for. We welcome some 750,000 customers every week in nearly 200 stores. Trekpleister is the affordable neighbourhood drugstore - close, accessible and with focus on the customer. More than 2,000 friendly and expert employees make the difference. Every day, they are ready to help and give advice in the fields of personal care, beauty & health. Under the motto of "Altijd meer drogist voor jou" (Always the best pharmacy for you) Trekpleister offers good prices through promos, surprising offers, fixed low prices and a varied product range. More details about Trekpleister's social focus can be found in section 1.3.



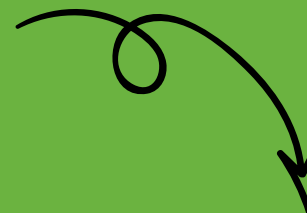
Prijsmepper

Prijsmepper offers residual stock from Kruidvat and Trekpleister stores at a very low price. By selling only residual stock in around 20 stores, we avoid ending up sitting on large consignments of unsold items.

Prijsmepper stores are always located in temporary pop-up shops. That way, we reduce waste streams and avoid vacancy.



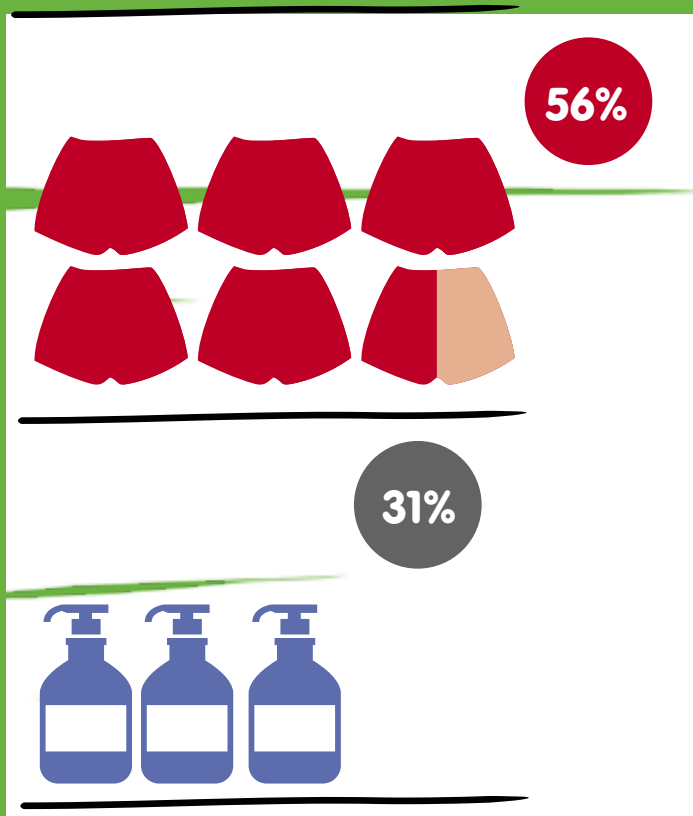
COMPLETE PRODUCT RANGE



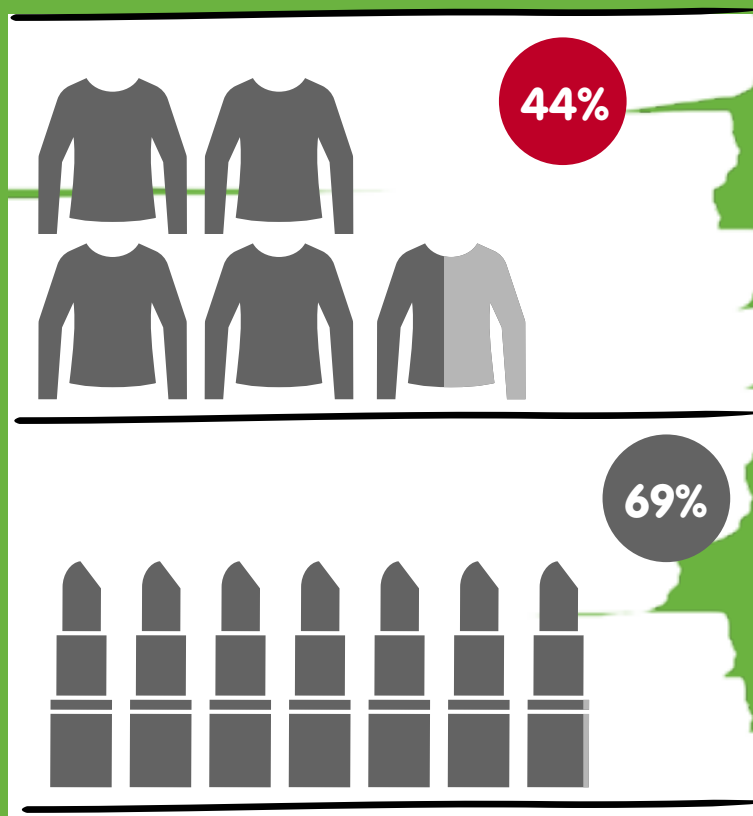
NON-HEALTH & BEAUTY RELATED
15%

HEALTH & BEAUTY 85%

OWN BRAND 35%



OTHER BRANDS 65%



Product range

In total, we had no fewer than 136,000 different items in our product range throughout 2020. On a daily basis, there are about 15,000 different items in our stores. In 2020, we removed some *slowmovers* from the range in order to optimally respond to customer demand during COVID-19. Based on turnover, we have divided the product range – in the image – into the categories of Health & Beauty and non-Health & Beauty related products, and into own-brand products versus other brands (A or B brands or exclusive labels). Of all own-brand products, 20% was part of a varying range and 80% the permanent range. As regards our Health & Beauty related products, 94% belonged to the permanent range.





OUR SUPPLY CHAIN

Our product range consists of own-brand products and A brands. For the A brands we are the retailer, buying and selling, while with the own-brand products we can exercise more direct influence on the supply chain. Our chain starts with the purchasing of raw materials by suppliers. Our suppliers then process these raw materials into products. The products end up in our stores via logistics partners and our own distribution centre (DC). Our customers buy the products in one of the stores or through the online channels. Our consumers are diverse and include everyone from 0 to 100 years old. Through our extensive range, we offer something for everyone - from basic needs that are important to everyone to specific items for each target group.

At each step along the supply chain we, as a major player in the retail market, have both direct and indirect influence on humans, animals and the environment. In our stores, DC, e-fulfilment centre and offices, we have influence on the health, safety and vitality of our employees. In section 2.5, we go into more detail about what we do to make a positive impact here. Thanks to our size, we also have influence on our own-brand suppliers. Because we feel responsible for fair and safe working conditions in our supply chain, and the provision of high-quality, healthy and sustainably produced own-brand products, we urge our suppliers to take steps towards this. In addition to social impact, our activities also have an impact on the environment. We are conscious of this and ensure that as many suppliers as possible use sustainable raw materials in our own-brand products. In section 2.2 we explain how we handle our responsibility in the supply chain.

We are affiliated with various collaborating parties, both nationally and internationally, to promote sustainability within our own business operations and supply chain. The main parties to whom we have made commitments are: Roundtable on Sustainable Palm Oil (RSPO), Better Cotton Initiative (BCI), New Plastic Economy (NPE), Zwervplastic Convenant (Plastic Litter Agreement), Business Social Compliance Initiative (BSCI), Business Environmental Performance Initiative (BEPI) and Brancheplan Duurzaam Verpakken (Sustainable Packaging Industry Plan).

In addition, we have an active collaboration with Oxfam Novib in the FAIR partnership. We will go into more detail about this in section 2.2.

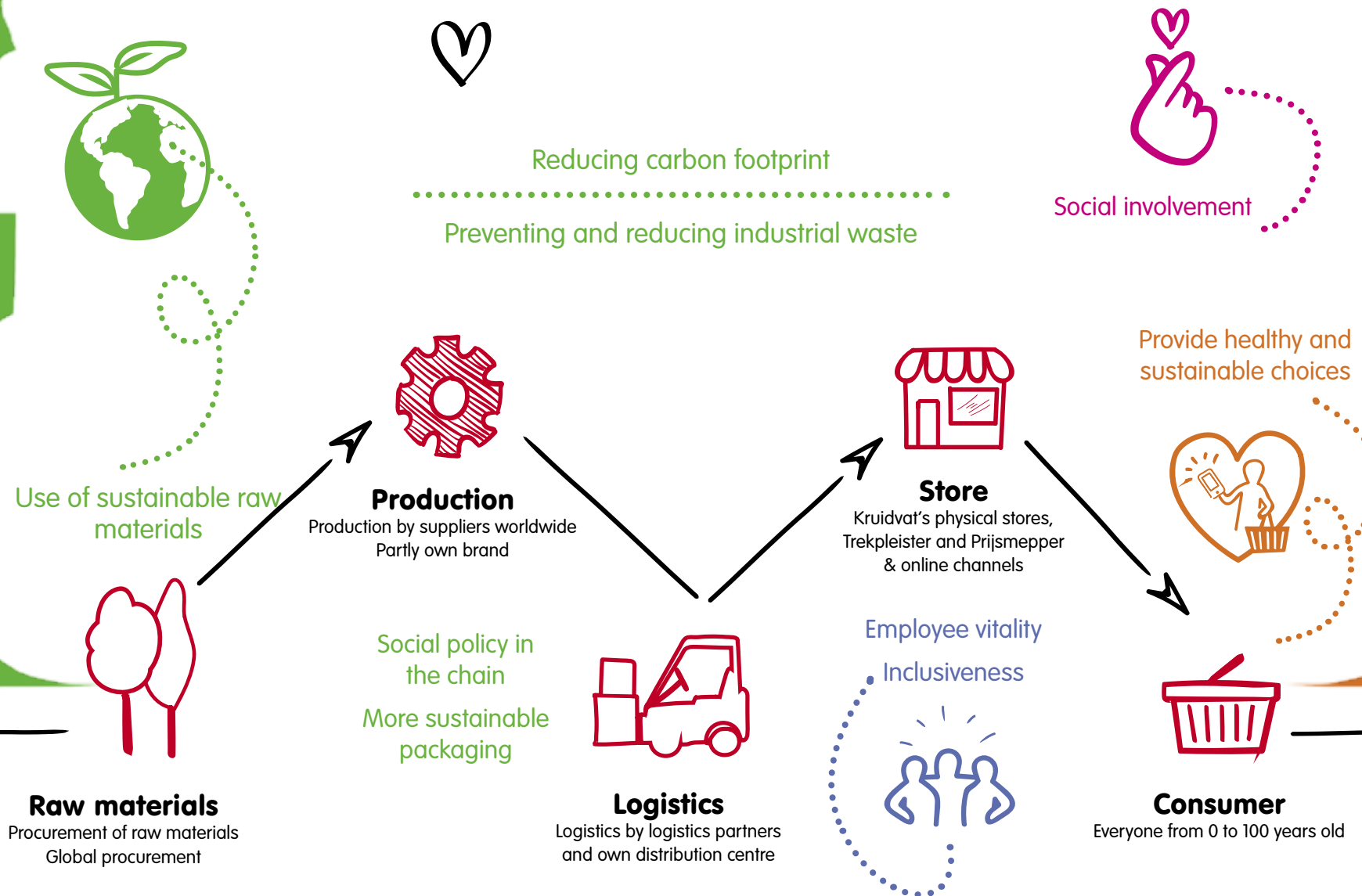


Our supply chain parties operate both within Europe (Czech Republic, Germany, Italy, the Netherlands and Poland) and outside Europe (Bangladesh, Cambodia, China, India, Indonesia, Morocco, Pakistan and Turkey).

The main categories of suppliers for our Health & Beauty products are cosmetics (shampoo, bath and shower, body lotion, make-up, hand cream, hand soap, deodorant, sun cream, make-up, oral care, lip care, etc.), sanitary and hygiene products, household products and over-the-counter medicines. Our non-Health & Beauty related products include photographs, textiles, electronics, home décor, toys and food and drinks.



VALUE CHAIN



OUR VALUES

The retail market is in a constant state of flux. Our customers' wishes change, and it is up to us to move with them and stay relevant. As an organisation we want to respond to developments in a successful and flexible way. That demands passion for the job, involvement in our organisation, teamwork with respect for and trust in each other, professionalism in our work and enthusiasm for innovation.



Passion

As an employer, it is important to us to bring positive energy to everything we do. We do this by encouraging our people to keep learning and developing continuously and by getting pleasure from exceeding customers' expectations.



Teamwork

With respect, trust and openness, we are working together towards the same goal: satisfied customers and successful stores. We see a lot of value in the insights that we get from different perspectives. By working together and helping each other, we achieve synergy and solidarity.



Involvement

Involvement is essential in everything we do. Involvement with customers, with each other, with the environment and with the society in which we live. Customers are at the heart of everything we do, and we are always ready to go the extra step if necessary. In our organisation, we like to generate results, where we strive for a positive impact for all stakeholders.



Skill

Based on proven facts, we create simple, smart and pragmatic solutions with which we can quickly convert strategies into concrete actions.



Innovation

We constantly strive to work smarter so that we get a little better every day at what we do. With new ideas, new technologies and new ways of working, we are creating more value and generating better results.



1.2 THE WORLD AROUND US

For many people, the past year has been marked by COVID-19. Measures against coronavirus have changed our way of living and shopping. The Health & Beauty retail sector itself is also in a period of change. There is increasing demand from our customers for sustainable products. They are more aware of climate change and environmental pressure, and they also pay close attention to personal health. Our customers are becoming increasingly critical and ask for information about sustainability, the origin and healthiness of products and packaging and production conditions.

1. A year marked by COVID-19

2020 was an eventful year in many respects. Because of the global pandemic and resulting crisis, many things were set in motion but also brought to a standstill. People could no longer see their loved ones in person and many people had to deal with grief and loss.

COVID-19 had a big impact on A.S. Watson. As a retailer of essential health products, we were able to remain open. Of course, this could not happen without the introduction of safety measures for employees and customers. Read in chapter 2.1 how we have put the customer first, even in these difficult times. In chapter 2.5, we discuss the impact of COVID-19 on our employees.

Our position at the heart of society comes with the responsibility as an essential retailer to support the community, especially in these times. In chapter 2.6, we provide insight into the social initiatives to which we contributed in 2020.

2. Climate change is here and now

The world literally came to a standstill due to COVID-19. Fewer planes flew and many people took to the road less. A calm came over the world and let it catch its breath. The positive impact of the pandemic on the environment does not mean that we can sit back. Climate change requires change and ambitious goals. As a major retailer, we are aware that we must also do our part by further reducing our emissions. In chapter 2.4, we discuss in more detail how we try to reduce our environmental impact.

3. Deforestation and biodiversity loss

Deforestation is one of the greatest threats to our planet. Forests are disappearing on a large scale due to human activity. The environmental impact of deforestation is enormous. Forests are a crucial source of oxygen and form the basis for important ecosystems. Complete habitats for numerous animal species are being wiped out. Good biodiversity is necessary for our food supply and a clean, healthy and liveable environment. Deforestation also leads to increased greenhouse gas emissions. It has a major impact on people's habitats, too. The growing demand for paper and vegetable oils plays an important role in this. Deforestation and biodiversity are relevant themes in our chain for which we also want to take responsibility. More details about our sustainable procurement policy can be found in chapter 2.2.

4. The plastic problem

Plastic is almost indestructible, which has its benefits, but also a huge polluting effect. A large portion of plastic waste ends up in the sea on a large, floating garbage patch: the plastic soup. When plastic degrades, it fragments into smaller pieces and can release toxic substances. These small, microscopic plastic pieces enter our food chain via animals. The growing awareness of the plastic problem is translated by the government into laws and regulations. In 2021, the ban on disposable plastic – plastic designed for single use - came into effect. Tax issues play a role here, too. In 2021, a tax on non-recycled plastic waste is being introduced in all Member States of the European Union. The share of subsidies for circularity is also growing gradually. This is an important theme for us. We want to contribute to a circular economy where there is no more waste, but rather reuse and recycling. In chapter 2.3, we explain how we handle this.



5. Diversity & inclusion

Our stores place us at the heart of society - people from all walks of life come to shop with us. The themes of diversity and inclusion are not new, yet they receive increasingly more attention every year. In 2020, this was partly influenced by the Black Lives Matter movement. Looking toward the coming years, we expect the theme to remain as important as ever. Read chapter 2.5 on how we deal with diversity and inclusion within A.S. Watson.

6. Healthy and sustainable lifestyle

A healthy and active lifestyle is important. Over the past year, maintaining this lifestyle has become both easier and more challenging. Gyms had to close their doors regularly and sports involving more than two people were no longer possible. However, people went walking more in the open air. There is an increasing demand for vegetarian and vegan products and customers are making more conscious choices. We are happy to help them with this and we explain this further in chapter 2.1.

7. Digitisation

Physical shopping became a different experience in 2020. Many shops had to close their doors and consumers tried to limit their movement to public places. As a result, the share of online sales exploded. This is expected only continue to grow in the coming years due to rapid developments and smart technology.

It is necessary to handle this influx of data with care; privacy and data protection are still relevant themes. In chapter 2.5, we explain how we train our employees on this theme.



1.3 WHAT WE STAND FOR

Day after day, we help people feel healthy, beautiful and good about themselves. We do this by making our surprising and broad range of Health & Beauty products affordable and accessible for everyone, through our stores and online. In addition, with over 4,300 certified drugstore employees in store, we are ready to provide our customers with information and advice.



SOCIAL PURPOSE

In 2020, we honed our social purpose. Accessibility to the mass market is key here. We think it is important that everyone can feel beautiful, good about themselves and healthy. We make this possible by making our range accessible to a large audience, thereby facilitating sustainable choices.

We believe that together with our customers we can create a greater positive impact. We want to make the inaccessible accessible; offering high-quality sustainable products at an affordable price and making the sustainability of these products more visible. Our social purpose fits in seamlessly with the core of our business.

We make sustainable Health & Beauty solutions accessible to everyone, with no-one excluded, and we help consumers feel beautiful, healthy and good about themselves. We believe that together we can create a greater positive impact. For present and future generations.

Transparency, sustainability and influence on the community are important areas of focus of our social purpose. We want to communicate transparently about our activities and impact, both positive and negative. This report is one way to explain more about this. We also actively communicate about sustainability to our customers. Read more about this in chapter 2.1.

We have further translated our social purpose for both Kruidvat and Trekpleister, with its own distinctive features.



Doing good feels surprisingly good

We want everyone to feel beautiful, healthy and good about themselves in a sustainable way. We stand for accessible H&B solutions and are there for everyone. We believe in people and the power of the masses to create a positive impact together. For present & future generations.



Better together!

We stand for accessible and sustainable Health & Beauty solutions. We are at our customers' side and believe that every customer deserves attention. Paying attention connects people, makes people feel good and makes the world better and more fun. This is how we create together a greater positive impact for you and the people around you, now and in the future.

"Our social purpose fits in seamlessly with the core of our business: making a wide product range accessible to a large audience. We make the inaccessible accessible in our industry. We offer products of the same quality but at a lower price. We believe in the power of the masses to make an impact for current and future generations."

Ingeborg Ligteringen,
Marketing Manager



OUR STRATEGY

Social purpose is central to our strategy. Our strategy is based on 4 principles.

1. We are a value drugstore

By providing an optimum mix of availability and visibility at the right time, we make it as easy as possible for our customers to find and use products themselves. Transparency and communication to consumers are an important part of this. We have started expanding our online communication about our social purpose.

2. We offer the best deal

We know the market we operate in and we listen carefully to what the customer thinks. Knowing what the customer expects in terms of sustainable products, we surprise the customer and ensure that we can provide this at an attractive price.

3. We are there for everyone

Our product range is affordable and accessible for everyone, both on the high street and online, and we reinforce this with the right message via the right channel at the right time. We make conscious and more sustainable choices accessible to the public.

4. We keep innovating

We stay abreast of technological developments and invest in innovation. As a result, our business operations and offering are in line with sustainable expectations for the future.



OUR CUSTOMERS



OUR PLANET



OUR PEOPLE



OUR SOCIETY

OUR CSR POLICY

With our CSR policy we give substance to our social purpose. We stand for sustainable growth and long-term value creation, and our business is focussed on respect for humans, animals and the environment. We do not want our economic activities to affect the level of prosperity of future generations.

Our CSR policy, which enables us to actively focus on the four pillars - our customers, our planet, our people and our society - helps us with this. In this report, we have further developed our activities in the context of our social purpose, based on these pillars and our material themes. Our material themes have been determined in consultation with stakeholders (more about this in chapter 1.4). This allows us to focus on the topics that are important to A.S. Watson and to contribute to various SDGs. Read in section 1.5 how we create value and make an impact.



1.4 WHO ARE OUR MAJOR STAKEHOLDERS?

We work with various stakeholders, so that we are able to honour our promise to the customer on a daily basis. Ultimately, the customer is our principal stakeholder. We have also identified stakeholders who are not involved in our core processes on a daily basis, but who do play a role in or are influenced by our daily activities. It is important to us to have regular dialogue with our stakeholders and to discuss the different interests that are significant for the course we are charting. You can find our complete stakeholder summary, what they expect of us and how we are responding to those expectations, in the appendix.

By means of a materiality analysis we have determined which themes and topics are the most relevant for us and our stakeholders. You can read about what we are doing to increase our positive impact and reduce our negative impact in chapter 2.

In the dialogue we have with our major stakeholders, our material sustainability themes are covered structurally (more information on this can be found in the appendix on 'Materiality'). In that context, direct reference is also increasingly made to the Sustainable Development Goals of the United Nations and our organisations' contribution to these goals, and how we can create value over the long term. These discussions with employees, suppliers, industry organisations and NGOs, among others, are held up to board level. This enables us to prioritise the sustainability themes that are important to the internal and external stakeholders, and keep them current.



1.5 HOW WE CREATE VALUE

Every day hundreds of thousands of customers rely on our wide range of products, brought near to them through our retail network of no fewer than 1,450 stores and online. As the leading Health & Beauty retailer in the Benelux, not only do we make a contribution to more conscious choices for our customers as a result, but our stores also provide local economic growth and employment opportunities. We are the direct employer of over 27,000 employees. With our products we make an impact (both negative and positive) and we add value. In the value creation model on the next page we make it clear what capital we use, how we create value with it for our stakeholders and the long-term results this will have for society.

As a Health & Beauty retailer we are nowhere without our hard-working employees. Other capital that we deploy to create our long-term value includes financial resources, our stores, customer reputation, relationships with suppliers and partners and raw materials, such as cocoa, coffee, paper and palm oil.

We take the changing environment into account when deploying the resources. By adhering to our strategic principles at the same time, we can make our products accessible to everyone. We do this with respect for humans, animals and the environment, and with a view to sustainable growth.

Our activities have a number of direct outcomes. For example, we focus on loyal customers, energetic and satisfied employees, a more sustainable own-brand product range, recycled packaging and less use of plastic and energy. A number of results are shown in the value creation model for 2020. Those results contribute to social impact in the long term. For example, every day we supply hundreds of thousands of families with products they need in order to keep feeling healthy and good about themselves. By giving people the right information, we help them to use our products in a responsible way, and we support healthy and sustainable choices. Our impact is not only positive. We support sustainable and healthy choices, but leave the choice to consumers by also offering less sustainable products and less healthy products in our range.

By working closely with partners and suppliers, by influencing the chain and by regularly carrying out social compliance audits, we are working towards fair and responsible working conditions in the chain.

At the same time, we are aware that as a growing company we are also increasing our environmental impact. That is why we are continuing our efforts to reduce this negative impact on the environment. We are further reducing our carbon emissions by implementing energy-saving measures, such as installing LED lighting in our stores, or making our transport more efficient and sustainable. With our Natuurlijk & Voordelig concept launched at the

end of 2019, we are also making it easier for consumers to make more conscious and more sustainable choices.



VALUE CREATION MODEL A.S. WATSON

INPUT

FINANCIAL

Equity

INTELLECTUAL

- 27,300 employees
- Product and customer knowledge and advanced data systems

FACILITIES

- 1,467 stores in 3 countries
- 1 distribution centre and 1 fulfillment centre
- Webshops of 2 store formulas

NETWORK

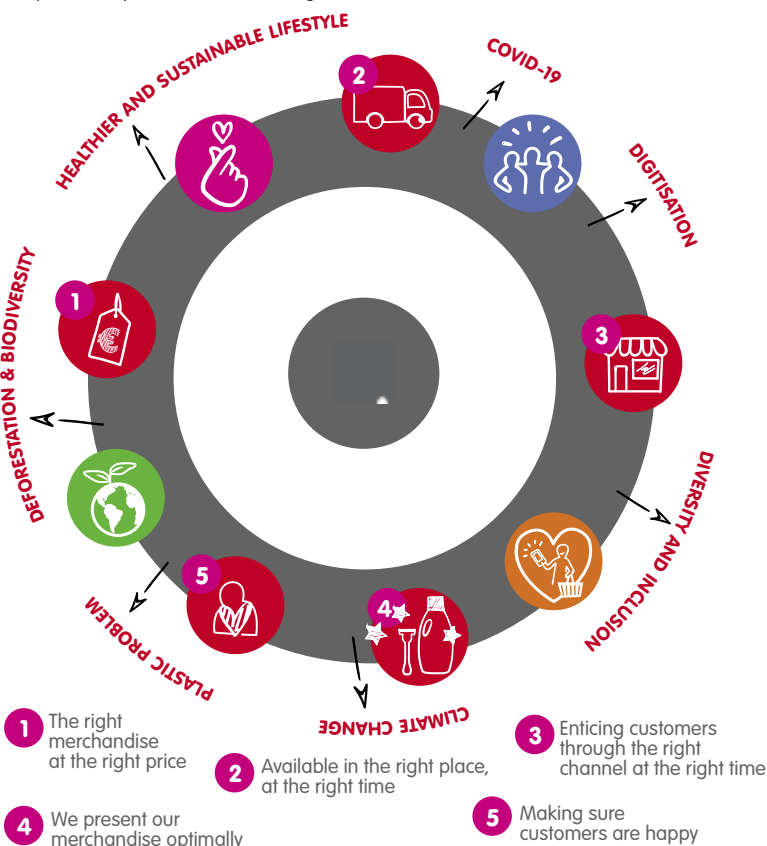
- Long-term collaborations with partners and NGOs
- Dialogue with partners and stakeholders
- Large-scale reach of over 5 million customers per week
- Good reputation

RAW MATERIALS

- Certified raw materials such as paper, coffee, cocoa and palm oil, and plastic
- 73 GWh electricity
- 4.3 million m³ gas

WHAT WE DO

We make sustainable H&B solutions accessible to everyone, with no-one excluded, and we help consumers feel beautiful, healthy and good about themselves. We believe that together we can create a greater positive impact. For present and future generations.



OUR PRINCIPLES

1. We are a value drugstore
2. We offer the best deal
3. We are there for everyone
4. We keep innovating

OUTPUT

FINANCIAL

- stable growth in revenue and profits
- 1,467 stores (+1%)
- 27,300 employees (+10%)

PRODUCT RANGE, RAW MATERIALS AND SUPPLY CHAIN RESPONSIBILITY

- More sustainable product range through procurement of certified raw materials
- 77 own-brand packs made more sustainable
- 200 products under the Natuurlijk & Voordelig concept
- Social compliance audits

BEING A GOOD EMPLOYER

- start of holistic vitality programme
- 276 jobs for people distanced from the labour market
- 4379 employees with a professional drugstore diploma
- 95% success rate for VET diploma among sales assistants

ENVIRONMENTAL IMPACT

- 21,523 tonnes of carbon emissions (-28%)
- 90% of waste recycled
- 100% sustainable electricity

COMMUNITY INVOLVEMENT

- Donations
- Collaboration with social initiatives

OUTCOME

REDUCE INEQUALITY

We help everyone to feel healthy/good and beautiful, and we take active responsibility here towards customers, employees and the wider society.

WELL-BEING AND HEALTH

Through our wide and affordable range of healthy products and medicines and the right information for responsible use, we make a healthy lifestyle accessible to everyone.

SUSTAINABLE PRODUCTS

We make sustainable Health & Beauty products accessible to everyone.

CLIMATE ACTION

We want to reduce our negative impact by saving energy and procuring certified raw materials. With Natuurlijk & Voordelig, we encourage consumers to make more sustainable and conscious choices.

IMPACT



SDGS

We have linked our long-term impact to the Sustainable Development Goals (SDGs): 17 sustainable development goals of the United Nations. These were developed in 2015 for a just, fair and sustainable world by 2030.

For these goals to succeed, it is important that we focus on concrete goals that are related to our values and activities. In this way we can create greater impact. We therefore focus on SDG 10 Reduced inequalities and SDG 12 Responsible consumption and production. These goals are directly related to our social purpose and CSR strategy.

12
VERANTWOORDE
CONSUMPTIE
EN PRODUCTIE



We make sustainable Health & Beauty products accessible:

We do not believe in niche sustainable products. Sustainability is part of the full product range. Sustainable Health & Beauty products are standard for us.

10
REDUCED
INEQUALITIES



We help everyone feel beautiful, healthy and good about themselves:

Everyone deserves to feel healthy, beautiful and good about themselves and we take active responsibility here towards customers, employees and the wider society.

Furthermore, with our core activities we are contributing to the following SDGs:

3
GOEDE
GEZONDHEID
EN WELZIJN



8
WERK
EN ECONOMISCHE
GROEI



13
KLIMAATACHT



17
PARTNERSCHAP OM
DOELSTELLINGEN
TE BEREIKEN





CHAPTER 2

RESULTS

In this chapter, we present the results of our work in relation to our strategic ambitions and objectives. We do this on the basis of the four CSR pillars: our customers, our planet, our people and our society.



“The best thing about my work is the customers. Sometimes they come to you for advice on a medicine, and sometimes they just want a chat!”

Demi, Sales Assistant

2.1 WE SUPPORT A SUSTAINABLE AND HEALTHY LIFESTYLE

Accessible to everyone in times of coronavirus

Our products are accessible to everyone. We do not exclude anyone and we help consumers feel beautiful, healthy and good about themselves. As a major Health & Beauty retailer, we are at the heart of society. This became even more apparent during the COVID-19 crisis. As an essential store, we were at our customers' service. Where possible, we have remained open and worked hard to enable safe shopping. We also deployed our online options to safely deliver our products to our customers.

At the beginning of the crisis in March 2020, customers started stocking up on large quantities of products. By quickly shifting gears, we were able to adapt our product range to our customers' needs. This led to the purchase of face masks (both cloth and disposable), large quantities of hand gel and soap and the sale of larger packaging.



OUR CUSTOMERS



Haal bij de kassa het gratis magazine van Stoptober op!

Lees meer over Stoptober op www.kruidvat.nl/stoptober.



9 - 44 2020

A healthy lifestyle

Our drugstore products help people feel healthy. We also support a healthy lifestyle with the rest of our product range. This includes both healthy and less healthy products, as we want to offer people a choice. We encourage customers to make healthier choices by offering products for a healthier lifestyle at low prices and with discounts. We support a healthy and active lifestyle through our range of sportswear and nutrition that we put together with personal trainers and specialists. We have also conducted various campaigns. For example, we have raised awareness of the importance of safe tanning through our many years of collaboration with the Dutch Cancer Society (DCS). In addition, Kruidvat launched a campaign with the DCS in 2020 in the context of Stoptober. Stoptober participants had a chance to win one minute of free shopping. We were the first major retailer to stop selling tobacco products at the end of 2019.

Trekpleister

Trekpleister has helped customers to feel healthy and beautiful with campaigns such as 'holiday at home', 'healthy autumn advantage' and the 'smile campaign'.



Good information about Health & Beauty

Our position comes with social responsibility. Our product range is becoming broader and many products that we offer call for responsible use. These might include vitamin supplements, sun cream, or even medicines, which are increasingly available without prescription. We therefore regard providing good information about the products that we offer as one of our most important duties. With over 4,300 certified drugstore employees in store, we are there for our customers to answer all their product-related questions.

We support sustainable choices

Our product range includes both sustainable and less sustainable products. Consumers increasingly require transparency. They want to know what they are buying and are becoming more critical when it comes to ingredients, packaging and production conditions. With the Kruidvat Natuurlijk & Voordelig concept launched at the end of 2019, we are meeting the needs of this fast-growing group of aware consumers. We are helping them to make more conscious choices by selecting and combining products based on 'natural and sustainable' criteria. Read more about Kruidvat Natuurlijk & Voordelig on page 25.

We also use our reach to make consumers aware of the plastic problem. Last summer we ran a promo with A-brands such as FA and Schwarzkopf, selling shampoo bottles made from plastic litter.





Kruidvat Natuurlijk & Voordeling – strengthening together with Milieu Centraal

In 2019, we introduced Kruidvat Natuurlijk & Voordeling (Natural and Affordable). Due to the large number of sustainability claims on products, it is difficult for consumers to distinguish: which products are truly sustainable? Kruidvat Natuurlijk & Voordelig is not an evaluation or quality label, but it serves to guide our consumers through all sustainable items on our shelves. If an item meets at least 6 of the 11 criteria, then it may be labelled as Natuurlijk & Voordelig.

In 2020, A.S. Watson Benelux strengthened the criteria of the Natuurlijk & Voordelig concept in cooperation with Milieu Centraal (the Dutch environmental information and education foundation). This Foundation has a lot of knowledge about quality labels and sustainability and helps us with the environmental guidelines for the Natuurlijk & Voordelig concept. Also for reasons of transparency, we wanted the current criteria to be assessed from an outside perspective. We started with 4 categories, with 12 brands and over 200 products. As a result of this collaboration, we have drawn up a list of strengthened requirements that the products must meet in order to be labelled as Natuurlijk & Voordelig. With the Natuurlijk & Voordelig concept, we want to make it easier for consumers to choose sustainable products and to inspire producers to launch more sustainable products.



Het wordt
steeds groener
in je badkamer

Het wordt
steeds groener
bij Kruidvat

“The launch of Natuurlijk & Voordelig has elicited many positive reactions from both customers and employees. Customers have become more critical of all quality labels and claims. While the need for sustainable and responsible products is increasing, customers often cannot see the wood for the trees. Our employees are also being asked more and more questions about sustainable products. The Natuurlijk & Voordelig concept helps with this.

In the past year, we have collaborated with Milieu Centraal to further strengthen the guidelines for Kruidvat Natuurlijk & Voordelig.”

Ilonka Koster,
Trading Project & Innovation Manager Benelux

2.2 SUPPLY CHAIN RESPONSIBILITY

Our product range

Our customers are becoming more critical. They want to understand what a product contains and how it is produced. As a major retailer with a wide range of own-brand products we are able to influence how both the production process and the packaging process are made more sustainable. We impose requirements on not only the raw materials for our products, but also on safety and animal welfare, for example. We enter into discussions with our suppliers and supply chain partners. Our quality department keeps records, based on product score cards, on the extent to which our products meet both statutory requirements and our own. The product score cards also form the basis for targeted dialogue with our own-brand suppliers, for them to become even more sustainable where necessary.

How sustainable a product is depends on the raw materials used and how these are produced. In 2020, we made further strides with our own-brand products. By laying down specific objectives for a number of frequently used raw materials and by gaining insight into where the sustainability risks are in the production chain. These raw materials must meet specific requirements and, for this, we take renowned sustainability labels as our basis. These requirements are a criterion when selecting our suppliers. Our suppliers must demonstrate, by means of certifications, that the raw materials meet the requirements we have set. The raw materials that we use a lot in our products – and where we see the most sustainability risks at the moment – are palm oil, cotton, paper/wood, coffee and cocoa. See also our approach to plastic packaging in section 2.3.



OUR PLANET

Working conditions in the supply chain

Our range of own-brand products consists of Health & Beauty products and other products (non-Health & Beauty related products). The latter category is produced in places including China, Cambodia, India, Pakistan, Vietnam, Turkey, Egypt and Bangladesh. Relatively speaking, the risk of irresponsible working conditions is higher in those places.

To lower the risk of breaches of working conditions, we oblige our suppliers in those countries to submit inspection reports. Our policy for responsible working conditions is based on international treaties, including the ILO conventions, the United Nations directives on social justice and the OECD Guidelines for Multinational Enterprises. Since 2008, A.S. Watson has been an active worldwide member of the Business Social Compliance Initiative (BSCI). The BSCI is an international organisation that focuses on improving working conditions and arranges for audits to be carried out. We have signed the BSCI terms and conditions and expect our own-brand suppliers to do the same. We expect them, like us, to make efforts where necessary to improve employment terms.

Our inspections are conducted by independent auditors in accordance with BSCI or equivalent standards (such as SEDEX, ICTI or SA8000). If the audit score is low to average, we ask the supplier to launch an improvement process together with the factory. They must then achieve a good score at a subsequent audit within a year.

In 2020, 12,073 (2019: 5,191) of our non-Health & Beauty related products came from high-risk countries. For 87% (2019: 72%) of the products, a social compliance audit was carried out at the factory in question. For 13% (2019: 28% of the products, it has been established that the required social audits are unavailable. If there is no improvement in these factories, we will be asking our supplier to transfer production to a different factory. For 2025, we have made a commitment that all our suppliers will have our own-brand products made in factories that achieve at least a BSCI C score or equivalent. In 2020, approximately 3% (2019: 6%) of the products for which a social audit is available failed to meet this criterion. The suppliers of these products are drafting an improvement plan to get the factories up to at least C standard.

Among the suppliers of our Health & Beauty products there are relatively few with factories in high-risk countries (536 products; 2019: 442 products). For 98.3% (2019: 97%) of these products, the social audits we require are available. Unfortunately, we have established that for 1.7% (2019: 3%) of the own-brand products the required social audits are unavailable. If there is no improvement in these factories, we will be asking our supplier to transfer production to a different factory. For 2025, we have made a commitment that all our suppliers will have our own-brand products made in factories that achieve at least a BSCI C score or equivalent. In 2020, all of the own-brand products for which a social audit is available meet this criterion (2019: 12% failed to meet this criterion).

Environmental policy in the chain

We expect all our suppliers of own-brand products to have an environmental policy, which must be compliant with ISO14001, for example. In the policy, they must set active goals to reduce the use of energy, water and raw materials. (West) European suppliers are not surprised by obligations of this nature, but for suppliers in Asian countries this can prove something of a challenge. We are in dialogue with them to improve their environmental policy and performance via practical tools such as the Business Environmental Performance Initiative.

Palm oil

Palm oil is an important natural raw material for derivatives in our cleaning products, skincare products and cosmetics, among other things. These derivatives make shampoo foam or skincare feel extra soft, for example. Most palm oil is grown in tropical countries like Malaysia and Indonesia. The palm oil sector is under fire because of the risk of illegal logging of rainforest and because of workers' rights and human rights infringements. Here at A.S. Watson, it is important that our own-brand products contain responsibly produced palm oil. We do that by procuring RSPO-certified palm oil wherever possible. The *Roundtable on Sustainable Palm Oil* (RSPO) is an initiative geared towards promoting the use of sustainable palm oil. In addition, the RSPO focuses on respecting the fundamental rights and living conditions of employees and farmers and their communities. By the end of 2020, 93% (2019: 96%) of all our own-brand Health & Beauty products contained RSPO-certified palm oil. The difference with 2019 is mainly due to the fact that one of the last suppliers that has not yet switched to RSPO palm oil supplied slightly more products. When 100% of the palm oil in our own-brand Health & Beauty products is RSPO-certified, it does not mean we are done. We want to increase our insight into and influence over the links in the palm oil chain, from palm farmer to store. In the process, we will be using the Mass Balance certification system with a check on every link

in the chain. This does not mean that we can trace the palm oil at individual link level. However, using the mass balance principle, we know that the exact weight of the proportion of certified palm oil in our products has been grown under RSPO conditions, but that the palm oil in our products does not necessarily come from certified producers. It is our goal, for 2025, to only offer own-brand products with 100% mass balanced RSPO-certified palm oil. At the end of the year, we also included our non-Health & Beauty related products in our scope for making palm oil more sustainable. Many of our candles contain palm oil. To this end, the first initiatives were immediately launched to convert it to mass balanced RSPO-certified palm oil. Based on the amount (in kilograms) of palm oil used in all our own-brand products, 63% is now mass balanced (and for a number of products segregated) RSPO-certified palm oil.

To further increase our insight into and influence over the links in the palm oil chain, we became a partner at the end of 2020 in the FAIR partnership, initiated by Oxfam Novib. FAIR stands for Freedom of choice, Accountability, Improvement of benefits & Respect for rights. This is a multi-stakeholder partnership project in Southeast Sulawesi, Indonesia. The parties in the FAIR partnership work together with the aim of creating a positive impact for small palm oil farmers and their communities, in a diverse and sustainably managed landscape. FAIR seeks to demonstrate that this partnership can be a new business model to achieve economies of scale in the palm oil sector and other sectors. Several parties and companies in the palm oil value chain are working together to achieve these goals and to co-finance the project. The implementation phase of the FAIR partnership project started in January 2021.

"Oxfam Novib applauds AS Watson for taking its supply chain responsibility seriously and for committing to use sustainably produced palm oil in its products. It shows foresight that this major retailer actively supports the FAIR partnership so as to contribute to the transformation of the palm oil sector. A participatory landscape approach not only preserves forests and biodiversity, but significantly improves the livelihoods of small farmers, men and women and their communities."

Madeleine Brasser,
Oxfam Novib | Senior Adviser Inclusive Value Chains

PALM OIL

% of Health & Beauty products containing palm oil, in which the palm oil is RSPO certified



2025 goal: 100% mass balanced RSPO



Wood and paper

The majority of the wood pulp that we use for own-brand products in the permanent product range is PEFC or FSC certified, or made from recycled material. Wood pulp is processed into various products, such as lotion wipes, cleaning cloths and nappies. In 2020, 96% of the paper and wood (pulp) that we used as an ingredient for our own-brand Health & Beauty products was certified with the FSC or PEFC label (2019: 95%). We haven't quite achieved the goal of 100%, which can be explained by the fact that some of our suppliers that have not yet made the transition to more sustainable paper and wood (pulp). However, all our pamphlets were made from 100% sustainable PEFC paper. Our ambition for 2025 is to expand the objective to the non-Health & Beauty own-brand product range, thereby adding items such as cards, diaries, wrapping paper, toys and photo paper to this objective. The last two are already fully FSC, and we have made plans for other products to be fully FSC or PEFC certified by 2025.

Coffee and cocoa

Virtually all coffee and cocoa products are imported from countries outside the EU. To ensure that our coffee and cocoa are produced responsibly there, we are affiliated with renowned labels UTZ and Rainforest Alliance. For us, these labels are a guarantee of good quality. Just like in 2019, we achieved our goal in 2020: 100% of our own-brand products containing coffee or cocoa are UTZ or Rainforest Alliance certified. We want to keep it that way in the long term, too, and that is why we have set this as a goal for 2025. In doing so, we are following developments closely, so that a sustainability level for coffee and cocoa can be maintained in line with market practice.

Microbeads and microplastics

Microbeads are plastic beads of less than 5 mm, mainly used as 'scrub' in cosmetic products.

Ultimately, microbeads end up polluting the seas through wastewater. For that reason, all our own-brand products have been free from microbeads since 2014. Since 2019, the same applies to all other brands that we sell in our stores. We began phasing out microplastics in 2020. These are even smaller particles of plastic that have been added to products. Where possible, we have started to replace these with natural materials.

Cotton

In 2020, A.S. entered into a long-term partnership for sustainable fashion with BCI (Better Cotton Initiative). BCI is a global non-profit organisation focused on sustainable cotton. In the past year, we have committed ourselves to the BCI principles and criteria. The purchasing policy of the own-brand fashion products states that all cotton must meet BCI requirements. We will launch our new Kruidvat underwear in 2021, completely in line with the BCI. In the coming years, we will roll this out further to our other fashion products.

Our ambition for 2025 is for 80% of the cotton used in our products to be obtained via the BCI system. We want to make the remaining 20% more sustainable through organic cotton and recycled cotton. The nature of our own-brand Health & Beauty products makes BCI a less obvious choice. That is why we focus entirely on organic cotton for our own-brand Health & Beauty products. In 2020, 2% of our own-brand Health & Beauty cotton products were made from organic cotton.

WOOD AND PAPER

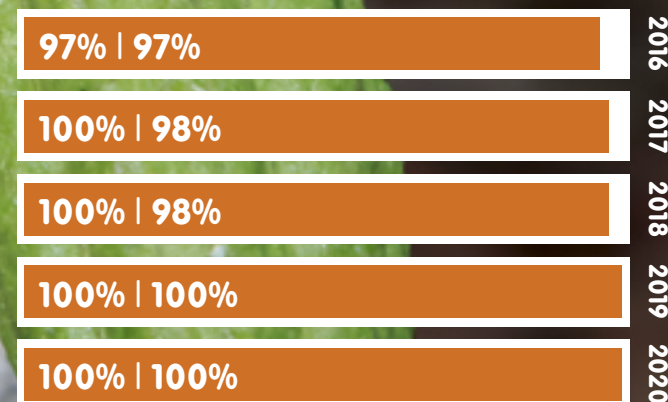
% of paper and wood (pulp) Health & Beauty products scope certified with the FSC or PEFC label



2025 goal: 100% (scope: Health & Beauty products and non-Health & Beauty related product range)

COFFEE AND COCOA

% coffee products / % cocoa products that are certified with the UTZ and/or Rainforest Alliance label



2025 goal: 100%

2.3 PACKAGING AND WASTE

Plastic use

The less plastic (packaging) material we use, the lower our potentially negative impact on the environment becomes. Reducing our plastic use has been an important theme in the past year. This largely comes from internal motivation, but is also due to upcoming laws and regulations in this area. From 2021, the European Single-Use Plastics (SUP) legislation will come into force. This legislation imposes a ban on all single-use plastic products, such as plastic cutlery, straws, cotton buds, etc. Over the past year, we have taken steps in this direction by starting the phasing out of plastic cotton buds from our product range. In addition, we have signed the Spatplastic Covenant together with other major retailers and we are helping to eliminate products that contribute to litter. We also focus on bringing plastic back into our value chain, and on recycling plastic and paper. We have made preparations to replace our plastic bags with a climate-neutral paper version in 2021 and we are introducing plastic-free own-brand wipes.

Packaging

In terms of packaging, we make a distinction between consumer packaging and transport packaging. Transport packaging is necessary to get products from the suppliers to the stores, via our DC. We mainly have influence over the consumer packaging of our own-brand products and the transport packaging that we ourselves add at our DC. But we also enter into partnerships with A-brand suppliers to reduce plastic use. See chapter 2.1 for some examples.

We are trying to reduce the amount of packaging material, avoid hazardous substances and use renewable and responsibly sourced raw materials. We have made a commitment to 100% recyclable packaging, where possible, by 2025; exceptions include several strictly regulated packaging items such as for medicines.

For our own-brand packaging, the paper and cardboard used will be FSC or PEFC certified by 2025, and the plastic used will be at least 25% recycled plastic by 2025. This poses dilemmas, however. Reducing plastic can be at the expense of the attractiveness and

robustness of the packaging. Packaging can also become heavier by reducing plastic, which has its drawbacks in terms of energy consumption during production and transport. We look for the right balance by reducing plastic without compromising the sustainability of the product itself. Last year, we made 77 own-brand packs more sustainable.

Waste

As a major retailer we produce waste, which mainly comes from transport packaging in the form of flexible plastic and cardboard. It is our policy to

reduce transport packaging and to recycle it to the highest possible standard, thereby reducing residual waste streams. For transport packaging we also look for the right balance between environmental impact and degree of protection. In the end, almost all transport packaging is returned to our returns centre in Heteren. Of our total waste of 20,064 tonnes (2019: 20,833 tonnes) 89.5% was recycled in 2020 (2019: 89.6%).

In 2021, we launched a project to further optimise recycling in our waste streams.



OUR PLANET

WASTE

WASTE (IN TONNES)	HOW IS IT PROCESSED?	2017	2018	2019	2020
Paper/cardboard	Recycled	14,022	16,519	16,852	16,235
Archives	Recycled	-	12	44	7
Plastic	Recycled	1,238	1,253	1,370	1,270
Construction/demolition waste	Recycled	241	165	191	148
Metal	Recycled	169	220	289	281
Swill	Recycled	1	3	3	3
Hazardous waste	Recycled	2	4	1	6
Glass	Recycled	-	-	1	1
Wood	Recycled	-	-	1	10
Residual waste	Burned for energy production	2,054	2,160	2,123	2,110
TOTAL		17,727	20,336	20,833	20,064

RECYCLING

	2017	2018	2019	2020
Recycled proportion (%)	88.4%	89.3%	89.6%	89.5%

2.4 OUR ENERGY CONSUMPTION

Through our carbon footprint, we show our impact on climate change. Our impact consists mainly of emissions from the energy consumption by our offices, stores, distribution centres, and logistics processes. In 2015, we set ourselves the target of reducing our carbon emissions by 50% by 2025. Where our carbon emissions were still 49,313 tonnes of CO₂ in 2015, by 2020 these were 21,523 tonnes of CO₂ (2019: 29,821). That's a reduction of 56.4%. This enabled us to achieve our objective more quickly. This doesn't mean that we can rest on our laurels. In 2021, we will further refine our target in line with our ambition. In this section, we explain what activities we have launched to further reduce our carbon footprint. On page 32, we take a closer look at the Logistics Energy Challenge in which we searched for innovative solutions to further reduce the negative environmental impact of our distribution centres and logistics processes.

Carbon footprint

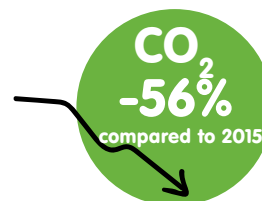
Compared to 2019, our carbon emissions have decreased by 27.8% to a total of 21,523 tonnes of CO₂. This is largely attributable to the purchase of 100% sustainable electricity and the implementation of energy-saving measures in our stores. We also had slightly lower figures for transport and transport movements of our lease cars due to the measures against coronavirus. The overall impact of these measures on our carbon footprint is limited, as our stores have (mostly) remained open.

Energy consumption

The energy consumption of our stores, offices and distribution and e-fulfilment centres has a significant effect on our carbon emissions. We are investing in energy saving and procuring sustainable energy. In 2020, our total energy consumption was 411,569 GJ. This is a reduction of 5.9% compared to 2019 (437,385 GJ).

At the end of 2019, all the Belgian stores were already running on 100% renewable electricity. The figure for the Dutch stores was 74%. In 2020, this proportion of sustainable electricity increased to 100% for all the Dutch stores. Our returns centre was fitted with solar panels in 2016, which had an uptime of 100% in 2020. And, that year, the returns centre generated over 482 MWh. This allows this building to meet 98% of its electricity needs. Since 2015, new and refurbished stores have been fitted with LED lighting. By the end of 2020, 41% of our stores had LED lighting, compared to 35% the year before.¹

In 2020, it was decided to accelerate the transition to LED lighting in our stores, so that by 2025 we will have fitted all our stores with LED lighting, where possible.



Apart from LED lighting we are also implementing a number of standard measures for each new or refurbished store, such as:

- Efficient and weather-dependent heating system
- Lighting operated by a time-clock and motion sensors
- Display and advertising lighting automatically switched off before and after business hours.
- Motion sensors to activate switches in the toilets and entrance areas.

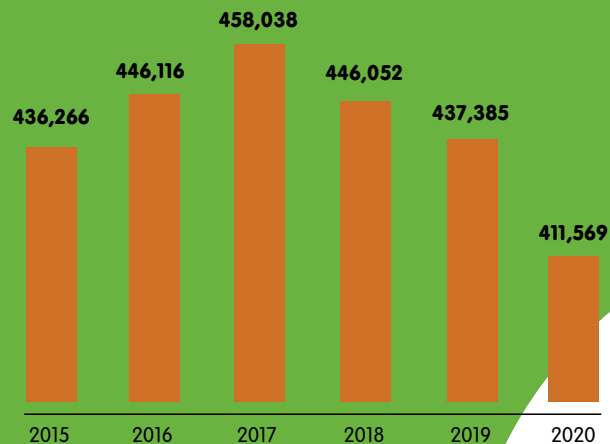
In addition, it is part of our maintenance plan to always install energy-efficient versions when replacing air conditioning, central heating and air curtains (where relevant). We are installing heat pumps in all new stores and relocations. Where possible, we will convert the stores to All Electric. And wherever air conditioning is replaced, a heat pump will also be fitted. In 2020, we focused on monitoring the effects of these measures. We have installed smart meters all our stores in the Netherlands. In 2021, we want to add more structure to the monitoring of effects.

TOTAL CARBON EMISSIONS IN TONNES

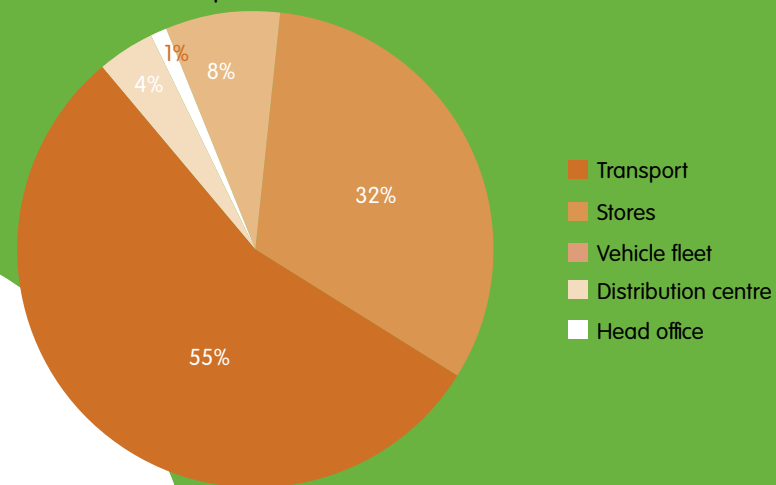
	2015	2016	2017	2018	2019	2020
Stores	32,687	22,861	15,639	11,683	13,717	6,965
Transport	10,725	11,173	11,649	12,014	12,039	11,875
Distribution centre	3,024	2,378	1,397	1,334	1,596	880
Head office	568	426	233	235	242	145
Vehicle fleet	2,309	2,054	2,293	2,241	2,226	1,658
Total	49,313	38,892	31,209	27,507	29,821	21,523



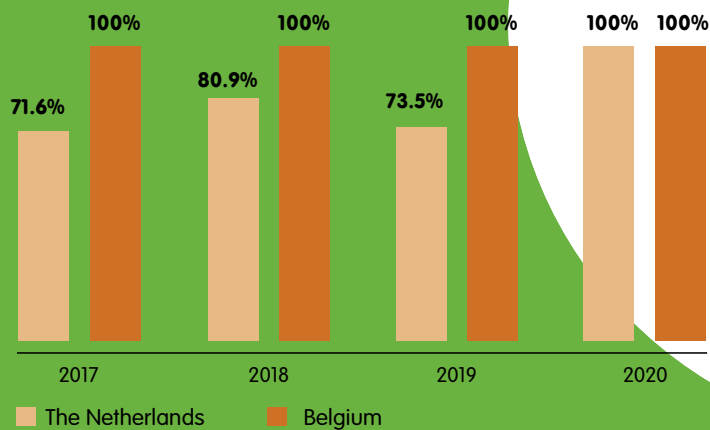
TOTAL ENERGY CONSUMPTION IN GJ



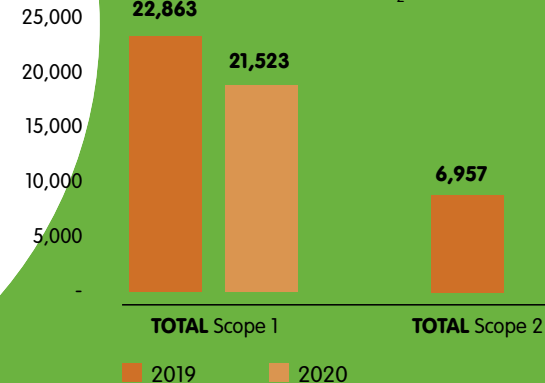
TOTAL CARBON EMISSIONS 2020 (per unit)



% SUSTAINABLE ENERGY IN THE NETHERLANDS/BELGIUM



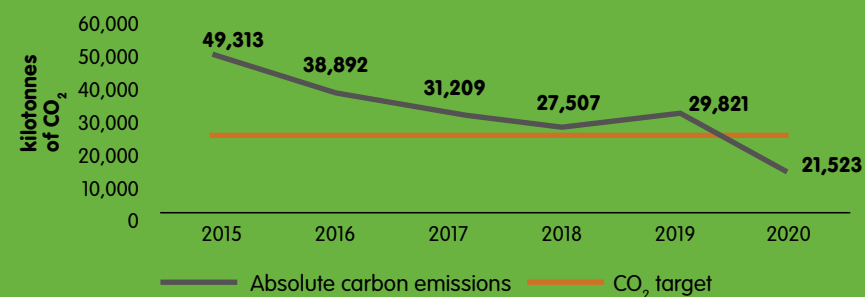
CARBON EMISSIONS PER SCOPE (tonnes of CO₂)



LED LIGHTING IN STORES

	2017	2018	2019	2020
Number of stores with LED lighting (incl. IPXL)	350	504	596	685
Number of stores with LED lighting (excl. IPXL)			512	599
Percentage of stores with LED lighting (excl. IPXL)			35%	41%

TOTAL CARBON EMISSIONS COMPARED TO 2025 TARGET



THE A.S. WATSON LOGISTICS ENERGY CHALLENGE

Our energy consumption has a negative impact on the climate. We want to reduce this negative impact. We actively adopt energy-saving measures for the stores and use electricity from wind energy. Our next step is to further explore energy and CO₂ saving options for our distribution centres and transport. With the A.S. Watson Logistics Energy Challenge, we have given this an original interpretation, in collaboration with the Dutch province of Gelderland.

With a public invitation for tender, we went in search of individuals and companies with the aim of gathering ideas and solutions for increasing sustainability within one of the three areas: buildings, processes and transport. After one selection round, 7 teams got started with the challenge.

“We wanted to challenge the participants to come up with out-of-the-box ideas that are fitting for A.S. Watson. To make this possible, we felt it was important for participants to understand what A.S. Watson stands for, who we are and what we do. We had the idea to give the participants a guided tour of our organisation and to come together on the official challenge day to think up ideas in a pressure cooker environment. Unfortunately, COVID-19 made it impossible for this to take place in person. But luckily, by quickly shifting gears, we were still able to go ahead with the challenge in digital form. During an inspiring day, we gathered a lot of helpful input that we can put to use. We really enjoyed the energy and creativity of all participants and hope to be able to organise such a programme again in the future.”

Frederike de Groot,
project coordinator Supply Chain Development



Our jury, comprising **Yvette Heijwegen** (Supply Chain Director A.S. Watson), **Erik Heuthorst** (CFO A.S. Watson) and **Christianne van der Wal** (Deputy of the Province of Gelderland), has tested the ideas for applicability, usefulness and concreteness. Is it feasible? Can the idea be scaled up over time and can other companies also make use of it? The ideas ranged from collapsible shipping containers to reduction dashboards and artificial intelligence. After some deliberation, Sprinkler Energy was finally declared the winner; with their innovative solution, gas consumption in our distribution centre can be reduced by as much as 60%.

Innovation and collaboration is important here at A.S. Watson and we wanted to convey that by organising this challenge. We find it important that others can learn from this. That is why we will actively share all solutions with other logistics companies in Gelderland. In this way, we not only make our own business operations more sustainable, but also those of the sector.



2.5 BEING A GOOD EMPLOYER



Here at A.S. Watson Health & Beauty Benelux, we have more than 27,000 employees, spread across stores, offices and distribution centres. We realise that healthy, happy and satisfied employees are the basis of our organisation. That is why we invest in our employees' vitality through personal development opportunities, sustainable employability, safety and well-being.

We consider our employees' vitality as a point for attention. We want to make vitality something accessible and attainable for our employees, so that everyone has the opportunity to take control, for themselves, of being physically, mentally and socially-emotionally resilient.

To this end, we want to create a healthy, energetic and inspiring working environment by further optimising working conditions. We encourage employees to consciously focus on their development and health, so that they can continue to participate in the labour market as they see fit. This makes our employees positive, mentally resilient and capable of adapting to changes.

As an employer, we want to set a good example, but everyone decides for themselves whether or not to take action. Our Vitality Programme has a menu for our employees in the stores, for our distribution and e-fulfillment centres and our office employees. There are different interests and needs for every part of our organisation and we find it important to offer options to suit everyone. Our offer focuses on health, development, work-life balance and motivation. This includes many initiatives, such as a sports calendar,

online company fitness, coaching, inspiration webinars and career scans. We also think it is important that there is space to talk and to take an active role in your psychological well-being. To promote this, employees can, for example, follow mindfulness courses and there are several contact persons with whom you can talk about your mental health.

In 2020, vitality became an even more important theme due to the challenges posed by the outbreak of the COVID-19 pandemic. Read about our #StayConnected and #SamenGezond initiatives on page 35.

Safety

Safety also plays an important role in our approach to vitality. Obviously, we want to avoid disasters, accidents and incidents at all times. But should something happen, we can provide the aftercare that's needed.

In our distribution centres, people work with heavy equipment. Here, there is extra focus on physical safety and accident prevention. The basis for the policy is the statutory risk inventories & evaluations (RI&E). On the shop floor there is strict supervision of compliance with safety regulations. We invest in technical and organisational changes, and in raising awareness. The Safe Behaviour Working Group aims to create the safest possible working environment for all employees. We do this, among other things by increasing safety awareness among employees in order to reduce industrial accidents.



Safety is also about preventing theft, accidents and violence. In our stores we have strict procedures to prevent crime and incidents. From the perspective of our focus on vitality, programmes aimed at strengthening mental resilience have been developed specially for store managers, because it is they who have primary responsibility in the event of incidents in-store such as theft or customer aggression.

Employees who wish to report abuse can see an external confidential adviser, anonymously if desired.

ACCIDENTS* IN OUR DCS

	2017	2018	2019	2020	Target number
NUMBER OF ACCIDENTS INVOLVING INJURY	218	161	140	150	0

*We register all incidents, from very minor to more significant, including when someone gets a paper cut or trips.



OUR PEOPLE

We strive to minimise absenteeism. Our integral vitality policy is one of the tools we use to contribute to this. We are aware that absenteeism depends on many factors, some of which are beyond our control. This does not alter the fact that with our integral vitality policy we embrace our responsibility to contribute to our employees' well-being.

ABSENTEEISM IN THE NETHERLANDS

	2018	2019	2020	Target number
STORES KRUIDVAT/PRIJS-MEPPER	5.0%	5.0%	5.4%	< previous year
STORES TREKPLEISTER	5.0%	4.9%	5.6%	< previous year
DISTRIBUTION CENTRE	7.8%	6.5%	7.3%	< previous year
HEAD OFFICE	2.6%	2.9%	2.6%	< previous year

ABSENTEEISM IN BELGIUM

	2018	2019	2020	Target number
STORES	6.3%	6.9%	6.6%	< previous year
HEAD OFFICE	2.6%	4.5%	3.9%	< previous year

Our absenteeism figures in the Netherlands and Belgium are difficult to compare due to the different underlying social security schemes in both countries.

Here at A.S. Watson Health & Beauty Benelux, we have more than 27,000 employees, spread across stores, offices and distribution centres. We realise that healthy, happy and satisfied employees are the basis of our organisation. That is why we invest in our employees' vitality through personal development opportunities, sustainable employability, safety and well-being.

Training & development

Vitality and happiness at work depends largely on the opportunity for further development. That's why here at A.S. Watson, we are always looking at opportunities for career progression, both in and outside the organisation. We don't want to offer employees a job, we want to offer them a career. With the A.S. Watson Academy we make a training package available with various training courses covering subject-related knowledge and personal development. Due to COVID-19, our training courses could not take place in person for much of the year. We have been able to organise many of our training courses digitally and online. Through our digital learning platform "Watsontalent", employees gain insight into the development opportunities and they can get in touch with career coaches. In this way, everyone can further their growth and development in an accessible way. In addition, we offer the A.S. Watson Young Talent Program and the A.S. Watson VET training course. In the first programme, we offer young talent the opportunity to develop as a professional within the retail world. Through our VET courses, we offer our employees the opportunity to acquire an official nationally recognised VET diploma in retail trade. We also offer our colleagues the opportunity to obtain a professional drugstore diploma. Our aim is to have as many (assistant) store managers as possible in possession of a professional drugstore diploma. In 2020, 92% of (assistant) store managers held a drugstore diploma. In total, over 4,300 colleagues had their professional drugstore diploma in 2020.

TRAINING AND DEVELOPMENT

	2018	2019	2020
% (assistant) store manager with a professional drugstore diploma	93%	97%	92%
Success rate for VET diploma among sales assistants	94%	94%	95%

Data privacy

We receive a lot of data about our customers. We use this to respond as effectively as possible to our customers' needs. Careful handling of this data is an important theme for ourselves and our customers. That is why our employees receive training (*Pause, Think and Protect*) about data privacy every two months.



#STAYCONNECTED AND #SAMENGEZOND

(HEALTHY TOGETHER)

We want to make vitality something accessible and attainable for our employees, so that everyone takes control, for themselves, of their physical and mental health, social strength and resilience'. To this end, we have developed a holistic vitality program based on four pillars (Health, Work-Life Balance, Development and Motivation). The COVID-19 pandemic has put extra pressure on our employees. Many office workers were obligated to work from home, some under less than ideal conditions. Meanwhile, store employees were concerned about their own safety and sometimes found themselves in difficult situations due to the varying measures. To support the teams, we developed two programmes based on our vitality policy, #StayConnected for office workers and #SamenGezond (Healthy Together) for employees in our stores and distribution centres.



"We show in various ways that our people matter, that they are important and that we care about their well-being. The #StayConnected and #SamenGezond programmes allow us to give substance to this. Employees are enthusiastic about the various initiatives that will create a moment of relaxation and interaction. For example, the virtual pub quiz was a great success. We also note that employees are proud to work for A.S. Watson and that we are open to our customers even in these difficult times."

Hedser Nijland,
(Manager, HR Head Office & ICI PARIS XL Netherlands)

For the #StayConnected and #SamenGezond programmes, we have set up various initiatives to support our employees during this time. We want to respond to the interests and needs of the various employees. Office staff indicated that they miss the connection and conviviality in the office. For the #StayConnected programme we organise weekly events so that we can still virtually meet and talk. In the eBarista café, employees drank a virtual cup of coffee with colleagues every Monday. We also have an external speaker for variety and inspiration every month on 'Inspiration Thursday'. During various fitness challenges we challenged our employees to exercise: to take a daily walk (a 'stroll') and to take part in the Jerusalema Dance Challenge.

For the store employees, the focus was on #SamenGezond. For the safety of our store employees, we have provided sneeze guards and doorkeepers. These doorkeepers ensure that our customers abide by the measures. A helpline has also been set up to give people the opportunity to talk about physical and mental complaints they may experience, so that they can be sure of an appropriate solution at an early stage.



DIVERSITY & INCLUSION

Our stores place us at the heart of society. We believe it is important that our employees also reflect the community, with people of different backgrounds and cultures working together. Not only to learn from each other, but also to grow together and offer opportunities to everyone regardless of background. In addition, we offer people who are in a disadvantaged position in the labour market the opportunity to develop and grow as a person and professional.

Here at A.S. Watson, we strive for a balanced and diverse employee base, with sufficient and equal opportunities for everyone, regardless of age, background or educational level. Within the Management Team of A.S. Watson Benelux, 32% are women and among our store managers in Kruidvat Netherlands, Trekpleister and Kruidvat Belgium, this percentage is 81%, 91% and 96%, respectively. We take diversity and inclusion into account in our communications and in our visual material.

We offer training, development and opportunities to people who are distanced from the labour market. We also offer our employees the opportunity to grow.

At the end of 2018, we were the first major employer to conclude a national agreement. Since then, 34 of the 35 employment regions in the Netherlands have signed up. In it, we laid down arrangements on the intake of people with a disability, their guidance and their transition to the regular employment market. Nationally, in 2020, we created a total of 276 (2019: 279) 25.5-hour jobs for this target group. On balance, this is slightly less than in 2019, when (under pressure from the hectic pace of business in our stores during the COVID-19 pandemic) the number of jobs for people distanced from the labour market decreased at Trekpleister, while at Kruidvat there was actually a slight increase in the number of these vacancies filled.

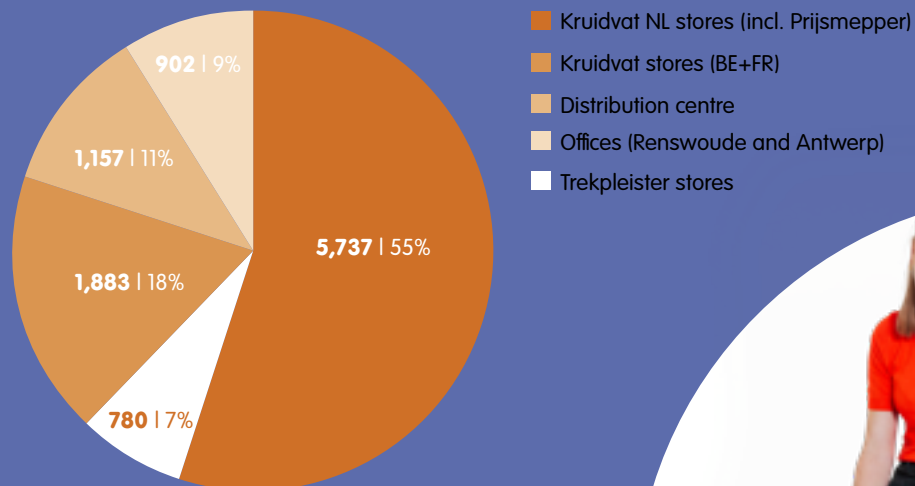


OUR PEOPLE

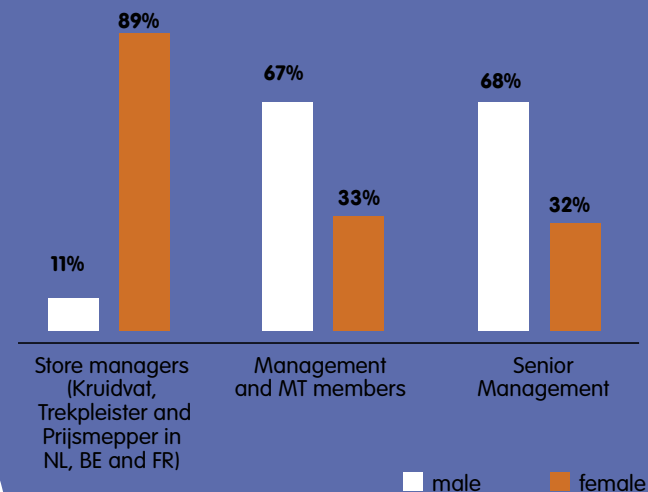




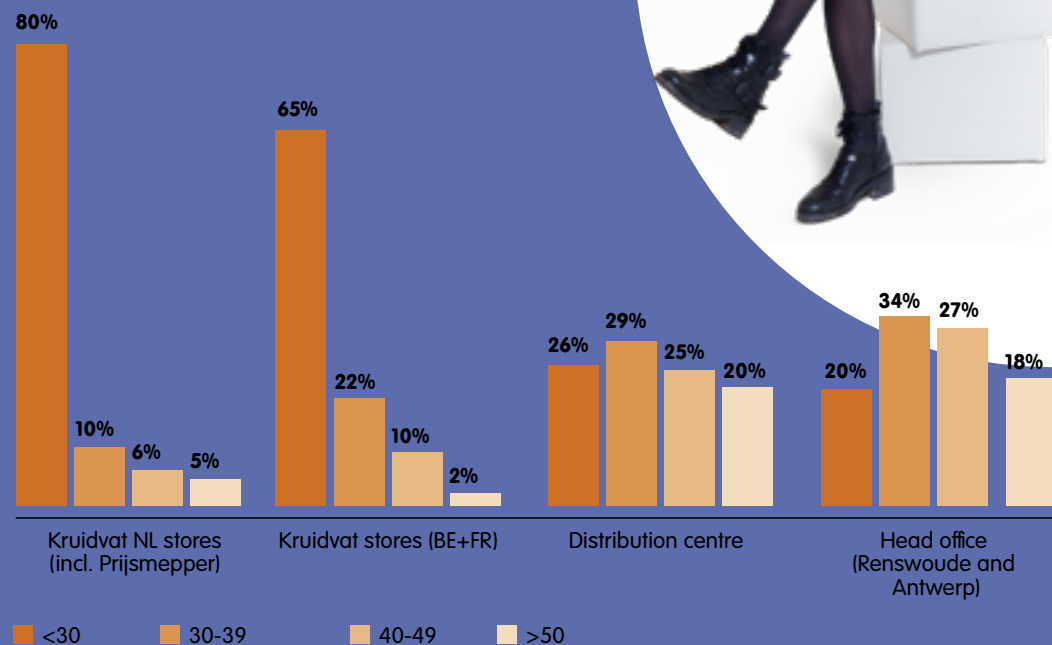
NUMBER OF FTES AT YEAR-END 2020



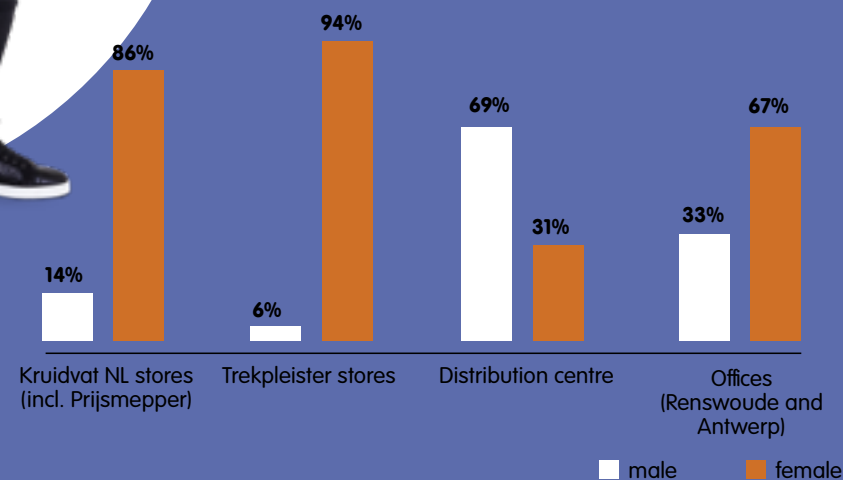
DIVERSITY AT MANAGEMENT LEVEL



AGE DIVERSITY



MALE-FEMALE DIVERSITY (IN % FTE)



2.6 SOCIAL INVOLVEMENT

2020 was a challenging year for many. Through our contributions to many small and larger campaigns, we supported various institutions in these difficult times. We have a project team that decides annually which initiatives we support. Here, we make a distinction between Trekpleister and Kruidvat. Trekpleister supports more local initiatives, such as sponsoring sports associations, whereas Kruidvat provides more support at a national level.

Last year, we donated baby items to Children's Hospices. In addition, we donated toys, craft supplies and children's clothing to various institutions and hospitals in order to lend a helping hand.

Healthcare staff in nursing homes and hospitals have also had to endure a lot. Frequent wearing of tight mouth masks increases the risk of skin irritations and the frequent use of hand gel and soap also has an impact on the skin. Proper care is extra important. That is why we have donated many thousands of tubes of facial cream to 15 hospitals. The past year has also seen greater reliance on food banks. Many people lost their jobs and financial security. We have supported food banks by donating 900 leftover 'Welcome home packages', sample sale items and 14 pallets of soap bars. The 'Welcome home packages' contain about 30 products, including shower products, coffee and cake.



Charities

In addition to the above initiatives, A.S. Watson supports charities in a structured way. We donate a fixed amount to the Skin Fund every year. For years, we have been committed to raising awareness of the importance of healthy skin. This is also reflected in our long-standing partnership with KWF Kankerbestrijding (the Netherlands) and Stichting tegen Kanker (Belgium). In addition, we offer our customers the chance to donate their savings points to a charity of their choice. Customers can donate their savings points to various charities in the Netherlands and Belgium, such as The Red Cross, KIKI, KWF, Operation Smile and the No Wildlife Crime Foundation (NWC). You can find more information about how customers can help at kruidvat.nl/goededoelen. In 2020, 10,246,400 savings points were donated, which is equivalent to €51,691. We also give our own employees the opportunity to contribute to the community. This was more difficult to facilitate due to COVID-19 and the associated measures. Fortunately, volunteer days have taken place on which our colleagues in the Netherlands and Belgium committed themselves to various initiatives, such as supporting local food banks and offering a helping hand to foster families in collaboration with the 'Je Mag Erzijn' foundation.



OUR SOCIETY

Kruidvat Nappy Cake

In these times of measures against coronavirus, young parents and pregnant women, like many others, do not have it easy. During the maternity period, loved ones cannot visit the new mother and hold the little miracle in their arms. This proves very different from what the young parents had envisioned. That is why Kruidvat gives these parents a helping hand with the Kruidvat Nappy Cake. Friends and family were able to register new parents online as a surprise. We visited the winners' homes to share video messages from loved ones on a large TV screen. To top it off: a huge nappy cake and free Kruidvat nappies for a year.





APPENDICES

3.1 ABOUT THIS REPORT

The CSR report is our way of informing our stakeholders about our organisation and how we are continuing to create value in the long term. This is a report about our non-financial performance. It is drawn up annually, and is based on a reporting period of a calendar year. The last report was published on 1 June 2020.

Division and scope

When determining the content and division of the report, we took the wishes of our stakeholders via a materiality analysis as our basis. In it, the degree of impact that topics have on A.S. Watson is set against the importance that external stakeholders attach to these topics. The process for determining materiality and a full list of material topics are described from page 42 'Materiality'.

Unless otherwise stated, this CSR report relates to A.S. Watson Health & Beauty Benelux BV, which includes Kruidvat, Trepleister and the outlet formula Prijsmepper*, but also A.S. Watson's offices, the DC in Heteren and the e-fulfilment centre in Ede**. Subcontractors are not included in the scope of this report, unless otherwise stated. No acquisitions or divestments took place within A.S. in 2020. A.S. Watson Health & Beauty Benelux is part of the A.S. Watson Group, the largest Health & Beauty retailer in Asia and Europe. A.S. Watson Group is part of CK Hutchison Holding Limited, a listed company with head office in Hong Kong.

Financial results are shared at group level and this report can be seen as a local supplement to those. A.S. Watson Health & Beauty Benelux, in its CSR policy, follows the CSR policy established at group level, customised for the Benelux market. You can find more information about this international policy at <https://www.aswatson.com/our-company/purpose-and-commitment>.

Reporting standards and/or guidelines

A.S. Watson Health & Beauty Benelux BV aims to improve its CSR reporting every year, to match the nature, risks and opportunities of the organisation. With this CSR report, A.S. Watson Health & Beauty Benelux is reporting in compliance with The GRI Standards 'Core' guidelines of the Global Reporting Initiative (GRI). GRI is based on the principle of materiality and requires organisations to communicate their management approach to topics that are material to the organisation. Hence, in the annual report, we focus and report on topics that are important to stakeholders. The GRI Context Index with references is set out in the appendix on page 51. We attach a lot of value to transparency towards our shareholders and take part in the Transparency Benchmark of the Ministry of Economic Affairs and Climate. We achieved 4th place in the retail sector with the CSR report for 2018, with a total score of 57%.

In addition, our policy is based on international treaties including the ILO conventions, the OECD Guidelines for Multinational Enterprises, the Sustainable Development Goals of the United Nations and the United Nations guidelines on business and human rights.

Data quality of non-financial KPIs

Methods of measuring, estimating and calculating are, for all indicators, related to material topics and the process of data collection. Our non-financial KPIs are presented in this report. The non-financial data are collected in the first quarter of every year. Once collected, the data are consolidated and subjected to a trend analysis, which is carried out by our finance department in conjunction with the CSR manager. If there are considerable anomalies in the trends, the information is given context and verified with the relevant data provider. Where no data were available, they have been estimated.

No uncertainties or inherent limitations have been identified as a result of measurements, estimates or calculations.

Data collection for KPIs

Data to monitor non-financial KPIs largely come from third parties. For example, transport is outsourced to partners, energy is procured from a supplier, and the information about raw materials for our own-brand products and packaging is delivered to us by our suppliers.

Around half the energy data from stores comes automatically from smart meters. Other meters are read monthly. If meter readings are not available, we estimate the gas and electricity readings based on historical data.

The transport from the Distribution Centre to our stores is done by partners. Because, in practice, a lot of trucks drive exclusively for us, we fully attribute the carbon emissions from transport to ourselves. Carbon emissions are calculated according to the GHG Protocol (scopes 1 and 2). We use CO₂ conversion factors from CO₂ emissiefactoren.nl. Apart from for electricity, we use the specific factor from the energy supplier.

The data from our centrally contracted waste disposal is supplied by our contractual partners based on the number invoiced collections.

The data about our more sustainable packaging and raw materials is shared with us by the suppliers via product scorecards that they fill in with the new product developments.

For purposes of supply chain responsibility, the factories' BSCI efforts are recorded in the technical files of our non-Health & Beauty related own-brand products. For our own-brand Health and Beauty products, this data is shared by the suppliers via the scorecards.

The data on diversity, training, absenteeism and accidents is supplied by our HR administration. Lastly, points donations are tracked and delivered by our CRM department.

Changes

In 2020, no changes were made regarding our CSR policy and our objectives. The topics in this report were selected on the basis of our materiality analysis. Other changes in definitions and measuring methods compared to previous reporting periods are explained where relevant.

Internal control

No external control has been applied to this report. The figures are audited internally by the CSR manager and the finance department of A.S. Watson Benelux. Audits for internal control purposes were carried out on a random sample basis by A.S. Watson Group and CK Hutchison Holding Limited on the above-mentioned figures.



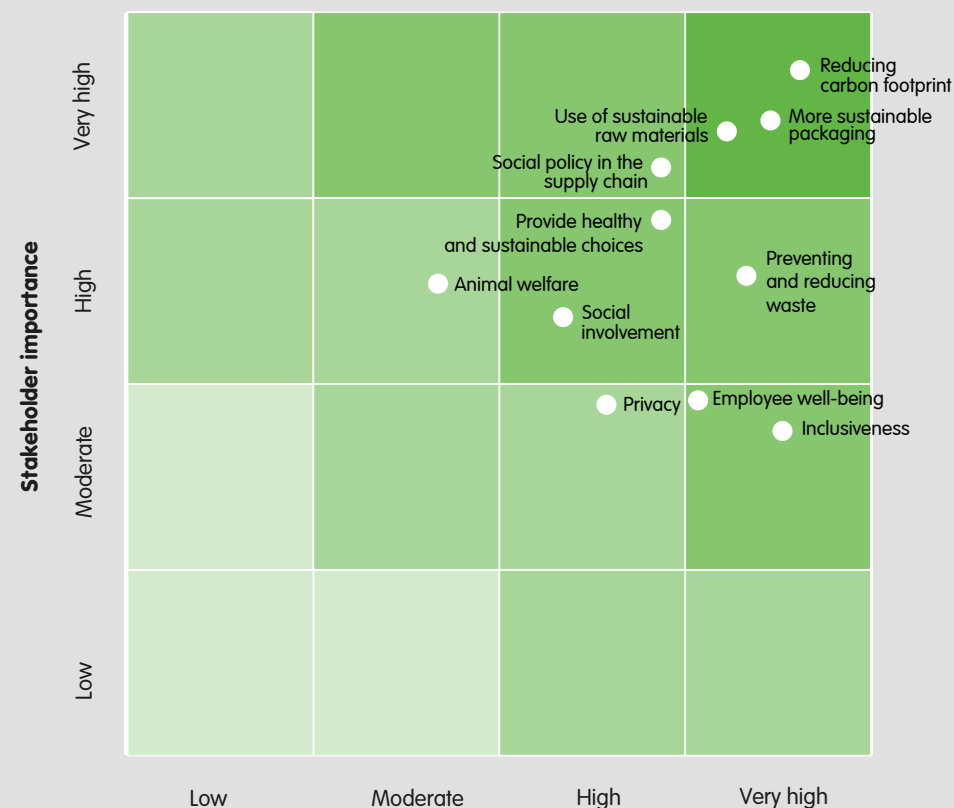
3.2 NOTES TO MATERIALITY

In 2018, we updated our CSR policy based on a recalibration of our materiality analysis. To identify the relevant aspects, we speak to the various stakeholders throughout the year and consult various information sources. In addition, we conducted a more extensive stakeholder consultation in 2020 by questioning several stakeholder groups (employees, management, customers and suppliers) by means of a survey. This survey was based, among other things, on our shortlist of sustainability themes.

We assessed the shortlist of sustainability themes on how important these are for our stakeholders, the scope, the potential influence, the concern over the topic within and outside our organisation, the expectations of the major stakeholders and the extent to which the theme influences their decisions, the potential risks, the contribution to our success and its relationship with our core processes.

This update of material topics has not resulted in any fundamental changes in the matrix compared to previous years. The focus within the material aspects has changed slightly. For example, we see that plastic and plastic packaging has become increasingly important to people in recent years. There is also greater focus on sustainability of ingredients, transparency about them and the impact that our business conduct has on the climate. These topics also crop up on a regular basis in the dialogue with our stakeholders.

Over the past few years we have achieved great results on the aspect of 'sustainable use of raw materials' and we have set ourselves higher aspirations in this update. The availability and volume of the raw materials in our own-brand range are important prerequisites for our aspirations. For example, the topic of making palm oil, cotton, wood and packaging more sustainable is coming more to the fore than, for example, meat and fish (volume) and soya lecithin (availability).



Business impact A.S. Watson Health & Beauty Benelux

- Sustainability dialogues with internal and external stakeholders.
- GRI guidelines (www.globalreporting.org).
- ISO 26000; international guideline for CSR.
- Benchmarks for Corporate Social Responsibility (CSR), including the Transparency benchmark used by the Dutch Ministry of Economic Affairs to assess the degree of transparency in their reporting.
- Similar businesses in the retail sector.
- Other sources of information about the retail sector, including industry organisations.

























MATERIALITY

CHAPTER	MATERIAL THEME	DEFINITION	KPI (INCL. GRI LINK)
2.1	We support a sustainable and healthy lifestyle	Support about healthy and sustainable choices	Information on our standard communication channels about background of sustainable ingredients, packaging and healthy lifestyle choices
2.2	Supply chain responsibility	Sustainable use of raw materials	Information on our standard communication channels about background of sustainable ingredients, packaging and healthy lifestyle choices
		Sustainable use of raw materials	Information on our standard communication channels about background of sustainable ingredients, packaging and healthy lifestyle choices
		Social policy in the chain	Good and healthy working conditions in our supply chain
2.3	Packaging and waste	More sustainable packaging	Preventing, reducing and improving transport and own-brand packaging plastic and keeping/making it recyclable
		Preventing and reducing industrial waste	When purchasing consumables, attention is paid to recyclability, circular projects and the possibility of recycling the waste streams.
2.4	Our energy consumption	Reducing negative impact on climate	Reducing our carbon footprint, scopes 1 and 2, of our business conduct
2.5	Being a good employer	Employee well-being	Striving for working conditions for our employees whereby everyone can take control, for themselves, of being physically, emotionally and socially resilient
		Inclusiveness	All employees are given equal opportunity to develop talents and options for improving skills and for personal development, creating equality in labour mobility.
2.6	Social involvement	Social involvement	Together with relevant charities, we wish to practise our social involvement in areas that are important to our customers and employees.

3.3 STAKEHOLDER SUMMARY

STAKEHOLDERS	EXPECTATIONS OF STAKEHOLDERS	HOW WE INVOLVE OUR STAKEHOLDERS	MOST IMPORTANT MATERIAL THEMES	OUR APPROACH
Employees	Safe, attractive and inspiring workplace, support in vitality, development opportunities, good working conditions and employment terms, with equal opportunities for all.	Daily contact via, among other things, supervisor, bilateral discussions, departmental meetings. Internal meetings, inspiration sessions, social intranet, recruitment events, social media, business updates and management consultation, in which SGD 8 and 10 are also discussed. Regular consultations with works councils, trade unions and the possibility for employees to have contact with a confidential adviser.	<ul style="list-style-type: none"> Employee vitality (well-being and development) Diversity & inclusiveness 	Development of holistic vitality policy, opportunity for people who are distanced from the labour market, reflection of the community, diverse work-life balance, health and motivation activities and training opportunities.
Customers	Affordable, optimal product range, being surprised, convenience, support for conscious choices.	Daily contact via, among other things, store employees, web-site, customer service and newsletters, applying SDG 12 as one of the principles.	<ul style="list-style-type: none"> Provide healthy and sustainable choices Use of sustainable raw materials More sustainable packaging Social policy in the chain Social involvement 	Launch of Kruidvat Natuurlijk & Voordelig, collaboration with suppliers on packaging and sustainable raw materials, and CRM charities programme.
Suppliers	Commitment, cooperation, fair prices, realistic payment terms.	Periodic supplier discussions, annual supplier meeting, trade fairs, joint ventures for sustainable solutions and innovations, in which SGDs 3, 8, 10, 12, 13 and 17 are also discussed.	<ul style="list-style-type: none"> Provide healthy and sustainable choices Use of sustainable raw materials More sustainable packaging Social policy in the chain Social involvement 	Collaboration with suppliers on packaging and sustainable raw materials, social audits, charities and self-assessments on environmental policy in own-brand suppliers' factories, input for Kruidvat Natuurlijk & Voordelig.
Stakeholder	Continuity, return, transparency, responsible entrepreneurship.	Periodic supply of information, periodic financial and CSR consultations and Group meetings, in which SGDs 3, 8, 10, 12, 13 and 17 are also discussed.	<ul style="list-style-type: none"> Provide healthy and sustainable choices Use of sustainable raw materials More sustainable packaging Social policy in the chain Social involvement Preventing and reducing industrial waste Reducing carbon footprint Employee vitality Inclusiveness 	Use of structural reporting tool for group-wide non-financial data, transparency regarding our sustainability policy and sustainability results through sharing best practices.
Government	Transparency, compliance with laws and regulations, sustainable packaging, climate awareness.	Periodically via control visits, meetings and via industry organisations, in which SGDs 8, 12, 13 and 17 are also discussed.	<ul style="list-style-type: none"> Use of sustainable raw materials More sustainable packaging Social policy in the chain Preventing and reducing industrial waste Reducing carbon footprint Employee vitality Inclusiveness 	Reporting according to GRI, guarantee of compliance on energy, waste and working conditions in the line.
Society	Corporate responsibility, involvement, supply chain transparency, safe environment.	Periodically via e.g. meetings, joint ventures with NGOs for sustainable solutions, workshops, bilateral discussions and the media, in which SGDs 3, 8, 10, 12, 13 and 17 are also discussed.	<ul style="list-style-type: none"> Provide healthy and sustainable choices Use of sustainable raw materials More sustainable packaging Social policy in the chain Preventing and reducing industrial waste Reducing carbon footprint Employee vitality Inclusiveness Social involvement 	Voluntary work, support for charities, launch of Kruidvat Natuurlijk & Voordelig, implementation of energy-saving measures and use of sustainable energy, various improvements for recyclability of packaging, collaboration for improvement of sustainable palm oil.

3.4 RESULTS AND CONNECTIVITY

	MATERIAL THEME	VALUE CHAIN	KPI	RESULTS 2019	RESULTS 2020	PROGRESS 2025	AMBITION 2025	MAIN SDGS
OUR CUSTOMER	Information about healthy and sustainable choices	Store, e-commerce, consumer	(Ass.) store managers with professional drugstore diploma	97%	92%	On schedule	100%	  
			Natuurlijk & Voordelig (Natural & Affordable)	rolled out	strengthened	● On schedule	t.b.d.	
			Customer-oriented CSR initiative with our suppliers	N/A	2	● On schedule	2 per year	
	Privacy	e-commerce, HQ, employees	Cyber awareness programme	employee training	94% participation	N/A	N/A	  
	Use of sustainable raw materials	Supply chain, consumer	Palm oil	96%	63% - expansion of scope	● On schedule	100%	
			Paper/wood	95%	96%	● On schedule	100%	
			Coffee	100%	100%	● On schedule	100%	
			Chocolate	100%	100%	● On schedule	100%	
			Cotton	0%	2%	● Deviation from schedule	100%	
			Disposable plastic	first plastic-free cotton buds	<ul style="list-style-type: none"> all own-brand cotton buds are plastic-free stopping sale of water balloons and plastic confetti 	● On schedule	No disposable plastic at a high risk of becoming litter	  
OUR PLANET	More sustainable packaging	Supply chain, consumer	Sustainable certified cardboard	75%	75%	● Deviation from schedule	<ul style="list-style-type: none"> 100% certified cardboard/paper; 100% recyclable plastic; 25% reduction in conventional plastic use 	
			Making packaging more sustainable	60	77	● Deviation from schedule		
	Supply chain responsibility	Supply chain	non-H&B related own-brand products for which social audits are available	72%	87%	● Slight deviation from schedule	100%	  
			non-H&B related own-brand products for which social audits are compliant	94%	97%	● On schedule	100%	
			H&B own-brand products for which social audits are available	97%	98%	● On schedule	100%	
			H&B own-brand products for which social audits are compliant	88%	100%	● On schedule	100%	
	Sustainable business operations (CO ₂ and waste)	Stores, DC, HQ, transport	Carbon emissions (scopes 1 and 2)	29821	21523	● On schedule	24656 = 50% reduction compared to 2015	  
			Carbon emissions per m2 of store	31.6	15.9	● On schedule	17.2 = 75% reduction compared to 2012	
			Carbon emissions per transported pallet	11.5	10.3	● On schedule	6.3 = 50% reduction compared to 2015	
			Sustainable electricity	74% NL 100% B	100%	● On schedule	100%	
			In-store electricity efficiency	118.3	111	● On schedule	88.6 = 30% reduction compared to 2015	
			Stores with LED	35%	41%	● Slight deviation from schedule	100%	
OUR PEOPLE	Employee vitality	Employees	Contracted waste streams recycled	89.6%	89.5%	N/A	Focus on recyclability of packaging, circular projects and recycling waste streams	  
			Employee vitality	4333	4379	N/A	N/A	
			Success rate for VET diploma among sales assistants	94%	95%	● On schedule	95%	
			Number of accidents involving injury in DC	140	150	● Slight deviation from schedule	Striving for zero accidents	
	Diversity & inclusiveness	Employees	Vitality programme	N/A	start of holistic vitality programme	N/A	N/A	  
			Dutch employees who are distanced from the labour market	1.70%	1.60%	● Deviation from schedule	5%	
			Social involvement		<ul style="list-style-type: none"> 10,246,400 face cream savings points to 15 hospitals 14 pallets of soap bars and 900 welcome home packs and Christmas boxes to food bank 	N/A	N/A	
	Inclusiveness	Store, e-commerce, consumer	Customer donations					  
			Collaborations with civil society organisations and social initiatives	Dutch Cancer Society (DCS), Stichting Tegen Kanker (Belgian Foundation against Cancer)	DCS, Stichting Tegen Kanker and local food banks; Nappy Cake	N/A	N/A	

3.5 RISK MANAGEMENT

Good risk management is important to being able to continue being of value in the short and long term. Without good risk management we cannot achieve our strategic goals. Risks from various areas are mapped in a structured manner and the risk mitigation is monitored periodically and evaluated annually. These are strategically managed at group level and weighed up based on the chance of uncertainty arising and the extent of the financial impact. For the major risks at group level, please refer to:

> **2020 Annual Report of CK Hutchison Holdings Limited pages 69 – 75.**

Given that this is the CSR report for A.S. Watson Health & Beauty in the Benelux, we will deal here with the major risks for our own organisation. These risks are all CSR related. That means that either the cause is triggered by a sustainability theme, such as climate change or human rights, or it has a significant effect on humans and the environment. On the following page we give an overview of the major risks, their causes and effects, and mitigating measures.

Opportunities

Through the mitigation measures, we are able to turn a number of risks into opportunities. By focusing on more sustainable raw materials, we want to ensure that sufficient raw materials are also available in the long term so as to be able to serve our customers. From the activities that go beyond the environmental laws and regulations on energy and CO₂ reduction, we can act quickly on potential energy losses and we invest in energy savings, which in the long term also results in cost reduction.

RISK TABLE

SUBJECT	CONTEXT AND CAUSE	CONSEQUENCE FOR A.S. WATSON	CONSEQUENCE FOR HUMANS AND THE ENVIRONMENT	PROBABIL-ITY	IMPACT ON A.S. WATSON BENELUX	IMPACT ON HUMANS AND THE ENVIRON-MENT	RISK ACCEP-TANCE	MITIGATION MEASURES	
1	Social and environmental breaches in the chain	Some of our products come from producers in countries with a higher risk of non-compliance with international agreements on working conditions.	Negative publicity and loss of reputation.	Unfavourable living and working conditions in the supply chain working conditions	Medium	Medium	High	Low	• All factories where our own-brand products are produced must be compliant with BSCI.
2	Non-availability of raw mate-rials	The offer of sufficient volume or quality of (natural) raw ma-terials can shrink because of, for example, climate change, short term thinking by pro-ducers, unfavourable com-mercial conditions or insecure (geopolitical) situation.	Lower turnover because our suppliers are unable to deliver sufficient volume or quality.	Shortage of raw materials or food in the supply chain	Low	Medium	Low/medium	Medium	• We are making our own-brand product range more sustainable by purchasing more and more sustainable raw materials. • We buy products from various regions and ensure that we are not dependent on one or more suppliers.
3	Physical climate risks	Floods, heavy rain or hail, drought and heat are oc-curring more often due to climate change.	• Lost turnover because DCs or stores cannot operate (temporarily or otherwise). • Lost turnover because our suppliers are unable to deliver sufficient volume or quality.	Degradation of agricultural land, shortage of raw materials or food	Low	Low	High	Medium	• We buy products from various regions and ensure that we are not dependent on one or more suppliers. • Making an inventory of possibilities for taking measures in high-risk locations.
4	Non-com-pliance with environmental legislation	Environmental legislation requires reduction of CO ₂ consumption and energy consumption.	Significant fines, negative publicity and/or loss of reputation in the event of non-compliance.	Significant impact on climate change	Low	Low	Medium	Medium	• With our CSR policy and activities we are committed to energy and CO ₂ reduction (see Environment) that goes beyond environmental laws and regulations.
5	Data security and privacy legislation	Cyber attacks and/or data leaks	• Lost turnover because IT infrastructure and (e-)commerce channels are not operational. • Significant fines, negative publicity and/or loss of reputation because of customer data leaks	N/A	Low	Medium	N/A	Medium	• Our IT infrastructure is of high quality and is audited in accordance with recent laws and regulations, including the GDPR.
6	Shortage of talent	Young talent from genera-tions Y & Z attach value to CSR. Our current policy and activities are possibly not seen as sufficiently sustain-able.	Not attracting or retaining enough young talent.	N/A	Low	Low/me-dium	N/A	Medium	• We are actively increasing sustainabil-ity and profiling ourselves on CSR so that we continue to recruit young talent (generations Y and Z).

3.6 GOVERNANCE

Our structure

The ultimate responsibility for our CSR policy lies with Ed van de Weerd, CEO of A.S. Watson Health & Beauty Benelux. He is also member of the international CSR committee of A.S. Watson Group.

The CSR objectives and the progress of activities are discussed at least twice a year in the Board meeting and, if necessary, adjustments are made. The CSR strategy is an important part of the strategy of A.S. Watson Benelux and is brought together under our Social Purpose.

Our CSR strategy is based on four pillars: our customers, our planet, our people and our society. The topics within the pillars are divided among four board members, who act as CSR ambassadors for these topics.

Together, they form the CSR steering committee. This steering committee formulates the aspiration level, monitors the alignment with the strategy, sets out the long-term objectives, monitors the progress and makes adjustments where necessary.

For each topic within the pillars, the CSR ambassador organises further activities. Topics related to Product range, labour market and customer activation each have a working group; in environment, coordinators operate within a discipline. The working groups and coordinators draw up and implement annual plans.

The activities are integrated into the existing tasks as far as possible and are part of the annual appraisals. The CSR steering committee and the working groups meet at least four times a year.

The CSR manager draws up the CSR strategy, coordinates the objectives in the organisation and flags up relevant market developments to keep the strategy aligned with current themes. In addition, the CSR manager contributes with substantive expertise to CSR reporting and communication and is responsible for stakeholder engagement. He reports to the HR Director, who serves within A.S. Watson Group as CSR ambassador for the Benelux.



ED VAN DE WEERD (52)

CEO OF A.S. WATSON HEALTH & BEAUTY BENELUX

- Member of CSR steering committee, responsible for overall sustainable business operations topics within the pillars of our CSR strategy and ultimately responsible for CSR strategy of A.S. Watson Health & Beauty Benelux
- Member of Global CSR Committee of A.S. Watson Group.
- Background in general management, retail and sales



JAN CAREL UYLENBERG (60)

HR DIRECTOR A.S. WATSON BENELUX

- Member of CSR steering committee of A.S. Watson Health & Beauty Benelux, responsible for 'Our People' pillar within our CSR strategy
- CSR Ambassador for Health & Beauty Benelux from A.S. Watson Group
- Background in Human Resources



BRENDA SMITH (47)

DIRECTOR MARKETING & CUSTOMER EXPERIENCE A.S. WATSON HEALTH & BEAUTY BENELUX

- Member of CSR steering committee of A.S. Watson Health & Beauty Benelux, responsible for customer activation topics within the pillars of our CSR strategy
- Background in marketing and innovation



LEENDERT VAN BERGEIJK BERGEIJK (40)

CSR MANAGER A.S. WATSON HEALTH & BEAUTY BENELUX

- Member of CSR steering committee of A.S. Watson Health & Beauty Benelux
- Background in sustainable enterprise



NIEK SCHIPPER (45)

TRADING DIRECTOR A.S. WATSON HEALTH & BEAUTY BENELUX

- Member of CSR steering committee of A.S. Watson Health & Beauty Benelux, responsible for sustainable trading topics within the pillars of our CSR strategy
- Background in product development and sales



BOARD MEMBERS



ED VAN DE WEERD (52)

CEO OF A.S. WATSON HEALTH & BEAUTY BENELUX
• 3 YEARS AT ASW



BRENDA SMITH (47)

DIRECTOR MARKETING & CUSTOMER EXPERIENCE
A.S. WATSON HEALTH & BEAUTY BENELUX
• 6 YEARS AT ASW



JAN CAREL UYLENBERG (60)

HR DIRECTOR A.S. WATSON BENELUX
• 13 YEARS AT ASW



YVETTE HEIJWEGEN (46)

SUPPLY CHAIN DIRECTOR A.S. WATSON
HEALTH & BEAUTY BENELUX
• 5 YEARS AT ASW



ERIK HEUTHORST (51)

FINANCE DIRECTOR
A.S. WATSON BENELUX
• 17 YEARS AT ASW



NIEK SCHIPPER (45)

TRADING DIRECTOR A.S. WATSON HEALTH &
BEAUTY BENELUX
• 3 YEARS AT ASW



BERT VERHOEF (57)

MANAGING DIRECTOR
KRUIDVAT BELGIUM
• 21 YEARS AT ASW



ROLAND VAN DEN BERG (47)

DIRECTOR ECOMMERCE
A.S. WATSON HEALTH & BEAUTY
BENELUX
• 4 YEARS AT ASW



KATINKA RUIJKES (44)

DIRECTOR SALES OPERATIONS
& INNOVATION KRUIDVAT
THE NETHERLANDS
• 11 YEARS AT ASW

3.7 GLOSSARY OF TERMS

Audits

Process to check the conduct of business at the production site against predetermined criteria. An improvement plan must be drawn up for those criteria which a manufacturer fails to meet. This plan describes which corrective and preventive measures are needed to meet the criteria.

BSCI

Business Social Compliance Initiative (BSCI), an international organisation committed to improving working conditions and having audits carried out for that purpose.

Sustainable use of raw materials

Making the main raw materials that we use as ingredients in our own-brand products more sustainable

More sustainable packaging

Preventing, reducing and improving transport and own-brand packaging plastic and keeping/making it recyclable

GRI

Global Reporting Initiative is an international organisation that drafts guidelines for sustainability reporting. Globally, the GRI Standards are the most frequently applied reporting guidelines. GRI is based on the principle of materiality and requires organisations to communicate their management approach to topics that are material to the organisation.

Inclusiveness

All employees are given equal opportunity to develop talents, options for improving skills and for personal development, creating equality in labour mobility.

KPI

Key Performance Indicator. A means of measuring progress and quality. These are pre-agreed parameters that show the performance level of key business activities.

Social involvement

Together with relevant charities, we wish to practise our social involvement in areas that are important to our customers and employees.

Materiality analysis

An analysis in which the interests of the stakeholders are compared against the interests of the organisation.

CSR

Corporate Social Responsibility, also known as sustainable enterprise.

NGO

A non-governmental organisation (or NGO) is an organisation that is independent of the government and focuses on a supposed social interest.

Provide healthy and sustainable choices

Information on our standard communication channels about background of sustainable ingredients, packaging and healthy lifestyle choices

SDG

The Sustainable Development Goals. These are the 17 objectives for sustainability drawn up by the United Nations, with a 2030 deadline.

Social policy in the chain

Good and healthy working conditions in our supply chain

Stakeholders

Stakeholders are people and organisations who are directly or indirectly influenced by the company's activities or who have a direct or indirect influence on the company

Transparency benchmark

Research by the Ministry of Economic Affairs and Climate into the qualitative and quantitative development of social reporting among the largest enterprises in the Netherlands.

Reducing negative impact on climate

Reducing our carbon footprint, scopes 1 and 2, of our business conduct

Employee vitality

Striving for working conditions for our employees whereby everyone can take control, for themselves, of being physically, emotionally and socially resilient

Preventing and reducing industrial waste

When purchasing consumables, attention is paid to recyclability, circular projects and the possibility of recycling the waste streams.

3.8 GRI CONTENT INDEX A.S. WATSON – STANDARDS CORE

SRS	Information	Reference
GRI 102: GENERAL DISCLOSURES 2016		
1. Organizational profile		
102-1	Name of the organization	Who we are: About us
102-2	Activities, brands, products, and services	Who we are: About us
102-3	Location of the organization's headquarters	Who we are: About us, Colofon
102-4	Number of countries operating	Who we are: About Us
102-5	Nature of ownership and legal form	Appendices: About this report: Division and scope
102-6	Markets served	Who we are: About us
102-7	Scale of the reporting organization	Who we are: About us Value Creation Model A.S. Watson Results and connectivity 2020 at a glance
102-8	Information on employees and other workers	Results: Being a good employer
102-9	Supply chain	Who we are: Our supply chain
102-10	Significant changes to the organization and its supply chain	Who we are: Our supply chain
102-11	Precautionary Principle or approach	Appendices: Risk-management
102-12	External initiatives	Who we are: Our supply chain
102-13	Memberships of associations	Who we are: Our supply chain
2. Strategy		
102-14	Statement from senior decision-maker	Foreword
3. Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	Who we are: Our values
4. Governance		
102-18	Governance structure	Appendices: Governance
5. Stakeholder Engagement		
102-40	List of stakeholder groups	Appendices: Stakeholder summary
102-41	Collective bargaining agreements	Results: Being a good employer
102-42	Identifying and selecting stakeholders	Appendices: Stakeholder summary
102-43	Approach to stakeholder engagement	Appendices: Notes to materiality Stakeholder summary
102-44	Key topics and concerns raised	Appendices: Stakeholder summary

SRS	Information	Reference
6. Reporting practice		
102-45	Defining report content and topic Boundaries	Appendices: About this report: Division and scope
102-46	Defining report content and topic Boundaries	Appendices: About this report: Division and scope Appendices: Notes to materiality
102-47	List of material topics	Appendices: Notes to materiality
102-48	Restatements of information	Appendices: About this report: Changes
102-49	Changes in reporting	Appendices: About this report: Changes
102-50	Reporting period	Appendices: About this report
102-51	Restatements of information	Appendices: About this report
102-52	Reporting cycle	Appendices: About this report
102-53	Contact point for questions regarding the report	Colofon
102-54	Claims of reporting in accordance with the GRI Standards	Appendices: About this report
102-55	GRI Content Index	Appendices: GRI Content Index A.S. Watson - Core edition
102-56	External assurance	Appendices: About this report: Internal control
Material topics		
Circularity (Material topic: Preventing and reducing waste & Use of sustainable raw materials)		
103-1	Explanation of the material topic and its Boundary	Results: Our product range (natural resources and packaging) Results: Waste Appendices: Notes to materiality
103-2	The management approach and its components	Results: Our product range (natural resources and packaging) Results: Waste
103-3	Evaluation of the management approach	Results: Our product range (natural resources and packaging) Results: Waste
306-2	Waste by type and disposal method	Results: Waste
ASW1	Percentage raw materials that meets the sustainability requirements	Results: Our product range (natural resources and packaging)
Environmental impact (Material topic: Reducing carbon footprint)		
103-1	Explanation of the material topic and its Boundary	Results: Our energy consumption Appendices: Notes to materiality
103-2	The management approach and its components	Results: Our energy consumption
103-3	Evaluation of the management approach	Results: Our energy consumption
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	Results: Our energy consumption
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Results: Our energy consumption
305-4	Greenhouse gas (GHG) emissions intensity	Results: Our energy consumption
305-5	Reduction of GHG emissions	Results: Our energy consumption

SRS	Information	Reference
Responsible supply chain (Material topics: Use of sustainable raw materials & Social policy in the supply chain)		
103-1	Explanation of the material topic and its Boundary	Who we are: Our supply chain Appendices: Notes to materiality
103-2	The management approach and its components	Who we are: Our supply chain
103-3	Evaluation of the management approach	Who we are: Our supply chain
ASW2	100% own-brand products from high-risk countries where social audits have been demonstrably conducted via BSCI (or equivalent) and where 100% have attained a BSCI overall C score (or equivalent)	Who we are: Our supply chain
Employees (Material topic: Employee well-being)		
103-1	Explanation of the material topic and its Boundary	Who we are: Our values Results: Being a good employer Appendices: Notes to materiality
103-2	Evaluation of the management approach	Who we are: Our values Results: Being a good employer
103-3	Evaluation of the management approach	Who we are: Our values Results: Being a good employer
403-2	Hazard identification, risk assessment, and incident investigation	Results: Being a good employer (Safety, Accidents in our DCS)
404-2	Programs for upgrading employee skills and transition assistance programs	Results: Being a good employer (Training and development)
Theme: Transparency		
103-1	Explanation of the material topic and its Boundary	Appendices: About this report (Reporting standards and/or guidelines) Appendices: Notes to materiality
103-2	The management approach and its components	Appendices: About this report (Reporting standards and/or guidelines) Appendices: Notes to materiality
103-3	Evaluation of the management approach	Appendices: About this report
ASW3	Absolute score on sector ranking on de Transparantiebenchmark	Appendices: About this report (Reporting standards and/or guidelines)
Theme: informing customers (Material topics: Provide healthy and sustainable choices)		
103-1	Explanation of the material topic and its Boundary	Results: Social involvement Appendices: Notes to materiality
103-2	The management approach and its components	Results: Social involvement
103-3	Evaluation of the management approach	Results: Social involvement
ASW4	Initiatives to promote sustainable and healthy choices	Results: Social involvement



COLOPHON

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Content

Sustainalize

Design

studio Pietje Precies bv

Questions about our report or CSR policy?

Please contact mvo@nl.aswatson.com
A.S. Watson - Annual CSR Report 2020