



**SPEEDING UP:
ANNUAL SUSTAINABILITY
REPORT 2021**



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2021 AT A GLANCE

STORES



1,473

COMPARED TO 1,467 IN 2020

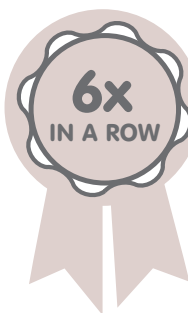
EMPLOYEES



27,433

COMPARED TO 27,300 IN 2020

TOP EMPLOYER



VITALITY



INTEGRAL
VITALITY APPROACH

DISTANCE TO LABOUR MARKET



JOBS CREATED FOR THIS TARGET GROUP
COMPARED TO 276 IN 2020

DRUGSTORE DIPLOMA



4,289

EMPLOYEES
COMPARED TO 4,379 IN 2020

PACKAGING



250

MADE MORE SUSTAINABLE
COMPARED TO 77 IN 2020

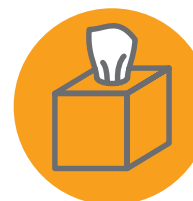
PALM OIL



82%

MINIMUM MASS BALANCE RSPO
CERTIFIED COMPARED TO 63% IN 2020

HEALTH AND BEAUTY PAPER PRODUCTS



97%

CERTIFIED SUSTAINABLE COMPARED
TO 96% IN 2020

KRUIDVAT NATUURLIJK & VOORDELIG



246

PRODUCTS COMPARED TO 200 IN
2020

STORES WITH LED



670 VS. 599 IN 2020

CARBON EMISSIONS



> COMPARED TO 27.8%
DECREASE IN 2020

CO₂ OBJECTIVES 2025



>50% COMPARED TO 2015

SUSTAINABLE ELECTRICITY



IN THE NETHERLANDS
AND BELGIUM

CLIMATE-NEUTRAL PRODUCTS



OUR FIRST
CLIMATE-NEUTRAL NAPPY

"Many small steps make a big difference in our journey to a more sustainable world."

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

FOREWORD

In 2021, we were again confronted with Covid-19 and all the measures needed to protect society as much as possible. During lockdown, in particular, we played an important role as an essential retailer. We are there for our customers in good times and in bad. With our range of self-care medication, hygiene and personal care products, we help consumers feel healthy, beautiful and good. We are proud of our colleagues who worked hard over the last year to achieve this goal. Even after the Covid restrictions were eased, customers continued to come to our stores, as they have for 47 years. We could not wish for a better compliment.

Increasingly, customers are consciously choosing sustainable products. By making these products available to everyone, we are creating a great positive impact. Nearly five million customers visit our stores every week. By nudging them, one step at a time, towards better and healthier products, we are increasingly making a difference. For current and future generations.

This report describes our progress on the road to greater sustainability. A good example is our move towards more sustainable packaging for our range of food supplements: the packaging of over 250 articles at Kruidvat and Trekpleister is being made thinner. This process is expected to be completed by early in the fourth quarter of 2022. This is a small step per pot, but considering how many pots we sell each year, it easily amounts to tens of thousands of kilos in reduced plastic consumption. At the same time, our products remain affordable for every budget. And we don't shy away from making tough decisions when products do not fit into our sustainability goals. For example, we have

stopped selling artificial snow and water balloons, reducing the spread of plastic debris in the environment. But more importantly, we are giving more shelf space in our stores to more sustainable products. For example, products that meet a minimum number of sustainability criteria established in collaboration with Milieu Centraal. These are also given a prominent place in the store, retain their attractive prices and are regularly on promotion, as customers have come to expect from us. This is a natural way to encourage our customers to choose more sustainable products.

Together on the road to a more sustainable world. Always a little better, sometimes in big steps, sometimes small ones, but always with an eye on the customer and society. Accessible and affordable for everyone's wallet. Many small steps make a big difference in our journey to a more sustainable world. A strong foundation, a lot of experience, perseverance and innovation combined with our down-to-earth approach make us confident that we can achieve a greater impact in the future.

We hope you enjoy reading the report

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



CHAPTER 1 WHO WE ARE



"We help our consumers feel beautiful, healthy and good."

1.1 ABOUT US

We are A.S. Watson Health & Beauty Benelux, the parent company of Kruidvat, Trekpleister and Prijsmepper. We are part of A.S. Watson Group, the world's largest international Health & Beauty retailer. Our stores can be found in the Netherlands and Belgium, both physically and online. In the Netherlands we are the market leader in Health & Beauty.

Our product range includes seven product groups. With the four product groups Personal Care, Beauty, Health & Wellbeing, and Baby & Family our focus is on personalised attention to the family and one's own body. Think about food supplements, nappies, make-up, shampoo, bath and shower, hand cream, deodorant and so on. With the other three product groups, Home & Fashion, Media & Leisure and Household & Food, we help our customers in a broad sense to make their lives more enjoyable. By offering the right accessories for the living room, we help to create a nice "feeling of home".

The whole range consists of permanent and changing products from our own brand alongside A-brands and exclusive brands. With this, we help our consumers feel beautiful, healthy and good. We always want to surprise our customers and exceed their expectations. And we never exclude anyone in the process.

OUR CONCEPTS



Always surprising, always advantageous

- Kruidvat is a self-service drugstore
- Over 1,250 stores in the Netherlands and Belgium
- Many high-quality own-brand products
- Combined with a wide range of A-brands such as L'Oréal, Dove, Biodermal, Axe, and many more
- Ca. 5 million customers per week
- Permanent good quality at a low price
- Close and accessible for all



"Always the best drugstore for you"

- Trekpleister is the inexpensive neighbourhood drugstore
- Ca. 200 stores in the Netherlands
- Many high-quality own-brand products
- Many promotions, surprising offers, permanent low prices
- Ca. 750,000 customers per week
- Close, accessible and with attention to the customer



Our pop-up stores

- Residual stocks from Kruidvat and Trekpleister
- Very low price
- Reducing waste flows
- Using vacant properties as efficiently as possible

1.2 SOCIAL PURPOSE AND SUSTAINABILITY POLICY

Accessibility to the masses is the key word in our social purpose. We think it is important that everyone can feel beautiful, good about themselves and healthy. We make this possible by keeping our product range accessible to a wide audience, in which the choice for sustainability is made easy. In this way, we can all create a greater positive impact together. For present and future generations.

OUR SOCIAL PURPOSE

We help everyone feel beautiful, good and healthy with sustainable quality products at affordable prices

OUR VALUES



COLLABORATION

- Respect
- Trust
- Together



ENTREPRENEURSHIP

- Resilience & initiative
- Responsibility
- Purposeful



IMPROVING

- Agreeing & addressing
- Reflecting & learning

OUR STRATEGY

WE ARE A VALUE DRUGSTORE

- Optimal mix of availability and visibility
- Transparency and communication to consumers

WE OFFER THE BEST DEAL

- Knowing what concerns the customer
- Surprising range of sustainable products
- Always at an attractive price

WE ARE THERE FOR EVERYONE

- Affordable and accessible range
- Conscious and more sustainable choice for all

WE KEEP INNOVATING

- With technological applications and investments
- In line with future expectations around sustainability

OUR SUSTAINABILITY PILLARS



OUR CUSTOMERS

- Sustainable Health & Beauty solutions for everyone
- We don't exclude anyone
- Helping you make conscious choices



OUR PLANET

- Improving packaging
- Reducing waste
- Working with sustainable raw materials
- Improving environmental and social performance in the supply chain



OUR PEOPLE

- Creating equal opportunities
- Contributing to proper working conditions, welfare and development of employees



OUR SOCIETY

- Active responsibility and social involvement in pursuit of equality
- Encouraging healthy lifestyles for all

We translated our social purpose for Kruidvat and Trekpleister, each with its own distinctive characteristics:



Doing good feels surprisingly good.

In light of Kruidvat's roughly five million weekly customers, the emphasis here is on the power of the masses to create a positive impact together. For present and future generations.



Better together!

Trekpleister is close to the customer. Attention to the customer is paramount. This connects people, makes them feel good and makes the world a better and more enjoyable place. This is how we create a greater positive impact together, now and in the future.



Transparency, sustainability and influence on the community are important areas of focus for our social purpose. We want to communicate transparently about our activities and impact, both positive and negative. We do this with our customers, our employees, our suppliers and other stakeholders, such as NGOs (non-governmental organisations).

The retail market is dynamic. It's not just our customers' wishes and shopping habits that are changing. They are also more aware of climate change, of the importance of a good environment, and are increasingly steeped in personal health.

Our entire society is in transition to a more sustainable world. As an organisation, we aim to respond to this successfully and flexibly. How we do this is anchored in our cultural values: collaboration, entrepreneurship and improvement.

With our strategy, we give substance to our social purpose. We stand for sustainable growth and long-term value creation. Our operations are focused on respect for people, animals and the environment. On increasing our positive impact and reducing our negative impact.

Our four strategic principles are:

- We are a value drugstore;
- We offer the best deal;
- We are here for everyone;
- We continue to innovate.

With these principles, we actively manage the four Sustainability Pillars: our customers, our planet, our people and our society. Because all of our actions are rooted in our cultural values, we can increase our positive impact on all four Sustainability Pillars.

In consultation with our stakeholders, we have determined which activities really matter to us when it comes to a more sustainable world. These are our material themes.

As a result, we can focus on the issues that allow us to make a difference and contribute to various Sustainable Development Goals (SDGs, see [Chapter 3](#)). In [Chapter 4](#) we describe developments by material theme within our four Sustainability Pillars.

1.3 AMBITION FOR 2023

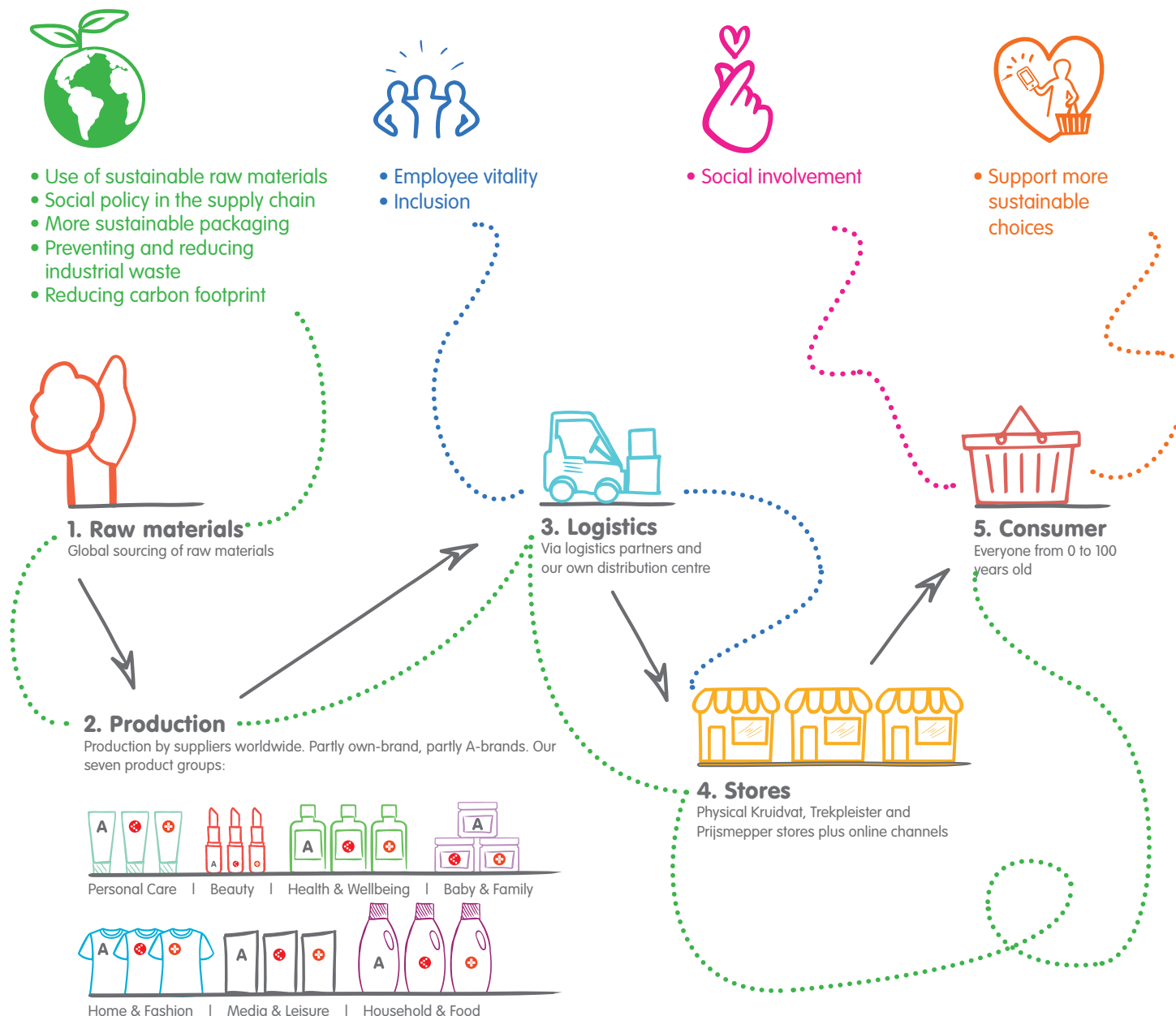
Based on the elements and principles described above, our position in the Benelux market will be further strengthened in 2023. We continue to strengthen our position because of our wish always to be there for our customers when it really counts. We make it as easy as possible for our customers to shop with us and we know how to surprise them time and again. Our growth is sustainable, driven by data, a streamlined and competitive way of working, within a resilient organisation. We are there for everyone, and where the customer expects us to be. And together with our customers, we can increase our positive impact and accelerate further sustainability.

1.4 BUSINESS MODEL AND VALUE CHAIN

As a major player in the retail market we have both direct and indirect influence on people, animals and the environment across the various steps of the supply chain. It starts with our own-brand suppliers. We create the conditions for them to take steps in terms of fair and safe working conditions and to work as much as possible with sustainable raw materials and more sustainable packaging. In our stores, distribution centres (DC), e-fulfilment centre and offices, we influence the health, safety and vitality of our employees. We support our customers, from zero or 100 years old, in making healthy and more sustainable choices.

To promote sustainability within our own operations and in the supply chain nationally and internationally, we are affiliated with various collaborating parties. For the main parties with whom we have made commitments, see [Appendix 6.6 Commitments](#).

VALUE CHAIN





Raw materials

Our supply chain starts with the purchasing of raw materials by suppliers. They process these into products and packaging. We are vigilant about using sustainable raw materials as much as possible.

Production

Our range consists of own-brand products and A-brands. We have more direct influence on own-brand products than on A-brands. For A-brands, we act as a retailer, buying and selling. We work with parties both within

Europe (Czech Republic, Germany, Italy, Netherlands and Poland) and outside Europe (Bangladesh, Cambodia, China, India, Indonesia, Morocco, Pakistan and Turkey). Together with our suppliers and other supply chain partners, we make our products and packaging more sustainable. And improving social conditions in the supply chain is an important focus that we work on continuously.



Logistics

Products reach our store or the consumer directly from our logistics partners and our own distribution centres. Here again we are working to reduce our negative impact. By saving energy in our distribution centres, using smart and efficient transportation and reducing its emissions.



Store

In our stores, we are focusing on making operations more sustainable through lower energy consumption, among other things. We pay great attention to our employees' vitality and inclusion.



Consumer

We support our customers in making healthy and more sustainable choices, always affordable for all. Our range is there for all stages of life, from zero to one hundred. We exclude no one.





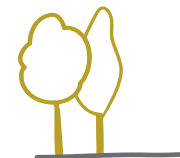
CHAPTER 2

THE WORLD AROUND US



"It gives me a good feeling that with our work we are also contributing to the sustainability and greening of A.S. Watson and, by extension, of society as a whole. I think A.S. Watson is taking an increasingly sustainable path. Hopefully we will expand on this even more in the future."

Mark Buurman, Project Manager,
Project Management Department



1. Climate change

CO₂ emissions hit record levels in 2021, according to research by the International Energy Agency (IEA). The increase last year was even greater than the IEA had predicted in the spring of 2021. The outbreak of the corona pandemic in 2020 brought part of global manufacturing to a halt. As a result, emissions fell sharply, by 5.2 percent. Partly because of the rapid economic recovery and the speed at which countries were able to exit lockdown, emissions increased by 6 percent last year, the IEA reports (8 March 2022).

The increase in emissions from the Dutch economy was mainly due to the partial recovery of the transport sector (including aviation) in 2021. It emitted 7.3 percent more CO₂ than in 2020. Reducing our emissions is a major priority for us. In 2018 we set a goal to reduce our CO₂ emissions by 50% by 2025 compared to 2015 levels. Having already hit that goal in 2020, we have adjusted our target to a 75% reduction in CO₂ emissions by 2025 compared to 2015 levels.

Partly due to fluctuations in economic activity and weather conditions, the pathway to this goal will not be linear. For example, our CO₂ emissions increased slightly again compared to last year, in part because our stores in Belgium remained open throughout 2021, as opposed to the lockdown in 2020.

Introduction

Consumers are increasingly aware of the importance of becoming more sustainable. Consumers' sustainability priorities are listed in Sustainable Brand Index's 'Official Report 2022' on the Netherlands.

Recycling and the (re)use of used materials (30%) comes in at number one, followed by sustainable and environmentally friendly packaging (28%). Animal welfare was third with 23%. This can be observed in our customers. They are becoming more critical and are asking more questions about the sustainability and origin of our products, packaging and production conditions.

Below we describe a number of developments where we wish to increase our positive impact and reduce our negative impact in respect of our four Sustainability Pillars. We discuss this in detail in [Chapter 4](#).

In 2021, Covid-19 once again played a major role in daily life. We had to deal with several lockdowns and additional restrictive measures, such as a curfew in the first few months of 2021. As an essential retailer, both in the Netherlands and in Belgium, our stores were able to stay open and, as in 2020, we lived up to our responsibility to support the community.



2. Deforestation and biodiversity loss

Deforestation is one of the biggest threats to biodiversity and the climate. Forests are a crucial source of oxygen and form the basis for important ecosystems. Within ecosystems, everything is interconnected to everything else.

Every year, the world clears more than three times the area of Belgium in forests for agriculture, mining or infrastructure development. This results in massive greenhouse gas emissions, biodiversity loss, an unbalanced water cycle and erosion. Not to mention the impact on huge numbers of people who depend directly on forests for survival. The growing demand for paper and vegetable oils also plays an important role in this. Deforestation and biodiversity loss are important themes in our supply chain for which we want to take responsibility.

DILEMMA

There is an increasing demand for renewable raw materials worldwide, while their availability varies. For us, too, it is often a question of whether the raw material we want is available at a price that allows us to keep our products affordable.

Because we believe that everyone should feel beautiful and healthy, we are willing to make concessions. We do this to a certain extent, because we also want our products to always be affordable for all our customers.



3. Plastic

Plastic has many advantages. It is indestructible, light, easy to make and transport. But it becomes a problem when it is thrown away. And large quantities are thrown away every day. Some 11 million tonnes of plastic end up in the sea each year. That has a huge polluting effect. The plastic that enters the sea does not decompose. The water of the oceans is turning into a huge, floating garbage dump: a plastic soup. And all that plastic is breaking down into smaller and smaller pieces that makes them more toxic. These microscopic plastic pieces re-enter our food chain via animals.

Laws and regulations have now been brought in because we simply cannot go on like this.

Since 3 July 2021, a ban on single-use plastic items, such as straws, cutlery, plates, cotton buds and balloon sticks, has been in effect in the EU. And this ban is to be tightened further. For example, starting in 2024, disposable cups and cutlery will no longer be allowed in offices, the hospitality industry or at festivals. In addition, tax aspects also play a role. Since last year, a tax on non-recycled plastic has been introduced in all EU member states. The number of subsidies for circularity is also growing gradually.

This is an important theme for us. We want to contribute to a circular economy in which waste is replaced by reuse or recycling, see [Chapter 4](#).

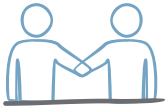


THE LIGHTWEIGHT POTS IN THE NUTRITIONAL SUPPLEMENTS RANGE

"We are also looking at opportunities to make our vitamin pots more sustainable. Our supplier worked with us and suggested that the pots be made of thinner plastic. The customer won't notice much difference: the pots are still sturdy.

Except for a few large pots, all packaging has already been modified; that's 95% of this range. On an annual basis, this will soon result in a reduction of more than 40,000 kilograms of plastic. A good step, but we want to go farther. The next step is pots made of recycled plastic. After all, there's always room for improvement."

Jolanda Urru, Own Brand product manager.



4. Diversity and inclusion

Diversity and inclusion have become an integral part of the social debate. Pursuing this ensures greater equality of opportunity and less discrimination. As a result, people feel more at home within an organisation and experience more job satisfaction. This generally leads to less absenteeism, greater loyalty and higher productivity.

Diversity and inclusion are important issues for our customers, our people and our society. In other words, for three of our four Sustainability Pillars. They fit seamlessly with our values and how we want to be there for everyone. See [Chapter 4](#).



5. More sustainable lifestyle

Many people are increasingly aware of the importance of living a more sustainable lifestyle. During the lockdowns, with gyms closed and only limited outdoor opportunities, it was not always easy to exercise. However, more people went walking in the open air. There was also increasing demand for healthier products. Customers are making more conscious choices, as we explained in the introduction.

We have responded to these developments and help our customers to choose a more sustainable lifestyle by offering products that suit them at an affordable price.



6. Tight labour market

Staffing shortages rose sharply in 2021 as economic growth rebounded from the blow it received in 2020 (source: ABN AMRO Labour Market Report, February 2022). The number of vacancies increased rapidly early last year, but many proved unfillable. The European Commission's most recent survey of the Netherlands (March 2022) confirms this. It reveals that labour shortages are currently the greatest obstacle. A similar picture can be seen in Belgium.

We have observed this too and are committed to keeping our employees engaged and remaining attractive to new hires. We do this by offering internal training and advancement opportunities. But also, for example, by simplifying application procedures and putting contracts on a single A4 page. We also have regular in-service days to learn from each other, inspire and get to know each other. Central to this are our core values and an emphasis on employee vitality and inclusion.

"We are committed to keeping our employees engaged and remaining attractive to new hires."





CHAPTER 3

HOW WE CREATE VALUE

3.1 STAKEHOLDERS

We work with a variety of stakeholders to deliver on our promise to the customer, our primary stakeholder, every day. We believe it is important to have an open dialogue with all of our stakeholders on a regular basis. This makes it clearer what we expect from each other. And it makes us better able to respond to various developments in society. We have identified the following stakeholder groups.



Customers

The customer is our main focus. We are here for everyone, your and old alike.



Suppliers

We work intensively with our suppliers to improve sustainability and social policy in the supply chain.



Shareholder

We coordinate our reporting and policies with our shareholder.



Government

We are in regular contact with various agencies regarding social policies, working conditions and sustainability.



Society

We have contact and cooperate with civil society organisations, NGOs, knowledge institutes, industry associations, charities, and so on.



Employees

Our employees are the core of the organisation and are a reflection of society.

We have conversations with our stakeholders right up to board level. This structurally addresses our main sustainability themes and the impact we have with them, translated based on the United Nations' Sustainable Development Goals. How we can create long-term value and where and how we can speed up. [Appendix 6.3](#) provides a schematic overview of our stakeholder dialogue.

3.2 MATERIAL THEMES

For this Sustainability Report, we have retained the material themes that emerged as most material from the 2020 stakeholder consultation. These have been grouped by Sustainability Pillar. We have not included privacy and animal welfare. Not because we don't consider these topics important, quite the contrary. Protecting the privacy of our customers is one of our top priorities and is therefore safeguarded at the group level; see Sustainability Report 2021 A.S. Watson Group (page 37).

Since 2013, Europe has banned the testing of personal care products on laboratory animals. Animal testing is not allowed in the production of cosmetics or to test their safety. The ban applies not only to the product itself, but also to the individual ingredients. This theme is thus covered by the legislation with which we are fully compliant. In addition, we do not accept fur in our own-brand range and are committed to animal welfare wherever possible.

For our 2022 reporting, we will once again set up a comprehensive stakeholder consultation. In [Chapter 4](#) we cover the course of events in 2021 for each material theme, new developments, and so on. [Appendix 6.2](#) contains the explanation of our [materiality](#).

MATERIAL THEMES:

OUR CUSTOMERS

We make more sustainable Health & Beauty solutions accessible to all, excluding no one and helping consumers to make a conscious choice to feel beautiful, healthy and good.

MATERIAL THEMES:

- Making more sustainable choices more attractive
- Inclusion



OUR PLANET

We improve packaging and reduce waste, ensure sustainable raw materials, and improve environmental and social performance in the supply chain.

MATERIAL THEMES:

- Supply chain responsibility:
- Sustainable raw materials and ingredients
- More sustainable packaging
- Preventing and reducing waste
- Reducing our carbon footprint



OUR PEOPLE

We create equal opportunities and contribute to fair working conditions, the well-being and development of our employees.

MATERIAL THEMES:

- Employee vitality
- Inclusion



OUR SOCIETY

With our social involvement we take active responsibility in striving for equality and promoting a healthy lifestyle for all.

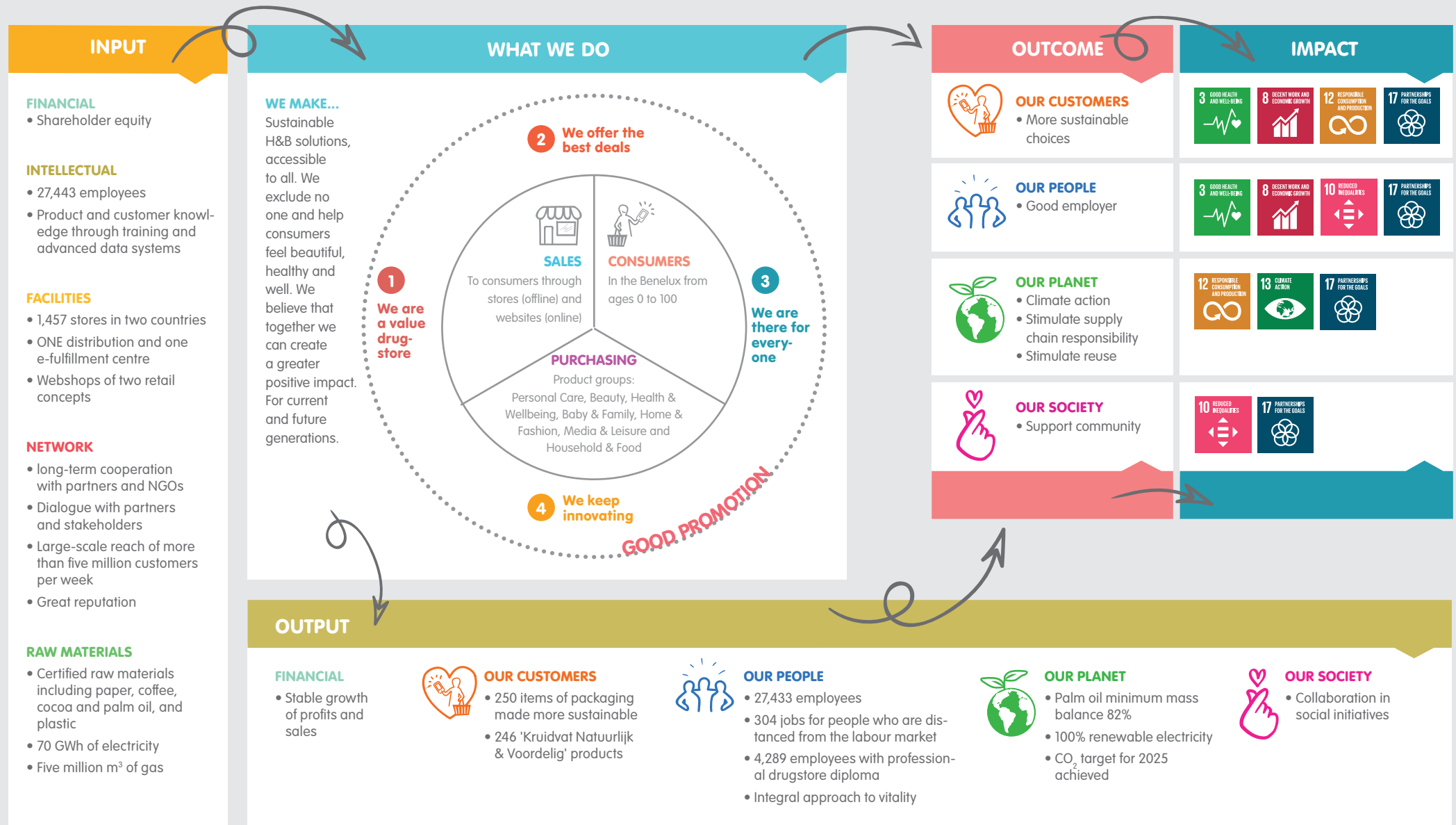
MATERIAL THEMES:

- Social involvement
- Inclusion (in development)



3.3 VALUE CREATION MODEL

Every day, hundreds of thousands of customers rely on our wide range of products. Our store network of over 1,450 stores and the online store mean we are always nearby. As the leading Health & Beauty retailer in the Benelux, we thus not only contribute to more conscious choices for our customers, we also contribute to local economic growth and employment. We are the direct employer of over 27,000 employees. With our products, we have an impact, both negative and positive. In the value creation model below, we provide insight into what capital we utilise, how we use it to create value for our stakeholders, and what this delivers to society in the longer term.



EXPLANATION OF OUTCOME AND IMPACT

We take the changing environment into account when deploying resources. At the same time, by sticking to our strategic principles, our products remain accessible to all. We do this with respect for people, animals and the environment, and with a view to sustainable growth. With our outcomes per Sustainability Pillar, we impact several SDGs, see the overview below.



OUR CUSTOMERS

More sustainable choices: we offer our customers ever more products that meet various sustainability criteria, including with Kruidvat Natuurlijk & Voor-delig. These products are accessible to all.



We offer more sustainable products (SDG 3.4) that are accessible and affordable to all (SDG 3.8).



We ensure good working conditions in the supply chain through social audits via the Business Social Compliance Initiative (BSCI) and by setting requirements to prevent human rights violations (SDG 8.8).



Our products carry relevant information about their origin and various sustainability logos (SDG 12.8).



OUR PEOPLE

Good employer: we are actively committed to ensuring that our employees are vital and feel good, we exclude no one in this process.



We offer programmes focused on health and vitality, both at head-quarters and in-store (SDG 3.4).



We provide equal opportunities and equal pay for equal work to all, without discrimination between individuals (SDG 8.5). We ensure good working conditions and provide a safe working environment for everyone (SDG 8.8).



We strive for equality, diversity and inclusion so that our colleagues reflect society and no one is excluded (SDG 10.2).



OUR PLANET

Climate action, stimulating supply chain responsibility, stimulating recycling: through energy savings, reducing CO2 emissions and purchasing certified raw materials, we aim to reduce our climate impact and live up to our supply chain responsibility.

By encouraging as much reuse as possible, we are taking our first steps toward a circular economy. A completely circular economy is our ultimate goal. We plan to focus on this more intensively going forward.



For our own brand, we strive for more sustainably-managed raw materials and encourage A-brands to do the same (SDG 12.2). In addition, with our own brand, we strive for less packaging and packaging of better and recyclable material (SDG 12.5).



Through our initiatives and by communicating intensively about them, we work to raise awareness to mitigate climate change, make adjustments, and reduce climate impacts (SDG 13.3).



OUR SOCIETY

Supporting community: not only do we want our customers and colleagues to feel good, we see our responsibility society-wide.



We provide equal opportunities, reduce inequality and support various initiatives to promote these ends (SDG 10.3).



In respect of all four of our Sustainability Pillars, we cooperate with institutes, institutions, industry associations, etc. to give substance to the achievement of international sustainability goals.



CHAPTER 4

POLICY AND RESULTS

In this section, we discuss the developments in 2021 with regard to our most material themes.



4.1 MAKING MORE SUSTAINABLE CHOICES ATTRACTIVE

Consumers are increasingly interested in healthy and sustainable lifestyles. They are becoming more critical when it comes to ingredients, packaging and production conditions.

They also expect us to come up with solutions to climate problems and other social issues. Therein lies a great challenge for us. On the one hand, in supporting more sustainable choices, on the other in being and remaining accessible to all.

Advice on responsible use

Responsible use is important with many of our products. These include, for example, vitamin supplements, sunscreen or medicines that are available without a prescription. With over 4,000 certified drugstore employees in our stores, we can support customers in this regard.

	No. certified drugstore employees	
	2020	4,379
	2021	4,289
	Percentage (Assistant) Branch managers with professional drugstore diploma	
	2018	93%
	2019	97%
	2020	92%
	2021	95%

Make more sustainable choices


Approximately five million customers enter a Kruidvat store each week. By supporting these customers in making more sustainable choices, we can make a real impact through the power of the masses.

Case in point: 1 pot that is just a few grams lighter easily saves hundreds of kilos of waste when you add it all up. We can make our customers even more aware of this by communicating better and unambiguously.

At the same time, we realise only too well that there are consumers who cannot or will not pay a higher price for more sustainable products. And expect us to keep prices low. We continue to reassure, educate and support our customers in their more sustainable choices. And emphasise that we stick to our accessible, recognisable, no-nonsense offer.

To further raise awareness of our efforts, we integrated sustainability into our brand campaign last year. For example, we communicated about our own-brand products from a sustainability perspective, both through our social media channels and in our employee magazine.

Themes covered included less and better plastic and the use of sustainably certified palm oil. In this way we want to make a complex subject like sustainability accessible to the masses in a 'Kruidvat way' and further increase environmental awareness among our employees.

	Kruidvat Natuurlijk & Voordelig	
	2020	200 products
		4 categories
		12 brands
	2021	246 products
		5 categories
		20 brands

You can find more and more sustainable products in our stores. Our Natuurlijk & Voordelig concept makes these products visible to consumers. In addition, all our own-brand products are becoming more and more sustainable in any event. We have been doing this since 2018 and are working towards clear goals for 2025.

Supplier

We want to positively encourage consumer choice. Our Natuurlijk & Voordelig concept is a great example of this. To qualify for this, products must meet at least six of eleven criteria, go to our [website kruidvat.nl](https://www.kruidvat.nl) to read about Natuurlijk & Voordelig. The criteria are grouped into three pillars: ingredients, packaging and production conditions.

Products in the range must meet criteria across the board, not just at the packaging or ingredient level. This is also an important message to our suppliers: you have a responsibility to make your products better, greener and more sustainable.



"It is incredibly inspiring to be part of a project group that is actively working on possible solutions and the role Kruidvat can have in them. And, in my case, to think about how we can communicate proactively, but also sincerely and transparently towards customers."

Marloes Scholtissen
Brand Manager Kruidvat Brand



4.2 INCLUSION

Everyone deserves to feel beautiful, healthy and good. This is true for all of our customers. We want to remain accessible and affordable to all. For us, it is a prerequisite that this goes hand in hand with more sustainable products.

We are also looking at ways in which our product range and communications can be even more in line with the inclusive retailer we aim to be in the coming years. In this, we are advised by a specially-created 'sounding board' group, our Inclusion Council.

4.3 SUPPLY CHAIN RESPONSIBILITY

As a major retailer with a wide range of own-brand products, we can influence both the production and packaging processes. We make demands in terms not only of the raw materials used for our products, but also on social policy, working conditions and animal welfare.

Based on product scorecards, our quality department keeps track of the extent to which our products meet both legal and our own requirements. These form the basis for targeted discussions with our own-brand suppliers to further improve sustainability where necessary.

Social policy

For social audits, we are affiliated with amfori - founded in 2003 to support companies in making social and environmental policy improvements in their value chain - through the BSCI (Business Social Compliance Initiative) platform. We set a BSCI score of C or equivalent (see box) as our minimum requirement. D is insufficient, in our opinion. For an A or B, the audit is valid for 2 years. For a C, the audit is valid for 12 months.

BSCI CONDITIONS

Watson A.S. has been an active member of BSCI globally since 2008. This is an international organisation that is committed to improving working conditions and conducts audits for this purpose.

We endorse the BSCI conditions and expect our own-brand suppliers to do the same and to join us in working to improve working conditions where necessary.

Our inspections are conducted by independent auditors as per BSCI or equivalent standards (such as SEDEX, ICTI or SA8000). With a mediocre audit score (D), we ask the supplier to start an improvement process together with the factory. The supplier must then score a good result on a subsequent audit (A, B or C) within a year.

Ultimately, discontinuing our relationship with a factory is not the solution for the staff who work there. Therefore, with BSCI, we focus on improving their conditions, which we verify via the BSCI audits. Last year, the audits identified no issues that triggered BSCI's zero-tolerance protocol, which would have meant discontinuing cooperation.





Articles from high-risk countries	Non H&B	H&B
2019	5,191	442
2020	12,073	536
2021	12,280	553
Percentage of factories where BSCI audit is available	Non H&B	H&B
2019	72%	97%
2020	87%	98.3%
2021	99.6%	97.5%
Percentage of factories where BSCI audit is not available	Non H&B	H&B
2019	28%	3%
2020	13%	1.7%
2021	0.38%	2.5%
Percentage of BSCI audits not compliant (D)	Non H&B	H&B
2019	6%	12%
2020	3%	0%
2021	0.61%	0%
Percentage of BSCI audits compliant (min. C)	Non H&B	H&B
Conducted in 2020	97%	100%
Annual target	100%	100%
Conducted in 2021	99.39%	100%

In 2021, 12,280 products (2020: 12,073) in our supplementary product range came from high-risk countries. For 99.6% of products (2020: 87%), a social compliance audit was conducted at the respective factory. 99.4% of products (2020: 97%) from these factories scored at least a BSCI C or equivalent.

For our Health & Beauty products, we have relatively few suppliers with factories in high-risk countries. In 2021, it was 553 products (2020: 536). For 97.5% (2020: 98.3%) of these products our required social audits are available, of which, 100% of these products (2020: 100%) scored at least a BSCI C or equivalent.





"With Kruidvat Pure & Soft nappies, it's easier than ever to choose a sustainable nappy that brings soft, natural materials into contact with baby's skin. They are perfectly shaped to keep your baby dry day and night. Exactly as you would expect from Kruidvat nappies. Kruidvat Pure & Soft nappies meet strict EU Ecolabel and FSC standards. Plus, they are our first climate-neutral nappies. And all for a Kruidvat price. This is how we do our best to make sustainability accessible to all."

Christian Schelle
Product Manager Own Brand

Environmental policy

To reduce the environmental impact caused by our production and to gain insight into the activities at production sites, we ask suppliers about their environmental policies. If the supplier is located in a high-risk country, a BEPI questionnaire is completed. BEPI is also facilitated by amfori. The list of questions asks about environmental issues, such as CO₂ emissions.

After receiving the completed list, we take stock of where the good and bad scores are. Based on this, we discuss how to improve the scores with the supplier. The focus here is on measuring, knowing, improving. The better we map everything out, the more transparent it becomes for us and our stakeholders.

4.4 SUSTAINABLE RAW MATERIALS AND MORE SUSTAINABLE PACKAGING

More sustainable products consist of raw materials and packaging for which sustainability-related policies have been conceived. A great example where both packaging and raw materials were addressed is our Pure & Soft line.

In 2021, we introduced Kruidvat Pure & Soft nappies. These nappies meet the strict standards of the EU Ecolabel and FSC and are our first climate-neutral nappies. And, fully in line with our objectives, we offer them at an attractive price. This is how we make sustainability accessible to all.

Another great example of making our products more sustainable is the Kruidvat Solait line. The 200 ml bottles, for example, are made of 95% recycled plastic. And the Kruidvat Solait Sensitive line offers that familiar pleasant skin feeling but without the microplastics. We are proud of this, because formulations without microplastics usually feel a bit stiffer.



More sustainable ingredients

Our own-brand sustainability policy focuses on a number of key ingredients, namely: wood, cotton, coffee, palm oil, paper, cocoa and microplastics. But it doesn't stop there. For example, we have not accepted fur in our own-brand products for a long time. When it turned out that our cat toy contained fur, we immediately removed the product from our range and entered into the fur-free covenant of the Bont voor Dieren foundation.

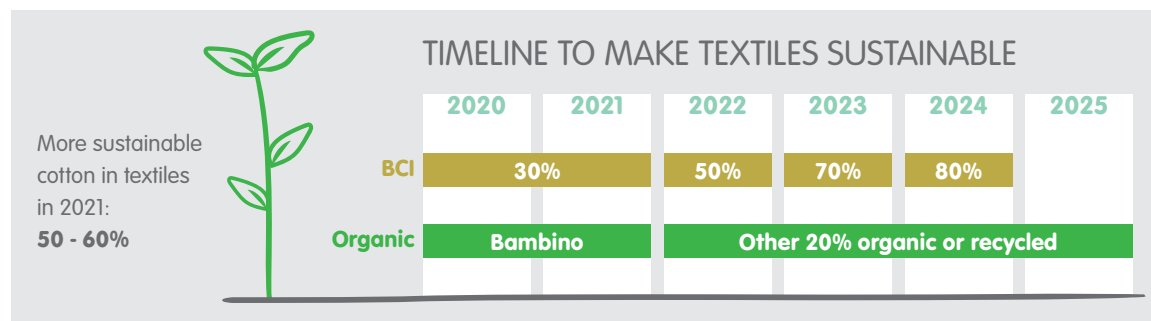
In 2020, we entered into a long-term partnership with BCI (Better Cotton Initiative). Within our product range, cotton is used in products such as cotton buds, make-up removal pads and in our own-brand fashion products.

Currently, our cotton target focuses on cotton processed into textiles. In this area, our target is for 80% of cotton used to be sourced through the BCI system by 2025. The remaining 20% will then consist of organic and/or recycled cotton. By taking this step we keep these products accessible and affordable to all while increasing our positive impact. The BCI system works through what is called a "mass balance" (read more [here](#)).

As a result, the product itself may not necessarily contain more sustainable cotton. For the remaining products, a more sustainable alternative to cotton is currently part of ongoing discussions with our suppliers.

To inform consumers that we are working with cotton obtained through the BCI system, we want to mark our own label products with a BCI logo. This requires that at least 10% of the cotton be obtained through the BCI system. We have set up our work process for this goal, communicating to our suppliers what we will and will not accept. In 2021, the result far exceeded the necessary level (50%-60% BCI). We are proud that we have come so far and that our products are still affordable for all.

An important project in this area in 2021 was the introduction of our new range of underwear made of cotton obtained through the BCI system.



Palm oil

Palm oil is an important natural raw material for derivatives in our cleaning products, personal care 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 in rainforests, 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.

Meanwhile, 82% of the palm oil in our own-brand label is at least mass-balanced (see box) RSPO-certified palm oil; by 2025 this should rise to 100%.

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 in these countries, we are affiliated with the renowned Rainforest Alliance label. For us, this quality mark is a good guarantee of quality.

In 2021, as in 2020, we met our goal: 100% of our own-brand products containing coffee or cocoa are Rainforest Alliance certified. We want to keep it that way in the long term, that's why we've set this 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.

Wood and paper

Most of the wood pulp we use for own-brand products in our 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. By 2021, 97% of the paper and wood we use as ingredients for our own-brand Health & Beauty products was certified with the FSC or PEFC label (2020: 96%). Ultimately, we aim for 100% FSC or PEFC certified wood (pulp) and paper by 2025.



Product ingredients	Achieved in 2020	Target 2025	Achieved in 2021
More sustainable cotton in textiles	0%	100%	50-60%
Palm oil minimum mass balance RSPO certified	63%	100%	82%
Rainforest Alliance certified coffee	100%	100%	100%
Rainforest Alliance certified cocoa	100%	100%	100%
H&B wood/paper - FSC or PEFC certified	96%	100%	97%

MASS BALANCE

The Mass Balance certification system includes a check on each link in the supply chain. Through the mass balanced principle, we know the exact weight of the proportion of palm oil grown under RSPO conditions and used by our suppliers for our own-brand products.

However, we do not know if at least a minimum proportion of the palm oil in our products necessarily comes from the certified producers. Palm oil cannot (yet) be traced at the level of each individual link.



Palm oil minimum mass balance RSPO certified

2020	63%
2021	82%



Rainforest Alliance label

	Coffee	Cocoa
2018	100%	98%
2019	100%	100%
2020	100%	100%
2021	100%	100%



H&B wood/paper - FSC or PEFC certified

2018	94%
2019	95%
2020	96%
2021	97%

More sustainable packaging

It is sometimes difficult to make packaging for food contact items more sustainable, because such packaging must meet many requirements to ensure, for example, the quality of the products. For example, there are standards related to contamination of materials. There are also limited options in production sites, and we find that unlocking sustainable materials is difficult due to higher market demand. In many cases, it is not possible to switch to a completely sustainable product that fully meets our requirements in one go. This process is generally done in steps.

For example, we wanted to make our range of dietary supplements sustainable in a short period of time, as this is a large and important product group for Kruidvat and Trekpleister with around 250 items. After conducting several studies regarding quality and stability, we managed to switch to a lightweight PET pot. The latest pots are also expected to be thinner by the end of 2022. On an annual basis, this will result in a reduction of more than 40,000 kilograms of plastic.



FSC paper packaging or similar

2020	~75%
2021	~75%

Improved packaging

2020	77
2021	250

We are currently working on follow-up steps to make our product range even more sustainable. This includes pots made from recycled plastic.

Recycled material is an important spearhead in our sustainability objective, but at the same time it presents us with a challenge. In fact, it is not easy to market white plastic packaging made from recycled material/plastic, because recycled white plastic loses its colour, becoming grey.

In addition to using less plastic in pots, we are also making strides in other product categories. In several major categories such as nappies, shampoos, nail polish remover, beauty accessories and, for example, our Solait sun protection, the packaging now uses less or better plastic. Wherever possible, we also make all our packaging recyclable.



DILEMMA

Fewer kilos of packaging material, and therefore smaller packaging, means less waste, and therefore less environmental impact. However, sometimes it is simply not possible to make the package smaller due to the mandatory information on the package. For example, with medicines, there is a lot of regulation about the information that must be on the packaging. And consumers need this information. In many cases, making the most responsible choices is not always easy.

4.5 SUSTAINABLE BUSINESS OPERATIONS

We are also committed to increasing sustainability in the operations of our stores and logistics processes. This mainly concerns waste from, for example, transport packaging, reducing our CO₂ emissions and energy-saving measures.

Packaging and eCom

Having a package delivered to your home presents sustainability challenges. In 2021, we therefore issued a tender for our packaging material in which the degree of sustainability was one of the main evaluation criteria.

In the process, we examined our entire range of packaging materials and either implemented improvements or received confirmation that we already had the best option for us in terms of sustainability. In doing so, we looked at what size boxes were best to avoid unnecessary space during transport.

The boxes are now also made of thinner cardboard, but still offer the same protection to our merchandise. Ultimately, this leads to less cardboard being used and lower transportation costs; more boxes now fit on a pallet than before.

In other areas, we are also working to reduce packaging and transportation; for example, with the "ship from store" principle. In this process, orders are collected in store and delivered from the store to the customer.

Another great initiative is "pick from store" (PFS). The items are then collected in the store and picked up by the customer in the store. This achieves significant savings in CO₂ emissions, because our delivery vehicles ultimately have to drive fewer kilometers. But we also save on packaging materials. In our distribution centre in Ede, everything is packed in a box and fixed with plastic filling bags.

We pack the 'pick from store' orders in bags without filling material. Not only is this cheaper, but less cardboard is used. The next step is to move to climate-neutral paper bags instead of plastic bags. This still will also generate significant reductions in the use of plastic.





"Having a package delivered to your home also presents sustainability challenges. This often revolves around how to bridge the last mile. Both for the customer, if the package is picked up somewhere, and for the sender, if the package is delivered to the customer's home from a final sorting point. Having an active role in various logistics projects within A.S. Watson, incorporating sustainability as a key criterion, makes you feel great. I have continuously had the feeling and confirmation that sustainability really matters in these logistics decisions."

Alexander Webhofen
Manager Warehouse Operations

Transport

In our quest to get goods to stores in a more sustainable and future-proof way, we are currently initiating several pilots. Testing with hybrid vehicles is essential to get a good idea of the technology and its impact on our business.

We are therefore part of various working groups, in which we are in dialogue with governments, truck manufacturers, municipalities and the logistics sector.

Participation in these working groups is very valuable because it allows us to explain the challenges we face as a large retailer. We now have two plug-in hybrid trucks on contract. In addition, we started a trial of electric trucks in 2021.

DILEMMA

We still have a long way to go to reach sustainability when it comes to transportation. An important part of this is our freight, or boxes. Our starting point is that we want to transport as little empty space as possible. That's why we are optimising our boxes as much as possible.

Consider standardising formats so that space is used more efficiently. Thinner cardboard is also an option. This means a lighter load and thus lower emissions. At the same time, packaging must continue to ensure that our items are properly protected.

Energy-saving measures

We are working step by step to make our stores ever more sustainable. We again made progress on this in 2021. Whenever a store is refitted, we completely replace the existing lighting with LED lighting. 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 central heating system;
- Lighting operated by a timer and motion sensors;
- Shop window and advertising lighting automatically turned off before and after operating time;
- Motion sensors to activate switches in the toilets and entrance areas.

By replacing old or faulty heating systems with all-electric systems at existing stores we can cut our gas consumption. For new stores, we choose non-gas heating and cooling from the outset whenever possible.

By 2021, all our Belgian and Dutch stores were running on 100% renewable electricity. In addition, our return centre has been equipped with solar panels since 2016.



Stores with LED lighting	2019	2020	2021
Number of stores	512	599	670
Percentage of stores	35%	41%	45%

% of renewable energy	2018	2019	2020	2021
The Netherlands	81%	74%	100%	100%
Belgium	100%	100%	100%	100%

Energy consumption	2018	2019	2020	2021
Energy consumption in GJ	446,052	437,385	411,569	434,081

Emissions in tonnes of CO ₂	2015	2016	2017	2018	2019	2020	2021
Stores	32,687	22,861	15,639	11,683	13,717	6,965	8,359
Transport	10,725	11,173	11,649	12,014	12,039	11,875	12,786
Distribution centre	3,024	2,378	1,397	1,334	1,596	880	1,022
Head office	568	426	233	235	242	145	98
Vehicle fleet	2,309	2,054	2,293	2,241	2,226	1,658	1,617
Total emissions	49,313	38,892	31,209	27,507	29,821	21,523	23,881
CO ₂ reduction cf. 2015		21.1%	36.7%	44.2%	39.5%	56.4%	51.6%

Total emissions in tonnes of CO ₂ by scope (see box)	2019	2020	2021
Scope 1	22,863	21,523	23,881
Scope 2	6,957	0	0

Percentage of total emissions in tonnes of CO ₂	2020	2021
Stores	32%	35%
Transport	55%	54%
Distribution centre	4%	4%
Head office	1%	0%
Vehicle fleet	8%	7%

Total emissions in tonnes of CO ₂	2020	2021
Total emissions	21,523	23,881
Old target 2025 CO ₂ emissions		24,661
New target 2025 CO ₂ emissions		12,330

SCOPE 1 AND 2?

Our CO₂ emissions are calculated according to the Greenhouse Gas (GHG) Protocol. We report scope 1 and 2. Scope 1 concerns the CO₂ emissions from our building and transport related activities. Scope 2 is about the CO₂ emissions from self-purchased and consumed electricity. Our CO₂ emissions increased in absolute terms in 2021 compared to 2020. This was partly because our stores in Belgium were open all year (in 2020 some of the stores were closed during lockdown). More gas was also consumed in 2021 due to a colder February. The energy-saving measures taken were not able to prevent this increase, but they did limit it.

Waste

As a large retailer, we produce waste, which mainly comes from transport packaging in the form of flexible plastic and cardboard. Our policy is to reduce transport packaging and recycle it to the highest possible quality.

This reduces residual waste streams. For transport packaging, too, we seek the right balance between environmental impact and level of protection.

Ultimately, almost all transport packaging is returned to our return centre in Heteren. Of our total waste of 21,371 tonnes (2020: 20,064 tonnes) 91% was recycled in 2021 (2020: 89.5%). In 2021, we launched a project to further optimise the recycling of our waste streams.



Recycled material in tonnes	2018	2019	2020	2021
Paper/cardboard & archives	16,531	16,896	16,242	17,101
Plastic	1,253	1,370	1,270	1,356
Construction/demolition waste	165	191	148	654
Metal	220	289	281	362
Swill	3	3	3	3
Hazardous waste	4	1	6	9
Glass	-	1	1	0
Wood	-	1	10	2
Residual waste (burned for energy extraction)	2,160	2,123	2,110	1,884
Total	20,336	20,833	20,064	21,371
Proportion recycled	89.30%	89.60%	89.50%	91%



Other initiatives: THT products in residual stream - Too Good To Go pilot

In 2021, we partnered with Too Good To Go (TGTG) on a pilot to reduce food waste. TGTG is an organisation that connects stores and consumers via an app. Using the TGTG app, consumers can see which stores have leftover food (because it is at risk of passing its expiration date, for example), and can then buy a package of edibles at a reduced price from those stores.

In our stores, we also sell "best before" products (THT products). We tested the TGTG concept for five months in a number of Kruidvat to see whether we could avoid throwing away edibles in our stores.

However, it soon became apparent that we have too little waste to be able to offer a box of edibles on a regular basis. In fact, to work with TGTG a store in the app has to be able to offer a package at least once a week. Since we could not do this, it was decided after the pilot not to continue the collaboration.

Other initiatives: bags

At the end of 2022, plastic bags will disappear from our stores to be replaced by a more sustainable, reusable shopper made in part from Ocean Waste plastic. In addition, we are introducing a climate-neutral paper bag. This move will encourage customers to bring a reusable shopper to our stores.

Transparency benchmark

We attach great importance to transparency with our stakeholders about our results and our operations. We also participate in the Transparency Benchmark of the Dutch Ministry of Economic Affairs and Climate Change. With the 2020 Sustainability Report, we achieved joint first place in the retail sector with an overall score of 69%.

PROTEUS PILOT

Every two weeks we surprise consumers with new promotions. And because we want our most important promotions to stand out they must be highly visible. We use 40x40x60 cardboard displays for this purpose. These displays are thick and pretty heavy. That led us to look for a better solution.

The result was a pilot using a display from Proteus. This initiative was a collaboration with Procter & Gamble. The Proteus display is on wheels and made of recycled, sustainable plastic, containing 75% less cardboard than a standard display.

This means not only less waste, but also lower transportation costs because of its far lighter weight. The display is also flat and thus takes up less space. We discussed the "learnings" from the pilot with each other and in 2022 we will explore what the next steps might be.



"The plastic bag is disappearing from our stores and making way for a more sustainable, reusable shopper."



4.6 VITALITY OF COLLEAGUES

Good employment practices are high up on our agenda, which is why we contribute to the vitality of our colleagues and make an equal commitment to everyone. A.S. Watson aims to make vitality accessible and attainable for our employees, enabling each individual to take the reins to be physically, mentally and socio-emotionally resilient.

To make this possible, last year, as in 2020 (StayConnected and TogetherHealthy), we set up several activities in which employees could participate to become and/or stay vital. In 2021, several business units saw an increase in absenteeism rates due to Covid. That made it all the more important to draw our colleagues' attention to vitality as a topic. For this purpose, among other initiatives, a special vitality week is held in September. Its activities focus on health, development, work/life balance and motivation. Among other things, it is intended that managers also become more aware of the meaning and benefits of vitality, for themselves and their team.

And that employees become more aware of their own vitality and what it can bring them. The emphasis is on awareness of the importance of being fit, corporate fitness, physical and mental health, work/life balance, dealing with stress, learning and development. On different levels: physical, mental, social and emotional. When these are all in balance, people are resilient, experience more (work) pleasure and they become more sustainably employable.

In 2022, we will continue to develop the "Vitality Programme", and aim to make vitality measurable so that we can focus on it more. We started doing this in 2021, by including vitality in the employee engagement survey and analysing it using the Sustainable Employability Index (DIX). The DIX provides insight into important core components of sustainable employability such as health and energy, knowledge and skills, motivation and commitment and employees' work/life balance.

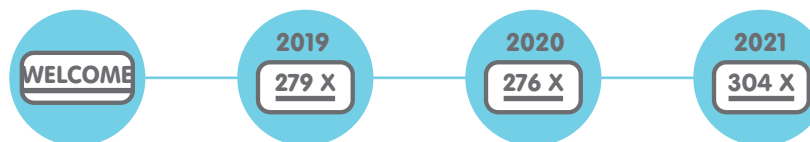


Absenteeism	2018	2019	2020	2021
Kruidvat / Pijnsmepper Netherlands	5.00%	5.00%	5.40%	5.20%
Trekpleister Netherlands	5.00%	4.90%	5.60%	5.50%
Distribution centre	7.80%	6.50%	7.30%	12.40%
Headquarters Netherlands	2.60%	2.90%	2.60%	2.80%
Kruidvat Belgium	6.30%	6.90%	6.60%	7.20%
Headquarters Belgium	2.60%	4.50%	3.90%	6.90%
Accidents	2018	2019	2020	2021
With injury in distribution centre	161	140	150	126

4.7 INCLUSION OF COLLEAGUES

We value diversity and inclusion. It is important to us that colleagues can be themselves. We want to be a reflection of society. As a result, you see a different composition of the workforce in stores in large cities compared to rural villages, for example. It is also important to us to involve people who are distanced from the labour market in all our processes. This is viewed very positively by both our customers and colleagues.

It is important to us for everyone to have a chance to participate fully and for everyone to feel safe, seen and heard. We pay a lot of attention to this and also have an external confidential adviser. In the first instance, we recommend that problems be raised with an employee's superior. If that fails, then the person in question can go to HR or higher up. However, if colleagues feel the obstacles are too great to take that step, they can always turn to the external confidential adviser.



Places created for people who are distanced from the labour market



LADIES FIRST

Percentage of women	2020	2021
Management team	32%	37%
Kruidvat Nederland	81%	81%
Trekpleister Netherlands	91%	90%
Kruidvat Belgium	96%	96%



FTE-ABC

Number of FTEs	2020	2021
Headquarters Netherlands/Belgium	902	913
Kruidvat/Prijmepper Netherlands	5,737	5,722
Trekpleister Netherlands	780	784
Distribution centre	1,157	1,265
Kruidvat Belgium	1,883	1,934

Percentage of FTEs	2020	2021
Headquarters Netherlands/Belgium	9%	9%
Kruidvat/Prijmepper Netherlands	55%	54%
Trekpleister Netherlands	7%	7%
Distribution centre	11%	12%
Kruidvat Belgium	18%	18%



DIVERSITY AGE

Headquarters NL/ BE	2020	2021
< 30 years	20%	19%
30 - 39 years	34%	33%
40 - 49 years	27%	28%
> 50 years	18%	20%

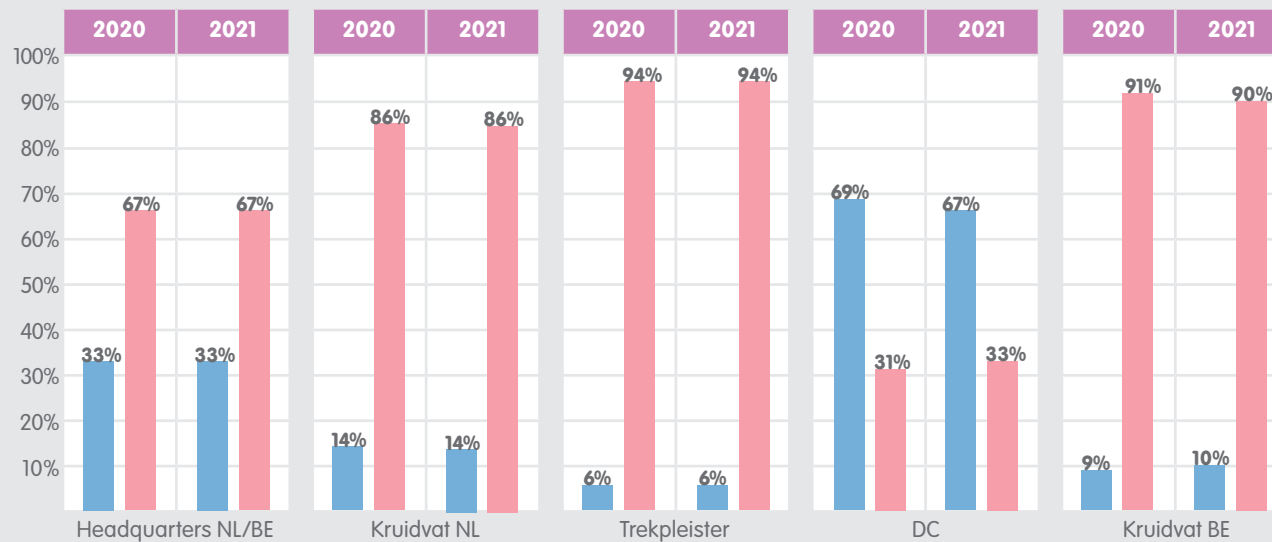
Kruidvat Nederland	2020	2021
< 30 years	80%	80%
30 - 39 years	10%	9%
40 - 49 years	6%	6%
> 50 years	5%	5%

Distribution centre	2020	2021
< 30 years	26%	25%
30 - 39 years	29%	30%
40 - 49 years	25%	23%
> 50 years	20%	22%

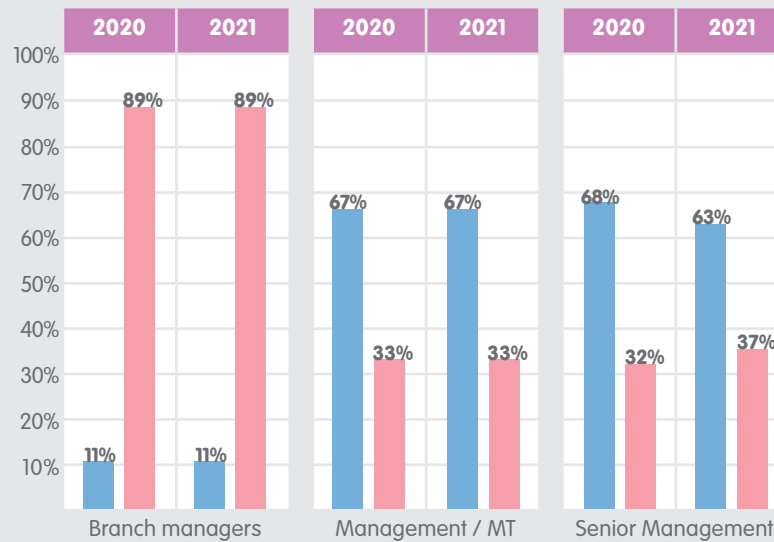
Kruidvat Belgium	2020	2021
< 30 years	65%	63%
30 - 39 years	22%	22%
40 - 49 years	10%	12%
> 50 years	2%	3%



M/F DIVERSITY



M/F DIVERSITY MANAGEMENT





"To achieve our goals in the future, we need enthusiastic ambassadors who will provide support in this endeavour. Ambassadors won't be able to find their way on their own. This needs to be managed centrally. It's cool to be able to play a role in this."

Chantal Ruiter
Sustainability Ambassador

Sustainability Next Gen Committee

We like to keep all employees involved and we think it is important that future generations take part in developing a sustainable future with us. We do this in part through our Sustainability Next Gen Committee, an A.S. Watson Group-wide initiative. This committee includes a number of young colleagues from all Business Units of A.S. Watson Group. In four different groups, we worked in inspiring brainstorming sessions to come up with our moonshot, or big idea to make A.S. Watson more sustainable. For example, in one of the groups, the focus is on own-brand initiatives. The group is committed to ensuring that by 2030, every own-brand product contributes to making our product range more sustainable. Also, each of our board members has what is called a reverse mentor. A young colleague, with whom they have inspiring conversations about what younger generations care about.

Sustainability Ambassadors

In a large organisation like AS Watson, sustainability needs to be seen from a broad perspective. Sustainability touches everyone and we want to involve everyone. You can't make that happen all on your own. In order to achieve our goals in the future, we need enthusiastic ambassadors to provide support.

Last year we started to develop and hone this ambassadorship. We identified our individual ambassadors' strengths and needs so that the programme could create optimal added value for both the ambassadors and our sustainability strategy. The ambassadors will be trained substantively on sustainability and will have the opportunity for additional training on various competencies to properly fulfil the ambassador role.



GREAT IDEA

"Personally, the best initiative I've been a part of is in the field of sustainability, the Sustainability Next Gen Committee. This includes a number of young colleagues from all the Business Units of A.S. Watson. Our group's focus is on own-brand initiatives. Now that I'm part of this committee, I can discuss sustainability with like-minded people and how A.S. Watson can improve in this respect. The role brings me a lot of satisfaction as well as extra energy for my regular work. A great idea and cool to be part of!"

Inge Ruel
Data Advisor Marketing Intelligence

4.8 SOCIAL INVOLVEMENT

We feel involved in society and develop initiatives, often in cooperation with various parties, to make a (local) contribution to society where we can. Some local initiatives:

Food bank

The food bank, the organisation that provides food for people on very low incomes, has an ongoing high demand for hygiene products. For example, there are major shortages of toothbrushes, sanitary napkins, nappies and shampoo. In the last weeks of the year, our stores shone a spotlight on this. Customers had the opportunity buy an item they wanted to donate and we then made sure it got to the food bank. Our staff loved that they were able to do something for other people during this difficult period. This initiative allowed us to help many less fortunate people get the hygiene products they need.

'Bakkie Troost'

Summer 2021 was marked by severe flooding in Limburg and our neighbouring countries. Kruidvat employees were on hand with coffee to keep spirits up among village residents in Meerssen and Valkenburg. The gesture was much appreciated.

Dementia friendly

Whether young or old, one in five Dutch people will experience some form of dementia. Zeist plays host to several institutions offering dementia support. In collaboration with Alzheimer Nederland and Samendementieuvriendelijk, all Kruidvat branches in Zeist attended and successfully completed a dementia-friendliness course. These branches are now certified as dementia-friendly stores.

Operation Smile

Operation Smile is a recurring project by A.S. Watson Group to draw attention to good causes. Founded in 1982, Operation Smile is a non-profit medical service provider. The goal is to raise donations for this charity that provides free treatment to children born with schisis in developing countries. A.S. Watson Group supports Operation Smile in all its permutations under the name 'Give a smile'. In 2021, we again encouraged suppliers, employees and customers to donate. We organise various actions for different target groups throughout the year.

Project Smile

Kruidvat, Unilever and RTL have launched a campaign to raise money for the children's hospitals of the Kinderziekenhuizen van Oranje Foundation. This special partnership raises money for research and projects to reduce pain, anxiety and stress among some of the Netherlands' sickest children. We hope they get their smiles back. No child, anywhere in the world, deserves to be sick. The results speak for themselves! In total, we raised € 74,186 for the Kinderziekenhuizen van Oranje Foundation.

Donations

In addition to the above initiatives, A.S. Watson supports charities in a structured way. We offer our customers the opportunity to donate their loyalty points to a charity of their choice. Customers can donate their loyalty points to various charities in the Netherlands and Belgium, such as The Red Cross, KIKa, KWF, Operation Smile and the No Wildlife Crime foundation (NWC). Learn more about how customers can contribute at kruidvat.nl/goededoelelen. Almost 3.5 million loyalty points were donated in 2021, equating to more than € 17,000.



















"I like being able to contribute to a good cause in such a commercially-oriented organisation. Worldwide, the organisation contributes to helping children with schisis (harelip). Unfortunately, this is still a major problem in many developing countries. In the Netherlands, because of good preventive care (such as folic acid for pregnant women), few children are born with schisis. Despite the fact that this charity may a little remote for many Dutch people, customers are still motivated to make a donation. We are pleased by this involvement."

Karlynn Blom, Campaign Manager Health
Good causes - Operation Smile



4.9 RESULTS AND CONNECTIVITY

The table below provides a general overview of our objectives and results by material theme per Sustainability Pillar.

PILLAR	MATERIAL THEME	KPI	RESULTS 2020	RESULTS 2021	PROGRESS 2025	AMBITION 2025	SDGS
 OUR CUSTOMERS	Making more sustainable choices more attractive	(Assistant) branch managers with drugstore professional diploma	92%	95%	On schedule	100%	   
		Natuurlijk & Voordelig concept	rolled out	strengthened	Slight deviation schedule	T.B.D.	
		Products from Natuurlijk & Voordelig concept	200	246	Slight deviation schedule	T.B.D.	
		Customer-focused sustainability initiative with suppliers	2	2	On schedule	2 per year	
	Inclusion	Strengthen inclusive product range	N/A	Explore opportunities	On schedule	T.B.D.	
 OUR PLANET	Use of sustainable raw materials	Palm oil	63%	82%	On schedule	100%	   
		Paper/wood (H&B category)	96%	97%	On schedule	100%	
		Coffee	100%	100%	On schedule	100%	
		Chocolate	100%	100%	On schedule	100%	
		Cotton	0%	50-60%	On schedule	100%	
		Disposable plastic	<ul style="list-style-type: none"> 1st cotton buds without plastic Stop selling water balloons 	<ul style="list-style-type: none"> Stop selling artificial snow 	On schedule	No disposable plastic with high likelihood to become litter	
	More sustainable packaging	Sustainable certified cardboard	~75%	~75%	Deviation schedule	<ul style="list-style-type: none"> 100% certified cardboard/paper 100% recyclable plastic 25% reduction in conventional plastic use 	
		Making packaging more sustainable	77	250	Deviation schedule		
	Sequential liability	Additional range of own-brand products for which social audits are available	87%	99.6%	On schedule	100%	
		Additional range of own-brand products for which social audits are compliant	97%	99.4%	On schedule	100%	
		H&B own-brand products for which social audits are available	96%	97.5%	On schedule	100%	
		H&B own-brand products for which social audits are compliant	100%	100%	On schedule	100%	
	Sustainable business operations (CO ₂ and waste)	Carbon emissions (scopes 1 and 2)	21,523	23,881	On schedule	24,656 = 50% reduction compared to 2015	
		CO ₂ emissions per m ² of store	15.9	18.6	Slight deviation schedule	17.2 = 75% reduction compared to 2012	
		Carbon emissions per transported pallet	10.3	11.1	Deviation schedule	6.3 = 50% reduction compared to 2015	
		Sustainable electricity	100%	100%	On schedule	100%	
		Electricity efficiency store	111	103	On schedule	88.6 = 30% reduction compared to 2015	
		Stores with LED	41%	45%	Slight deviation schedule	100%	
		Contracted waste streams recycled	89.5%	91%	N/A	Focus on recyclability of packaging, circular projects and recycling waste streams	
 OUR PEOPLE	Employee vitality	Drugstore employees with professional diploma	4,379	4,289	N/A	N/A	   
		Number of accidents involving injury in DC	150	126	On schedule	Less than previous year	
		Vitality programme	Launch holistic vitality programme	Integration into employee involvement surveys	N/A	N/A	
	Diversity and inclusion	Dutch employees who are distanced from the labour market	1.60%	1.80%	Deviation schedule	5%	
 OUR SOCIETY	Social involvement	Customer donations	10,246,400 loyalty points	3,410,350 loyalty points	N/A	N/A	 
	Inclusion	Collaborations with civil society organisations and social initiatives	KWF, Stichting tegen Kanker (Foundation Against Cancer), local food banks, Luiertaart (Nappy Cake)	Including local food banks, Project Glimlach, Operation Smile	N/A	N/A	



CHAPTER 5 GOVERNANCE

5.1 RISK MANAGEMENT

Risk-taking is inherent to business. Risk is determined by the probability of the occurrence of an event or developments combined with the effect/financial impact on the organisation. We carefully weigh our objectives against the risks we are willing to take (risk acceptance).

A.S. Watson is willing to take risks to some extent to achieve its sustainable business objectives, see "risk acceptance" in the risk table on the next page (centre). Our risk acceptance is low with regard to social and environmental violations in our supply chain and non-compliance with laws and regulations.


In the table on the next page, we address the most important sustainability-related risks, i.e. risks that arise from or are related to our most material sustainability themes, such as talent scarcity. It also summarises the causes and effects, and mitigation measures.

Opportunities

We are able to turn some risks into opportunities through the mitigating measures we take. By focusing on sustainable raw materials, we want to ensure that sufficient raw materials will also be available in the long term to serve our customers.

Our holistic vitality policy makes our employees resilient, sustainably employable and provides them with equal opportunities. We see this as an important positive contribution to society. For the main risks at group level, please refer to: [the Annual Report of CK Hutchison Holdings Limited 2021](#).

It maps the risks in various areas in a structured way. Risk mitigation is monitored periodically and evaluated annually.



"By focusing on sustainable raw materials, we want to ensure that sufficient raw materials will remain available in the long term to serve our customers."

RISK TABLE

Subject	Context and cause	Consequences for A.S. Watson	Consequence for people and the environment	Probability	Impact on A.S. Watson	Impact on people & environment	Risk acceptance	Mitigation measures
1. Social and environmental violations in the supply 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. Economic sanctions.	Unfavorable living and working conditions in the supply chain.	Medium	Medium	High	Low	Due diligence on human rights (including child labour) and on products in the supply chain. Example: All factories producing our own-brand products must be BSCI-compliant.
2. Unavailability of raw materials	The supply of sufficient volumes or quality of (natural) raw materials may shrink due to climate change, producers' short-term thinking, unfavourable trading conditions or unsafe (geopolitical) situations.	Lower sales because our suppliers are unable to deliver sufficient volumes or quality. Price increase in purchasing	Scarcity of raw materials or food in the supply chain.	Medium	Medium	Low/medium	Medium	<ul style="list-style-type: none"> • 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 a few suppliers.
3a. Physical acute climate risks	Floods, heavy rain or hail, heat waves.	Lost sales due to DCs or stores being (temporarily) out of operation. Lost sales due to our suppliers being (temporarily) unable to deliver sufficient volume or quality.	Scarcity of raw materials or food in the supply chain due to crop failures caused by severe weather conditions.	Low	Low	High	Medium	<ul style="list-style-type: none"> • We buy products from various regions and ensure that we are not dependent on one or a few suppliers. • Inventory of opportunities to take action at risk locations.
3b. Physical chronic climate risks	Temperature increase and drought, land scarcity, rising sea level.	Lost sales due to DCs or stores being out of operation. Lost sales due to our suppliers no longer being able to deliver sufficient volumes or quality.	Structural degradation of agricultural land, scarcity of resources or food. Climate migration.	Medium	Low	High	Medium	We have clear climate mitigation goals. We have started an inventory of scope 3.
4. Non compliance with sustainability legislation	Increasing legislation on sustainability in the broad sense. In the areas of environment (including the supply chain), circularity, human rights (including the supply chain), products (e.g. plastic and including the supply chain). Legislation on transparent sustainability reporting.	Significant fines (economic sanctions) negative publicity and/or loss of reputation in case of non compliance.	Deterioration for people, the planet, society in case of non compliance.	Low	Medium	Medium	Low	We have a proactive sustainability policy that goes beyond and is ahead of laws and regulations.
5. Scarcity of talent	Young talent from generations Y & Z values sustainability. Our current policy and activities may be seen as insufficiently sustainable.	Inadequate ability to attract or retain young talent. Suboptimal work processes. Danger to continuity.	Danger to business continuity. Stagnant innovation.	Medium	Low/medium	Low/medium	Medium	<ul style="list-style-type: none"> • We are actively moving towards and profiling ourselves on sustainability so that we can continue to recruit young talent (generations Y and Z). • We are committed to a holistic vitality policy focused on resilience, sustainable employability, equal opportunity and inclusiveness. • We are committed to being a good employer to develop and retain talent.

5.2 GOVERNANCE

Our structure

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

The sustainability objectives and the progress made are discussed by the board at least twice each year and, if necessary, adjustments are made. The Sustainability Strategy is an important part of the overall strategy of A.S. Watson Benelux and is part of our Social Purpose.

Our Sustainability Strategy rests on four pillars: our customers, our planet, our people and our society. The topics within the pillars are divided across four board members who act as sustainability sponsors for these topics. Together, they form the Sustainability Steering Committee. This Steering Committee sets the level of ambition, monitors alignment with the strategy, sets long-term goals, monitors progress and makes adjustments where necessary.

For each topic in the pillars, the sustainability sponsor facilitates further activities. Topics related to product range, labour market and customer activation each have a working group; in environment, coordinators are active within a given field. The working groups and coordinators develop annual plans and implement them.

The work will be embedded as much as possible in the existing range of tasks and are part of the annual evaluation interviews. The Sustainability Steering Committee and the working groups meet at least four times a year. The sustainability manager sets the Sustainability Strategy, aligns the objectives within the organisation, and identifies relevant market developments to ensure that the strategy remains aligned with current topics. In addition, the sustainability manager contributes substantive expertise to sustainability reporting and communication and is responsible for stakeholder engagement. He reports to the HR Director, who serves within A.S. Watson Group as sustainability ambassador for the Benelux.



ED VAN DE WEERD (53)

CEO A.S. WATSON HEALTH & BEAUTY BENELUX

- Member of Sustainability Steering Committee, responsible for the overarching sustainable business operations topics within our Sustainability Strategy's pillars and ultimately responsible for A.S. Sustainability Strategy. Watson Health & Beauty Benelux
- Member of Global Sustainability Committee of A.S. Watson Group
- Background in general management, retail and sales



BRENDA SMITH (48)

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

- Member of the Sustainability Steering Committee of A.S. Watson Health & Beauty Benelux, responsible for customer activation topics within the pillars of our Sustainability Strategy
- Background in marketing and innovation



NIEK SCHIPPER (46)

TRADING DIRECTOR A.S. WATSON HEALTH & BEAUTY BENELUX

- Member of the Sustainability Steering Committee of A.S. Watson Health & Beauty Benelux, responsible for sustainable trading topics within the pillars of our Sustainability Strategy
- Background in product development and sales



JAN CAREL UYLENBERG (61)

HR DIRECTOR A.S. WATSON BENELUX

- Member of the Sustainability Steering Committee of A.S. Watson Health & Beauty Benelux, responsible for the 'Our People' pillar within our Sustainability Strategy
- Sustainability ambassador for Health & Beauty Benelux from A.S. Watson Group
- Background in human resources



LEENDERT VAN BERGEIJK (41)

SUSTAINABILITY MANAGER A.S. WATSON HEALTH & BEAUTY BENELUX

- Member of the Sustainability Steering Committee of A.S. Watson Health & Beauty Benelux
- Background in sustainable enterprise

BOARD MEMBERS



**ED VAN DE
WEERD (53)**

CEO OF A.S. WATSON HEALTH
& BEAUTY BENELUX,
4 YEARS WITH
THE COMPANY



**BRENDA
SMITH (48)**

DIRECTOR MARKETING & CUSTOMER
EXPERIENCE A.S. WATSON HEALTH
& BEAUTY BENELUX,
7 YEARS WITH
THE COMPANY



**JAN CAREL
UYLENBERG (61)**

HR DIRECTOR
A.S. WATSON BENELUX,
14 YEARS WITH
THE COMPANY



**YVETTE
HEIJWEGEN (47)**

SUPPLY CHAIN DIRECTOR A.S. WATSON
HEALTH & BEAUTY BENELUX,
6 YEARS WITH
THE COMPANY



**ERIK
HEUTHORST (52)**

FINANCE DIRECTOR
A.S. WATSON BENELUX,
18 YEARS WITH
THE COMPANY



**NIEK
SKIPPER (46)**

TRADING DIRECTOR A.S. WATSON
HEALTH & BEAUTY BENELUX,
4 YEARS WITH
THE COMPANY



**BERT
VERHOEF (58)**

MANAGING DIRECTOR
KRUIDVAT BELGIUM,
22 YEARS WITH
THE COMPANY



**ROLAND VAN
DEN BERG (48)**

DIRECTOR ECOMMERCE A.S. WATSON
HEALTH & BEAUTY BENELUX,
5 YEARS WITH
THE COMPANY



**KATINKA
RUIJES (45)**

DIRECTOR
SALES OPERATIONS & INNOVATION
KRUIDVAT NETHERLANDS,
12 YEARS WITH
THE COMPANY



CHAPTER 6 APPENDICES

6.1 ABOUT THIS REPORT

This Sustainability Report is our way of informing our stakeholders about our organisation and how we are continuing to create value in the long term. This report is about our non-financial performance. It is drawn up annually, and is based on a reporting period of a calendar year. The previous report was published on 1 June 2021.

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. For this Sustainability Report, we have retained the material themes that emerged as most material from the 2020 stakeholder consultation. These have been grouped by Sustainability Pillar. We have made minor adjustments to the material themes, see Chapter 3 for the explanation. Definitions of the material themes are provided in the [Appendix on page 45](#).

Unless otherwise stated, this Sustainability Report relates to A.S. Watson Health & Beauty Benelux BV, which includes Kruidvat, Trekleister and the outlet concept Prijzmepper, as well as A.S. Watson 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. In 2021, no acquisitions or divestments took place in A.S. Watson Health & Beauty Benelux. 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 financial results. In its sustainability policy, A.S. Watson Health & Beauty Benelux follows the sustainability policy defined at group level, tailored to the Benelux market. More information on this international policy can be found [here](#).

Reporting standards and/or guidelines

A.S. Watson Health & Beauty Benelux BV seeks to improve its sustainability reporting every year, focusing on the organisation's nature, risks and opportunities. With this Sustainability 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.

[Appendix 6.7](#) contains the GRI Context Index with references. We attach great value to transparency towards our stakeholders and take part in the Transparency Benchmark of the Ministry of Economic Affairs and Climate.

In addition, our policies are based on international conventions, including the ILO Conventions, the OECD Guidelines for Multinational Enterprises, the United Nations Sustainable Development Goals, and the United Nations Guiding Principles on Business and Human Rights.

Data quality of non-financial KPIs

Methods of measuring, estimating and calculating are, for all indicators, related to material themes 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 is consolidated and subjected to a trend analysis, which is performed by our finance department in collaboration with the sustainability 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 purchased from a supplier, and we receive the information on raw materials for our own-brand products and packaging from 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. Transportation from the distribution centre to our stores is done by partners.

Because in practice many trucks drive specifically for us, we attribute the CO₂ emissions from transport entirely to ourselves. CO₂ emissions are calculated according to the GHG Protocol (scopes 1 and 2). We use CO₂ conversion factors from [CO₂-emissiefactoren.nl](https://co2-emissiefactoren.nl).

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

6.2 EXPLANATION OF MATERIALITY AND DEFINITIONS

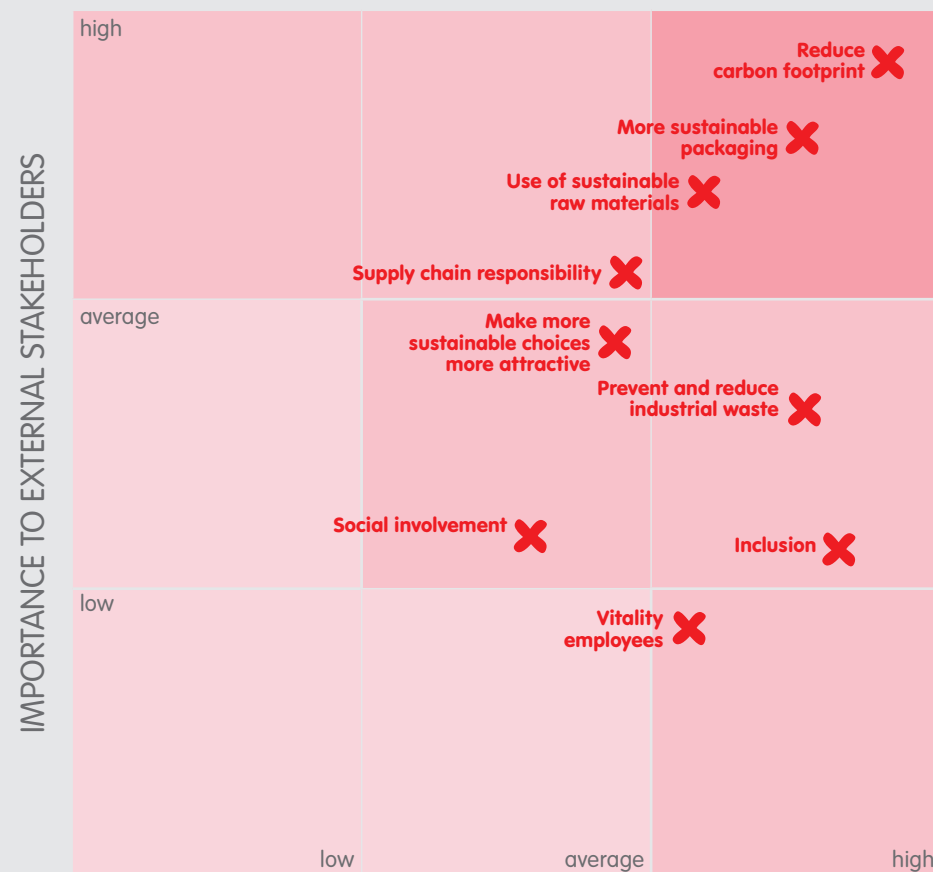
In 2018, we updated our sustainability policy based on a recalibration of our materiality analysis. To identify the relevant aspects, we speak to the various stakeholders throughout the year and consult various information sources. In addition, we conducted a more extensive stakeholder consultation in 2020 by surveying 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 themes 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 operations have 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 volumes of the raw materials in our own-brand range are important prerequisites for our ambitions. 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).

MATERIALITY ANALYSIS



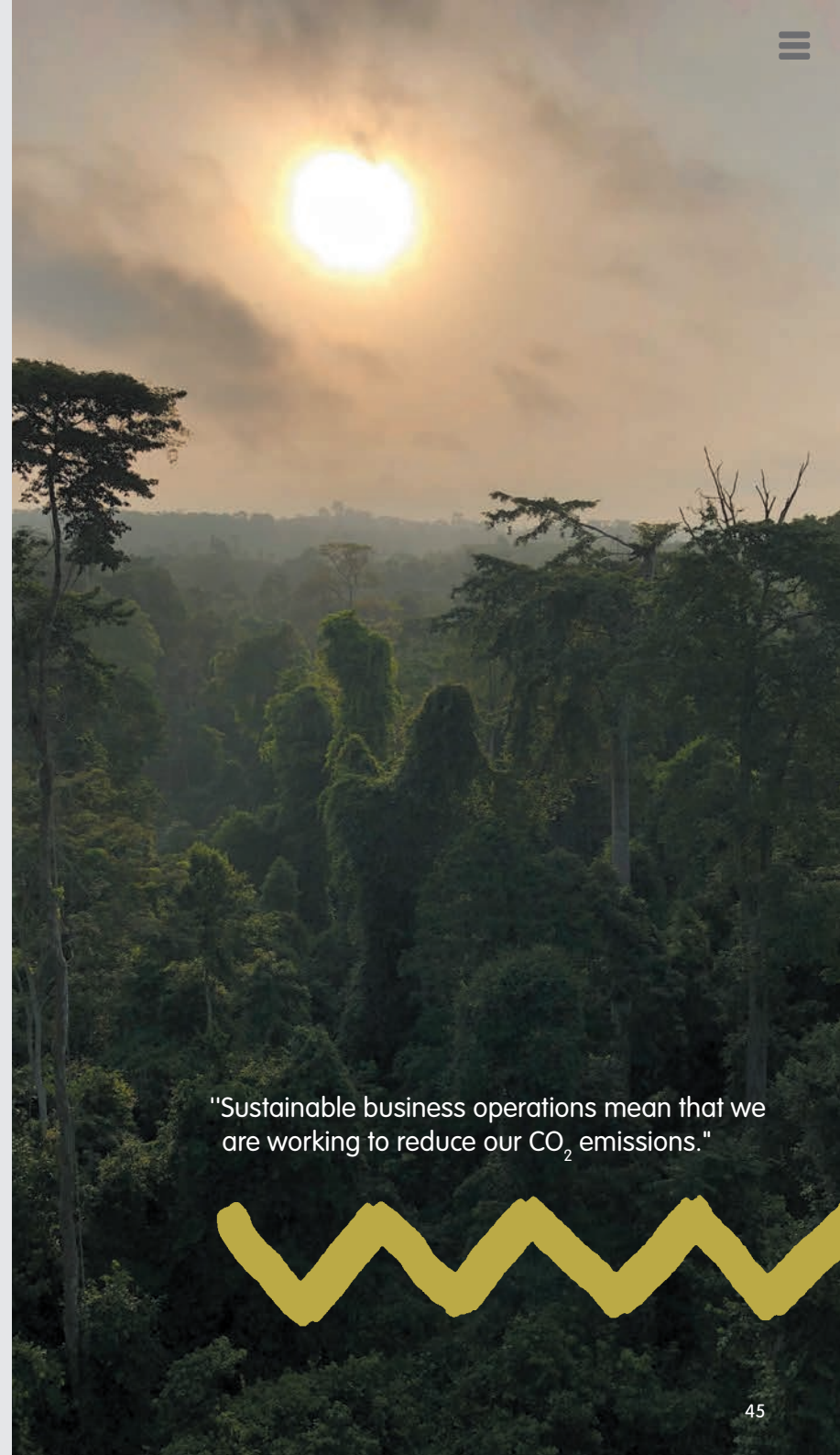
IMPACT OF A.S. WATSON ACCORDING TO INTERNAL STAKEHOLDERS

Sources consulted for the materiality analysis

- Sustainability dialogues with internal and external stakeholders.
- GRI guidelines ([globalreporting.org](https://www.globalreporting.org)).
- ISO 26000; international guideline for Sustainability.
- Benchmarks for sustainability, including the Transparency benchmark used by the Dutch Ministry of Economic Affairs to assess the degree of transparency in their reporting.
- Similar companies in the retail sector.
- Other sources of information retail sector, including trade associations

DEFINITIONS OF MATERIAL THEMES

Material theme	Definition
Make more sustainable choices more attractive	We support our customers in making more sustainable choices through our standard communication channels. In particular, this involves choices in the areas of sustainable ingredients, packaging and responsible use of products.
Inclusion at the customer level	We are here for all of our customers and want to remain accessible and affordable for all customers.
Supply chain responsibility	We feel responsible for our entire supply chain and set requirements for social and environmental policies within it. These include requirements in the area of raw materials and production of our products as well as in the area of working conditions and animal welfare.
Sustainable business operations	Sustainable operations mean that we work to reduce our CO ₂ emissions, prevent and reduce (transport) waste, and implement energy-saving measures wherever possible.
Sustainable raw materials	Sustainable management of the key raw materials we use as ingredients in our own-brand products
More sustainable packaging	Prevent, reduce, improve and keep/make recyclable own-brand packaging materials.
Vitality of colleagues	As part of being a good employer, we make vitality accessible and attainable for our colleagues, so that everyone can take charge of being physically, mentally and socio-emotionally resilient
Inclusion of colleagues	It is important to us for everyone to have a chance to participate fully and for everyone to feel safe, seen and heard. We exclude no one.
Social involvement	Together with relevant charities, we want to give substance to our social involvement
Inclusion at the society level	We translate our social involvement into themes that are important for our customers, our employees and for society as a whole.



"Sustainable business operations mean that we are working to reduce our CO₂ emissions."

6.3 OVERVIEW OF STAKEHOLDER DIALOGUES

Stakeholders	Expectations of stakeholders	How we involve our stakeholders	Most important material themes	Our approach
Employees	Safe, attractive and inspiring work-place, support in vitality, development opportunities, good working conditions and employment terms, with equal opportunities for all.	Daily contact through supervisor, bilateral meetings, departmental meetings, among others. Internal meetings, inspirational sessions, social intranet, recruitment events, social media, business updates and management meetings, where SDG 3, 8 and 10 are also discussed. Regular consultations with OR, unions and the option for employees to contact a confidential adviser	<ul style="list-style-type: none"> • Employee vitality (well-being and development) • Diversity & inclusion 	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 through store employees, website, customer service and newsletters among others where SDG 3, 8 and 12 principles are applied	<ul style="list-style-type: none"> • Making more sustainable choices more attractive • Use of sustainable raw materials • More sustainable packaging • Social policy in the supply chain • Social involvement • Inclusion 	Launch of Kruidvat Natuurlijk & Voordelig, collaboration with suppliers on packaging and sustainable raw materials, and CRM charity programme.
Suppliers	Commitment, cooperation, fair prices, realistic payment terms.	Periodic supplier meetings, annual supplier meeting, trade shows, collaborations for sustainable solutions and innovations where SDG 3, 8, 10, 12, 13 and 17 are also discussed.	<ul style="list-style-type: none"> • Making more sustainable choices more attractive • Use of sustainable raw materials • More sustainable packaging • Social policy in the supply 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 delivery of information, periodic financial and sustainability consultations and Group meetings, where SDG 3, 8, 10, 12, 13 and 17 are also discussed.	<ul style="list-style-type: none"> • Making more sustainable choices more attractive • Use of sustainable raw materials • More sustainable packaging • Social policy in the supply chain • Social involvement • Preventing and reducing industrial waste • Reducing carbon footprint • Employee vitality • Inclusion 	Deployment of structural reporting tool for group-wide non-financial data, transparency on our sustainability policy and sustainability results through best practice sharing.
Government	Transparency, compliance with laws and regulations, sustainable packaging, climate conscious	Periodically through monitoring visits, meetings and through industry associations where SDG 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 supply chain • Preventing and reducing industrial waste • Reducing carbon footprint • Employee vitality • Inclusion 	Reporting according to GRI, ensuring compliance on energy, waste and working conditions in the line.
Society	Doing business responsibly, commitment, supply chain transparency, safe environment.	Periodically through meetings, collaborations with NGOs for sustainable solutions, workshops, bilateral discussions and the media among others where SDG 3, 8, 10, 12, 13 and 17 are also discussed	<ul style="list-style-type: none"> • Making more sustainable choices more attractive • Use of sustainable raw materials • More sustainable packaging • Social policy in the supply chain • Preventing and reducing industrial waste • Reducing carbon footprint • Employee vitality • Inclusion • 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.

6.4 GLOSSARY OF TERMS

Audits

Process to check the conduct of business at the production site against predetermined criteria. An improvement plan must be established with the criteria that a manufacturer must meet. This plan describes what corrective and preventive measures are needed to meet the criteria.

BSCI

Business Social Compliance Initiative is an international organisation that is committed to improving working conditions and conducts audits for this purpose.

DIX

Sustainable Employability index. This index provides insight into important core components of sustainable employability such as employees' health and energy, knowledge and skills, motivation and commitment, and work/life balance.

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.

KPI

Key Performance Indicator, also called Critical Performance Indicator. A means of measuring progress and quality. They are pre-agreed parameters that reflect the performance level of critical business activities.

Materiality analysis

An analysis that compares the interests of stakeholders with the interests of the organisation.

Corporate Social Responsibility

Corporate Social Responsibility, also known as sustainable business.

NGO

A Non-Governmental Organisation is an organisation that is independent of government and focuses on a supposed social good.

SDG

The Sustainable Development Goals. These are the 17 Sustainable Development Goals established by the United Nations for the period up to 2030.

Transparency benchmark

A study by the Dutch Ministry of Economic Affairs and Climate Change into the qualitative and quantitative development of social reporting among the largest companies in the Netherlands.

Stakeholders

Stakeholders are individuals and organisations that are directly or indirectly affected by a company's activities, or that have a direct or indirect influence on the company.

6.5 LABELS AND MEMBERSHIPS

BCI - Better Cotton Initiative

An international label for the sustainability of raw material and fibre production from cotton cultivation, with environmental and human rights requirements.



BSCI - Business Social Compliance Initiative

BSCI is an initiative that allows companies to independently verify that factories meet various social and environmental criteria relating to fair production.



BEPI - Business Environmental Performance Initiative

BEPI is an initiative that allows companies to check whether factories meet various criteria in terms of environmental performance through an independent inspection.



EU Ecolabel

The official European eco-label that sets sustainability and quality requirements for the entire life cycle of non-food products.



FSC - Forest Stewardship Council

An international label with strict requirements for sustainable and social forest management, for solid wood products, and products that incorporate wood or wood fibres.



PEFC - Programme for Endorsement of Forest Certification

An international label with strict requirements for sustainable and social forest management, for solid wood products, and products that incorporate wood or wood fibres.



RA - Rainforest Alliance

A label for nature conservation and better social conditions in agriculture and forestry, involving the entire chain.



RSPO - Roundtable on Sustainable Palm Oil

An international quality label that indicates that at least 95% of the palm oil is sustainably produced. Recognised by the WWF (World Wildlife Fund) and Oxfam Novib, it sets criteria for environmental protection and working conditions.

6.6 COMMITMENTS 2021

A.S. Watson Benelux

- Better Cotton Initiative (BCI)
- Plastic Litter Covenant
- Sector Plan Sustainable Packaging

A.S. Watson Group

- Roundtable Sustainable Palm Oil (RSPO)
- New Plastic Economy
- Business Compliance Social Initiative (BSCI)
- Business Environmental Performance Initiative (BEPI)

6.7 GRI INDEX

SRI	Information	Reference
GRI 102: GENERAL DISCLOSURES 2016		
1. Organisation profile		
102-1	Name of the organisation	1.1 About us
102-2	Activities, brands, products and services	1.1 About us
102-3	Location of the head office	Colophon: Nijborg 17, Renswoude
102-4	Number of countries in which the company operates	1.1 About us
102-5	Legal form or shareholding	6.1 About this report
102-6	Markets in which the organisation is active	1.1 About us
102-7	Scale of the organisation	At a glance 1.1 About us 1.4 Our business model and value chain 3.3 Our value creation model 4.7 Inclusion of colleagues 4.9 Results and connectivity
102-8	Information about employees	4.7 Inclusion of colleagues
102-9	Supplier chain	1.4 Our business model and value chain
102-10	Significant changes in organisational structure or in the supply chain	No significant changes have taken place
102-11	Precautionary principle or approach	5.1 Risk management
102-12	External initiatives	1.2 Social purpose and sustainability policy 1.3 Our ambitions for 2023 1.4 Our business model and value chain 2. The world around us 6.1 About this report
102-13	Memberships	4.3 Supply chain responsibility 6.5 Labels and memberships
2. Strategy		
102-14	Explanatory statement of chief executive	Foreword
3. Ethics and integrity		
102-16	Values, standards, principles or standards of conduct	1.2 Social purpose and sustainability policy
4. Governance		
102-18	Governance structure	5.2 Governance

SRI	Information	Reference
GRI 102: GENERAL DISCLOSURES 2016		
5. Stakeholder involvement		
102-40	List of stakeholders	3.1 Our key stakeholders 6.3 Overview of stakeholder dialogue
102-41	Collective bargaining agreements	4.6 Vitality of colleagues
102-42	Identification and selection of stakeholders	3.1 Our key stakeholders 6.2 Explanation of materiality and definition 6.3 Overview of stakeholder dialogue
102-43	Stakeholder involvement	6.2 Explanation of materiality and definition 6.3 Overview of stakeholder dialogue
102-44	Stakeholders' most important issues	6.2 Explanation of materiality and definition 6.3 Overview of stakeholder dialogue
6. Report profile		
102-45	Participations in the consolidated annual accounts	6.1 About this report
102-46	Determining the content and division of the report	6.1 About this report 6.2 Explanation of materiality and definition
102-47	List of material themes	3.2 Our material themes 6.1 About this report 6.2 Explanation of materiality and definition
102-48	Amended information	6.1 About this report
102-49	Changes in reporting	6.1 About this report
102-50	Reporting period	6.1 About this report
102-51	Date of the most recent previous report	6.1 About this report
102-52	Reporting cycle	6.1 About this report
102-53	Point of contact for information about the annual report	Colophon: Nijborg 17, Renswoude
102-54	Reporting in accordance with GRI Standards	6.1 About this report
102-55	GRI Content Index	6.7 GRI Index
102-56	External assurance	6.1 About this report
MATERIAL THEMES - PILLAR OUR CUSTOMERS		
Themes: Making more sustainable choices attractive & Inclusion		
103-1	Notes on materiality and division	4.1 Making more sustainable choices attractive 6.2 Explanation of materiality and definitions
103-2	Management approach	4.1 Making more sustainable choices attractive 4.2 Inclusion
103-3	Evaluation of the management approach	4.1 Making more sustainable choices attractive 4.2 Inclusion
ASWI	Description of initiatives to help customers make sustainable and healthy choices & employees with professional diplomas.	4.1 Making more sustainable choices attractive 4.2 Inclusion

SRI	Information	Reference
MATERIAL TOPICS - PILLAR OUR PLANET		
Theme: Supply chain responsibility		
103-1	Notes on materiality and division	4.3 Supply chain responsibility 6.2 Explanation of materiality and definitions
103-2	Management approach	4.3 Supply chain responsibility
103-3	Evaluation of the management approach	4.3 Supply chain responsibility
ASW3	The percentage of own-brand products from high-risk countries where social audits have been demonstrably conducted through BSCI (or equivalent) and where 100% (NIV) have achieved a BSCI overall C score (or equivalent)	4.3 Supply chain responsibility
Theme: More sustainable raw materials and packaging		
103-1	Notes on materiality and division	4.4 More sustainable raw materials and packaging 6.2 Explanation of materiality and definitions
103-2	Management approach	4.4 More sustainable raw materials and packaging
103-3	Evaluation of the management approach	4.4 More sustainable raw materials and packaging
ASW2	Raw materials that meet sustainability requirements	4.4 More sustainable raw materials and packaging
Themes: Sustainable business operations (reducing carbon footprint & preventing and reducing business waste)		
103-1	Notes on materiality and division	4.5 Sustainable business operations 6.2 Explanation of materiality and definitions
103-2	Management approach	4.5 Sustainable business operations
103-3	Evaluation of the management approach	4.5 Sustainable business operations
305-1	Direct greenhouse gas emissions (scope 1)	4.5 Sustainable business operations
305-2	Indirect greenhouse gas emissions (scope 2)	4.5 Sustainable business operations
305-4	Intensity of greenhouse gas emissions	4.5 Sustainable business operations
305-5	Reduction of greenhouse gas emissions	4.5 Sustainable business operations
306-2	Waste by type and treatment method	4.5 Sustainable business operations
MATERIAL TOPICS - PILLAR OUR PEOPLE		
Themes: Employee vitality & Diversity and inclusion		
103-1	Notes on materiality and division	4.6 Vitality of colleagues 4.7 Inclusion of colleagues 6.2 Explanation of materiality and definitions
103-2	Management approach	4.6 Vitality of colleagues 4.7 Inclusion of colleagues
103-3	Evaluation of the management approach	4.6 Vitality of colleagues 4.7 Inclusion of colleagues
403-2	Hazard identification, risk assessment, and incident investigation	4.6 Vitality of colleagues

SRI	Information	Reference
MATERIAL TOPICS - PILLAR OUR PEOPLE		
Themes: Employee vitality & Diversity and inclusion		
404-1	Programmes to enhance employee skills	4.6 Vitality of colleagues 4.7 Inclusion of colleagues
405-1	Employees who are distanced from the labour market	4.7 Inclusion of colleagues
MATERIAL TOPICS - PILLAR OUR SOCIETY		
Theme: Social involvement and inclusion		
103-1	Notes on materiality and division	4.2 Inclusion 4.8 Social involvement 6.2 Explanation of materiality and definitions
103-2	Management approach	4.2 Inclusion 4.8 Social involvement
103-3	Evaluation of the management approach	4.2 Inclusion 4.8 Social involvement
ASW4	Donations to clients and charities.	4.8 Social involvement





COLOPHON

A.S. Watson Health & Beauty Benelux

Nijborg 17
3927 DA Renswoude

Content

Sustainable Advisers

Design

studio Pietje Precies bv

Questions about our report or sustainability policy?

Then get in touch. mvo@nl.aswatson.com

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