



**AS Watson**

To put a *Smile* on our customers' faces  
today and tomorrow 



A member of CK Hutchison Holdings

## 3 OVERVIEW

- 3 • MESSAGE FROM OUR GROUP CEO
- 4 • AS WATSON GROUP EMBLEM
- 5 • OUR COMMITMENT

## 6 PLANET

- 7 • FIGHTING THE CLIMATE CRISIS
- 19 • GREENER STORES FRAMEWORK
- 20 • ZERO WASTE TO LANDFILL FROM OUR OPERATIONS

## 23 PEOPLE

- 23 • RESPECTING HUMAN RIGHTS
- 24 • CARING FOR OUR PEOPLE
- 33 • SUPPORTING OUR COMMUNITIES

## 36 PRODUCTS

- 36 • MAINTAINING HIGH PRODUCT QUALITY & SAFETY
- 38 • OFFERING MORE SUSTAINABLE PRODUCTS

## 51 RECOGNITIONS

## 57 GOVERNANCE

- 57 • STRONG OVERSIGHT
- 59 • POLICIES
- 60 • MATERIALITY & PRIORITIES

## 62 ENVIRONMENTAL AND SOCIAL INDICATORS

## 71 VERIFICATION OPINION

## 72 ABOUT AS WATSON GROUP



## Embracing Our Heritage, Shaping a Sustainable Future



2023 was a pivotal year for AS Watson as we celebrated over 180 years of serving our communities. While reflecting on our humble beginnings as a small dispensary providing free medicines, we also turned our gaze toward the future – a future where our company thrives with renewed vigor, driven by our unwavering commitment to sustainable growth.

## A Refreshed Identity, An Everlasting Purpose Fueled by Love

In 2023, we unveiled a modernized corporate identity that pays homage to our rich heritage while injecting fresh energy into the brand. Our new symbol represents the continuity of the love that has guided us since 1841 – from our roots as a community-focused provider to our evolution as the world’s largest international health and beauty retailer. This revitalized identity reinforces our steadfast dedication to connecting with our customers, our people, and our partners to make the world a happier, healthier, and more sustainable place.

## A New Framework, A Renewed Determination for a Brighter Tomorrow

2023 also marked a significant milestone in the development of our Sustainability efforts. Anchored by three pillars – Planet, People, and Products – our new framework outlines our passionate commitment to driving positive change across all aspects of our value chain. Under the Planet pillar, we are focused on reducing our environmental impact, particularly in the areas of greenhouse gas emissions, sustainable store development, and operational waste management. The People pillar ensures supplier compliance with labor and human rights standards, while also prioritizing the creation of a supportive, caring workplace and continued philanthropic initiatives. Finally, the Products pillar aims to provide safe and high-quality products, implement deforestation-free sourcing, and incentivize our customers to adopt more sustainable lifestyles.

As we stride into the future alongside our 130,000 colleagues, business partners, and stakeholders, we remain forever dedicated to our purpose of putting a smile on our customers’ faces – today and for generations to come. Guided by our refreshed identity and reinvigorated sustainability framework, we are determined to create a better, more sustainable world for all.



**Dr. Malina Ngai**  
Group CEO  
AS Watson Group

## Incorporating the Symbolism of the Dragon, Unicorn, and Pagoda into our Sustainability Commitment



The iconic emblem that has graced the AS Watson brand for generations carries deep symbolic meaning that aligns perfectly with our renewed focus on sustainability.

### *The Dragon – A Symbol of Strength, Benevolence, and Transformation*

The dragon, a revered creature in Asian cultures, embodies the strength, power, and transformative energy that we bring to our sustainability initiatives. Just as the dragon is able to adapt and thrive in the face of change, we are committed to transforming our operations to reduce our environmental impact and create a more sustainable future.

### *The Unicorn – A Symbol of Purity, Enchantment, and Limitless Potential*

The unicorn, with its pure white coat and enchanting mystique, represents our unwavering commitment to ethical, transparent, and socially responsible business practices. As we forge ahead on our sustainability journey, we are driven by the limitless potential to create positive change and make the world a better place for all.

### *The Pagoda – A Symbol of Enlightenment, Harmony, and Interconnectedness*

The pagoda, a majestic architectural icon, symbolizes the enlightenment and harmony we strive to achieve through our sustainability efforts. Just as the pagoda's intricate design reflects the interconnectedness of its elements, we recognize the interdependence of our Planet, People, and Products, and are dedicated to fostering holistic, sustainable solutions.

By embracing the deep symbolic meaning of our iconic emblem, we are reminded of the powerful legacy we carry and the boundless opportunities that lie ahead. As we continue to evolve and transform, the dragon, unicorn, and pagoda will serve as constant reminders of our commitment to sustainable growth, ethical practices, and harmonious coexistence with the world around us.

As a responsible international retailer, we integrate sustainability principles into all aspects of our operations and business values. Consequently, we strive to meet the expectations of our stakeholders: customers, employees, suppliers, shareholders, regulators, and local communities.

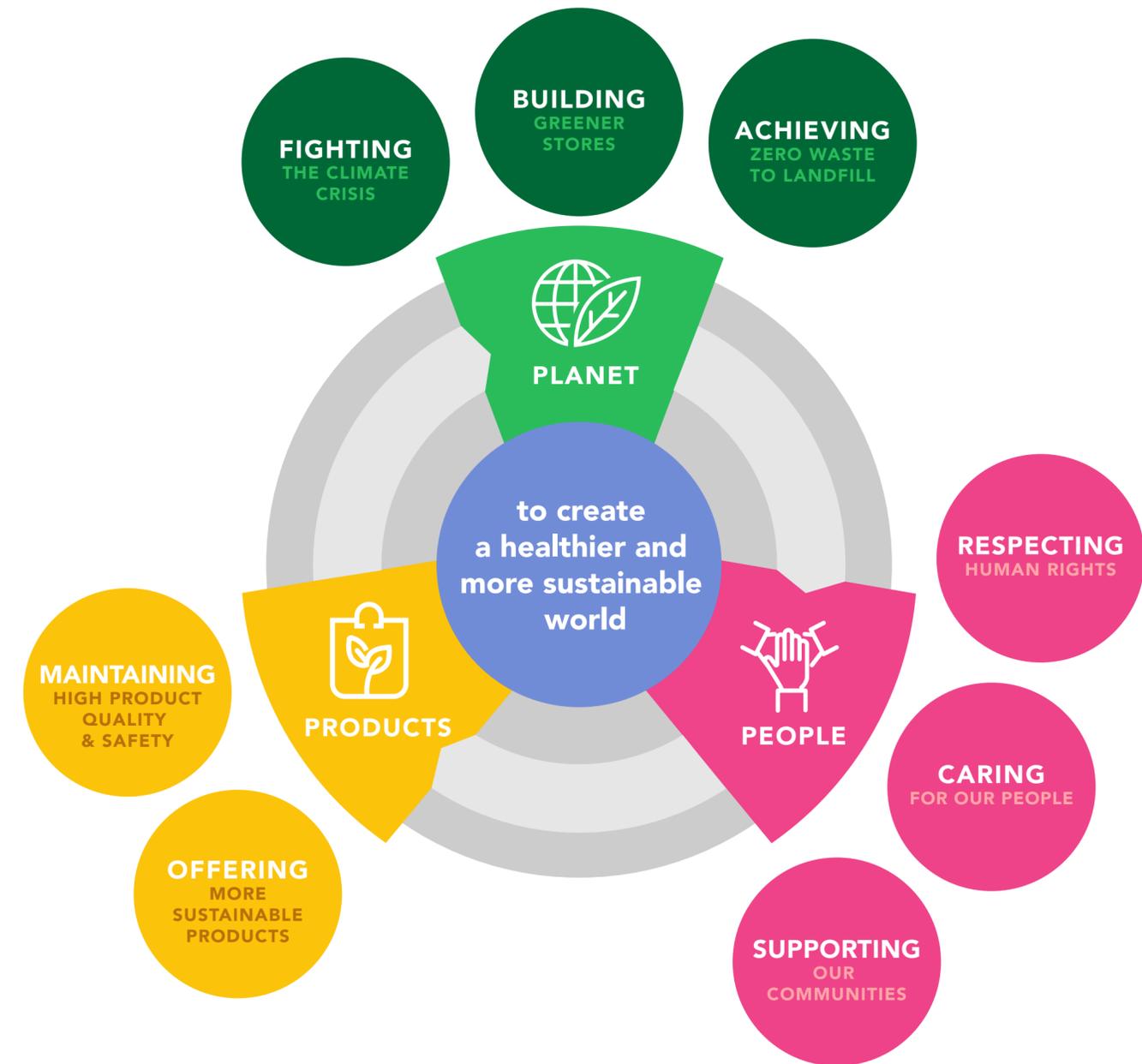
Giving back to the global community is an important part of our mission to create a healthier and more sustainable world.

Our refreshed pillars illustrate the positive changes we are embracing, by incorporating the environmental and social impacts of our activities along the whole value chain, and by setting relevant targets such as Greenhouse Gas (GHG) emissions reductions and the usage of more responsible materials.

We work towards improving the lives of everyone by:

- Utilising group synergies and business partnerships to meet our Sustainability Roadmap priorities
- Maintaining an environment where employees are rewarded and can achieve their full potential
- Offering the largest network of stores and the most extensive range of sustainable products to our customers

Our company's success in managing business continuity sustainably and responsibly is dependent upon systematic focus, continuous innovation, and the sharing of ideas among all our business units and individuals.



One of the challenges we face as a global company is to navigate the complex and diverse legislative landscape of our businesses in 28 markets, each with its own regulations and standards on environmental sustainability. We are committed to complying with all the relevant laws and policies in the countries where we operate, but we also strive to go beyond compliance and align our practices with the highest environmental standards across our markets.

To achieve this goal, we have developed a comprehensive strategy that covers the entire life cycle of our products, from sourcing to disposal. We monitor the environmental performance of our entire operations and our suppliers, and we implement measures to reduce our carbon footprint, water consumption, waste generation, and packaging use. We also collaborate with industry peers and NGOs to advocate for more ambitious and consistent environmental policies, and to share best practices and innovations.

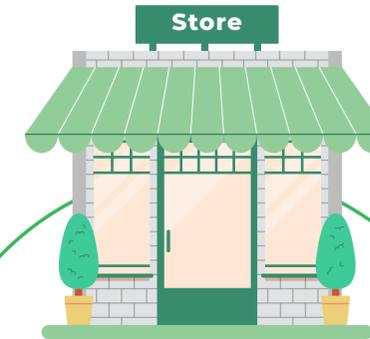
We believe that by working together, we can create a positive impact on the planet and secure a more sustainable future for ourselves and our customers. That is why our Planet pillar is an integral part of our vision and values as a company.



### Our Planet pillar focuses on:



**Fighting the Climate Crisis through the Reduction of our GHG Emissions**



**Building Greener Stores**



**Achieving Zero Waste to Landfill**

## Fighting the Climate Crisis

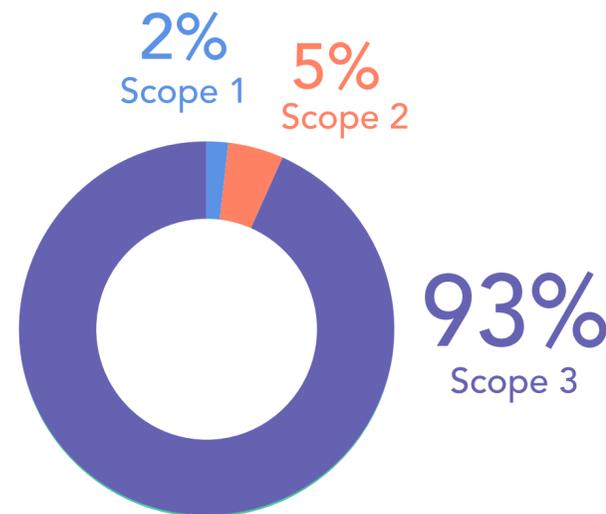
Scope 3 comprises over 90% of our total GHG emissions, and it mainly comes from three hot spots: the manufacturing of products by our suppliers (purchased goods and services), their delivery to our businesses (upstream transport and distribution) and how they are used by our customers (use of sold products).

### Reporting Assurance

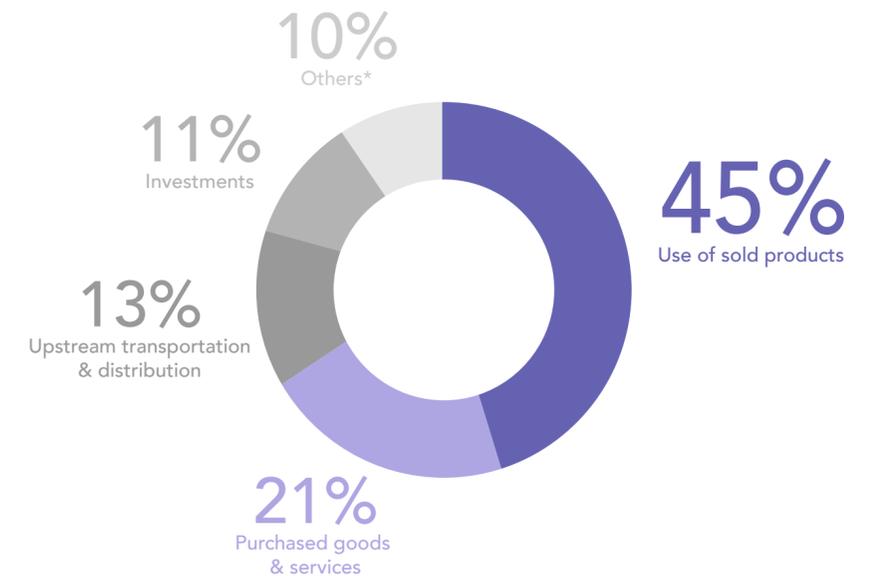
The GHG data of this Report is externally verified by the Hong Kong Quality Assurance Agency (“HKQAA”). HKQAA is commissioned to conduct an independent verification of the GHG data in accordance with the requirements of GHG Protocol with reference to ISO 14064-1:2018. Please refer to Verification Opinion section for the independent verification opinion issued by HKQAA.

### Our 2018 Base Year GHG Emissions

#### Share of GHG Emissions by Scopes 1, 2 and 3 (2018)



#### Share of GHG Emissions by Scope 3 Category (2018)



(\* ) Others: Employee commuting, business travel, end-of-life treatment of products, fuel- & energy-related activities, waste generated in operations, and capital goods

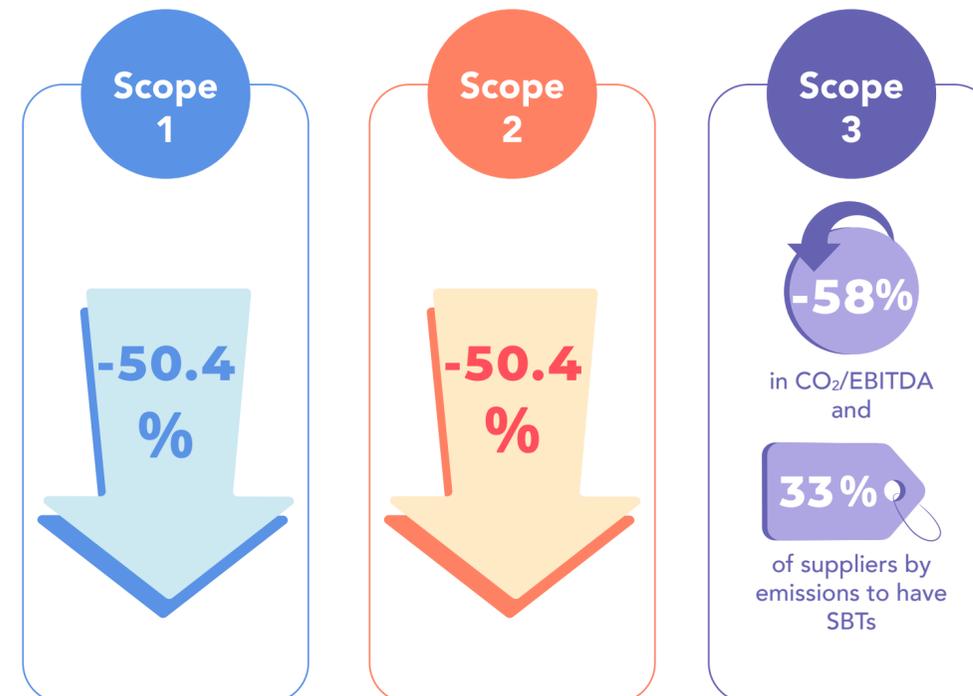
**Our Near-Term Science-Based GHG Emissions Reduction Targets**

In 2022, we committed to new science-based GHG emissions reduction targets to meet the goals of the Paris Agreement, to limit global warming to well below 2°C above pre-industrial levels, and to pursue efforts in limiting warming to 1.5°C.



Our latest targets approved by the Science Based Target initiative (SBTi) consist of an absolute reduction target for scope 1 and 2 emissions, along with an intensity reduction target and a supplier target for scope 3 emissions:

- Reduce scope 1 & 2 GHG emissions by 50.4% by 2030 from a 2018 base year
- Reduce scope 3 GHG emissions from purchased goods and services, upstream transportation and distribution, and use of sold products by 58% per Hong Kong dollar value added by 2030 from a 2018 base year
- Pledge 33% of its suppliers by scope 3 GHG emissions - covering purchased goods and services, upstream transportation and distribution - to have science-based targets (SBTs) by 2027



To support our reduction targets, we have started implementing our Climate Transition Plan which encompasses our entire value chain and operations.

## Scope 1:

Area	Action	Dependencies	Supporting Teams in AS Watson
S1.A. Sustainable Transport	<ul style="list-style-type: none"> <li>Strengthen <b>fleet efficiency</b> measures</li> <li>Switch to fleets with <b>lower emission fuels</b> such as plug-in hybrid electric vehicles (PHEVs) or battery electric vehicles (BEVs)</li> </ul>	<ul style="list-style-type: none"> <li>Limited pool of green fleet providers in some markets for the transportation of goods</li> </ul>	<ul style="list-style-type: none"> <li>Supply-Chain sub-committee and local teams</li> <li>Non-Trade Procurement</li> </ul>
S1.B. Low GWP Refrigerants	<ul style="list-style-type: none"> <li>Reduce emission from <b>refrigeration</b>, e.g. retrofits, use refrigerants with lower global warming potential (GWP)</li> </ul>	<ul style="list-style-type: none"> <li>Landlord's acceptance to upgrade their heating, ventilation and air-conditioning (HVAC) system</li> <li>Cost and availability of lower GWP refrigerants in some markets</li> </ul>	<ul style="list-style-type: none"> <li>Supply-Chain sub-committee and local teams</li> <li>Energy sub-committee and local teams</li> <li>Store Development</li> <li>Non-Trade Procurement</li> </ul>
S1.C. Switch from Gas to Electricity	<ul style="list-style-type: none"> <li>Switch from natural gas to <b>electricity</b> for heating</li> </ul>	<ul style="list-style-type: none"> <li>Landlord's acceptance to upgrade their HVAC system</li> </ul>	<ul style="list-style-type: none"> <li>Supply-Chain sub-committee and local teams</li> <li>Energy sub-committee and local teams</li> <li>Store Development</li> <li>Non-Trade Procurement</li> </ul>

## Scope 2:

Area	Action	Dependencies	Supporting Teams in AS Watson
<p>S2.A. Electricity Efficiency</p>	<ul style="list-style-type: none"> <li>Strengthen <b>energy efficiency</b> measures across all our operations</li> <li>Retrofits in all operations, using better <b>energy-saving</b> equipment</li> </ul>	<ul style="list-style-type: none"> <li>Landlord’s acceptance to upgrade their HVAC system</li> <li>Store design and in-store technology usage (e.g. more screens, self-checkout)</li> </ul>	<ul style="list-style-type: none"> <li>Property</li> <li>Store Development</li> <li>Sales Operation</li> <li>Non-Trade Procurement</li> <li>Energy sub-committee and local teams</li> </ul>
<p>S2.B. Renewable Electricity</p>	<ul style="list-style-type: none"> <li>Identify opportunity for <b>on-site renewable energy</b> generation</li> <li>Mandate the purchase of <b>renewable electricity</b> through Energy Attribute Certificates (EACs)</li> </ul>	<ul style="list-style-type: none"> <li>On-site generation of renewable electricity in distribution centres depend on building structure or land availability</li> <li>Limitations for rented warehouses</li> <li>Fluctuating cost and availability of EACs</li> </ul>	<ul style="list-style-type: none"> <li>Supply-Chain sub-committee and local teams</li> <li>Non-Trade Procurement</li> <li>Energy sub-committee and local teams</li> <li>Group Sustainability and local sustainability teams</li> </ul>



Scope 3:

Area	Action	Dependencies	Supporting Teams in AS Watson
S3.A. Suppliers SBTs Programme	<ul style="list-style-type: none"> <li>Invite top suppliers by scope 3 emissions in <b>ClimatePartner’s Network Platform (CP)</b> to provide climate-related awareness, encourage them to set their own SBTs and share their annual GHG data with us</li> </ul>	<ul style="list-style-type: none"> <li>Identifying the appropriate incentives for some suppliers</li> <li>Lack of resources for small and medium enterprises to manage climate-related projects</li> <li>Existence of sustainability reporting legislation in some markets</li> </ul>	
S3.B. Suppliers’ Energy Efficiency	<ul style="list-style-type: none"> <li>Strengthen <b>energy efficiency</b> measures across all our operations</li> <li>Support energy <b>retrofits</b> in all operations, using better energy-saving equipment</li> </ul>	<ul style="list-style-type: none"> <li>Refer to #S1.B, S1.C, S2.A and S3.A</li> </ul>	<ul style="list-style-type: none"> <li>Group Sustainability team and local sustainability teams</li> <li>Trade</li> <li>Non-Trade Procurement</li> </ul>
S3.C. Suppliers’ Renewable Electricity	<ul style="list-style-type: none"> <li>Identify opportunity for <b>on-site renewable</b> energy generation</li> <li>Increase the purchase of <b>renewable energy</b> (EACs for electricity, biomass, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Refer to #S2.B and S3.A</li> </ul>	
S3.D. Use of More Sustainable Raw Materials	<ul style="list-style-type: none"> <li>Increasingly source <b>more sustainable raw materials</b> for Exclusive Brands’ products and packaging, as well as for our operations (e.g. tertiary packaging, printing paper)</li> </ul>	<ul style="list-style-type: none"> <li>Availability and cost of recycled content feedstock</li> <li>Local legislation on recycled content packaging for food-contact products</li> <li>Our commitments to Ellen MacArthur’s New Plastic Economy Global commitment (plastic packaging) and to deforestation-free commodities (e.g. membership with the Roundtable on Sustainable Palm Oil)</li> </ul>	<ul style="list-style-type: none"> <li>Group Sustainability team and local sustainability teams</li> <li>Trade</li> <li>Non-Trade Procurement</li> <li>Supply-Chain sub-committee and local teams</li> </ul>

## Scope 3:

Area	Action	Dependencies	Supporting Teams in AS Watson
<p>S3.E. More Sustainable Product Choices for Customers</p>	<ul style="list-style-type: none"> <li>Develop (Exclusive Brands) or source (suppliers' brands) <b>more sustainable products</b> across multiple categories (food and non-food)</li> </ul>	<ul style="list-style-type: none"> <li>Refer to S3.D</li> <li>Advocacy of more sustainable products to customers in all markets</li> <li>Availability of innovative suppliers and innovative products across several products categories</li> <li>Customers' habits &amp; trust</li> <li>Legislation</li> </ul>	<ul style="list-style-type: none"> <li>Group Sustainability team and local sustainability teams</li> <li>Trade</li> <li>Marketing</li> </ul>
<p>S3.F. Sustainable Upstream Transport</p>	<ul style="list-style-type: none"> <li>Strengthen <b>transport route optimisation</b></li> <li>Reduce emission from transport used to deliver goods to our businesses (road transport, railway transport, ocean freight, air freight)</li> </ul>	<ul style="list-style-type: none"> <li>Refer to #S1.A, S3.A</li> <li>Government subsidies</li> <li>Availability of technology in some markets</li> </ul>	<ul style="list-style-type: none"> <li>Group Sustainability team and local sustainability teams</li> </ul>
<p>S3.G. Sustainable Downstream Transport</p>	<ul style="list-style-type: none"> <li>Strengthen transport <b>route optimisation</b></li> <li>Increase the use of fleets with <b>lower emissions fuels</b> such as PHEVs or BEVs</li> </ul>	<ul style="list-style-type: none"> <li>Refer to #S1.A</li> <li>Government subsidies</li> <li>Availability of technology in some markets</li> </ul>	<ul style="list-style-type: none"> <li>Non-Trade Procurement</li> <li>Supply-Chain sub-committee and local teams</li> </ul>

## Scope 3:

Area	Action	Dependencies	Supporting Teams in AS Watson
S3.H. Waste Management (in our operations)	<ul style="list-style-type: none"> <li>Refer to #S3.D</li> <li>Increase the amount of operational waste <b>diverted from landfills</b></li> </ul>	<ul style="list-style-type: none"> <li>Waste collection and waste recycling infrastructure in local markets</li> </ul>	<ul style="list-style-type: none"> <li>Supply-Chain sub-committee and local teams</li> <li>Sales Operation</li> </ul>
S3.I. Waste Management (end-of-life products)	<ul style="list-style-type: none"> <li>Improve our Exclusive Brands' <b>packaging recyclability</b> (Refer to #S3.D)</li> <li>Encourage customers to recycle</li> </ul>	<ul style="list-style-type: none"> <li>Refer to #S3.H</li> <li>Customers' incentives for waste collection schemes (Exclusive and suppliers' brands)</li> </ul>	<ul style="list-style-type: none"> <li>Store Development</li> <li>Trade</li> <li>Sales Operation</li> <li>Marketing</li> </ul>
S3.J. Product Life Cycle Assessment (LCA)	<ul style="list-style-type: none"> <li>Calculate Exclusive Brands' <b>LCA</b> to have more <b>primary data</b> for scope 3 emissions</li> <li>Reduce emissions from <b>use phase</b> where possible</li> </ul>	<ul style="list-style-type: none"> <li>Roll-out of EcoBeautyScore Consortium (beauty products)</li> <li>Identify reputable system to aggregate all products' LCA into one platform across the company</li> </ul>	<ul style="list-style-type: none"> <li>Group Sustainability team and local sustainability teams</li> <li>Group IT</li> </ul>

### Scope 1 GHG Emissions

Scope 1 emissions decreased by 9.4% versus 2022, and 36.9% versus the 2018 baseline.

There was a significant reduction (-13%) in the use of refrigerants from PARKnSHOP. Additionally, Health & Beauty Benelux, Watsons China and PARKnSHOP have already started using hybrid or plug-in electric trucks for warehouse-to-store deliveries. Watsons China has been expanding its electric vehicles (EV) coverage from tier-one cities (Beijing, Shanghai, Guangzhou, Shenzhen) to Tianjin and Chongqing.

For online order deliveries, Health & Beauty UK and ICI Paris XL have started using electric vans and e-Cargo bikes for deliveries in Central London and 13 emission-free zones in the Netherlands respectively. Four other operations in Asia (Watsons China, Singapore, Taiwan, and Thailand) have started using electric vans and electric motorbikes for country-wide deliveries.

To adopt a greener fleet to reduce scope 1 carbon emissions, Watsons Malaysia, The Philippines, and Indonesia started exploring collaborative opportunities with third-party logistic providers using EVs for in-store and online order deliveries.

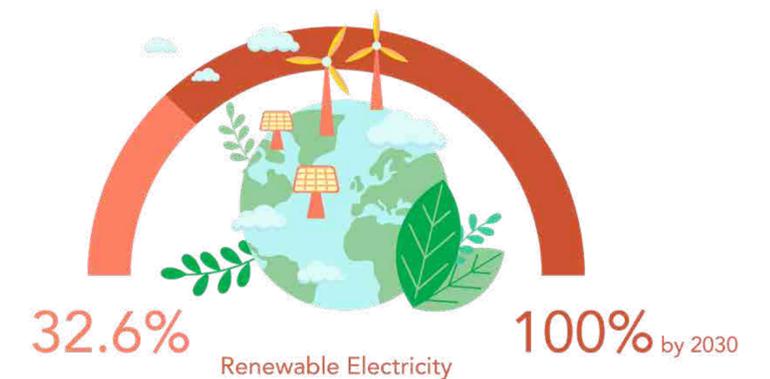
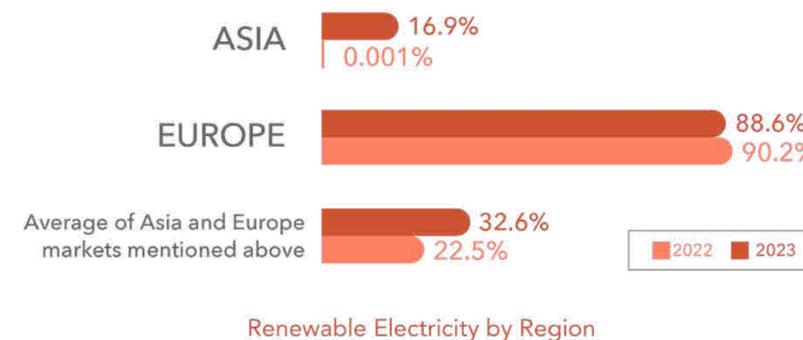
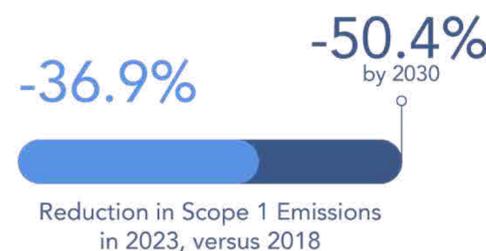
Greener fuels and greener fleets are other areas to bring down carbon emissions. Our operations in Europe (Health & Beauty Benelux, Health & Beauty UK)

have already started using greener fuels, such as liquefied natural gas (LNG), compressed natural gas (CNG) and liquefied petroleum gas (LPG). They generate less carbon emissions compared to diesel fuel. On greener fleets, 85% of our fleets used in Europe are Euro 5, Euro 6 and EVs.

### Scope 2 GHG Emissions

Scope 2 emissions decreased by 4.0% versus 2022, and 21.2% versus the 2018 baseline. We maintained energy-saving practices across our portfolio and purchased renewable electricity in several markets in 2023, namely the UK, Benelux, China, Hong Kong, Indonesia, Malaysia, The Philippines, Thailand, and Türkiye.

In 2023, 32.6% of electricity from the above markets are covered by EACs.

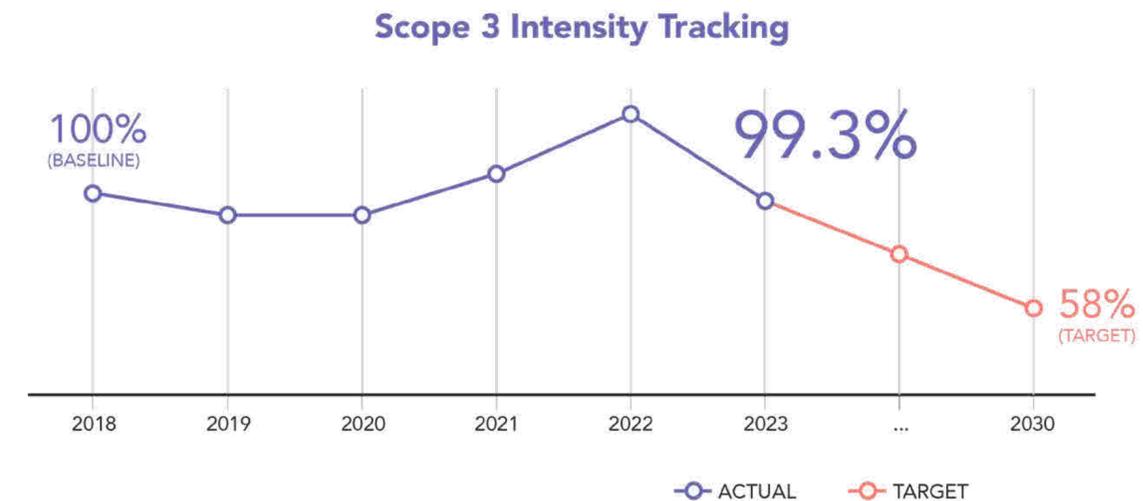


### Scope 3 GHG Emissions

Our scope 3 emissions come from the following categories:

- 1 Purchased Goods and Services
- 2 Capital Goods
- 3 Fuel- and Energy-related Activities
- 4 Upstream Transportation and Distribution
- 5 Waste Generated in Operations
- 6 Business Travel
- 7 Employee Commuting
- 11 Use of Sold Products
- 12 End-of-Life Treatment
- 15 Investments

Scope 3 emissions represent over 90% of our total GHG emissions. Our 2030 target of 58% reduction per Hong Kong dollar value added, from a 2018 base year, covers categories 1, 4 and 11. We saw a drop in 2019 and 2020 mainly driven by COVID’s impact on our business. In 2021, we had a rebound of activity, and the intensity became higher than the baseline year. This is fundamentally due to a mix of primary and proxy data in our initial calculations. In 2023<sup>1</sup>, we decreased our scope 3 intensity by 0.7% versus 2018, and 23.3% versus 2022. The decrease compared to last year was driven by a 13% growth in EBITDA<sup>2</sup>, and a 12.6% decrease in our emissions target boundary.



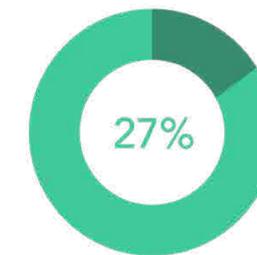
1. Due to the on-going Russia-Ukraine conflict, Watsons Ukraine is excluded in the 2023 calculation scope; the impact is negligible, for example the variance is only -0.23% when excluding Watsons Ukraine from 2022 emissions data.

2. Source: CK Hutchison Holdings Limited 2023 Annual Report.

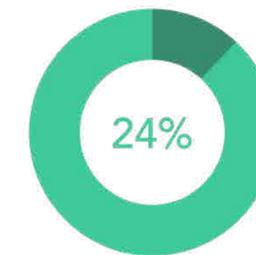
Over time, as we collect more primary data, we should gain a better understanding of our scope 3 emissions. Our goal is to improve the accuracy of our scope 3 emissions calculation through supplier and industry engagement projects.

Since 2022, we have been collecting primary data from key value chain partners using the **ClimatePartner's Network Platform**. GHG emissions data collected from suppliers comprises 80% or more of our scope 3 emissions; we assess their maturity on a regular basis and provide webinars to assist them in reaching the next level of their decarbonisation commitment. In 2023, we have engaged more suppliers, but we also noticed that a lot of medium-sized suppliers have a low awareness about GHG emissions; we have planned several additional webinars in 2024 to accompany them in their journey to GHG accounting & setting targets. This year, we also have an earlier cut-off time for suppliers to report their GHG data in CP, thus showing less suppliers with GHG data than last year when we had a later cut-off date.

Our industry engagement project involves developing an industry-wide assessment system and scoring system for cosmetic products that considers environmental impact with the **EcoBeautyScore Consortium**. By using a common scientific methodology, consumers can receive clear, transparent, and comparable information about environmental impacts of the products they intend to purchase.



of the suppliers provided GHG data already



of the suppliers by scope 3 emissions already have SBTs



## Reporting to the Task Force on Climate-Related Financial Disclosures (TCFD)

Scenario analysis is an important step to transition faster to a more sustainable economy, and was conceptualised by the TCFD framework. It is currently adopted, or referred to, by several reporting frameworks such as the International Sustainability Standards Board (ISSB) and the Corporate Sustainability Reporting Directive (CSRD).

In 2023, we set up a task force on TCFD to prepare our businesses for the mandatory disclosure required in the UK, starting from 2024. Superdrug and Savers are two of our major businesses that fall into the TCFD-aligned disclosure for large entities in the UK private sector.



Through the work done with an external consultant, we identified seven physical/transition risks and two transition opportunities:

	Risks & Opportunities modelled	Types	Impact on
Risk	Extreme weather events (floods) impacting distribution centres	Physical	Revenue
Risk	Changing weather conditions leading to increased energy costs and reduced footfall	Physical	Revenue & Cost
Risk	Volatility of energy costs	Transition	Cost
Risk	Shifting consumer preferences due to a failure to act on climate change	Transition	Revenue
Risk	Increase in costs due to carbon prices and taxes on GHG emissions	Transition	Cost
Risk	Change in packaging regulations resulting in increased costs	Transition	Cost
Risk	Increased regulations on product composition and procurement standards	Transition	Cost
Opportunity	Shifting consumer preferences due to meeting climate targets successfully	Transition	Revenue
Opportunity	Increase in sales of “more sustainable” products	Transition	Revenue

The scenario analysis is a concept that will be applied to other parts of our businesses in 2024, as we prepare ourselves to report to ISSB and CSRD reporting requirements starting from 2026.

## Greener Stores Framework

In 2022, we launched a Greener Stores Global Framework to accelerate our retail transformation towards lower-environmental impact stores to reduce our carbon emissions, water usage and landfill waste. It has also leveraged its scale to make a positive impact in speeding up the global movement towards a more sustainable future.

Our Greener Stores Framework inspires a sustainability culture in the everyday operations of our retail stores, from design, construction, and operation to maintenance. This framework is also about engaging customers with a wider range of more sustainable products, accelerating energy efficiency and renewable energy, and increasing the use of responsible materials.

In 2023, we opened more than 40 greener stores in eight markets.

Besides ensuring our store design guidelines encompass all the minimum requirements set by this new framework, we are testing other methods to calculate the GHG emissions associated with our stores. We also encourage our business units to explore certification from reputable greener building organisations such as LEED (Leadership in Energy and Environmental Design), BREEAM (Building Research Establishment Environmental Assessment Method) or China Three Star Green Building Evaluation Label.



### STAFF ENGAGEMENT

Inspire a culture of sustainability through increasing our knowledge and everyday actions.



### SUSTAINABLE CHOICES

Provide more sustainable products to customers to promote a more sustainable lifestyle.



### WELLBEING

Promote a safe and healthy environment.



### RESPONSIBLE MATERIALS

Source responsible and sustainable materials when building and merchandising stores. Increase end-of-life recycling of store equipment.



### CUSTOMER ENGAGEMENT

Involve more customers in recycling and caring efforts for the community.



### ENERGY EFFICIENCY

Identify ways to reduce energy consumption.



### RENEWABLE ENERGY

Support the growth of green energy to reduce greenhouse gases emissions.



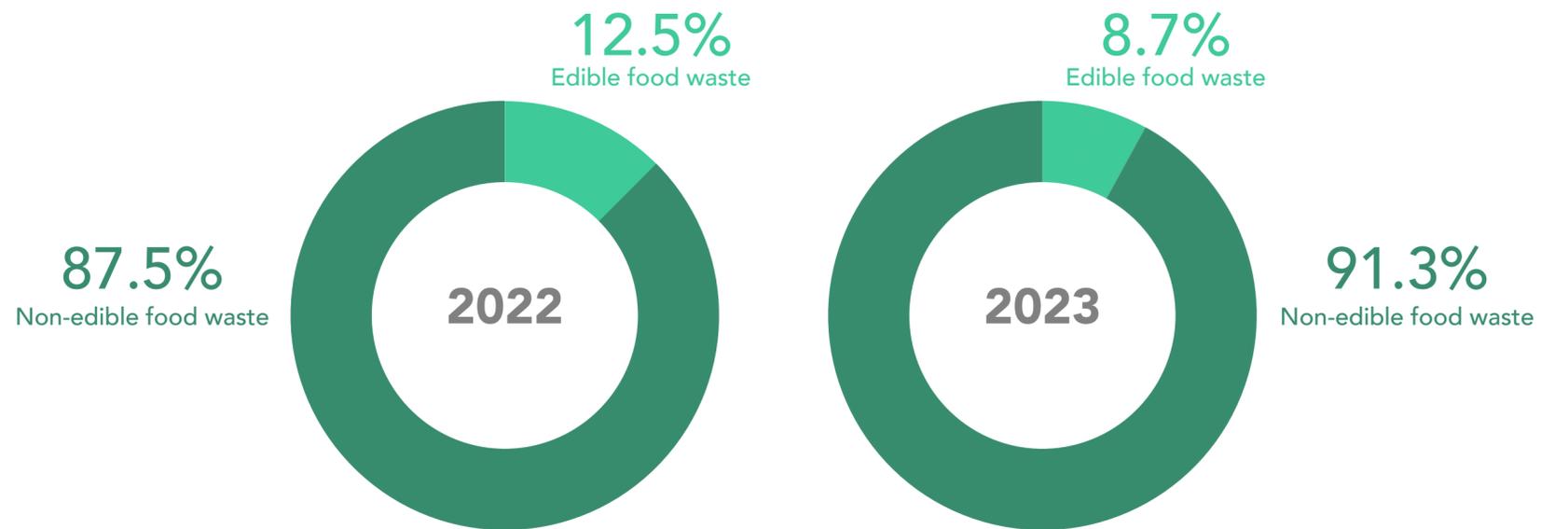
### WASTE DIVERSION

Waste from store construction/refit and everyday operations is diverted from landfills.

## Zero Waste to Landfill from our Operations

Operational waste comes from running our stores, warehouses, and offices. It is made of hazardous and non-hazardous waste, both being managed responsibly by following local legislation.

Food waste comes primarily from our food retail, PARKnSHOP, and it encompasses non-edible and edible food waste (foods reaching their “best before” dates soon).



 <b>Non-Edible Food Waste</b>	 <b>Edible Food Waste</b>
<p><i>Non-edible food waste is repurposed through local composting or animal feed, and we divert more waste from landfills to organic waste treatment facilities.</i></p>	<p><i>We donate surplus food to the local NGO, Food Angel, on an annual basis.</i></p>
<p><i>In 2023, more PARKnSHOP stores have engaged with the local organic waste collection programme, resulting in an increased volume of non-edible food waste being diverted away from landfills.</i></p>	

Non-food waste<sup>1</sup> exists across all our businesses and is made of hazardous operational waste such as light bulbs, and non-hazardous operational waste such as shrink-wrap plastic films in our warehouses or printing paper used in our offices. Over the years, many initiatives have helped us reduce operational waste.

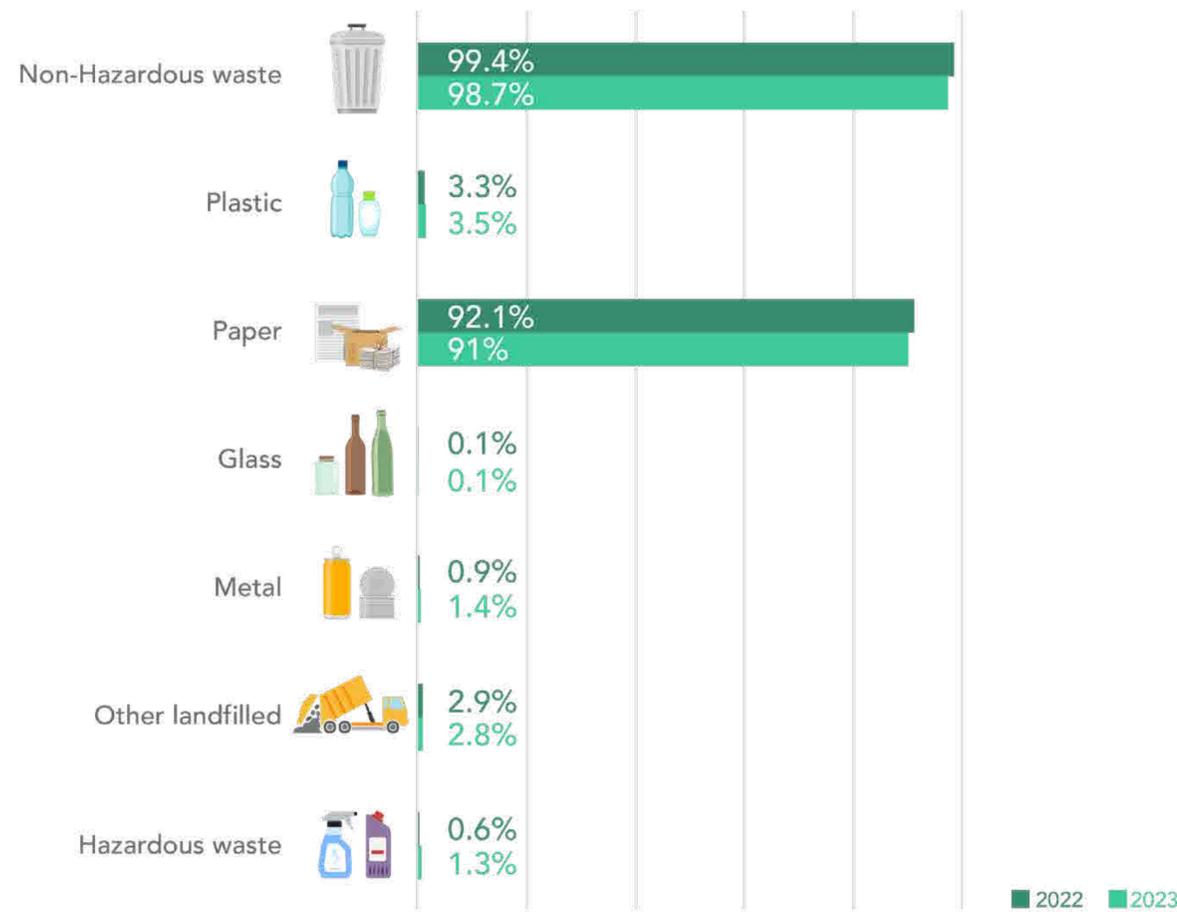
Waste Reduction Initiatives by Location and Type:

Location	Hazardous Waste	Non-hazardous Waste
 <p>Office</p>	<ul style="list-style-type: none"> <li>• Use LED lights to reduce maintenance and replacement of bulbs</li> <li>• Reduce printing ink usage by implementing staff card scanned-printing</li> <li>• Negotiate company-wide contract with IT companies to collect idle or damaged equipment for recycling</li> <li>• Ensure other waste is collected and recycled responsibly</li> </ul>	<ul style="list-style-type: none"> <li>• Install more water refill stations, and set up recycling bins across all office floors</li> <li>• Go paperless and transition to more digital tools</li> <li>• Reduce printing paper by implementing staff card scanned-printing</li> <li>• Ensure other waste is collected and recycled responsibly</li> </ul>
 <p>Stores</p>	<ul style="list-style-type: none"> <li>• Dispose of expired or damaged products according to local regulations</li> <li>• Train staff on proper handling and storage of hazardous materials</li> <li>• Backhaul waste to the warehouses</li> <li>• Ensure other waste is collected and recycled responsibly</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage customers to bring their own bags or use reusable bags</li> <li>• Reduce packaging and plastic use for products deliveries</li> <li>• Donate unsold items to charities or local communities</li> <li>• Backhaul waste to the warehouses</li> <li>• Ensure other waste is collected and recycled responsibly</li> </ul>
 <p>Warehouses</p>	<ul style="list-style-type: none"> <li>• Implement spill prevention and control measures</li> <li>• Use more sustainable cleaning products and equipment</li> <li>• Separate hazardous waste from non-hazardous waste and label them clearly</li> <li>• Ensure other waste is collected and recycled responsibly</li> </ul>	<ul style="list-style-type: none"> <li>• Optimise inventory management and reduce overstocking</li> <li>• Reuse or recycle cardboard boxes, pallets, and other materials</li> <li>• Arrange on-site upcycling of carton boxes to fillers, or recycling with external companies</li> <li>• Utilise reusable tote boxes within the warehouses and for store deliveries</li> <li>• Ensure other waste is collected and recycled responsibly</li> </ul>

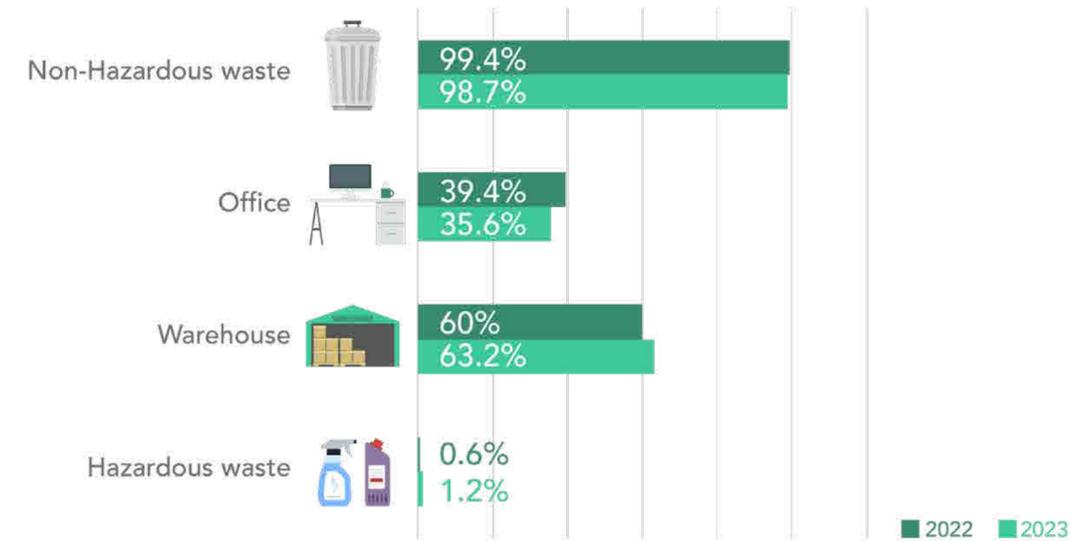
<sup>1</sup>Waste from packaging materials (carrier bags, products, and online business packaging) is not included here, but in the NPE commitment reporting numbers

There was a major increase in the ratio of metal waste in 2023, due to the recycling of warehouse shelves across several markets.

## Breakdown by Material *(data showing non-food waste's split by types)*



## Breakdown by Source



## Waste Diverted from Landfill



As a responsible and ethical company, we are committed to respecting human rights, caring for our people, and supporting our communities. These are the priorities set in our People strategy, which guide our actions and decisions concerning our employees, suppliers, customers, and society at large.



### Our People pillar focuses on:



Respecting Human Rights



Caring for Our People



Supporting Our Communities

## Respecting Human Rights

We respect and uphold human rights. We have adopted a Human Rights Policy that sets out our commitment to prevent, identify, and address any adverse human rights impacts that may arise from our operations, products, or services. We conduct regular due diligence to assess and mitigate potential risks, and we provide training and awareness-raising activities to our staff and stakeholders on human rights issues. We also have grievance mechanisms in place to enable anyone who believes that their human rights have been violated by our company to raise their concerns and seek redress.

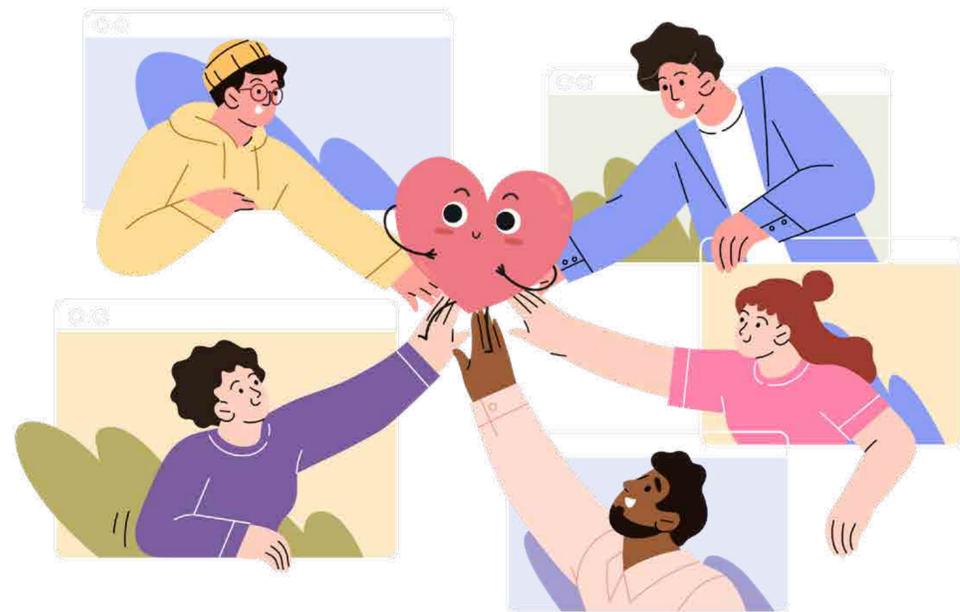
We rolled out an upgraded Supplier Code of Conduct last year, which incorporates a more advanced screening procedure for new suppliers. This process evaluates 23 risk indicators across five categories, namely reputation and sanctions, financial, environmental, social, and governance. In 2023, over 8,600 suppliers successfully completed this evaluation process. Since 2008, we have become an active member of amfori, an organisation working towards improving working conditions and environmental management in the global supply chains. For suppliers located in medium to high-risk countries, based on amfori's countries risk classification, we perform social audits with reference to amfori's Business Social Compliance Initiative or other leading frameworks, such as Sedex Members Ethical Trade Audits, the Initiative for Compliance and Sustainability or SA8000 Social Accountability. During 2023, audits of 308 factories worldwide were conducted under our sustainable supply chain programme.

## Caring for Our People

We are committed to providing a safe, healthy, supportive, and discrimination-free environment for all employees. We foster a culture of people development where employees receive appropriate training to optimise their performance, progress, and growth in the AS Watson family throughout their careers.

Our People strategy covers the following priorities:

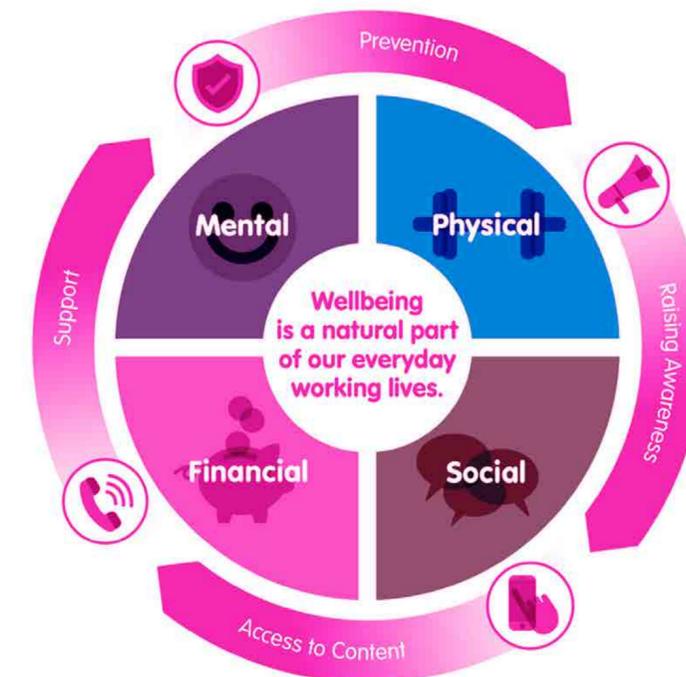
- Health & Wellbeing
- Getting future-ready
- Diversity, Equity & Inclusion (DEI)
- Youths Careers Development



## Health & Wellbeing

Our Wellbeing Toolkit was introduced in 2023 to offer practical advice on enhancing the mental, physical, social, and financial wellbeing of our employees. The toolkit is designed to promote and support the overall wellbeing of all colleagues across our business units and group functions, thereby helping to create a healthier and more fulfilling work experience.

We believe that employee wellbeing is critically important and has far-reaching effects on productivity, engagement, and the overall success of the company. Fostering a culture of wellbeing is not just an individual effort, but a collective journey we undertake as a team.



## Wellness Initiatives

Group office and Watsons Thailand organised Wellness Week 2023 with health checks, healthy breakfast sessions, seminars and workplace massage sessions for employees. Similarly, Watsons Singapore and PARKnSHOP provided their staff with an array of activities and enabled access to wellness information through online portals.



Superdrug and Savers launched a Digicare app in 2023, giving employees accessibility to digital health consultation services, mental health and nutrition consultations, second medical opinions and an annual health check. The app also provides guidance and support to help detect, manage and prevent physical and mental health issues. In addition, extra staff discount was offered to support employees with financial hardship in 2023.

During Mental Wellbeing Month at Drogas, the focus was on enhancing employee wellbeing at the workplace, fostering self-care and positive habits. This was achieved with activities to encourage employee engagement, meditation seminars to promote mindfulness, and healthy breaks at work to relieve stress.



## Menopause Awareness

The Perfume Shop conducted group sessions with colleagues to develop their Menopause Policy. They revealed a strong interest in discussing the experience and highlighted common challenges of menopause. Colleagues put forth practical tips that were later shared with all during the October Menopause Awareness month.



## Operational Safety in the Supply Chain

We include and ensure that the general terms and conditions with suppliers, and in all agreements, comply with legal obligations on the concerned parties. Safety guidelines and regulations are included under these obligations, and a Due Diligence Screening Process is being conducted to exclude suppliers and contractors with non-compliance on safety legislation and any public litigation or proceedings related to health and safety legislation, thereby ensuring the safe operation of all contracted projects of the company.



## Getting Future-Ready

### Talent Attraction and Identification

With the fierce competition for talents in the data analytics industry, we have launched the Retail Analytics Programme to recruit and develop fresh graduates through an 18- to 24-month programme, offering broad cross-functional training and exposure to deliver insights through analytics to more than 30 business units in Asia, Europe, and the Middle East.

### Employee Engagement

We launched a Colleague Engagement Survey in 2023 to collect feedback on three elements, namely "Say-Stay-Strive": employees' advocacy, commitment, desire to stay, and willingness to contribute continually to the company. A bottom-up approach to increasing employee engagement was adopted via Action Planning Workshops, and we have consolidated feedback and ideas from employees for managerial follow-up.

## Staff Engagement Initiatives



Watsons Hong Kong introduced a WhatsApp Channel, "You Speak, I Hear" to promote engagement with colleagues openly and conveniently. "Chit Chat Sessions with MD" were also hosted for store and office staff to encourage open communication. Feedback was taken to the management team for further action.

## Learning and Development

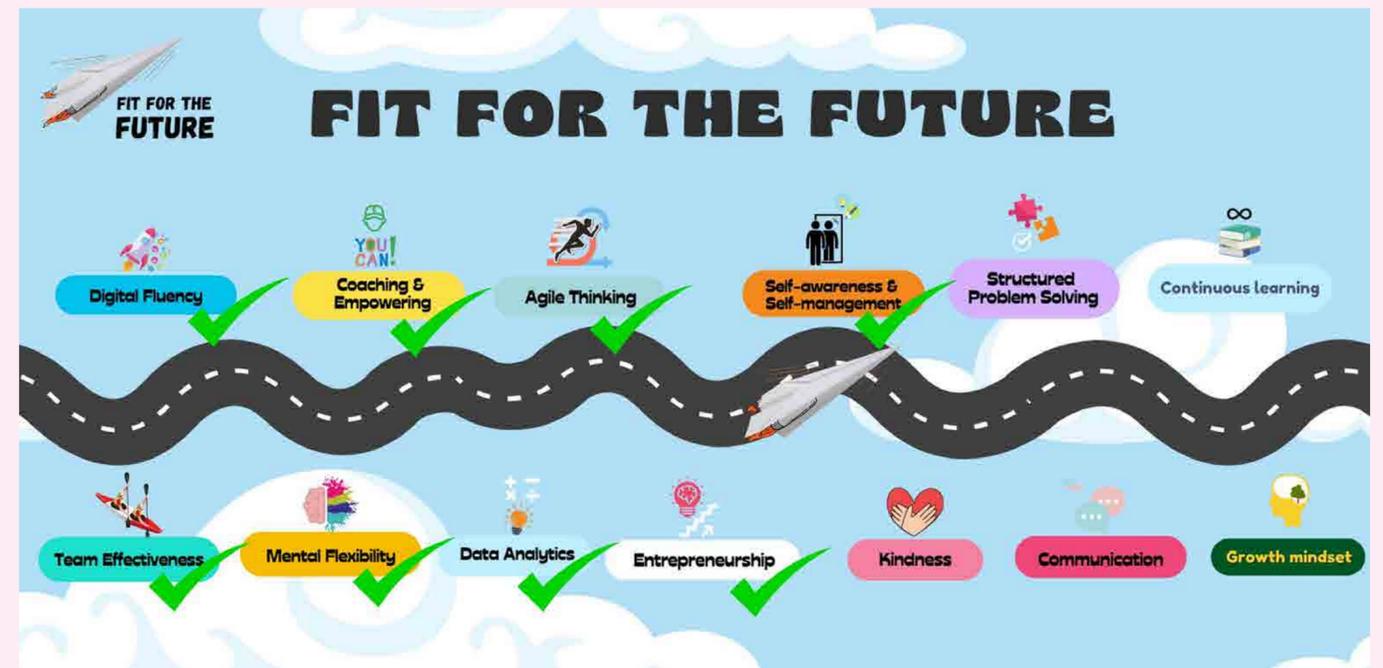
We have a dedicated talent development programme in the Agile Leadership Series, wherein we look towards developing a pool of executives with strong strategic leadership skills based on our Leadership Capabilities framework that is being updated annually. Both the Infrastructure and Telecommunications divisions also have well-established initiatives for nurturing future leaders.

Additional eLearning tools:

- The Supply Chain Academy Programme has been launched since 2021, with a focus to develop critical skillsets required in the Supply Chain. 128 Supply Chain colleagues across the Group, Asia and European business units have been trained
- In the UK and Europe, we launched our first company-wide on-board module Foundations of Sustainability, after its earlier launch in Asia in 2022

## Fit for the Future

To support our colleagues in delivering O+O (Offline Plus Online), our integrated retail platform strategy and to continue building a future-ready workforce, we have identified and rolled out an additional seven critical skills related to success for now and into the future under the Fit for the Future campaign in 2023.



Using the reskilling concept of Unlearn, Learn, Relearn, the programme offers training support through Digital Gym mobile app, toolkits, and bite-sized learning sessions. This ensures that learning opportunities are available to all colleagues across the company.

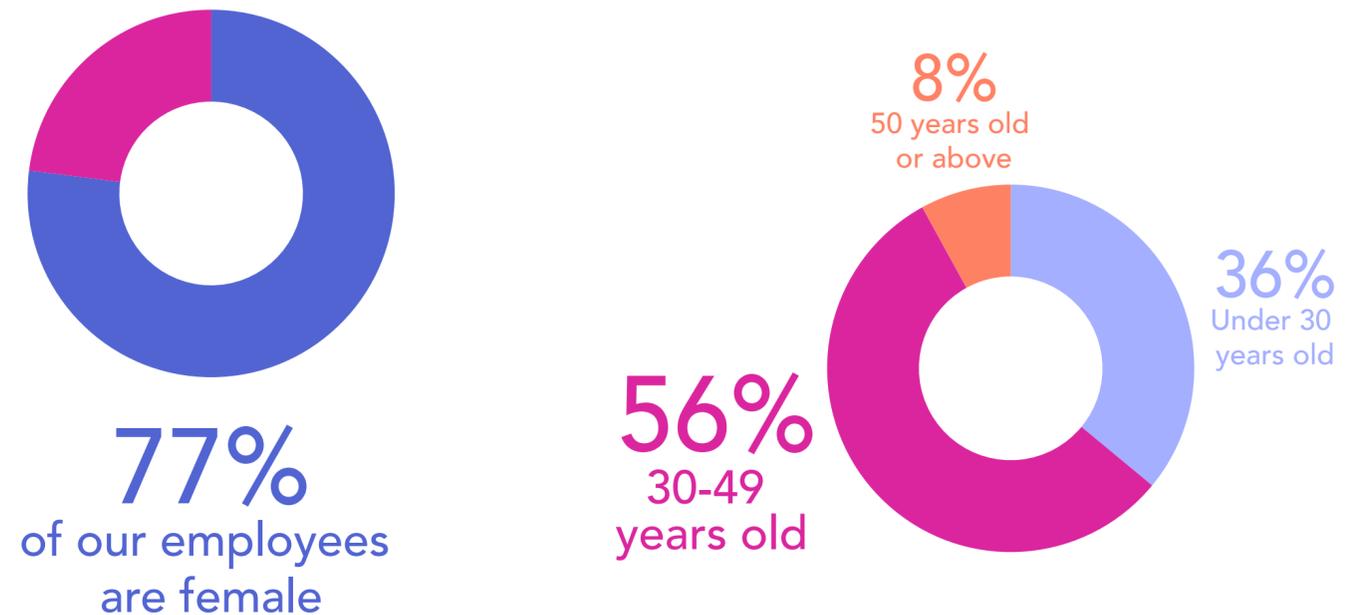
## Diversity, Equity & Inclusion

DEI are crucial elements of our corporate culture and values. We are committed to creating a diverse, equitable, and inclusive workplace that welcomes individuals from all backgrounds, perspectives, and abilities. We recognise that diversity is not just about gender or ethnicity, but also includes age, religion, sexual orientation, disability, education, socioeconomic status, and more. We value our people's unique ideas, strengths, and experiences. By embracing diversity, we believe we can bring fresh ideas and perspectives that help us innovate and grow as a company.

To achieve this vision, our senior leaders have committed to creating a diverse and inclusive workforce. They foster an inclusive culture, eliminate biases and barriers, engage in ongoing learning, and hold us accountable.

Our commitment to equity means we are dedicated to fairness in all our policies and practices, from hiring and promotion to compensation and benefits. We strive to eliminate biases or barriers that prevent employees from reaching their full potential. We aim to cultivate a workplace where everyone feels safe to speak up, contribute their ideas, and be themselves.

## Our Employees by Age Group (Full-Time)



## Building a Diversified Workforce

We continue to demonstrate our effort in building a diversified workforce. In 2023, we have employed 5 interns from The Zubin Foundation and The Amber Foundation (both work with ethnic groups). We have also cooperated with CareER Association which works mainly with disabilities or talents with special educational needs.

In 2023, we have also signed the Racial Diversity & Inclusion Charter with the Equal Opportunities Commission (EOC) in Hong Kong to support the fostering of racial equality and participation in workplaces through inclusive policies, culture and work environment.

ICI PARIS XL's Diversity Committee organised their first Diversity Day, marking the beginning of a new diversity-focused journey within the organisation. The event featured inspiring external speakers emphasising the significance of an inclusive workplace, while also presenting an action plan and underlining the individual roles in this journey.

eLab Tech, along with colleagues from Marionnaud Italy, showed their support for the Pride movement in Europe by participating in Milano Pride in June 2023. The team proudly wore AS Watson "Love is Universal" t-shirts and caps designed by the eLab Design Team, while also making personal donations to support the Rainbow Social Fund, the official charity partner of Milano Pride. Marionnaud France conducted workshops for all store and office teams and engaged employees in discussion as well as launching the DEI survey.



## Youth Careers Development

### Creating More Opportunities

We provide enhanced opportunities so that young people can realise their career ambitions regardless of their social and economic background.

We provide trainee & apprenticeship programmes as part of a framework for careers in stores, distribution centres and head offices. We also equip managers with the knowledge and skills to manage and leverage younger colleagues' potential.

Across Europe and Asia, **71,907 youngsters** have been recruited and have received around **1,804,675 training hours** as part of our Youth Pledge.

We have pledged to provide

**200,000**  
job opportunities

**5 million**  
training hours

for youth globally by  
**2030**



The **Next Gen Sustainability Committee** was set up in 2019 to gather the younger generations' views about our Sustainability Roadmap. It also acts as an accelerator team for our Sustainable Development Goals. The Committee rotates every 18 months, is actively involved in our Group Sustainability projects, and collaborates with other teams and departments, such as Store Development, Marketing and Human Resources.



### The current cohort contributes to three Sustainability projects:



The **Youth Empowerment** group is working on ways to attract and retain youth talents through empowerment campaigns.



In **Protecting our Planet**, the team will help to identify the right skills which help our colleagues support and carry out our environmental initiatives both at work and at home.



The **Diversity, Equity & Inclusion (DEI)** group is tasked with mapping the DEI challenges & opportunities across our company.

## Supporting Our Communities

Over the years, we have always been passionate about serving our community to fulfil social purposes relevant to local community needs. We strive to engage our global community of loyal customers to create a healthier and more sustainable world. We also support our employees' contribution to society. Our Community Investment Policy guides the structuring and prioritisation of our communities' initiatives.

### Give a Smile

We have been in collaboration with Operation Smile, reaching out to over 6,500 children with cleft lips to perform successful corrective surgeries. In 2023, we hosted a surgical programme in the Philippines and sponsored 60 surgeries, helping kids with cleft lips and palates to live a new life with bright smiles.



Learn more about **Give a Smile**

### Project LOL

Sharing the gift of a smile, our "Project LOL" philanthropy programme aims to bring "Lots of Love" and "Lots of Laugh" to people around the world. It focuses on three main areas of service, namely health, education, and caring for the community. We strive to spread laughs and bring positive changes to people in local communities.

In 2023, we donated over HK\$100 million in cash and in-kind contributions to various charities, demonstrating our commitment to supporting the underprivileged and providing aid during emergency and disasters.

We organised "Smile for Good", a corporate volunteering programme encouraging our employees to join hands with NGOs worldwide to make a positive impact on the community. Through this initiative, over 21,000 volunteers have contributed 26,000 hours to serve over 210,000 needy across the communities where we operate.



## Project LOL

### Sharing Our Love with Elderly

In Hong Kong, we organised a major volunteering programme with 56 business partners. Over 1,200 volunteers were invited to serve 2,000 elderly.



Learn more about **Project LOL**

### Supporting Physical Wellbeing of Our Youth

As children and youth are the future pillars of the community, we have been a long-time sponsor of the AS Watson Group Hong Kong Student Sports Awards (the "Awards"), a programme which contributes to youngsters' wellbeing by encouraging their involvement in physical exercise. In 2023, a record number of 962 outstanding student-athletes were being recognised through the Awards. Awardees included students coming from over 80% of the primary, secondary and special schools in Hong Kong. Since the launch of the programme in 2005, we have handed out a total of 15,500 awards, and this has become one of the largest athlete recognition schemes in Hong Kong.



## Dare to Be

Watsons launched a “Dare To Be” campaign to support gender equality and encourage our customers to be BRAVER, BOLDER and STRONGER. Watsons will continue to advance the cause of gender equality with over 100 million Watsons Club members in our global community.



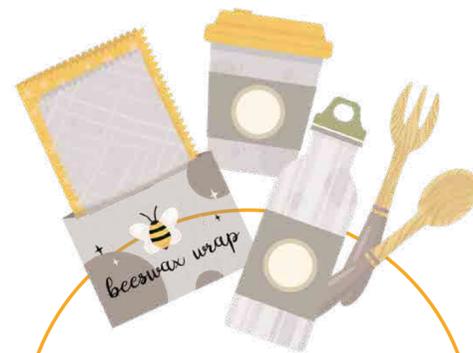
We are committed to offering customers quality and safe products that meet their needs and expectations. This encompasses a comprehensive approach to improve the environmental footprint of our Exclusive Brands products, from sourcing and production to storage, distribution, and use by customers.



### Our Products pillar focuses on:



Maintaining High Product Quality & Safety



Offering More Sustainable Products

## Maintaining High Product Quality & Safety

From food to non-food products, we adhere to the highest standards of quality assurance and compliance in every stage of the product lifecycle, from sourcing and production to storage, distribution and retail.

Our **food** retail business sources products from reputable and reliable suppliers who comply with our stringent food safety requirements and local regulations. We conduct regular audits and inspections to verify the quality and safety of our food products, as well as their traceability and authenticity. We also monitor the temperature and hygiene of our stores and warehouses to ensure proper storage and handling of our food products. In addition, we conduct sensory evaluation and shelf-life testing of the Exclusive Brands food products in our own ISO17025 laboratory to ensure they meet our customers' tastes and quality preferences.

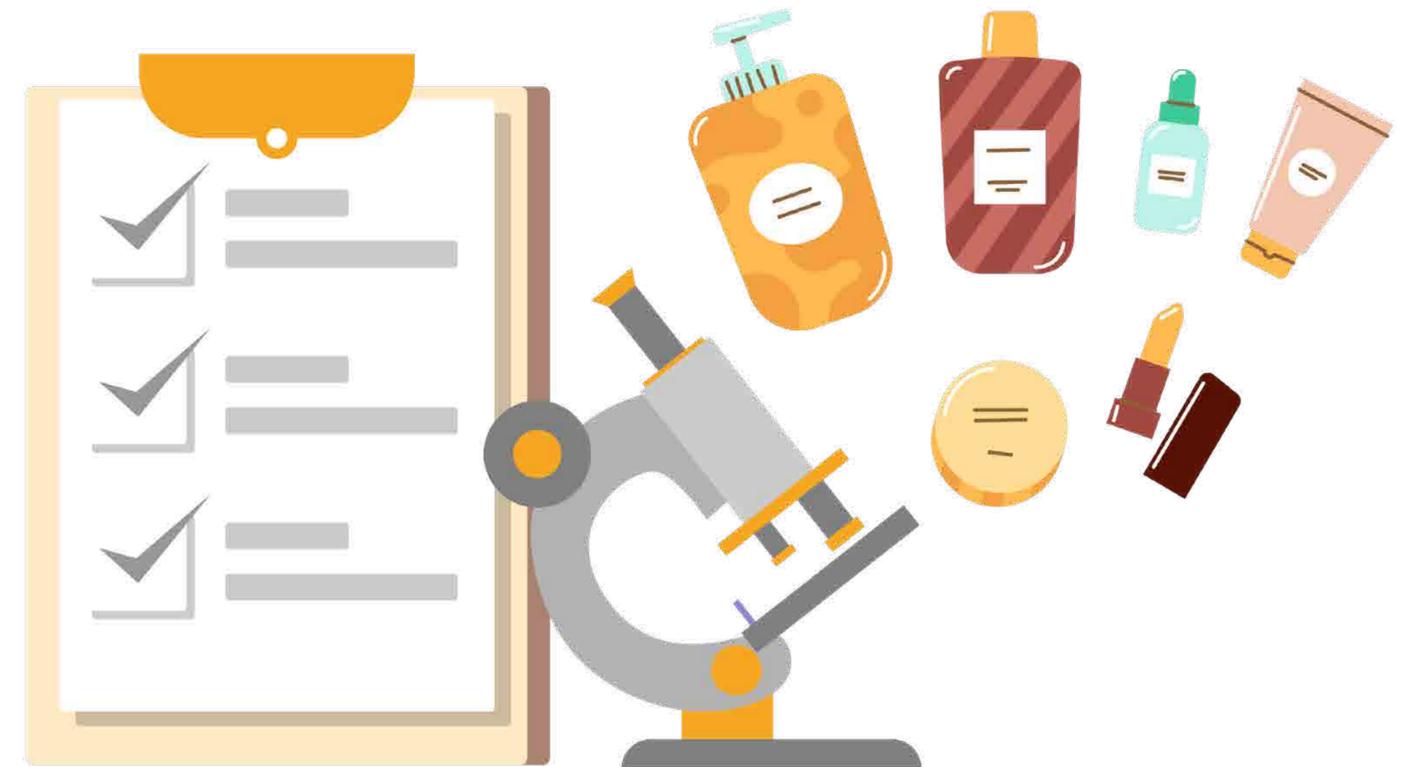
In 2023, our food laboratory performed over 54,800 chemical safety tests.



Our **health and beauty** retail business offers a wide range of products that cater to our customers' health and wellness needs. We collaborate with our suppliers to develop innovative and high-quality products that are safe, effective, and compliant with international standards and regulations. We test our Exclusive Brands health and beauty products for their performance, stability, and safety before launching them to the market. We also review the ingredients, claims, and labelling of our products to ensure they are accurate and transparent, and we have regular post-market surveillance carried out with support from external independent laboratories. In 2023, our post-market surveillance covered 30% of our active health and beauty Exclusive Brands across Asia and Europe.

As part of our commitment to quality and safety, we value our customers' feedback and suggestions. We have a dedicated customer service team that handles any queries or complaints related to our products. We also have a product recall system that allows us to quickly and effectively withdraw any product that may pose a risk to our customers or the environment. We communicate any product recall information to our customers through various channels, such as our website, social media, and in-store notices.

We believe that quality and safety are our responsibilities. We strive to continuously improve our quality assurance and compliance processes and practices, as well as our products, so that we can deliver the best value and experience to our customers.



## Offering More Sustainable Products

In recent years, there has been a noticeable shift in customer preference towards **purchasing more sustainable products** across our markets in Asia and Europe. Concerns about climate change, plastic waste and social responsibility have played key roles in driving this change.

Customers in Asia and Europe are becoming more conscious about the impact of their purchasing decisions on the environment and society. They are seeking products that are ethically-sourced, environmentally-friendly, and produced using sustainable practices. We prioritise sustainability in our products and operations; we ensure that our brands are transparent in our supply chains, carbon footprint, and ethical practices. Customers continue to trust us and are willing to pay a premium for products that align with their values.

As awareness about sustainability continues to grow, we keep adapting our strategies to meet the changing demands of our customers. This trend is expected to drive further innovation in our product development, packaging, and supply chain management.

To meet this growing demand, we have been offering more sustainable products across our business segments, such as health and beauty, food, and beverage manufacturing. We have been working closely with our suppliers and brand partners to ensure that our products meet high standards in quality, safety, and sustainability. We have also been educating our customers on the benefits of choosing sustainable products, such as reducing waste, saving resources, and supporting social causes. By offering more sustainable products, we aim to create value for our customers and our business, while reducing our impact on the planet.

### Health & Beauty Retail

Our health and beauty retail brands (Superdrug, Kruidvat, Watsons) have close collaboration with brand partners including Procter & Gamble, L'Oréal, Unilever, Beiersdorf, Haleon, Reckitt, Kenvue, Kao and Shiseido, to offer both in-store and online, more products with sustainability attributes, such as packaging made from recycled content or more refill pack alternatives that can reduce plastic waste by up to 80%.



In Superdrug



In Kruidvat



In Watsons

Products meeting one or more of below criteria can be listed in our Brands' campaigns:



## Packaging

- FSC/PEFC/recycled paper
- Recyclable content
- Refill pack
- Refillable container
- Replaceable components
- Reusable product



## Ingredients / materials

- Sustainable palm oil
- Fairtrade
- Rainforest Alliance
- Union for Ethical BioTrade
- Roundtable on Sustainable Palm Oil
- Biomaterials
- Recyclable content (paper, plastic)
- FSC/PEFC paper



## Watsons Philippines and Plastic Bank

In 2023, Watsons Philippines partnered with Plastic Bank to collect 50,000 kilogrammes of plastic waste. Since the partnership began in 2022, a total of 100,000 kilogrammes of plastics have been collected. This is equivalent to preventing 5 million plastic bottles from polluting the oceans. Moreover, the collaboration has provided a means of livelihood for the inhabitants of coastal communities by employing them as plastic collectors. Over 600 lives in more than 80 communities have been changed through this programme.

In the past two years, the collaboration with Plastic Bank has been a key initiative for Watsons Philippines to create an environmental and social impact and to achieve sustainability goals.

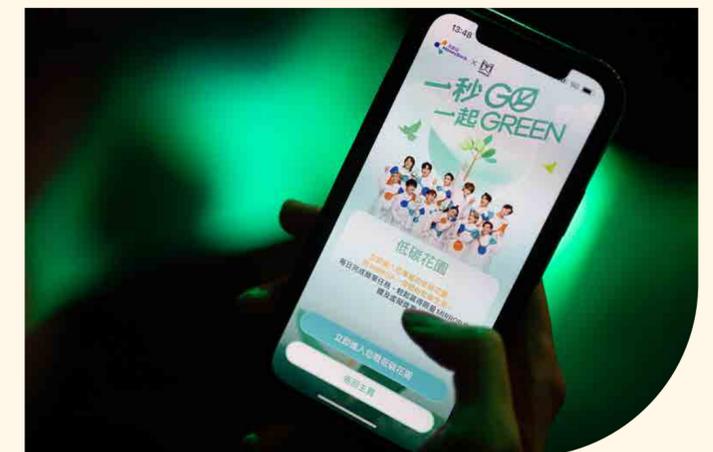


## Watsons "Go Green" Campaign

Watsons worked on its sustainability awareness campaign together with a popular boy band MIRROR. The "Go Green" campaign was designed to inspire our 18 million loyalty customers in four Asian markets, including Hong Kong, Malaysia, Taiwan and Singapore, to go green. The objective was to encourage customers to take positive actions in their daily lives to make more sustainable choices.

To extend our effort in engaging with customers, a gaming section was developed in Watsons & MoneyBack app to promote sustainability. Customers can create their own virtual Green Garden, complete various green tasks over the course of six weeks, and establish a greener lifestyle through "Skip it" (Reduce), "Bring it" (Reuse) and "Keep it" (Recycle). The campaign also estimated the carbon emission savings for each green task and our company would match the carbon emission savings and sponsor relevant tree-planting projects. The project was estimated to offset 900 tonnes of CO<sub>2</sub> to make a big impact on our planet with green actions and raise customers' environmental awareness.

The initiative has received industry recognitions including the International Business Awards, Marketing Events Awards and Stevie Asia Pacific, which underscores the efforts of Watsons in creating a sustainable lifestyle with its customers.



## Kruidvat's "Be More Sustainable and Benefit from It" Campaign

For a large part of the Netherlands, adopting a more sustainable lifestyle is not yet a given or a natural choice. Sustainable choices often feel complicated, complex and are perceived as more expensive. Kruidvat has an ambitious mission to make sustainability accessible to more people.

Through our sustainability campaign initiated in late 2022, we showed our customers that they can come to Kruidvat to enjoy affordable products that have already met high sustainability standards at the same time.

The campaign has enhanced Kruidvat's reputation as a sustainable brand and raised awareness about its extensive range of sustainable products.

As the leading discount drugstore in the Netherlands, Kruidvat ensured that the campaign would not lead to a price increment. In face of strong inflation, Kruidvat has successfully changed consumers' perceptions that sustainable products must come with a hefty price.



## Food Retail

In addition to adopting the same principles as our Health and Beauty retail business in packaging, ingredients and materials, PARKnSHOP has committed to expanding its assortment of sustainable seafood, cage-free eggs, plant-based and vegetarian products, under the motto “Eat Better, Live Better”.



### Eat Better.

We are committed to **eradicating commodity-driven deforestation** and collaborating with reputable suppliers and organisations to advance responsible forest management in the production of palm oil, soy, and beef by 2030.

We serve as a launchpad for plant-based innovations, including **plant-based meat** products with the IMPOSSIBLE brand. We have established a goal to triple the offerings of plant-based alternatives to meat and dairy by 2030.

We have a wide range of more **sustainable seafood** products, certified by either Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC). We are one of the founding members of the WWF-Hong Kong Sustainable Seafood Business Membership Programme since 2022. We had been recognised in 2021 as one of the leading Hong Kong retailers for its efforts in sustainability and traceability. We have also pledged to adhere to WWF-Hong Kong’s “No Shark Fin Corporate Pledge.”

Currently, 99% of our stores provide **cage-free shell egg** options, with the mission to extending these cage-free shell egg choices to all our stores, reaching 100% by 2026.

### Live Better!

We have committed to a goal of having 100% of our Exclusive Brands products containing RSPO-certified **sustainable palm oil** by 2030.

We have set a goal to ensure that 100% of our Exclusive Brands paper products and paper packaging use **sustainable paper** coming from responsible sources (i.e., FSC, PEFC or recycled) by the end of 2024.

We have partnered with ecostore Hong Kong to set up **refill stations**. Customers can bring their own containers and refill their products at the designated stores.

Since 2014, we have voluntarily taken steps to eliminate **microplastics** from Exclusive Brands rinse-off cosmetics and personal care scrub products. In line with our commitment to environmental responsibility, we have ceased selling all rinse-off cosmetic and personal care products containing microbeads at our stores since January 2020. The Environmental Protection Department recognised PARKnSHOP’s efforts at phasing out microbeads by awarding it “Bye Bye Microbeads Awards: Pioneer Award” and “Partnership Recognition – Platinum Class” in 2023.

## Beverage Division

Watsons Water was the first brand in Hong Kong to launch 100% recycled plastic (rPET) bottles in 2015. The technology of rPET was also rolled out in the production of bottle sleeves, which has helped to reduce the use of PVC. In addition to water refill stations, the beverage division also sells refillable and reusable carboy bottled water for households and offices.

Watsons Water launched its campaign “3RS Green Alliance Programme” in 2022, a school-based membership programme to promote sustainability initiatives and their uniqueness to schools and attain relationship-building with schools sharing the same vision. The scheme maximised the benefits of circular economy by introducing key sustainability concepts – REDUCE (reduce wastage by utilising reusable and recyclable aluminium bottles), REUSE (reuse water bottles by installing smart water refilling stations), RECYCLE (offering a one-stop recycling solution by reverse vending machines) and SERVICE (provide carbon reduction reporting via water dispensers’ display screens which provide real-time results on carbon emissions associated with customers’ usage).



## The New Plastic Economy

We are a signatory of the New Plastic Economy (NPE) Global Commitment since 2020.

We pledged to reduce the overall impact of our Exclusive Brands packaging through various actions:

- Eliminating problematic or unnecessary plastic packaging
- Moving from single-use towards reuse models
- Promoting 100% reusable or recyclable plastic packaging
- Increasing post-customer recycled content in plastic packaging
- Achieving a 5% virgin reduction by 2025 versus a 2020 baseline

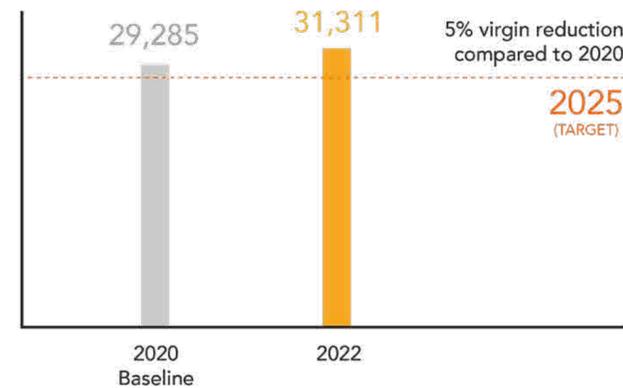


Our Exclusive Brands packaging covers the primary and secondary packaging of our products, the tertiary packaging used to deliver products to our warehouses and stores, and the tertiary packaging used in stores (carrier bags) and parcels from online deliveries.

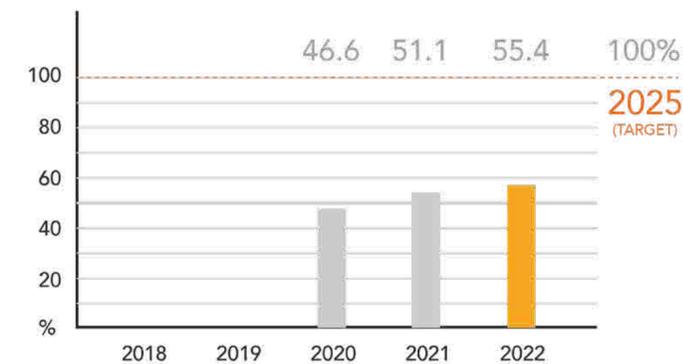
### Progress by the End of 2022

We continue to make progress in using more recycled plastic in our packaging. However, our packaging manufacturers are still facing difficulties in securing more recycled plastic content due to high demand from different industries. Additionally, the regulation on food-contact materials in one of our key markets in Asia still forbids the use of recycled plastic content in food-contact packaging.

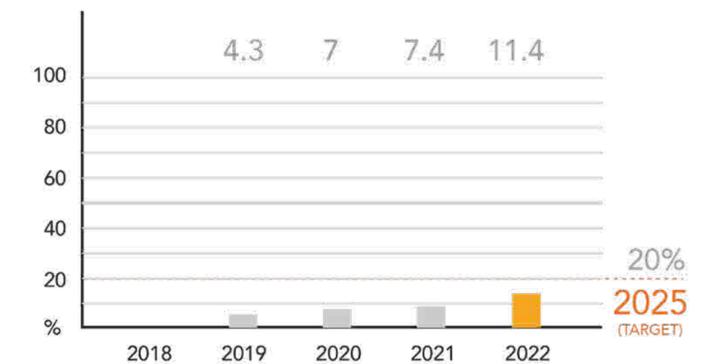
### Virgin plastic packaging weight trajectory (metric tonnes)



### Reusable, recyclable or compostable plastic packaging (metric tonnes)



### Post-consumer recycled content (metric tonnes)



Click and see more **NPE website page**

## Progress by the End of 2023

The NPE reporting cycle starts each year between April and July, with results to be published in November. We are still working on our latest NPE commitment update for 2023 as of the publication of this Sustainability Report.

In our retail operations, we have continued with our in-store programmes in collecting empty containers from personal care, cosmetics, and fragrances. Supported by brand partners, NGOs and recyclers, we will continue to divert such waste from landfills and repurpose it.

In 2023, the volume of carrier bags has reduced by 20.2% compared to 2022 due to the phasing out of carrier bags in our Europe businesses, and a reduction in carrier bags purchased from our Hong Kong food retail business under the new local plastic bag levy scheme.

### Breakdown by Plastic Packaging Type



## Other Initiatives

Across our retail markets, we also continued **collecting empty containers** in selected stores or through Watsons Water's reverse vending machines (Hong Kong market only), and we kept engaging customers to trial-use the **in-store refill stations**.

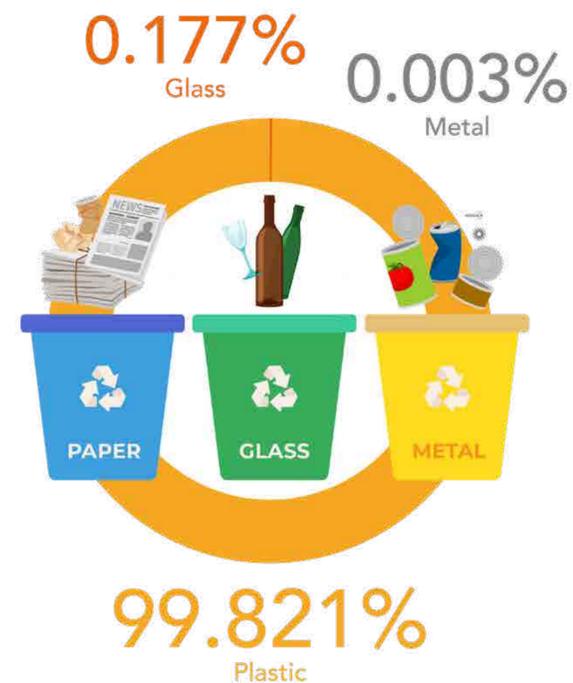
Market	Collection of Empty Containers	In-store Refill*
<b>Asia</b>		
China	watsons	-
Hong Kong	watsons PARKNSHOP Watson's Wine	watsons PARKNSHOP
Indonesia	watsons	-
Malaysia	-	watsons
The Philippines	watsons	watsons
Singapore	-	watsons
Taiwan	watsons	-
Thailand	-	-
<b>Europe</b>		
Belgium	ICI PARIS XL	ICI PARIS XL
Latvia	Drogas	-
Netherlands	ICI PARIS XL	ICI PARIS XL
United Kingdom	Superdrug ☆ THE PERFUME SHOP	THE PERFUME SHOP

(\*) for a selection of products and brands

In 2023, we had over 500 refill stations for the products of Exclusive Brands and Supplier Brands. These were made available to our customers in both food and non-food retail.

We collected 12,569 tonnes of packaging waste, and the volume of plastic packaging increased by 14 times compared to 2022. The major increase in plastic containers collected was mainly from our beverage business, with more reverse vending machines launched across Hong Kong in collaboration with the Hong Kong government and selected partners.

## Empty Container Collected, Split by Material Types (2023)



**FORTRESS** has a take-back programme in partnership with Caritas for collecting idle laptops to be sent to the Caritas Computer Workshop for safe and proper data destruction, repair or recycling. The successfully restored laptops are donated to those in need to provide them with countless opportunities for learning.

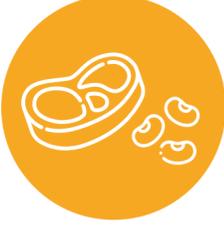
## Anti-Deforestation

Supplier pre-assessment procedures are in place to ensure that the procured products are manufactured according to sustainable production standards such as Roundtable on Sustainable Palm Oil (RSPO), Forest Stewardship Council (FSC), and Programme for the Endorsement of Forest Certification (PEFC) etc. to minimise the company's impact on deforestation and achieve environmental protection.

As part of the effort to protect the forests, we have made the following commitments:

- 

Wood-pulp: All Exclusive Brand paper products and packaging to be made exclusively from sustainable materials (FSC, PEFC or recycled) by 2030
- 

Palm oil: All Exclusive Brand products to include RSPO-certified palm oil by 2030
- 

Beef & Soy: Committed to sourcing deforestation-free meat and soy-based Exclusive Brand products by 2030

## Wood-pulp

For paper products, such as facial tissues, 100% of Watsons' Exclusive Brands are already made from more sustainable paper sources (mainly FSC or recycled paper). More sustainable paper now covers 99% and 92% of Kruidvat and Superdrug Exclusive Brands respectively. This shows a swift progress versus the target of 100% by 2030.

### Progress on paper products from sustainable sources

Markets	Progress vs. 100% Target by 2030
Watsons Exclusive Brands	100%
Kruidvat	99%
Trekpleister	96%
Superdrug	92%
PARKnSHOP	60%
Savers, ICI Paris XL, Drogas	n/a (no paper Exclusive Brands locally developed)

## Palm oil

As a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2016, we have been operating according to the RSPO initiative and strive to achieve the incorporation of 100% RSPO standards palm oil by 2030.

We scored 6.9 out of 10 in the 2022 RSPO Shared Responsibility Scorecard, which was above the retail sector average score of 4.4. The [Shared Responsibility Scorecard](#) shows where organisations are in their sustainability journey based on RSPO's Shared Responsibility (SR) framework. Our volume of RSPO Certified Sustainable Palm Oil (CSPO) had by then reached 80.7% of our total palm oil and derivatives volume.

Our 2023 RPSO reporting is still in progress at the time of publishing this report, and is expected to be reported to RSPO by May 2024.

### Progress on products containing RSPO palm oil

Markets	Progress vs. 100% Target by 2030
ICI Paris XL	100%
Trekpleister/Superdrug	99%
Kruidvat	98%
PARKnSHOP	63%
Watsons Retail	>70% in Watsons Philippines and Thailand, 40-50% in Watsons China and Türkiye, and 23% in Watsons Taiwan
Savers, Drogas	n/a (no formulated Exclusive Brands locally developed)

## Kruidvat Retail (RSPO)

As a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2016, we have been operating according to the RSPO initiative and are striving to achieve the incorporation of 100% RSPO standards palm oil by 2030. An annual RSPO scorecard has also been issued, wherein we achieved a score of 6.9 out of 10.

Kruidvat has participated in the FAIR Company-Community Partnership model since 2020. This initiative, led by Dutch NGO Oxfam Novib, offers a re-design of development models in palm oil production and trade with the objective of fostering economic opportunities while reducing adverse impacts on local communities. It is intended to demonstrate proof-of-concept, showcasing a viable and sustainable alternative business model with potential to achieve economies of scale in the palm oil sector and beyond.

By participating in this programme, Kruidvat aims to enhance its insight into and influence over all linkages in the palm oil supply chain. Each FAIR partnership project is enacted locally, with participants working together to generate positive impacts for smallholders and other community stakeholders. Kruidvat participates specifically in a multi-stakeholder

partnership project in Southeast Sulawesi, Indonesia. The implementation phase of this project was unfortunately delayed due to COVID pandemic, so its first results, expected for 2023, will only be available later.

The FAIR partnership is built on four key principles, namely:

- F** Freedom of Choice
- A** Accountability
- I** Improvement of Benefits
- R** Respect for Rights

## Beef & Soy

We are committed to eradicating commodity-driven deforestation and collaborating with reputable suppliers and organisations to advance responsible forest management in the production of palm oil, soy, and beef by 2030. Additionally, PARKnSHOP offers a wide selection of 61 plant-based products (as meat alternatives) on top of its existing soy milk and bean curd ranges.



## Water

### Water risk management

To evaluate water risk more systematically, our Beverage division has developed a water risk assessment framework referencing the Task Force on Climate-Related Financial Disclosures (TCFD) and the “Aqueduct” tool from the World Resources Institute. This framework involves assessments of risk likelihood and impact from physical risks, regulatory risks, and reputational risks.

The assessment process is further strengthened through WWF’s Water Risk Filter self-assessed risk rating exercise. The risks are also determined through structural discussion between the Group Sustainability Team, key affected departments, and senior management within the division. Annual reviews will be conducted to ensure the assessment results are up to date, as well as to increase resilience for potential water risks.

### Water efficiency

We have long been committed to the “Enterprises Cherish Water Campaign” organised by the Hong Kong Water Supplies Department and co-organised by the Green Council. The commitment includes adopting measures such as “participating in water efficiency benchmarking” and “promoting and adopting efficient water-consuming devices”.

We have also set a target to achieve a water efficiency ratio of 0.42 by 2025, and 0.44 by 2030. While we seek continuous improvement in improving water efficiency and other effluent management measures, the water risk management strategy and progress are reviewed each year.



## Ranked 16<sup>th</sup> in Top 50 Global Retailers

Kantar

## Beauty Retailer of the Year

BW Confidential

## Best Companies to Work for in Asia

HR Asia

## The Stevie® Awards for Women in Business - Company of the Year - Gold

Stevie Awards

## International Business Awards

- Company of the Year - Retail - Silver
- Communications or PR Campaign of the Year
  - Community Engagement - Silver
  - Sport - Gold
- Community Engagement Event - Silver

Stevie Awards

## Retail Asia Awards

- ESG Initiative of the Year (Hong Kong)
- Omnichannel Strategy of the Year (Hong Kong)

Retail Asia

## Event Marketing Awards - Best Sponsorship - Gold

Campaign Asia

## PR Awards Asia-Pacific - Best Sports/eSports Campaign - Gold

Campaign Asia

## HONG KONG

### 20 Years Plus Caring Company Logo

The Hong Kong Council of Social Service

### Best HR Awards

- Employer of The Year - Grand Award
- Best Corporate Social Responsibility Award - Gold
- Best Innovative L&D Initiative Award - Gold

Ctgoodjobs

### Best Talent Acquisition & Onboarding Strategy Award - Gold

Ctgoodjobs

### The Hong Kong HR Awards - Diversity and Inclusion Award

JobsDB

### ERB Manpower Developer Award Scheme - Super MD

Employees Retraining Board

### The Racial Diversity & Inclusion Charter for Employers

Equal Opportunities Commission

### Best Green Campaign (Money Back)

Digital Ex Awards 2023

### Happy Company Label

Promoting Happiness Index Foundation

## ITALY

### Top Employer 2023 (Italy)

Top Employers Institute

## INTERNATIONAL

### Retail Asia Awards - Health & Beauty Retailer of the Year - Asia

Retail Asia

### Asia's Coolest Retailers

Inside Retail Asia

### Ranked 6<sup>th</sup> in Top 50 Brands for Customer Experience - No. 1 Personal Care & Beauty Brand

Campaign Asia-Pacific

### Asia-Pacific Stevie Awards Award for Innovation in Sponsorships - Gold

Asia-Pacific Stevie Awards

### International Business Awards

- Cause & Green - Sustainable Event - Gold
- Communications or PR Campaign of the Year
  - Environmental - Silver

Stevie Awards

### Hashtag Asia Awards

- Best Social Media Campaign: YouTube - Gold
- Best Use of Celebrity Partnerships - Silver
- Best Use of Live Streaming or Virtual Events - Silver
- Best Social Media Campaign: Instagram - Bronze
- Best Social Media Community Management - Bronze

Marketing Magazine



## HONG KONG

**Retail Asia Awards - Sustainability Initiative of the Year**  
*Retail Asia*

**Bye Bye Microbeads Award - Pioneer**  
*Environmental Protection Department*

**Clean Beauty Awards**  
- Facial Cream Category  
- Facial Essence Category  
*CertClean*

**Top 10 O2O Retail Brand Award**  
- My Favourite Outstanding Service Retail Brand (Top 10)  
*Hong Kong Retail Management Association*

**The Racial Diversity & Inclusion Charter for Employers**  
*Equal Opportunities Commission*

**ERB Manpower Developer Award Scheme - Super MD**  
*Employees Retraining Board*

**15 Years Plus Caring Company Logo**  
*The Hong Kong Council of Social Service*

## CHINA

**Retail Asia Awards - Health & Beauty Retailer of the Year**  
*Retail Asia*

**Outstanding Strategic Cooperation Partner of the Year**  
*JD.com*

**The Most Innovation Retail Brand of the Year**  
*Global MarTech & Smart Retail Innovation Conference*

**China Employee Health & Wellbeing Case Studies**  
*The Consumer Goods Forum*

**Youth Employment Care Enterprise Award**  
*ESG*

**Employee Benefits Experience Award**  
*HRtech*

**Excellence in Employee Care Plan**  
*51job*

**Best DEI Programme**  
*HRflag*

## SINGAPORE

**Retail Asia Awards**  
- Health & Beauty Retailer of the Year  
- Omnichannel Strategy of the Year  
*Retail Asia*

**Employee Experience Awards**  
- Best HR Digital Transformation - Bronze  
*Human Resources Online*

## TAIWAN

**Retail Asia Awards - Sustainability Initiative of the Year**  
*Retail Asia*

**Asia-Pacific Sustainability Action Awards (APSAA) - Silver**  
**Taiwan Sustainability Action Awards (TSAA) - Silver**  
*Taiwan Corporate Sustainability Awards*

**Taiwan Corporate Sustainability Awards (TCSA)**  
*Taiwan Corporate Sustainability Awards Executive Committee*



## THAILAND

**Best Company to Work For in Asia  
DEI Award  
Most Caring Company Award**  
*HR Asia*

**Best Place to Work in Thailand**  
*WorkVenture*

## MALAYSIA

**No.1 Most Preferred Graduate Employer in Retail**  
*Graduates Choice Awards*

**Retail Asia Awards - Health & Beauty Retailer of the Year**  
*Retail Asia*

**Sustainability & CSR Malaysia Awards - Company of the Year in Retail - Outstanding Community Award**  
*CSR Malaysia*

**Employer of Choice - Retail category**  
*The BrandLaureate HR-PDL Brandnig Awards 2023*

## PHILIPPINES

**Retail Asia Awards**

- Health & Beauty Retailer of the Year
- Sustainability Initiative of the Year

*Retail Asia*

**Global Excellence Award for Sustainability**  
*Manila Times*

**Green Leadership**  
*Asia Responsible Enterprise Awards*

**We Invest in People - Gold Accreditation**  
*Investors in People Philippines*

## INDONESIA

**Indonesian Women's Gatra Citra Award**  
*Anugerah Gatra Citra Perempuan Indonesia 2023*

## TÜRKIYE

**100 Companies that Lead Equality for Women  
100 Companies with the Highest Rate of Women in the Middle Level  
100 Companies with the Highest Rate of Women in the Top Level**  
*Inbusiness Magazine*

**Sustainability Category Jury Special Awards**  
*Outdoor Awards*

**Personal Care Brand of the Year**  
*Pazarlama Türkiye E-commerce Awards*

**Women-Friendly Companies**  
*Capital Magazine*



## HONG KONG

**Top 10 O2O Retail Brand Award**

**Top 10 Quality Trusted E-Shop Award - Gold**

*Hong Kong Retail Management Association*

**Bye Bye Microbeads Award - Pioneer**

**Partnership Recognition Platinum Class**

*Environmental Protection Department*

**Accredited 10 Consecutive Years of the Quality Tourism Services (QTS) Scheme**

*Hong Kong Tourism Board*

**ERB Manpower Developer Award Scheme - Super MD**

*Employees Retraining Board*

**The Racial Diversity & Inclusion Charter for Employers**

*Equal Opportunities Commission*

**20 Years Plus Caring Company Logo**

*The Hong Kong Council of Social Service*



## HONG KONG

**Top 10 O2O Retail Brand Award**

**Top 10 Quality Trusted E-Shop Award**

**My Favourite Outstanding Service Retail Brand (Top 10)**

**Smart Transformation & Innovation Award – Gold**

**Smart Green Retail Brand Award**

**O2O Customer Experience Recognition**

*Hong Kong Retail Management Association*

**ERB Manpower Developer Award Scheme - Super MD**

*Employees Retraining Board*

**The Racial Diversity & Inclusion Charter for Employers**

*Equal Opportunities Commission*

**20 Years Plus Caring Company Logo**

*The Hong Kong Council of Social Service*

## Watson's Wine

## HONG KONG

**Top 10 O2O Customer Experience Award**

**Top 10 Quality E-Shop Award**

*Hong Kong Retail Management Association*

**ERB Manpower Developer Award Scheme - Super MD**

*Employees Retraining Board*

**Social Enterprise Supporter Award**

*Fullness Social Enterprise Society*

**The Racial Diversity & Inclusion Charter for Employers**

*Equal Opportunities Commission*

**20 Years Plus Caring Company Logo**

*The Hong Kong Council of Social Service*



## HONG KONG

**2022 Hong Kong Awards for Environmental Excellence (HKAEE) - Manufacturing and Industrial Services - Bronze Award**  
*Environmental Campaign Committee*

**Environmental Social and Governance Awards 2023**  
*CAPITAL Magazine*

**Family Top Brand 2023**  
*ESDlife*

**The Racial Diversity & Inclusion Charter for Employers**  
*Equal Opportunities Commission*

**10 Years Plus Award Consumer Caring Scheme**  
*GS1 Hong Kong*

**20 Years Plus Caring Company Logo**  
*The Hong Kong Council of Social Service*



## NETHERLANDS

**Sustainable Brand Index Campaign of the Year**  
*Sustainable Brand Index*

**Retailer of the Year 2023-2024**  
*ABN AMRO Bank*

**Best Retail Chain in the Netherlands - Personal Care**  
*Retailer of the Year*

**Esprix Awards Best Business**  
• Consumer Campaign - Gold  
• Retail, etail & eCommerce - Silver  
*Esprix Awards*

**Number of Retail Outlets in Netherlands - No. 1**  
*Locatus*

**Strongest Retail Brand - No. 2**  
*Hendrik Beerda Brand Consultancy*

## BELGIUM

**Brand Image Campaign - Silver**  
*EFFIE Awards*



## UNITED KINGDOM

**Best Engagement of an Internal Audience in a Sponsorship Programme**  
**Most Effective Long-term Commitment**  
**Best Charity, NGO or NFP Programme**  
*Corporate Engagement Awards*

**The Game Changers Award - Game Changing Team**  
*Retail Gazette Awards*

**The Happiest Retail Places to Work - 5<sup>th</sup> Place**  
*Retail Week*



## LATVIA

**Cosmetics of the Year 2023**  
*IEVA Magazine*

**Cosmetics of the Year 2023**  
*LILITA Magazine*

**Latvian Association for People Management - Annual Award**  
*Latvian Association for People Management*

## ICI PARIS XL

## BELGIUM

**Best Belgian Retailer of the Year**

- Personal Care Category
- Perfumery Category

*Q&A Research & Consultancy*

## BENELUX

**European Beauty, Health & Well Being Ecommerce Website of the Year**  
**European User Experience of the Year**  
*European E-commerce Awards 2023*

## THE PERFUME SHOP

## UNITED KINGDOM

**Online Retailer of the Year**  
*The Fragrance Foundation*

**People in Retail Awards: Trainer of the Year**  
*The Retail Bulletin*

**Trusted Service Award**  
*Feefo*

## Strong Oversight

Since 2010, our Global Sustainability Committee has driven the sustainability agenda with the following responsibilities:

- Endorsing our Sustainability Roadmap and the relevant sustainability policies
- Setting medium- to long-term targets
- Reviewing the progress of the key sustainability initiatives against defined targets
- Promoting best sustainability practices across the company
- Assessing the risks and opportunities, and addressing future challenges related to environmental, social, and governance (ESG)

In our Sustainability Roadmap, we have listed the ESG priorities that cascade down to each business unit. These priorities are implemented through local initiatives supervised by our local Sustainability Committees.



## Our Governance Structure



The **Global Sustainability Committee** is led by Dr. Malina Ngai, our Group CEO. Its main responsibility is to establish and prioritise sustainability objectives and goals across the entire organisation. The Committee continuously monitors and tracks our progress towards these targets, and offers assistance in addressing and resolving any challenges that may arise. Assisting our Global Sustainability Committee is the **Group Sustainability Team** which serves as a strategic and operational support. This team also provides support to other committees and teams involved in our 2030 Sustainability Roadmap.

The **Energy, Supply-Chain, and Greener Stores sub-Committees** were established to provide consultation and assist our business units in implementing specific initiatives by leveraging their technical expertise. These committees are supported by regional coordinators and representatives from each local business unit.



The **Exclusive Brands Sustainability sub-Committee** consists of representatives from our markets who are developing Exclusive Brands. Our goal is to establish “more sustainable products” as the new norm across AS Watson retail.

The **DEI, Health & Wellbeing Steering Groups** were established to offer guidance to our business units and Group functions, for implementing a range of DEI, Health, and Wellbeing standards.

At each business unit level, a **Local Sustainability Committee** must be established by following our global committee’s structure. This ensures that key initiatives are localised appropriately, and that progress is reported to our Global Sustainability Committee every six months. Moreover, each local team is designated to incorporate specific sustainability initiatives into their daily tasks.

Our **Next Gen Sustainability Committee** consists of a group of young and passionate colleagues who are committed to advancing our sustainability agenda. The committee was established to engage and empower the next generation of leaders in driving positive change within the company and beyond.

In 2023, the **Global Sustainability Reporting Steering Committee** was formed. This Steering Committee consists of senior representatives from our Legal, Finance, and Sustainability teams. This Committee plays a pivotal role in strategic governance, developing policies, establishing reporting guidelines, and managing data.

## Policies

We have a comprehensive set of policies which outlines our sustainability commitments in our daily operations, such as:

- 1 Supplier Code of Conduct and BSCI Code of Conduct
- 2 Employee Code of Conduct
- 3 Non-Trade Procurement Policy
- 4 General Terms and Conditions for Purchase of Trade Goods and Services
- 5 Policy for Supplier Due Diligence Screening Process
- 6 Policy for Media, Public Engagement and Donations
- 7 Sustainability Policy
- 8 Sustainable Packaging Policy
- 9 Health and Safety Policy
- 10 Policy on Personal Data Governance
- 11 Customer Data Privacy Policy
- 12 Employee Privacy Notice

## Materiality & Priorities

We conduct regular materiality assessments to identify and prioritise ESG risks and opportunities that are most significant to our business operations and to our stakeholders.

*We use different methods to undertake such assessments, including:*

*Once the materiality topics are identified:*



### Surveys

Conducting surveys with our staff and customers



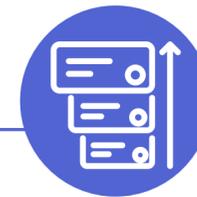
### Materiality Maps

Referring to ESG rating agencies' materiality maps



### Assessments

Comparing our assessments with those of our industry peers and industry specific reporting companies



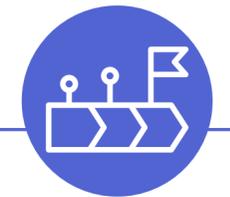
### Prioritised

They are prioritised based on the risks and opportunities associated with them



### Near-Term Plan

A near-term plan is developed along with the responsible teams to drive such projects



### Sustainability Roadmap

These priorities are added to our Sustainability Roadmap and mapped against the relevant United Nations Sustainable Development Goals (UN SDGs)

The table below shows the mapping among relevant materials topics, our priorities and pillars and the relevant UN SDGs.

	Relevant Material Topics	Our Priorities and Pillars	Key UN SDGs
ENVIRONMENT	GHG Emissions, Air Quality, Energy Management	PI1, PI2 <b>PI1. FIGHTING THE CLIMATE CRISIS</b>	 PLANET    
	Waste and Water Management	PI1, PI2, PI3, Pr2 <b>PI2. BUILDING GREENER STORES</b>	
	Ecological Impacts, Materials Sourcing and Efficiency	PI1, PI2, PI3, Pr2 <b>PI3. ACHIEVING ZERO WASTE TO LANDFILL</b>	
SOCIAL	Human Rights	S1 <b>S1. RESPECTING HUMAN RIGHTS</b>	 PEOPLE          
	Labour Practices, Employees Health & Safety, Engagement, DEI	S2 <b>S2. CARING FOR OUR PEOPLE</b>	
	Community Relations	S3 <b>S3. SUPPORTING OUR COMMUNITIES</b>	
SUSTAINABLE BUSINESS MODEL AND INNOVATION	Products Quality & Safety	Pr1 <b>Pr1. MAINTAINING HIGH PRODUCT QUALITY &amp; SAFETY</b>	 PRODUCTS     
	Product Design & Lifecycle Management	Pr2 <b>Pr2. OFFERING MORE SUSTAINABLE PRODUCTS</b>	
GOVERNANCE	Business Ethics	G1, G2, G3 <b>G1. OVERSIGHT</b>	    
	Management of the Legal & Regulatory Environment	G1, G2, G3 <b>G2. POLICIES</b>	
	Risk Management	G1, G2, G3 <b>G3. REPORTING</b>	

ESG data quality is crucial to AS Watson. We cannot manage what we cannot measure. Since 2018, we have leveraged Schneider Electric’s data management system, Resource Advisor, facilitating our continuous monitoring of over 250 KPIs covering environmental and social metrics. This allows us to calculate greenhouse gas emissions attributed to its operations and to track progress against targets.

## Environmental KPIs

### Environmental KPIs<sup>1,2</sup>

GHG Emissions	Unit	2021	2022	2023
Total scope 1 + 2 GHG Emissions (market-based)	tonne CO2 e	546,344	486,910	485,007
Scope 1 GHG Emissions	tonne CO2 e	141,581	112,335	116,566
Scope 2 GHG Emissions (market-based)	tonne CO2 e	404,763	374,575	368,441
Scope 3 GHG Emissions	tonne CO2 e	8,880,044	9,698,665	9,884,634

Use of Energy	Unit	2021	2022	2023
Total Energy Consumption	kWh'000	1,210,298	1,129,055	1,193,230
Total Direct Energy Consumption	kWh'000	403,366	353,471	344,330
Gasoline/ Petrol	kWh'000	2,474	1,672	453
Diesel	kWh'000	268,195 <sup>3</sup>	257,484 <sup>3</sup>	264,700
Natural Gas	kWh'000	108,867	71,221	59,186
Towngas	kWh'000	13,285	19,899	16,357
Other Gases	kWh'000	2,021	1,919	2,074
Other Fuels	kWh'000	0	0	0
Geothermal	kWh'000	0	0	0
Wind	kWh'000	0	0	0
Solar	kWh'000	456	1,277	1,560

## Environmental KPIs<sup>1,2</sup>

Use of Energy	Unit	2021	2022	2023
Hydro	kWh'000	0	0	0
Biomass	kWh'000	0 <sup>3</sup>	0 <sup>3</sup>	0
Other Renewables	kWh'000	0	0	0
Self-Generated Energy	kWh'000	0	0	0
Sale of Energy	kWh'000	0	0	0
Total Indirect Energy Consumption	kWh'000	806,932	775,584	848,900
Electricity	kWh'000	806,932	775,584	848,900
Heating	kWh'000	0	0	0
Renewable Electricity Purchased and Supported by Green Certificates	kWh'000	164,250	161,442	257,810
% Renewable Electricity Purchased and Supported by Green Certificates	%	20%	21%	30%
Total Energy Consumption Intensity	kWh / revenue HK\$'000	9.258	8.864	8.952
Total Direct Energy Consumption Intensity	kWh / revenue HK\$'000	3.085	2.775	2.583
Total Indirect Energy Consumption Intensity	kWh / revenue HK\$'000	6.172	6.089	6.369

Air Emissions	Unit	2021	2022	2023
NOx Emissions	tonne	2,538	3,549	2,994
SOx Emissions	tonne	5,803	8,692	7,144
Particulate Matter Emissions	tonne	61	69	64

## Environmental KPIs<sup>1,2</sup>

Waste Produced	Unit	2021	2022	2023
Total Hazardous Waste Produced	tonne	843	872	1,920
Total Hazardous Waste Produced Intensity	tonne / revenue HK\$'000	0.000	0.000	0.000
Total Non-Hazardous Waste Produced	tonne	142,719	148,343	149,399
Total Non-Hazardous Waste Produced Intensity	tonne / revenue HK\$'000	0.001	0.001	0.001
Total Waste Recycled	tonne	137,818	143,333	135,768
Recycled Material Usage	tonne	3,174	3,995	4,080

Use of Water	Unit	2021	2022	2023
Total Water Consumption	'000 m3	1,686	1,538	1,564
Total Water Withdrawal	'000 m3	1,686	1,538	1,564
Surface Water	'000 m3	0	0	0
Groundwater	'000 m3	0	0	0
Seawater	'000 m3	0	0	0
Third-Party Water	'000 m3	1,686	1,538	1,564
Other Sources	'000 m3	0	0	0
Total Water Discharged	'000 m3	0	0	0
Surface Water	'000 m3	0	0	0
Seawater	'000 m3	0	0	0
Third-Party Water	'000 m3	0	0	0
Other Sources	'000 m3	0	0	0
Water Consumption Intensity	m3 / revenue HK\$'000	0.013	0.012	0.012
Water Withdrawal from Areas with Water Stress	'000 m3	0	0	0
Water Withdrawal from Freshwater Sources	'000 m3	0	0	0
Water Recycled	'000 m3	0	0	0

## Environmental KPIs<sup>1,2</sup>

Packaging Material	Unit	2021	2022	2023
Total Packaging Material Used for Finished Products	tonne	154,235	146,305	121,310
Plastic	tonne	41,841	34,443	32,223
Paper	tonne	99,795	98,752	76,533
Metal	tonne	6,115	6,376	6,638
Glass	tonne	3,400	3,339	2,832
Other Packaging Material	tonne	3,084	3,395	3,084
Packaging Material Intensity	tonne / thousand of products	0.098	0.106	0.070

### Notes

- 1) 2021 and 2022 figures have been restated to exclude Watsons Russia as it ceased operations in 2022. In addition to this, natural gas, towngas, other gases, biomass, non-hazardous waste produced, waste recycled, recycled material usage and packaging material have been restated / reclassified to reflect the most accurate data.
- 2) 2022 and 2023 figures exclude Watsons Ukraine due to the Russia-Ukraine conflict. Further restatement may be made in the future as a result of data recalibration.
- 3) Diesel and biomass usage have been restated due to reclassification.

## Scope 3 Emissions Inventory

Scope 3 Category	Description	Methodology
1. Purchased Goods and Services	All upstream emissions from the production of products purchased or acquired by AS Watson	<ul style="list-style-type: none"> <li>Spend-based method, by applying emission factors from USEEIO dataset v1.2</li> <li>Partial primary data and average data method for suppliers extrapolated from 2018 data</li> </ul>
2. Capital Goods	All upstream emission from the production of capital goods purchased or acquired by AS Watson	<ul style="list-style-type: none"> <li>Spend-based method by applying emission factors from USEEIO dataset v1.2</li> </ul>
3. Fuel- and Energy- Related Activities	Emissions related to the production of fuels and energy purchased and consumed by AS Watson that are not included in scope 1 or scope 2	<ul style="list-style-type: none"> <li>Average-data method by applying emission factors from DEFRA 2021-2023</li> </ul>
4. Upstream Transportation and Distribution	Third-party transportation and distribution services purchased by AS Watson	<ul style="list-style-type: none"> <li>Spend-based method, extrapolated from 2018 data</li> <li>Partial primary data and average data method for suppliers extrapolated from 2018 data</li> </ul>
5. Waste Generated in Operations	Emissions from third-party disposal and treatment of waste generated in AS Watson’s owned or controlled operations	<ul style="list-style-type: none"> <li>Waste-type-specific method, by applying emission factors from DEFRA 2023</li> </ul>
6. Business Travel	Emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties	<ul style="list-style-type: none"> <li>Fuel-based method, by applying emission factors from DEFRA 2023</li> </ul>
7. Employee Commuting	Emissions from the transportation of employees between their homes and their worksites	<ul style="list-style-type: none"> <li>Distance-based method, by applying emission factors from DEFRA 2023</li> </ul>
11. Use of Sold Products	Emissions from the use of goods and services sold by AS Watson	<ul style="list-style-type: none"> <li>Partial primary data and average data method for suppliers extrapolated from 2018 data</li> <li>Direct emission calculated based on peer’s 2022 emission intensity</li> </ul>
12. End of Life Treatment of Sold Products	Emissions from the waste disposal and treatment of products sold by AS Watson at the end of their life	<ul style="list-style-type: none"> <li>Partial primary data and average data method for suppliers extrapolated from 2018 data</li> </ul>
15. Investments	Emissions associated with AS Watson’s investments	<ul style="list-style-type: none"> <li>Average-data method by applying emission factor from USEEIO dataset v1.1.1</li> </ul>

## Social KPIs

### Social KPIs<sup>1,2</sup>

Number of Employees	Unit	2021	2022	2023
Total		126,644	123,280	127,701
By Employment Type	Full-time	74,871	71,874	71,864
	Part-time	51,773	51,406	55,837

Number of Full-Time Employees	Unit	2021	2022	2023
By Gender	Male	17,452	16,747	16,748
	Female	57,419	55,127	55,116
By Employee Category	Manager Grade or Above	2,795	2,943	3,057
	General Staff	72,076	68,931	68,807
By Age Group	Under 30	27,847	25,901	25,914
	30-49	41,520	40,255	40,101
	50 or Above	5,504	5,718	5,849
By Geographical Region	Hong Kong	7,651	7,325	6,982
	Mainland China	26,725	22,893	21,058
	Europe	17,279	16,502	16,428
	Canada	0	0	0
	Asia, Australia and Others	23,216	25,154	27,396

## Social KPIs<sup>1,2</sup>

Turnover Rate for full-Time Employees		2021	2022	2023
Overall		31%	36%	33%
By Gender	Male	29%	31%	27%
	Female	32%	38%	35%
By Age Group	Under 30	50%	61%	57%
	30-49	21%	23%	20%
	50 or Above	19%	18%	18%
By Geographical Region	Hong Kong	25%	24%	24%
	Mainland China	29%	29%	22%
	Europe	42%	44%	39%
	Canada	0%	0%	0%
	Asia, Australia and Others	29%	43%	40%

Work-Related Fatalities		2021	2022	2023
Number of Work-Related Fatalities		1	0	1
By Employee Type	Full-Time Employees	1	0	1
	Contractors	0	0	0
Rate of Work-Related Fatalities		0.001%	0.000%	0.001%

Lost Days due to Work Injury		2021	2022	2023
Number of Lost Days Due to Work Injury		22,273	20,960	15,484
Number of Lost Time Injury Incidents		570	430	497

Percentage of Full-Time Employees Who Received Training		2021	2022	2023
Overall		91%	84%	85%

## Social KPIs<sup>1,2</sup>

Breakdown of Full-Time Employees who Received Training		2021	2022	2023
By Gender	Male	22%	22%	22%
	Female	78%	78%	78%
By Employee Category	Manager Grade Or Above	3%	4%	4%
	General Staff	97%	96%	96%

Average Hours of Training Completed by Full-Time Employees		2021	2022	2023
Overall		28.8	22.0	21.1
By Gender	Male	20.3	16.1	16.5
	Female	31.3	23.7	22.4
By Employee Category	Manager grade or above	15.8	16.0	15.1
	General staff	29.2	22.2	21.3

Number of Suppliers		2021	2022	2023
Total		14,984	27,684	19,410
By Geographical Region	Hong Kong	2,825	4,161	2,738
	Mainland China	1,242	3,737	2,483
	Europe	5,960	6,177	4,978
	Canada	26	118	109
	Asia, Australia and Others	4,931	13,491	9,102

Percentage of Total Products Sold or Shipped Subject to Recalls for Safety and Health Reasons		2021	2022	2023
Percentage of Total Products Sold or Shipped Subject to Recalls for Safety and Health Reasons		0.0%	0.0%	0.0%

## Social KPIs<sup>1,2</sup>

Number of Complaints Received	2021	2022	2023
Products Related	3,133	3,943	3,789
Services Related <sup>2</sup>	128,676	136,167	151,397

Number of Employees who Received Training on Anti-Corruption/Ethics	2021	2022	2023
Total	96,132	83,120	68,268
By Employment Type	Full-Time	50,923	45,927
	Part-Time	27,795	32,197
Percentage of Employees who Received Training on Anti-Corruption/Ethics	69%	52%	48%

Number of Training Hours on Anti-Corruption/Ethics	2021	2022	2023
Total	96,614	54,349	51,270
By Employment Type	Full-time	45,583	43,922
	Part-time	12,709	8,766

### Notes

- 1) 2021 and 2022 figures have been restated due to the exclusion of Watsons Russia. In addition, we have also restated the percentage of employees who received training on anti-corruption/ethics, the number of lost days due to work injury, the number of lost time injury incidents, the number of services related complaints received, and the average hours of training completed by full-time employees to reflect the most accurate data and align with the refined reporting approach.
- 2) Training data for full-time employees incorporates both existing employees as at the end of the reporting period and the employees who left the Group during the reporting period.



## Verification Opinion

### Scope and Objectives

Hong Kong Quality Assurance Agency (“HKQAA”) has been commissioned by AS Watson Group (“Watson”) to conduct an independent verification of the Greenhouse Gases (“GHG”) emissions inventory (“Emissions Inventory”) for the period of 1<sup>st</sup> January 2023 to 31<sup>st</sup> December 2023. The aim of this verification is to provide a limited assurance on the data consolidated in the Emissions Inventory compiled by Watson using the operational control approach against the requirements of “The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (revised edition)” [GHG Protocol], and making reference to ISO 14064-1:2018.

Watson provided the GHG Statement in the form of “2023 Sustainability Report – Environmental KPIs” based on the requirements of the GHG Protocol. The GHG information for the reporting period indicating the total direct and indirect GHG emissions were verified by HKQAA to a limited level of assurance, an opinion was concluded by the verification team from the verification activities, including:

- Offsite verification with the aid of Information Communication Technology (ICT) of the GHG emission data associated to “mobile emissions, electricity consumption and other indirect emissions as well as GHG emissions from activities of wholly owned offices, retail stores and warehouses;
- Desk-top review for application of online GHG data management system; and
- Desk-top review for documentation and supporting evidence.

HKQAA adopted a risk-based approach for the verification. Our examination includes assessment of evidence relevant to the amounts and disclosures in relation to Watson’s reported GHG emissions.

### Conclusion

Total GHG emissions of AS Watson Group for the period of 1<sup>st</sup> January 2023 to 31<sup>st</sup> December 2023 was as follows:

2023 GHG Emissions – GHG Protocol	Tonnes (T) of CO <sub>2</sub> equivalent
Scope 1 Direct GHG emissions	116,566
Scope 2 Indirect GHG emissions from purchased energy	368,441
<b>Total (Scope 1 Direct + Scope 2 Indirect Emissions)</b>	<b>485,007</b>
Scope 3 Indirect GHG emissions	9,884,634

Signed on behalf of Hong Kong Quality Assurance Agency:

Lead Verifier:

Tommy Lo

Chief Operating Officer:

K.T. Ting

Date of Issuance: 22 May 2024

Verification Opinion No.: 14917362-VER

Remarks:

This is the extract of verification opinion no. 14917362-VER. For the detailed information, please refer to the full version of verification opinion.

Since 1841, AS Watson Group has grown into an international retail and manufacturing business with operations in 28 markets worldwide, serving over 5.5 billion customers each year. Today, the Group operates 12 retail brands with over 16,500 offline plus online retail stores covering a wide range of products from health & beauty chains, luxury perfumeries & cosmetics to food, electrical & electronics and fine wine. Also, as an established player in the beverage industry, we provide a full range of beverages from bottled water, fruit juices, soft drinks, to wine wholesale and distribution. AS Watson Group employs about 130,000 staff, and is a member of the world-renowned multinational conglomerate CK Hutchison Holdings Limited which has major interests in four core businesses – ports and related services, retail, infrastructure and telecommunications in over 50 countries.

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