

BRING MORE TO LIFE

A.S. Watson Group



Corporate Social Responsibility Report 2011



A Hutchison Whampoa Company

A.S. Watson Group

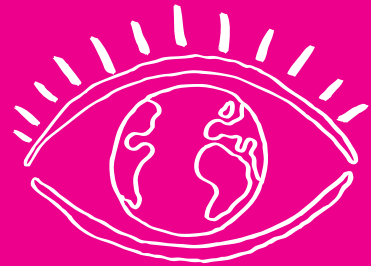
OUR PURPOSE

To exceed customers' expectations in every market we operate.



OUR VISION

To be the world's leading health, beauty and lifestyle retailer.



OUR DNA



PASSION+



COMMITMENT+



TEAMWORK+



SCIENCE+

WE
BRING
MORE
TO
LIFE



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Group Managing Director

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Dominic Lai
Group Managing Director
A.S. Watson Group

Message from the Group Managing Director

This is the third report on corporate social responsibility (CSR) that we published since 2006. CSR is a subject of very wide scope and of increasing importance in our company. It is about systematic focus and collective efforts in every operation in the company, and every individual in the world.

At A.S. Watson, we have tasked ourselves to deliver our social responsibilities under five core areas, namely Community, Health, Environment, People and Quality.

By Community, we mean making contributions to the communities where our business operates. With our global coverage of 33 markets, our country teams are dedicated to sharing a caring concern towards the needy and returning a positive energy to the community where our business is well-loved and -supported.

By Health, we make every effort as the world's leading health, beauty and lifestyle retailer in promoting healthy living through sharing our staff's professional health knowledge with the public, and partnering with organisations in projects to encourage active prevention and rehabilitative support.

By Environment, we do not just target at products and services that help minimise negative impact to the environment, but also constantly work on every daily detail from office to store and warehouse operations, ensuring the same attitude towards nature.

WE BRING MORE TO LIFE

By People, we foster a focus and culture in people development across the Group, where our staff can learn, grow and enjoy as a member of the A.S. Watson family.

Last but not the least, on Quality, we apply stringent management on our products' manufacturing process and food safety through high standard of quality testing procedures and ongoing professional training.

I encourage every market to increase focus on implementing easy as well as major CSR initiatives, as every effort across our 33 markets count.

Looking into the future, we are committed and will continue to ensure business continuity in a sustainable and responsible manner, so that we bring more value to our environment, our community, our marketplace and our workplace, and ultimately, bring more to the life of every one we touch.

A handwritten signature in black ink, consisting of a large, stylized initial 'D' followed by a series of loops and a horizontal line extending to the right.



Dedicated To
Doing Good



At **A.S. Watson**, we believe it is everyone's responsibility to make a positive and meaningful contribution to society, and good business should do good in the community.

Our culture of caring



A.S. Watson Group is proud to be a “Caring Company” – a title we have earned for eight consecutive years from the Hong Kong Council of Social Service.

The Group and nine of our subsidiaries in Hong Kong earned Caring Company logos, with some being awarded for five or more consecutive years, exemplifying the concerted efforts of our business units in committing to different community initiatives.

A culture of caring is part of the Group’s passion. It permeates every business division, every store and every employee, everywhere.

As an integral part of the communities in which we operate, A.S. Watson participates in a variety of initiatives to bring support and assistance to the community. In financial terms, for 2009 alone, the Group and its business units have contributed a total of more than US\$13 million in charitable donations. In human and environmental terms, the contribution has been priceless.





Not only does A.S. Watson contribute at a corporate level but employees also actively participate in community initiatives and fundraising projects to help those who are less fortunate in our community.

For years, the company has been actively involved in programmes of The Community Chest of Hong Kong, such as the "Skip Lunch Day" and "Dress Special Day". The Community Chest has continually acknowledged the Group's donation efforts at its Corporate and Employee Contribution Programme.

The **A.S. Watson Volunteer Team** comprises active and committed employees from our respective business units, and in the past five years have collectively given more than 10,000 hours of their spare time, working with over 60 social organisations to make a real difference in the community. Their activities ranges from visiting and caring for the elderly and handicapped to helping underprivileged children with their homework.



香港紅十字會 FORTRESS

Watsons

PARK'N'SHOP

Watson's Wine

Watson's Water

Aconce-Watson
Aconce Watson

A.S. Watson
A.S. Watson



For our children, for our future



We believe that good education standards and a healthy upbringing for children are vital ingredients for a happy and successful community. That's why **A.S. Watson Group** and its subsidiaries are frequently involved in projects aimed at helping children with their education and well-being.



Since 2008, **Watsons China** has raised funds for Sowers Action, an organisation providing educational assistance in undeveloped regions of Mainland China. Funds were raised through sales of a charity calendar for the reconstruction of schools. Another initiative, the "Watsons Spring Bud Scholarship", helps students with financial difficulties to continue their studies.

Meanwhile, **Watsons Taiwan** has cooperated with The Child Welfare League Foundation since 2009 to raise children's awareness of their own physical development and to interact positively with their parents. Through the "It Must Be Good Friends" campaign the message was being shared through visiting schools, while Watsons' pharmacists shared information on teenagers' health.



Watsons Taiwan has also cooperated with the Centre of Disease Control to focus on sanitation and disease prevention for children. Free direct-mailing educational materials helped children understand the importance of sanitation.

Watsons Thailand has helped children in north-eastern Khon Kaen province, where employees and Watsons Card member volunteers assisted with materials for their local library. The activity was part of the members' workshop "Make a New You", which aims to create customers' total beauty from within.

Watsons Malaysia embarked on a multi-platform campaign entitled "Give the Gift of a Smile" to raise funds for children born with cleft palates to undergo surgery.

In the Netherlands, **Kruidvat** hosted a sponsored charity breakfast in February 2010, raising funds for the Orange Babies Foundation which helps pregnant women with HIV and their babies in Africa.

In Latvia, **Drogas** participated in the "School Bag Charity Project" to help support children of poor families in the Valmieras region. Staff from Drogas sourced a variety of useful materials such as books, toys and stationery and also hosted a "Fill the School Bag" charity bazaar.

In Czech Republic, **Rossmann** raised funds for foundations that look after children who suffer from leukaemia.



Giving from the heart

Our subsidiaries frequently offer support to the community in the form of donations and through holding charity sales with proceeds going to a good cause. These initiatives enable our customers to participate in helping those who are less fortunate.

Watsons Hong Kong teamed up with Sheen Hok Charitable Foundation to raise funds through the sale of cute toys and calendars for the “New Chance for Life” campaign, which supports patients waiting for organ transplants.

Watsons Hong Kong and **FORTRESS** also joined forces with Hong Kong Po Leung Kuk to raise funds to help children who receive inadequate care through donation boxes at checkouts. Watsons sold calendars and Christmas teddy bears as additional channel to further raise funds.

PARKnSHOP, TASTE, GOURMET, Watson’s Wine Cellar, FORTRESS and Watsons Hong Kong contributed to the “Pass-it-On” campaign, which raised funds through the sale of a “Hugging Bear” to support the humanitarian work of the Hong Kong Red Cross.

In March 2010, our Food Retail launched the “Give from the Heart” campaign – inviting customers to make points-of-cash donations, using their loyalty points to support educational services for underprivileged children.





Leveraging on its extensive reach in Europe, the **Marionnaud Group** has teamed up with numerous local charities to help the needy. Since 2008, Marionnaud has been selling charity plush every Christmas. Beneficiaries included women victims of abuse, underprivileged children and orphans, hospitalised and disabled children, the physically handicapped and hospital patients.

Marionnaud Portugal supported the Lisbon Zoo in 2010, wherein an endangered giraffe was being sponsored. Giraffe plush was being sold with proceeds donated to the Associação das Aldeias de Crianças SOS Portugal, giving underprivileged children the opportunity to build lasting family relationships while acquiring a solid education.

Recognising the importance of improving the status of women in society, **Watsons Thailand** organised a New Year party with celebrity auction to raise funds for the Association for the Promotion of the Status of Women.



Alleviating adversity

A.S. Watson is always quick to react when natural disasters such as earthquakes, floods or landslides impact communities.

To help survivors of the 2008 Sichuan earthquake rebuild their homes, **GREAT** brought in selected Easter treats, with profits from sales plus customer donations received at checkouts donated to the *South China Morning Post's* "Homes for Hope" initiative to help survivors rebuild their houses.

Typhoon Morakot hit Taiwan in August 2009, drastically impacting the eastern and southern regions, including Watsons' colleagues and their families. True to the A.S. Watson family spirit, the Group's Head Office organised a fundraising drive, while **Watsons Taiwan** reached out to provide emergency materials to victims and funds for needy children's Reconstruction Programme, which benefited more than 1,000 children by keeping them in education system and offering necessary post-trauma consultancy.





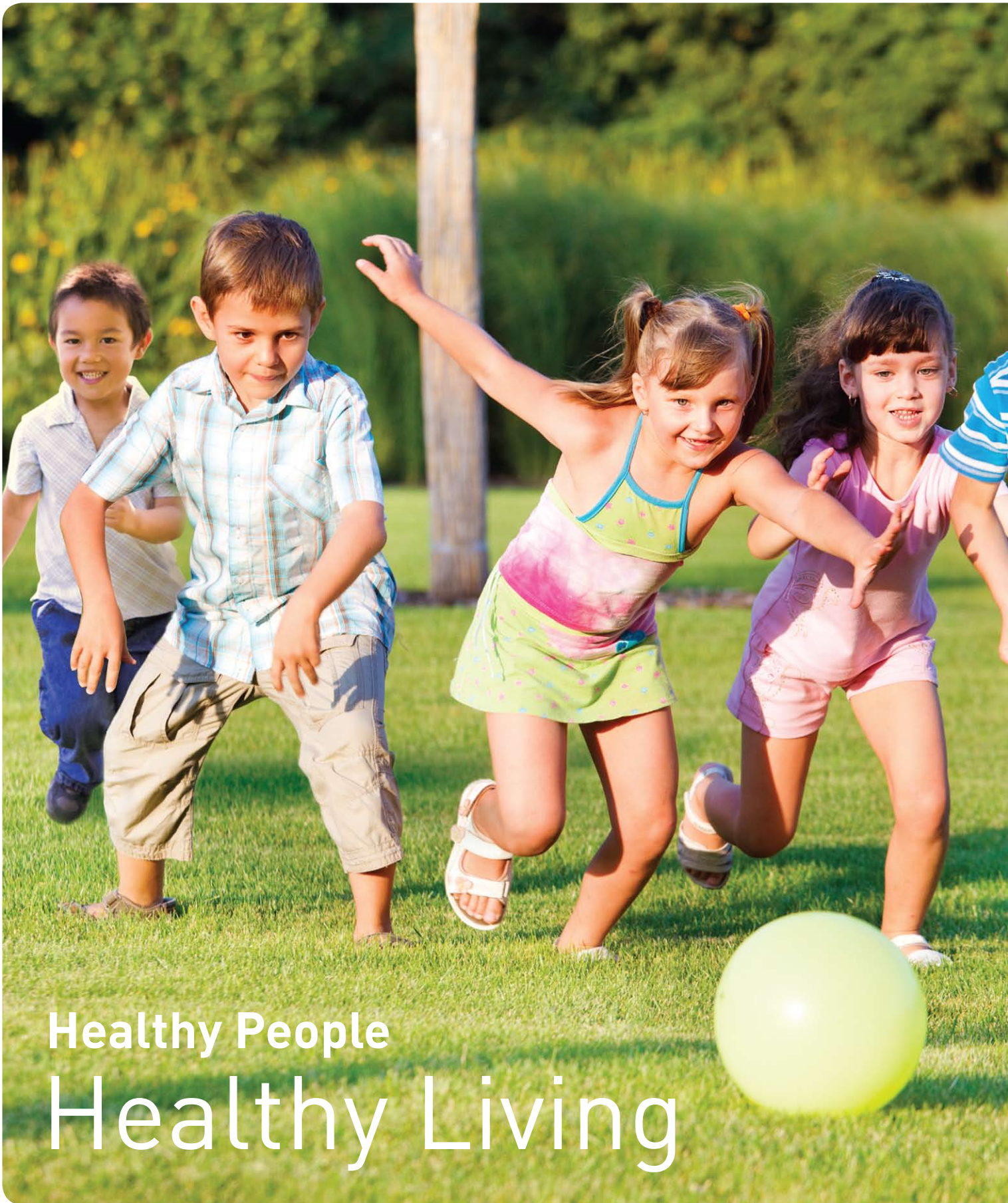
When a devastating earthquake struck Haiti in January 2010, leaving millions injured, homeless and orphaned, A.S. Watson's business units sprang into action at once.

Kruidvat and **Trekpleister** immediately made a donation to assist with clean-up operations, while **PARKnSHOP**, **INTERNATIONAL**, **TASTE**, **FUSION** and **GREAT** encouraged customer donation for the Hong Kong Red Cross to fund relief operations.

To support earthquake relief work in Qinghai Province in China, our six Food Retail brands including **PARKnSHOP** organised a customer donation drive in April 2010 to fund UNICEF relief operations. Later in August, the same Food Retail brands teamed up with **Watsons Hong Kong** and **FORTRESS** to provide financial assistance to UNICEF for victims of catastrophic landslides in Gansu province, China.

When floods devastated 28 provinces in Thailand in October 2010, leaving victims without medicines, food and clean water, **Watsons Thailand** donated bottled water and sanitary napkins to victims for emergency relief.





Healthy People
Healthy Living



As the world's leading international health, beauty and lifestyle retailer, **A.S. Watson** is passionate in promoting healthy lifestyles in the communities where we serve. Our efforts range from educating the general public on health to promoting sports.

Pharmacists reaching out

Our pharmacists and staff are at the frontline of healthcare, dispensing medicines in an efficient and friendly way. They also are actively involved in preventive healthcare initiatives, providing free health checks and keeping the public informed about health-related issues.

To help eliminate the use of harmful mercury-containing equipment, **Watsons Philippines** partnered with health-monitoring device distributor Omron Healthcare and global environmental-health organization Healthcare Without Harm. An education campaign was conducted for employees, customers and the general public to spread the word of supporting mercury-free healthcare.

In response to the increasing rate of Filipinos affected by chronic lifestyle diseases such as diabetes, hypertension and high cholesterol, Watsons Philippines partnered with Pharex Health Corp to launch the Compliance Pack in August 2010, aiming to encourage medication compliance. This breakthrough programme gives patients better access to high quality, effective, and affordable medications. Packaged in easy-to-dispense blister packs, the Pack contains a month-long supply of commonly prescribed medications, and comes with free blood pressure check-ups plus medication advice at Watsons' pharmacies.





Since 2009, **Watsons Singapore** worked with the Singapore Heart Foundation (SHF) to increase heart health awareness by providing free health checks in selected Watsons stores. Donation tins and red dress pins were placed in all Watsons stores with proceeds going to the SHF.

Watsons Taiwan cooperated with the Taipei City Government's Songshan Department of Health to host a Healthy Community Check. Pharmacists provided weight, body-fat and BMI checks, health counsellors offered advice on nutrition, and beauty advisors offered skin care tests and advice.

To encourage interaction between customers and pharmacists, **Watsons Taiwan** publishes a quarterly health booklet and provides health consultation areas in its stores. Watsons also echoes global campaigns such as World Hypertension Day, providing customers with related health information and medical checks.



Watsons

Take good care of yourself

We believe that health and beauty are two sides of the same coin: a healthy body is a beautiful body and a healthy community is a beautiful community.

Watsons Hong Kong introduced the “Love Your Body” campaign in June 2009 with the aim of adding spark to customers’ lives by reminding customers on the importance of looking after themselves.

Watsons offers the longest pharmacy serving hours in Hong Kong. A service hotline served by our pharmacists and health consultants offers free professional medical consultations. Our pharmacists also provide health tips through radio programmes, and a team of Health Ambassadors travels around the city to provide free health assessments.





Building on the theme of caring for your body, **Watsons China** introduced the Watsons Hair Centre which helps to increase awareness of the art of beautiful hair. The centres have become very popular with customers who benefit from professional advice from in-store stylists.

Watsons China promotes a healthy lifestyle through a new platform called "My Health Companion", which encourages customers to embrace the outdoors with activities such as hill-walking.

Likewise, **Watsons Thailand** held an exclusive series of workshops for Watsons Card members. "Make a New You" workshops help members to bring out their beauty and transform their looks through coaching by different styling professionals.

Watsons

Promoting prevention

When it comes to health issues like skin cancer, prevention is better than cure. With this in mind, we at **A.S. Watson** are enthusiastic supporters of efforts to encourage people to take precautions against harmful rays.

ICI PARIS XL marked National Melanoma Day in May 2009 with a consciousness-raising campaign to emphasise the importance of sun protection. Customers were offered discounts on sun care products and free skin analysis, with Beauty Coach to advise on suitable solar protection.

Since 2009, **Kruidvat** has surprised sun worshippers at the Netherlands' popular beaches by handing out Solait sun care products. In 2010, Kruidvat also teamed up with the Dutch Cancer Society to distribute a door-to-door "Sun Paper" with products and tips on healthy sunbathing. Meanwhile, special suntanning teams toured around parks dispensing sun cream, discount vouchers and advice on sun safety.



11 mai 2009, Journée de mélanome

Parce que vous portez chaque jour ce que vous avez de plus délicat...

-40%
SUR CHAQUE 2^e PRODUIT
SUR LES PRODUITS DE SOIN
SUR LES PRODUITS SOLAIRES

Pour vous permettre de profiter de votre été en toute sécurité, ICI PARIS XL vous offre, du 11 au 24 mai inclus, une réduction de 40% sur le 2^e produit solaire et/ou soin de la peau!

Durée: en 14 jours, il vous sera possible de faire une analyse de votre peau* gratuitement, grâce à notre Skin Analyzer.

Consultez notre hotline au +32 202 643 66 50 ou consultez www.iciparisxl.be pour connaître le magasin le plus proche de chez vous équipé d'un Skin Analyzer.

ICI PARIS XL
On n'a pas fini de vous séduire.



Word donateur en strijd mee leg

Word donateur
in strijd met de kanker

Maak kans op
1 jaar de IQO
Kruidvat Solait
reducerend tot € 25,-

De meeste producten in het assortiment zijn geschikt voor gebruik op de huid van kinderen. Het gebruik van deze producten op de huid van kinderen is niet aan te raden. Het gebruik van deze producten op de huid van kinderen is niet aan te raden. Het gebruik van deze producten op de huid van kinderen is niet aan te raden.





Marionnaud France joined hands with suppliers and *Marie Claire* magazine to support the "Pink October" project to raise funds for the association "Le Cancer du Sein, Parlons-en!", which promotes early cancer diagnosis and supports medical research.

Caring about resource and support for cancer research, **Superdrug** has supported cancer-related charity in the past five years. At its biennial charity fundraising event in July 2010, Superdrug hosted key suppliers and colleagues to raise funds in support of Childline, Cancer Research UK and the Teenage Cancer Trust.

Watsons Singapore adopted the Breast Cancer Foundation (BCF) as its charity of choice and was a title sponsor of the Pink Ribbon Walk/Run in October 2010. Watsons Singapore also raised funds through its Pink Shelves Programme, partnering with suppliers to donate to BCF from product sales, selling Pink Ribbon pins and placing donation tins in its 102 stores.



Fit and flourishing



A.S. Watson is a long-time enthusiast and supporter of sports development for young people. We believe that a strong sporting culture significantly contributes to a healthy, balanced and happy community.

In the past five years, 4000 primary, secondary and special school students have benefited from the A.S. Watson Group Hong Kong Student Sports Awards. Besides acknowledgement at the awards presentation ceremony, winners could also attend leadership training workshops to learn about communication and leadership skills. Each summer, selected students will join a Sports Exchange Tour to Mainland China, visiting sport schools, meeting sports authorities, and learning about Chinese history and culture.



AS Watson Group
香港學生運動員獎
A.S. Watson Group Hong Kong Student Sports Awards





The **A.S. Watson Group** founded the Watsons Athletic Club (WAC) in 1989 to raise athletics standards, particularly in track and field, through local and overseas training programmes. WAC is a member of the Hong Kong Amateur Athletic Association and has more than 1,000 members.

Every year, WAC organises training programmes for primary and secondary school students, impacting around 2,500 young people. During the event, promising young athletes are identified for further training. WAC also created the "Parents Network" to foster a closer relationship between athletes and their parents.

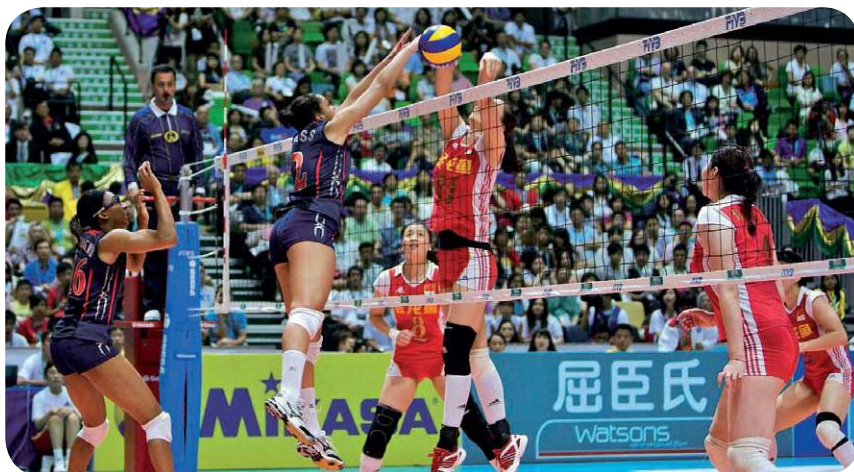
Since its founding, WAC has nurtured many of Hong Kong's most famous and successful medal-winning athletic personalities.



Sporting support

To enter into the spirit of the East Asian Games (EAG) held in Hong Kong in December 2009, official sponsor **Watsons Water** invited a famous local designer to create a special limited collection of "EAG Cheering Partners" bong bong palms and memorabilia T-shirts, featuring nine different designs representing the countries and districts competing, to encourage community support for the games. In addition, participating EAG athletes also benefited from 300,000 litres of free Watsons Water.





Watsons Hong Kong is the title sponsor of the 2010/2011 FIVB World Grand Prix – Hong Kong. The **A.S. Watson Volunteer Team** invited more than 1,200 youths, underprivileged children and their families to join and watch the world-class women's volleyball event.

A.S. Watson ensures that our workforce is a happy and healthy one. Through its **Lifestyle Club** which was set up since 2005, staff members in Hong Kong have been enrolled in various sports teams representing the Group in different sports competitions, offering opportunities for staff to shine.

watsons water

watsons





It's A
Beautiful World



At **A.S. Watson**, we believe in an all-inclusive approach to beauty. As the world's leading health, beauty and lifestyle retailer, we recognise that a healthy environment is a beautiful environment, and that it is our responsibility to play a positive role.

Action for a green earth



A.S. Watson is always eager to participate with partners and customers to promote a cleaner, greener, less wasteful environment.

Committed to reducing its carbon footprint, A.S. Watson Group and is a signatory to the Carbon Reduction Commitment (CRC), a UK government-run scheme commencing in April 2011, with radical carbon reduction targets set in **Superdrug**, **Savers** and **The Perfume Shop** to get Carbon Trust Standard (CTS) accreditation by 2011.



Superdrug has also implemented a Smart Meters Trial through utilising a mobile phone chip to record energy readings, which will help set energy-saving targets. Besides, a model store was created for further implementation to all stores by end of 2011, incorporating energy-saving lighting and control measures; more use of natural lighting and policies to cut down on the store's illumination; adjustments to air-conditioning, refrigeration, water consumption, waste management and fuel consumption to achieve carbon reduction.

In the Netherlands, the A.S. Watson Logistics Centre in Heteren has energy reduction strategies including more efficient use of lighting, with an 8% reduction target; more efficient air-conditioning systems; and more efficient use of trucking, such as better deployment of return freight.



One way to significantly reduce waste at the store level is to encourage customers to cut down on packaging and wrapping for their shopping.

In March 2009, **PARKnSHOP**, **TASTE**, **GREAT**, **GOURMET**, **INTERNATIONAL**, **FUSION** and **Watsons Hong Kong** participated in the “Every Day No Plastic Bag Day” campaign, organised by the Hong Kong Retail Management Association. The campaign aimed to help the industry reach its voluntary target of reducing over 400 million plastic bag distribution, from the 820 million distributed in 2005.

In another initiative to reduce packaging waste, PARKnSHOP and Watsons Hong Kong took part in the “Reduce Wrapping Paper” campaign organised by Green Sense to promote light packaging and the importance of reducing solid waste. Just before the Chinese New Year in 2009, customers were encouraged to replace wrapping paper for New Year presents with “Love Stickers” to express their good wishes.

As a continuation of the “Save & Preserve” campaign which started in 2007, **Nuance-Watson (HK)** began organising a “Green Poster Design Competition” since 2008 to foster environmental awareness within its stores. In 2010, customers who chose not to use plastic bags were rewarded with a memo pad made of 100% tree-free paper. A reusable bag designed by a world-renowned illustrator was also available, with net proceeds from bag sales going to ORBIS to support their sight-saving missions.

In March 2009, **Kruidvat** and **Trekpleister** introduced a unique sustainable packaging made from grass and recycled cartons, which was initially used for packing small items for customers. The box was planned to be used in the total logistic operation as much as possible in future. The Netherlands Minister of Environmental Affairs praised the initiative and hope it would be a source of inspiration for others.



Rooting for the environment



Our employees are regular participants in hands-on initiatives to improve and enhance the environment.

In April 2010, **A.S. Watson** representatives took part in the "Tree Planting Challenge" – a unique environmental activity held by Friends of the Earth that combines tree planting, hiking and a challenge of self-endurance. The team endured a gruelling 13km uphill walk carrying seedlings and tools for planting. Although it was a tough assignment, our team managed to break the record set the previous year, planting 101 trees in three hours.



A.S. Watson staff has also joined the 16th Green Power Hike, passing through five country parks on Hong Kong Island. Organised by charitable institution Green Power, the event aims to inspire people to better appreciate the natural environment, and to raise funds for green education in local kindergartens, primary and secondary schools.



In March 2009, **PARKnSHOP Hong Kong** supported the Hong Kong Tree Planting Day as title sponsor, sending a team to a country park where a previous hill fire had caused damage. The team planted over 10,000 trees with other participants to help restore the park to its natural beauty.

With a view to benefiting both the environment and the less fortunate in the society, **Watsons Water** joined hands with the Hong Chi Association in the “Nurture a Bloom” project from July to September 2009. Customers buying Watsons Water could choose from six species of seedlings organically nurtured by students of the Association. Hong Chi dedicates its services to providing education and training to empower those with intellectual disabilities and special needs to face life-long challenges.

In April 2010, **Watsons Thailand** organised the “Watsons Volunteers Revive Clear Phuket Sea” drive wherein Watsons Card members mould and throw EMBalls into the sea to help nurture seaweed, which has water-treating benefits and is a key food source for sea cows. The activity was part of Watsons’ “Make a New You” exclusive workshops that include engaging customers in caring for the environment.





Team Spirit



Our employees are the backbone of our operations. Their diverse skills, dedication and enthusiasm drive the leadership position that **A.S. Watson** enjoys today. We constantly seek to train, educate and develop our staff, and we take their health, happiness and well-being to our heart.

Cultivating quality

Operating in a multitude of markets creates many synergies for the **A.S. Watson** family of companies, not least the many opportunities for different divisions to share information, exchange ideas and collaborate at many levels in a variety of disciplines.

All of our retail operations offer relevant training, from introductory on-the-job instruction through to advanced management courses. Subjects range from leadership and logistics, to customer service and public relations.

Superdrug and **Savers** offer national vocational qualifications (Levels 2 and 3) through the in-house Apprenticeship Team. The programme has been highly recommended on all ratings points by the Office for Standards in Education (Ofsted), the UK government regulatory body.

Since 2009, almost 90% of staff in **Watsons China** has attended the "Watsons Staff DNA Workshop" to improve understanding of the Watsons brand, and to learn how to apply Watsons' culture of excellence to handling daily matters.





At the Group level, A.S. Watson recognises developing internal talent and promoting from within as critical elements of the Group's growth strategy.

In 2008, A.S. Watson launched the Asia Future Leaders Programme. Experienced graduates signed up for an 18-month fast track programme combining on-the-job experience, mentorship, formal education and overseas work assignments, providing a great start to a successful career in management.

High potential managers have been selected to participate in a series of Leadership Development Programmes designed to enhance knowledge and skills, preparing and supporting them through the challenging development of their career.

The A.S. Watson Group also fosters a learning culture through coaching and best practice sharing.



Recognising and rewarding results

We take pride in recognising and rewarding the achievements of our talented and motivated staff, whose commitment and teamwork drives us to new heights of success.

Across 33 markets, our management teams are charged with the mission to exceed our customers' expectations. They are dedicated to developing ideas and initiatives towards this mission and making our retail brands renowned.

Held since 2009, the **A.S. Watson Marketing & PR Awards** aim to reinforce the importance of brand communications, recognising the best-in-class marketing and public relations campaigns across our operating units. The Awards serve as an appreciation of the teams who make these campaigns a commercial success.



A.S. Watson encourages its subsidiaries to recognise excellent teamwork and performance at our shop floors. Some examples include:

Watsons Taiwan introduced the Best Store of the Year Award in 2008 to recognise the store which delivered not only financial targets but also great performance in dealing with customers' issues and mystery shopper survey.

Savers holds an annual Model Store Competition to promote service standards. Stores first compete locally, with area winners going through to the final round.

When **The Perfume Shop** holds its Annual Managers Conference, staff receives Long Service and Store Manager of the Year awards. Graduates of the Fragrance Foundation's Certified Fragrance Sales Specialist Programme were also acknowledged for their achievement.



Enriching life

Everyone needs a good balance between work and relaxation.

While **A.S. Watson** employees are focused on improving business performances across the world, there are many opportunities for them to participate in leisure activities and get to know each other in a relaxed and friendly atmosphere.

With the mantra "Be active, be Watson!" the **A.S. Watson Lifestyle Club** organises a variety of fun-filled activities and outings for staff and their families.

Energetic employees and health-conscious colleagues are welcome to join various sports courses such as Yoga, Thai-boxing and Wing Chun classes. Internal competitions allow staff to exercise their athletic talents in a variety of sports, not to mention enjoying some down-time with friendly colleagues.





On a more relaxing note, the Lifestyle Club also hosts various interest groups and outings to celebrate special occasions and festivals, such as sharing Mid-Autumn Festival warmth by delivering boxes of moon cakes and fruit to colleagues in their offices. Other family-friendly activities include barbecue gatherings, day trips to outlying islands and visiting national conservation parks.

The Club also provides opportunities for staff to flex their "creativity muscles", facilitating courses on diverse subjects like nail care and Chinese astrology.

To give staff a day of well-deserved rest, **Watsons Philippines** hosted its annual Health Network for Head Office employees, dubbed "Stress Management." Staff was treated to a relaxing afternoon with massages and beauty treatment, plus consultation with beauty and health experts, on top of informative talks on stress.



Watsons

Work hard and play hard

Sporting activities are a wonderful way for colleagues to stay fit and healthy, promote teamwork, build team spirit, or simply relax and have fun.

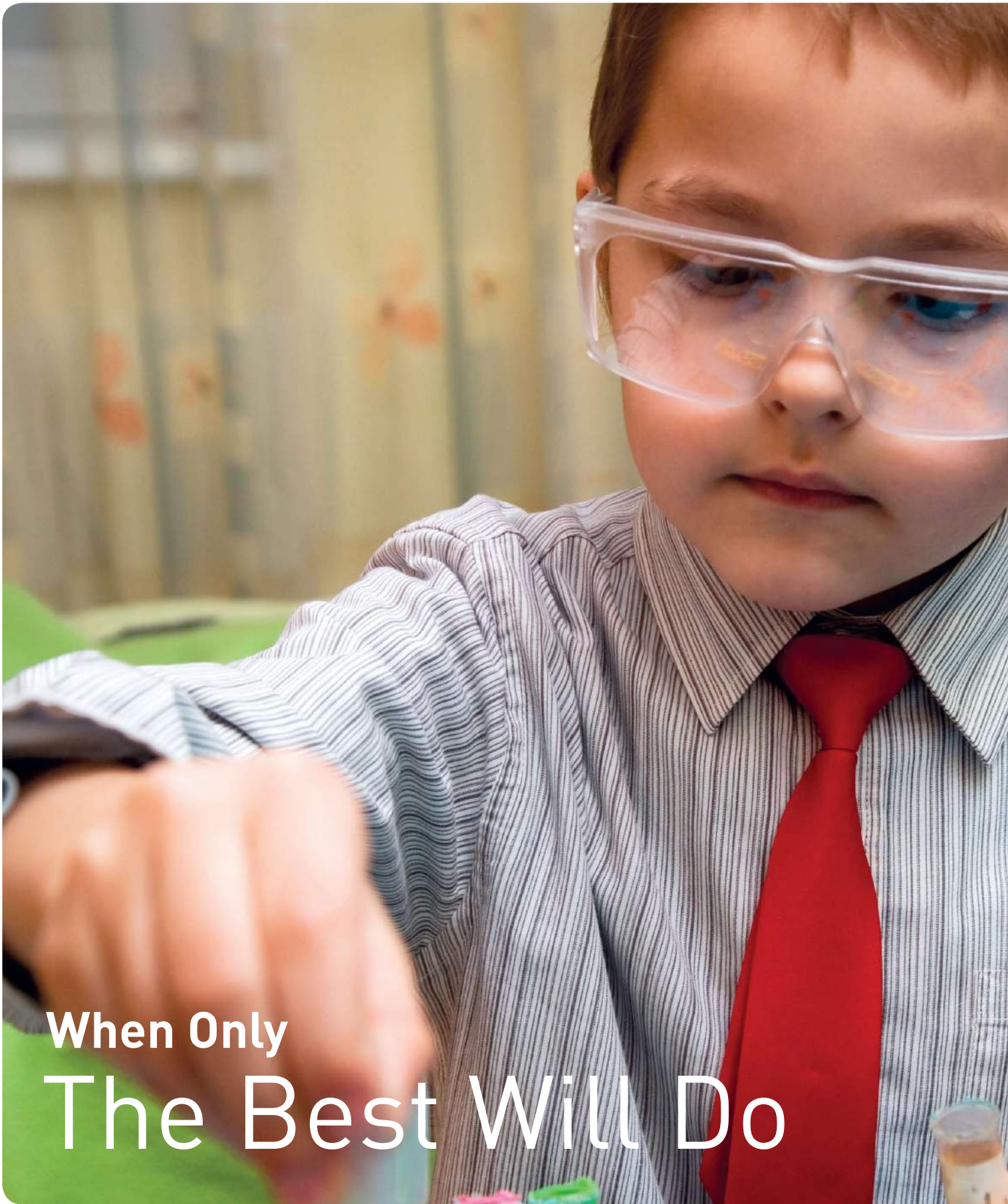
Across our different business units, country-based sports and fun days have been organised to ensure that all office and store staff can put aside their work and enjoy some social and family gathering time together. For example, **Watsons Korea** holds Sports & Fun Day for all employees to honour their hard work and strengthen teamwork in the company.



Drogas encourages staff and their families to participate in a variety of local sports competitions and events. In May 2009, 31 employees participated in the Riga Marathon. Drogas colleagues and their children later also took part in the Valmiera Marathon, an event devoted to the charity Food for Children, which provides free food for children from poor families – proving that we can surely mix in some family fun while caring for others in the community!

When a torch relay was held in August 2009 to mark the 100 days' countdown to the East Asian Games in Hong Kong, Tang Hon Sing from **Watsons Athletic Club**, holder of the Hong Kong record for the 110m and 400m hurdles, proudly represented **Watsons Water** as a torch bearer.





When Only
The Best Will Do



At **A.S. Watson** we strive to meet and surpass the highest standards of quality in every aspect of our business, from products, service standards to work environment. We believe that only the very best is good enough for our customers, our suppliers and our employees.

Our search for perfection never stops



Quality is our passion and in order to deliver it constantly, **A.S. Watson** has put in place different measures to ensure the best way possible for products to reach our customers' hands.

We joined the Business Social Compliance Initiative (BSCI) in 2008, a major Brussels-based organisation that promotes SA8000 accreditation and International Labour Organisation Core Conventions. In 2010, A.S. Watson initiated over 50 BSCI new audits and 34 BSCI re-audits, working with external accredited auditing agencies. Various internal workshops were also organised to raise awareness about the BSCI in our different business units.

Our internal dedicated Food and non-Food Quality Assurance Specialists, along with appointed external agencies, carry out rigorous assessments that cover factories' manufacturing practices, product safety, quality and performance, and also factories' social compliance.

Suppliers must also comply with international or industry Good Manufacturing Practices standards (e.g. EU/ASEAN Cosmetics GMP); when not applicable, suppliers would be assessed against our own GMP requirements by external third party auditors.





Besides our stores offering well-known international brands, our Own Brand products add another dimension to the A.S. Watson brand proposition. When customers purchase Own Brand items they can be confident that we will always bring more to their lives – more choice, more quality, and more value.

Our International Own Brand Product Development teams constantly study health & beauty trends, sourcing and developing winning products based on intensive research and customer feedback; while our Quality Assurance Team ensures every product range undergoes market research and stringent product testing in compliance with European and specific countries' safety standards.

We strive to ensure that all products shipped are safe, meet legal requirements where they are manufactured and sold, and comply with agreed specifications. Our Own Brand collection are tailored to enrich customers' lifestyles, bringing delight and surprises.



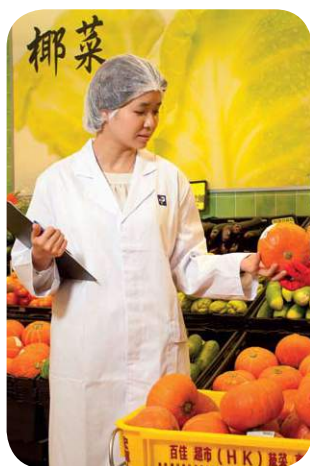
Product perfect



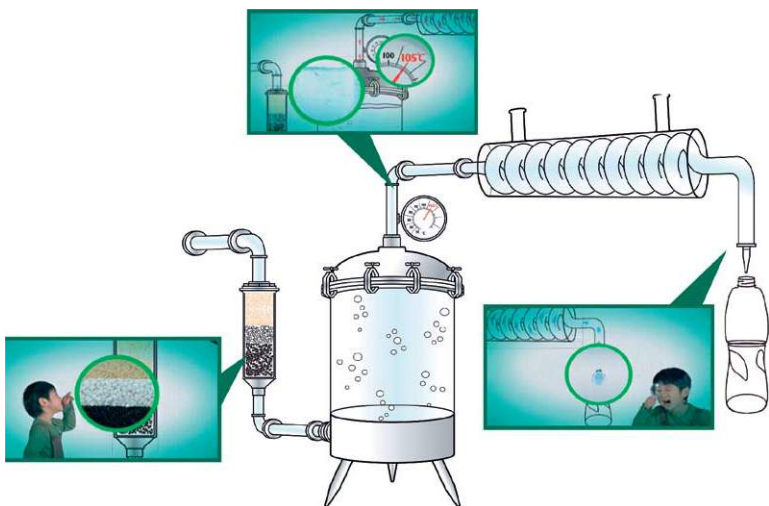
To ensure that our customers get the best-possible products and services, **A.S. Watson** managers and staff are constantly testing, tasting, reviewing, evaluating, appraising and improving.

We operate close to 300 supermarkets in Hong Kong, Mainland China and Macau under the brands **PARKnSHOP**, **INTERNATIONAL**, **TASTE**, **Express**, **FUSION**, **GOURMET** and **GREAT**, and our range of fresh Chinese and delicatessen foods is unsurpassed by any other retail chain.

We take a "Farm to Table" approach to food safety based on Risk Assessment, Risk Management and Risk Communication. We continue to pioneer the development of specialised fresh food supply chains. We operate Good Agricultural Practice programmes "on farm" in Mainland China and all our fresh food suppliers must pass a stringent food-hygiene audit. Our microbiological laboratory has been accredited under the internationally recognised ISO17025:2005/HOKLAS system and specialists in our two food safety laboratories test for a wide range of microorganism and pesticide residues.



Each of our stores has food safety procedures in place and is subjected to audits. Our store managers and food handlers undergo food safety training and get frequent updates from our food safety specialists. All food handlers must pass a health check to ensure they are medically fit to handle food.



Besides fresh food, A.S. Watson is also passionate about health and safety in our other products and processes. **Watsons Water** makes a “105°C Quality Assurance” to customers, reflecting the quality standard in the distillation process. The multi-level filtration and high-pressure distillation helps remove heavy metals, germs and bacteria.

In mid-2010, **Watson's Wine Cellar** received certification from the Hong Kong Quality Assurance Agency's Wine Storage Management Systems Certification Scheme, a world first.



In **Superdrug**, we are so confident that we introduced the “100% Happiness Guarantee” for our Own Brand products. If customers are not 100% happy with their purchase for whatever reason, Superdrug will give a full refund and 25% off their next Own Brand purchase.



Passionately professional



At **A.S. Watson**, we never stop striving for excellence.

In line with the company philosophy of nurturing talent from within, our employees undergo professional tailor-made training in a wide variety of disciplines to help them reach high professional standards.

The “Retail Academy” in Hong Kong offers a Beauty Consultant Trainee Programme to equip **Watsons Hong Kong**’s trainees with knowledge and skills in skin care, products, customer service, language and self-directed learning under the coaching of Beauty Supervisors, Learning & Development Trainers and suppliers.



In 2010, selected **FORTRESS** employees attended the “Image Sound Foundation Level I & II” certification training courses. Course graduates gain an excellent perspective on professional services for electronic imaging, delivering the best possible advice to customers.



Employees of **Watson’s Wine Cellar** earn accreditation through the Wine & Spirit Education Trust (WSET)’s programme. The courses include Certificates in Wines and Spirits with a strong focus on tasting technique and the application of knowledge.

Our business units in Europe have respective vocational training programmes to motivate staff of all levels to maintain their passion for quality customer services.

Be it the **Superdrug** Retail Academy, the “ABC” of **ICI PARIS XL** and **Marionnaud, The Perfume Shop** “Experience” or the “Introduction Passports” at **Kruidvat** and **Trekpleister**, companies at A.S. Watson share common grounds on preparing our staff to serve at their best. Upon joining our team, service staff goes through basic induction curriculum covering various topics, including company values and history, customer service, product knowledge, sales techniques, stores standards and operations, and gradually moving up to more specialised courses, such as pharmacy training, to build up on their service expertise.

As member of the Education and Training Sub-Committee of the Hong Kong Retail Management Association (HKRMA), **Nuance-Watson (HK)** helped to design the Professional Diploma in Retail Management jointly offered by The Chinese University of Hong Kong – Tung Wah Group of Hospitals Community College and HKRMA, of which selected Nuance-Watson staff has also benefited through attending.



Serious about service



We are committed to providing exceptional service to customers in all our stores. We believe in providing the best and most appropriate training, and we are constantly looking for ways to improve, not to mention rewarding high service standards among employees.

FORTRESS and **GOURMET** top their categories in the Supervisory Level of the Hong Kong Retail Management Association's 2010 Service & Courtesy Award, winning in the Electronic & Electrical category and the Supermarkets category. Winning in this "Oscars" of the retail trade award in Hong Kong has given recognition to the outstanding service performance of our staff, and demonstrated our aspiration to provide superior product quality and service standards to our customers that add value to their lives.



With its excellent service in the Mainland China, **PARKnSHOP** staff has won awards such as the Nationwide Outstanding Store Manager and Nationwide Top 10 Outstanding Store Manager awards from the China General Chamber of Commerce and China Finance Light Textile and Tobacco Trade Union in mid-2010, proving that our service standards is on par with the rise in China's new generation of customers who aspire to quality service.





Drogas Latvia participates in a tough annual "Praise Good Service Month" campaign against more than 1,000 stores from 75 companies. In both 2009 and 2010, customers voted for Drogas stores all over Latvia as the most praised customer service retailer. A store assistant also received the "Quality Mark Award" from Latvia's popular TV3 Channel for her extra attention to a customer shopping with a baby.

As part of its ongoing commitment to nurture customer-centric retail professionals, **Nuance-Watson (HK)** declared 2010 as the "Customer Focus Year", initiating a "6-Star Best Service Competition" among all Nuance-Watson stores.

Watsons Philippines launched the "Yes We Care!" campaign in February 2009, emphasising all-round care to customers, self, family and colleagues. The campaign was extended to head office staff to bring the same principle of customer service standards to internal operations.

Watsons Philippines also held its first Pharmacists' Convention in September 2009. The theme: "We C.A.R.E.", highlighted the four concepts of Watsons pharmacies – "Convene, Advance, Re-invent, Empower". The gathering also celebrated the graduation of the first batch of Health & Wellness Counsellors.





A.S. Watson Group

World's
leading

health, beauty and lifestyle retailer

Austria
Belgium
Czech Republic
France
Germany
Hong Kong
Hungary
Indonesia
Ireland

Italy
Korea
Latvia
Lithuania
Luxembourg
Macau
Mainland China
Malaysia
Morocco

Netherlands
Philippines
Poland
Portugal
Romania
Russia
Singapore
Slovakia
Spain

Switzerland
Taiwan
Thailand
Turkey
Ukraine
United Kingdom

33 markets

9,500 stores

19 retail brands

25 million customers per week

98,000 employees



A Hutchison Whampoa Company

About A.S. Watson Group

With a history dating back to 1828, the A.S. Watson Group (ASW) has evolved into an international retail and manufacturing business with operations in 33 markets worldwide. Today, the Group operates over 9,500 retail stores running the gamut from health & beauty, luxury perfumeries & cosmetics to food, electronics, fine wine and airport retail arms. Also an established player in the beverage industry, ASW provides a full range of beverages from bottled water, fruit juices, soft drinks and tea products to the world's finest wine labels via its international wine wholesaler and distributor. ASW employs 98,000 staff and is a member of the world renowned Hong Kong-based conglomerate Hutchison Whampoa Limited, which has five core businesses - ports and related services; property and hotels; retail; energy, infrastructure, investments and others; and telecommunications in 53 countries.



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